TITANS

ANNUAL REPORT 2011

Incorporated in the Cayman Islands with limited liability

Stock Code:2188

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

*For identification purpose only

CONTENTS

CORPORATE INFORMATION

Directors	Executive Directors Li Xin Qing *(Chairman of the Board)* An Wei *(Chief Executive Officer)* Independent Non-executive Directors Li Wan Jun Li Xiao Hui Yu Zhuo Ping
Audit Committee	Li Wan Jun *(Chairman)* Li Xiao Hui Yu Zhuo Ping
Remuneration Committee	Li Xiao Hui *(Chairman)* Yu Zhuo Ping Li Wan Jun
Nomination Committee	Li Xin Qing *(Chairman)* Yu Zhuo Ping Li Xiao Hui
Authorised representatives (for the purpose of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited)	Li Xin Qing Room 201, No. 9 Xiang Zhou Hai Cheng Road Xiang Zhou District Zhuhai Guangdong Province the PRC Wong Yiu Hung Flat C, 11/F, Man Lok Building 93 Bonham Strand Sheung Wan, Hong Kong
Company Secretary	Wong Yiu Hung *A member of Chartered Institute of Management Accountants of the United Kingdom, and a member of the Hong Kong Institute of Certified Public Accountants*
Auditor	SHINEWING (HK) CPA Limited 43/F., The Lee Gardens 33 Hysan Avenue Causeway Bay, Hong Kong

CORPORATE INFORMATION

Registered Office	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
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 PRC
Principal Place of Business in Hong Kong	Room 09-10, 41/F China Resources Building 26 Harbour Road Wanchai Hong Kong
Cayman Islands Principal Share Registrar and Transfer Office	Butterfield Fulcrum Group (Cayman) Limited Butterfield House 68 Fort Street P.O. Box 609 Grand Cayman KY1-1107 Cayman Islands
Hong Kong Share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712-1716 17th Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong

CORPORATE INFORMATION

Legal Adviser to the Company	*as to Hong Kong law:* P. C. Woo & Co. 12th Floor, Prince's Building 10 Chater Road Central Hong Kong
Compliance Adviser	OSK Capital Hong Kong Limited 12th Floor, World-Wide House 19 Des Voeux Road Central Hong Kong
Stock Code	2188
Website	www.titans.com.cn
Principal Banker	Bank of Communications Zhuhai Jida sub-branch 1/F, Zhong Dian Tech Building Jida Jiuzhou Road the PRC

FINANCIAL HIGHLIGHTS

OPERATING FIGURES FOR THE PAST FIVE YEARS

For the year ended 31 December	**2011 RMB'000**	2010 RMB'000	2009 RMB'000	2008 RMB'000	2007 RMB'000
Turnover	**268,660**	287,403*	216,452	175,338	144,404
Gross profit	**121,953**	155,243*	101,627	79,348	70,034
Profit for the year and total comprehensive income for the year attributable to owners of the Company	**33,872**	60,253	54,106	38,812	34,155
Earnings per share					
Basic	**RMB0.041**	RMB0.083	RMB0.093	RMB0.067	RMB0.059
Diluted	**RMB0.041**	RMB0.082	RMB0.090	RMB0.067	RMB0.059

* From continuing operations

CONSOLIDATED BALANCE SHEET FOR THE PAST FIVE YEARS

As at 31 December	**2011 RMB'000**	2010 RMB'000	2009 RMB'000	2008 RMB'000	2007 RMB'000
Total assets	**714,862**	633,280	306,690	227,175	188,376
Non-current assets	**81,860**	44,788	15,437	14,972	16,189
Current assets	**633,002**	588,492	291,253	212,203	172,187
Total liabilities	**241,161**	179,260	160,301	113,248	112,999
Current liabilities	**229,657**	179,260	160,301	113,248	112,999
Net current assets	**403,343**	409,232	130,952	98,955	59,188
Net assets	**473,701**	454,020	146,389	113,927	75,377

FINANCIAL HIGHLIGHTS

FINANCIAL INDICATORS FOR THE PAST FIVE YEARS

For the year ended 31 December	**2011**	2010	2009	2008	2007
Inventory turnover [(1)] (day)	**120.45**	64.88	49.59	72.63	90.93
Trade and bill receivables turnover [(2)] (day)	**303.67**	257.88	258.66	217.15	188.43
Trade and bill payables turnover [(3)] (day)	**163.96**	143.27	132.33	117.48	135.95
Current ratio [(4)] (times)	**2.76**	3.28	1.82	1.87	1.52
Gearing ratio [(5)] (%)	**7.66**	6.32	13.55	13.03	18.56
Return on equity [(6)] (%)	**7.19**	13.45	37.56	34.68	46.73

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 turnover and 1+17% 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+17% 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 sum of the borrowings, amount due to shareholders, amounts due to minority shareholders of a subsidiary, amounts due to directors and convertible loan note divided by total assets and multiplied by 100%.

