TITANS

China Titans Energy Technology Group Co., Limited
中國泰坦能源技術集團有限公司*

Incorporated in the Cayman Islands with limited liability
Stock Code : 2188

2018
ANNUAL REPORT

* For identification purpose only

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CORPORATE INFORMATION

Directors	Executive Directors Mr. Li Xin Qing *(Chairman)* Mr. An Wei *(Chief Executive Officer)* Independent non-executive Directors Mr. Li Wan Jun Mr. Zhang Bo Mr. Pang Zhan
Audit Committee	Mr. Li Wan Jun *(Committee Chairman)* Mr. Zhang Bo Mr. Pang Zhan
Remuneration Committee	Mr. Zhang Bo *(Committee Chairman)* Mr. Li Wan Jun Mr. Pang Zhan
Nomination Committee	Mr. Li Xin Qing *(Committee Chairman)* Mr. Zhang Bo Mr. Pang Zhan
Authorised Representatives	Mr. Li Xin Qing Ms. Ho Wing Yan
Company Secretary	Ms. Ho Wing Yan
Auditor	SHINEWING (HK) CPA Limited
Registered Office	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands

CORPORATE INFORMATION

Principal Place of Business and Address of Headquarters in the PRC	Titans Science and Technology Park No. 60 Shihua Road West Zhuhai Guangdong Province The People's Republic of China
Principal Place of Business in Hong Kong	Units 3306-12, 33/F., Shui On Centre Nos. 6-8 Harbour Road Wanchai Hong Kong
Principal Share Registrar and Transfer Office	SMP Partners (Cayman) Limited Royal Bank House 3rd Floor 24 Shedden Road P.O. Box 1586 Grand Cayman KY1-1110 Cayman Islands
Hong Kong Branch Share Registrar and Transfer Office	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Legal Adviser	*As to Hong Kong law:* P. C. Woo & Co. 12th Floor, Prince's Building 10 Chater Road Central Hong Kong
Principal Banker	Bank of Communications Zhuhai Jida Sub-branch 1/F, Zhong Dian Tech Building Jida Jiuzhou Road The PRC
Stock Code	2188
Website	www.titans.com.cn

FINANCIAL HIGHLIGHTS

OPERATING FIGURES FOR THE PAST FIVE YEARS

For the year ended 31 December	**2018 RMB'000**	2017 RMB'000	2016 RMB'000	2015 RMB'000	2014 RMB'000
Revenue	**270,204**	327,861	289,298	195,902	178,517
Gross profit	**82,231**	113,147	94,675	71,785	60,090
(Loss) Profit for the year attributable to owners of the Company	**(40,168)**	163,706	7,279	(26,061)	(43,831)
Total comprehensive (expense) income for the year attributable to owners of the Company	**(42,260)**	54,626	109,409	(25,205)	(43,621)
(Loss) Earnings per share					
Basic	**RMB(0.043)**	RMB0.177	RMB0.008	RMB(0.030)	RMB(0.052)
Diluted	**RMB(0.043)**	RMB0.165	RMB0.008	RMB(0.030)	RMB(0.052)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR THE PAST FIVE YEARS

As at 31 December	**2018 RMB'000**	2017 RMB'000	2016 RMB'000	2015 RMB'000	2014 RMB'000
Total assets	**983,542**	1,061,898	966,908	731,576	618,402
Non-current assets	**255,474**	285,679	109,562	57,038	75,333
Current assets	**728,068**	776,219	857,346	674,538	543,069
Total liabilities	**391,529**	404,463	381,866	253,789	206,865
Current liabilities	**279,090**	382,409	263,517	244,470	197,609
Net current assets	**448,978**	393,810	593,829	430,068	345,460
Net assets	**592,013**	657,435	585,042	477,787	411,537

FINANCIAL HIGHLIGHTS

FINANCIAL INDICATORS FOR THE PAST FIVE YEARS

For the year ended 31 December	2018	2017	2016	2015	2014
Inventory turnover [(1)] (days)	**153**	148	176	228	203
Trade and bills receivables turnover [(2)] (days)	**333**	267	302	483	477
Trade and bills payables turnover [(3)] (days)	**155**	120	122	208	201
Current ratio [(4)] (times)	**2.61**	2.03	3.25	2.76	2.75
Gearing ratio [(5)] (%)	**28.00**	20.90	23.30	17.32	15.36
Return on equity [(6)] (%)	**(7.04)**	25.96	1.26	(5.58)	(10.70)

Notes:

(1) Inventory turnover equals the average of inventories at the beginning and the ending of the year divided by cost of sales, and multiplied by 365.

(2) Trade and bills receivables turnover equals the average of trade and bills receivables at the beginning and the ending of the year divided by revenue and 1+16% value added tax (as trade and bills receivables include the value added tax receivables from customers), and multiplied by 365.

(3) Trade and bills payable turnover equals the average of trade and bills payables at the beginning and ending of the year divided by cost of sales and 1+16% value added tax (as trade and bills payables include the value added tax payable to suppliers), and multiplied by 365.

(4) Current ratio is current assets divided by current liabilities.

(5) Gearing ratio equals bank and other borrowings divided by total assets, and multiplied by 100%.

(6) Return on equity is profit (loss) attributable to owners of the Company divided by equity attributable to owners of the Company, and multiplied by 100%.

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of China Titans Energy Technology Group Co., Limited (中國泰坦能源技術集團有限公司*) (the "Company") and its subsidiaries (collectively the "Group"), I hereby present the annual report for 2018 of the Group.

In 2018, the new energy vehicle industry achieved steady growth amid restructuring. The shortfall of charging infrastructure to new energy vehicles remained and expediting the development of charging infrastructures continued to be the main task for China's new energy vehicle industry. According to the statistics from the PRC's Ministry of Industry and Information Technology, the production and sales of new energy vehicles were 1,270,000 units and 1,256,000 units, representing a year-on-year growth of 59.9% and 61.7%, respectively. Among them, the production and sales of pure electric vehicles were 986,000 units and 984,000 units, representing a year-on-year growth of 47.9% and 50.8%, respectively. According to the statistics from the China Electric Vehicle Charging Infrastructure Promotion Alliance, 331,000 charging piles were newly installed in 2018, including 103,000 new public charging piles. While the charging equipment market witnessed intensifying competition, inconsistent price, irrational investment, overlooking product quality and safety and poor services were common in 2018.

Given the above market environment, the year 2018 was challenging for the Group. During the reporting period, the Group recorded revenue of RMB270,204,000, representing a decrease of 17.59% over that of the corresponding period last year. Loss attributable to owners of the Company amounted to approximately RMB40,168,000. The decrease in revenue was mainly attributable to the significant decline in revenue from our major product, namely electric vehicle charging equipment, as a result of fiercer market competitions. Despite the temporary downturn in sales of vehicle charging products, the Group made progress in many aspects of operations in 2018. For instance, during the reporting period, it intensely developed the EPC (Engineering Procurement Construction) business in Guangzhou, Maoming and Hefei with its outstanding one-stop system solution and comprehensive service capability. Leveraging the Group's innovative products and technology, effective marketing model and customers' trust, our electrical DC products also delivered excellent results during the reporting period. Furthermore, in terms of investment, construction and operation, the Group enhanced the construction of public charging network and boosted the utilization efficiency of charging stations by expanding into new business in collaboration with vehicle operators.

Up to now, the Group has gained extensive expertise in technology, quality and technique. The comprehensive service capability of vehicle charging products has helped the Group maintain the leading position in the industry and our "Titans" brand developed over the years remains a key player in the market. In 2019, the combined effect of policy and market factors will put the electric vehicle charging industry on the track of healthy development and the charging industry will gradually shift from disorder competition to a restructuring period. As a result, a scientific, orderly and rational charging equipment and service market will soon be formed and the Group will be able to give full play to its existing strengths and competitive edges. 2019 will be a crucial year for us to enhance quality and efficiency. With the mission of "making electricity more valuable" in mind, we will seize opportunities and adapt to changes. Under our dual-drive strategy of "Manufacturing + Operation", in addition to focusing on product and technology innovation, we will upgrade product and after-sale service management, pursue more efficient operational management and make steady progress for our principal business, with the view of offering higher profitability and corporate value for shareholders as a whole.

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CHAIRMAN'S STATEMENT

The year 2019 marks a new starting point, presents new opportunities and brings new challenges. After 27 years of dedication, devotion and weathering the storm, the Group will adhere to its mission and overcome difficulties. Lucid waters and lush mountains are invaluable assets. In line with this concept, we promote electricity energy development and the construction of charging infrastructure with applications of electricity and electronic technology, thereby facilitating green, low-carbon and sustainable development.

On behalf of the Board, I would like to take this opportunity to sincerely thank all our shareholders, partners, customers and colleagues for their trust and support to the Group.

Li Xin Qing
Chairman

Hong Kong, 29 March 2019

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the year ended 31 December 2018 (the "Reporting Period"), the Group recorded revenue of approximately RMB270,204,000, representing a decrease of approximately 17.59% over that of last year. Revenue was mainly derived from the Group's principal businesses including various products such as direct current power system products (the "DC Power System products" or "electrical DC products"), charging equipment for electric vehicles, construction under build-operate-transfer ("BOT") arrangements and charging services for electric vehicles. The table below shows the revenue of different series of products of the Group for the years ended 31 December 2017 and 2018:

	For the year ended 31 December			
	2018		2017	
	RMB'000	**%**	RMB'000	%
Electrical DC products	**120,687**	**44.67**	97,065	29.61
Charging equipment for electric vehicles	**112,380**	**41.59**	211,521	64.51
Construction under BOT arrangements	**16,874**	**6.24**	6,835	2.08
Charging services for electric vehicles	**17,793**	**6.59**	10,414	3.18
Others	**2,470**	**0.91**	2,026	0.62
Total	**270,204**	**100**	327,861	100

In 2018, the Group recorded the loss attributable to owners of the Company and total comprehensive expense attributable to owners of the Company of approximately RMB40,168,000 and RMB42,260,000, respectively, representing a decrease of approximately RMB203,874,000 and approximately RMB96,886,000 over the profit of approximately RMB163,706,000 and RMB54,626,000 of the corresponding period last year.

Compared with 2017, the Group's loss significantly increased, mainly due to: (1) the decrease in revenue of key products compared with last year; (2) the significant increase in loss on disposal of available-for-sale financial asset during the year; (3) the significant increase in agency fees in relation to the disposal of available-for-sale financial assets during the year.

Electrical DC products

During the Reporting Period, the Group's revenue of the electrical DC products was approximately RMB120,687,000, representing an increase of approximately 24.34% over 2017. The Directors consider that the increase in revenue during the Reporting Period was mainly attributed to factors such as a relatively rapid growth in small power systems, a product launched by the Company for the automated distribution network market and the adjustment of sales strategy. The Directors consider that despite the mature electrical products market, the market will be further consolidated and record a steady growth with the expansion of automated distribution networks.

MANAGEMENT DISCUSSION AND ANALYSIS

Charging equipment for electric vehicles

During the Reporting Period, the Group's revenue of the charging equipment for electric vehicles amounted to approximately RMB112,380,000, representing a decrease of approximately 46.87% over 2017. The Directors consider that the market competition in respect of the sales of charging equipment for electric vehicles during the Reporting Period was more intensive than expected. Currently, given the low standardization of charging equipment products and the ever-changing demand of the users, the Group is falling behind in regard of its sales strategy adjustment, resulting in a relatively significant decrease in turnover during the Reporting Period. The Group remains optimistic about the development prospect of the charging facilities for new energy vehicles, and will strive to expand its market share by establishing and gradually optimizing the complete business chain covering "planning, design, construction, equipment supply and intelligent services".

Construction under BOT arrangements

During the Reporting Period, the Group has undertaken an additional construction project of BOT charging stations in Guangdong Province in the PRC, and has recorded revenue of approximately RMB16,874,000 from construction under BOT arrangements during the Reporting Period, representing a year-on-year increase of approximately RMB10,039,000 from approximately RMB6,835,000. The increase in revenue from the construction under BOT arrangements was mainly attributed to the fact that the Group adopted a more flexible investment strategy. The Directors believe that the market of charging station network construction is huge. The Group will continue to accumulate experience in investment and seek the appropriate profit-making models for the long-term development of the Group based on its strengths. Coupling this with the efforts in the R&D and production of charging equipment, the Group will be well poised to enter into the relevant segment and make the best of various advantages and resources to scale up construction, so as to deliver greater economic benefit for the Group and expand its market share.

Charging services for electric vehicles

During the Reporting Period, the Group recorded revenue from charging services fees for electric vehicles of approximately RMB17,793,000 (2017: approximately RMB10,414,000). The Directors are of the view that the charging services fees for electric vehicles had a growth of 70.86% during the Reporting Period, which met the expectation of the Group that the launch of our "Dual Drive" development strategy will create benefits for the Group. The Group will continue to scale up the investment in the operation of charging infrastructure for electric vehicles, thus increasing the proportion of the revenue from charging services for electric vehicles in the total revenue.

Others

During the Reporting Period, the Group's revenue of other business amounted to approximately RMB2,470,000 (2017: approximately RMB2,026,000), being revenue from sales and lease business for electric vehicles, representing an increase of approximately 21.92%.

Sales and lease business for electric vehicles is a related business arising from the Group's commencement of the charging services for electric vehicles. The revenue recorded a mild year-on-year increase. The Directors consider that this business will gradually grow with the gradual expansion of the application of new-energy vehicles.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's major operating activities in 2018:

In the face of immense downward pressure on the economy and tight financial market conditions, the industry in which the Group operates performed well as a whole in 2018. According to the statistics from China Association of Automobile Manufacturers, in 2018, the production and sales of domestic new energy vehicles were 1,270,000 units and 1,256,000 units respectively, representing an increase of 59.95% and 61.65% as compared to the corresponding period last year. Among which, the production and sales of pure electric vehicles amounted to 986,000 units and 984,000 units respectively, representing a growth of 47.83% and 50.92% as compared to the corresponding period last year. This suggests that the steady development of new energy vehicles will continue to be overwhelming. In terms of charging infrastructure, as shown in the data published by the China Electric Vehicle Charging Infrastructure Promotion Alliance (the "EVCIPA"), there were 808,000 units of charging facilities nationwide as of December 2018, which included 348,000 units of new charging facilities, representing an increase of 35.90% as compared to the corresponding period last year. In particular, the number of public charging facilities reached 331,000 units, up 103,000 units or 18.70% over last year.

Despite increasing overall demand in the industry, a disorderly market with rising competitors has led to more intense competition and a challenging business environment. As a result, the Group had a difficult year in 2018. During the Reporting Period, the Group maintained growth in its original principal businesses, namely power DC power supply and charging operation business. However, the sales of charging equipment decreased significantly due to effect of factors such as intensifying market competition and failure of the Group's sales policy to promptly keep up with the complex and changing external environment. The main operating updates are as follows:

I. In terms of equipment research and development, manufacturing and sales

1. *Electrical DC products*

During the Reporting Period, the segment recorded revenue of approximately RMB120,687,000, representing an increase of 24.34% as compared to the corresponding period last year. The sales of electrical DC products were in line with Directors' expectation, which was attributable to sales model and product mix optimization and more stringent product quality control.

In terms of market development, the Group adopted the dual sales mode of "direct sales + agency sales" to offer quality comprehensive services to customers in a more effective manner. Through market segmentation and sales model optimization, it secured customers faster and more precisely to provide customized high-quality plans.

The Group has maintained its edges in research and development and innovation. On one hand, it devoted great efforts to promote the upgrade of existing products and improve functionality and process performance. On the other hand, it optimized the product mix by marketing a number of new products. For example, it applied the stabilized voltage power supply, the intelligent failure-prevention devices for power transmission cables and other new products in the Guiyang Rail Transit Line 2 Project, the New Beijing Airport Project and the environmental power plant of Shenzhen Energy Environmental Co. Ltd. and other projects, which delivered satisfactory performance.

MANAGEMENT DISCUSSION AND ANALYSIS

2. *Charging equipment for electric vehicles*

During the Reporting Period, the revenue from this segment amounted to RMB112,380,000, representing a year-on-year decrease of 46.87%. This was mainly due to more intense market competition and inefficient adjustment of sales strategy. Although the revenue was in decline, the Company strengthened its capabilities and actively enhanced the intelligent charging services with technologies such as mobile internet, internet of things and big data to cater for users' needs and improve customer experience. This has facilitated the healthy development of the charging infrastructure industry. The Group is strongly optimistic about the outlook of the sector and believes that it will return to healthy market competition after a period of adjustment.

With the view to addressing users' concern on all fronts prior to, during and after sales, the Group adopted the "five-dimensional service system" encompassing the planning system, the supply of equipment, mobile operation, the operation and maintenance system and the operating platform as the five dimensions. This approach has won customers' recognition. For the engineering procurement construction of charging facilities, capitalized on 13 years of extensive experience in electric vehicle charging technology and project execution, the Group has established strong capabilities in offering one-stop system solution and comprehensive services, thereby garnering prominent competitive strengths in the industry. During the Reporting Period, the Group commenced the operation of various EPC projects, such as the Shiji Headquarters Charging Stations (the largest new energy electric vehicle charging station in Panyu District, Guangzhou), the Bus Charging Station Project at the headquarters in Conghua District, Guangzhou, the Jinbao Charging Station Project (the first intelligent electric vehicle charging station that integrates photovoltaic power, storage and charging in Maoming that combines photovoltaic power and power storage), as well as the overall electric vehicle charging network project covering government, schools, residential communities and industrial parks in Hefei.

II. In terms of investment, construction and operation

During the Reporting Period, the revenue from charging service fees went up by 70.86% year-on-year to RMB17,793,000, thus becoming a stable and sustained source of income for the Group. Through relevant market survey and analysis, the Group considered its own circumstances and took a more prudent and cautious approach in the selection of new investment operation projects and the expansion of existing ones. Based on the principle of selecting the best projects out of the best, it launched charging operation projects with clear demand and ensured the healthy and orderly growth of charging facilities operation. Main tasks during the Reporting Period are as follows:

1. *Collaboration with vehicle operators for higher utilization efficiency of charging stations*

In addition to offering customized services to major customers, the Group also joined hands with vehicle operators to promote utilization efficiency of charging stations through refined management and market-oriented operation. During the Reporting Period, the utilization efficiency of single charging piles in the charging station at Beijing Aerospace City Bridge No. 2 was nearly 40%, which was much higher than the industry average. Meanwhile, the bus charging station at Foshan No. 3 Middle School provided charging services for buses in the daytime and opened to the public at night, which effectively boosted its utilization rate and profitability.

MANAGEMENT DISCUSSION AND ANALYSIS

2. *Steady development of BOT projects*

Learning from its experience in BOT projects, the Group understands that such projects are one of the important means to invest in and operate electrical vehicle charging infrastructure. Therefore, it has actively explored and developed BOT projects to further strengthen its competitiveness in the charging operation market. During the Reporting Period, the Group commenced the Changang West Bus Depot Charging Station Project, which is a charging station BOT project in Foshan, Guangdong Province. The station can meet the charging needs of 104 electric buses and the Group has recorded construction revenue of approximately RMB16.87 million from the BOT arrangement. The project signifies a further step towards the construction of a charging network in the Guangdong-Hong Kong-Macao Greater Bay Area.

3. *Expansion to on-campus charging stations*

Given the relatively concentrated needs for power charging in higher education institutions in Beijing, the Group started to make plans for on-campus charging stations during the year and pioneered the development of charging facilities in these school districts. This not only improved the campus environment, but also facilitated the rapid growth of new energy vehicles through the demonstration effect of users at schools.

4. *Station upgrade and remodeling to increase customers' demand*

The Group took active measures to offer more comprehensive charging support services to customers at stations, in a bid to enhance their consumption experience, satisfaction and loyalty. It also encouraged the use of charging services through station upgrade and remodeling. For instance, the charging station at Southland Olympic Park, Guangzhou, had an installed capacity of 769KW and daily charging capacity of up to 3,082KW.

III. In terms of basic coverage

1. *Enriching talent training to upgrade human capital*

In pursuit of corporate development goals and a better training system, the Group particularly stepped up efforts to strengthen internal and external training and implemented a point system for training management, so as to ensure effective training and improve the quality of talents.

2. *Establishment of internal entrepreneurship platform*

In order to inspire operational viability, strengthen staff's internal management capability and foster a positive relationship for mutual growth, during the Reporting Period, Zhuhai Titans Technology Co., Ltd.* (珠海泰坦科技股份有限公司) ("Titans Technology"), a subsidiary of the Group, set up an internal entrepreneurship platform that creates mutual value and shared benefits between the company and employees, so that they could achieve win-win results.

MANAGEMENT DISCUSSION AND ANALYSIS

3. *Building of R&D and manufacturing base*

During the Reporting Period, the Group topped out and started the interior fit-out works for the R&D and manufacturing base in Zhuhai Hi-tech Zone. Adopting the green construction model that integrates photovoltaic power, storage and charging, the new base will be put into use in the second half of 2019. The launch of this modern base will provide the Group with a more reliable and safe workplace for research, development, production and operation, where the R&D function and manufacturing function are placed together in an attempt to achieve higher efficiency and support sustainable development.

The Group's Business Focuses and Related Plans for 2019

Industry Structure and Trends:

At a press conference of the Ministry of Industry and Information Technology (MIIT), an MIIT official predicted that the new energy vehicles market would further expand in 2019, with a production and sales volume exceeding 1.5 million. Meanwhile, at the Report on Development of Electric Vehicle Charging Infrastructure and Construction of Monitoring Platform in the PRC, the EVCIPA forecasted the number of public charging piles and public charging parks to grow by 118,000 and 10,700 respectively in 2019.

Previously, various automobile companies have launched new energy vehicle development plans. For example, Geely aims to achieve a portfolio with more than 90% being new energy vehicles by 2020; BAIC Group plans to cease the sales of fossil fuel vehicles by 2025; Mercedes-Benz targets to electrify the entire product offering by 2022; and Volkswagen sets its goals for full electrification and phase out of fossil fuel vehicles by 2030. The banning of sales of fossil fuel vehicles will no doubt speed up the development of new energy vehicles.

As the source of power supply for new energy vehicles, charging infrastructure will be under fast construction and development, which will lay a solid foundation for the industry. The Group is strongly optimistic for the prospects of new energy vehicle charging facilities and adheres to the dual-drive strategy of "Equipment + Operation". Specific tasks for 2019 are planned as follows:

I. In terms of equipment manufacturing

1. The restructuring of user requirements is underway due to the lack of a universal standard for charging facilities. In view of this, the first task of the Group is to maintain and enhance the leading position of its product series and comprehensive service capabilities in 2019. It will have to keep abreast of the demand from market and customers (in particular non-grid customers) to establish and progressively optimize the complete business chain covering "planning, design, construction, the supply of equipment and intelligent services".

MANAGEMENT DISCUSSION AND ANALYSIS

2. The Group will continue to maintain a leading position in terms of technology with focuses on three aspects regarding technology development: (1) introduction of products integrating photovoltaic power, storage and charging to the market in 2018 and further improvement of its product series and standardization in 2019; (2) introduction of water-cooled charging modules and initiation of silicon carbide charging module research and development to resolve the problem of charging implementation adapted to the environment; (3) introduction of intelligent charging project management and engineering service system for charging facilities.

3. In view of the non-standardized and engineered product features of charging facilities, the Group should maintain a leading position in supply chain management by (1) standardizing products and services; (2) shortening the supply chain and enhancing the efficiency of product and service delivery to achieve a faster and better delivery than competitors; (3) further expanding the production capacity.

4. Through capital means such as mergers and acquisitions, we will integrate the superior resources from upstream and downstream and thus rapidly expanding the scale of the enterprise.

II. Charging investment and operations

1. In 2018, with the promulgation of "Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area" as a key area for promoting new energy industry, rapid and stable investment opportunities will definitely burst out for charging and energy storage businesses in 2019 and the Group will seize the opportunity to focus its investment and operation of charging and energy storage in the Greater Bay Area.

2. Attracting strategic investors, exploring joint ventures and cooperation in station construction will complement the shortcomings of the Company by virtue of capital and market resources.

3. Maintaining its leading position in resource integration ability by (1) cooperating with OEMs and vehicle operators in tracking the latest battery technology, providing the most reasonable charging solution to build an effective charging network; (2) cooperating with local governments in top-level design with spread implementation to maintain its leading role as the local charging facility operator and service provider; (3) cooperating with property and parking lot resources in building a charging network to achieve mutual benefit for both property and charging business.

4. Adhering to the major operation principle of "efficiency focusing, risk controlling and rhythm mastering" by (1) emphasizing project profitability and cash recovery ability to effectively avoid the occurrence of barren piles and vehicles; (2) laying stress on the risk prevention regarding the technological operation of vehicle models and batteries; (3) controlling the investment rhythm and proportional allocation between "centralized exclusive charging project" and "public charging facility" so as to maximize the efficiency of capital utilization.

5. Maintaining its leading strengths of refined management in investment and operation with the management principle of "dual core for doubling efficiency" by (1) optimizing power utilization efficiency with the least input, the fastest service provision and the lowest consumption to achieve the leading power utilization efficiency in terms of equipment; (2) enhancing the facility utilization efficiency in terms of users by virtue of enhancing vehicle and user adhesiveness to better improve the utilization efficiency of charging facilities.

MANAGEMENT DISCUSSION AND ANALYSIS

III. Fundamental management

1. Through integration of business chains, optimization of business management procedures and organizational structure, the Company will strive to effectively control and reduce the management costs in 2019.

2. Through adjustment to sales policy, reduction of the proportion of fixed costs in sales expenses and increasing the proportion of sales personnel's performance bonus and bonus, the Company will strive to effectively control and reduce sales expenses in 2019.

3. Through optimizing the Group's financial structure, exploring diversified financing models and rationally arranging financing plans, the Company will improve its financing capabilities and reduce the risks of financial costs to the Group's operations.

In 2019, the external environment will return to growth. The Group will emphasize on solving internal problems and actively respond to complex and volatile situations. We believe that we, by management optimization, increasing income and reducing expenditures, will realize a substantial enhancement in our performance in 2019.

FINANCIAL REVIEW

Revenue

Our revenue decreased from RMB327,861,000 for the year ended 31 December 2017 to RMB270,204,000 for the year ended 31 December 2018, representing a decrease of approximately 17.59%. The decrease in revenue of the Group was mainly due to the fact that the revenue from charging equipment for electric vehicles, one of the Group's key products, was affected by combined factors of the increasingly competitive market and the adjustment of sales strategy and recorded a relatively substantial decrease during the Reporting Period. And the revenue of electrical DC products, another key product of the Group, and charging services for electric vehicles and construction under BOT arrangements increased in varying degrees, among which the growth of the revenue from electrical DC products was 24.34% while revenue from charging services fees for electric vehicles increased by 70.86% and revenue from construction under BOT arrangements significantly increased by 2.47 times.

Cost of sales

Our cost of sales, which mainly included raw material costs, direct labour costs and manufacturing expenses, decreased by approximately 12.45% from RMB214,714,000 for the year ended 31 December 2017 to RMB187,973,000 for the year ended 31 December 2018. The decrease in cost of sales was main attributable to the decrease in revenue during the Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS

Gross Profit

The table below sets out our gross profit and gross profit margin for the years ended 31 December 2017 and 2018:

	For the year ended 31 December 2018			For the year ended 31 December 2017		
	Gross Profit RMB'000	**Percentage of total gross profit %**	**Gross profit margin %**	Gross Profit RMB'000	Percentage of total gross profit %	Gross profit margin %
Electrical DC products	**30,218**	**36.75**	**25.04**	22,665	20.03	23.35
Charging equipment for electric vehicles	**41,135**	**50.02**	**36.60**	83,202	73.54	39.34
Construction under BOT arrangements	**5,976**	**7.27**	**35.41**	1,919	1.70	28.07
Charging services for electric vehicles	**4,737**	**5.76**	**26.62**	4,786	4.23	45.96
Others	**165**	**0.20**	**6.69**	575	0.50	28.38
Total/average	**82,231**	**100**	**30.43**	113,147	100	34.51

Our gross profit decreased by approximately 27.32% from RMB113,147,000 for the year ended 31 December 2017 to RMB82,231,000 for the year ended 31 December 2018. Our gross profit margin decreased from approximately 34.51% for the year ended 31 December 2017 to approximately 30.43% for the year ended 31 December 2018. The decrease in gross profit margin as compared to that of the corresponding period of last year was primarily due to the intensified market competition in respect of the sales of charging equipment for electric vehicles, resulting in the adjustment of the product pricing by the Company during the Reporting Period.

Other revenue and income

Our other revenue, which mainly included VAT refunds, government grants and bank interest income, increased by approximately 51.94% from RMB20,019,000 for the year ended 31 December 2017 to RMB30,416,000 for the year ended 31 December 2018.

The increase in other revenue of the Group was attributable to the combined effect of, amongst others, the increase in loan interest income of approximately RMB5,753,000 and the increase in government grants of approximately RMB8,282,000 during the year.

Selling and distribution expenses

Our selling and distribution expenses, which mainly comprised the relevant expenses in sales and after-sales services, salaries of sales personnel, benefits and travelling expenses, and office expenses, entertainment expenses and other expenses, increased by approximately 4.91% from RMB48,438,000 for the year ended 31 December 2017 to RMB50,814,000 for the year ended 31 December 2018. Our selling and distribution expenses as a percentage of revenue increased from approximately 14.77% for the year ended 31 December 2017 to approximately 18.81% for the year ended 31 December 2018. The increase in the Group's

MANAGEMENT DISCUSSION AND ANALYSIS

selling and distribution expenses was mainly due to the following integrated factors during the Reporting Period: (1) sales-related expenses such as salaries, travelling and entertainment expenses increased by approximately RMB2,673,000; (2) sales-related expenses such as office and advertising expenses increased by approximately RMB738,000; (3) sales-related fees such as bid-winning services fees increased by approximately RMB600,000; (4) sales-related expenses such as transportation, installing and testing expenses decreased by approximately RMB1,363,000; and (5) sales-related expenses such as amortization, depreciation and other miscellaneous expenses decreased by approximately RMB428,000.

Administrative and other expenses

Our administrative and other expenses, which mainly comprised, inter alia, management and back office staff costs, research and development expenses, travelling expenses and entertainment expenses, and foreign exchange gain and loss etc., increased by approximately 19.93% from RMB65,773,000 for the year ended 31 December 2017 to RMB78,879,000 for the year ended 31 December 2018. Our administrative and other expenses as a percentage of revenue increased from approximately 20.06% for the year ended 31 December 2017 to approximately 29.19% for the year ended 31 December 2018. The increase of approximately RMB13,106,000 in our administrative and other expenses during the Reporting Period was mainly due to the following integrated factors: (1) expenses such as benefits, travelling and entertainment expenses relating to management increased by approximately RMB704,000; (2) bank charges and payment to lawyers and professional individuals increased by approximately RMB13,405,000; (3) rental, transportation and other taxes increased by approximately RMB346,000; (4) expenses such as office, maintenance, consumables, subscription and utility expenses relating to management increased by approximately RMB272,000; (5) asset handling fees increased by approximately RMB61,000; (6) expenses such as salaries, research and development and depreciation expenses relating to management decreased by approximately RMB7,423,000; (7) amortization and other sundry expenses decreased by approximately RMB258,000; and (8) exchange losses increased by approximately RMB5,177,000.

Allowance for impairment loss recognised in respect of trade receivables

For the year ended 31 December 2018, individually impaired trade receivables of approximately RMB1,803,000 (2017: RMB7,294,000) was included in provision for trade receivables. The decrease in allowance for impairment loss of trade receivables of approximately RMB5,491,000 was mainly due to the effectiveness of the establishment of the trade receivables collection department.

Share of results of associates

As at 31 December 2018, the Group owned 35% (as at 31 December 2017: 35%) equity interest in Beijing Pangda Yilian New-energy Technology Co., Limited* (北京龐大驛聯新能源科技有限公司) ("Pangda Yilian"). Pangda Yilian was accounted for as the Group's associate, and the Group's share of loss from Pangda Yilian for the Reporting Period was approximately RMB924,000.

As at 31 December 2018, the Group owned 20% (as at 31 December 2017: 20%) equity in Beijing Aimeisen Information Technology Co., Ltd* (北京埃梅森資訊技術有限公司) ("Beijing Aimeisen"), which principally engaged in the construction of charging equipment network for electric vehicles business. Beijing Aimeisen was accounted for as the Group's associate, and the Group's share of loss from Beijing Aimeisen for the Reporting Period was approximately RMB8,000.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 December 2018, the Group indirectly held 18.4% (as at 31 December 2017: 26.4%) equity interest in Changsha Xiandao Technology Development Co., Ltd.* (長沙先導快線科技發展有限公司) ("Changsha Xiandao"), which is principally engaged in the sale of electric vehicles as well as the construction and operation of charging facilities. Changsha Xiandao was accounted for as the Group's associate, and the Group's share of loss from Changsha Xiandao for the Reporting Period was approximately RMB3,830,000.

As at 31 December 2018, the Group owned 49% (as at 31 December 2017: 49%) equity interest in Qingdao Jiaoyun Titans New Energy Vehicle Leasing Service Co., Ltd* (青島交運泰坦新能源汽車租賃服務有限公司) ("Jiaoyun Titans"). Jiaoyun Titans is mainly engaged in the construction of charging network for electric vehicles business and lease business for electric vehicles. Jiaoyun Titans was accounted for as the Group's associate, and the Group's share of loss from Jiaoyun Titans for the Reporting Period was approximately RMB46,000.

As at 31 December 2018, the Group owned 10% (as at 31 December 2017: Nil) equity interest in Tongren City Green Travelling New Energy Transportation Operation Co., Limited (銅仁市綠色出行新能源交通營運有限公司) ("Tongren Green Travelling"). Tongren Green Travelling is principally engaged in the construction of charging network for electric vehicles and lease business for electric vehicles. Tongren Green Travelling was accounted for as the Group's associate, and the Group's share of loss from Tongren Green Travelling during the Reporting Period was approximately RMB60,000.

During the Reporting Period, the Group owned 20% (as at 31 December 2017: Nil) equity interest in Qingdao Titans Yilian New Energy Technology Co., Limited* (青島泰坦驛聯新能源科技有限公司) ("Qingdao Titans"). Qingdao Titans is principally engaged in the construction of charging network for electric vehicles business, as well as the sale, lease and maintenance of electric vehicles. Qingdao Titans was accounted for as the Group's associate, and the Group's share of profit from Qingdao Titans during the Reporting Period was approximately RMB2,000.

During the Reporting Period, the Group owned 36% (as at 31 December 2017: 51%) equity interest in Guangdong Titans Intelligent Power Co., Ltd* (廣東泰坦智能動力有限公司) ("Guangdong Titans"). Guangdong Titans is principally engaged in the research and development, sales and manufacturing of charging equipment for Automated Guided Vehicles ("AGV"). During the Reporting Period, the Group's shares held in Guangdong Titans was diluted due to the introduction of a new shareholder by Guangdong Titans. Guangdong Titans was accounted for as the Group's associate, and the Group's share of loss from Guangdong Titans during the Reporting Period was approximately RMB111,000.

Finance costs

Our finance costs decreased by approximately 33.67% from RMB16,695,000 for the year ended 31 December 2017 to RMB11,074,000 for the year ended 31 December 2018. Our finance costs as a percentage of revenue decreased from approximately 5.09% for the year ended 31 December 2017 to approximately 4.10% for the year ended 31 December 2018. The decrease in our finance costs was mainly due to the decrease in effective interest expense on the convertible notes.

MANAGEMENT DISCUSSION AND ANALYSIS

Income tax expense

Our income tax expense was RMB1,601,000 for the year ended 31 December 2018 whereas income tax expense was RMB41,145,000 for the year ended 31 December 2017. The effective tax rate (being the ratio of our tax expense to our loss/profit before tax) for the year ended 31 December 2018 was 3.80% (2017: 20.54%).

Loss attributable to non-controlling interests

For the year ended 31 December 2018, loss attributable to non-controlling interests of the Group's non-wholly owned subsidiaries was approximately RMB3,536,000, as compared with a loss of approximately RMB4,540,000 for the year ended 31 December 2017. This amount represents the attributable loss in the non-wholly owned subsidiaries of the Company.

Loss attributable to owners of the Company

Loss attributable to owners of the Company for the year ended 31 December 2018 was RMB40,168,000 whilst profit for the year ended 31 December 2017 was RMB163,706,000, representing a decrease of RMB203,874,000.

The significant increase in loss attributable to owners of the Company was mainly due to: (1) the decrease in revenue of key products compared with last year; (2) the significant increase in loss on disposal of available-for-sale financial assets during the year; and (3) the significant increase in agency fees in relation to the disposal of available-for-sale financial assets during the year.

Total comprehensive expense attributable to owners of the Company for the year ended 31 December 2018 was approximately RMB42,260,000 whilst total comprehensive income for the year ended 31 December 2017 was approximately RMB54,626,000, representing a decrease of approximately RMB96,886,000.

Inventory Analysis

The table below sets out the information on our inventory for the years ended 31 December 2017 and 2018:

	Year ended 31 December			
	2018		2017	
	RMB'000	**%**	RMB'000	%
Raw materials	**8,985**	**11.12**	8,640	11.26
Work-in-progress	**11,709**	**14.49**	11,275	14.70
Finished goods	**60,120**	**74.39**	56,802	74.04
	80,814	**100.00**	76,717	100.00

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's inventory balances increased from RMB76,717,000 as at 31 December 2017 to RMB80,814,000 as at 31 December 2018.

Our average inventory turnover days increased from approximately 148 days for the year ended 31 December 2017 to approximately 153 days for the year ended 31 December 2018, which was due to the higher decrease in revenue in charging facilities for electric vehicles during the Reporting Period.

The Group has not made any general or special provision for the inventory as at 31 December 2018.

Analysis on Trade and Bills Receivables

As at 31 December 2017 and 2018, our trade and bills receivables (net of allowance) amounted to RMB333,094,000 (comprising trade receivables of RMB332,231,000 and bills receivables of RMB863,000) and RMB238,024,000 (comprising trade receivables of RMB236,454,000 and bills receivables of RMB1,570,000) respectively. The decrease in trade and bills receivables was mainly due to the decrease in revenue and the Company's enhanced management of trade receivable in 2018.

The table below sets forth the ageing analysis of our trade receivables by due date as of 31 December 2017 and 2018:

	Year ended 31 December 2018		Year ended 31 December 2017	
	Net amount RMB'000	**%**	Net amount RMB'000	%
0 to 90 days	**87,901**	**37.17**	151,787	45.69
91 days to 180 days	**18,884**	**7.99**	26,626	8.01
181 days to 365 days	**56,748**	**24.00**	86,798	26.13
Over 1 year to 2 years	**62,682**	**26.51**	50,527	15.21
Over 2 years to 3 years	**9,857**	**4.17**	10,379	3.12
Over 3 years	**382**	**0.16**	6,114	1.84
Total	**236,454**	**100.00**	332,231	100.00

Our key product, namely electrical DC product series, is being supplied to, among others, power generation plants and power grid companies. Sales are recognised upon product delivery which may be before the date when the trade receivables are due for payment. Our customers are only required to pay us the purchase price pursuant to the terms of the sales contracts. In respect of the sale of our electrical DC products, we may require the payment of a deposit of 10% of the total contract sum to be paid after the signing of the contract, and 80% of the contract sum to be paid by the customer after our products have been delivered and satisfactorily installed and tested. It is normally stipulated in the contract that the balance of 10% will be withheld, being the retention money as a form of product performance surety, and will be paid by the customer to us 12 to 18 months after on-site installation and testing for the equipments.

MANAGEMENT DISCUSSION AND ANALYSIS

We may grant an average credit period of 90 days from the above installment payment due dates (including the payments of deposit, the payments due after testing and the payments of retention money).