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

CHAIRMAN'S STATEMENT

Dear Shareholders,

In 2011, China Titans Energy Technology Group Co., Limited (中國泰坦能源技術集團有限公司*) (the "Company", together with its subsidiaries, the "Group") recorded total operating revenue of RMB268,660,000, representing a decrease of 6.52% over that of 2010. We recorded a profit and total comprehensive income of RMB33,072,000, representing a decrease of 48.39% over that of last year.

As affected by international financial crisis and adjustments in domestic macroeconomic policies, investments in certain industries in the People's Republic of China (the "PRC") during this year was decreasing and market competition of some of the Group's products became more and more intense. The above factors had a certain negative impact on Group's operations. At the same time, the market competition leading to the lowering of sales prices of some of the Group's products, coupled with the increasing labour costs and costs of certain raw materials, led to a decrease in the profitability of some of the Group's products. Lastly, as the Group had increased its investment in research and development and marketing activities in the year, and made a one-off provision for deferred income tax on dividends, such factors led to the substantial increase in the Group's management expenses and operating expenses, thereby causing a drop in the operating profit of the Group.

Despite the decrease in the Group's revenue from its principal business and lower operating profit for the year, sales of the Group's traditional electrical DC products continued to maintain a solid market position. Sales of its new products like charging equipment for electric vehicle had achieved a substantial growth. Without doubt, such growth was benefited from the government's encouraging and supporting policies on energy conservation and environment protection and new energy utilization aspects, and most importantly, it was attributable to the Group's continuous investments in the research and development and marketing activities of the aforesaid products. Not only was the Group able to maintain its technological advancement, market position and competitiveness in 2011, but was also to further enhance these to a higher level. This laid a foundation for the development of the Group in 2012.

For the Group, 2012 will be a year intertwined with pressure and challenges. From external perspective, the overall PRC economy will still encounter the macroeconomic control environment, which will continue to impose pressure on the Group's operations. However, at the same time, we also noticed that domestic investments in power supply will still maintain an overall steady trend, and the government will continue to implement supporting and encouraging policies on new energy and energy conservation and environmental protection aspects. For the Group, our products, especially new products, can still maintain its strong competitive edge, thus ensuring the continuous profitability of the Group. However, at the same time, the Group will also face the impact of some unfavourable factors like costs increase and higher management expenses. To cope with this situation, in 2012, on one hand, we will continue to focus on product and market development and speed up the pace of exploration of new products market to gradually enhance the Group's core competitive strength; while on the other hand, we will further enhance our internal management level and strictly control all kinds of expenses to improve the Group's profitability. I believe with the joint efforts of our "Titans", we will be able to achieve a steady growth in its forthcoming results in 2012.

On behalf of the Board, I would like to take this opportunity to sincerely thank all our shareholders for their support and all my colleagues for their hard work and commitments to the Group.

Lin Xin Qing
Chairman

28 March 2012

* *For identification purpose only*

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the year ended 31 December 2011, the Group recorded a turnover from continuing operations of RMB268,660,000, a decrease of 6.52% over RMB287,403,000 of last year. We believe the decrease in turnover as compared with that of last year is mainly due to delays in proposed government related projects and vigorous competition from other manufacturers. The Company's overall performance was below expected target. The table below shows the turnover of our different groups of product for the two years ended 31 December 2010 and 2011.

	For the year ended 31 December			
	2011		2010	
	RMB'000	**%**	RMB'000	%
Continuing operations				
Electrical direct current ("DC") products	**114,477**	**42.61**	129,030	44.73
Power grid monitoring and management products	**28,497**	**10.61**	26,960	9.34
Charging equipment for electric vehicles	**122,101**	**45.45**	83,727	29.03
Wind and solar power generation balancing control systems	**–**	**–**	37,889	13.14
Plug and switch system ("PASS") products	**3,585**	**1.33**	9,797	3.40
Turnover from continuing operations	**268,660**	**100.00**	287,403	99.64
Discontinued operation				
High-power LED lighting equipment	**–**	**–**	1,045	0.36
Total	**268,660**	**100.00**	288,448	100.00

We recorded a profit and total comprehensive income of RMB33,072,000 in 2011, representing a decrease of 48.39% over that of last year.