We believe that the longer trade and bills receivables turnover days and the high proportion of overdue trade and bills receivables were mainly due to (1) the fact that some of our customers in the power generation or transmission sectors settle the amounts payable to their suppliers, including us, after the completion of the construction of their whole power generation units or transforming stations; and (2) the delay in the schedule of some of the customers' projects.

Whilst we believe it is a special nature of the power electronic market that equipment suppliers will face a relatively long trade receivables turnover, we will continue to monitor, control and speed up the collection of our trade receivables by closely liaising with our customers and monitoring the progress of their projects.

For the year ended 31 December 2018, we made an impairment loss on trade receivables of approximately RMB1,803,000 (2017: approximately RMB7,294,000).

Analysis on Trade and Bills Payables

As at 31 December 2017 and 2018, our trade and bills payables amounted to approximately RMB101,193,000 (comprising trade payables of approximately RMB88,997,000 and bills payables of approximately RMB12,196,000) and approximately RMB83,490,000 (comprising trade payables of approximately RMB72,453,000 and bills payables of approximately RMB11,037,000) respectively. The decrease in trade and bills payables was mainly due to the relatively significant decrease in revenue in 2018. For the years ended 31 December 2017 and 2018, our trade and bills payable turnover days were approximately 120 days and approximately 155 days respectively.

The table below sets out the ageing analysis of our trade payables as of 31 December 2017 and 2018:

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Within 90 days	**55,367**	73,017
91 days to 180 days	**9,552**	5,541
181 days to 365 days	**12,918**	14,980
1 year to 2 years	**2,978**	7,655
Over 2 years	**2,675**	–
	83,490	101,193

MANAGEMENT DISCUSSION AND ANALYSIS

Debts

The following table sets out our indebtedness as at 31 December 2017 and 2018.

	For the year ended 31 December 2018		For the year ended 31 December 2017	
	RMB'000	**Interest rates**	RMB'000	Interest rates
Current				
Bank borrowings	**109,000**	**0.4% to 6.96%**	133,000	0.4% to 6.53%
Convertible notes	**–**	**–**	83,567	4.35%
Other borrowings	**28,990**	**5%–10%**	1,945	5.75%
Non-current				
Bank borrowings	**42,953**	**6.64%**	–	–
Other borrowings	**94,481**	**7%–14.44%**	3,450	5.75%
	275,424		221,962	

As at 31 December 2018, total bank borrowings and other borrowings amounted to RMB275,425,000 (as at 31 December 2017: RMB221,962,000), among which RMB179,481,000 were secured loans (as at 31 December 2017: RMB138,395,000) and the remaining balance of RMB95,944,000 were unsecured loans (as at 31 December 2017: nil). Bank borrowings as at 31 December 2018 were subject to the floating interest rates ranging from 0.4% to 6.96% per annum (as at 31 December 2017: from 0.4% to 6.53% per annum).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

There has been no change in the capital structure of the Group during the year ended 31 December 2018. The capital of the Group only comprises ordinary shares.

As at 31 December 2018, the total equity of the Group amounted to RMB592,013,000 (as at 31 December 2017: RMB657,435,000), the Group's current assets were RMB728,068,000 (as at 31 December 2017: RMB776,219,000) and current liabilities were RMB279,090,000 (as at 31 December 2017: RMB382,409,000). As at 31 December 2018, the Group had short-term bank deposits, bank balances and cash of RMB83,955,000 (as at 31 December 2017: RMB133,133,000), excluding restricted bank balances of RMB38,451,000 (as at 31 December 2017: RMB61,433,000). Our total assets less our total liabilities equals to our net assets, which was RMB592,013,000 as at 31 December 2018 (as at 31 December 2017: RMB657,435,000).

MANAGEMENT DISCUSSION AND ANALYSIS

The Group finances its operations with internally generated cash flow and bank borrowings. As at 31 December 2018, the Group had aggregate amount of outstanding bank borrowings and other borrowings of RMB275,425,000 (as at 31 December 2017: RMB221,962,000).

The gearing ratio (i.e. borrowings divided by total assets x 100%) was 28.00% as at 31 December 2018.

SIGNIFICANT INVESTMENTS

On 5 January 2017, the Group entered into a sale and purchase agreement with Wuxi Lead Intelligent Equipment Co., Ltd* (無錫先導智能裝備股份有限公司) ("Lead Intelligent"), pursuant to which, Zhuhai Titans Power Electronics Company Limited* (珠海泰坦電力電子集團有限公司) ("Titans Power Electronics") has conditionally agreed to dispose of, and Lead Intelligent has conditionally agreed to purchase, 10% equity interest in Zhuhai Titans New Power Electronics Company Limited* (珠海泰坦新動力電子有限公司) ("Titans New Power"), at a provisional consideration of RMB135,000,000 (equivalent to approximately HK$149,850,000). Based on the consideration adjustment mechanism under the sale and purchase agreement, the final consideration for disposal of 10% equity interest of Titans New Power by the Group was determined at RMB135,000,000 (which was equivalent to the provisional consideration), and shall be settled by Lead Intelligent by cash and the issuance of consideration shares. Details are set out in the announcement dated 6 January 2017 and the supplemental announcement dated 9 January 2017 of the Company.

Lead Intelligent distributed to all shareholders an additional 9.968631 bonus share per 10 existing shares held by them according to the 2017 profit distribution plan on 28 March 2018. Therefore, the number of Lead Intelligent shares held by the Group increased from 2,193,500 shares to 4,380,119 shares.

As of 31 December 2018, the Group has completed the disposal of all 4,380,119 shares held by it in Lead Intelligent.

Save as disclosed above, the Group did not hold any significant investment during the year ended 31 December 2018.

SHARE SUBSCRIPTION AND ISSUE OF CONVERTIBLE NOTES

Share Subscription

On 12 October 2015, the Company entered into a share subscription agreement (the "Share Subscription Agreement") with Broad-Ocean Motor (Hong Kong) Co., Limited (the "Subscriber"). Pursuant to the Share Subscription Agreement, the Subscriber agreed to subscribe for, and the Company agreed to issue, 84,096,000 Shares at the share subscription price of HK$1.19 per subscription Share (the "Share Subscription"). Such issuance was completed on 22 October 2015. For more details, please refer to the announcements of the Company dated 12 October 2015 and 22 October 2015.

Issue of Convertible Notes

On 12 October 2015, the Company and the Subscriber entered into a subscription agreement on convertible notes, pursuant to which the Company agreed to issue, and the Subscriber has subscribed for, the convertible notes in the principal amount of not more than HK$100,000,000. Based on the initial conversion price of HK$1.19, a maximum number of 84,033,613 conversion Shares will be allotted and issued upon full conversion of the convertible notes. The issue of convertible notes with aggregate principal amount of HK$100,000,000 was completed on 29 February 2016.

The closing price of the Shares as at 12 October 2015 was HK$1.40.

MANAGEMENT DISCUSSION AND ANALYSIS

On 28 February 2018, the Company and the Subscriber entered into the deed of variation, pursuant to which it is agreed that the maturity date of the outstanding convertible notes will be extended from 1 March 2018 to 1 June 2018.

On 1 June 2018, the Company and the Subscriber entered into the second deed of variation, pursuant to which it is agreed that the maturity date of the outstanding convertible notes will be extended from 1 June 2018 to 1 October 2018. During the six months ended 30 June 2018, there is no conversion of convertible notes into Shares.

For more details, please refer to the announcements of the Company dated 12 October 2015, 13 October 2015, 12 January 2016, 29 February 2016, 28 February 2018, 12 March 2018 and 1 June 2018.

Reasons for and Benefits of the Share Subscription and Issue of Convertible Notes

The Group intended to use the net proceeds from the Share Subscription and issue of the convertible notes for supplementing the operating capital of the Group. The Directors (including the independent non-executive Directors) were of the view that the Share Subscription and issue of the convertible notes would enhance the liquidity of the Group and provide capital for any future investment opportunities of the Group, and the terms thereunder were fair and reasonable and in the interests of the Group and the shareholders of the Company as a whole.

Use of Proceeds from the Share Subscription and Issue of Convertible Notes

(1) In Respect of the Share Subscription

The gross proceeds and the net proceeds (after deduction of related expenses payable by the Company) of the Share Subscription are HK$100,074,240, equivalent to approximately RMB81,988,000, and HK$99,500,000, equivalent to approximately RMB81,518,000, respectively. The net issue price per subscription share based on the above net proceeds is approximately HK$1.183.

(2) In Respect of the Issue of Convertible Notes

The aggregate principal amount of the convertible notes is HK$100,000,000, the net proceeds (after deducting estimated expenses) from the issue of the convertible notes was approximately HK$99,727,000, equivalent to approximately RMB84,246,000 and approximately RMB84,016,000, respectively and the net price per conversion share was approximately HK$1.187.

40% of the above net proceeds from Share Subscription and issue of the convertible notes will be applied as to the investment for construction and operation of charging facilities for electric vehicles of the Company, 50% of the above net proceeds will be used as to enhance the liquidity of our wholly-owned subsidiary, Zhuhai Titans Technology Co., Ltd.* (珠海泰坦科技股份有限公司) (the "Titans Technology") and the remaining 10% of the above net proceeds will be used as to the investment for research and development of new technologies on energy reserves etc. of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

	As of 21 September 2018				
Proposed use of proceeds	Intended amount to be used from Share Subscription RMB'000 (Approximately)	Intended amount to be used from issue of the convertible notes RMB'000 (Approximately)	Total intended amount to be used RMB'000 (Approximately)	Actual amount used RMB'000 (Approximately)	Unused amount RMB'000 (Approximately)
Investment for construction and operation of charging facilities for electric vehicles	**32,607**	**33,606**	**66,213**	**66,213**	**0**
Enhancement of the liquidity of Titans Technology	**40,759**	**42,008**	**82,767**	**82,767**	**0**
Investment for research and development of new technologies on energy reserves	**8,152**	**8,402**	**16,554**	**2,614**	**13,940**
	81,518	**84,016**	**165,534**	**151,594**	**13,940**

On 21 September 2018, the Company redeemed the convertible notes in full by paying the total amount of HK$102,638,888.90, being the aggregate principal amount of the convertible notes outstanding (i.e. HK$100,000,000) together with all accrued and outstanding interest, to the Subscriber (the "Redemption").

For more details on the Redemption, please refer to the announcement of the Company dated 21 September 2018.

Discloseable Transaction in relation to Provision of Financial Assistance

On 28 February 2018, Titans Power Electronics, a wholly-owned subsidiary of the Company, and Zhongshan Broad-Ocean Motor Co., Limited ("Broad-Ocean Motor") entered into a loan agreement, pursuant to which Titans Power Electronics has agreed to lend to Broad-Ocean Motor with an amount of RMB80,860,000 (equivalent to approximately HK$100,000,000) (the "Loan") for a period from 28 February 2018 to 2 June 2018 (the "Loan Agreement").

As the Subscriber and Broad-Ocean Motor are of the same group, the Company and Broad-Ocean Motor have reached the Loan Agreement with the simultaneous arrangement that the Subscriber would enter into the deed of variation to extend the maturity date of the outstanding convertible notes.

On 1 June 2018, Titans Power Electronics and Broad-Ocean Motor entered into a loan extension agreement, pursuant to which Titans Power Electronics and Broad-Ocean Motor agreed to extend the loan maturity date from 2 June 2018 to 1 October 2018 (the "Loan Extension Agreement") with the simultaneous arrangement that the Subscriber would enter into the second deed of variation to extend the maturity date of the outstanding convertible notes.

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As one or more of the applicable percentage ratios under Rule 14.07 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") in respect of the Loan Agreement and Loan Extension Agreement are more than 5% but less than 25%, the transactions contemplated under the Loan Agreement and the Loan Extension Agreement constitute discloseable transactions of the Company and are subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Details of the Loan Agreement and Loan Extension Agreement have been set out in the announcements of the Company dated 28 February 2018, 12 March 2018 and 1 June 2018.

On 21 September 2018, Broad-Ocean Motor has repaid in full the principal amount of the Loan together with all accrued and outstanding interest in connection with the Loan Agreement to the Group (the "Repayment").

For more details on the Repayment, please refer to the announcement of the Company dated 21 September 2018.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the year ended 31 December 2018, the Group had no material acquisitions or disposals of subsidiaries, associates or joint ventures.

CONTINGENT LIABILITIES

As at 31 December 2018 and at the date of this announcement, the Group had no material contingent liability.

CAPITAL COMMITMENTS

As at 31 December 2018, the Group had capital expenditure contracted for but not provided in the consolidated financial statements of approximately RMB53,690,000 (as at 31 December 2017: approximately RMB51,271,000) in respect of investment, factory renovation and purchase of equipment.

Save as disclosed above, as at 31 December 2018 and the date of this announcement, the Group does not have other capital expenditure authorised but not contracted for in respect of investment, factory renovation and purchase of equipment.

PLEDGE OF ASSETS

The Group's leasehold land and buildings of carrying amount of approximately RMB1,761,000 as at 31 December 2018 (as at 31 December 2017: approximately RMB2,209,000) were pledged to secure the bank borrowings and other facilities.

EMPLOYEES AND REMUNERATION

As at 31 December 2018, the Group had 523 employees in total (as at 31 December 2017: 534 employees). The remuneration paid to our employees and Directors is based on experience, responsibility, workload and the time devoted to the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group participates in various employees' benefit plans such as a retirement benefit scheme and medical insurance. The Group also makes contributions to the retirement fund in compliance in all material respects with the requirements of the laws and regulations of the jurisdictions where it operates.

All PRC-based employees are entitled to participate in the social security insurance operated by the Ministry of Labour and Social Security of the PRC, and the premium in respect of which is undertaken by the Group and the employees respectively based on percentages fixed by relevant PRC laws.

SHARE OPTION SCHEME

The Company adopted the share option scheme on 8 May 2010 (the "Share Option Scheme"). The purpose of the Share Option Scheme is to provide incentives to the eligible persons (including but not limited to employees, officers, agents, consultants or representatives of any members of the Group (including the executive or non-executive directors of any members of the Group)) for their contributions to the Company and to enable the Company to recruit and retain high-calibre employees and attract and retain human resources that are valuable to the Group.

Details of the Share Option Scheme is set out in the section headed "Share Option Scheme" in the annual report of the Company.

FOREIGN EXCHANGE

The Group conducts its business primarily in the PRC with substantially all of its transactions denominated and settled in Renminbi. The Group's consolidated financial statements are expressed in Renminbi, whereas the dividends on the shares of the Company (the "Shares"), if any, will be paid in Hong Kong dollars. Thus, any fluctuation of Renminbi could affect the value of the shares.

During the Reporting Period, the Group recorded an exchange loss of RMB5,276,000 (2017: exchange loss of RMB99,000). Such foreign exchange loss arose as a result of the difference between the exchange rate for accounting purpose on the date of transaction and the exchange rate as at 31 December 2018. As at 31 December 2018, the Group did not have significant foreign exchange hedging.

The Group adopted a conservative approach to manage its treasury policies. Our treasury function mainly involves the management of our cash flows. Cash is mainly deposited in banks in Renminbi for working capital purposes. We did not have any material holding in financial securities or foreign exchange (except for business purposes) during the year ended 31 December 2018.

Our accounts department projects monthly cash receipts and plans for cash payments based on the information provided by our marketing management and supporting teams regarding the progress on the customers' projects and relevant payment plans. Subsequently, our accounts department plans for cash payments based on the projections.

The Group endeavours to reduce exposure to credit risk by performing on-going credit assessments on the financial conditions of its customers. Our sales representatives and other sales staff, together with our sales partners monitor timely as appropriate the development of our customers' projects and communicate with our customers regarding the settlement of our trade and bills receivables.

MANAGEMENT DISCUSSION AND ANALYSIS

DISCLOSEABLE TRANSACTION IN RELATION TO PROVISION OF FINANCIAL ASSISTANCE

On 21 September 2018, Titans Power Electronics, a wholly-owned subsidiary of the Company entered into a loan agreement (the "2018 September Loan Agreement") with Shenzhen City Xinchengcan Investment Company Limited* (深圳市新城燦投資有限公司) (the "Borrower"), pursuant to which Titans Power Electronics has agreed to lend to the Borrower an amount of RMB89,610,000 for an initial term of six months from the date of the 2018 September Loan Agreement.

As one or more of the applicable percentage ratios in respect of the 2018 September Loan Agreement is more than 5% but less than 25%, the transaction contemplated under the 2018 September Loan Agreement constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Details of the provision of financial assistance has been set out in the announcement of the Company dated 21 September 2018.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Li Xin Qing, born in May 1957, is the Chairman, an executive Director, the chairman of the nomination committee of our Company and one of the substantial shareholders of the Company. Mr. Li was appointed an executive Director on 16 November 2007. Mr. Li is responsible for the overall direction and strategic planning of our Group. Mr. Li obtained a bachelor of engineering degree from Tongji University (同濟大學) in January 1982, majoring in mechanical engineering. He also obtained a second bachelor degree in industrial management and engineering from Tongji University in June 1992, majoring in industrial management and engineering. He joined our Group in September 1992. He has worked in Titans Technology where he served as vice chairman, general manager and chairman. Mr. Li received the Guangdong Province Scientific and Technological Progress Award (Class 1) for Electric Power Industry (廣東省電子工業科學技術進步一等獎) from Guangdong Province Electric Engineering Industry Department (廣東省電子機械工業廳), a department established by the local government of Guangdong Province and Zhuhai Municipality Scientific and Technological Progress Award (Class 1) (珠海市科學技術進步獎一等獎) from Zhuhai Municipality Scientific and Technological Progress Qualification Committee (珠海市科學技術進步獎評審委員會) established by the local government of Zhuhai Municipality (珠海市政府) for his participation in the research and development of the "high frequency switch power source for communications SMP-R1022FC" (通訊用高頻開關電源項目SMP-R1022FC) project in 1998. The Scientific and Technological Award was awarded on the basis that the invention or development in science and technology was considered creative and contributing to the development and improvement of the current science and technology and thus generating economic and social value. Since the Group's establishment, Mr. Li has played an active role in the Group's development, including research and development of our products and formulating the business strategies of our Group and has accumulated his knowledge and experience with the development of our Group. At present, Mr. Li is also a director of Titans BVI Limited, Grace Technology Development Limited and Titans Holdings Co., Limited, the president of Titans Technology and Titans Power Electronics and an executive director and the legal representative of Zhuhai Titans New Energy System Co., Ltd.* (珠海泰坦新能源系統有限公司), the above of which are subsidiaries of the Company.

Mr. An Wei, born in October 1956, is an executive Director, the chief executive officer of our Company and one of the substantial shareholders of the Company. Mr. An was appointed as an executive Director on 16 November 2007. Mr. An is responsible for the overall operation and management of our Group. Mr. An graduated from the post-graduate class of management engineering department in Tongji University (同濟大學) in July 1986 and obtained his doctorate degree in science management and engineering from Tongji University in November 2005. Mr. An was also accredited as a senior economist (高級經濟師) by the Title Reform Leading Group Office of Hebei Province in the PRC in August 1997. With his doctorate degree majoring in management and over 10 years of experience in the Group, Mr. An has acquired a variety of skills and extensive experiences in management. Mr. An joined the Group in September 1992 as a director of Titans Technology. He has been the general manager of Titans Technology since July 1998. He is the current vice chairman of Guangdong Province Private Enterprises Association (廣東省私營企業協會副會長), and a director of China EV100. At present, Mr. An is also a director of Titans BVI Limited, Grace Technology Development Limited, Titans Holdings Co., Limited, Titans Power Electronics and Titans Technology, the above of which all are subsidiaries of the Company.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Li Wan Jun, born in September 1968, is an independent non-executive Director, a member of the remuneration committee and the chairman of the audit committee of the Company. Mr. Li was appointed as an independent non-executive Director on 17 December 2007. Mr. Li has over 10 years of experience in accounting and auditing. He obtained a bachelor degree of economics from the University of Wuhan (武漢大學) in 1990. Mr. Li is a non-practising member of the Zhuhai Institute of Certified Public Accountants (珠海市註冊會計師協會) and was admitted as a member of the Association of Chartered Certified Accountants in June 2007. From 1996 to 2000, Mr. Li worked in the finance department of Zhu Kuan Group Co. Ltd. of Macau* (澳門珠光集團有限公司). From 2001 to 2007, Mr. Li worked as vice manager in the finance department and audit department of Zhu Kuan Group Holdings Co. Ltd. of Zhuhai City* (珠海市珠光集團控股有限公司) ("Zhu Kuan Group"). Since 2008, Mr. Li has been a financial controller of subsidiaries of the same company. Zhu Kuan Group through its subsidiaries, was the parent company of Zhu Kuan Development Co. Ltd. ("ZKD") (stock code: 908) (currently known as Zhuhai Holdings Investment Group Limited) when the shares of ZKD were listed on the Main Board of the Stock Exchange in 1999 and ceased to be the parent company of ZKD in December 2004. During such period, Mr. Li was involved in, among other things, internal control and internal audit of Zhu Kuan Group and its subsidiaries (including ZKD and its subsidiaries prior to Zhu Kuan Group).

Mr. Zhang Bo, born in October 1962, is an independent non-executive Director, the chairman of the remuneration committee and a member of each of the audit committee and the nomination committee of the Company. Mr. Zhang was appointed as an independent non-executive Director on 15 April 2013. Mr. Zhang graduated from Zhejiang University (浙江大學) with a bachelor degree in electro-mechanics (電機專業) in 1982. Mr. Zhang then obtained a master degree in mechanical engineering in 1988 (機械工程) from Southwest Jiaotong University (西南交通大學) and a doctoral degree in electric power and electronic technique (電力電子技術) in 1994 from Nanjing University of Aeronautics and Astronautics (南京航空航天大學). From 2000 to present, Mr. Zhang has served as a professor and a PhD supervisor in the School of Electric Power of South China University of Technology (華南理工大學電力學院). In October 2016, Mr. Zhang was appointed as an independent non-executive director of Shenzhen Megmeet Electronic Co. Ltd ("Megmeet"). Megmeet was listed on Shenzhen Stock Exchange on 6 March 2017 (Stock code: 002851). In March 2019, Mr. Zhang was appointed as an independent non-executive director of Guangzhou Efficient Technology Corp ("Efficient"). Efficient was listed on the National Equities Exchange and Quotations System in December 2017 (Stock code: 872457). In 2011, Mr. Zhang was awarded an Award Class II of Science and Technology in the Technical Invention Group (科學技術獎技術發明類二等獎) by the China Power Supply Society (中國電源學會) for his "Method and Application of Topological Structuring based on the Theory of TRIZ in Switch-mode Power Converters" (基於TRIZ理論的開關電源變換器拓撲構造方法及應用). In 2012, he was further awarded an Award Class II of the Guangdong Provincial Science and Technology (廣東省科學技術進步獎) for his "High Performance Power Supply Switching Soft Technique and Application" (高性能開關電源的柔性技術及應用).

Mr. Pang Zhan, born in October 1978, is an independent non-executive Director and a member of each of the audit committee, remuneration committee and nomination committee of the Company. Mr. Pang was appointed as an independent non-executive Director on 16 April 2015. Mr. Pang graduated from Nanjing University (南京大學) with a bachelor of science degree in mathematics in June 2001. He further obtained his master degree in science from Nanjing University in June 2004. In December 2007, he obtained his PhD in systems engineering and engineering management from the Chinese University of Hong Kong (香港中文大學). After graduation, Mr. Pang was engaged in scientific research and teaching in various universities including University of Calgary, Canada (加拿大卡爾加里大學), University of Cambridge, UK (英國劍橋大學), University of Toronto, Canada (加拿大多倫多大學), Lancaster University, UK (英國蘭卡斯特大學), and City University of Hong Kong (香港城市大學). He has been a tenured professor (under the academic title of associate professor) of Purdue University Krannert School of Management since September 2018. Mr. Pang's major research areas include supply chain and operations management, risk management, pricing and revenue management, big data and business analytics and optimization, etc. He has also conducted research on the renewable energy and energy storage system design and modelling in smart grid environments, and business models of electric vehicles. Mr. Pang has published multiple papers in leading international journals in the field of operations management and operations research, and has served as the senior editor of "Production and Operation Management" Magazine.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. Li Xiao Bin, born in January 1962, is a senior engineer. He obtained a bachelor degree from Hefei United University (合肥聯合大學) in 1984 and a master degree from Institute of Plasma Physics of Chinese Academy of Sciences in 1990. Mr. Li Xiao Bin worked as an engineer for three years with the Plasma Physics Laboratory of the Chinese Academy of Sciences from 1990 to 1993. Mr. Li Xiao Bin joined our Group in 1993, and he is currently a director of Titans Holdings Co., Limited, Titans Power Electronics and Titans Technology. Mr. Li Xiao Bin received the "Certificate for Outstanding Technology Improvement* (科學技術進步獎) " from the Chinese Academy of Sciences (中國科學院). Mr. Li Xiao Bin is interested in the 40% issued share capital of Honor Boom, a company which holds approximately 8.91% of the issued share capital of our Company.

Ms. Ou Yang Fen, born in December 1965, is an accountant, certified tax agent and vice president of the Group, responsible for the financial affairs of our Group. Ms. Ou Yang Fen graduated from Guangdong Radio & TV University (廣東廣播電視大學) in 1998 majoring in finance. Ms. Ou Yang obtained the accounting qualification from the Ministry of Finance (財政部) in 1997. She has been working in the field of accounting and held positions as accountant in various companies. Since the establishment of Titans Technology in September 1992, she served as our company accountant, finance manager, deputy general manager successively. She is currently general manager of the financial centre of the Group. Ms. Ou is interested in the 30% issued share capital of Honor Boom, a company which holds approximately 8.91% of the issued share capital of our Company.

Mr. Chen Xiang Jun, born in September 1968, holds a master degree in business administration. He obtained a bachelor degree of mathematics from Nankai University (南開大學) in 1990. Mr. Chen obtained an Executive Master of Business Administration degree from Tongji University (同濟大學) in 2016. Mr. Chen joined Titans Technology in March 2001. Mr. Chen is currently the president of Titans Power Electronics, a wholly-owned subsidiary of our Company. Mr. Chen is mainly responsible for the operation management and capital operation related matters.

Mr. Fu Yulong, born in January 1964, holds a master degree in business administration. Mr. Fu graduated from Zhengzhou University (鄭州大學) in 1994 and obtained a master degree of business administration from The Hong Kong Polytechnic University in 2007. Previously, he worked with a steel company in Wu Yang for more than 10 years. He joined our Group in May 2003. He is currently the legal representative and executive director of Zhuhai Titans Energy Storage Technology Co., Ltd.* (珠海泰坦儲能科技有限公司), a wholly-owned subsidiary of our Company.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

Ms. Liu Shan Hong, born in May 1975, graduated from Wuhan University of Technology (武漢理工大學) and obtained her bachelor's degree of economics in 1998, and graduated from South China University of Technology (華南理工大學) and obtained her Executive Master of Business Administration degree in 2018. Ms. Liu held management positions such as Chief Operating Officer and General Manager in Landis+Gyr Meters & Systems (Zhuhai) Co. Ltd. (蘭吉爾儀表系統(珠海)有限公司), Zhuhai Yado Monitoring Technology Co., Ltd. (珠海一多監測科技有限公司) and Sensor Tech (Zhuhai) Ltd. (珠海德信科電子有限公司) from 1998 to 2014. Ms. Liu joined our Group in 2015 and she is currently the General Manager of Titans Technology, a wholly owned subsidiary of the Company. Ms. Liu has many years of experience in the power industry as well as extensive experience in corporate management and operation.

Mr. Liu Jun, born in December 1979, graduated from North China University of Water Resources and Electric Power (華北水利水電學院) and obtained his bachelor degree in engineering in 2003, and graduated from Beijing Jiaotong University (北京交通大學) and obtained his master degree in engineering in 2015. Shortly after his graduation, Mr. Liu joined our Group and served as sales manager and project manager. From October 2007, he served as standing deputy general manager of Ruckus New Energy Technology Co., Ltd.* (優科新能源科技有限公司). After years of working in new energy vehicle charging sector, he has rich experience in sales and management. Mr. Liu currently works as director and general manager of Zhuhai Yilian, a subsidiary of our Company.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

We are committed to ensuring high standards of corporate governance at all times and in all aspects of its operations. The Board believes that good corporate governance is an essential element in enhancing the confidence of current and potential shareholders, investors, employees, business partners and the community as a whole. The Board strives to adhere to the principles of corporate governance and adopt sound corporate governance practices to meet the statutory and commercial standards by focusing on areas such as internal control, fair disclosure and accountability to all shareholders.

The Company has adopted the code provisions (the "Code Provisions") set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 to the Listing Rules. The Board regularly reviews the Company's corporate governance guidelines and developments. The Company has complied with all the applicable Code Provisions throughout the year ended 31 December 2018.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules regarding directors' securities transactions. Having made specific enquiry of all the Directors, all the Directors confirm that they have complied with the required standard of the Model Code during the year ended 31 December 2018.

THE BOARD

During the Reporting Period, the Board comprises two executive Directors and three independent non-executive Directors. Detailed biographies outlining each Director's scope of specialist experience are set out on pages 29 to 32 of this annual report. The biographies of the Directors are set out in the section headed "Biography of Directors and Senior Management" of this annual report. Save as disclosed in the biographies of the Directors as set out under the section headed "Biography of Directors and Senior Management" of this annual report, none of the Directors has any personal relationship (including financial, business, family or other material/relevant relationship), with any other Director.

Four Board meetings were held during the year 2018. Regular Board meetings were held at least once every quarter.

The Board ensures that its members are supplied, in a timely manner, with all necessary information in a form and of a quality appropriate to enable the Directors to discharge their duties. All the Board meetings adhere to a formal agenda in which a schedule of matters is specifically addressed to the Board for its decision.

The minutes of the Board meetings recorded all the details of the matters considered by the Board and the decisions reached, including any concerns raised by Directors or dissenting views expressed. Minutes of the Board meetings are kept and available for inspection by all Directors at the Group's office.

CORPORATE GOVERNANCE REPORT

Directors' Attendance at Board and Committee Meetings

The composition of the Board and members' attendance of the Board meetings and the Board committees' meetings for the year 2018 were as follows:

	Number of meetings attended/held			
	Board	Audit Committee	Remuneration Committee	Nomination Committee
Executive Directors				
Mr. Li Xin Qing *(Chairman)*	8/8	N/A	N/A	1/1
Mr. An Wei *(Chief Executive Officer)*	8/8	N/A	N/A	N/A
Independent Non-executive Directors				
Mr. Li Wan Jun	8/8	2/2	1/1	N/A
Mr. Zhang Bo	8/8	2/2	1/1	1/1
Mr. Pang Zhan	8/8	2/2	1/1	1/1

General Meetings

During the year 2018, the Company held one annual general meeting on 25 May 2018, being 2017 annual general meeting of the Company.

	Number of meetings attended/held
Executive Directors	
Mr. Li Xin Qing *(Chairman)*	1/1
Mr. An Wei *(Chief Executive Officer)*	1/1
Independent Non-executive Directors	
Mr. Li Wan Jun	1/1
Mr. Zhang Bo	1/1
Mr. Pang Zhan	1/1

In addition, during the year, the chairman of the Board ("Chairman") held one meeting with the independent non-executive Directors without the other executive Directors present.

During the Reporting Period, the Directors had devoted sufficient time to perform their duties on relevant matters under each of his respective responsibilities.

CORPORATE GOVERNANCE REPORT

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

During the Reporting Period, Mr. Li Xin Qing, an executive director of the Company, and Mr. An Wei, another executive director of the Company, respectively continue to be the Chairman and the chief executive officer of the Company ("Chief Executive Officer"). During the Reporting Period, the roles and duties of the Chairman and Chief Executive Officer have been separately undertaken by different officers.

Mr. Li Xin Qing, the Chairman, is responsible for the leadership of the Board, assignment of responsibilities among members of the Board, and maintaining the proper conduct and proceedings of meetings of the Board and the Shareholders, and overseeing the Group's overall direction and strategic planning. In addition, the Chairman also plays a key role in encouraging all the Directors to actively contribute to the Board affairs and establishing good corporate governance practices and procedures.

Mr. An Wei, the Chief Executive Officer, is responsible for managing the business and affairs of the Company, recommending and implementing strategic, business and operating plans, directing and overseeing the activities of the Group, developing and implementing operational policies under the strategic directions adopted by the Board, developing and recommending organizational structure, and ensuring that the Board has the required information to fulfill its duties.

ROLES OF THE BOARD

The Board decides on corporate strategies, approves overall business plans, and supervises the Group's financial performance, management and organisation on behalf of the Shareholders. Specific tasks that the Board delegates to the Group's management include preparing annual and interim financial statements for the Board's approval, implementing strategies approved by the Board, monitoring the operating budgets, implementing internal controls procedures, and ensuring compliance with relevant statutory requirements and other rules and regulations.

At the Board meeting held on 30 June 2011, a resolution was passed to allow the Directors who were performing their duties to seek independent professional advice in appropriate circumstances at the Company's expense. All the Directors are encouraged to discuss with the Chairman regarding any additional information or training they may require to discharge their duties more effectively.

The day-to-day operations of the Group are delegated to the management with department heads being responsible for different aspects of the business and functions.

CORPORATE GOVERNANCE REPORT

INDEPENDENT NON-EXECUTIVE DIRECTORS

The independent non-executive Directors serve the relevant functions of making independent judgment on the development, performance and risk management of the Group through their contributions in Board meetings. In particular, the independent non-executive Directors bring an impartial view on issues related to the Group's strategy and internal control. All the independent non-executive Directors possess extensive academic, professional and industry expertise and management experience and have provided their professional advice to the Board.

The Board considers that each of independent non-executive Director is independent in his role and judgment, and has no financial or other interest in the businesses of the Group or connection with the Company's connected persons (as defined in the Listing Rules). The Company has received from each of the independent non-executive Directors a written confirmation in which each of them had confirmed to be in compliance with the independence requirements as set out under the Rule 3.13 of the Listing Rules. All of them meet the independence criteria set out in Rule 3.13 of the Listing Rules. Thus, the Board considers that they are independent.

DIRECTORS' INSURANCE

The Company has maintained appropriate insurance coverage for the Directors' and executive officers' liabilities arising from the Group's business. The coverage is reviewed by the management on an annual basis.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for the corporation governance function as a whole, and establishes an internal control group to be responsible for the specific operation. During the Reporting Period, the Board had performed the following duties:

1. Developing and reviewing relevant corporate governance policy and practice of the Company.

2. Reviewing and inspecting continuous professional development and training of the Directors and senior management.

3. Reviewing and monitoring the policies and practices of the Company being in compliance with the statutory and other regulatory provisions.

4. Developing, reviewing and checking code and provision of conducts applicable to the Directors and employees.

5. Reviewing that the Company being in compliance with the code and corporate governance reporting requirements.

TRAINING AND SUPPORT FOR DIRECTORS

All the Directors must keep abreast of their collective responsibilities. Any newly appointed Director would receive an induction package covering the statutory and regulatory obligations of a director of a listed company. The Group also provides briefings and other training to develop and refresh the Directors' knowledge and skills. In addition, during the year, the Company provided all members of the Board with monthly updates on the Company's performance, financial position and prospects.

CORPORATE GOVERNANCE REPORT

During the Reporting Period, the Directors had participated in continuous professional development and refreshed their knowledge and skills in the following manner.

	Update on corporate governance, ordinance, regulation and provision	Accounting, finance, management and other professional technique	
	Reading publications	Reading publications	Attending seminar and/or briefing session
Executive Directors			
Mr. Li Xin Qing *(Chairman)*	✓	✓	✓
Mr. An Wei *(Chief Executive Officer)*	✓	✓	✓
Independent Non-executive Directors			
Mr. Li Wan Jun	✓	✓	✓
Mr. Zhang Bo	✓	✓	✓
Mr. Pang Zhan	✓	✓	✓

NON-EXECUTIVE DIRECTORS

The independent non-executive Directors of the Company are Mr. Zhang Bo, Mr. Li Wan Jun and Mr. Pang Zhan. Mr. Zhang Bo has signed a letter of appointment for a term of three years commencing from 15 April 2019 with the Company and Mr. Li Wan Jun has signed a letter of appointment for a term of three years commencing from 28 May 2019 with the Company and Mr. Pang Zhan has signed a letter of appointment for a term of three years commencing from 16 April 2018. Under the letters of appointment, they agreed to act as independent non-executive Director for a period of three years unless terminated in accordance with the terms of the letter of appointment. Under the said appointment letters, either party may terminate the agreement at any time by giving to the other not less than three months' prior written notice.

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

The Shareholders in general meeting, or the Board upon recommendation of the Nomination Committee, can appoint any person as the Director anytime. Directors who are appointed to fill a casual vacancy, if any, are subject to election by Shareholders at the first general meeting after their appointment and such election is separate from the normal retirement of Directors by rotation. In accordance with the Articles of Association, at each annual general meeting, one-third of the Directors for the time being, or, if their number is not a multiple of three, then the number nearest to but not less than one third, shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years.

CORPORATE GOVERNANCE REPORT

COMPANY SECRETARY

The Company has engaged Ms. Ho Wing Yan (“Ms. Ho”) as the company secretary of the Company. The primary corporate contact person at the Company is Mr. Chen Xiang Jun, the vice president of the corporate development centre of the Group.

In compliance with Rule 3.29 of the Listing Rules, Ms. Ho has undertaken not less than 15 hours of relevant professional training during the year ended 31 December 2018.

BOARD COMMITTEES

The Board has established three committees to oversee particular aspects of the Group’s affairs. The views of different committees and their recommendation not only ensure proper control of the Group but also its continual achievement of the high corporate governance standards expected of a listed company.

Audit Committee

The primary duties of the audit committee of the Company (the “Audit Committee”) are to review and supervise the preparation of annual reports, the interim reports and financial statements of the Company and to provide advice and recommendations to the Board. In doing so, members of the Audit Committee will communicate with the Board, the senior management, the reporting accountants and/or the auditor of our Company. The Audit Committee will also consider whether there are any material or general matters which are, or may be, necessary to be reflected in such reports and financial statements, and will consider matters raised by our auditor. Members of the Audit Committee are also responsible for reviewing the financial reporting process and internal control systems of the Group.

The Audit Committee comprises three independent non-executive Directors, namely Mr. Li Wan Jun, Mr. Zhang Bo and Mr. Pang Zhan and is chaired by Mr. Li Wan Jun. The main roles and responsibilities of the Audit Committee are set out by the Board with clearly defined written terms of reference which are available on the websites of the Stock Exchange and the Company. The Audit Committee held two meetings in 2018 to review the final results of the Group for the year ended 31 December 2017 and the interim results of the Group for the six months ended 30 June 2018, and to conduct other affairs.

The Audit Committee has reviewed with the management and the Group’s external auditor, SHINEWING (HK) CPA Limited (“SHINEWING”), the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters. Apart from considering the issues arisen from the audit process, the Audit Committee also discussed matters raised by the external auditor. The Audit Committee reviewed with the management on the Company’s financial controls, internal control systems, risk management system, and the accounting principles and practices adopted by the Group. All issues reported by the external auditor are monitored closely by the Group’s senior management. During the year under review, the fees paid by the Company to SHINEWING and its affiliated companies were as follows:

	HK$’000
Audit fees	1,070
Non-audit service fees	351

Non-audit service fees include (1) fees for reviewing interim financial report of HK$240,000 and (2) service fees related to ESG report of HK$111,000.

CORPORATE GOVERNANCE REPORT

The Audit Committee has concluded that it is satisfied with the findings of its review of the audit and non-audit service fees, process and effectiveness, and independence and objectivity of SHINEWING. The Audit Committee will therefore recommend to the Board that SHINEWING be re-appointed as the Group's external auditor at the annual general meeting of the Company in 2018.

Remuneration Committee

The Company has established the remuneration committee of the Company (the "Remuneration Committee") which is responsible for, among other things, considering and making recommendations to the Board on the remuneration packages of the respective Director and senior management. The remuneration of all our Directors and senior management is subject to regular monitoring by the Remuneration Committee to ensure that levels of their remuneration and compensation are appropriate. The Remuneration Committee is also responsible to approve the grant of share options under the share option scheme of the Company. Such share options are granted based on individual employee's performance and the achievement of certain goals that are consistent with the Group's objective of maximising long-term value for the Shareholders.

Remuneration Policy

Remuneration policy of the Group is reviewed regularly, making reference to legal framework, market condition and performance of the Group and individual staff (including the Directors). The remuneration policy and remuneration packages of the executive Directors and member of the senior management of the Group are reviewed by the Remuneration Committee.

The Remuneration Committee comprises three independent non-executive Directors, namely Mr. Li Wan Jun, Mr. Zhang Bo and Mr. Pang Zhan, and is chaired by Mr. Zhang Bo. The main roles and responsibilities of the Remuneration Committee are set out by the Board with clearly defined written terms of reference which are available on the websites of the Stock Exchange and the Company. The Remuneration Committee held one meeting in 2018.

During the Reporting Period, the Remuneration Committee had performed duties as follows:

1. Reviewing and making recommendation to the Board on the remuneration policy and structure of the Company for the Directors.

2. Reviewing and making recommendation to the Board on the prevailing remuneration packages of Directors.

3. Reviewing scope and authority of the Remuneration Committee.

Details of each Director's emoluments are set out in note 12 to the consolidated financial statements in this annual report. The primary objective of the Group's remuneration policy is to retain and motivate executive Directors by linking their compensation to the Company's performance and evaluating their compensation against corporate goals, so that the interests of the executive Directors and the senior management team are aligned with those of our shareholders. The remuneration policy of the Directors is decided by the Remuneration Committee, having regard to the Company's operating results, individual's duties and responsibilities with the Group and comparable market practice. No Director can, however, approve his own remuneration.

CORPORATE GOVERNANCE REPORT

For the year ended 31 December 2018, the annual salary of the senior management of the Company falls within the following bands.

Remuneration bands (HK$)	Number of senior management
Nil to 320,000	4
320,001 to 369,000	2

Nomination Committee

The Company have established the Nomination Committee of the Company (the "Nomination Committee") which is responsible for considering and recommending to the Board on appointment of Directors and management of the succession of the Board. The Nomination Committee comprises three members, namely Mr. Li Xin Qing, Mr. Zhang Bo and Mr. Pang Zhan, and is chaired by Mr. Li Xin Qing. The main roles and responsibilities of the Nomination Committee are set out by the Board with clearly defined written terms of reference which are available on the websites of the Stock Exchange and the Company. The Nomination Committee reports to the Board and makes recommendations regarding the appointment of Directors, its evaluation of the Board's composition, and the management of Board succession with references endorsed by the Board itself. The Nomination Committee held one meeting in 2018.

Nomination Policy

The Board has adopted the nomination policy (the "Nomination Policy") on 31 December 2018 which sets out the nomination criteria and procedures for the Company to select candidate(s) for possible inclusion in the Board. The Nomination Policy could assist the Company to achieve board diversity in the Company and enhance the effectiveness of the Board and its corporate governance standard.

When assessing the suitability of a candidate, factors such as the qualifications, skills, integrity and experience will be taken into consideration as a whole. In the case of independent non-executive Directors, they must further satisfy the independence criteria set out within Rule 3.13 of the Listing Rules. Since the selection of candidates should ensure that diversity remains a central feature of the Board, a range of diverse perspectives, including but not limited to gender, age, cultural and educational background, or professional experience would be considered.

The process to identify potential candidates for the Board would be as follows:

1. identifying potential candidates, including recommendations from the Board members, professional search firms and the shareholders of the Company;

2. evaluating the candidates based on the approved selection criteria through methods such as reviewing the resume and conducting the background checks;

3. reviewing the profiles of the shortlisted candidates and interview them; and

4. making recommendations to the Board on the selected candidates.

CORPORATE GOVERNANCE REPORT

The Nomination Policy also includes the Board succession plan to assess whether vacancies on the Board would be created or expected due to the Directors' resignation, retirement, death and other circumstances and to identify candidates in advance if necessary. The Nomination Policy will be reviewed on a regular basis.

Board Diversity Policy

To enhance the efficiency of the Board and corporate governance standard of the Company, the Board maintains a balanced mix of the executive Directors and the independent non-executive Directors so that the Board is highly independent and is able to make independent judgements efficiently. In selecting candidates, a diversified perspective, including but not limited to the age, cultural and education background, professional and industry experience, skills, knowledge, race and other qualifications that are essential to the business of the Company, will be applied so that the candidate can bring advantage and make contribution to the Board. The Nomination Committee will review such measurable on a regular basis and discuss any revisions that may be required, and recommended any such revisions to the Board for consideration and approval.

During the Reporting Period, the Nomination Committee had performed duties generally as follows:

1. Reviewing the structure, size and composition of the Board (including technique, knowledge, experience and year of service of Directors) and assessing the independence of independent non-executive directors.

2. Reviewing scope and authority of the Nomination Committee.

FINANCIAL REPORTING

The Directors acknowledged their responsibility for preparation of the consolidated financial statements, which give a true and fair view of the Group's consolidated financial position, consolidated comprehensive income, consolidated changes in equity and consolidated cash flows for the year. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. The external auditor of the Group, SHINEWING, has the responsibility to express an opinion on the Group's consolidated financial statements according to the results of its audit and report its opinion solely to the Company. SHINEWING conducted its audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that SHINEWING comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the Group's consolidated financial statements are free from material misstatement. The Independent Auditor's Report on pages 78 to 85 of this annual report also sets out the responsibilities of SHINEWING.

CODE OF CONDUCT AND BUSINESS ETHICS

Each Director has a duty and responsibility to act honestly and with due diligence and care when carrying out his duties on behalf of the Company. Each Director shall attend regular training session regarding the various requirements in the Listing Rules and other usual laws and requirements applicable to companies listed in Hong Kong.

CORPORATE GOVERNANCE REPORT

OPEN COMMUNICATION

The Company is committed to acting in good faith and in the best interests of the Shareholders at all times and in all areas of its operations. The Company actively promotes open communication and full disclosure of all information needed to protect and maximise returns for the Shareholders.

COMMUNICATION WITH SHAREHOLDERS

Effective communication with the Shareholders has always been one of the Company's priorities. The various channels by which the Company communicates with the Shareholders include interim and annual reports, the Company's websites, and general investor meetings held either face-to-face or via telephone conference calls. The Company reports to the Shareholders twice a year and maintains a regular contact with investors. Interim and annual results are announced as early as possible to keep the Shareholders informed of the Group's performance and operations in a timely manner. The publication of the Group's financial results on a half-yearly basis enhances transparency regarding its performance and ensures that details of new developments affecting the Group are made available in a timely manner. An annual general meeting will be held in each year, and all Shareholders are encouraged to attend the annual general meeting to discuss the development of the Group's businesses.

SHAREHOLDERS' RIGHTS

The Articles of Association states that Shareholders holding not less than one-tenth of the Group's paid-up capital carrying voting rights shall at all times have the right to requisition an extraordinary general meeting to discuss specified business transactions. To request the convening of a meeting, individuals must send a written notice to the Company's principal place of business in the PRC at least 21 days before the proposed date of the meeting. This procedure also applies to any proposals to be tabled at shareholders' meetings for adoption.

VOTING RIGHTS

In accordance with the Listing Rules, any votes of the Shareholders at the Company's general meetings must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural of administrative matter to be voted on by a show of hands. The results of shareholders' meetings are reported to the public via announcements submitted to the Stock Exchange's website and the Company's website. Shareholders who wish to exercise their rights to vote by proxy may do so upon presentation of a written and dated instrument appointing their proxy. The notice convening each shareholders' meeting includes a proxy form which appoints the Board as proxy for each specific proposal. All Shareholders are welcome to ask questions or present proposals for discussion at these meetings.

DIVIDEND POLICY

The Board has adopted the dividend policy (the "Dividend Policy") on 31 December 2018 which sets out the appropriate procedure on declaring and recommending the dividend payment of the Company. The Company takes priority to distributing dividends in cash and shares its profits with the shareholders of the Company. The dividend distribution decision of the Company will depend on, among others, the financial results, the current and future operations, liquidity and capital requirements, financial condition and other factors as the Board may deem relevant. The Board may also declare special dividends from time to time. The Dividend Policy will be reviewed on a regular basis.

CORPORATE GOVERNANCE REPORT

INVESTOR RELATIONS

During the year ended 31 December 2018, there has been no significant change in the constitutional documents of the Company.

The Group regards open communication with both existing and potential investors as being vital to its sustained success. To this end, the Group insists on full, honest, equal and timely disclosure of all essential information regarding its business to the investment community. The Group is committed to transparent communication and is determined to maintain close ties with the investment community. The Group's corporate website also provides an effective communication platform where the public and investor community have fast and easy access to up-to-date information regarding the Group. Enquiries, comments and suggestions are welcome and can be addressed to Investor Relations Department of the Company by mail to the Group's principal place of business in the PRC or by email to the Company at IR@titans.com.cn. Enquiries, comments and suggestions raised in either or both of these manners are then subject to the attention, review and/or reply by the Board or the relevant department(s).

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibility for the risk management and internal control systems of the Group and reviews the effectiveness of such systems through the Audit Committee. The risk management and internal control systems are designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material adverse changes or losses.

The Audit Committee assists the Board in fulfilling its oversight and corporate governance roles. The Management establishes risk management policies and internal control procedures to be implemented by each business unit so as to identify, evaluate and manage risks. The internal audit department of the Company reviews significant internal control scopes of the Group, including operation, compliance, risk management and internal control, etc. and reports such results to the Audit Committee annually.

During the third and the fourth quarter of 2018, the internal audit team commenced and finalised evaluation of the Group's internal controls, particularly a comprehensive evaluation and audit was conducted for equity investment projects of the Group's associates, and new energy vehicles leasing business. Various methods including but not limited to on-site investigation, interview, conformance test, walk-through test and sample test were adopted during the process of evaluation to analyse and identify whether there were any defects existed in the design of internal control and the effectiveness of the implementation of internal controls. Such internal audit recorded detailed information of the contents and elements of evaluation conducted, controls adopted, relevant data and results of evaluation.

The internal audit team of the Company has submitted an audit report on internal controls to the Audit Committee to report its audit results and make recommendation on the improvement of insufficiency and omission it discovered. The Board, through the Audit Committee, has made an annual review in relation to the effectiveness of the Group's risk management and internal control systems, covering aspects of finance, operation, compliance, risk management and internal controls of the Company. During the reporting period, the Board didn't identify any material internal control defect and consider the Group's risk management and internal control systems effective and adequate. The Board believes the risk management and internal control management to be an on-going process of monitoring and improvement.

The Company has established policies on disclosure of inside information. The Company regularly reminds its directors and employees to properly comply relevant procedures of handling and dissemination of inside information, and implements internal controls over it.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

China Titans Energy Technology Group Co., Ltd. (the "Company") and its subsidiaries (collectively the "Group" or "We") are pleased to announce the 2018 Environmental, Social and Governance ("ESG") Report. The Group is fully committed to the philosophy of sustainable development in all its businesses and operations to promote social prosperity and stability and enhance sustainable development. We attach great importance to social responsibility and integrity, and always take stakeholders' needs into our first consideration. The ESG report specifies the works of the Group in adherence to the principles of sustainable development in 2018 and its performance in social governance. For corporate governance, please refer to the Corporate Governance Report on pages 33 to 43 of the annual report.

Scope of the Report

The ESG report covers the environmental and social policies as well as key performance indicators of the Group's principal subsidiaries in the People's Republic of China (the "PRC"), including Zhuhai Titans Power Electronics Group Co., Ltd., Zhuhai Yilian New Energy Motors Co., Ltd. ("Zhuhai Yilian") and Zhuhai Titans Technology Co., Ltd. ("Titans Technology"). The Group will continue to review our environmental and social performance and consider including more business in the ESG report in the coming year.

The ESG report covers the same period as the financial report of the Group, i.e. from 1 January 2018 to 31 December 2018.

Reporting Guidelines

The ESG report is prepared in accordance with the Environmental, Social and Governance Reporting Guide in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Stakeholder Engagement

The concerted efforts of key management members and colleagues from all departments are crucial to the preparation of the ESG report, through which we develop clearer understanding on the Group's current development and performance in environmental and social aspects. The feedbacks from the management and employees not only allow us to identify major issues in environmental and social aspects, but also facilitate the relevant disclosure and response in the ESG report. The opinion and information collected is a summary of our environmental and social initiatives in 2018 and forms a solid foundation for us to devise short and long term sustainable development strategies.

Stakeholders' opinions are conducive to the formulation of our sustainable development strategies, hence we attach great importance to the communication with stakeholders. We strive to communicate with stakeholders through a wide range of channels to understand and respond to their expectations and concerns, thereby improving our management and ESG performance. In the future, the Group will strive to enhance stakeholder engagement to collect their valuable and constructive comments and suggestions.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In 2018, we communicated with stakeholders through the following channels, so as to understand and respond to their expectations and concerns:

Stakeholder	Expectation and Concern	Means of Communication and Response
Government and regulators	• Compliance with national policies, laws and regulations • Promoting local economic development • Promoting local employment • Timely tax payment • Production safety	• Regular reporting • Regular communication with regulators • Dedicated reports • Inspection and supervision
Shareholders	• Revenue and return • Operational compliance • Enhancement of corporate value • Information transparency and efficient communication	• General meeting • Company announcement • Email, phone calls and company website • Dedicated reports • On-site visit
Partners	• Operation integrity • Fair competition • Contract performance according to laws • Mutual benefits	• Review and appraisal meetings • Business communication • Exchange of views and discussion • Negotiation for cooperation
Customers	• Quality products and services • Health and safety • Contract performance according to laws • Operation integrity	• Customer service center and hotline • Customer survey • Customer meeting • Social media platform • Calling for feedback
Environment	• Compliance with emission standards • Energy conservation and emission reduction • Ecosystem protection	• Communication with local environmental authorities • Submission of reports • Survey, research and inspection
Industry	• Formulation of industrial standards • Promoting industrial development	• Participation in industry forum • Reciprocal visit
Employees	• Protection of interests and rights • Occupational health • Remuneration and benefits • Career development • Care for employees	• Staff meeting • Internal publication and intranet • Employee mailbox • Training and workshops • Employee activities
Community and public	• Improvement of community environment • Participation in public welfare • Open and transparent information	• Company website • Media interview • Social media platform

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Information and Feedback

For details of the Group's environmental, social and corporate governance, please refer to our official website (http://www.titans.com.cn) and the annual report. The Group values your opinion on this report. If you have any comments or suggestions, please send us an email to IR@titans.com.cn.

SUSTAINABLE DEVELOPMENT PHILOSOPHIES

The Group was established in 1992 and listed on the Main Board of the Hong Kong Stock Exchange in 2010 (stock code: 2188). The Group's principal businesses include the supply of power electric products and equipment, the provision of charging services for electric vehicles, the provision of construction services of charging poles for electric vehicles in the PRC and the provision of sales and leasing services of electric vehicles. Leveraging our extensive project experience, sound technical background and comprehensive operation and maintenance services, the Group maintains its leading position in the industry. The Group not only provides high-quality, reliable and multi-variety of charging, discharging and storage products, power quality monitoring and optimization systems and power battery maintenance management products and technologies, but also provides users with a variety of integrated power electronic products and technology solutions, so as to meet the demands for high quality, efficient and diversified applications of electric energy.

The Group believes that effective management is the cornerstone of corporate success, and corporate culture is the "multiplier" for more efficiency gained from enterprise resources. By nurturing a sound culture, we develop management capability and maintain high quality, so that we can reap the fruits and become a successful enterprise. We have never stopped exploring and implementing the corporate culture and have determined "culture-driven management, culture development through management" as our corporate culture development policy to create a culture that matches top notch development strategy with resources and enhances development in a healthy and harmonious way.

Our mission is to make electricity more valuable. We will make constant efforts to expand electricity uses, improve energy applications, broaden energy sources and optimize power quality. We regard integrity, orderliness, high quality, efficiency and innovation as our business philosophy. We believe that integrity wins support, orderliness creates harmony, high quality establishes a brand, efficiency creates value and innovation opens the future. In line with our business philosophy, the Group takes "customer-oriented, product first, innovation-based and integrity-first" as our management policy, and regards four "T" (Talent – talent-oriented, Trust – trustworthy, Team – team spirit and Technology – technology innovation) as the cornerstone of our culture. We hope to become an excellent power electronics company with high-caliber workforce and outstanding management, so as to provide quality products and services, create value and efficiency, maintain the leading position in the industry, and create value for the enterprise, employees, customers, partners and society.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ENVIRONMENTAL PROTECTION INDUSTRY

As an environmentally-friendly company, the Group is committed to enhancing the value and efficiency of power consumption and resolving global environmental problems with society to work towards the goal of "sustainable development". We have spared no efforts in promoting the development of electric vehicles so as to improve air quality on roads and reduce the emissions of greenhouse gas. Over the years, the Group has been implementing the "customer-oriented and product first" management policy throughout the production process, product sales and after-sales service. Meeting customers' needs is our top most priority and customer satisfaction reflects the outcome and value of our hard work. Thus, we attach great importance to customers' opinions and needs while offering high-quality and safe products in the pursuit of mutual benefits. In the course of business operation, the Group maintains strict compliance with relevant laws and regulations such as the Advertising Law of the PRC, the Patent Law of the PRC and the Trademark Law of the PRC.

Green Products

Air pollution problem can cause discomfort and damage health in serious cases. Major source of air pollutants includes fuel combustion in conventional vehicles. As compared to fuel vehicles, electric vehicles do not cause emission of exhaust gas as they are powered by electric motor without fuel combustion or traditional internal combustion engine and fuel tank configuration. Replacing fuel vehicles with electric vehicles alleviates air pollution and effectively reduces greenhouse gas emission. Apart from being environmentally friendly, electric vehicles are also highly efficient. While fuel vehicles can only convert approximately 20% of the chemical energy in petroleum into power, electric vehicles can achieve a conversion rate of over 75% of power battery. In view of the growing problems of air pollution and global warming, we take action and replace some of the company cars with electric vehicles, thereby reducing exhaust gas and greenhouse gas from the use of fuel vehicles.

Over the years, the Group has intensively developed the electric vehicle charging business while continuously expanding and improving the electric vehicle charging network to support the development of electric vehicles. The Group is also actively involved in China EV100 and the alliance organized by the Ministry of Industry and Information Technology of the PRC to promote the growth of the entire electric vehicle industry. Our offering of stable charging system and equipment is not only crucial for the long-term and orderly operation of charging stations, but also plays an important part in preventing resources wastage and provides convenient access to power charging for electric vehicles owners. As of 2018, we have over 1,000 planned and constructed charging stations. Leveraging our extensive experience in planning and forward-looking vision, we implement reasonable strategies for different scenarios and work with the government for the overall planning of urban charging stations.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Establish Electric Vehicle Charging Network

In addition to actively developing diversified charging equipment to cater to the needs of different operating models, the Group is also committed to reducing citizens' concerns about the use of electric vehicles. Currently, the main obstacles to large-scale application of electric vehicles in cities include the lack of supporting charging facilities, the incompatibility of charging facilities and different models of cars, difficulties in the management of scattered charging stations, as well as the uneven allocation of resources. In light of these, Zhuhai Yilian has developed tailored charging solutions that can improve charging management and greatly boost the utilisation efficiency of charging equipment, thereby creating convenient and efficient charging experience, overcoming the obstacles to the development of electric vehicles, and easing the concerns of electric vehicle users. The Group has built highly efficient and intelligent public charging network and centralized dedicated charging network in Zhuhai, Shaoguan, Hefei, Shanghai, Beijing and other places in the PRC to actively provide users with convenient and high-quality charging services. We will continue to participate in the planning and construction of charging infrastructure to support the development of electric vehicles. In 2018, we participated in the following major projects to promote the development of electric vehicles:

- Hefei Charging Network Construction Project (合肥市充電網絡建設項目)
- Panyu District Shiji Headquarters Pure Electric Bus Charging Station Project of Guangzhou City No. 2 Public Bus Company (廣州市第二公共汽車有限公司番禺片區石基總部純電動公交車充電站項目)
- Maoming Jinbao Electric Vehicle Charging Station Project (茂名市金煲電動汽車充電站項目)
- Headquarters Charging Station Project for Conghua Branch of Guangzhou City No. 2 Public Bus Company (廣州市第二公共汽車有限公司從化分公司總部充電站項目)
- Guangxi Nanning Charging Station Design, Procurement and Constuction Project (廣西南寧充電站設計、採購及建設項目)

Diversified Charging Equipment

In order to promote electric vehicles, the Group conducts ongoing research and development of various types of charging equipment for different vehicle types and operational needs. In 2018, we achieved breakthrough by expanding the application of intelligent charging island, which capitalizes on the intelligent charging power distribution technology and flexible charging technology to adjust output current in a precise and dynamic manner based on the actual needs of electric vehicles, so as to facilitate charging at optimal current and voltage. The design also maximizes the utilization rate of core charging equipment to achieve intelligent distribution, high efficiency and energy saving. Similar to filling stations, the intelligent charging island provides safe, convenient and efficient charging services to electric vehicles and leads the development of the new generation of centralized charging stations in the industry. In addition to the intelligent charging island, we also combined electric vehicle charging equipment with photovoltaic power and power storage functions for the construction of the integrated photovoltaics power storage and charging station in Maoming so as to facilitate more environmentally friendly charging process.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The charging equipment developed by us can be used for electric private cars, electric buses, as well as other specific vehicles, such as logistics vehicles, commuters and so on. We also provide diversified charging equipment for different operational needs. For example, for the construction of charging stations on expressways, we offer charging equipment with short charging time and high power that supports various car models based on the needs of electric vehicles served by the expressway charging stations. Furthermore, for the construction of public bus charging stations, we offer multi-purpose charging equipment for fast charging and slow one-to-many bus charging that are highly popular, safe and stable, so as to provide fast charging service for single bus during the day and regular charging for multiple buses during the night.

Promote Electric Vehicle Sharing

Public concerns about the benefits and convenience of electric vehicles is one of the factors that hinder the development of electric vehicles. In view of this, the Group has developed a mobile phone application "Safe Travel" for periodic leasing of electric vehicles. This mobile phone application allows more people to experience the convenience of sharing electric vehicles and provides more convenient, environmentally friendly and efficient one-stop self-service electric vehicle rental service. Users may rent electric vehicles at any time through the "Safe Travel" application.

In order to provide car rental service to the public and government authorities, we also set up car rental sites at different landmarks in Zhuhai, the PRC, such as public institutions, business districts and transport hub. Our online self-service car rental service has broadened the reach of electric vehicles to citizens and greatly reduced fuel consumption from the use of vehicles.

Establish an Online Platform

In addition to city-level charging planning service, we understand that the lack of a complete charging station information platform will reduce the public's desire to buy electric vehicles, so we provide the mobile phone application "EV Link" for information relating to charging services to promote the usage of electric vehicles. "EV Link" not only features online inquiry service and automatic navigation to specific charging station, but also allows users to make reservation of the charging equipment, saving their waiting time. Besides, "EV Link" can show the vehicle charging level on a real-time basis, and remind the user to charge the car, so that the vehicle will not run out of power or be overcharged. Through the services of the Group, we have eased the concerns of the public about using electric vehicles, thereby boosting public confidence with the convenience of electric vehicles.

Dedication to Research and Development of New Products

Ongoing product research and development (R&D) and enhancement is the key to our success and our leading position in the industry. As of 2018, the Group had over 25 patents and will strive to develop various technologies to overcome the shortcomings of existing technology and provide more high-quality products. Leveraging more than 20 years of extensive experience in R&D, manufacture and application of power and electrics products, as well as our proven track record in the electric vehicle charging business, Titans Technology initiated the product lifecycle management and design and R&D management system project in 2018, so as to enhance our R&D capability after the system went online and move towards standardized, modularized and intelligent product R&D. The project is designed to facilitate R&D, innovation and service upgrade, shorten R&D and manufacturing cycle, and cater to more complicated and customized needs from customers in the future. Looking forward, the Group will put more efforts in product R&D and improvement while optimizing customer experience by offering simpler and more convenient charging services.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Product Quality and Safety

In order to ensure that the quality of our products meets customers' needs, we strictly monitor and measure the features of raw materials, process products and final products. We require all process operators to carry out inspection, separation of products with different inspection and test results, and labeling of products on his own, and control the self-inspection pass rate. The management has also conducted inspections in the production process and recorded the results. Our quality inspection department tests and labels semi-finished products. Only semi-finished products that passed the tests and labeled as passed will be used in the next production stage. We will conduct final product testing to products assembled with qualified raw materials and semi-finished products. In addition to routine inspections and tests, we also carry out inspections in accordance with customers' specific requirements at the time the order is placed. Compliance labels are affixed on products before shipment to ensure product quality, safety and traceability. Apart from the tests in production process, we also implement strict control over product labeling, transportation, storage, packaging, protection and delivery, so as to ensure product quality are in line with the requirements. Meanwhile, we set out safety management standards and conduct regular inspection for charging stations to guarantee safe charging process. Our product quality is obvious to all. Besides obtaining the GB/T19001-2016/ISO9001:2015 Quality Management System certification, Titans Technology is also one of the hi-tech enterprises in Guangdong Province of the PRC, a member of the China Power Supply Society and a member of the council of the China Electricity Technology Market Association. We are selected as a "Guangdong Province Enterprise of Observing Contract and Valuing Credit" for 15 consecutive years and recognized by the state. For the year ended 31 December 2018, the Group obtained the following awards:

Qualification/award obtained	Awarding unit	Time of award
Trustworthy High-quality Charging Facility Enterprise	Guangdong Provincial Charging Facilities Association	December 2018
Guangdong Province Enterprise of Observing Contract and Valuing Credit	Guangdong Provincial Administration for Industry & Commerce	June 2018

Communication with Customers

Customer is the foundation of sustainable development of the Company and the driving force of product innovation. Thus, the Group attaches importance to the views of customers, and has established different channels to communicate with them, such as WeChat, message board and 24-hour hotline. We adhere to the customer-oriented approach and continue to improve products and services, with the interests of customers as the starting point. We serve customers according to four principles. Firstly, the principle of prevention: our employees should have the work attitude to be dedicated to the Group and customers, sincerely help customers to solve problems, put themselves in customers' positions to understand and meet customers' real needs, and develop corrective and preventive measures to address product quality problems. Secondly, the principle of timeliness: all departments should work together to quickly respond to problems, and strive to solve problems in the shortest possible time to give a timely and satisfactory answer to customers. Thirdly, the principle of responsibility: we will determine the responsible department that leads to customer complaints, and require it to propose solutions. Fourthly, the principle of record: we will keep detailed records of each customer's comments, and sum up the experience of complaints handling to provide valuable raw information for strengthening the management of customer services. By implementing the above four principles and established procedures for customer services, we provide clients with comprehensive services to improve product quality and customer satisfaction. We are always committed to meeting and exceeding customers' expectation by offering products with reliable quality, advanced technology, reasonable price and attentive services in a precise and accurate manner. Therefore, we strive to provide clear and correct information to safeguard customers' rights, explain clearly to customers about product details and specifications, require all sales materials to provide true and correct information and forbid false, misleading or untrue statements in all means of communication.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ENERGY-SAVING AND EMISSION REDUCING PRODUCTION MODE

In the face of the challenges of global climate change and changing ecological environment, the Group has strictly abided by the laws and regulations of the local government on emission, such as the Atmospheric Pollution Prevention and Control Law of the PRC, and Water Pollution Prevention and Control Law of the PRC, and actively promoted and participated in the implementation of environmental protection policies in response to the call of the government. In addition to promoting the environmental protection industry, we are actively taking different energy-saving measures and implementing green concepts in the design of the new plant to reduce energy consumption. The Group sets a good example in resources conservation and promotes the culture of treasuring the Earth's resources. Titans Technology has obtained the ISO14001:2015 Environmental Management System certification and formulated environmental protection management guidelines which are required to be strictly implemented by all business units.

Treasure Resources

The Earth's resources are limited and everyone has the responsibility to make good use of resources. The Group has taken different measures to manage and save resources. Over the years, we spared no effort to cut energy use and reviewed the effectiveness of our energy conservation work from time to time to improve the inadequacies. In addition, we also keep pace with times to change our mode of work and advance to paperless office work. In order to advocate the importance of saving resources, we start small and apply 3R principles into the entire work process to make the best use of resources.

Saving Resources

As an environmentally friendly company, we are committed to reducing energy consumption for our business processes while introducing different green products. We have adjusted the temperature of air conditioners to 26 degrees Celsius in summer in response to the government's call to reduce electricity consumption. In addition, we also re-examined the design and actual needs of different working environments with a view to reducing unnecessary energy consumption. For example, we off the lights in daytime for toilets with sufficient daylight and adopted fans in place of air conditioners in rooms with high ceiling height and good ventilation. In our business process, product testing consumes a lot of power. In order to save energy, we have developed the "Power Control System". The "Power Control System" can automatically control power charging and discharging, and the energy can flow in both directions, so that energy consumption and recharging take place at the same time in product testing and energy can be re-used for next test. As the Group expands, our demand for servers has increased significantly. The increase in the number of servers will increase the demand for cabinets and the air conditioning system. Due to the large amount of heat generated by servers, in order to keep the temperature of the data center stable, we need to install extra air conditioning chillers. To reduce the use of servers, Zhuhai Yilian has adopted a hybrid cloud system to reduce pressure on air conditioning and achieve the purpose of saving energy. In addition to enhancing energy saving technology, we also require employees to turn off all computers, air-conditioners, fans and lights, etc. before leaving the office area. Besides electricity conservation, we also advocate saving water and encourage employees to only use water as needed when washing hands and turn off the faucet tightly.

Paperless Office Work

In view of the increasing use of modern and information technology in construction work, the Group is shifting to electronic operation. We encourage employees to use computer information system for internal or external communication. We use Office Automation (OA) system for internal communication, training applications, holiday applications and other administrative procedures to achieve the goal of paperless office work. The OA system supports different administrative procedures and comprises more than 20,000 processes, enabling relevant staff to understand the work flow anytime, anywhere, and reduces paper used for internal communication and approval process. In terms of business, we use the Enterprise Resource Planning system (ERP) for the entire business process. From procurement request to transactions with customers, all documents regardless of purchase orders or sales orders are electronic documents instead of paper documents, which significantly reduces the use of paper. At the same time, in order to fully utilize paper, we encourage using both sides of paper. We have established recycling points for single-sided waste papers to encourage employees to use single-sided waste paper for note taking.

Practice of 3R Principles

The Group also strives to promote the sustainable development of the environment by practicing the environmental concept of "3R" – "Reduce", "Recycle" and "Reuse" in business operations. In terms of "Reduce", we minimize the use of packaging materials, and pursue practical packaging rather than extravagance. Our main non-hazardous waste is domestic waste, so we encourage employees to reduce the use of disposable items. Dormitory wastes were cleaned by cleaners regularly everyday, but now are disposed of by employees themselves, with a view to reducing the use of garbage bags. In terms of "Recycle", we are actively implementing different recycling plans to facilitate the redevelopment and use of underutilized resources. We reuse certain packaging materials such as wooden pallets and cartons and require employees to concentrate reusable waste materials in one location to avoid discarding as scraps. In 2018, we recycled a total of over 17 tonnes of metal and 8 tonnes of waste packaging materials.

With regard to the hazardous wastes generated by the Group, including waste cloth, waste tin slag, waste bucket and waste lamp, we have transferred these wastes to qualified recycling companies for subsequent treatment. We also carry out publicity and education to employees, practise waste separation and storage, separate and label recyclable goods and waste, and strictly prohibit discarding recyclable goods together with wastes or directly as wastes. In terms of "Reuse", we will require suppliers to purchase customized pallets according to customers' requirements, and reuse the same pallets for the entire workflow to save a lot of pallets.

Green Building

The construction of the new plant commenced in 2017 and the main structure has been completed in 2018. We require the construction unit to properly control the hazardous and non-hazardous wastes, noises, air pollution and water pollution generated during the construction of the new plant by implementing various green measures during the construction period in accordance with ISO14000 Environmental Management System Standards. Construction unit promised to protect the surrounding environment, implement pollution prevention and control measures, and reasonably arrange construction time. In the course of construction, we install guarding facilities such as fence for dust control and will properly process construction wastewater and construction waste to reduce the impact on the surrounding environment. We implemented various sewage discharge measures in accordance with the relevant requirements for domestic sewage set by the drainage management authority in Zhuhai City. For solid wastes such as domestic waste, they are collected and passed to local environmental authority for disposal. We also require the construction units to use low-noise and low-vibration machinery and equipment, and adopt effective sound insulation, noise elimination, noise reduction and vibration attenuation measures to meet the standards set out in the Emission Standard of Environment Noise for Boundary of Construction Site (GB12523-2011).

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

CREATE VALUE FOR EMPLOYEES

Employees serve as an important pillar of the Group. We are committed to creating value for our employees and building a career platform that helps them exert their expertise and maintain work-life balance. We are actively shaping employees' characteristics such as conscience, responsibility, entrepreneurial spirit, harmony and shared mission, as well as noble professionalism and superb professional ability, so that they are dedicated and diligent to the people and business of the Group. In addition, we expect employees to pursue continuous learning, strive for improvement, make continuous progress, and interact and help each other with a cooperative and tolerant attitude, and that the Group can operate orderly under system and process for cooperative, loyal, harmonious and win-win situation. The Group strictly complies with laws and regulations relating to workers, such as the Employment Ordinance of Hong Kong, Labour Law of the PRC and Labour Contract Law of the PRC. We not only provide matching remuneration and benefits, but also build a sound development path for employees, as well as pay attention to their safety and health.

Remuneration and Welfares

People-oriented culture is an integral part of the Group. We believe in "making the best possible use of people and accomplishing success with people" and our success relies on the joint efforts of employees. Thus, based on market norm, we have established a sound remuneration and welfare system to share the fruits of the Group's development with employees. In addition to remuneration and welfares, we also care for all aspects of employees' lives, and organize many cultural events to enhance their sense of belongingness, which manifest another cultural foundation of us, namely team spirit.

Remuneration and Bonus

The Group provides employees with competitive remuneration and has established the remuneration system based on job value, job competence requirements and job performance. Job value is assessed according to such six factors as influence, problem solving skill, leadership, communication skills, knowledge and skills and scope of work of staff. In addition to adjusting the remuneration of all staff, the Group will also adjust the remuneration of individual employees based on the results of individual performance appraisal. In addition, in order to recognise the Group's outstanding team and individuals, foster a sense of collective honor and a sense of mission, encourage the enthusiasm and creativity of all staff, enhance corporate solidarity and cohesion, set up benchmark and examples for our staff, and create a positive and courageous atmosphere, we have established the annual evaluation program to provide cash rewards to outstanding teams or employees. In addition, we have also distributed red packets at the end of the year to encourage all employees of the Group to make further contributions to the Group's development. Departing employees are required to hand over on their last working day and will be paid with their remaining salary as scheduled.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Staff Benefits

The Group implements five-day working (eight hours a day) system and provides different paid holidays, including statutory holidays, annual leave, marriage leave, antenatal care leave, maternity leave, nursing leave, breastfeeding leave, compassionate leave and work-related injury leave. We have purchased five social insurances including: pension, medical care, work-related injury, unemployment, birth insurance, and housing provident fund according to statutory requirements, and we also provide other allowances by purchasing commercial insurance and providing high temperature subsidies for special posts. The trade union of the Group also provide marriage and birth benefits, medical care and funeral consolation money, distribute shopping cards to employees on New Year's Day, Lunar New Year, Dragon Boat Festival and Mid-Autumn Festival, and give cake coupons to employees in their birth months. The Group also arrange annual health check for all staff. To care for the families of our staff who have suffered significant misfortunes, we utilize the care and mutual aid funds to show our love and care to them.

Cultural Activities

We believe that strengthening the corporate culture is to enhance the strength and competitiveness of the Group and ultimately facilitate the strategic objective of sustainable development. Corporate cultural activity is an important way for employees to comprehend corporate spirit and philosophy. Through the spread of corporate culture concept, we give correct guidance in such aspects as staff's mindset, behaviour and values, and link the growth of employees closely with the development of the enterprise to achieve a win-win situation for the Company and employees. Over the years, we have been insisting on carrying out a variety of cultural and sports activities, training staff on their sense of belonging and responsibility to the Group, so as to create a warm and harmonious corporate culture. We organize paid-travel for excellent staff and teams every year to thank them for their of dedication and contribution, so that they are more passionate about life and work. In 2018, we organized a trip to Chiang Mai for high-caliber employees, a Lunar New Year Party and a spring outing.

Recruitment and Development Path

In order to practice one of the cultural foundations of the Group – "innovation-based", we not only have a comprehensive recruitment mechanism, but also a clear and sustainable career development path for our employees. The recruitment process of the Group ensures the fair and impartial recruitment of talent, and protects the rights and interests of job applicants and internal staff. In addition, we are convinced that a complete career path is the greatest guarantee for employees, so we implement different measures to offer the career path that fits them best.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Recruitment

In order to standardize recruitment activities, improve the efficiency of recruitment, meet the talent needs of the enterprise and promote the implementation of the corporate business strategy, the Group has set up a sound recruitment management system. We carry out recruitment according to five principles: (1) the principle of fair competition, ensuring that candidates will not be discriminated because of race, gender or religious beliefs; (2) limit of age which means that we will only hire those who meet the statutory work age and avoid recruitment of child labour by strictly checking their identity cards; (3) recruiting with priority given to internal employees, which means that, when there is a vacancy, we will hire both internally and externally, but internal employee will be given priority under same conditions; (4) the principle of open recruitment and merit-based recruitment, which means that we will focus on open recruitment, supplemented by internal staff recommendation; (5) the principle of unified management, which means that we will develop annual recruitment plan according to annual development plan, staffing situation and manpower demand plan of various departments, and carry out recruitment through on-site job fairs, online recruitment, internal recommendation, campus recruitment, etc. All candidates are subject to the initial test. For professional departments, the candidates have to go through the testing and professional re-test of relevant professional quality, development potential, comprehensive ability and other capabilities to ensure the quality and efficiency of recruitment. In order to prevent child labour, we require job applicants to present identification documents at the time of recruitment. Prior to commencement of employment, the Group sets forth important information in the labour contract, such as job duties, location and working hours of the position, thereby preventing forced labour.

Career Development Path

The Group has established clear career development path for employees in a bid to building a high-performing team and encouraging self-motivation, self-discipline and self-management of employees to support our rapid growth. We also promote internal mobility to open up more opportunities for employees' career advancement. Employees can be promoted along a career path, or adjust their promotion channels based on the changes in development direction. Employees can follow three paths of development, including technology, marketing and management, each of which can be subdivided into more specific professional development aspects. For employees to have a better and mature career planning, we have established career development files for each employee, covering: employee career development planning form, staff training needs, annual assessment records and training records, as a basis for career planning. In order to encourage communication between employees and the management on career support, we have arranged the department heads and mentors as career development counselors for staff of various departments, who communicate with staff regularly about their individual work performance and direction of future development, so as to determine the next goal and direction. Counselors will also communicate with new staff, and make comprehensive consideration of their career development directions according to their personal circumstances, such as career interests, qualifications, professional skills, personal experience and background analysis. In addition to establishing a communication system, we also carry out personal expertise and skills assessment of our staff based on different aspects, including staff's knowledge, skills, qualification and certificates, career interests and so on, with a view to understanding their needs and development. The Group will also review the training and promotion opportunities offered to staff in the past year, and the annual assessment results and promotion of individual employees, so as to put forward the recommendations for staff development at next stage.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Staff Training

The Group attaches importance to talent nurturing, and strives to achieve the goal of "learning in Titans, succeeding in the future; advancing with the times, action without delay". The Group has established a sound training system, internal lecturer system and mentor management system, etc., to encourage employees to make progress through independent learning, and actively provided support for staff training, including vocational skills and qualification awards, training incentives, lecturer allowance, support for further studies, etc. We offer the following four types of training courses for our employees.