In 2011, we recorded a substantial decrease in profit and total comprehensive income as compared with that of last year. It was mainly due to various factors such as the increase in price of some of our raw materials, substantial increase of various staff-related expenses and costs, increase in research and development expenses, marketing expenses and a one-off provision for deferred tax liabilities in anticipation of the proposed dividend from the Group's subsidiaries in the PRC for the year ended 31 December 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

ELECTRICAL DC PRODUCTS

During this reporting period, the Group's sales of its traditional products, namely electrical DC products was RMB114,477,000, representing a decrease of 11.28% as compared with that of 2010. The directors of the Company (the "Director(s)") consider that the decrease in the revenue of electrical DC products in 2011 was mainly due to the slow down in government investment in certain industries which typically require such products such as the railway industry, and the change in bidding manner for national grid system that led to intensifying market competition.

POWER GRID MONITORING AND MANAGEMENT PRODUCTS

During this reporting period, the revenue from the sales of the Group's power grid monitoring and management products was RMB28,497,000, representing a slight increase of 5.7% as compared to that of 2010. The Directors consider that currently this business maintains a steady status from achieving steady sales of these products to certain provincial and municipal power grid companies.

CHARGING EQUIPMENT FOR ELECTRIC VEHICLES

During this reporting period, the revenue from the sales of the Group's charging equipment for electric vehicles was RMB122,101,000, representing an increase of 45.83% as compared to that of 2010. The Directors consider that the rapid growth of the charging equipment for electric vehicles is attributable to the national support policies on new energy vehicles, and the robust investments from the government and grid companies in electric vehicle charging station. After operating for several years, the Group's charging equipment for electric vehicles has achieved a better market position and reputation. Following the provision of equipments by the Group for key projects like the Olympic Games, World Expo and Asian Games, the Group supplied relevant equipments to renowned charging stations in the PRC in 2011. Furthermore, in the first half of 2011, the Group had successfully launched the sales of the battery formation, capacity grading and testing equipment that we developed, which had contributed to the growth of our electric vehicles charging business.

WIND AND SOLAR POWER GENERATION BALANCING CONTROL PRODUCTS

During this reporting period, the Group did not record any revenue from the wind and solar power generation balancing control products as the Group had not put substantial resources in the sales of such products in view of the limited market opportunities in 2011. However, the Group had contributed greater investments in the research and development of these products for improving its competitiveness to meet market demands in 2011.

PASS PRODUCTS

During this reporting period, the revenue of the Group's PASS products was RMB3,585,000, representing a decrease of 63.41% as compared to that of 2010. The Directors consider that as the sales of these products currently is not the principal business of the Group, we will implement a reasonable market strategy based on market demand and our own resource condition.

MANAGEMENT DISCUSSION AND ANALYSIS

HIGH-POWER LIGHT-EMITTING DIODE ("LED") LIGHTING PRODUCTS

During this reporting period, the Group did not record any revenue from the high-power LED lighting products. As disclosed by the Group in its annual report for the year of 2010, the high-power LED lighting products market faced an intensifying competition, and customers in this segment lacked synergy effect with the Group as opposed to other long term and stable customers of the Group in other segments, and the gross profit margin of such products are relatively lower than other products of the Group. Based on the above factors, the Group decided to cease the operation of this business in November 2011. The Directors consider this is in line with the operating strategy of the Group.

Below are other major operating and management activities of the Group in 2011.

1. The Group continued to increase its investment in research and development activities in 2011. The research and development expenses of the Group increased to RMB16,369,000 in 2011 from RMB13,362,000 in 2010. Such increase in expenses were due to recruiting senior research personnel, increase in equipment research and development materials, and increase in the scope of cooperation with domestic colleges and research institutions. In 2011, the research and development of the Group achieved a better progress. During the reporting period, the Group registered a total of 10 technology patents with 7 computer software copyrights, and also had 5 technology patents under application. At the same time, two technology development projects for electric vehicles charging of the Group were enlisted in the National 863 Plan for 2011 as host and co-host capacities respectively. In addition, a project for electric vehicles of the Group was enlisted in first batch of special projects for the strategic emerging industries development of Guangdong Province.