Types of training courses	Examples of training programs
• General courses	• Production plan management • Development of new energy industry • Production safety and occupational health
• Skill and technique courses	• Skills on construction operation and maintenance • Charger debugging process and technical details • Testing and inspection methods for direct current power sources system
• Business courses	• Results requirement prescribed in tender documents of different provinces
• Management courses	• Product planning and management • 6S management

In order to meet the development needs of the Group and staff, we will conduct an annual staff training needs survey, and adjust the annual training plan based on the survey and analysis on each employee's current job responsibilities, qualification requirements, personal career development planning, as well as the actual situation.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Employee Safety and Health

As a responsible employer, the Group always priorities and regards the safety and health of employees as an integral part of our business operation. We maintain strict compliance with relevant national laws, regulations, rules and standards on prevention and control of occupational disease and hazards, including but not limited to the Production Safety Law of the PRC, Law of the PRC on the Prevention and Treatment of Occupational Diseases, and Provisions on the Supervision and Administration of Occupational Health at Work Sites promulgated by the State Administration of Work Safety, while implementing labour protection approach and policy. The Group is committed to the work of labour protection and safety management, and firmly adheres to the idea of "safety first" to attain the goal of "safe production by everyone's participation; safe production by prevention first". We uphold the bottom line of "Never Put Production Before Safety". We not only have a sound system to ensure that all employees can do a good job of occupational disease prevention and control, but also continue to pursue progress to improve staff's working environment and conditions by incorporating health and safety consideration in different aspects of operation. The complementary support and continuous testing of protective facilities is an important part of safety management. Hardware support is undoubtedly important, but publicity and education are also elements that cannot be ignored when promoting occupational health and safety. In order to further strengthen the Group's safety management, we have established a system of production safety incentives and penalties. In addition to the safety management of daily production, we have also established relevant system related to occupational hazards and fire safety. The safety management system of Titans Technology has obtained the GB/T28001-2011/OHSAS 18001:2007 Occupational Health and Safety Management System certification.

Production Safety Management

For future business operation, we strive to establish safety development mindset, fulfil production safety responsibilities, enhance prevention and risk control at the sources of production safety risks, organize safety training on all fronts, push forward special treatment of occupational disease and hazards and further strengthen emergency response and rescue.

In order to clarify the responsibilities of supervisors at all levels, functional departments, production departments and employees in the prevention and control of occupational diseases, as well as specify duties for all levels and positions to ensure diligent performance, the Group has formulated the safety production responsibility system which sets out the safety responsibilities of employees at all levels, including the establishment of measures, the implementation of measures, regular inspections and other duties. Moreover, in order to analyze the status of production safety on a regular basis and to solve safety production issues in a timely manner, the Group has set up a safety production committee, comprising the management, safety inspectors and employees in specialised fields. Apart from the committee, we also formed a occupational health leadership team and held regular meetings to study and formulate occupational disease prevention and control plans and schemes, improved and revised the occupational health management system, and set out and arranged for the performance of the duties and responsibilities of all employees according to the division of labour. In addition to the comprehensive framework for production safety and prevention of occupational disease, we organized regular inspection on the prevention and control of occupational disease and hazards to work on problems identified promptly, formulate improvement measures and designate specific departments to timely resolve the problems, in order to timely eliminate hidden risks of occupational diseases.

Employees' feedback is the cornerstone for reviewing the existing occupational safety and health system. In view of such, we hold the annual staff meeting for briefings on planning and implementation of occupational hazard prevention and control initiatives at the department level. We also actively listen to employees' view on the occupational health initiatives at their departments and instruct the relevant departments to address and put reasonable suggestions and opinions into practices swiftly. Moreover, our occupational disease and hazard prevention and control working group holds regular meeting for updates on occupational health by different departments, which allows it to take timely and corresponding measures.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Prevention of Occupational Disease and Safety Protection

In strict accordance with the Technical Specifications for Occupational Health Surveillance, the Group offers annual occupational health check to employees exposed to occupational risk factors and provides preinduction occupational health examination to new employees who are exposed to occupational risk factors, so as to ensure that their health conditions adapted well in the working environment. Safety protective equipment plays an important role in the prevention of occupational diseases and work-related accidents, since safety management only stays on the paper if there is no protective equipment. The Group has, therefore, set up safety protective facilities in the plant. In order to ensure that the protective facilities can effectively protect the staff, we have developed the inspection and maintenance plans and schemes for occupational disease protective facilities and regularly organized training on the proper use and maintenance of occupational disease protective facilities. We also require production units to check the operation of protective facilities weekly and workers to record the daily operation of such facilities. The management regularly checks the daily inspection, maintenance and overhaul of protective facilities. Besides large-scale safety and protective equipment, we also provide personal protective gear based on the job nature of individual employees and forbid the use of substandard or expired protective equipment. The Group not only provides staff with safety protective equipment and personal protective gear, but also arranges third-party agencies to perform inspection and assessment on the onsite hazards and implements their recommendations based on the actual needs.

Publicity and Education

In addition to providing safety protection facilities, the Group actively carries out publicity and safety training for employees to enhance their safety awareness and ability of self-protection. Occupational diseases and hazard bulletin boards are set up in plants to promote knowledge of precautions and national laws and regulations relating to occupational disease and hazard on a regular basis. We also timely announce inspection and assessment results of occupational disease and hazard factors, along with the progress in commencement and improvement of occupational health initiatives of business units. We have also set up warning signs and Chinese warnings to remind employees of the types of occupational hazards, consequences, prevention and emergency response measures and so on. In addition to occupational safety publicity, we also carry out pre-employment safety training and regular on-the-Job safety training to enhance staff's occupational safety knowledge. The training covers occupational health-related laws, regulations and standards, basic occupational health knowledge, occupational health management system and operating procedures, proper use of occupational disease protection equipment and personal protective equipment, emergency rescue measures and basic skills in the event of an accident, and cases of occupational hazards. Workers are required to attend safety training and obtain work permits after passing the exam. The Group organizes the 6S (Seiri, Seiton, Seiso, Seiketsu, Shitsuke and Security) training and encourages employees to develop self-discipline, so as to create a safe workplace free of accident. To promote safety awareness and prevention of occupational disease and hazard, as well as enhance the sense of safety responsibility, the Group organizes regular safety training and invite professional technicians to provide specialized safety and technical training for operators of new equipment. Our staff must pass the examination before commencement of work.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Safe Production Rewards and Punishment System

Publicity and education enhances the production safety awareness of staff. However, to further enhance the driving force for employees to implement safe production, strengthen production safety management, and prevent and reduce safety accidents, the Group has developed a safe production rewards and punishment system. The Group rewards, in mental or material form, employees or departments that properly implement the safety management policies and systems of the Group, carry out safety management work, abide by laws and discipline and avoid accidents. In addition, we will punish the leaders and staff of relevant departments who are responsible for the accidents, delayed rectification and violation of discipline, according to the principles of "the person-in-charge shall bear responsibility, and the culprit shall be held accountable". We expect to work with our employees to improve production safety management through the production safety rewards and punishment system, thereby enhancing the production safety management of the Group.

Accident Handling Scheme

In order to avoid chaos after an accident and timely and effectively control and handle occupational hazards, the Group has formulated a set of well-defined accident handling procedures in accordance with the Law of the PRC on the Prevention and Treatment of Occupational Diseases, Provisions on the Supervision and Administration of Occupational Health at Work Sites, Measures for the Investigation and Treatment of Occupational Diseases Hazards and Accidents and other laws and regulations, and strives to control the scene as soon as possible to prevent aggravating the situation and minimize the hazards of accidents. In addition to clear sign of evacuation route and the emergency meeting point in the event of an accident, we have set up warning sign at where we store the emergency rescue facility to ensure that employees know the method to use it properly. With regard to the effectiveness of emergency rescue facilities and occupational hazard prevention facilities, we will regularly carry out inspection and maintenance to ensure the safety and effectiveness of the facilities. Regular drill of the occupational hazard rescue scheme also plays an indispensable role. In addition to getting our staff familiar with post-accident handling scheme, the drill also allows managers to review the existing accident handling procedure so as to improve the emergency response scheme. Besides, if an accident occurs, we will also form an occupational hazard investigation team to collect evidence, analyze the responsibility of the accident, punish the responsible person, and take measures to prevent the accident from happening again.

Fire Safety Management

Apart from occupational hazards, the Group concerns about fire safety management, and has developed fire safety management system in accordance with the Provisions on the Administration of Fire Control Safety of State Organs, Organizations, Enterprises and Institutions. The Group will also hold regular meetings of person-in-charge of key units, and carefully check and implement various fire prevention systems and safety measures. We will also conduct regular fire inspections and make continuous improvement to eliminate fire hazards. In order to ensure the effectiveness of fire equipment, we will regularly check, purchase or repair fire equipment, to ensure all equipment is intact and in good conditions. We commission the units with relevant qualification to carry out a comprehensive inspection and test of fire extinguishers and automatic fire facilities in the buildings every year. In addition to regular inspections, publicity and education is also a major approach for our fire safety management. We set up fire safety promotion facilities at fixed locations such as the fire prevention column and billboards to improve staff's fire safety awareness and skills. We will not only provide pre-service training for newly recruited staff, but also carry out fire drills to enhance their ability of response in case of emergency. Moreover, after fire drills, we will review their performance in order to identify existing issues and propose improvement measures.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

CREATE VALUE FOR PARTNERS AND SOCIETY

The Group implements its management policy of "innovation-based, integrity-first" consistently along the supply chain. Innovation is the cornerstone of our survival and the power of our development. We will not follow the old rules blindly and rest on our laurels as that means giving up. We closely cooperate with our suppliers and expect to share opportunities with them. Integrity is also our operational principle. If we lack integrity and sense of responsibility, we will accomplish nothing, so data privacy is a major area of our focus. As a good corporate citizen, the Group not only attaches importance to the common development with the partners, but also makes more efforts to contribute to the community, in order to strive for outstanding business performance and promote social civilization, prosperity and harmony at the same time. Corruption is criticized most by people, so we are committed to combating corruption, and we have developed and implemented measures on multiple levels to achieve zero corruption. In order to promote social communion, apart from strict compliance with labour laws and regulations, we have established the equality programme for the employment needs of people with disabilities, so as to promote social inclusion.

Cooperation with Suppliers

The development of the Group depends on the raw materials provided by many suppliers which support our business operations and enable our every step of innovation. In order to develop and evolve with our suppliers, we have established stringent standards to assess the conduct of suppliers and developed transparent and fair procurement procedures and supplier contractual arrangements. We have set up clear new supplier selection policy that requires suppliers to make self-assessment first, so that they will understand our requirements and we can promote responsible business ethics to them. We will conduct on-site audit of prospective suppliers to examine whether they can provide products in line with quality requirements using the reliable production processes and the key equipment that complies with production requirements. We will check whether suppliers have passed the third party accreditation related to environmental and safety management practice. In addition to on-site audits, we will also test prospective suppliers' samples to ensure product quality. We will continue to monitor qualified suppliers. In order to ensure the high-quality of products is maintained, the Group conduct quality checks on suppliers' products every month, review suppliers regularly according to the quality of products, the timeliness of delivery, coordination and price, and review suppliers' supply qualification. In 2018, most of our major suppliers have set up factories in Guangdong Province, which can reduce carbon emissions during transport.

Maintaining Business Ethics

The Group has always respected the rights of personal privacy and intellectual property conferred by law and strictly protected customers' personal information and our intellectual property. We have developed different policies to comply with the laws and regulations relating to personal privacy and intellectual property, including but not limited to the Trademark Law of the PRC, the Patent Law of the PRC and the Copyright Law of the PRC. We own the intellectual property rights associated with the technological achievements developed by our employees during the course of their employment. Apart from various patents, Titans Technology also obtained the Intellectual Property Right Management System Certification. We have developed stringent standards for the proper use of patent number and trademark, which can only be applied to authorized products, and forbidden exaggerated statements for promotion. At the same time, we spare no efforts in combating counterfeit goods and protecting our trademark. For instance, we conduct market survey from time to time and cooperate with law enforcement agencies in investigation and processing once we identify unauthorized use of trademarks and intellectual property rights. Furthermore, we established relevant systems and signed confidentiality agreements with employees, suppliers and customers to strengthen the protection of business secrets and safeguard the legitimate rights and interests of all parties. In particular, Zhuhai Yilian has set up protection for in-app data in the design program, encrypted customer data acquired from the application and set up automatic backup and recovery for the virtual server to ensure data security.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Anti-Corruption

In order to create a culture of integrity, the Group strictly follows the Criminal Law of the PRC, Anti-Corruption and Anti-Money Laundering Law of the PRC and other relevant laws and regulations, and prevent corruption through a multipronged approach. Internally, the Group has established relevant systems to severely punish employees who abuse their power, illegally possess or falsely claim corporate property or commit fraud, malpractice, commercial bribery, illegal misuse, disclosure of secrets and embezzlement of corporate funds. In addition, we have set up specific financial positions according to the principle of division of incompatible responsibilities, implemented the system of one person for multi roles and regular rotation management and clarified each employee's authority carefully, to eliminate the opportunity for employees to receive benefits. Externally, most of our transactions are handled through the e-commerce platform, and all transaction payments are clearly recorded to avoid corruption. In addition to choosing suppliers in an open and transparent manner, we will also select reputable suppliers to reduce the risk of money laundering and thus maintain our corporate reputation. At sales level, we strictly enforce the regulation, prohibit inflated prices, and avoid the signing of false contracts. We will also enter into an Integrity and Law-abiding Agreement with contractors in the process of bidding for a project and enter into an Integrity Agreement with clients to enhance the ability of both parties to operate free of corruption in accordance with the law, improve their self-constraint and self-discipline, and create a compliant, honest, clean and efficient working environment to prevent illegal acts. In 2018, there was no non-compliance relating to corruption or money-laundering.

Promote Social Communion

The Group believes that sharing the fruit of success with society is the foundation of sustainable business growth. Thus, while pursuing corporate development, we give back to society and bring warmth to the public. We will adhere to the core value of "creating value for the enterprise, employees, customers, partners and the society" and forge ahead to contribute to a harmonious society.

We are also committed to building a communion society. We encourage our employees to serve the community with enthusiasm, and we have also established equal programmes that allow everyone to enjoy equality and respect. The Group implements the gender equal pay policy internally, and based on external market benchmark, we have achieved fair pay as compared to the external markets. Based on the evaluation of job value, we have achieved fairness in relative job value. Based on the qualification assessment, we have also achieved fairness for individual employees. We also implement equal promotion opportunities for male and female employees, with promotion decisions based on personal work performance, personal development potential and recognition of the core values of the enterprise, and treat employees equally regardless of their gender. The Group strictly implements fair benefit policy to male and female employees, and takes into account the protection policy for female employees. In addition to gender equality, we also agree that people with disabilities should be treated fairly. Therefore, we have given employment opportunities to people with disabilities in order to help them integrate into the community. Through the above measures, the Group expects to establish a society of equality, communion and justice.

Students hold the keys to our future and schools are a cradle for nurturing leaders. In 2018, the Group donated bursaries to six students from Zhuhai Campus of Jinan University in China. As of 2018, the Group have supported a total of 12 underprivileged students in Jinan University for two years in a row. Among the six students receiving the bursaries last year, three of them were recommended for admission to well-known graduate schools of Project 985 in China. The bursary scheme allows students who are less well-off to complete higher education and nurtures the next generation of talents in the field of science and technology for the country.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Major Key Performance Indicators

Environmental indicators	2018	2017
Emissions		
Nitrogen oxide emissions (kg)	**7**	34
Sulphur dioxide emissions (kg)	**0.12**	0.34
Particulate emissions (kg)	**1**	3
Total emissions of nitrogen oxide avoided by the use of electric vehicles (kg)	**3**	4
Total emissions of sulphur dioxide avoided by the use of electric vehicles (kg)	**0.05**	0.11
Total emissions of particulate avoided by the use of electric vehicles (kg)	**0.22**	0.31
Greenhouse gases		
Total emissions of greenhouse gases (tonnes of CO_2 equivalent)[1]	**771**	921
Scope 1: Direct emissions (tonnes of CO_2 equivalent)	**65**	135
Scope 2: Energy indirect emissions (tonnes of CO_2 equivalent)	**601**	657
Scope 3: Other indirect emissions (tonnes of CO_2 equivalent)	**105**	129
Emissions of greenhouse gases per production equipment (tonnes of CO_2 equivalent)	**19**	5
Total emissions of greenhouse gases avoided by the use of electric vehicles (tonnes of CO_2 equivalent)	**4**	9
Wastes		
Total disposal of non-hazardous wastes (tonnes)	**47**	31
Production of non-hazardous wastes per production equipment (tonnes/equipment)	**1.18**	0.17
Total production of hazardous wastes (kg)	**332**	403
Production of hazardous wastes per production equipment (kg/equipment)	**8.29**	2.18
Use of resources		
Total energy consumption (MWh)	**1,254**	1,506
Non-renewable fuel consumption (MWh)	**107**	260
Energy consumption from purchased electricity (MWh)	**1,147**	1,246
Energy consumption per production equipment (MWh/device)	**31**	8
Total water usage (m^3)	**7,854**	7,770
Water usage per production equipment (m^3/equipment)	**196**	42
Paper-based packaging material usage (tonnes)	**14**	11
Paper-based packaging material usage per product (kg/product)	**5.27**	5.37
Plastic-based packaging material usage (tonnes)	**0.55**	0.48
Plastic-based packaging material usage per product (kg/product)	**0.23**	0.24
Wood-based packaging material usage (tonnes)	**7**	5
Wood-based packaging material usage per product (kg/product)	**1.94**	1.54

1 According to Appendix 27 "Environmental, Social and Governance Reporting Guide" of the Rules Governing the Listing of Securities, Scope 1 covers the greenhouse gases emissions from stationary combustion sources and mobile combustion sources; Scope 2 covers the energy indirect greenhouse gases emissions resulting from the generation of purchased or acquired electricity consumed within the Group; and Scope 3 covers the indirect greenhouse gases emissions resulting from waste paper disposal, water consumption and business air travel.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Employment Indicator	2018	2017
Number of employees	**528**	534
By gender		
Male	**383**	386
Female	**145**	148
By age		
Over 50 years old	**32**	24
30 to 50 years old	**371**	333
Below 30 years old	**125**	177
Average hours of training per employee (hour) and percentage of employees who received training (%)		
By gender		
Male	**20(80)**	13(80)
Female	**15(88)**	14(88)
By employee category		
Senior	**15(84)**	5(84)
Middle-level	**31(100)**	31(100)
Junior	**30(80)**	13(80)

Community investment indicators	2018	2017
Corporate charitable donations (RMB)	**30,000**	36,000
Number of employees participating in volunteer services	**12**	14
Number of volunteer hours of employees	**38**	62

DIRECTORS' REPORT

The Directors submit the directors' report together with the consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The Company is an investment holding company. The Group is principally engaged in (i) the supply of power electric products and equipment; (ii) the sales and leases of electric vehicles; (iii) provision of charging services for electric vehicles; and (iv) construction services of charging poles for electric vehicles under BOT arrangements. The principal activities of each of the subsidiaries of the Company are set out in note 50 to the consolidated financial statements.

Business segments

The Group is principally engaged in (i) the supply of power electric products and equipment; (ii) the sales and leases of electric vehicles; (iii) provision of charging services for electric vehicles; and (iv) construction services of charging poles for electric vehicles under BOT arrangements. Business analysis of sales, segment results, total assets and capital expenditures are set out in note 5 to the consolidated financial statements.

Geographical segments

The Group operates in the People's Republic of China.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2018 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 86 to 87 of this annual report.

The Board does not recommend the payment of any dividend for the year ended 31 December 2018 (2017: Nil).

CLOSURE OF REGISTER OF MEMBERS

In order to ascertain the entitlement to attend and vote at the annual general meeting (the "AGM") of the Company, which is proposed to be held on Friday, 24 May 2019, the register of members of the Company will be closed from Monday, 20 May 2019 to Friday, 24 May 2019, both days inclusive, during which period no transfer of shares will be registered. In order to be entitled to attend and vote at the AGM, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on Friday, 17 May 2019.

DIRECTORS' REPORT

BUSINESS REVIEW

Overview

A fair review of the business and outlook of the Company as well as a discussion and analysis of the Group's performance during the year ended 31 December 2018 and the material factors underlying its results and financial position can be found in the Chairman's Statement on pages 6 to 7 and the Management Discussion and Analysis on pages 8 to 28 of this annual report. An analysis using financial key performance indicators can be found in the Financial Highlights on pages 4 to 5 of this annual report. These discussions and financial highlights form part of this Directors' Report.

Principal Risks and Uncertainties

1. The Risk of Industry Policies

The Company's products are mainly applied in new energy electric vehicles and power industry. The growth of industry where the Company current operates rests in actual demands of the PRC economy, and is also susceptible to national policies. Recently, the central and local governments have introduced various support policies to encourage and guide the development of new energy electric vehicles and other strategic emerging industries. However, due to the rapid development of the emerging industry, there are uncertainties of the direction of development and achievements, so the national policy may also appear corresponding adjustments. If the macroeconomic operating situations in major markets or the relevant government support or subsidies policy have significant changes, the development of the industry and the Company's profit level will be affected to some extent. In addition, as investment and operation of electric vehicles charging network is an emerging business and national standards and industrial standards are yet to be perfected, there still exist uncertainties in the profit mode for investment in public charging network.

The Group will further strengthen its research on the development policies of national new energy industry and power industry and timely adjust its technological research and development strategy and production and operation strategy based on the Group's judgement on the changes of the industrial policies.

2. Technology Risk

With increased competitive market, technology replacement cycle is becoming shorter and shorter, and products performance and service standards for customer have become increasingly demanding. Application of new technologies and new product development is one of the key points to ensure the Group's core competitiveness. If we cannot reasonably and continuously increase the technical inputs and accurately grasp the technology, products and market trends, fail to timely develop products with high-quality, high technical standards, and keep in line with market expectations in the future, it will be difficult to maintain the core competitiveness of the Group and have impact on the Group's profitability in the future. Only by maintaining a strong competitive advantage, the Group can maintain its market position. The Group attaches great importance to technology research and development and the introduction of technical personnel, and it has a dynamic and experienced R&D team. In 2015, the Group's postdoctoral research station was approved and the establishment of the station will further enhance the Group's R&D strength. To this end, the Group will fully analyze the future direction of technology, continue to enrich the product line, optimize product mix, improve product and service content, so as to provide customers with a more comprehensive product solutions and services. At the same time, the Group will strengthen supply chain management, shorten the length of the supply chain through the allocation of resources to ensure the supply of products and services.

3. Management Risk

The Company's main products and services include power DC power supply products, electric vehicle charging equipment, and construction and service of electric vehicle charging facilities, etc. In addition to product research and development, production and sales, the Group increased investment in the construction of the electric vehicle charging network and service business during the reporting period, the operation of the business requires highly on the management ability and efficiency of management. At present, the Company has established a relatively effective investment decision-making system and comparatively good system of internal control, and continued to cultivate, introduce professional talents for management, technology and other aspects. The Group will continue to carry out the strict risk control policy, and refine the risk control of each link, risk prediction and prevention.

4. Recovery Risk on Accounts Receivables

During the reporting period, the Group's accounts receivables balances recorded a relatively substantial increase, making recovery risk on accounts receivables within our control. The customers of the Group's products are power grid companies, power generation plants and large public institutions. Therefore, security level of accounts receivables is high and the overall recovery risk is remote. However, with the expansion of the scale of operation, the Group's accounts receivable is expected to remain at a high level as a result of the characteristics of the industry, longer customer payback periods and other factors. If the Group cannot manage the accounts receivable collection progress effectively, the Group's operating funds pressure will further increase, which would have possible adverse effects on the Group's business. In this regard, the Group will further strengthen the accounts receivable handling and collection, strengthen the customer relationship management (CRM), and minimize the risk of accounts receivable from the market development, the signing and the execution of the contract, and so on.

Important Event after the Reporting Period

No important events took place subsequent to 31 December 2018.

DIRECTORS' REPORT

Environmental Policies and Performance

The Group shall strictly comply with the relevant environmental protection laws and regulations of the People's Republic of China in the process of production and management. As of the end of the Reporting Period, there is no environmental incident, and the Group was not suffered any significant environmental claims or litigations. A discussion and analysis of the Group's environmental policies can be found in the Environmental, Social and Governance Report on pages 44 to 63 of this annual report.

Compliance with Laws And Regulations

The Company complies with the requirements under the Companies Ordinance, the Listing Rules and the Securities and Future Ordinance (the "SFO") for, among other things, the disclosure of information and corporate governance.

The PRC subsidiaries are governed by the laws and regulations relating to taxation, foreign exchange, product quality, trademarks, environmental protection, labor and social insurance. Any non-compliance will impose fines or other serious penalty actions against the PRC subsidiaries. We have implemented various measures to ensure compliance with such laws and regulations, including but not limited to consulting our PRC legal adviser and tax professional.

During the year ended 31 December 2018, there was no material breach of or non-compliance with the applicable laws and regulations by the Group that have a significant impact on the Group's business.

Relationships with Employees

Employees are regarded as the Group's most valuable asset. The Group's remuneration policy is determined based on the employee's experience, responsibility, workload and the time spending for the Group. The Group offers a competitive remuneration to employees, typically including basic salary, performance bonus, allowances and subsidies. On 8 May 2010, the Group also adopted share option scheme based on a written resolution of shareholders with a purpose to granted share options to valuable employees and other qualified persons of the Group. The Group emphasizes on workplace safety, and arranges regular annual medical examination for staff.

The Group provides feedback to their performance through performance appraisal and provides recruits and in-service training for employees. The Group will continue to provide in-service training, which covers technology, quality management and mandatory training required by laws and regulations. The Group also provides management training for managers or potential managers.

The Group believes that direct and effective communication is essential for the establishment of good relations between the management and employees. We have set up unions, as the representatives of the employees, which is one of the main channels of communication. The Group receives comments and suggestions from employee every year through internal networks and the suggestion box, and adopts and analyzes related comments and suggestions, and rewards those providing recommendations.

DIRECTORS' REPORT

Relationships with Customers and Suppliers

The Group's major customers include power grid companies, power plants, public transportation systems, government departments, etc. The years of business relationship with the Group ranged from 1 to 3 years and the credit terms granted to the major customers ranged from 30 to 180 days. Details of the trade and bills receivables of the Group as at 31 December 2018 are set out in note 25 to the consolidated financial statements. Up to the date of this report, 13.82% of the trade and bills receivables from the major customers has been settled. The Group aims to provide customers with good quality products and services in order to strive for continued growth of sale revenue and profitability. The Group has strengthened communications between the customers and the Group by strengthening information management, so as to provide superior quality products and services.

In order to alleviate quality risks for products, the Group require that each process operator must carry out self-inspection, self-division of the products under different inspection and test states, self-marking of products, and control of self-inspection pass rate. The management has also conducted inspections in the production process and made relevant records. The Group also set up quality inspection department to test semi-finished products, and carry out tracking in accordance with the marking by process operators, so as to mark semi-finished products as qualified. Products assembled with qualified raw materials and semi-finished products will be tested at last.

During the Reporting Period, the Group did not have any material disputes with our major customers.

The Group maintains a good relation with suppliers, at the same time, conducts regular assessment and management on suppliers, integrates suppliers resources, controls procurement costs and secures the effectiveness of the supply chain based on product quality, price, ability to deliver products on time, after-sale service and other factors. The Group's main suppliers are raw material suppliers, and had business relationship with the Group for over 3 years on average. The credit terms granted to the major suppliers ranged from 30 to 180 days. Details of the trade and bills payables of the Group as at 31 December 2018 are set out in note 31 to the consolidated financial statements. Up to the date of this report, 29.06% of the trade and bills payables to the major suppliers has been settled. For the procurement of bulk commodities or services, the Group has set bidding program with strict implementation.

In order to alleviate risks for conduct of suppliers, the Group has set up clear new supplier selection policy that requires suppliers to make self-assessment first. We will also conduct on-site audit of suppliers and continue to monitor qualified suppliers.

During the Reporting Period, the Group did not have any significant disputes with our major suppliers.

MAJOR CUSTOMERS AND SUPPLIERS

During the Reporting Period, purchases from the Group's five largest suppliers accounted for less than 30% of the total purchases for the year.

During the Reporting Period, sales to the single largest customer of the Group and the five largest customers of the Group in aggregate accounted for approximately 14.90% and 30.74% of the total sales of the year, respectively.

None of the Directors, their close associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in the major suppliers or customers noted above.

DIRECTORS' REPORT

RESERVES

Details of movements in the reserves of the Group and of the Company during the year ended 31 December 2018 are set out in the accompanying consolidated statement of changes in equity and note 49(b) to the consolidated financial statements.

PROPERTIES, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year ended 31 December 2018 are set out in note 16 to the accompanying consolidated financial statements.

CHARITABLE DONATIONS

Charitable donations made by the Group during the year amounted to RMB30,000 (2017: RMB36,000).

In 2018, the Group donated bursaries to six students from Zhuhai Campus of Jinan University in China. As of 2018, the Group has supported a total of 12 underprivileged students in Jinan University for two years in a row. Among the six students receiving the bursaries last year, three of them were recommended for admission to well-known graduate schools of Project 985 in China. The bursary scheme allows students who are less well-off to complete higher education and nurtures the next generation of IT talents for the country.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 37 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2018, the reserves of the Company available for distribution to shareholders of the Company amounted to approximately RMB280.1 million (2017: RMB290.0 million).

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association (the "Articles of Association") and the laws of the Cayman Islands, which would oblige the Company to offer new Shares on a pro-rata basis to its existing shareholders.

TAX RELIEF

The Company is not aware of any tax relief or exemption available to the shareholders of the Company by reason of their holding of the Company's securities.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is included in financial highlights on pages 4 to 5 of this annual report.

DIRECTORS' REPORT

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2018.

EQUITY-LINKED AGREEMENTS

Save as the Share Option Scheme of the Company disclosed below, as well as the issue of convertible notes disclosed in the paragraph of "SHARE SUBSCRIPTION AND ISSUE OF CONVERTIBLE NOTES" in the Management Discussion and Analysis on pages 8 to 28, no equity-linked agreements were entered into by the Company during the year.

SHARE OPTION SCHEME

The Company has adopted the Share Option Scheme pursuant to a written resolution passed by the shareholders of the Company on 8 May 2010 (the "Adoption Date").

The purpose of the Share Option Scheme is to enable the Group to grant share options to selected participants as incentives or rewards for their contributions to the Group. All officers, employees, agents, consultants or representatives of any member of the Group, (including any executive or non-executive Director) who the Board may determine in its absolute discretion, have made valuable contributions to the business of the Group based on their performance and/or years of service, or are regarded to be valuable human resources of the Group are eligible to participate in the Share Option Scheme subject to such conditions as the Board may think fit.

The Share Option Scheme will remain in force for a period of 10 years after the Adoption Date. The remaining life of Share Option Scheme is 2 years.

When the Share Option Scheme was approved by the shareholders of the Company on 8 May 2010, it was also approved that the total number of Shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme adopted by the Group must not in aggregate exceed 10% of the Shares in issue on the Listing Date, i.e. 80,000,000 Shares (the "Scheme Mandate Limit"). The Company may renew the Scheme Mandate Limit with shareholders' approval provided that each such renewal may not exceed 10% of the Shares in issue as at the date of the shareholders' approval.

The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme adopted by the Group must not in aggregate exceed 30% of the Shares in issue from time to time.

Unless approved by shareholders of the Company, the total number of Shares issued and to be issued upon exercise of the options granted under the Share Option Scheme and any other share option scheme of the Group (including both exercised or outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued Shares of the Company for the time being.

A nominal consideration of HK$1 is payable on acceptance of the grant of an option.

DIRECTORS' REPORT

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be notified by the Board to each grantee, which period must expire no later than 10 years from the date of the grant (subject to acceptance) of the option.

The right to exercise an option is not subject to or conditional upon the achievement of any performance target unless otherwise stated in the grant letter which is to be made by the Company to the participant of the Share Option Scheme upon granting of the option.

The subscription price for the Shares under the Share Option Scheme will be a price determined by the Directors, but shall not be less than the highest of (i) the closing price of Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a business day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the Shares.

No options were granted, exercised, lapsed or cancelled by the Company under the Share Option Scheme during the year ended 31 December 2018. There were no outstanding options under the Share Option Scheme at the beginning and at the end of the year ended 31 December 2018.

As at the date of this report, the total number of shares available for issue under the Share Option Scheme was 60,570,000 Shares, representing 6.55% of the issued Shares of the Company.

DIRECTORS

The Directors during the year and up to the date of this annual report are:

Mr. Li Xin Qing
Mr. An Wei
Mr. Li Wan Jun*
Mr. Zhang Bo*
Mr. Pang Zhan*

* Independent non-executive Directors

DIRECTORS' SERVICE CONTRACTS

Pursuant to article 84(1) and 84(2) of the Articles, at each annual general meeting one-third of the Directors for the time being, or, if their number is not a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. Accordingly, Mr. Li Xin Qing and Mr. Zhang Bo, shall retire by rotation, at the AGM and being eligible, will offer themselves for re-election as Directors at the AGM.

None of our Directors, including those proposed for re-election at the AGM, has entered or has proposed to enter into any service agreement with us or any other members of the Group, which is not expired or not determinable by us or any member of the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' REPORT

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2018.

REMUNERATION OF DIRECTORS

Details of remuneration of the directors are set out in note 12 to the consolidated financial statements in this annual report.

CHANGES IN DIRECTORS' INFORMATION

Up to the date of this annual report, the changes to the information in respect of the Directors which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, which are set out as follows:

In March 2019, Mr. Zhang Bo was appointed as an independent non-executive director of Guangzhou Efficient Technology Corp ("Efficient"). Efficient was listed on the National Equities Exchange and Quotations System in December 2017 (Stock Code: 872457).

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of its independent non-executive Directors confirmation of his independence and the Company considers that each of them to be independent based on the guidelines set out in Rule 3.13 of the Listing Rules.

PERMITTED INDEMNITY PROVISION

During the financial year and up to the date of this report, the Company has in force indemnity provisions as permitted under the relevant statutes for the benefit of the Directors of the Company or its associated companies. The permitted indemnity provisions are provided for in the Articles of Association in respect of potential liability and costs associated with legal proceedings that may be brought against such Directors.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENT OR CONTRACTS

No transactions, arrangements and contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries, was a party and in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

EXECUTIVE DIRECTORS' INTEREST IN COMPETING BUSINESS

As at 31 December 2018, none of the executive Directors or their respective associates had engaged in or had any interest in any business which, directly or indirectly, competes or may compete with the businesses of the Group.

DIRECTORS' REPORT

NON-COMPETITION DEED BY CONTROLLING SHAREHOLDERS

The Company has entered into the non-competition deed dated 8 May 2010 (the "Non-competition Deed") in favour of the Company with Genius Mind Enterprises Limited and its beneficial owner Mr. Li Xin Qing, Great Passion International Limited and its beneficial owner An Wei, Rich Talent Management Limited and Honor Boom Investments Limited and its beneficial owner Mr. Li Xiao Bin, Ms. Ou Yang Fen and Mr. Cui Jian (the "Controlling Shareholders").

Each of the Controlling Shareholders has made an annual declaration in respect of their compliance with the terms of Non-competition Deed.

Details of the Non-competition Deed was set forth under "Non-Competition Deed" in the section headed "Relationship with our Controlling Shareholders" of the initial public offering prospectus of the Company dated 18 May 2010.

The independent non-executive Directors had reviewed and confirmed that the Controlling Shareholders have complied with the Non-competition Deed during the year ended 31 December 2018.

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors on a named basis during the year under review are set out in note 12 to the consolidated financial statements. Details of the five highest paid individuals during the year under review are set out in note 13 to the consolidated financial statements.

RETIREMENT BENEFIT SCHEMES

Particulars of the Group's retirement benefit schemes are set out in note 46 to the consolidated financial statements.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of the Directors and senior management as at the date of this annual report are set out on pages 29 to 32 of this annual report.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY OTHER ASSOCIATED CORPORATION

As at 31 December 2018, the interests and short positions of the Directors and the chief executive of the Company and their associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Mode Code") set out in Appendix 10 to the Listing Rules were as follows:

Name of Director	Nature of interest	Number of Shares or underlying Shares	Approximate percentage of existing issued share capital of the Company
Mr. Li Xin Qing	Interest of controlled corporations	205,709,875 *(Note 2)*	22.24%
	Beneficial owner	200,000	0.02%
Mr. An Wei	Interest of controlled corporations	195,869,875 *(Note 3)*	21.17%
	Beneficial owner	400,000	0.04%

Notes:

1. All interests in Shares were long positions.

2. The entire issued share capital of Genius Mind Enterprises Limited ("Genius Mind") is beneficially owned by Mr. Li Xin Qing who is deemed to be interested in 197,724,457 Shares held by Genius Mind by virtue of the SFO. Among 197,724,457 Shares, a total of 40,000,000 Shares were provided as security to a person other than a qualified lender. In addition, Mr. Li Xin Qing is also deemed to be interested in 7,985,418 Shares held by Rich Talent Management Limited ("Rich Talent"), a company which shareholding is owned as to 50% by him, by virtue of the SFO.

3. The entire issued share capital of Great Passion International Limited ("Great Passion") is beneficially owned by Mr. An Wei who is deemed to be interested in 187,884,457 Shares held by Great Passion by virtue of the SFO. In addition, Mr. An Wei is also deemed to be interested in 7,985,418 Shares held by Rich Talent, a company which shareholding is owned as to 50% by him, by virtue of the SFO.

Save as disclosed above, as at 31 December 2018, none of the Directors or chief executive of the Company nor their associates had any interest or short positions in the shares, underlying shares or debentures of the Company, its specified undertakings or any of its other associated corporations (within the meaning of Part XV of the SFO) which had to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which were required, pursuant to Section 352 of the SFO and the Hong Kong Companies Ordinance (Cap.622), to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

DIRECTORS' REPORT

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2018, as far as known to the Directors, the following persons or entities (not being a Director or a chief executive of the Company) who had interests or short positions in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of shareholder	Nature of interest	Number of Shares or underlying Shares	Approximate percentage of existing issued share capital of the Company
Ms. Zeng Zhen *(Note 2)*	Interests of spouse	205,909,875	22.26%
Genius Mind *(Note 3)*	Beneficial owner	197,724,457	21.37%
Ms. Yan Kai *(Note 4)*	Interests of spouse	196,269,875	21.22%
Great Passion *(Note 5)*	Beneficial owner	187,884,457	20.31%
Honor Boom Investments Limited *(Note 6)*	Beneficial owner	82,458,117	8.91%
Mr. Li Xiao Bin *(Note 6)*	Interest of controlled corporations	82,458,117	8.91%
Ms. Zhang Lina *(Note 7)*	Interests of spouse	82,458,117	8.91%
Mr. Thomas Karl Amade Pilscheur	Beneficial owner	66,244,818	7.16%
Ms. Feng Yanlin *(Note 8)*	Interests of spouse	66,244,818	7.16%
Broad-Ocean Motor (Hong Kong) Co. Limited *(Note 9)*	Beneficial owner	84,096,000	9.09%
Zhongshan Broad-Ocean Motor Co., Ltd. *(Note 9)*	Interest of controlled corporations	84,096,000	9.09%
Mr. Lu Chuping *(Note 9)*	Interest of controlled corporations	84,096,000	9.09%

DIRECTORS' REPORT

Notes:

1. All interests in Shares were long positions.

2. Ms. Zeng Zhen is the spouse of Mr. Li Xin Qing. Therefore, Ms. Zeng Zhen is deemed to be interested in the Shares in which Mr. Li Xin Qing is interested by virtue of the SFO.