2. The Group continued to increase its investment in sales and marketing in 2011 which mainly included the employment of additional marketing sales personnel and market technology supporting personnel, and specialized offices were established in Beijing, Shandong and Henan. For marketing, the Group mainly invested in marketing its new products, in particular charging equipment for electric vehicles. In 2011, sales of charging equipment for electric vehicles of the Group achieved a rapid growth, and the products of the Group have been extensively applied in various key projects in the PRC. In the industry, especially in power grid companies, our products have obtained good market image and positioning.

3. The Group continued to increase its investment in its production capacity. In the first half of 2011, we leased a plant with an area of 9,110 square meters in Zhuhai City High-tech Enterprise Zone and commenced operations at this plant in May 2011. Our production capacity requirements in the next 2 to 3 years are guaranteed accordingly. At the same time, we are still planning to acquire a piece of land in Hengqin New Area, Zhuhai (珠海橫琴新區) to construct our headquarters and research and development base. In view of high current land premium in Hengqin New Area, the Group will scale down the acquisition of land areas in this region, and plan to seek other lands with lower premium in Zhuhai City or other provinces or cities for the purpose of construction its industrial base.

MANAGEMENT DISCUSSION AND ANALYSIS

4. The Group further strengthened its internal operation management in 2011. The Group's Office Automation System was officially launched in the first half of 2011, and at the same time, we implemented the Product Life Cycle Management System which emphasizes on research and development, and the Customer Relationship Management System for sales management in the second half of 2011. In October 2011, the Group started the comprehensive budgeting management work. In addition, the Group also implemented some management activities like process streamlining and project management.

PROSPECTS

Looking forward into 2012, despite the austerity control pressure directing the overall domestic economic situation in the PRC, the Directors believe that the investments in domestic power systems will remain steady in 2012 and the government will also continue to intensify their investment efforts in new energy, energy-saving and environment protection and gradually implement a series of measures encouraging investments. Taking the State Grid Corporation of China (國家電網公司) as an example, it will invest more than RMB300 billion in 2012, which is basically in line with 2011. At the same time, it will invest nearly RMB20 billion in establishing the charging stations and facilities for electric vehicles during the "Twelfth Five-Year Period". It will establish more than 600 charging stations in the following three years.

Despite the significant decrease in the Group's net profit in 2011, the Directors remain optimistic about the market situation faced by the Group in 2012. Though facing intensified competition, the market position of the Group's traditional DC power products remains strong. The momentum on new product development also remains strong. Through the continuous investment in research and development, the advancement and sophistication of products technology are further enhanced. Also, with the Group's continuous effort in 2011, the Group maintains its competitiveness in product positioning and sales channel, which enables us to offer our products at competitive prices. The above factors will lay a solid foundation for the healthy development of the Group in 2012.

In view of the change in the bidding process for national grid system for our DC power products in 2012, the Group will place more efforts to adjust the sales modes of products and at the same time, further improve product structure, lower its costs and endeavour to advance steadily to improve the market competitiveness of products. It will continue to increase the investment in the research and development and marketing of new products such as electric vehicles charging equipment. The Group will attain a leading position in both technology and market through measures in improving product categories and raise product technological standard on the basis of stabilizing current market share. At the same time, the Group will accelerate market promotion of the formation and capacity grading of power battery and testing products.

In 2012, the Group will strengthen its internal management and strictly control all kinds of expenses to improve the Group's profitability. Major management measures include stringent implementation of the overall budgeting management system and improvements in internal monitoring and auditing system, etc.

The Directors expect that, with the above measures, the Group targets to achieve a steady growth in its forthcoming results in 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Turnover

Our turnover from continuing operations decreased from RMB287,403,000 for the year ended 31 December 2010 to RMB268,660,000 for the year ended 31 December 2011, representing a decrease of 6.52%. As mentioned above, the decrease in turnover was mainly due to delay in proposed government related projects and vigorous competition from other manufacturers. The Company's overall operating results were below expected target.

Cost of sales

Our cost of sales, which mainly included material costs, direct labour costs and manufacturing expenses, increased by 11.01% from RMB132,160,000 for the year ended 31 December 2010 to RMB146,707,000 for the year ended 31 December 2011. The increase was primarily attributable to the increase of certain raw material costs and manufacturing expenses. Material costs were the principal component of our cost of sales.

Gross Profit

The table below sets out our gross profit and gross profit margin for the years ended 31 December 2010 and 2011:

	For the year ended 31 December					
	2011			2010		
	Gross profit RMB'000	Percentage of total gross profit %	Gross profit margin %	Gross profit RMB'000	Percentage of total gross profit %	Gross profit margin %
Continuing operations						
Electrical DC products	**47,243**	**38.74**	**41.27**	61,968	39.92	48.03
Power grid monitoring and management products	**12,928**	**10.60**	**45.37**	17,146	11.04	63.60
Charging equipment for electric vehicles	**60,866**	**49.91**	**49.85**	48,940	31.52	58.45
Wind and solar power generation balancing control systems	**–**	**–**	**–**	24,347	15.68	64.26
PASS products	**916**	**0.75**	**25.55**	2,842	1.83	29.10
Total from continuing operations	**121,953**	**100.00**	**45.39**	155,243	100.00	54.02

MANAGEMENT DISCUSSION AND ANALYSIS

Our gross profit from continuing operations decreased by 21.44% from RMB155,243,000 for the year ended 31 December 2010 to RMB121,953,000 for the year ended 31 December 2011. Our gross profit margin decreased from 54.02% for the year ended 31 December 2010 to 45.39% for the year ended 31 December 2011. The decrease of our gross profit margin was mainly due to the reduction of selling price to accommodate market competition in the reporting period as well as the impact from the increase of certain raw material costs and manufacturing expenses.

Other revenue

Our other revenue, which mainly included VAT refunds, government subsidies and interest income, increased by 151.59% from RMB8,295,000 for the year ended 31 December 2010 to RMB20,869,000 for the year ended 31 December 2011.

The increase in other revenue of the Group was mainly attributable to the government subsidies received from 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), Department of Finance of Guangdong Province (廣東省財政廳) and Zhuhai Finance Bureau (珠海市財政局) respectively during the reporting period. The subsidy income of RMB12,201,000 can be recognised by nature of government subsidies during the reporting period, representing an increase of RMB12,098,000 when compared to RMB103,000 in 2010.

Selling and distribution expenses

Our selling and distribution expenses, which mainly included salaries of sales personnel, marketing related travelling expenses and entertainment expense, increased by 56.28% from RMB21,362,000 for the year ended 31 December 2010 to RMB33,385,000 for the year ended 31 December 2011. Our selling and distribution expenses as a percentage of turnover increased from 7.43% for the year ended 31 December 2010 to 12.43% for the year ended 31 December 2011. The increase of our selling and distribution expenses was mainly due to the increase in number of staff during the reporting period, in which staff-related wages and benefits increased by RMB5,101,000, office and travelling expenses increased by RMB5,909,000 and other costs such as transportation cost increased by RMB1,102,000.

Administrative and other expenses

Our administrative and other expenses, which mainly included management and back office staff cost, management travelling and entertainment expenses, office expenses and research and development expenses, increased by 40.01% from RMB39,694,000 for the year ended 31 December 2010 to RMB55,574,000 for the year ended 31 December 2011. Our administrative and other expenses as a percentage of turnover increased from 13.81% for the year ended 31 December 2010 to 20.69% for the year ended 31 December 2011. The increase in administrative and other expenses was mainly due to the increase in staff number as well as increase in research and development activities during the reporting period. During the year 2011, our research and development expenses also increased by RMB3,007,000 from RMB13,362,000 to RMB16,369,000, representing an increase of 22.50%.

MANAGEMENT DISCUSSION AND ANALYSIS

Share of results of associates

During the year ended 31 December 2011, the Group owned two associates in Beijing, namely 北京華商三優新能源科技有限公司 (Beijing Hua Shang Clear New Energy Technology Co., Ltd.*) ("Beijing Hua Shang") and 北京優科利爾能源設備有限公司 (Beijing New Clear Energy Equipment Co., Ltd.*) ("Beijing New Clear"), and one associate in Henan, namely 河南龍源新能源裝備有限公司 (Henan Longyuan New Energy Equipment Co., Ltd.*) ("Henan Longyuan"), which engaged in marketing and sales of charging equipment for electric vehicles and power grid monitoring and management products. On 22 December 2011 and 5 May 2011, the Group's equity interest in Beijing New Clear and Henan Longyuan was diluted from 20% to 12% and from 26% to 10.4% respectively as a result of a capital expansion and injection of new capital by other investors in the registered capital of Beijing New Clear and Henan Longyuan. As at 31 December 2011, the Group still owned a 45% interest in Beijing Hua Shang. The above mentioned three companies were accounted as the Group's associates, and the Group's share of profit and loss from those companies according to the equity interest in them increased from a loss of RMB770,000 for the year ended 31 December 2010 to a gain of RMB1,740,000 for the year ended 31 December 2011.