3. The entire issued share capital of Genius Mind is beneficially owned by Mr. Li Xin Qing who is deemed to be interested in the Shares held by Genius Mind by virtue of the SFO. Mr. Li Xin Qing is the sole director of Genius Mind.

4. Ms. Yan Kai is the spouse of Mr. An Wei. Therefore, Ms. Yan Kai is deemed to be interested in the Shares in which Mr. An Wei is interested by virtue of the SFO.

5. The entire issued share capital of Great Passion is beneficially owned by Mr. An Wei who is deemed to be interested in the Shares held by Great Passion by virtue of the SFO. Mr. An Wei is the sole director of Great Passion.

6. The issued share capital of Honor Boom Investments Limited is owned as to 40% by Mr. Li Xiao Bin, 30% by Ms. Ou Yang Fen and 30% by Mr. Cui Jian respectively. Therefore, Mr. Li Xiao Bin is deemed to be interested in the 82,458,117 Shares held by Honor Boom Investments Limited by virtue of the SFO.

7. Ms. Zhang Lina is the spouse of Mr. Li Xiao Bin. Therefore. Ms. Zhang Lina is deemed to be interested in the Shares in which Mr. Li Xiao Bin is interested by virtue of the SFO.

8. Ms. Feng Yanlin is the spouse of Mr. Thomas Karl Amade Pilscheur. Therefore, Ms. Feng Yanlin is deemed to be interested in the Shares in which Mr. Thomas Karl Amade Pilscheur is interested by virtue of the SFO.

9. The entire issued share capital of Broad-Ocean Motor (Hong Kong) Co. Limited is owned by Zhongshan Broad-Ocean Motor Co. Ltd, which is in turn 43.82% of its interest was beneficially owned by Mr. Lu Chuping.

Save as disclosed above, as at 31 December 2018, the Company has not been notified by any person (other than directors or the chief executive of the Company) who had interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

ARRANGEMENT FOR DIRECTORS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed herein, at no time during the year were rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any Director of the Company or their respective spouses or minor children, or were such rights exercised by them, or was the Company, its holding company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of Shares in, or debt securities (including debentures) of the Company or any other body corporate.

DIRECTORS' REPORT

RELATED PARTY TRANSACTIONS

The related party transactions set out in note 48 to the consolidated financial statements did not fall within the definition of "connected transaction" or "continuing connected transaction" in Chapter 14A of the Listing Rules.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors at the latest practicable date prior to the issue of this annual report, there was a sufficient prescribed public float of the issued shares of the Company under the Listing Rules at any time during the year ended 31 December 2018.

CORPORATE GOVERNANCE

The Company's corporate governance principles and practices are set out in the Corporate Governance Report on pages 33 to 43 of this annual report.

AUDITOR

The consolidated financial statements have been audited by SHINEWING (HK) CPA Limited who will retire and, being eligible, offer themselves for re-appointment at the AGM.

AGM

The Company proposed that the AGM will be held on Friday, 24 May 2019. This annual report is published on the Company's website (http://www.titans.com.cn) and the Stock Exchange's website (http://www.hkexnews.hk). The notice of the AGM will be despatched to the shareholders of the Company and will be made available on the websites of the Company and the Stock Exchange in due course.

On behalf of the Board

Li Xin Qing
Chairman

Hong Kong, 29 March 2019

INDEPENDENT AUDITOR'S REPORT

信永中和
ShineWing

SHINEWING (HK) CPA Limited
43/F., Lee Garden One
33 Hysan Avenue
Causeway Bay, Hong Kong

TO THE SHAREHOLDERS OF CHINA TITANS ENERGY TECHNOLOGY GROUP CO., LIMITED
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of China Titans Energy Technology Group Co., Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages 86 to 220, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS

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

Valuation of inventories

Refer to note 24 to the consolidated financial statements and the accounting policies on page 119.

The key audit matter	How the matter was addressed in our audit
As at 31 December 2018, the carrying amount of the inventories was approximately RMB80,814,000. We have identified the carrying amount of the inventories as a key audit matter since the carrying amount of inventories was significant to the consolidated financial statements and the assessment on the allowance for inventories involves significant judgements and estimates made by the management.	Our procedures in relation to the carrying amount of inventories were designed to review the judgements and estimates made by the management on the assessment of the allowance for inventories as at 31 December 2018. We have discussed with the management for the long-aged inventories identified at 31 December 2018 and challenged their judgements and estimates on such inventories of not being obsolete. We have reviewed the utilisation of inventories and sales contracts entered into between the Group and the customers on the abovementioned long-aged inventories. We have also compared the latest selling price with carrying amount of the inventories to consider whether the inventories were stated at lower of their costs or net realisable values.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (Continued)

Valuation and impairment of trade receivables

Refer to note 25 to the consolidated financial statements and the accounting policies on pages 123 to 127.

The key audit matter	How the matter was addressed in our audit
As at 31 December 2018, the carrying amount of trade receivables, net of loss allowance for expected credit loss ("ECL") approximately RMB236,454,000. Loss allowance for ECL in respect of trade receivables of approximately RMB1,803,000 has been recognised for the year ended 31 December 2018. The expected credit losses on trade receivables are estimated by the management using a provision matrix based on the Group's historical credit loss experience, and forward looking information at the end of the reporting period. Independent valuer was engaged by the management for the ECL estimations of trade receivables as at 31 December 2018. We have identified the valuation and impairment of the trade receivables as a key audit matter in view of the significance of the carrying amount of trade receivables and the ECL estimation performed by the management involved significant judgements and estimates.	Our audit procedures were designed to assess the management estimation on ECL of trade receivables and challenge the reasonableness of the significant judgements and estimates, including use of significant unobservable inputs adopted in the ECL estimation by the management and the independent valuer. We have also assessed the appropriateness of the methodology and reviewed the inputs data used by the independent valuer with reference to the latest available general economic data and the cash collection performance against the Group's historical trends and credit loss experience.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (Continued)

Valuation of the investments in unlisted equity securities included in financial assets at fair value through other comprehensive income

Refer to note 21 to the consolidated financial statements and the accounting policies on page 121.

The key audit matter	How the matter was addressed in our audit
As at 31 December 2018, included in the financial assets at fair value through other comprehensive income are investments in unlisted equity securities of approximately RMB22,649,000. Independent valuer was engaged by the management for the fair value measurement of each of the unlisted equity securities as at 31 December 2018. We have identified the valuation of the investments in unlisted equity securities included in financial assets at fair value through other comprehensive income as a key audit matter since significant judgements and estimates, including use of significant unobservable inputs, have been used in fair value measurement.	Our procedures were designed to challenge the reasonableness of judgements and estimates, including use of significant unobservable inputs adopted in the fair value estimations by the management and the independent valuer. We have also evaluated the appropriateness of the valuation methodology and the reasonableness of the inputs data used by the independent valuer with reference to the latest available market data.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (Continued)

Charging services concession rights

Refer to notes 19 and 36 to the consolidated financial statements and the accounting policies on pages 110 and 118.

The key audit matter	How the matter was addressed in our audit
During the year ended 31 December 2018, the Group has entered into a Build-operate-transfer arrangement with stated-owned enterprise in the People's Republic of China in respect of the charging services. During the year ended 31 December 2018, construction revenue and charging services concession rights under intangible assets of approximately RMB16,874,000 have been recognised. The construction revenue and charging services concession rights under intangible assets are recognised based on the cost plus method, which the management concludes it is consistent with the rate that a market participant would require as compensation for providing similar services. The impairment assessment on the carrying amount of charging services concession rights of approximately RMB41,712,000 as at 31 December 2018 performed by the management included the identification of objective evidence of impairment and calculation of recoverable amount, based on value-in-use calculations, of charging services concession rights. This assessment is dependent upon significant judgements and estimates made by the management in the calculation of value-in-use, derived from profit forecasts and cash flows projections. We have identified the construction revenue and the impairment of charging services concession rights under intangible assets as a key audit matter in view of the significance and the involvement of significant judgements and estimates made by the management in (i) determining the margin to be adopted in the abovementioned cost plus method; and (ii) the underlying data and assumptions used in the profit forecasts and cash flows projections, which may be subject to management bias.	Our procedures were designed to review the judgements and estimates made by the management on the determination of the margin to be adopted in the cost plus method and the impairment testing on the charging service concession rights at the end of the reporting period. We have discussed with the management for the market comparables used in determining the margin used in the cost plus method. We also reviewed the available public financial data of the market comparables used by the management. We have discussed the indication of possible impairment with the management. We compared the profit forecasts approved by the management with actual results available up to the report date. We also challenged the appropriateness of the management judgements and estimates used in the profit forecasts and cash flows projection, including the sales growth rates and gross profit margins, against latest market expectations. We also challenged the discount rates adopted in the calculation of the recoverable amounts by reviewing its basis of calculations and comparing the input data to market sources.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF DIRECTORS OF THE COMPANY AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion, 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.

- Conclude on the appropriateness of the Company's directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Chan Wing Kit.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Chan Wing Kit
Practising Certificate Number: P03224
Hong Kong
29 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
Revenue	5	**270,204**	327,861
Cost of revenue		**(187,973)**	(214,714)
Gross profit		**82,231**	113,147
Other revenue and income	7	**30,416**	20,019
Selling and distribution expenses		**(50,814)**	(48,438)
Administrative and other expenses		**(78,879)**	(65,773)
Other gains and losses	8	**(9,006)**	3,967
Realisation on fair value gain on the disposal of available-for-sale financial asset classified as held for sale		**–**	136,174
Gain on disposal of available-for-sale financial asset classified as held for sale		**–**	62,652
Share of results of associates		**(4,977)**	(4,742)
Finance costs	9	**(11,074)**	(16,695)
(Loss) profit before tax		**(42,103)**	200,311
Income tax expenses	10	**(1,601)**	(41,145)
(Loss) profit for the year	11	**(43,704)**	159,166

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Note	2018 RMB'000	2017 RMB'000
Other comprehensive (expense) income			
Items that may be reclassified subsequently to profit or loss:			
Fair value loss on available-for-sale financial asset		–	(8,176)
Income tax relating to items that may be reclassified subsequently		–	1,226
Realisation of fair value gain on the disposal of available-for-sale financial asset classified as held for sale		–	(136,174)
Income tax relating to items that reclassified on disposal		–	34,044
		–	(109,080)
Items that will not be reclassified subsequently to profit or loss:			
Net fair value loss on financial assets at fair value through other comprehensive income		**(1,960)**	–
Income tax relating to items that will not be reclassified subsequently to profit or loss		**(132)**	–
		(2,092)	–
Other comprehensive expense for the year, net of income tax		**(2,092)**	(109,080)
Total comprehensive (expense) income for the year		**(45,796)**	50,086
(Loss) profit for the year attributable to:			
– Owners of the Company		**(40,168)**	163,706
– Non-controlling interests		**(3,536)**	(4,540)
		(43,704)	159,166
Total comprehensive (expense) income for the year attributable to:			
– Owners of the Company		**(42,260)**	54,626
– Non-controlling interests		**(3,536)**	(4,540)
		(45,796)	50,086
(LOSS) EARNINGS PER SHARE	*15*		
Basic (RMB)		**(4.34 cents)**	17.70 cents
Diluted (RMB)		**(4.34 cents)**	16.52 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
Non-current assets			
Property, plant and equipment	16	**125,951**	56,837
Prepaid lease payments	17	**7,989**	8,301
Goodwill	18	**–**	449
Prepayment for the construction of property, plant and equipment		**23,533**	13,000
Intangible assets	19	**41,712**	32,085
Interests in associates	20	**6,290**	8,332
Available-for-sale financial assets	21	**–**	159,152
Financial asset at fair value through other comprehensive income	21	**22,649**	–
Financial asset at fair value through profit or loss	21	**17,242**	–
Finance lease receivable	23	**615**	–
Deferred tax assets	35	**9,493**	7,523
		255,474	285,679
Current assets			
Inventories	24	**80,814**	76,717
Trade and bills receivables	25	**238,024**	333,094
Contract assets	26	**42,817**	–
Loan receivables	27	**150,228**	19,904
Prepayments, deposits and other receivables	28	**92,128**	138,076
Prepaid lease payments	17	**312**	312
Amounts due from associates	29	**1,232**	4,137
Held for trading investment	22	**–**	9,248
Finance lease receivable	23	**107**	–
Redemption option derivative of the convertible notes	34	**–**	165
Restricted bank balances	30	**38,451**	61,433
Short-term bank deposits	30	**24,000**	73,000
Bank balances and cash	30	**59,955**	60,133
		728,068	776,219
Current liabilities			
Trade and bills payables	31	**83,490**	101,193
Contract liabilities	26	**7,691**	–
Receipts in advance		**–**	6,791
Accruals and other payables		**5,757**	29,963
Amounts due to associates	32	**698**	185
Tax payable		**510**	25,590
Conversion option derivative of the convertible notes	34	**–**	175
Convertible notes	34	**–**	83,567
Bank and other borrowings	33	**180,944**	134,945
		279,090	382,409
Net current assets		**448,978**	393,810
Total assets less current liabilities		**704,452**	679,489

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
Non-current liabilities			
Deferred tax liabilities	35	**17,959**	18,604
Bank and other borrowings	33	**94,480**	3,450
		112,439	22,054
Net assets		**592,013**	657,435
Capital and reserves			
Share capital	37	**8,087**	8,087
Share premium and reserves		**562,775**	622,599
Equity attributable to owners of the Company		**570,862**	630,686
Non-controlling interests		**21,151**	26,749
Total equity		**592,013**	657,435

The consolidated financial statements on pages 86 to 220 were approved and authorised for issue by the board of directors on 29 March 2019 and are signed on its behalf by:

An Wei
Director

Li Xin Qing
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Attributable to owners of the Company											
	Share capital RMB'000	Share Premium RMB'000	Merger Reserve RMB'000 (note (a))	Exchange translation reserve RMB'000	Investments revaluation reserve RMB'000	Capital reserve RMB'000 (note (b))	Statutory reserve fund RMB'000	Other reserve RMB'000 (note (c))	Retained Profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2017	8,087	325,141	8,640	504	102,130	(1,539)	38,954	2,066	92,077	576,060	8,982	585,042
Profit (loss) for the year	–	–	–	–	–	–	–	–	163,706	163,706	(4,540)	159,166
Other comprehensive income (expense) for the year:												
Realisation of fair value gain on the disposal of available-for-sale financial asset as held for sale (note (d))	–	–	–	–	(136,174)	–	–	–	–	(136,174)	–	(136,174)
Income tax relating to items that reclassified on disposal	–	–	–	–	34,044	–	–	–	–	34,044	–	34,044
Fair value loss on available-for-sale financial asset	–	–	–	–	(8,176)	–	–	–	–	(8,176)	–	(8,176)
Income tax relating to items that may be reclassified subsequently	–	–	–	–	1,226	–	–	–	–	1,226	–	1,226
Total comprehensive income (expense) for the year	–	–	–	–	(109,080)	–	–	–	163,706	54,626	(14,540)	50,086
Transfer in (out)	–	–	–	–	–	–	23,255	–	(23,255)	–	–	–
Capital contribution from a non-controlling shareholder	–	–	–	–	–	–	–	–	–	–	300	300
Establishment of a subsidiary	–	–	–	–	–	–	–	–	–	–	1,225	1,225
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	20,782	20,782
At 31 December 2017 (as originally stated)	8,087	325,141	8,640	504	(6,950)	(1,539)	62,209	2,066	232,528	630,686	26,749	657,435
Effect of change in accounting policy (Note 2)	–	–	–	–	6,950	–	–	–	(24,514)	(17,564)	–	(17,564)
As at 1 January 2018 (as restated)	8,087	325,141	8,640	504	–	(1,539)	62,209	2,066	208,014	613,122	26,749	639,871
Loss for the year	–	–	–	–	–	–	–	–	(40,168)	(40,168)	(3,536)	(43,704)
Other comprehensive income (expense) for the year:												
Net fair value loss on financial assets at fair value through other comprehensive income	–	–	–	–	(1,960)	–	–	–	–	(1,960)	–	(1,960)
Income tax relating to items that will not be reclassified subsequently	–	–	–	–	(132)	–	–	–	–	(132)	–	(132)
Total comprehensive expense for the year	–	–	–	–	(2,092)	–	–	–	(40,168)	(42,260)	(3,536)	(45,796)
Transfer in (out)	–	–	–	–	–	–	1,207	–	(1,207)	–	–	–
Deemed disposal of a subsidiary (note 40)	–	–	–	–	–	–	–	–	–	–	(2,062)	(2,062)
At 31 December 2018	8,087	325,141	8,640	504	(2,092)	(1,539)	63,416	2,066	166,639	570,862	21,151	592,013

Notes:

(a) Merger reserve represents the amount of consideration paid to Zhuhai Titans Group Company Limited, in excess of the net book value of the subsidiary acquired from Zhuhai Titans Technology Co., Ltd.* 珠海泰坦科技股份有限公司 ("Titans Technology") in previous years.

(b) Capital reserve represents the difference between the fair values of the net assets acquired from non-controlling interests and the carrying values of the underlying assets and liabilities attributable to these additional interests.

(c) Other reserve represents the difference of the consideration paid for the acquisition of an additional equity interest in a subsidiary and the carrying value of the additional equity interests of the subsidiary acquired.

(d) On 30 November 2016, the Group committed to a sale plan with Wuxi Lead Intelligent Equipment Co., Ltd* (無錫先導智能裝備股份有限公司) ("Lead Intelligent") for the disposal of 10% equity interest in Zhuhai Titans New Power Electronics Company Limited* (珠海泰坦新動力電子有限公司) ("Titans New Power"), an available-for-sale investment previously held by the Group, at a consideration consisted of (i) cash consideration of RMB60,750,000; and (ii) 2,185,108 shares of Lead Intelligent.

At 31 December 2016, the transaction had not been completed and remained committed to their plan of sale. On 14 August 2017, the disposal had been completed (i) cash consideration with receipts of RMB60,750,000; and (ii) 2,193,500 listed shares of Lead Intelligent. Gain on disposal of asset classified as held for sale of approximately RMB62,652,000 and the realisation of fair value gain of approximately RMB136,174,000 were recognised during the year ended 31 December 2017.

* *English name is for identification purpose only*

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Note	2018 RMB'000	2017 RMB'000
OPERATING ACTIVITIES			
(Loss) profit before tax		**(42,103)**	200,311
Adjustments for:			
Impairment loss recognised in respect of goodwill		**449**	–
Amortisation of intangible assets		**4,299**	3,420
Amortisation of prepaid lease payments		**312**	312
Bank interest income		**(1,051)**	(1,209)
Depreciation of property, plant and equipment		**9,220**	14,274
Interest income on loan receivables		**(5,858)**	(105)
Interest income on amounts due from directors		**(328)**	–
Finance costs		**11,074**	16,695
Net loss on disposal of subsidiaries		**–**	11,985
Gain on partial disposal of an associate		**(1,869)**	–
Gain on disposal of available-for-sale financial assets		**–**	(2,222)
Realisation on fair value gain on the disposal of available-for-sale financial asset classified as held for sale		**–**	(136,174)
Gain on disposal of available-for-sale financial asset classified as held for sale		**–**	(62,652)
Loss (gain) on disposal of property, plant and equipment		**61**	(35)
Loss on disposal of financial assets at fair value through profit or loss		**18,582**	–
Loss on fair value change of held for trading investment		**–**	752
Fair value gain on financial asset at fair value through profit or loss		**(7,663)**	–
Government grants		**(14,078)**	(5,796)
Dividend from available-for-sale financial asset classified as held for sale		**–**	(155)
Dividend from held for trading investment		**–**	(841)
Impairment loss recognised in respect of trade receivables		**1,803**	7,294
Impairment loss recognised in respect of contract assets		**2,772**	–
Impairment loss recognised in respect of loan receivables		**1,133**	–
Gain on deemed disposal of a subsidiary	*40*	**(651)**	–
Reversal of impairment loss recognised in respect of trade receivables		**(5,538)**	(13,164)
Share of results of associates		**4,977**	4,742
Fair value change on derivative components and gain on redemption of convertible notes		**(12)**	(8,612)
Profit from construction under Build-Operate-Transfer ("BOT") arrangements		**(5,975)**	(1,919)
Unrealised exchange loss (gain)		**4,507**	(2,493)
Operating cash (outflows) inflows before movements in working capital		**(25,937)**	24,408

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	2018 RMB'000	2017 RMB'000
OPERATING ACTIVITIES (CONTINUED)		
(Increase) decrease in inventories	**(4,196)**	22,003
Decrease (increase) in trade and bills receivables	**38,148**	(98,754)
Increase in contract assets	**(7,919)**	–
Decrease (increase) in prepayments, deposits and other receivables	**48,433**	(88,523)
Decrease (increase) in amounts due from associates	**2,905**	(1,962)
Increase in held for trading investment	**–**	(10,000)
Disposal of financial asset at fair value through profit or loss	**9,248**	–
(Decrease) increase in trade and bills payables	**(17,551)**	36,443
Decrease in receipts in advance	**–**	(232)
Increase in contract liabilities	**900**	–
(Decrease) increase in accruals and other payables	**(9,833)**	6,148
Increase in amounts due to associates	**513**	185
Cash generated from (used in) operations	**34,711**	(110,284)
Income tax paid	**(25,590)**	(10,531)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	**9,121**	(120,815)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
INVESTING ACTIVITIES			
Placement of short-term bank deposits		**(22,000)**	(2,000)
Withdrawal of short-term bank deposits		**71,000**	59,014
Advance to an associate		**(2,000)**	–
Proceeds on disposal of available-for-sale financial asset		**–**	13,333
Proceeds on disposal of asset classified as held for sale		**–**	60,750
Proceeds on disposal of financial assets at fair value through profit or loss		**106,382**	–
Proceed on partial disposal of an associate		**3,000**	–
Withdrawal of the restricted bank balance		**61,839**	117,305
Placement of restricted bank balance		**(38,857)**	(30,190)
Bank interest received		**1,051**	1,209
Loan interest income received		**1,622**	–
Proceeds on disposal of property, plant and equipment		**201**	2,122
Dividend received from available-for-sale financial asset		**–**	155
Dividend received from held for trading investment		**841**	–
Capital contribution to associates		**(2,040)**	(980)
Purchase of property, plant and equipment		**(56,335)**	(29,147)
Receipts of partial consideration from the disposal of assets classified as held for sale		**–**	17,000
Prepayment for the construction of property, plant and equipment		**(30,000)**	(13,000)
Acquisition of available-for-sale financial assets		**–**	(24,609)
Additions to charging services concession rights under intangible assets		**(10,899)**	(4,916)
Net cash outflows from acquisition of subsidiaries	*42*	**–**	(14,348)
Loans advance to independent third parties	*27*	**(130,390)**	(19,904)
Increase in finance lease receivable		**(722)**	–
Net cash outflows from deemed disposal of a subsidiary	*40*	**(549)**	–
Advance to directors		**(4,354)**	–
Repayment from directors		**4,354**	–
Repayment of loan receivable from an independent third party	*27*	**880**	–
Net cash inflows from disposal of subsidiaries	*41*	**–**	31,560
NET CASH (USED IN) FROM INVESTING ACTIVITIES		**(46,976)**	163,354

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	2018	2017
	RMB'000	RMB'000
FINANCING ACTIVITIES		
New bank and other borrowings raised	**263,005**	112,163
Repayment of bank borrowings	**(123,976)**	(123,618)
Redemption of the convertible notes	**(87,918)**	–
(Repayment to) advance from an independent third party	**(15,000)**	15,000
Advance from directors	**12,052**	–
Repayment due to directors	**(12,052)**	–
Capital contribution from non-controlling shareholders of subsidiaries	**–**	1,525
Receipts from government grants	**14,078**	5,796
Interest paid	**(12,512)**	(7,102)
NET CASH FROM FINANCING ACTIVITIES	**37,677**	3,764
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(178)**	46,303
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**60,133**	13,830
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, REPRESENTED BY BANK BALANCES AND CASH	**59,955**	60,133

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

1. GENERAL

China Titans Energy Technology Group Co., Limited (the "Company") was incorporated and registered as an exempted company in the Cayman Islands with limited liability. The shares of the Company are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The addresses of the registered office and principal place of business of the Company are disclosed in the section "Corporate Information" to the annual report.

The principal activities of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") are (i) supply of power electric products and equipment; (ii) the sales and leases of electric vehicles; (iii) provision of charging services for electric vehicles; and (iv) construction services of charging poles for electric vehicles under Build-Operate-Transfer ("BOT") arrangements. The Company's principal activity is investment holding. The principal activities of the subsidiaries are set out in note 50.

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

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS(s)")

In the current year, the Group has applied, for its first time, the following new and amendments to HKFRSs, which include HKFRSs, Hong Kong Accounting Standards ("HKAS(s)") and amendments, issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and related Amendments
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of Annual Improvements to HKFRSs 2014 – 2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration

The impacts of the adoption of HKFRS 9 Financial Instruments and HKFRS 15 Revenue from Contracts with Customers have been summarised below. The application of other new and amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosure set out in these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS(s)") (Continued)

Impact on the consolidated financial statements for the adoption of the new accounting standards

As explained below, HKFRS 15 and HKFRS 9 are adopted without restating comparative information. The related reclassifications and the adjustments are therefore not reflected in consolidated statement of financial position as at 31 December 2017, but are recognised in the opening balance on 1 January 2018.

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail by standard below.

	Carrying amount originally reported at 31 December 2017	**Impact on adoption of HKFRS 15**	**Impact on adoption of HKFRS 9**	**Carrying amount as restated at 1 January 2018**
	RMB'000	RMB'000	RMB'000	RMB'000
		(Note 2.1)	*(Note 2.2)*	
Assets				
Available-for-sale financial assets	159,152	–	(159,152)	–
Financial assets at fair value through profit or loss ("FVTPL")	–	–	134,543	134,543
Financial assets at fair value through other comprehensive income ("FVTOCI")	–	–	24,609	24,609
Trade and bills receivables	333,094	(39,081)	(19,200)	274,813
Contract assets	–	39,081	(1,411)	37,670
Loan receivables	19,904	–	(53)	19,851
Deferred tax assets	7,523	–	3,100	10,623
Total	519,673	–	(17,564)	502,109
Liabilities				
Receipts in advance	6,791	(6,791)	–	–
Contract liabilities	–	6,791	–	6,791
Total	6,791	–	–	6,791
Equity				
Retained profit	232,528	–	(24,514)	208,014
Investments revaluation reserve	(6,950)	–	6,950	–
	225,578	–	(17,564)	208,014

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS(s)") (Continued)

2.1 HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 superseded HKAS 11 Construction Contracts, HKAS 18 Revenue and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard established a five-step model for determining whether, how much and when revenue is recognised. The Group has elected to adopt the modified retrospective approach for contracts with customers that are not completed as at the date of initial application (i.e. 1 January 2018) with the cumulative effect of initially applying HKFRS 15 as an adjustment to the opening balance of retained profit and comparative information is not restated. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 Revenue and HKAS 11 Construction Contracts and the related interpretations.

The impact of transition to HKFRS 15 was insignificant on the retained profit at 1 January 2018. The Group's accounting policies for its revenue streams are disclosed in detail in Note 3 below.

The amount of adjustment for each financial statement line item of the consolidated statement of financial position at 1 January 2018 affected by the application of HKFRS 15 is illustrated below. Line items that were not affected by the changes have not been included.

	Notes	**Carrying amount previously reported at 31 December 2017** RMB'000	**Impact on adoption of HKFRS 15 – Reclassification** RMB'000	**Carrying amount as restated at 1 January 2018*** RMB'000
Trade and bills receivables	*(a)*	333,094	(39,081)	294,013
Contract assets	*(a)*	–	39,081	39,081
Receipts in advance	*(b)*	6,791	(6,791)	–
Contract liabilities	*(b)*	–	6,791	6,791

Notes:

(a) Retention receivables

As at 1 January 2018, the "retention receivables" included in trade and bills receivables, of approximately RMB39,081,000 was reclassified to contract assets.

(b) Receipts in advance from customers

As at 1 January 2018, the "receipts in advance" of approximately RMB6,791,000 represents sales of electric products contracts was reclassified contract liabilities.

* The amounts in this column are before the adjustments from the application of HKFRS 9.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS(s)") (Continued)

2.1 HKFRS 15 Revenue from Contracts with Customers (Continued)

Disclosure of the estimated impact on the amounts reported in respect of the year ended 31 December 2018 as a result of the adoption of HKFRS 15 on 1 January 2018

The following tables summarise the estimated impact of applying HKFRS 15 on the consolidated statement of financial position at 31 December 2018, by comparing the amounts reported under HKAS 11, HKAS 18 and related interpretations that were in effect before the change. Line items that were not affected by the adjustments have not been included. The adoption of HKFRS 15 did not have material impact on the Group's operating, investing and financing cash flows.

Impact on the consolidated statement of financial position at 31 December 2018

	As reported	Impact of adopting HKFRS 15	Amounts excluding impacts of adopting HKFRS 15
	RMB'000	RMB'000	RMB'000
Contract assets	42,817	(42,817)	–
Trade and bills receivables	238,024	42,817	280,841
Contract liabilities	7,691	(7,691)	–
Receipts in advance	–	7,691	7,691

2.2 HKFRS 9 Financial instruments

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The Group has applied HKFRS 9 retrospectively to financial instruments that have not been derecognised at the date of initial application (i.e. 1 January 2018) in accordance with the transition provisions under HKFRS 9, and chosen not to restate comparative information. Differences in the carrying amounts of financial assets and financial liabilities on initial application are recognised in retained profit as at 1 January 2018.

The Group's accounting policies for the classification and measurement of financial instruments and the impairment of financial assets are disclosed in detail in Note 3 below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS(s)") (Continued)

2.2 HKFRS 9 Financial instruments (Continued)

(i) Classification and measurement of financial instruments

The directors of the Company reviewed and assessed the Group's existing financial assets and liabilities as at 1 January 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of HKFRS 9 has had the following impact on the Group's financial assets and liabilities as regards their classification and measurement:

Equity investments previously classified as available-for-sale investments carried at fair value:

The Group had elected to present in other comprehensive income for the fair value changes in respect of the Group's unlisted equity instruments amounting to approximately RMB24,609,000 as they are held for medium or long-term strategic purpose, and reclassified them to financial assets at FVTOCI. On initial application of HKFRS 9, the fair value gains and losses of these equity investments continue to be recognised in the investments revaluation reserve but they will not be reclassified to profit or loss when they are derecognised.

For the listed equity investments amounting to approximately RMB134,543,000 carried at fair value, the Group has not elected the option for designation at FVTOCI and reclassified them to financial assets at FVTPL. Upon initial application of HKFRS 9, investments revaluation reserve relating to these financial assets amounting to approximately RMB6,950,000 was transferred to retained profit at 1 January 2018.

Note (iii) below tabulates the change in classification and measurement of the Group's financial assets and financial liabilities upon application of HKFRS 9.

(ii) Loss allowance for expected credit losses ("ECL")

The adoption of HKFRS 9 has changed the Group's accounting for impairment losses for financial assets by replacing HKAS 39's incurred loss model with a forward-looking expected credit loss ("ECL") model. As at 1 January 2018, the directors of the Company reviewed and assessed the Group's existing financial assets and other items subject to ECL for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirement HKFRS 9.

As at 1 January 2018, an additional allowance on the Group's trade receivables, contract assets and loan receivables with an aggregate amount of approximately RMB20,664,000 has been recognised, thereby reducing the opening retained profit of approximately RMB17,564,000, after net of their related deferred tax impact of approximately RMB3,100,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS(s)") (Continued)

2.2 HKFRS 9 Financial instruments (Continued)

(iii) Summary of effects arising from initial application of HKFRS 9

The table below summarises the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets and financial liabilities and reconciles the carrying amounts of financial assets and financial liabilities under HKAS 39 to the carrying amounts under HKFRS 9 on 1 January 2018.

	Carrying amount at 31 December 2017 (HKAS 39)	Adoption of HKFRS 9 – Reclassification	Adoption of HKFRS 9 – Remeasurement	Carrying amount at 1 January 2018 (HKFRS 9)*
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets				
At amortised cost / loan and receivable				
– Trade and bills receivables	333,094	–	(19,200)	313,894
– Deposits and other receivables	48,329	–	–	48,329
– Loan receivables	19,904	–	(53)	19,851
– Amounts due from associates	4,137	–	–	4,137
– Restricted bank balance	61,433	–	–	61,433
– Bank balances and cash	60,133	–	–	60,133
– Short term bank deposit	73,000	–	–	73,000
Available-for-sale financial assets				
– Listed equity securities	134,543	(134,543)	–	–
– Unlisted equity securities	24,609	(24,609)	–	–
Financial assets at FVTPL				
– Listed equity securities	–	134,543	–	134,543
– Redemption option derivative of the CNs	165	–	–	165
– Investment fund classified as held for trading investment	9,248	–	–	9,248
Financial assets at FVTOCI				
– Unlisted equity securities	–	24,609	–	24,609

All the financial liabilities that are within the scope of HKFRS 9 are continued to be classified and measured on the same basis as they were under HKAS 39.

* The amounts in this column are before the adjustment to application of HKFRS 15.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS(s)") (Continued)

2.2 HKFRS 9 Financial instruments (Continued)

(iii) Summary of effects arising from initial application of HKFRS 9 (Continued)

The table below summarises the impact of transition of HKFRS 9 on retained profits and other components of equity at 1 January 2018.

	Investments revaluation reserve RMB'000	Retained profits RMB'000
Balance at 31 December 2017 as originally stated	(6,950)	232,528
Transferred from investments revaluation reserve to retained earnings as the financial assets now measured at FVTPL	6,950	(6,950)
Recognition of additional expected credit losses		
– Trade receivables	–	(19,200)
– Contract assets	–	(1,411)
– Loan receivables	–	(53)
Income tax relating to additional expected credit losses	–	3,100
Total change as a result of adoption of HKFRS 9 on 1 January 2018	6,950	(24,514)
Balance at 1 January 2018	–	208,014

There were no financial assets or financial liabilities which the Group had previously designated as at FVTPL under HKAS 39 that were subject to reclassification or which the Group has elected to reclassify upon the application of HKFRS 9. There were no financial assets or financial liabilities which the Group has elected to designate as at FVTPL at the date of initial application of HKFRS 9.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS(s)") (Continued)

New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new or revised HKFRSs that have been issued but are not yet effective.

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[3]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to HKAS 1 and HKAS 8	Definition of a Material[2]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2019.
2 Effective for annual periods beginning on or after 1 January 2020.
3 Effective for annual periods beginning on or after 1 January 2021.
4 Effective for business combinations and assets acquisition for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.
5 Effective for annual periods beginning on or after a date to be determined.

The directors of the Company anticipate that, except as described below, the application of other new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

HKFRS 16 *Leases*

HKFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessors and lessees.

In respect of the lessee accounting, the standard introduces a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases with the lease term of more than 12 months, unless the underlying asset has a low value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS(s)") (Continued)

New and revised HKFRSs issued but not yet effective (Continued)

HKFRS 16 *Leases* (Continued)

At the commencement date of the lease, the lessee is required to recognise a right-of-use asset at cost, which consists of the amount of the initial measurement of the lease liability, plus any lease payments made to the lessor at or before the commencement date less any lease incentives received, the initial estimate of restoration costs and any initial direct costs incurred by the lessee. A lease liability is initially recognised at the present value of the lease payments that are not paid at that date.

Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability. Lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payment made, and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments. Depreciation and impairment expenses, if any, on the right-of-use asset will be charged to profit or loss following the requirements of HKAS 16 *Property, Plant and Equipment,* while interest accrual on lease liability will be charged to profit or loss.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17 *Leases*. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

HKFRS 16 will supersede the current lease standards including HKAS 17 *Leases* and the related interpretations when it becomes effective.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of approximately RMB2,096,000 as disclosed in note 44. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in the measurement, presentation and disclosure as indicated above. The directors of the Company are in the process to determine the amounts of right-of-use assets and lease liabilities to be recognised in the consolidated statement of financial position, after taking into account all practical expedients and recognition exemption under HKFRS 16. The directors of the Company expect that the adoption of HKFRS 16 will not have material impact on the Group's result but certain portion of these lease commitments will be required to be recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair values at the end of reporting period.

Historical cost is generally based on the fair value of the consideration given in exchange for goods or services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. Details of fair value measurement are explained in the accounting policies set out below.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. If a subsidiary prepares its financial statements using accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to that subsidiary's financial statements in preparing the consolidated financial statements to ensure conformity with the Group's accounting policies.

Control is achieved where the Group has (i) power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) ability to use its power over the investee to affect the amount of the Group's return. When the Group has less than a majority of the voting rights of an investee, power over the investee may be obtained through (i) a contractual arrangement with other vote holders; (ii) rights arising from other contractual arrangements; (iii) the Group's voting rights and potential voting rights; or (iv) a combination of the above, based on all relevant facts and circumstances.

The Company reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control of the subsidiary and cease when the Group loses control of the subsidiary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

Income and expenses of subsidiaries are included in the consolidated statement of profit or loss and other comprehensive income from the date of the Group gains control until the date when the Group ceases to control the subsidiary.

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

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognised as a gain or loss in profit or loss attributable to the Group. When assets and liabilities of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets and liabilities (i.e. reclassified to profit or loss or transferred directly to retained profits as specified by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 *Financial Instruments* (on or after 1 January 2018) or HKAS 39 *Financial Instruments: Recognition and Measurement* (before 1 January 2018) or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

Businesses combinations are accounted for by applying the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs incurred to effect a business combination are recognised in profit or loss as incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations (Continued)

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

– deferred tax assets or liabilities arising from the assets acquired and liabilities assumed in the business combination are recognised and measured in accordance with HKAS 12 *Income Taxes*;

– assets or liabilities related to the acquiree's employee benefit arrangements are recognised and measured in accordance with HKAS 19 *Employee Benefits*;

– liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of the acquiree's share-based payment transactions with the share-based payment transactions of the Group are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below); and

– assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Goodwill is measured as the excess of the aggregate of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the Group's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the aggregate of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a gain on bargain purchase.

Non-controlling interests, unless as required by another standards, are measured at acquisition-date fair value except for non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured either at fair value or at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets on a transaction-by-transaction basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill

Goodwill arising from a business combination is carried at cost less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the cash-generating unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

The Group's policy for goodwill relating to an associate that included in the carrying amount of the investment is set out in "investments in associates" below.

Investments in associates

An associate is any entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control over those policies.

The Group's investments in associates are accounted for in the consolidated financial statements using the equity method. Under the equity method, investments in associates are initially recognised at cost. The Group's share of the profit or loss and changes in other comprehensive income of the associates are recognised in profit or loss and other comprehensive income respectively after the date of acquisition. If the Group's share of losses of an associate equals or exceeds its interest in the associate, which determined using the equity method together with any long-term interests that, in substance, form part of the Group's net investment in the associate, the Group discontinues recognising its share of further losses. Additional losses are provided for, and a liability is recognised, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

If an associate uses accounting policies other than those of the Group for like transactions and events in similar circumstances, adjustments are made to make the associate's accounting policies conform to those of the Group when the associate's financial statements are used by the Group in applying the equity method.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment, any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of the associate is recognised as goodwill and is included in which the investment is acquired.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates (Continued)

After the application of the equity method, including recognising the associate's losses, the Group determines whether it is necessary to recognise any additional impairment loss with respect to its investment in the associate. Goodwill that forms part of the carrying amount of the investment is not separately recognised. The entire carrying amount of an investment in an associate (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount (higher of value-in-use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment in the associate. Any reversal of that impairment is recognised to the extent that the recoverable amount of the investment subsequently increases.

When the investment ceases to be an associate upon the Group losing significant influence over the associate, the Group discontinues to apply equity method and any retained interest is measured at fair value at that date which is regarded as its fair value on initial recognition as a financial asset in accordance with HKFRS 9 or HKAS 39. Any difference between the fair value of any retained interest and any proceeds from disposing of the relevant interest in the associate and the carrying amount of the investment at the date the equity method was discontinued is recognised in profit or loss.

Gains and losses resulting from transactions between the Group and its associate are recognised in the consolidated financial statements only to the extent of unrelated investors' interests in the associate. The Group's share in the associate's gains or losses resulting from these transactions is eliminated.

Revenue recognition

Policy applicable to the year ended 31 December 2018 (with application of HKFRS 15)

Revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Group uses a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

The Group recognised revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to customers.

A performance obligation represents a good or service (or a bundle of goods or services) that is district or a series of distinct goods or services that are substantially the same.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Policy applicable to the year ended 31 December 2018 (with application of HKFRS 15) (Continued)

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- The Group's performance creates and enhances an asset that the customer controls as the asset is created and enhanced; or
- The Group' performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct goods or service.

Revenue is measured based on the consideration specified in a contract with a customer, excludes amounts collected on behalf of third parties, discounts and sales related taxes.

Contract assets and contract liabilities

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration from the customer.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Policy applicable to the year ended 31 December 2018 (with application of HKFRS 15) (Continued)

Contract assets and contract liabilities (Continued)

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

The Group recognised revenue from the following major sources:

- Sales of electric products
- Construction revenue under BOT arrangements
- Provision of charging services for electric vehicles
- Sales of electric vehicles

Sales of goods

Revenue from sale of electric products and electric vehicles is recognised at the point when the control of the goods is transferred to the customers (generally on delivery of equipment and acceptance by the customer).

Construction revenue from BOT arrangements

The Group provides construction services under BOT arrangements. Revenue from the construction services is estimated on a cost-plus basis with reference to a prevailing market rate of gross margin at the date of the agreement applicable to similar construction services rendered and recognised over time as the Group's performance creates or enhances an asset or work in progress that the customer controls as the asset is created or enhanced. Thus, the Group satisfies a performance obligation over time, by reference to the construction costs of the related infrastructure incurred as a percentage of the total estimated construction costs for each contract.

Provision of charging services for electric vehicles

For the provision of charging services for electric vehicles, revenue is recognised based on the electricity transmitted.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Policy applicable to the year ended 31 December 2018 (with application of HKFRS 15) (Continued)

Warranties

If a customer does not have the option to purchase a warranty separately, the Group accounts for the warranty in accordance with HKAS 37 *"Provisions, Contingent Liabilities and Contingent Assets"* unless the warranty provides the customer with a service in addition to the assurance that the product complies with agreed-upon specifications (i.e. service-type warranties).

Provisions for the expected cost of warranty obligations are recognised at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Group's obligation.

Policy applicable to the year ended 31 December 2017

Revenue is measured at the fair value of the consideration received or receivable for goods sold and services provided in the normal course of business, net of returns and sales related taxes.

Revenue from sales of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

– the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;

– the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

– the amount of revenue can be measured reliably;

– it is probable that the economic benefits associated with the transaction will flow to the Group; and

– the costs incurred or to be incurred in respect of the transaction can be measured reliably.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Policy applicable to the year ended 31 December 2017 (Continued)

Service income including that from operating service provided under service concession arrangements is recognised when services are provided.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

Rental income from operating leases is recognised in accordance with the accounting policy mentioned under leasing.

Construction contracts (applicable to the year ended 31 December 2017)

When the outcome of a construction contract including construction or upgrade services of the infrastructure under a service concession arrangement can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion.

When the outcome of a construction contract can be estimated reliably, revenue from cost plus contracts is recognised by reference to the recoverable costs incurred during the period plus the fee earned, measured by the proportion that costs incurred to date bear to the estimated total costs of the contract.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately, if any.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Amounts due from lessees under finance lease are recognised as receivables at the amount of the Group's net investment in the lease. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the lease.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Leasehold land and buildings

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease.

Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as prepaid lease payments in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange translation reserve (attributed to non-controlling interest as appropriate).

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

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

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Retirement benefit costs

Payments to the state-managed retirement benefit schemes are recognised as an expense when employees have rendered services entitling them to the contributions.

Short-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "(loss) profit before tax" as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liabilities is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred income tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Property, plant and equipment

Property, plant and equipment including leasehold land and buildings held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress), are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to allocate the cost of items of property, plant and equipment (other than construction in progress) less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Service Concession arrangements

Consideration given by the grantor

An intangible asset (charging services concession rights) is recognised to the extent that the Group receives a right to charge users of the public service, which is not an unconditional right to receive cash because the amounts are contingent on the extent that the public uses the service. The intangible asset (charging services concession rights) is accounted for in accordance with the policy set out for "intangible assets" below.

Consideration received or receivable by the Group for the construction services rendered under service concession arrangement is recognised initially at its fair value as an intangible asset.

Operating services

Revenue and costs relating to operating services are accounted for in accordance with the policy for "revenue recognition" above.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and any accumulated impairment loss, if any. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

When the Group has a right to charge for usage of concession infrastructure (as a consideration for providing construction service in a service concession arrangement), it recognises an intangible asset at fair value upon initial recognition. The intangible asset is carried at cost less accumulated amortisation and accumulated impairment losses, if any. Amortisation is provided on the straight-line basis over the respective periods of the operating concessions granted to the Group of 8 or 10 years.

Research and development expenditure

Expenditure on research and development activities is recognised as an expense in the period in which it is incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are calculated using the first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Cash and cash equivalents

Bank balances and cash in the consolidated statement of financial position comprise cash at banks and on hand and short-term bank deposits with a maturity of three months or less.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of bank balances and cash as defined above.

Investment in a subsidiary

Investment in a subsidiary is stated on the statement of financial position of the Company at cost less accumulated impairment loss, if any.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Under HKFRS 9 (applicable on or after 1 January 2018)

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets. Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, FVTOCI, and FVTPL.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Under HKFRS 9 (applicable on or after 1 January 2018) (Continued)

Financial assets (Continued)

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

Financial assets at amortised cost (debt instruments)

The Group measures financial assets subsequently at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment.

(i) Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Under HKFRS 9 (applicable on or after 1 January 2018) (Continued)

Financial assets (Continued)

(i) Amortised cost and effective interest method (Continued)

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired.

Equity instruments designated as at FVTOCI

On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investment revaluation reserve. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the 'other revenue and income' line item in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Under HKFRS 9 (applicable on or after 1 January 2018) (Continued)

Financial assets (Continued)

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.

- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Group has not designated any debt instruments as at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the other gains and losses line item. Fair value is determined in the manner described in note 39(c).

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or

- on initial recognition, it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or

- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Under HKFRS 9 (applicable on or after 1 January 2018) (Continued)

Financial assets (Continued)

Impairment of financial assets

The Group always recognises lifetime ECL for trade and bills receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial assets measured at amortised cost, the Group measures the loss allowance equal to 12-month ECL, unless when there has a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Under HKFRS 9 (applicable on or after 1 January 2018) (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

Significant increase in credit risk (Continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if (i) the financial instrument has a low risk of default; (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Under HKFRS 9 (applicable on or after 1 January 2018) (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

Significant increase in credit risk (Continued)

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

The Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter into bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Under HKFRS 9 (applicable on or after 1 January 2018) (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the expected credit losses is consistent with the cash flows used in measuring the lease receivable in accordance with HKAS 17 Leases.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Under HKFRS 9 (applicable on or after 1 January 2018) (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained profits.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Under HKFRS 9 (applicable on or after 1 January 2018) (Continued)

Financial liabilities and equity instruments (Continued)

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (1) contingent consideration of an acquirer in a business combination to which HKFRS 3 applies, (2) held for trading, or (3) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKFRS 9 permits the entire combined contract to be designated as at FVTPL.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Under HKFRS 9 (applicable on or after 1 January 2018) (Continued)

Financial liabilities and equity instruments (Continued)

Financial liabilities at FVTPL (Continued)

Financial liabilities at FVTPL are stated at fair value with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liabilities and is included in profit or loss.

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not (1) contingent consideration of an acquirer in a business combination, (2) held-for-trading, or (3) designated as at FVTPL, are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Under HKAS 39 (applicable before 1 January 2018)

Financial assets

The Group's financial assets are classified into one of the three categories, including financial assets at FVTPL, loans and receivables or available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and bills receivables, deposits and other receivables, amounts due from associates, loan receivables, restricted bank balances, short-term bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment loss (see accounting policy on impairment loss of financial assets below).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Under HKAS 39 (applicable before 1 January 2018) (Continued)

Financial assets (Continued)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as fair value through profit or loss, loan and receivables or held-to-maturity investments.

Equity securities held by the Group that are classified as available-for-sale financial assets are measured at fair value at the end of each reporting period. Changes in carrying amount of available-for-sales financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss (see accounting policy in respect of impairment loss on financial assets below).

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

Impairment loss on financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For available-for-sale equity investments, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Under HKAS 39 (applicable before 1 January 2018) (Continued)

Financial assets (Continued)

Impairment loss on financial assets (Continued)

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter into bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade and bills receivables and deposits, amounts due from associates and other receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 90 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and bills receivables, amounts due from associates and deposits and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade and bill receivable, deposit or other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Under HKAS 39 (applicable before 1 January 2018) (Continued)

Financial assets (Continued)

Impairment loss on financial assets (Continued)

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment loss on available-for-sale equity investments will not be reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised directly in other comprehensive income and accumulated in investments revaluation reserve.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Financial liabilities

Financial liabilities including trade and bills payables, accruals and other payables, amounts due to non-controlling shareholders of subsidiaries and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Under HKAS 39 (applicable before 1 January 2018) (Continued)

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Derecognition

A financial asset is derecognised only when the contractual rights to the cash flows from the assets expire, or when it transfers the financial assets and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

A financial liability is derecognised when, and only when, the Group's obligations are discharged, cancelled or they expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Convertible notes (applicable for the years ended 31 December 2017 and 2018)

Convertible notes issued by the Group that contain both liability component, conversion option and redemption option derivatives components are classified separately into respective items on initial recognition. Conversion option and redemption option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is a conversion option derivative and a redemption option derivative. At the date of issue, the liability component, conversion option and redemption option derivatives components are recognised at fair value.

In subsequent periods, the liability component of the convertible notes is carried at amortised cost using the effective interest method. The conversion option and redemption option derivatives are measured at fair value with changes in fair value recognised in profit or loss. Transaction costs that relate to the issue of the convertible notes are allocated to the liability component and derivative components in proportion to their relative fair values. Transaction costs relating to the derivative components are charged to profit or loss immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible notes using the effective interest method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees

The fair value of services received determined by reference to the fair value of share options granted at the date of grant is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity.

When share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

Impairment losses on tangible and intangible assets (other than impairment of goodwill set out in accounting policy in respect of goodwill above)

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating unit, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or the cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or the cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value measurement

When measuring fair value, except for the Group's leasing transactions and net realisable value of inventories, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Specifically, the Group categorised the fair value measurements into three levels, based on the characteristics of inputs, as follows:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

At the end of the reporting period, the Group determines whether transfer occur between levels of the fair value hierarchy for assets and liabilities which are measured at fair value on recurring basis by reviewing their respective fair value measurement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the amounts of assets, liabilities, revenue and expenses reported and disclosures made in the consolidated financial statements. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised and disclosures made in the consolidated financial statements.

Control over a subsidiary

As disclosed in note 50, Shandong Huidian New Energy Technology Co., Ltd.* (山東匯電新能源科技有限公司) ("Shandong Huidian") is considered as a subsidiary of the Group, in which only 45% equity interest in Shandong Huidian was held by the Group, since the Group has 51% of the voting rights in the shareholders' meeting of Shandong Huidian. The Group also has the power to appoint three out of the five directors of that company under the provisions stated in the Article of Association of Shandong Huidian.

The directors of the Company assessed the Group's control over Shandong Huidian on the basis of its practical ability to direct the relevant activities unilaterally. In making their judgement, the directors of the Company consider the Group holds more than half of the voting rights in the shareholders' meeting so the Group has the control over Shandong Huidian.

* English name is for identification purpose only.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Critical judgements in applying accounting policies (Continued)

Service concession arrangements

The directors of the Company use judgements and estimates to assess whether an agreement and the relevant assets fall under service concession arrangements. In accordance with HK(IFRIC) – Int 12 Service Concession Arrangements, the BOT arrangements may be classified as intangible assets or financial assets, the BOT arrangements are classified as intangible assets as the Group receives a right to charge users of the public service, but with no guarantees as to the amounts that will be paid to the Group. As explained in note 3, the Group recognises the fair value of the consideration received or receivable in exchange for the construction services and the intangible assets recognised under the BOT arrangements. However, judgements are exercised in determining the fair values of the non-cash consideration received or receivables, using the cost-plus margin method with reference to the market comparables with similar services performed.

During the year ended 31 December 2018, the directors of the Company determined that the fair value of the consideration received or receivables from the construction services under one (2017: one) BOT arrangement are approximately RMB16,874,000 (2017: RMB6,835,000) and intangible assets – service charging concession rights of approximately RMB16,874,000 (2017: RMB6,835,000) have been recognised under BOT arrangement.

Key sources of estimation uncertainty

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment of intangible assets

At the end of the reporting period, the directors of the Company review the carrying amounts of its intangible assets with finite useful lives of approximately RMB41,712,000 (2017: RMB32,085,000) and identify if there is any indication that those assets may suffer an impairment loss. Accordingly, the recoverable amounts of the assets are estimated in order to determine the extent of the impairment loss. The recoverable amounts of the assets is based on value in use calculation which require the use of estimations such as profit forecasts, cash flow projections and discount rates. For any instance where this evaluation process indicates impairment, the relevant intangible asset's carrying amount is written down to the recoverable amount and the amount of the write-down is recognised in the consolidated statement of profit or loss and other comprehensive income. Based on the estimated recoverable amounts, no impairment loss has been recognised for the year ended 31 December 2018 and 2017. Where the actual cashflows are less than expected, or change in facts and circumstances, which results in downward revision of future cashflow, a material impairment loss may arise.

* English name is for identification purpose only.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Income taxes

As at 31 December 2018, a deferred tax asset of approximately RMB9,493,000 (2017: RMB7,523,000) in relation to deductible temporary difference of allowance for impairment loss of trade receivables, contract assets and loan receivables in aggregate of approximately RMB63,293,000 (2017: RMB41,981,000) has been recognised in the Group's consolidated statement of financial position. No deferred tax asset has been recognised on the remaining deductible temporary difference of (i) allowance for impairment loss of trade and other receivables of approximately RMB12,038,000 (2017: RMB12,516,000); and (ii) un-used tax losses amounting to approximately RMB88,775,000 (2017: RMB33,273,000) due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal takes place.

Impairment of trade receivables, contract assets and loan receivables

Since 1 January 2018, the impairment provisions for trade receivables, contract assets and loan receivables are based on assumptions about ECL. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, bases on the number of days that an individual receivable is outstanding as well as the Group's historical experience and forward-looking information at the end of the reporting period. Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional impairment charge to the consolidated statement of profit or loss and other comprehensive income. At 31 December 2018, the aggregate amount of carrying amounts and impairment losses of trade receivables, contract assets and loan receivables are approximately RMB429,499,000 and RMB75,331,000 respectively.

Impairment of prepayments to suppliers

At the end of the reporting period, the directors of the Company review the carrying amount of the prepayments to suppliers of approximately RMB34,086,000 (2017: RMB88,038,000) and identify if there is impairment indication for the prepayments to suppliers. Accordingly, the recoverable amounts of the prepayments to suppliers are estimated in order to determine the extent of the impairment loss. The estimates of the recoverable amount of the prepayments to suppliers require the use of assumptions such as utilisation rate of the prepayments to suppliers subsequently to the end of the reporting period or refund from the suppliers subsequently as a result of the inability of filling up of the purchase orders by the suppliers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Impairment of property, plant and equipment and prepaid lease payments

At the end of the reporting period, the directors of the Company review the carrying amount of the property, plant and equipment and prepaid lease payments of approximately RMB125,951,000 (2017: RMB56,837,000) and RMB8,301,000 (2017: RMB8,613,000) and identified if there is any indication for possible impairment of property, plant and equipment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. In assessing whether there is any indication that the property, plant and equipment and prepaid lease payments may be impaired, the Group has considered the existence of external and internal source of information including but not limited to economic performance of each cash-generating unit of the Group. The directors of the Company considered that they were not aware of any impairment indication at 31 December 2018 and 2017, which the recoverable amounts of property, plant and equipment and prepaid lease payments were subject to impairment testing. At 31 December 2018, no impairment loss has been recognised in respect of the property, plant and equipment and prepaid lease payments (2017: nil).

Allowance for inventories

The management review the inventory ageing analysis on a periodical basis in order to determine whether allowance need to be made in respect of any obsolete and defective inventories identified, and estimate the net realisable value based primarily on the latest sales unit prices and current market conditions. As at 31 December 2018, the carrying amount of inventories is approximately RMB80,814,000 (2017: RMB76,717,000). No allowance for inventories was recognised during the years ended 31 December 2018 and 2017.

Fair value measurement and valuation process of unlisted equity investment

The Group's unlisted equity investments are measured at fair value at the end of each reporting period.

In estimating the fair value of the unlisted equity investments of approximately RMB22,649,000 as at 31 December 2018 (2017: approximately RMB24,090,000), the Group uses market-observable data to the extent it is available.

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of unlisted equity investments. Note 39(c) provides detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of the unlisted equity investments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

5. REVENUE

Revenue represents the amounts arising on (i) sales of electric products including direct current power system, plug and switch system products, power monitoring and management equipment and charging equipment for electric vehicles; (ii) construction revenue under BOT arrangements; (iii) provision of charging services for electric vehicles; (iv) sales of electric vehicles; and (v) rental income from the operating leases of electric vehicles.

An analysis of the Group's revenue for the year is as follows:

	2018 **RMB'000**	2017* RMB'000
Revenue from contract with customers within the scope of HKFRS 15 for the year ended 31 December 2018		
Disaggregated by major products or services lines		
Sales of electric products	**233,067**	308,586
Construction revenue under BOT arrangements	**16,874**	6,835
Provision of charging services for electric vehicles	**17,793**	10,414
Sales of electric vehicles	**53**	48
	267,787	325,883
Revenue from other source		
Rental income from operating leases of electric vehicles	**2,417**	1,978
	270,204	327,861

* The amounts for the year ended 31 December 2017 were recognised under HKAS 18, HKAS 11 and related interpretation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

5. REVENUE (Continued)

Set out below is the reconciliation of revenue from contracts with customers with the amounts disclosed in the segment information.

For the year ended 31 December 2018

	Segments				
	DC Power System RMB'000	Charging Equipment RMB'000	Charging Services and Construction RMB'000	Others RMB'000	Total RMB'000
Types of goods or service					
Sales of electric products	**120,687**	**112,380**	**–**	**–**	**233,067**
Construction revenue under BOT arrangements	**–**	**–**	**16,874**	**–**	**16,874**
Provision of charging services for electric vehicles	**–**	**–**	**17,793**	**–**	**17,793**
Sales of electric vehicles	**–**	**–**	**–**	**53**	**53**
Revenue from contracts with customers	**120,687**	**112,380**	**34,667**	**53**	**267,787**
Lease of electric vehicles	**–**	**–**	**–**	**2,417**	**2,417**
Total	**120,687**	**112,380**	**34,667**	**2,470**	**270,204**

Disaggregation of revenue by timing of recognition

	2018 RMB'000
Timing of revenue recognition	
At a point in time	**250,913**
Over time	**16,874**
Total revenue from contracts with customers	**267,787**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

6. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision maker (the "CODM"), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. The executive directors of the Company have chosen to organise the Group around differences in products and service lines.

The Group's reporting segments under HKFRS 8 are as follows:

(i)	DC Power System	Manufacturing and sales of direct current power system
(ii)	Charging Equipment	Manufacturing and sales of charging equipment for electric vehicles
(iii)	Charging Services and Construction	Provision of charging services for electric vehicles and construction services of charging poles for electric vehicles under BOT arrangements
(iv)	Others	Including three operating segments namely (i) PASS Products – sales of plug and switch system products; (ii) Power Monitoring – sales of power monitoring and management equipment; and (iii) Electric Vehicles – sales and leases of electric vehicles

Segment revenues and results

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

Year ended 31 December 2018

	DC Power System RMB'000	Charging Equipment RMB'000	Charging Services and Construction RMB'000	Others RMB'000	Total RMB'000
Segment revenue	120,687	112,380	34,667	2,470	270,204
Segment profit (loss)	28,695	39,194	10,103	(578)	77,414
Unallocated other revenue					30,416
Other gains and losses					(9,520)
Share of results of associates					(4,977)
Unallocated expenses					(124,362)
Finance costs					(11,074)
Loss before tax					(42,103)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

6. SEGMENT INFORMATION (Continued)

Segment revenues and results (Continued)

Year ended 31 December 2017

	DC Power System RMB'000	Charging Equipment RMB'000	Charging Services and Construction RMB'000	Others RMB'000	Total RMB'000
Segment revenue	97,065	211,521	17,249	2,026	327,861
Segment profit	43,976	54,206	5,481	574	104,237
Unallocated other revenue					19,984
Other gains and losses					(1,903)
Realisation on fair value gain on the disposal of asset classified as held for sale					136,174
Gain on disposal of available-for-sale financial asset classified as held for sale					62,652
Share of results of associates					(4,742)
Unallocated expenses					(99,396)
Finance costs					(16,695)
Profit before tax					200,311

Note: All of the segment revenue reported above is from external customers.

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit (loss) represents the profit earned by/(loss) from each segment without allocation of certain other revenue, certain other gains and losses, realisation on fair value gain on the disposal of available-for-sale financial asset classified as held for sale, gain on disposal of available-for-sale financial asset classified as held for sale, share of results of associates, central selling and distribution and administrative cost, directors' emoluments and finance cost. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

6. SEGMENT INFORMATION (Continued)

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segments:

Segment assets

	2018	2017
	RMB'000	RMB'000
DC Power System	**204,569**	183,396
Charging Equipment	**345,960**	364,543
Charging Services and Construction	**74,482**	60,610
Others	**5,782**	8,172
Total segment assets	**630,793**	616,721
Unallocated	**352,749**	445,177
Consolidated assets	**983,542**	1,061,898

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

6. SEGMENT INFORMATION (Continued)

Segment assets and liabilities (Continued)

Segment liabilities

	2018 RMB'000	2017 RMB'000
DC Power System	**27,174**	32,090
Charging Equipment	**59,384**	70,311
Charging Services and Construction	**4,812**	5,036
Others	**509**	732
Total segment liabilities	**91,879**	108,169
Unallocated	**299,650**	296,294
Consolidated liabilities	**391,529**	404,463

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segments other than prepayment for the construction of property, plant and equipment, interests in associates, available-for-sale financial assets, financial assets at FVTOCI, financial assets at FVTPL, finance lease receivable, deferred tax assets, certain deposits and other receivables, redemption option derivative of the convertible notes, restricted bank balances, short-term bank deposits and bank balances and cash; and

- all liabilities are allocated to operating segments other than certain accruals and other payables, conversion option derivative of the convertible notes, tax payable, convertible notes, bank and other borrowings and deferred tax liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

6. SEGMENT INFORMATION (Continued)

Other segment information

For the year ended 31 December 2018

	DC Power System RMB'000	Charging Equipment RMB'000	Charging Services and Construction RMB'000	Others RMB'000	Unallocated RMB'000	Total RMB'000
Amounts included in the measure of segment profit or loss or segment assets:						
Additions to non-current assets *(note)*	29,930	46,959	17,512	1,193	–	95,594
Allowance for impairment loss recognised in respect of trade receivables	1,803	–	–	–	–	1,803
Allowance for impairment loss recognised in respect of contract assets	2,772	–	–	–	–	2,772
Impairment on goodwill	–	449	–	–	–	449
Reversal of impairment loss recognised in respect of trade receivables	(5,062)	(476)	–	–	–	(5,538)
Loss on disposal of property, plant and equipment	61	–	–	–	–	61
Depreciation and amortisation	2,628	6,620	4,103	168	–	13,519
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss or segment assets:						
Prepayment for the construction of property, plant and equipment	–	–	–	–	23,533	23,533
Interests in associates	–	–	–	–	6,290	6,290
Financial assets at FVTOCI	–	–	–	–	22,649	22,649
Financial asset at FVTPL	–	–	–	–	17,242	17,242
Share of results of associates	–	–	–	–	4,977	4,977
Bank interest income	–	–	–	–	(1,051)	(1,051)
Interest income on loan receivables	–	–	–	–	(5,858)	(5,858)
Government grants	–	–	–	–	(14,078)	(14,078)
Finance costs	–	–	–	–	11,074	11,074
Income tax expenses	–	–	–	–	1,601	1,601

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

6. SEGMENT INFORMATION (Continued)

Other segment information (Continued)

For the year ended 31 December 2017

	DC Power System RMB'000	Charging Equipment RMB'000	Charging Services and Construction RMB'000	Others RMB'000	Unallocated RMB'000	Total RMB'000
Amounts included in the measure of segment profit or loss or segment assets:						
Additions to non-current assets *(note)*	6,120	42,878	6,835	1,067	–	56,900
Allowance for impairment loss recognised in respect of trade receivables	7,294	–	–	–	–	7,294
Reversal of impairment loss recognised in respect of trade receivables	(13,164)	–	–	–	–	(13,164)
Gain on disposal of property, plant and equipment	(35)	–	–	–	–	(35)
Depreciation and amortisation	2,492	12,318	3,196	–	–	18,006
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss or segment assets:						
Interests in associates	–	–	–	–	8,332	8,332
Prepayment for the construction of property, plant and equipment	–	–	–	–	13,000	13,000
Available-for-sale financial assets	–	–	–	–	159,152	159,152
Share of results of associates	–	–	–	–	4,742	4,742
Loss on deemed disposal of asset classified as held for sale	–	–	–	–	752	752
Net loss on disposal of subsidiaries	–	–	–	–	11,985	11,985
Gain on disposal of available-for-sale financial asset	–	–	–	–	(2,222)	(2,222)
Realisation on fair value gain on the disposal of asset classified as held for sale	–	–	–	–	(136,174)	(136,174)
Gain on disposal of asset classified as held for sale	–	–	–	–	(62,652)	(62,652)
Bank interest income	–	–	–	–	(1,209)	(1,209)
Interest income on loan receivables	–	–	–	–	(105)	(105)
Government grants	–	–	–	–	(5,796)	(5,796)
Finance costs	–	–	–	–	16,695	16,695
Income tax expense	–	–	–	–	41,145	41,145

Note: Non-current assets excluded goodwill, prepayment for the construction of property, plant and equipment, interests in associates, available-for-sale financial assets, financial assets at FVTOCI, financial assets at FVTPL, finance lease receivable and deferred tax assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

6. SEGMENT INFORMATION (Continued)

Geographical information

All revenue from external customers of the Group is derived from and all non-current assets of the Group are located in the PRC.

Information about major customers

Revenues from customers of the corresponding years contributing over 10% of the total revenue of the Group are as follows:

	2018	2017
	RMB'000	RMB'000
Customer A[1]	**N/A[2]**	57,537
Customer B[1]	**40,267**	N/A[2]

[1] Revenue from Charging Equipment

[2] The corresponding revenue did not contribute over 10% of the total revenue of the Group in the respective year

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

7. OTHER REVENUE AND INCOME

	2018	2017
	RMB'000	RMB'000
Value added tax ("VAT") refunds *(note (a))*	**9,066**	11,620
Interest income on loan receivables	**5,858**	105
Interest income on amounts due from directors	**328**	–
Bank interest income	**1,051**	1,209
Gain on disposal of property, plant and equipment	**–**	35
Government grants *(note (b))*	**14,078**	5,796
Dividend from held for trading investment	**–**	841
Dividend from available-for-sale financial assets classified as held for sales	**–**	155
Rental income	**35**	71
Other income	**–**	187
	30,416	20,019

Notes:

(a) VAT refunds represent the refund of VAT in respect of qualified sales of electric products by the PRC tax bureau.

(b) The government grants are subsidies received from Zhuhai Finance Bureau ("珠海市財政局"), Department of Finance of Guangdong Province ("廣東省財政廳") and The Ministry of Science and Technology of the People's Republic of China ("中華人民共和國科學技術部") regarding the research and development on technology innovation and promotion of electric vehicles. There are no unfulfilled conditions or contingencies relating to those subsidies and they are recognised upon receipt during the years ended 31 December 2018 and 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

8. OTHER GAINS AND LOSSES

	2018	2017
	RMB'000	RMB'000
Impairment loss recognised in respect of goodwill *(note 18)*	**(449)**	–
Impairment loss recognised in respect of trade receivables *(note 25)*	**(1,803)**	(7,294)
Impairment loss recognised in respect of contract assets *(note 26)*	**(2,772)**	–
Impairment loss recognised in respect of loan receivables *(note 27)*	**(1,133)**	–
Reversal of impairment loss recognised in respect of trade receivables *(note 25)*	**5,538**	13,164
Fair value gain on financial assets at fair value through profit and loss *(note 21)*	**7,663**	–
Fair value change of held for trading investment	**–**	(752)
Gain on disposal of available-for-sale financial asset	**–**	2,222
Loss on disposal of financial asset at fair value through profit and loss *(note 21)*	**(18,582)**	–
Gain on partial disposal of an associate	**1,869**	–
Net loss on disposal of subsidiaries *(note 41)*	**–**	(11,985)
Gain on deemed disposal of a subsidiary *(note 40)*	**651**	–
Fair value change on derivative components and gain on redemption of convertible notes *(note 34)*	**12**	8,612
	(9,006)	3,967

9. FINANCE COSTS

	2018	2017
	RMB'000	RMB'000
Effective interest expense on the convertible notes *(note 34)*	**3,870**	14,081
Interest on:		
Bank borrowings	**4,526**	2,109
Other borrowings	**5,263**	1,313
Amounts due to directors	**333**	–
	13,992	17,503
Less: amounts capitalised *(note)*	**(2,918)**	(808)
	11,074	16,695

Note: Borrowing costs capitalised during the years ended 31 December 2018 and 2017 arose as general borrowing pool and are calculated by applying a capitalisation rate of 6.22% (2017: 10.26%) per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

10. INCOME TAX EXPENSES

	2018	2017
	RMB'000	RMB'000
Current tax:		
PRC Enterprise Income Tax ("EIT")	**510**	31,397
Deferred tax *(note 35)*	**1,091**	9,748
	1,601	41,145

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years. No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from, Hong Kong for both years.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the applicable tax rate of certain PRC subsidiaries is 25% (2017: 25%).

Titans Technology was recognised as an approved high technology enterprise and therefore is entitled to a tax concession period of reduction in EIT rate of 15% from 2017 to 2019.

For the year ended 31 December 2018, the income tax rate applicable to the PRC subsidiary of the Company, Zhuhai Titans Power Electronics Co., Ltd.* (珠海泰坦電力電子集團有限公司) ("Titans Power Electronics") was 25% (2017: 15% as a result of the successful application of the concessionary tax in Zhuhai, the Guangdong Province).

*　English name is for identification purpose only.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

10. INCOME TAX EXPENSES (Continued)

The income tax expenses for the years can be reconciled to the (loss) profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2018	2017
	RMB'000	RMB'000
(Loss) profit before tax	**(42,103)**	200,311
Tax at the applicable income tax rate of 15% (2017: 15%) *(note)*	**(6,315)**	30,046
Tax effect of expenses not deductible for tax purpose	**1,175**	3,574
Tax effect of income not taxable for tax purpose	**(1,114)**	(1,182)
Tax effect of share of results of associates	**1,244**	1,177
Tax effect of tax losses not recognised	**13,210**	3,817
Tax effect on withholding tax arising on undistributed profits of the PRC subsidiaries	**(1,442)**	8,910
Utilisation of deductible temporary difference previously not recognised	**(119)**	(42)
Utilisation of tax losses previously not recognised	**(1,208)**	(2,888)
Effect of different tax rates of subsidiaries operating in other jurisdictions or subsidiary subject to statutory tax rate	**(3,830)**	(2,267)
Income tax expenses	**1,601**	41,145

Note: The PRC EIT of 15% applicable to Titans Technology is used as it is the domestic tax rate where the results and operation of the Group is substantially derived from.

Details of deferred taxation are set out in note 35.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

11. (LOSS) PROFIT FOR THE YEAR

	2018 RMB'000	2017 RMB'000
(Loss) profit for the year have been arrived at after crediting:		
Staff costs		
Directors' emoluments *(note 12)*	**1,243**	1,234
Other staff:		
– salaries and other allowances	**55,010**	66,478
– retirement benefits scheme contributions (excluding directors)	**5,281**	5,587
Total staff costs	**61,534**	73,299
Amortisation of intangible assets	**4,299**	3,420
Amortisation of prepaid lease payments	**312**	312
Auditors' remuneration	**1,345**	1,184
Net exchange loss	**5,276**	99
Cost of inventories recognised as an expense	**161,013**	202,762
Depreciation of property, plant and equipment	**9,220**	14,274
Loss on disposal of property, plant and equipment	**61**	–
Minimum lease payment paid under operating lease rentals in respect of rented premises	**3,792**	3,287
Research and development expenses (included in administrative and other expenses) *(note)*	**24,557**	28,709

Note: Research and development expenses included staff costs and depreciation of property, plant and equipment for the purpose of research and development activities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

12. DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS

The emoluments paid or payable to each of the five (2017: five) directors and the chief executive were as follows:

For the year ended 31 December 2018

	Executive directors		**Independent non-executive directors**			
	Li Xin Qing	**An Wei**	**Li Wan Jun**	**Zhang Bo**	**Pang Zhan**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking:						
Fees	**–**	**–**	**103**	**103**	**103**	**309**
Salaries	**467**	**467**	**–**	**–**	**–**	**934**
Total emoluments	**467**	**467**	**103**	**103**	**103**	**1,243**

For the year ended 31 December 2017

	Executive directors		Independent non-executive directors			
	Li Xin Qing	An Wei	Li Wan Jun	Zhang Bo	Pang Zhan	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking:						
Fees	–	–	101	101	101	303
Salaries	462	462	–	–	–	924
Contributions to retirement benefits schemes	7	–	–	–	–	7
Total emoluments	469	462	101	101	101	1,234

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

12. DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS (Continued)

Mr. An Wei is the chief executive of the Company and Mr. Li Xin Qing is chairman of the Company and their emoluments disclosed above include those for services rendered by them as the chief executive and chairman.

No directors waived or agreed to waive any of their emoluments during the years ended 31 December 2018 and 2017.

No emoluments were paid by the Group to any directors or any chief executives of the Group as an inducement to join or upon joining the Group, or as compensation for loss of office for the years ended 31 December 2018 and 2017.

13. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (2017: two) were directors and the chief executives of the Company whose emoluments are included in the disclosures in note 12 above. The emoluments of the remaining three (2017: three) individuals were as follows:

	2018 **RMB'000**	2017 RMB'000
Salaries and other allowances	**858**	922
Discretionary bonus *(note)*	**–**	37
Contributions to retirement benefits scheme	**37**	26
	895	985

Note: Discretionary bonus was determined with the Group's operating results, individual performance and comparable market statistics.

The emoluments of the above remaining three individuals are within the band of nil to Hong Kong dollars ("HK$") 1,000,000 (equivalent to approximately RMB856,000 (2017: nil to HK$1,000,000 (equivalent to RMB834,000)).

14. DIVIDENDS

No dividend was paid or proposed during the year ended 31 December 2018 (2017: nil), nor has any dividend been proposed since the end of the reporting period (2017: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

15. (LOSS) EARNINGS PER SHARE

The calculation of basic and diluted (loss) earnings per share attributable to owners of the Company is based on the following data:

	2018	2017
	RMB'000	RMB'000
(Loss) earnings		
(Loss) earnings for the purpose of basic (loss) earnings per share	**(40,168)**	163,706
Effect of dilutive potential ordinary shares:		
– interest expense on the convertible notes	**–**	14,081
– exchange gain arising from the convertible notes	**–**	(2,493)
– changes in fair values of the derivative components of the convertible notes	**–**	(8,612)
(Loss) earnings for the purpose of diluted (loss) earnings per share	**(40,168)**	166,682

Number of shares

	2018	2017
	'000	'000
Weighted average number of ordinary shares for the purpose of basic and diluted (loss) earnings per share	**925,056**	925,056
Effect of dilutive potential ordinary shares:		
– convertible notes	**–**	84,034
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	**925,056**	1,009,090

For the year ended 31 December 2017, the weighted average number of ordinary shares for the purpose of diluted earnings per share has been adjusted for the convertible notes issued in 2016.

For the year ended 31 December 2018, the computation of diluted loss per share does not assume the conversion of the Company's outstanding convertible notes since their exercise would result in a decrease in loss per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings RMB'000	Leasehold improvements RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Plant and machinery RMB'000	Construction in progress RMB'000	Total RMB'000
COST							
At 1 January 2017	15,683	14,340	14,701	11,871	18,526	–	75,121
Additions	–	–	1,231	3,321	13,799	25,796	44,147
Acquisition of subsidiaries *(note 42)*	–	–	773	265	702	–	1,740
Disposals	–	–	(763)	(89)	(2,287)	–	(3,139)
Disposal of subsidiaries *(note 41)*	–	–	(72)	–	–	–	(72)
Interest capitalised	–	–	–	–	–	808	808
At 31 December 2017	15,683	14,340	15,870	15,368	30,740	26,604	118,605
Additions	–	–	2,583	1,533	10,409	61,277	75,802
Disposals	–	–	(538)	(477)	(9)	–	(1,024)
Deemed disposal of a subsidiary *(note 40)*	–	–	(130)	–	(105)	–	(235)
Interest capitalised	–	–	–	–	–	2,918	2,918
At 31 December 2018	15,683	14,340	17,785	16,424	41,035	90,799	196,066
ACCUMULATED DEPRECIATION							
At 1 January 2017	12,781	11,541	9,976	4,494	9,779	–	48,571
Provided for the year	693	2,168	3,065	2,880	5,468	–	14,274
Eliminated on disposals	–	–	(625)	(69)	(358)	–	(1,052)
Disposals of subsidiaries *(note 41)*	–	–	(25)	–	–	–	(25)
At 31 December 2017	13,474	13,709	12,391	7,305	14,889	–	61,768
Provided for the year	448	184	1,980	1,960	4,648	–	9,220
Eliminated on disposals	–	–	(509)	(244)	(9)	–	(762)
Deemed disposals of a subsidiary *(note 40)*	–	–	(79)	–	(32)	–	(111)
At 31 December 2018	13,922	13,893	13,783	9,021	19,496	–	70,115
CARRYING VALUES							
31 December 2018	1,761	447	4,002	7,403	21,539	90,799	125,951
31 December 2017	2,209	631	3,479	8,063	15,851	26,604	56,837

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

The Group's leasehold land and buildings are located in the PRC.

The above items of property, plant and equipment are depreciated on a straight-line basis, after taking into account their estimated residual value, at the following rates per annum:

Leasehold land and buildings	4.5%
Leasehold improvements	over the shorter of the term of the lease, or 5 years
Furniture, fixtures and equipment	18 - 19%
Motor vehicles	18 - 19%
Plant and machinery	18 - 19%

As at 31 December 2018, the Group has pledged its leasehold land and buildings, motor vehicles and plant and machinery with carrying values of approximately RMB1,761,000 (2017: RMB2,209,000), RMB2,411,000 (2017: RMB3,557,000) and RMB1,975,000 (2017: nil) respectively to secure banking facilities and other borrowings granted to the Group. Details of bank and other borrowings are set out in note 33.

17. PREPAID LEASE PAYMENTS

	2018	2017
	RMB'000	RMB'000
Leasehold land held in the PRC and are analysed for reporting purposes as follows:		
Current assets	**312**	312
Non-current assets	**7,989**	8,301
	8,301	8,613

As at 31 December 2018, the Group has pledged its land use right to secure banking facilities granted to the Group. Details of bank and other borrowings are set out in note 33.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

18. GOODWILL

	RMB'000
COST	
At 1 January 2017	–
Arising on acquisition of a subsidiary *(note 42(b))*	449
At 31 December 2017, 1 January 2018 and 31 December 2018	449
IMPAIRMENT	
At 31 December 2017 and 1 January 2018	–
Impairment loss recognised during the year	449
At 31 December 2018	449
CARRYING AMOUNT	
At 31 December 2018	**–**
At 31 December 2017	449

For the year ended 31 December 2017, the goodwill has been recognised upon acquisition of subsidiary – Shandong Huidian as disclosed in note 42(b).

For the purpose of impairment testing, goodwill has been allocated to the cash-generating unit – manufacturing and sales of charging equipment in Shandong. The recoverable amount of this cash-generating unit has been determined based on value-in-use calculation. The calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period and discount rate of 14.05%. The cash flows beyond the 5-year period are extrapolated using a zero growth rate. Other key assumptions for the value-in-use calculation relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the operating performance of the other subsidiaries of the Group performing similar business. Based on the value-in-use calculations, an impairment loss of approximately RMB449,000 (2017: nil) was recognised in profit or loss during the year ended 31 December 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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19. INTANGIBLE ASSETS

	Technical know-how RMB'000 *(note (i))*	**Charging services concession rights** RMB'000 *(note (ii))*	**Total** RMB'000
COST			
At 1 January 2017	3,000	26,692	29,692
Additions	–	6,835	6,835
Acquisition of a subsidiary *(note 42(a))*	3,370	–	3,370
At 31 December 2017 and 1 January 2018	6,370	33,527	39,897
Additions	–	16,874	16,874
Deemed disposal of a subsidiary *(note 40)*	(3,370)	–	(3,370)
At 31 December 2018	3,000	50,401	53,401
AMORTISATION			
At 1 January 2017	2,940	1,452	4,392
Charge for the year	229	3,191	3,420
At 31 December 2017 and 1 January 2018	3,169	4,643	7,812
Charge for the year	253	4,046	4,299
Deemed disposal of a subsidiary *(note 40)*	(422)	–	(422)
At 31 December 2018	3,000	8,689	11,689
CARRYING VALUES			
At 31 December 2018	**–**	**41,712**	**41,712**
At 31 December 2017	3,201	28,884	32,085

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

19. INTANGIBLE ASSETS (Continued)

Notes:

(i) The technical know-how acquired from independent third parties has finite useful life. It is amortised on the straight-line basis over the estimated useful lives of 7 or 10 years.

(ii) During the year ended 31 December 2018, a charging services concession right of approximately RMB16,874,000 was recognised under BOT arrangements as disclosed in note 36 and to be amortised on the straight-line basis with estimated useful lives of 8 years, from the date of completion of construction.

For the BOT arrangement in Shaoguan, the charging services concession right for an exclusive period of 8 years with initial cost of approximately RMB20,912,000 was recognised during the year ended 31 December 2016. During the year ended 31 December 2018, amortisation expense of approximately RMB2,613,000 has been recognised (2017: RMB2,613,000).

For the BOT arrangement in Baoding, the charging services concession right for an exclusive period of 10 years with initial cost of approximately RMB5,780,000 was recognised during the year ended 31 December 2016. During the year ended 31 December 2018, amortisation expense of approximately RMB578,000 has been recognised (2017: RMB578,000).

For the BOT arrangement in Foshan, the charging services concession right for an exclusive period of 8 years with initial cost of approximately RMB6,835,000 was recognised during the year ended 31 December 2017. During the year ended 31 December 2018, amortisation expense of approximately RMB855,000 has been recognised (2017: nil).

20. INTERESTS IN ASSOCIATES

	2018	2017
	RMB'000	RMB'000
Cost of investment in unlisted associates	**16,146**	14,080
Share of post-acquisition results, net of dividend received	**(9,856)**	(5,748)
	6,290	8,332

(i) Establishment of Tongren City Green Travelling New Energy Transportation Operation Co., Ltd * (銅仁市綠色出行新能源交通營運有限公司) ("Tongren City")

On 26 January 2018, a subsidiary of the Company and an independent third party established a PRC company, Tongren City, with total paid-up capital of RMB15,000,000. RMB1,500,000 has been contributed by the subsidiary of the Company, representing 10% equity interest in Tongren City. After the completion of the capital contribution, Tongren City became one of the associates of the Group and has been accounted for using equity method.

* English name is for identification purpose only.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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20. INTERESTS IN ASSOCIATES (Continued)

(ii) Partial disposal of 8% equity interest in Changsha Xiandao Technology Development Co. Ltd.* (長沙先導快線科技發展有限公司) ("Changsha Xiandao")

On 29 May 2018, subsidiary of the Company which 80% equity interest was held by the Company, entered into an agreement with an independent third party, for the disposal of 10% equity interest of Changsha Xiandao with carrying amount of approximately RMB1,131,000 for a cash consideration of RMB3,000,000. After the completion of the disposal, the Group's effective equity interest in Changsha Xiandao has been decreased from 26.4% to 18.4%. Gain on partial disposal of an associate of approximately RMB1,869,000 has been recognised for the year ended 31 December 2018.

As at 31 December 2018 and 2017, the Group had interests in the following material associates:

Name of entity	Form of entity	Place of establishment/ operation	Class of shares held	Proportion of ownership interests indirectly held by the Group		Proportion of voting power held		Principal activities
				2018	2017	**2018**	2017	
Beijing Pangda Yilian New Energy Technology Co., Limited* (北京龐大驛聯新能源科技有限公司) ("Pangda Yilian")	Registered	The PRC	Contributed capital	**35%**	35%	**35%**	35%	Research and development of charging equipment
Changsha Xiandao *(note (a))*	Registered	The PRC	Contributed capital	**18.4%**	26.4%	**18.4%**	26.4%	Leases of electric vehicles under operating leases
Tongren City *(note (b))*	Registered	The PRC	Contributed capital	**10%**	–	**10%**	–	Leases of electric vehicles under operating leases
Guangdong Titans *(note 40)*	Registered	The PRC	Contributed capital	**36%**	–	**36%**	–	Research and development, sales and manufacturing of automated guided vehicles ("AGV")

Notes:

(a) The Group is able to exercise significant influence over Changsha Xiandao because it has the power to appoint two out of the five directors of that company under the provisions stated in the Article of Association of Changsha Xiandao.

(b) The Group is able to exercise significant influence over Tongren City because it has the power to appoint one out of the three directors of that company under the provisions stated in the Article of Association of Tongren City.

* English name is for identification purpose only.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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20. INTERESTS IN ASSOCIATES (Continued)

The summarised financial information in respect of each of the associates that is material to the Group and is accounted for using equity method is set out below.

Pangda Yilian

	2018 RMB'000	2017 RMB'000
Cost of investment in Pangda Yilian	**5,250**	5,250

	2018 RMB'000	2017 RMB'000
Current assets	**9,643**	13,562
Non-current assets	**32,311**	26,217
Current liabilities	**17,171**	27,709
Non-current liabilities	**22,464**	7,109

	2018 RMB'000	2017 RMB'000
Revenue for the year	**5,229**	3,596
Loss and total comprehensive expense for the year	**(2,642)**	(8,713)

The reconciliation of the summarised financial information presented above to the carrying amount of the interest in Pangda Yilian is set out below:

	2018 RMB'000	2017 RMB'000
Net assets of Pangda Yilian	**2,319**	4,959
Proportion of the Group's ownership interest in Pangda Yilian	**35%**	35%
Carrying amount of the Group's interest in Pangda Yilian	**812**	1,736

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

20. INTERESTS IN ASSOCIATES (Continued)

Changsha Xiandao

	2018	2017
	RMB'000	RMB'000
Cost of investment in Changsha Xiandao	**4,600**	6,600

	2018	2017
	RMB'000	RMB'000
Current assets	**110,499**	71,572
Non-current assets	**105,888**	61,341
Current liabilities	**124,909**	39,221
Non-current liabilities	**93,500**	74,900

	2018	2017
	RMB'000	RMB'000
Revenue for the year	**52,722**	9,168
Loss and total comprehensive expense for the year	**(22,835)**	(6,102)

The reconciliation of the summarised financial information presented above to the carrying amount of the interest in Changsha Xiandao is set out below:

	2018	2017
	RMB'000	RMB'000
Net (liabilities) assets of Changsha Xiandao	**(2,022)**	18,792
Proportion of the Group's ownership interest in Changsha Xiandao	**18.4%**	26.4%
Carrying amount of the Group's interest in Changsha Xiandao	**–**	4,961

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For the year ended 31 December 2018

20. INTERESTS IN ASSOCIATES (Continued)

Tongren City

	2018 RMB'000
Cost of investment in Tongren City	1,500

	2018 RMB'000
Current assets	14,641
Non-current assets	529
Current liabilities	773

	Period from 26 January 2018 to 31 December 2018 RMB'000
Revenue for the period from 26 January 2018 to 31 December 2018	712
Loss and total comprehensive income for the period from 26 January 2018 to 31 December 2018	(603)

The reconciliation of the summarised financial information presented above to the carrying amount of the interest in Tongren City is set out below:

	2018 RMB'000
Net assets of Tongren City	14,397
Proportion of the Group's ownership interest in Tongren City	10%
Carrying amount of the Group's interest in Tongren City	1,440

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For the year ended 31 December 2018

20. INTERESTS IN ASSOCIATES (Continued)

Guangdong Titans

	2018 RMB'000
Cost of investment in Guangdong Titans *(note 40)*	**2,026**

	2018 RMB'000
Current assets	**7,960**
Non-current assets	**1,184**
Current liabilities	**1,825**
Non-current liabilities	**2,000**

	Period from 30 September 2018 to 31 December 2018 RMB'000
Revenue for the period from 30 September 2018 to 31 December 2018	**4,299**
Loss and total comprehensive expense for the period from 30 September 2018 to 31 December 2018	**(310)**

The reconciliation of the summarised financial information presented above to the carrying amount of the interest in Guangdong Titans is set out below:

	2018 RMB'000
Net assets of Guangdong Titans	**5,319**
Proportion of the Group's ownership interest in Guangdong Titans	**36%**
Carrying amount of the Group's interest in Guangdong Titans	**1,915**

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20. INTERESTS IN ASSOCIATES (Continued)

Guangdong Titans (Continued)

The financial information and carrying amount, in aggregate, of the Group's interests in associates that are not individually material and are accounted for using the equity method are set out below:

	2018	2017
	RMB'000	RMB'000
The Group's share of loss	**(52)**	(81)

	31/12/2018	31/12/2017
	RMB'000	RMB'000
Carrying amount of the Group's interests in immaterial associates	**2,123**	1,635

The Group has stopped recognising its share of losses of certain associates when applying the equity method. The unrecognised share of losses of those associates, both for the year and cumulatively, are set out below:

	2018	2017
	RMB'000	RMB'000
Unrecognised share of losses of associates for the year	**729**	–
Accumulated unrecognised share of losses of associates	**729**	–

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21. AVAILABLE-FOR-SALE FINANCIAL ASSETS/FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME/FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Notes	**31 December 2018 RMB'000**	1 January 2018 RMB'000	31 December 2017 RMB'000
Financial asset at FVTPL comprises:				
– Investment fund in the PRC *(note 22)*		**–**	9,248	9,248
– Equity securities listed in the PRC	*(a)*	**17,242**	134,543	–
		17,242	143,791	9,248
Financial assets at FVTOCI comprises:				
– Unlisted equity securities	*(b)*	**22,649**	24,609	–
Available-for-sale financial assets comprise:				
– Equity securities listed in the PRC	*(a)*	**–**	–	134,543
– Unlisted equity securities	*(b)*	**–**	–	24,609
		–	–	159,152

Notes:

(a) As at 31 December 2017, the available-for-sale investment included in investment in equity securities of companies listed in the PRC, represented Sichuan Haote Precision Equipment Limited* (四川豪特精工裝備股份有限公司) ("Haote Precision") and Lead Intelligent amounted to approximately RMB9,579,000 and RMB124,964,000 respectively. Upon adoption of HKFRS 9, they are classified as financial assets at FVTPL.

During the year ended 31 December 2018, the Group has disposed of the equity investment in Lead Intelligent with an aggregate consideration of approximately RMB106,382,000. Loss on disposal of financial assets at FVTPL of approximately RMB18,582,000 has been recognised.

As at 31 December 2018, the investment in listed equity security, represents the Group's investment in Haote Precision and Lead Intelligent which carries at fair value of approximately RMB17,242,000.

(b) As at 31 December 2017, the unlisted equity securities represented the investments in the private entity in Hong Kong and the United States. They were measured at fair value at the end of the reporting period. The investment was reclassified to financial assets at FVTOCI upon adoption of HKFRS 9 on 1 January 2018.

As at 31 December 2018, the fair value of unlisted equity interests in Hong Kong and the United States, represented Juline (China) Energy Tech. Group Co., Ltd ("Juline (China)") and Aquion Energy LLC ("Aquion Energy"), amounting to approximately RMB8,236,000 and RMB14,413,000 (1/1/2018: RMB11,000,000 and RMB13,609,000) respectively.

During the year ended 31 December 2017, the Group entered into a sale and purchase agreement with an independent third party to the Group for the disposal of 5% equity interest in Beijing Shui Mu Hua Tong Technology Company Ltd.* (北京水木華通科技有限公司), for a cash consideration of approximately RMB13,333,000. The disposal was completed on 12 July 2017, resulting a gain on disposal of an available-for-sale financial asset of approximately RMB2,222,000.

As at 31 December 2017, the listed shares in Lead Intelligent were pledged for the bank borrowing of RMB33,000,000 as disclosed in note 33.

* English name is for identification purpose only

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22. HELD FOR TRADING INVESTMENT

	2018 **RMB'000**	2017 RMB'000
Investment fund in the PRC	**–**	9,248

As at 31 December 2017, the above held for trading investment represented a PRC investment fund. It was measured at fair value. The investment was continued to classified as financial assets at FVTPL upon adoption of HKFRS 9 on 1 January 2018. During the year ended 31 December 2018, the Group disposed of the above investment fund with no material gain or loss resulted.

23. FINANCE LEASE RECEIVABLE

Certain of the plant and machinery of the Group are leased out under finance lease. All interest rates inherent in the lease are fixed at the contract date over the lease terms.

	2018 **RMB'000**	2017 RMB'000
Analysed as:		
Current	**107**	–
Non-current	**615**	–
	722	–

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23. FINANCE LEASE RECEIVABLE (Continued)

	Minimum lease payments		Present value of minimum lease payments	
	2018	2017	**2018**	2017
	RMB'000	RMB'000	**RMB'000**	RMB'000
Finance lease receivable comprise:				
Within one year	**216**	–	**107**	–
After one year but within two years	**216**	–	**123**	–
After two years but within five years	**650**	–	**492**	–
	1,082	–	**722**	–
Less: unearned finance income	**(360)**	–	**N/A**	N/A
Present value of minimum lease payment receivable	**722**	–	**722**	–

Effective interest rate of the above finance lease is 15.24% per annum.

Finance lease receivable that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2018
	RMB'000
United States dollars (US$)	**722**

As at 31 December 2018, finance lease receivable is secured over the plant and machinery leased.

The directors of the Company estimate the loss allowance on finance lease receivables at the end of the reporting period at an amount equal to lifetime ECL. None of the finance lease receivables at the end of the reporting period is past due, and taking into account the future prospect of the industry in which the lessee operate, together with the value of collateral held over the finance lease receivables, the directors of the Company consider that no allowance for credit loss is necessary.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for finance lease receivable.

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24. INVENTORIES

	2018 RMB'000	2017 RMB'000
Raw materials	**8,985**	8,640
Work-in-progress	**11,709**	11,275
Finished goods	**60,120**	56,802
	80,814	76,717

25. TRADE AND BILLS RECEIVABLES

	31/12/2018 RMB'000	1/1/2018 RMB'000	31/12/2017 RMB'000
Trade receivables	**306,416**	347,647	386,728
Less: allowance for impairment loss of trade receivables	**(69,962)**	(73,697)	(54,497)
	236,454	273,950	332,231
Bills receivables	**1,570**	863	863
Total trade and bills receivables	**238,024**	274,813	333,904

The bills receivables as at 31 December 2018 were fallen within the aged group of 0-90 days, 91-180 days and 181-365 days with approximately RMB248,000 (2017: RMB263,000), RMB1,322,000 (2017: RMB300,000) and nil (2017: RMB300,000) respectively, based on the dates of delivery of goods which approximately the respective revenue recognition dates.

Included in the balances of trade receivables as at 31 December 2017 were retention receivables of approximately RMB39,081,000 of which approximately RMB33,608,000 and RMB5,473,000 are aged 1–2 years and 2–3 years respectively. As at 1 January 2018, the retention receivables of approximately RMB39,081,000 was reclassified to contract assets upon adoption of HKFRS 15 (note 26).

At 31 December 2018, the carrying amount of the trade receivables which have been pledged as security for the borrowing, is approximately RMB70,106,000 (2017: nil).

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25. TRADE AND BILLS RECEIVABLES (Continued)

The following is an ageing analysis of trade receivables net of allowance for impairment of trade receivables presented based on the dates of delivery of goods or rendering services, which approximates the respective revenue recognition dates, at the end of the reporting period.

	2018	2017
	RMB'000	RMB'000
0 – 90 days	**87,901**	151,787
91 – 180 days	**18,884**	26,626
181 – 365 days	**56,748**	86,798
1 – 2 years	**62,682**	50,527
2 – 3 years	**9,857**	10,379
Over 3 years	**382**	6,114
	236,454	332,231

The Group allows an average credit period of 90 days (2017: 90 days) to its trade customers. For certain customers with installment payments, initial payments are requested and due upon signing of sales contracts, while remaining payments are fallen due after installation and testing. Retention money will be fallen due from the end of the product quality assurance period. For the trade receivables from the state-owned enterprises, they repay their outstanding balances upon the completion of their constructions in accordance with the industry practice in the PRC.

Before accepting any new customer, the Group assesses the credit quality of the potential customers with reference to their financial strength and determines the credit terms and limits for them. The Group also regularly monitored the credit quality of the existing customers by established credit policies and procedures. The Group will adjust the credit limit to the existing customers with reference to the past repayment history and external credit source on the customers' financial strength.

The Group's trade receivables neither past due nor impaired mainly represent sales made to recognised and creditworthy customers with good repayment history. The Group regularly monitored the credit quality of these customers, who trade on credit terms.

Included in the Group's trade and bills receivable balance as at 31 December 2018 were approximately RMB32,473,000 and RMB43,226,000 (2017: RMB51,783,000 and RMB79,897,000), representing 14% and 18% (2017: 13.4% and 20.6%) of the total trade and bills receivables before allowance for impairment loss of trade receivables, which were due from the Group's largest and top five customers, respectively.

Included in the Group's trade receivable balances as at 31 December 2017 were debtors with aggregate carrying amounts of approximately RMB181,151,000 which are past due as at the end of the reporting period for which the Group has not provided for impairment loss as these balances were subsequently settled or there has not been a significant change in credit quality and the amounts are still considered recoverable.

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25. TRADE AND BILLS RECEIVABLES (Continued)

The ageing analysis of trade receivables which are past due but not impaired is set out below:

	2017 RMB'000
Duration of past due	
0 – 90 days	27,001
91 – 180 days	21,636
181 – 365 days	78,136
1 – 2 years	41,251
2 – 3 years	9,108
Over 3 years	4,019
	181,151
Neither past due nor impaired	151,080
	332,231

Starting from 1 January 2018, the Group measures the loss allowance for trade and bills receivables at an amount equal to lifetime ECL. The expected credit losses on trade and bills receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

As the group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the group's different customer bases.

For certain trade receivables of approximately RMB48,959,000 (1/1/2018: RMB54,497,000) for which the counterparty failed to make demanded repayments, the Group has made 100% provision. The Group recognised lifetime ECL for trade receivables based on individually significant customer or the ageing of customers collectively that are not individually significant as follows:

	Weighted average expected loss rate %	**Gross carrying amount** RMB'000	**Loss allowance** RMB'000
Current (not past due)	2.07%	89,759	1,858
Less than 3 months past due	3.58%	19,585	701
More than 3 months but less than 6 months past due	4.18%	14,879	622
More than 6 months but less than 12 months past due	4.81%	61,956	2,980
More than 12 months but less than 24 months past due	11.08%	56,033	6,208
More than 24 months but less than 36 months past due	49.10%	12,992	6,381
More than 36 months past due	100%	2,253	2,253
Default receivable	100%	48,959	48,959
		306,416	69,962

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For the year ended 31 December 2018

25. TRADE AND BILLS RECEIVABLES (Continued)

The movement in the allowance for impairment loss of trade receivables is set out below:

	2018	2017
	RMB'000	RMB'000
1 January	**54,497**	63,622
Effect on adoption of HKFRS 9	**19,200**	–
Allowance for impairment loss recognised in respect of trade receivables	**1,803**	7,294
Reversal of impairment loss recognised in respect of trade receivables	**(5,538)**	(13,164)
Elimination of impairment loss on disposal of subsidiary	**–**	(3,255)
31 December	**69,962**	54,497

As at 31 December 2017, included in the allowance for impairment loss of trade receivables are individually impaired trade receivables with an aggregate balance of approximately RMB54,497,000 which have been placed in severe financial difficulties.

26. CONTRACT ASSETS/CONTRACT LIABILITIES

(a) Contract assets

	31/12/2018	1/1/2018
	RMB'000	RMB'000
Retention receivables	**47,000**	39,081
Less: allowance for impairment loss of contract assets	**(4,183)**	(1,411)
Total contract assets	**42,817**	37,670

Retention receivable, prior to expiration of retention period, are classified as contract assets, which usually ranges from one to two years from the date of the completion of the project. The relevant amount of contract assets is reclassified to trade receivable when the retention period expires. The retention period serves as an assurance that the electric products sold comply with agreed upon specifications and such assurance cannot be purchased separately.

The Group measures the loss allowance for contract assets at an amount equal to lifetime ECL.

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26. CONTRACT ASSETS/CONTRACT LIABILITIES (Continued)

(a) Contract assets (Continued)

The Group recognised lifetime ECL for contract assets based on the ageing of retention receivables collectively that are not individually significant as follows:

	Weighted average expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
0 – 1 year	2.61%	26,628	695
1 – 2 years	5.63%	7,649	431
2 – 3 years	10.34%	4,215	436
Over 3 years	30.81%	8,508	2,621
		47,000	4,183

The movements in the impairment allowance for the contract assets during the year are as follows:

	Lifetime ECL RMB'000
At 31 December 2017	–
Impact on adoption of HKFRS 9	1,411
At 1 January 2018	1,411
Increase during the year	2,772
At 31 December 2018	4,183

(b) Contract liabilities

	31/12/2018 **RMB'000**	1/1/2018 RMB'000
Receipt in advance	**7,691**	6,791

Contract liabilities include advances received to deliver electric products.

Revenue recognised during the year ended 31 December 2018 that was included in the contract liabilities as at 1 January 2018 is approximately RMB6,791,000. There was no revenue recognised in the current year that related to performance obligations that were satisfied in a prior year.

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27. LOAN RECEIVABLES

	31/12/2018	1/1/2018	31/12/2017
	RMB'000	RMB'000	RMB'000
Fixed-rate loan receivables	**146,414**	19,904	19,904
Variable-rate loan receivable	**5,000**	–	–
	151,414	19,904	19,904
Less: allowance for impairment loss of loan receivables	**(1,186)**	(53)	–
	150,228	19,851	19,904

Included in loan receivables, there is a loan to an associate of approximately RMB2,000,000 (2017: nil) as at 31 December 2018, which was unsecured, bearing interest rate of 10% per annum and repayable on 15 July 2019.

The Group has adopted HKFRS 9 from 1 January 2018. The Group measures the loss allowance for loan receivables at an amount equal to 12-month ECL.

As at 31 December 2018, in determining the expected credit losses for these assets, the directors of the Company have taken into account the financial position of the counterparties, value of collateral, considering various external sources of actual and forecast economic information, as appropriate, in estimating the probability of default of each of these financial assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for loan receivables.

The Group measured 12-month ECL on loan receivables with a credit allowance of approximately RMB1,186,000 is made as at 31 December 2018, as there is no significant increase in the credit risk of borrowers since initial recognition.

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27. LOAN RECEIVABLES (Continued)

The movements in the impairment allowance for the loans receivables during the year are as follows:

	12-month ECL RMB'000
At 31 December 2017	–
Impact on adoption of HKFRS 9	53
At 1 January 2018	53
Increase during the year	1,133
At 31 December 2018	1,186

The ranges of effective interest rates which are equal to contractual interest rates on the Group's loan receivables are as follows:

	2018 **RMB'000**	2017 RMB'000
Effective interest rate:		
Fixed-rate loan receivables	**5% to 18%**	7% to 10%
Variable-rate loan receivable	**PRC base lending rate with increment by 30%**	–

The Group's loan receivables that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	At 31/12/2018 **RMB'000**	At 31/12/2017 RMB'000
US$	**26,080**	15,904
HKD	**11,565**	–

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28. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2018 RMB'000	2017 RMB'000
Prepayments to suppliers *(note (i))*	**34,086**	88,038
Deposits and other receivables *(note (ii))*	**55,052**	48,329
	89,138	136,367
Other prepayments	**2,990**	1,709
	92,128	138,076

Notes:

(i) Included in the prepayments to suppliers as at 31 December 2017 was prepayment to Aquion Energy of US$8,800,000, equivalent to approximately RMB57,960,000, for the purchase of charging equipment related products and the products were expected to be delivered on or before 30 July 2018. The amount has been fully repaid during the year ended 31 December 2018 since the expected delivery of the products cannot meet the expected agreed timetable.

The remaining prepayments of approximately RMB34,086,000 (2017: RMB30,078,000) were made to the other suppliers for the supplying of the raw materials and providing services to the Group.

(ii) For the deposits and other receivables of approximately RMB55,052,000 as of 31 December 2018 (1 January 2018: RMB48,329,000), the expected credit loss was minimal as these receivables had no recent history of default, part of receivables were subsequently settled, and there was no unfavourable current conditions and forecast future economic conditions at the end of the reporting period.

29. AMOUNTS DUE FROM ASSOCIATES

The amounts due from associates are unsecured, interest-free and trading in nature.

The following is an ageing analysis of the amounts due from associates based on the dates of delivery of goods, which approximates the respective revenue recognition dates, at the end of the reporting period:

	2018 RMB'000	2017 RMB'000
0 – 90 days	**135**	356
91 – 180 days	**226**	–
181 – 365 days	**871**	3,781
	1,232	4,137

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29. AMOUNTS DUE FROM ASSOCIATES (Continued)

The ageing analysis of the amounts due from associates which are past due but not impaired are set out below:

	2017
	RMB'000
Duration of past due	
91 – 180 days	945
181 – 365 days	2,836
	3,781
Neither past due nor impaired	356
	4,137

The Group allows an average credit period of 90 days (2017: 90 days) to its associates for balances which are trading in nature.

Since the adoption of HKFRS 9 from 1 January 2018. The Group measures the loss allowance for amounts due from associates at an amount equal to 12-month ECL. The management considered that the amounts due from associates to be low credit risk and no recent history of default, and thus no impairment losses recognised during the year ended 31 December 2018.

30. RESTRICTED BANK BALANCES/SHORT-TERM BANK DEPOSITS/BANK BALANCES AND CASH

Restricted bank balances represented deposits required and restricted by banks in respect of (i) the issue of letter of credit to certain suppliers of approximately RMB11,569,000 (2017: RMB10,551,000); and (ii) the security with approximately RMB26,882,000 (2017: RMB50,882,000) of bank borrowings classified under current liabilities of approximately RMB24,000,000 (2017: RMB48,000,000) (note 33) and therefore are classified as current assets. As at 31 December 2018, the restricted bank balances carried interest at average market rates from 0.3% to 0.32% (2017: 0.3% to 1.5%) per annum and will be released upon the completion of the respective transactions.

Short-term bank deposits represented the fixed bank deposits carry interest ranging from 1.1% to 3.2% (2017: 1.1% to 1.9%) per annum as at 31 December 2018 with original maturity of more than 3 months but within 12 months.

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30. RESTRICTED BANK BALANCES/SHORT-TERM BANK DEPOSITS/BANK BALANCES AND CASH (Continued)

Bank balances carried interest at market rates ranged from 0.001% to 0.3% (2017: 0.001% to 0.38%) per annum for the year ended 31 December 2018.

At 31 December 2018, bank balances and cash of approximately RMB47,000 (2017: RMB47,000) and RMB5,163,000 (2017: RMB314,000) were denominated in US$ and HK$ respectively that are currencies other than the functional currencies of the respective group entities.

31. TRADE AND BILLS PAYABLES

	2018	2017
	RMB'000	RMB'000
Trade payables	**72,453**	88,997
Bills payables	**11,037**	12,196
	83,490	101,193

The following is an ageing analysis of trade payables based on the dates of receipt of goods purchased at the end of the reporting period:

	2018	2017
	RMB'000	RMB'000
0 – 90 days	**55,367**	73,017
91 – 180 days	**9,552**	5,541
181 – 365 days	**12,918**	14,980
1 – 2 years	**2,978**	7,655
Over 2 years	**2,675**	–
	83,490	101,193

The average credit period on purchases of goods is 90 days (2017: 90 days). The Group has financial risk management policy in place to ensure that all payables are settled within the credit timeframe.

32. AMOUNTS DUE TO ASSOCIATES

The amounts due to associates are unsecured, non-interest bearing and repayable on demand.

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33. BANK AND OTHER BORROWINGS

	2018 RMB'000	2017 RMB'000
Bank borrowings, secured *(note (i))*	**151,953**	133,000
Other borrowings, secured *(note (ii))*	**27,528**	5,395
Other borrowings, unsecured *(note (iii))*	**95,943**	–
	275,424	138,395
Carrying amounts repayable (based on scheduled repayment dates set out in the borrowing agreement):		
Within one year	**180,944**	134,945
After one year but within two years	**27,450**	2,222
After two years but within five years	**24,077**	1,228
After five years	**42,953**	–
	275,424	138,395
Amounts shown under current liabilities	**180,944**	134,945
Amounts shown under non-current liabilities	**94,480**	3,450
	275,424	138,395

Notes:

(i) As at 31 December 2018, secured bank borrowings of the Group were secured by its leasehold land and buildings, prepaid lease payments, certain trade receivables, restricted bank balances with carrying values of approximately RMB1,761,000, RMB8,301,000, RMB70,106,000 and RMB26,882,000 (2017: approximately RMB2,209,000, nil, nil and RMB50,882,000) respectively. In addition, secured bank borrowing as at 31 December 2017 was secured by listed equity securities as disclosed in note 21.

As at 31 December 2018, secured bank borrowings of RMB40,000,000 (2017: RMB40,000,000) were guaranteed by the Company and the directors of the Company with guaranteed amount of approximately RMB120,000,000 (2017: RMB120,000,000). Details of the guarantees by the directors of the Company are set out in note 48(c).

(ii) As at 31 December 2018, other borrowings of approximately RMB3,450,000 (2017: RMB5,395,000) is secured by motor vehicles with carrying amount of approximately RMB2,411,000 (2017: RMB3,557,000).

As at 31 December 2018, other borrowings of approximately RMB13,410,000 (2017: nil) and approximately RMB10,668,000 are secured by plant and machinery with carrying amount of approximately RMB1,975,000 (2017: nil) and operating income derived from new BOT in Foshan, respectively.

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33. BANK AND OTHER BORROWINGS (Continued)

Notes: (Continued)

(iii) As at 31 December 2018, other borrowings of HK$103,000,000 (equivalent to approximately RMB90,248,000) (2017: nil) are unsecured, and carry at fixed interest rate of 5% per annum. The proceed was used for the redemption of convertible notes.

As at 31 December 2018, other borrowings of HK$6,500,000 (equivalent to approximately RMB5,695,000) (2017: nil) are unsecured, carry interest at fixed rate of 10% per annum, for short-term financing needs.

The exposure of the Group's bank and other borrowings to interest rate changes are as follows:

	2018	2017
	RMB'000	RMB'000
Fixed rate borrowings	**192,471**	126,395
Variable-rate borrowings	**82,953**	12,000
	275,424	138,395

During the year ended 31 December 2018, the Group obtained new bank borrowings and other borrowings in the amount of approximately RMB263,005,000 (2017: RMB112,163,000) and repayment of bank and other borrowings of approximately RMB123,976,000 (2017: RMB123,618,000) respectively.

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

	2018	2017
Fixed-rate borrowings	**0.32% to 14.40%**	0.32% to 13.41%
Variable-rate borrowings	**PRC best lending rate with increment by 15% – 60%**	PRC best lending rate with increment by 50%

The Group's borrowings that are denominated in currencies other the functional currencies of the relevant group entities are set out below:

	2018	2017
	RMB'000	RMB'000
HK$	**95,943**	–

As at 31 December 2018, the Group has available un-utilised overdraft and short-term bank loan facilities of approximately RMB2,344,000 (2017: RMB1,864,000).

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For the year ended 31 December 2018

34. CONVERTIBLE NOTES

On 29 February 2016, the Company issued convertible notes (the "CNs") with aggregate principal amount of HK$100,000,000, equivalent to approximately RMB84,246,000, to a substantial shareholder of the Company with maturity date on 1 March 2018 (the "Maturity Date I"). The CNs is denominated in HK$. The CNs bear interest at the base lending interest rate offered to the institutions by the People's Bank of China per annum, payable semi-annually.

At 31 December 2017, the interest rate of the CNs was 4.35%.

The principal terms of the CNs are as follows:

Conversion: The holder of the CNs is entitled to convert the CNs into ordinary shares of the Company at a conversion price of HK$1.19 per ordinary share.

The conversion rights are exercisable by the holder at any time during the period commencing from the date of issue of the CNs up to the Maturity Date.

Redemption: The Company may, by notice, redeem whole or part of the outstanding CNs at the face value of the principal amount of such CNs together with all interest accrued before or on the Maturity Date.

The holder of the CNs is not entitled to request for early redemption except for event of default occurred.

Unless previously converted or redeemed, the Company will redeem the CNs, in whole or in part, at the face value on the Maturity Date.

The CNs contain three components, including liability component, conversion option derivative and redemption option derivative, which were presented as "convertible notes", "conversion option derivative of the convertible notes" and "redemption option derivative of the convertible notes" in the consolidated statement of financial position. The effective interest rate of the liability component is 19% at the date of issue. The conversion option derivative and redemption option derivative are measured at fair value with changes in fair value recognised in consolidated statement of profit or loss and other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

34. CONVERTIBLE NOTES (Continued)

On 28 February 2018 (the "Extended Date I"), the Company and the substantial shareholder of the Company entered into a deed of variation, the maturity date of the CNs in the principal amount of HK$100,000,000 were extended from 1 March 2018 to 1 June 2018 (the "Maturity Date II"). The extended CNs was stated at fair value on the Extended Date I which amounted to approximately RMB80,143,000. On Maturity Date II, the Company and the substantial shareholder of the Company entered into another deed of variation, the maturity date of the CNs in the principal amount of HK$100,000,000 were extended from 1 June 2018 to 1 October 2018. The extended CNs was stated at fair value on the Maturity Date II which amounted to approximately RMB84,167,000. No other terms and conditions of the CNs have been amended. The extended CNs contain two components – liability component and derivative components. The fair value of the extended CNs as a whole, which composed liability component and derivative component, was determined based on the valuation carried out by APAC Asset Valuation and Consulting Limited, an independent professional valuer, by using Binomial valuation model. The fair value of the liability component and derivative component of the extended CNs was calculated using cash flows discounted at a rate based on an equivalent market interest rate for an equivalent non-convertible bond.

At Extended Date I and Maturity Date II, the interest rate of the CNs was 4.75%.

On 21 September 2018, the Group early redeemed all CNs with a total consideration of approximately HK$102,639,000 (equivalent to approximately RMB90,157,000) (representing the principal amount of approximately RMB87,918,000 and accrued interest of approximately RMB2,239,000). The difference between the redemption consideration paid and the carrying amount of the CNs is presented as "gain on redemption of convertible notes" which was included in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2018.

No conversion of the CNs has been made during the years ended 31 December 2018 and 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

34. CONVERTIBLE NOTES (Continued)

The movement of the liability and derivative components of the CNs and the reconciliation of Level 3 fair value measurement during the reporting period are set out below:

	Liability component of the CNs RMB'000	Financial asset – Redemption option derivative of the CNs RMB'000	Financial liability – Conversion option derivative of the CNs RMB'000	Total RMB'000
At 1 January 2017	75,412	(13,331)	22,200	84,281
Effective interest expense for the year	14,081	–	–	14,081
Interest paid	(3,680)	–	–	(3,680)
Exchange (gain) loss recognised in profit or loss	(2,246)	372	(619)	(2,493)
Changes in fair value	–	12,794	(21,406)	(8,612)
At 31 December 2017 and 1 January 2018	83,567	(165)	175	83,577
Effective interest expense for the period	3,870	–	–	3,870
Interest paid	(4,024)	–	–	(4,024)
Exchange (gain) loss recongised in profit or loss	4,505	94	(92)	4,507
Change in fair value	–	(863)	988	125
Redemption	(87,918)	934	(1,071)	(88,055)
At 31 December 2018	–	–	–	–

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34. CONVERTIBLE NOTES (Continued)

The liability components of the CNs at 31 December 2017 and fair values of the derivative components of CNs at 31 December 2017 were valued by APAC Asset Valuation and Consulting Limited, an independent qualified professional valuer not connected to the Group, using the Binomial Option Pricing model. The net gain in fair value changes of the derivative components of the CNs of approximately RMB125,000 (2017: net loss in fair value changes of the derivative components of CNs of approximately RMB8,612,000) were recognised in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2018. The inputs into the model were as follows:

	At 21 September 2018	**At 1 June 2018**	**At 1 March 2018**	At 31 December 2017	At 29 February 2016 (date of issue)
Share price	**HK$0.81**	**HK$0.96**	**HK$0.89**	HK$0.93	HK$1.21
Conversion price	**HK$1.19**	**HK$1.19**	**HK$1.19**	HK$1.19	HK$1.19
Expected volatility	**28%**	**31%**	**31%**	34%	63%
Expected life	**0.03 years**	**0.33 years**	**0.25 years**	0.16 years	2 years
Risk-free rate	**1.76%**	**1.48%**	**0.75%**	1%	0.59%
Expected dividend yield	**Nil**	**Nil**	**Nil**	Nil	Nil

35. DEFERRED TAXATION

The following is the analysis of the deferred tax assets (liabilities) for financial reporting purpose:

	2018 RMB'000	2017 RMB'000
Deferred tax assets	**9,493**	7,523
Deferred tax liabilities	**(17,959)**	(18,604)
At 31 December	**(8,466)**	(11,081)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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35. DEFERRED TAXATION (Continued)

The followings are the major deferred tax assets (liabilities) recognised and movement thereon during the current and prior years:

	Allowance for impairment loss of trade receivables, contract assets and loan receivables	Revaluation of financial assets at FVTOCI/ Available-for-sale investments	Revaluation of financial assets at FVTPL	Undistributable profits of subsidiaries	Intangible asset arising from acquisition of a subsidiary	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2017	7,177	(34,044)	–	(8,893)	–	(35,760)
Acquisition of a subsidiary	–	–	–	–	(843)	(843)
Credited (debited) to profit or loss *(note 9)*	(880)	–	–	(8,910)	42	(9,748)
Credited to investment revaluation reserve	–	35,270	–	–	–	35,270
At 31 December 2017 (as originally stated)	6,297	1,226	–	(17,803)	(801)	(11,081)
Effect of changing in accounting policy *(note 2)*	3,100	(1,226)	1,226	–	–	3,439
At 1 January 2018 (as restated)	9,397	–	1,226	(17,803)	(801)	(7,642)
(Debited) credited to profit or loss *(note 10)*	96	–	(2,692)	1,442	63	(1,091)
Debited to investment revaluation reserve	–	(132)	–	–	–	(132)
Deemed disposal of a subsidiary	–	–	–	–	738	738
At 31 December 2018	9,493	(132)	(1,466)	(16,361)	–	(8,466)

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35. DEFERRED TAXATION (Continued)

Under the EIT Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has been provided for in the consolidated financial statements in respect of temporary taxable difference attributable to accumulated profits of the PRC subsidiaries amounting to approximately RMB327,210,000 (2017: RMB356,063,000) as the Group considered the temporary differences will be reversed in the foreseeable future upon declaration of dividends of subsidiaries.

The Group had unused tax losses of approximately RMB88,755,000 (2017: RMB33,273,000) as at 31 December 2018, available for offsetting against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. Tax losses of approximately RMB1,677,000 (2017: RMB1,677,000) may be carried forward indefinitely. The remaining tax losses of approximately RMB87,098,000 (2017: RMB31,596,000) will expire five years from the year of origination. As at 31 December 2018, tax losses of approximately RMB3,149,000, RMB8,864,000, RMB14,193,000 and RMB60,892,000 will expire in 2019, 2020, 2021 and 2022 respectively (2017: nil, RMB5,447,000, RMB10,882,000 and RMB15,267,000 will expire in 2018, 2019, 2020 and 2021 respectively).

At 31 December 2018, the Group had temporary differences of approximately RMB75,331,000 (2017: RMB54,497,000) in respect of allowance for impairment of trade receivables. Deferred tax asset of RMB9,493,000 (2017: RMB6,297,000) had been recognised on temporary difference of approximately RMB63,293,000 (2017: RMB41,981,000). No deferred tax asset has been recognised on the remaining deductible temporary difference of approximately RMB12,038,000 (2017: RMB12,516,000) due to the unpredictability of future profit streams will be available against which the deductible temporary differences can be utilised.

36. SERVICE CONCESSION ARRANGEMENTS

The Group has entered into service concession arrangements with governmental authorities in the PRC on a BOT basis in respect of its charging services. Pursuant to the service concession arrangements, the Group has to design, construct, operate and manage charging equipments in the PRC over the service concession periods. The Group is generally entitled to use the charging equipments, however, the Group has the obligation to maintain the charging equipments in good condition and the charging equipments will be transferred to the governmental authorities without consideration upon expiry of the concession periods. The service concession arrangements do not contain renewal options. The BOT agreements do not grant any termination rights to any of the contracting parties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

36. SERVICE CONCESSION ARRANGEMENTS (Continued)

As at 31 December 2018, the Group had 4 (2017: 3) service concession arrangements on charging equipments with governmental authorities in the PRC and a summary of the major terms of the principal service concession arrangements, is set out as follows:

Name of company as operator	Location	Name of grantor	Type of service concession arrangement	Designed processing capacity	Service concession period
Zhuhai Yilian New Energy Motor Company Ltd.* ("Zhuhai Yilian") 珠海驛聯新能源汽車有限公司	Baoding	Baoding Public Transport Corporation	BOT on charging equipments for electric vehicles	Provide charging services at RMB0.5kWh	10 years from October 2016 to September 2026
	Foshan	Foshan Chancheng District Public Transportation Management Company Limited * 佛山市禪城區公共交通管理有限公司	BOT on charging equipments for electric vehicles	Provide charging services at RMB0.6kWh	8 years from December 2017 to November 2025
	Foshan	Foshan Chancheng District Public Transportation Management Company Limited *	BOT on charging equipments for electric vehicles	Provide charging services at RMB0.6kWh	8 years from the date of completion on the construction of BOT
Shaoguan Yilian	Shaoguan	Shaoguan Public Transportation Company Limited * 韶關市公共汽車有限公司	BOT on charging equipments for electric vehicles	Provide charging services to 110 electric vehicles of the grantor with average distance of 5,000km per month	8 years from July 2016 to June 2024

* English name is for identification purpose only

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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37. SHARE CAPITAL

	Number of shares	Share capital
		HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January 2017, 31 December 2017, 1 January 2018 and 31 December 2018	10,000,000,000	100,000
		RMB'000
Issued and fully paid:		
At 1 January 2017, 31 December 2017, 1 January 2018 and 31 December 2018	925,056,000	8,087

The holders of ordinary shares are entitled to receive dividends declared from time to time and are entitled to one vote per share at general meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

38. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debt, which includes bank borrowings disclosed in note 33 and the CNs disclosed in note 34, net of restricted bank balances, short-term bank deposits and bank balances and cash disclosed in note 30 and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure periodically. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through new share issues, the issue of new debt or the redemption of existing debt.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

39. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2018 RMB'000	2017 RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**610,481**	600,030
Financial assets at FVTOCI	**22,649**	–
Financial assets at FVTPL		
– redemption option derivative of the CNs	**–**	165
– unlisted equity instruments	**17,242**	–
Held for trading investment	**–**	9,248
Available-for-sale financial assets	**–**	159,152
	650,372	768,595
Financial liabilities		
Financial liabilities at FVTPL – conversion option derivative of the CNs	**–**	175
Other financial liabilities at amortised cost	**365,369**	351,697
	365,369	351,872

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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39. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies

The Group's major financial instruments include financial assets at FVTOCI, financial asset at FVTPL, finance lease receivable, trade and bills receivables, contract assets, deposits and other receivables, amounts due from associates, held for trading investment, redemption option derivative of the CNs, restricted bank balances, short-term bank deposits, bank balances and cash, trade and bills payables, other payables, amounts due to associates, conversion option derivative of the CNs, bank and borrowings and the CNs. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

The Group mainly operates in the PRC. All the Group's sales and purchases are denominated in the functional currency of the Group (i.e. RMB).

Certain financial assets at FVTOCI, certain bank balances and cash, finance lease receivable, loan receivable, certain bank and other borrowings and CNs are denominated in HK$ and US$, which expose the Group to foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Assets		Liabilities	
	2018	2017	**2018**	2017
	RMB'000	RMB'000	**RMB'000**	RMB'000
HK$	**17,077**	479	**95,943**	83,742
US$	**43,416**	29,146	**–**	–

The Group currently does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

39. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(i) *Currency risk* (Continued)

Sensitivity analysis

The Group is mainly exposed to US$ and HK$.

The following table details the Group's sensitivity to a 5% (2017: 5%) increase and decrease in RMB against the relevant foreign currencies. 5% (2017: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2017: 5%) change in foreign currency rates.

A positive (negative) number below indicates a decrease (an increase) in post-tax loss (2017: a positive (negative) number below indicates an increase (a decrease) in post-tax profit) where RMB strengthen 5% (2017: 5%) against the relevant currency. For a 5% (2017: 5%) weakening of RMB against the relevant currency, there would be an equal and opposite impact on the loss (2017: profit).

	2018	2017
	RMB'000	RMB'000
Effect on post-tax profit		
HK$	**3,292**	4,166
US$	**(1,813)**	(1,337)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

39. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(ii) Interest rate risk

As at 31 December 2018 and 2017, the Group is exposed to fair value interest rate risk in relation to loan receivables disclosed in note 27, short-term deposits and restricted bank balances disclosed in note 30, certain fixed-rate bank and other borrowings disclosed in note 33.

As at 31 December 2018 and 2017, the Group is exposed to cash flow interest rate risk in relation to certain variable rate loan receivables disclosed in note 27, bank balances disclosed in note 30 and certain variable-rate bank borrowings disclosed in note 33. It is the Group's policy to keep its borrowings at floating rate of interest so as to minimise the fair value interest rate risk.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the RMB Base Lending Rate stipulated by the People's Bank of China arising from the Group's RMB denominated bank borrowings and the CNs.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for variable rate bank borrowings, the CNs, loan receivables and bank balances. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 (2017: 50) basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 (2017: 50) basis points higher or lower and all other variables were held constant, the Group's post-tax loss for the year ended 31 December 2018 would increase/decrease by approximately RMB85,000 (2017: post- tax profit would increase/decrease by approximately RMB71,000).

(iii) Other price risk

The Group is exposed to equity price risk through its investments in listed equity securities. The management manages this exposure by maintaining a portfolio of investments with different risks. The Group's equity price risk is mainly concentrated on equity instruments operating in the PRC stock market. In addition, the Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

39. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(iii) Other price risk (Continued)

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks at the end of the reporting period. For sensitivity analysis purpose, the sensitivity rate is increased to 10% in current year as a result of the volatile financial market.

For the year ended 31 December 2018, if the price of the respective equity instrument had been 10% higher/lower, loss for the year would decrease/increase by RMB1,293,000 while total equity would increase/decrease by approximately RMB1,293,000 as a result of the changes in fair value of financial asset at FVTPL.

For the year ended 31 December 2017, if the prices of the respective equity instruments had been 10% higher/lower, investment revaluation reserve and profit for the year would increase/decrease by approximately RMB11,436,000 and RMB786,000 while total equity would increase/decrease by approximately RMB12,222,000 as a result of the changes in fair value of available-for-sale financial assets and held for trading investment respectively.

Credit risk

As at 31 December 2018, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts.

Starting from 1 January 2018, for trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL on an individual basis for customer with significant balance and/or collectively by using a provision matrix, estimated based on historical credit loss experience, as well as the general economic conditions of the industry in which the debtors operate. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced. In addition, the Group reviews the collectability of other receivables, loan receivables and amount due from an associate at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

39. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk (Continued)

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Group's concentration of credit risk by geographical locations is in the PRC, which accounted for all of the trade receivables as at 31 December 2017 and 2016.

The Group has concentration of credit risk as 14% and 18% (2017: 13.4% and 20.6%) of the total trade and bills receivables before allowance for impairment loss of trade receivables was due from the Group's largest and top five customers respectively within the DC Power System and Charging Equipment segments as at 31 December 2018.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of short-term bank deposits and bank balances and cash deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity analysis for non-derivative financial liabilities is based on the scheduled repayment dates.

The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

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39. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

Liquidity table

	Within 1 year or on demand RMB'000	More than 1 year and within 2 years RMB'000	More than 2 years and within 5 years RMB'000	More than 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying Amount RMB'000
At 31 December 2018						
Non-derivative financial liabilities:						
Trade and bills payables	**83,490**	**–**	**–**	**–**	**83,490**	**83,490**
Accruals and other payables	**5,757**	**–**	**–**	**–**	**5,757**	**5,757**
Amount due to associates	**698**	**–**	**–**	**–**	**698**	**698**
Bank borrowings						
– fixed rate	**46,734**	**24,089**	**–**	**–**	**70,823**	**69,000**
– variable rate	**43,980**	**2,850**	**2,850**	**55,157**	**104,837**	**82,953**
Other borrowing						
– fixed rate	**100,338**	**6,365**	**25,369**	**–**	**132,072**	**123,471**
	280,997	**33,304**	**28,219**	**55,157**	**397,677**	**365,369**

	Within 1 year or on demand RMB'000	More than 1 year and within 2 years RMB'000	More than 2 years and within 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying Amount RMB'000
At 31 December 2017					
Non-derivative financial liabilities:					
Trade and bills payables	101,193	–	–	101,193	101,193
Accruals and other payables	28,357	–	–	28,357	28,357
Convertible notes	86,225	–	–	86,225	83,567
Amount due to associates	185	–	–	185	185
Bank borrowings					
– fixed rate	123,727	–	–	123,727	121,000
– variable rate	12,491	–	–	12,491	12,000
Other borrowing					
– fixed rate	2,552	2,552	1,276	6,380	5,395
	354,730	2,552	1,276	358,558	351,697

The amounts included above for variable interest rate bank borrowings are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

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39. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value of financial assets that are measured at fair value on a recurring basis

The following table provides an analysis of financial instruments that are measured at fair value at the end of each reporting period for recurring measurement, grouped into Level 1 to 3 based on degree to which the fair value is observable in accordance to the Group's accounting policy.

	31 December 2018	
	Level 1	**Level 3**
	RMB'000	**RMB'000**
Financial Asset at FVTPL		
Listed equity securities	**17,242**	**–**
Financial Asset at FVTOCI		
Unlisted equity securities	**–**	**22,649**

	31 December 2017			
	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets at FVTPL				
Redemption option derivative of the CNs	–	–	165	165
Investment fund classified as held for trading investment	–	9,248	–	9,248
Available-for-sale financial assets				
Listed equity securities	134,543	–	–	134,543
Unlisted equity securities	–	–	24,609	24,609
Total	134,543	9,248	24,774	168,565
Financial liabilities at FVTPL				
Conversion option derivative of the CNs	–	–	175	175

There were no transfers between levels of fair value hierarchy in the current and prior years.

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39. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value of financial assets that are measured at fair value on a recurring basis (Continued)

The valuation techniques and inputs used in the fair value measurement of the financial assets on a recurring basis are set out below:

Financial instruments	Fair value as at 31/12/2018 RMB'000	Fair value as at 31/12/2017 RMB'000	Fair value hierarchy	Valuation technique and key inputs	Significant unobservable inputs	Relationship of key inputs and significant unobservable inputs to fair value
Listed equity securities at FVTPL (2017: classified as available-for-sale financial assets)	**17,242**	134,543	Level 1	Quoted bid prices in an active market	N/A	N/A
Unlisted equity securities at FVTOCI (2017: classified as available-for-sale financial assets)	**22,649**	24,609	Level 3	Market approach – by reference to the asset with identical or similar assets in the market	(i) Price-to-book ratio of 2.14 (31/12/2017: 1.95); (ii) Marketability discount of 35% (31/12/2017: 35%); and (iii) Specific business risk discount of 56% (31/12/2017: 49%)	(i) The higher the price-to-book ratio, the higher the fair value. (ii) The higher of marketability discount, the lower the fair value. (iii) The higher the specific business risk discount, the lower the fair value.
Investment fund classified as held for trading investment	–	9,248	Level 2	Quoted prices from financial institutions based on bid prices in active market for the listed shares under the portfolio of the unlisted fund instruments	N/A	N/A

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39. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value of financial assets that are measured at fair value on a recurring basis (Continued)

The valuation techniques and inputs used in the fair value measurement of the financial assets on a recurring basis are set out below: (Continued)

Financial instruments	Fair value as at 31/12/2018 RMB'000	Fair value as at 31/12/2017 RMB'000	Fair value hierarchy	Valuation technique and key inputs	Significant unobservable inputs	Relationship of key inputs and significant unobservable inputs to fair value
Redemption option derivative of the CNs	–	165	Level 3	Binomial option pricing model: by reference to the risk free rate of 1% and effective interest rate of 19%	2017: Volatility of 34% (2018: N/A)	The higher the volatility, the higher of the fair value of redemption option derivative component of the CNs.
Conversion option derivative of the CNs	–	175	Level 3	Binomial option pricing model: by reference to the risk free rate of 1% and effective interest rate of 19%	2017: Volatility of 34% (2018: N/A)	The higher the volatility, the higher of the fair value of redemption option derivative component of the CNs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

39. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value of financial assets that are measured at fair value on a recurring basis (Continued)

Reconciliation of Level 3 fair value measurements of financial assets and financial liabilities on recurring basis are as follows:

	Unlisted equity securities RMB'000	**Financial asset – Redemption option derivative of the CNs** RMB'000	**Financial liability – Conversion option derivative of the CNs** RMB'000
At 1 January 2017	148,211	13,331	(22,200)
Purchase	24,609	–	–
Disposal	(148,211)	–	–
Exchange (loss) gain recognised in profit or loss	–	(372)	619
Changes in fair value through profit or loss	–	(12,794)	21,406
At 31 December 2017 and 1 January 2018	24,609	165	(175)
Disposal			
Exchange (loss) gain recognised in profit or loss	–	(94)	92
Changes in fair value through profit or loss	–	863	(988)
Changes in fair value through other comprehensive income	(1,960)	–	–
Redemption of CNs	–	(934)	1,071
At 31 December 2018	22,649	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

39. FINANCIAL INSTRUMENTS (Continued)

(d) Fair value of financial instruments that are not measured at fair value on a recurring basis

Except as detailed in the following table, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values:

	31 December 2017	
	Carrying amount RMB'000	Fair value RMB'000
Financial liabilities		
Convertible notes	83,567	84,045

40. DEEMED DISPOSAL OF A SUBSIDIARY

With the issuance of Guangdong Titans's share to a new shareholder on 30 September 2018, the Company's equity interest in Guangdong Titans has been diluted from 40% to 36%. The Group has lost the control over Guangdong Titans as the voting rights of the Group in the shareholders' meeting of Guangdong Titans has been decreased from 51% to 36% under the provisions stated in the Article of Association of Guangdong Titans. Accordingly, the investment in Guangdong Titans was reclassified as interest in associate.

The assets and liabilities of Guangdong Titans were deconsolidated from the Group's consolidated statement of financial position and the interest in Guangdong Titans has been accounted for as an associate using equity method. The fair value of the 36% retained interest in Guangdong Titans at the date on which the control was lost is regarded as the cost on initial recognition of the investment in Guangdong Titans as an associate.The net assets of Guangdong Titans at the date of disposal on 30 September 2018 were as follows:

	RMB'000
Fair value of interest retained	2,026

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

40. DEEMED DISPOSAL OF A SUBSIDIARY (Continued)

Analysis of assets and liabilities over which control was lost:

	30 September 2018 RMB'000
Intangible asset	2,948
Property, plant and equipment	124
Inventories	99
Trade receivables	2,376
Prepayments, deposits and other receivables	910
Bank balances and cash	549
Trade payables	(152)
Accruals and other payables	(679)
Other borrowings	(2,000)
Deferred tax liability	(738)
Net assets disposed of	3,437

Gain on deemed disposal of Guangdong Titans:

	30 September 2018 RMB'000
Net assets disposed of	(3,437)
Fair value of retained interest	2,026
Non-controlling interests	2,062
Gain on deemed disposal of Guangdong Titans	651

Net cash outflow arising on disposal

	30 September 2018 RMB'000
Cash and cash equivalents of Guangdong Titans deemed disposal of	549

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41. DISPOSAL OF SUBSIDIARIES

(a) Jienan Electronic (Beijing) New Energy Technology Company Limited* (潔能電投(北京)新能源科技有限公司) ("Jienan Electronic")

On 27 May 2017, the Group disposed of entire equity interest in Jienan Electronic to an independent third party for a cash consideration of RMB1. The Group lost its control over Jienan Electronic and Jienan Electronic ceased to be a subsidiary of the Group after the completion of abovementioned disposal on 27 May 2017. The net liabilities of Jienan Electronic at the date of disposal were as follows:

Consideration received:

	RMB'000
Cash received *(note)*	–

Note: The amount represents an amount less than RMB1,000

Analysis of assets and liabilities over which control was lost:

	27 May 2017 RMB'000
Property, plant and equipment	42
Prepayments, deposits and other receivables	755
Bank balances and cash	22
Accruals and other payables	(1,166)
Net liabilities disposed of	(347)

Gain on disposal of Jienan Electronic:

	27 May 2017 RMB'000
Consideration received	–
Net liabilities disposed of	(347)
Gain on disposal of Jienan Electronic	347

* English name is for identification purpose only

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

41. DISPOSAL OF SUBSIDIARIES (Continued)

(a) Jienan Electronic (Beijing) New Energy Technology Company Limited* (潔能電投(北京)新能源科技有限公司) ("Jienan Electronic") (Continued)

Net cash outflows on disposal of Jienan Electronic:

	27 May 2017 RMB'000
Cash consideration	–
Less: bank balances and cash disposed of	(22)
	(22)

(b) Henan Hong Zheng Electric Technology Co., Ltd.* (河南弘正電氣科技有限公司) ("Henan Hong Zheng")

On 7 December 2017, the Group disposed of 100% equity interest in Henan Hong Zheng to an independent third party for a cash consideration of RMB18,000,000. The Group lost its control over Henan Hong Zheng and Henan Hong Zheng ceased to be a subsidiary of the Group after the completion of abovementioned disposal on 7 December 2017. The net assets of Henan Hong Zheng at the date of disposal were as follows:

Consideration received:

	RMB'000
Cash received	18,000

Analysis of assets and liabilities over which control was lost:

	7 December 2017 RMB'000
Property, plant and equipment	5
Prepayments, deposits and other receivables	21,726
Cash and bank balances	18
Trade payables	(664)
Net assets disposed of	21,085

* English name is for identification purpose only

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

41. DISPOSAL OF SUBSIDIARIES (Continued)

(b) Henan Hong Zheng Electric Technology Co., Ltd.* (河南弘正電氣科技有限公司) ("Henan Hong Zheng") (Continued)

Loss on disposal of Henan Hong Zheng:

	7 December 2017 RMB'000
Consideration received	18,000
Net assets disposed of	(21,085)
Loss on disposal of Henan Hong Zheng	(3,085)

Net cash outflows on disposal of Henan Hong Zheng:

	7 December 2017 RMB'000
Cash consideration	18,000
Less: bank balances and cash disposed of	(18)
	17,982

(c) Auhui Titans Liancheng Energy Technology Co., Ltd.* (安徽泰坦聯成能源技術有限公司) ("Auhui Titans")

On 19 December 2017, the Group disposed of 100% equity interest in Auhui Titans to independent third parties for a cash consideration of RMB13,600,000. The Group lost its control over Auhui Titans and Auhui Titans ceased to be a subsidiary of the Group after the completion of abovementioned disposal on 19 December 2017. The net assets of Auhui Titans at the date of disposal were as follows:

Consideration received:

	RMB'000
Cash received	13,600

* English name is for identification purpose only

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

41. DISPOSAL OF SUBSIDIARIES (Continued)

(c) Auhui Titans Liancheng Energy Technology Co., Ltd.* (安徽泰坦聯成能源技術有限公司) ("Auhui Titans") (Continued)

Analysis of assets and liabilities over which control was lost:

	19 December 2017 RMB'000
Prepayments, deposits and other receivables	17,528
Assets classified as held for sale	28,000
Receipts in advance	(22,000)
Accruals and other payables	(681)
Net assets disposed of	22,847

Loss on disposal of Auhui Titans:

	19 December 2017 RMB'000
Consideration received	13,600
Net assets disposed of	(22,847)
Loss on disposal of Auhui Titans	(9,247)

Net cash flows on disposal of Auhui Titans:

	19 December 2017 RMB'000
Cash consideration	13,600
Less: bank balances and cash disposed of	–
	13,600

* English name is for identification purpose only

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

42. ACQUISITION OF SUBSIDIARIES

(a) Guangdong Titans

On 14 July 2017, Titans Power Electronics, a wholly-owned subsidiary of the Company, completed the acquisition of 40% equity interest in Guangdong Titans from an independent third party, for a cash consideration of RMB2,000,000. This acquisition has been accounted for using the acquisition method. No goodwill was arising from acquisition. The principal activities of Guangdong Titans were research and development, sales and manufacturing of AGV. Guangdong Titans was acquired so as to expand the charging equipment business for electric vehicles operations.

Consideration transferred

	2017 RMB'000
Cash	2,000

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	2017 RMB'000
Plant and equipment	68
Intangible asset	3,370
Inventories	124
Trade receivables	67
Prepayments, deposits and other receivables	397
Bank balances and cash	2,002
Trade payables	(31)
Receipt in advance	(7)
Accruals and other payables	(147)
Deferred tax liabilities	(843)
	5,000

Goodwill arising on acquisition:

	2017 RMB'000
Consideration transferred	2,000
Plus: non-controlling interest (60% in Guangdong Titans)	3,000
Less: net assets acquired	(5,000)
Goodwill arising on acquisition	–

The non-controlling interests in Guangdong Titans recognised at the acquisition date was measured at proportionate method.

* English name is for identification purpose only

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

42. ACQUISITION OF SUBSIDIARIES (Continued)

(a) Guangdong Titans (Continued)

Net cash inflow on acquisition of Guangdong Titans

	2017 RMB'000
Cash consideration paid	2,000
Less: bank balances and cash acquired	(2,002)
	(2)

Included in the profit for the year ended 31 December 2017 was approximately RMB660,000 loss attributable to the additional business generated by Guangdong Titans. Revenue for the year ended 31 December 2017 included approximately RMB1,219,000 generated from Guangdong Titans.

Had the acquisition been completed on 1 January 2017, total revenue of the Group for the year ended 31 December 2017 would had been RMB327,997,000 and profit for the year ended 31 December 2017 would had been RMB158,945,000. The pro forma information was for illustrative purposes only and was not necessarily an indication of revenue and results of operations of the Group that actually would had been achieved had the acquisition been completed on 1 January 2017, nor was it intended to be a projection of future results.

(b) Shandong Huidian

On 15 September 2017, Titans Technology, a wholly-owned subsidiary of the Company, completed the acquisition of 45% equity interest in Shandong Huidian from an independent third party, for a cash consideration of RMB14,999,000. This acquisition had been accounted for using the acquisition method. The amount of goodwill arising as a result of the acquisition was approximately RMB449,000. The principal activities of Shandong Huidian were design, manufacture and sales of charging equipments. Shandong Huidian was acquired so as to expand of the charging equipment business for electric vehicles operations.

Consideration transferred

	2017 RMB'000
Cash	14,999

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

42. ACQUISITION OF SUBSIDIARIES (Continued)

(b) Shandong Huidian (Continued)

Consideration transferred (Continued)

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	2017 RMB'000
Plant and equipment	1,672
Inventories	703
Trade receivables	38
Prepayments, deposits and other receivables	30,441
Bank balances and cash	649
Trade payables	(751)
Receipts in advance	(178)
Accruals and other payables	(242)
	32,332

Goodwill arising on acquisition

	2017 RMB'000
Consideration transferred	14,999
Plus: non-controlling interests (55% in Shandong Huidian)	17,782
Less: net assets acquired	(32,332)
Goodwill arising on acquisition	449

Goodwill arose in the acquisition of Shandong Huidian because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Shandong Huidian. These benefits were not recognised separately from goodwill because they did not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on the acquisition was expected to be deductible for tax purposes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

42. ACQUISITION OF SUBSIDIARIES (Continued)

(b) Shandong Huidian (Continued)

Net cash outflow on acquisition of Shandong Huidian

	2017 RMB'000
Cash consideration paid	14,999
Less: bank balances and cash acquired	(649)
	14,350

Included in the profit for the year ended 31 December 2017 was approximately RMB2,470,000 loss attributable to the additional business generated by Shandong Huidian. Revenue for the year ended 31 December 2017 included approximately RMB337,000 generated from Shandong Huidian.

Had the acquisition been completed on 1 January 2017, total revenue of the Group for the year ended 31 December 2017 would had been RMB328,517,000 and profit for the year ended 31 December 2017 would had been RMB155,411,000. The pro forma information was for illustrative purposes only and was not necessarily an indication of revenue and results of operations of the Group that actually would had been achieved had the acquisition been completed on 1 January 2017, nor was it intended to be a projection of future results.

43. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the consolidated statement of cash flows as cash flows from financing activities.

			Non-cash changes			
	1 January 2017 RMB'000	Financing cash flows RMB'000	Finance cost incurred RMB'000	Fair value changes RMB'000	Foreign exchange movements RMB'000	31 December 2017 RMB'000
Bank and other borrowings	149,850	(14,877)	3,422	–	–	138,395
CNs	75,412	(3,680)	14,081	–	(2,246)	83,567
Redemption option derivative of CNs	(13,331)	–	–	12,794	372	(165)
Conversion option derivative of CNs	22,200	–	–	(21,406)	(619)	175
Advance from an independent third party included in accruals and other payables	–	15,000	–	–	–	15,000
	234,131	(3,557)	17,503	(8,612)	(2,493)	236,972

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

43. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES (Continued)

	1 January 2018 RMB'000	Financing cash flows RMB'000	Non-cash changes: Finance cost incurred RMB'000	Fair value changes RMB'000	Foreign exchange movements RMB'000	Redemption of CNs RMB'000	Deemed disposal of a subsidiary RMB'000	31 December 2018 RMB'000
Bank and other borrowings	138,395	139,029	–	–	–	–	(2,000)	275,424
CNs	83,567	(91,942)	3,870	–	4,505	–	–	–
Redemption option derivative of CNs	(165)	–	–	(863)	94	934	–	–
Conversion option derivative of CNs	175	–	–	988	(92)	(1,071)	–	–
Advance from an independent third party included in accruals and other payables	15,000	(15,000)	–	–	–	–	–	–
Interest payable included in accruals and other payable	–	(8,488)	10,122	–	–	–	–	1,634
	236,972	23,599	13,992	125	4,507	(137)	(2,000)	277,058

44. OPERATING LEASE COMMITMENTS

The Group as a lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2018 RMB'000	2017 RMB'000
Within one year	**1,817**	3,709
In the second to fifth year inclusive	**279**	2,273
	2,096	5,982

Operating lease payments represent rentals payable by the Group for certain of its offices and workshops. Leases are negotiated for an average of two (2017: two) years and rentals are fixed for two (2017: two) years for the year ended 31 December 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

44. OPERATING LEASE COMMITMENTS (Continued)

The Group as a lessor

Property rental income and rental income from operating leases of electric vehicles earned during the year were approximately RMB35,000 (2017: RMB71,000) and RMB2,417,000 (2017: RMB1,978,000) respectively. The property held has committed tenants for the next four (2017: four) years. While the contract periods for the operating lease of electric vehicles are one (2017: one) year.

At the end of the reporting period, the Group has contracted with tenants and lessees for the following future minimum lease payments:

	2018	2017
	RMB'000	RMB'000
Within one year	**412**	68

45. CAPITAL COMMITMENTS

	2018	2017
	RMB'000	RMB'000
Capital expenditures contracted for but not provided in the consolidated financial statements in respect of:		
– Construction of property, plant and equipment	**50,190**	46,271
– Establishment of associates	**3,500**	5,000
	53,690	51,271

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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46. RETIREMENT BENEFITS SCHEMES

The employees of the PRC subsidiaries are members of the state-managed retirement benefits schemes (the "Schemes") operated by the PRC government. The PRC subsidiaries are required to contribute certain amount of payroll costs to the Schemes to fund the benefits. The only obligation of the Group with respect to the Schemes is to make the required contributions under the Schemes.

The amount of contributions made by the Group in respect of the retirement benefits schemes during the years ended 31 December 2018 and 2017 are set in notes 11, 12 and 13 respectively.

47. SHARE OPTIONS SCHEME

Share Option Scheme

Pursuant to a written resolution passed by the shareholders of the Company on 8 May 2010, the Company has adopted the Share Option Scheme for a period of 10 years commencing on 8 May 2010, the Board of the Company may, at its discretion, grant share options to any individual being an employee, officer, agent, consultant or representative of any member of the Group (including any executive or non-executive director of any member of the Group) at a consideration of HK$1 on acceptance of the option offer. The subscription of shares in the Company is subject to the terms and conditions as stipulated in the Share Option Scheme.

The limit on the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme, together with all outstanding options granted and yet to be exercised under the Pre-IPO Share Option Scheme, must not exceed 30% of the number of the issued shares from time to time.

No share options were granted and outstanding during the years ended 31 December 2018 and 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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48. RELATED PARTY TRANSACTIONS

(a) During the year, the Group entered into the following transactions with related parties:

	Loans from the Group		Loans to the Group		Sales of goods *(note (iii))*	
	2018	2017	**2018**	2017	**2018**	2017
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Associate	**2,000**	–	**–**	–	**1,391**	5,166
Non-controlling shareholder of a PRC subsidiary	**5,000**	–	**–**	–	**–**	–
An investee, which the Group classified the investment at FVTOCI	**26,080**	15,904	**–**	–	**–**	–
Directors *(notes (i) and (ii))*	**4,354**	–	**12,052**	–	**–**	–

Notes:

(i) Loans provided by the Group to the directors, Mr. Li Xin Qing and Mr. An Wei, of approximately RMB2,177,000 and RMB2,177,000 respectively, are unsecured, carry interest at 22% per annum and repayable on demand. During the year ended 31 December 2018, the amounts have been fully settled and interest income of approximately RMB328,000 in aggregate was recognised. The maximum amounts outstanding during the year ended 31 December 2018 are approximately RMB2,177,000 and RMB2,177,000 for Mr. Li Xin Qing and Mr. An Wei respectively.

(ii) Loans provided by the directors, Mr. Li Xin Qing and Mr. An Wei, to the Group of approximately RMB6,026,000 and RMB6,026,000 respectively, are unsecured, carry interest at 10% per annum and repayable on demand. During the year ended 31 December 2018, the amounts have been fully settled and interest expense of approximately RMB333,000 in aggregate was recognised.

(iii) Sales of charging equipment for electric vehicles to the associates for the years ended 31 December 2018 and 2017 on terms mutually agreed with the parties, which were reference to prevailing market prices under the sales agreement.

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48. RELATED PARTY TRANSACTIONS (Continued)

(b) Compensation to key management personnel

The remuneration of directors of the Company during the year was as follows:

	2018 **RMB'000**	2017 RMB'000
Short-term benefits	**1,243**	1,227
Post-employment benefits	**–**	7
	1,243	1,234

The remuneration of directors of the Company is determined by the remuneration committee having regard to the performance of individuals and market trends.

(c) Guarantees from directors

Certain banking facilities of the Group were guaranteed by Mr. Li Xin Qing and Mr. An Wei, directors of the Company:

	2018 **RMB'000**	2017 RMB'000
To the extent of	**120,000**	120,000

Details of the borrowings of the Group are set out in note 33.

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49. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	**2018** **RMB'000**	2017 RMB'000
Non-current asset			
Investment in a subsidiary		**1**	1
Current assets			
Amounts due from subsidiaries	*49(a)*	**288,562**	383,158
Redemption option derivative of the convertible notes	*34*	**–**	165
Bank balances and cash		**184**	179
		288,746	383,502
Current liabilities			
Conversion option derivatives of the convertible notes	*34*	**–**	175
Accruals and other payable		**597**	1,710
Convertible notes	*34*	**–**	83,567
		597	85,452
Net current assets		**288,149**	298,050
Net assets		**288,150**	298,051
Capital and reserves			
Share capital	*37*	**8,087**	8,087
Reserves	*49(b)*	**280,063**	289,964
		288,150	298,051

Notes:

(a) The amounts are unsecured, non-interesting bearing and repayable on demand.

(b) Reserves

	Share premium RMB'000	**Accumulated losses** RMB'000	**Total** RMB'000
At 1 January 2017	325,141	(26,854)	298,287
Loss and total comprehensive expense for the year	–	(8,323)	(8,323)
At 31 December 2017	325,141	(35,177)	289,964
Loss and total comprehensive expense for the year	–	(9,901)	(9,901)
At 31 December 2018	325,141	(45,078)	280,063

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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50. PRINCIPAL SUBSIDIARIES OF THE COMPANY

At the end of the reporting period, the Company has the following principal subsidiaries, all of which adopted a same financial year end date of 31 December:

Name of subsidiary	Place of establishment and operation	Class of shares held	Issued and fully paid share capital 2018	Issued and fully paid share capital 2017	Percentage of equity interest and voting power attributable to the Company 2018 Direct	2018 Indirect	2017 Direct	2017 Indirect	Principal activities
Titans Power Electronics *(note i)*	The PRC	Contributed	**RMB232,000,000**	RMB232,000,000	**–**	**100%**	–	100%	Research, development, manufacture and sales of wind and solar power generation balancing control products, charging equipment for electrical vehicles and power grid monitoring and management products
Zhuhai Titans New Energy Systems Co., Ltd.* 珠海泰坦新能源系統有限公司 *(note ii)*	The PRC	Contributed	**RMB3,000,000**	RMB3,000,000	**–**	**100%**	–	100%	Research, development, manufacture and sales of electrical power generation balancing control and other products
Zhuhai Yilian *(note ii)*	The PRC	Contributed	**RMB10,000,000**	RMB10,000,000	**–**	**100%**	–	100%	Sales and leases of electric vehicles and provision of charging services
Titans Technology.* *(note ii)*	The PRC	Contributed	**RMB200,000,000**	RMB200,000,000	**–**	**100%**	–	100%	Research, development, manufacture and sales of electrical direct current products
Shaoguan Yilian *(note ii)*	The PRC	Contributed	**RMB10,000,000**	RMB10,000,000	**–**	**100%**	–	100%	Sales and leases of electric vehicles; and provision of charging services
Hebei Jidong Titans Technology Co., Ltd.* 河北冀東泰坦科技有限公司 *(note ii)*	The PRC	Contributed	**RMB10,000,000**	RMB10,000,000	**–**	**50%**	–	50%	Design, manufacture and sales of charging equipments for electric vehicles
Shandong Huidian *(note ii)*	The PRC	Contributed	**RMB33,333,000**	RMB33,333,000	**–**	**45%**	–	45%	Design, manufacture and sales of charging equipments

Notes:

(i) This entity is wholly foreign owned entity

(ii) These entities are domestic enterprises.

* English name is for identification purpose only

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

50. PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

The above table lists the subsidiaries of the Group which, in the opinion of the directors of the Company, principally affected the results or assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excess length.

At the end of the reporting period, the Group has other subsidiaries that are not individually material to the Group. The principal activities of these subsidiaries are sales of charging equipment of electric vehicles and investment holding. A summary of these subsidiaries are set out as follows:

Principal activity	Principal place of business	Number of subsidiaries 2018	2017
Sales of charging equipment for electric vehicles	– The PRC	**3**	4
Sales and leases of electric vehicles and provision of charging services	– The PRC	**1**	1
Investment holding	– Hong Kong	**2**	2
	– BVI	**1**	1
	– The PRC	**1**	1
Inactive	– The PRC	**6**	5
		14	14

None of the subsidiaries had issued any debt securities subsisting at the end of both years or at any time during both years.

The table below shows details of non-wholly owned subsidiary of the Group that has non-controlling interests that are material to the Group:

Name of subsidiary	Place of incorporation/ establishment and principal place of business	Proportion of ownership interest held by non-controlling interests		Proportion of voting power held by non-controlling interests		Loss attributable to non-controlling interests		Accumulated non-controlling interests	
		2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
		%	%	**%**	%	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Shandong Huidian	The PRC	**55**	55	**49**	49	**(2,076)**	(1,358)	**14,348**	16,424

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

50. PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

	2018 **RMB'000**	2017 RMB'000
Non-current assets	**4,293**	2,738
Current assets	**23,345**	31,526
Current liabilities	**(1,551)**	(4,402)
Equity attributable to owners of the Company	**11,739**	13,438
Non-controlling interests	**14,348**	16,424

	Year ended 31 December 2018 **RMB'000**	Period from 15 September 2017 to 31 December 2017 RMB'000
Revenue	**1,207**	337
Expenses	**(4,981)**	(2,807)
Loss for the year/period	**(3,774)**	(2,470)
Loss attributable to owners of the Company	**(1,698)**	(1,112)
Loss attributable to non-controlling interests	**(2,076)**	(1,358)
Loss for the year/period	**(3,774)**	(2,470)
Net cash outflows from operating activities	**(5,869)**	(1,395)
Net cash outflows from investing activities	**(1,868)**	(1,066)
Net cash (outflows) inflows from financing activities	**(2,181)**	22,881
Net cash (outflows) inflows	**(9,918)**	20,420