Other expenses

During the year ended 31 December 2011, we incurred an exchange loss under other expenses at RMB157,000.

Finance costs

Our finance costs decreased by 28.78% from RMB5,312,000 for the year ended 31 December 2010 to RMB3,783,000 for the year ended 31 December 2011. Our finance costs as a percentage of turnover decreased from 1.85% for the year ended 31 December 2010 to 1.41% for the year ended 31 December 2011. The decrease in our finance costs was mainly due to a decrease in our average bank borrowings during the reporting period.

Income tax expense

Our income tax expense increased by 27.28% from RMB14,606,000 for the year ended 31 December 2010 to RMB18,591,000 for the year ended 31 December 2011. The effective tax rates (being the ratio of our tax expenses to our profit before tax) for the year ended 31 December 2010 and 2011 were 18.58% and 35.99% respectively. The increase in effective tax rate was due to the one-off provision of deferred tax liabilities and the increase of non-deductible expenses items.

Profit/Loss attributable to non-controlling interests

For the year ended 31 December 2011, loss attributable to non-controlling interests of our non-wholly owned subsidiaries was RMB800,000, compared to a profit of RMB3,823,000 for the year ended 31 December 2010. This amount represents their share of loss/profit in our non-wholly owned subsidiaries.

MANAGEMENT DISCUSSION AND ANALYSIS

Profit attributable to owners of the Company

Our profit for the year and total comprehensive income for the year attributable to owners of the Company decreased by 43.78% from RMB60,253,000 for the year ended 31 December 2010 to RMB33,872,000 for the year ended 31 December 2011. Net profit margin with respect to profit for the year and total comprehensive income for the year attributable to owners of the Company decreased from 20.96% for the year ended 31 December 2010 to 12.61% for the year ended 31 December 2011.

INVENTORY ANALYSIS

The table below sets out information on our inventory for the years ended 31 December 2010 and 2011:

	Year ended 31 December			
	2011		2010	
	RMB'000	**%**	RMB'000	%
Materials	**25,355**	**41.25**	13,752	38.90
Work-in-progress	**2,563**	**4.17**	12,183	34.46
Finished goods	**33,553**	**54.58**	9,419	26.64
	61,471	**100.00**	35,354	100.00

Our Group's inventory balances increased from RMB35,354,000 as at 31 December 2010 to RMB61,471,000 as at 31 December 2011.

Our average inventory turnover days increased from approximately 65 days for the year ended 31 December 2010 to approximately 121 days for the year ended 31 December 2011. In anticipation of a better market environment in 2012, the Group increased its inventory in terms of materials and finished goods in 2011 in order to enhance timely delivery of the Group.

We have not made any general or special provision for the inventory as at 31 December 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

ANALYSIS ON TRADE AND BILLS RECEIVABLES

As at 31 December 2010 and 2011, our trade and bills receivables (net of allowance) amounted to RMB254,946,000 (comprising trade receivables of RMB251,646,000 and discounted bills receivables of RMB3,300,000) and RMB268,089,000 (comprising trade receivables of RMB266,339,000 and bills receivables of RMB1,750,000) respectively. The increase in trade and bills receivables was mainly due to certain customers requiring longer credit terms in view of the market condition in 2011.

The table below sets forth the ageing analysis of our trade receivables as of 31 December 2010 and 2011:

	Year ended 31 December							
	2011				2010			
	Gross amount RMB'000	Allowance for bad debt RMB'000	Net amount RMB'000	%	Gross amount RMB'000	Allowance for bad debt RMB'000	Net amount RMB'000	%
Within 90 days	**101,099**	**–**	**101,099**	**37.96**	129,539	1,050	128,489	51.06
91 days to 180 days	**20,145**	**–**	**20,145**	**7.56**	18,026	792	17,234	6.85
181 days to 365 days	**53,795**	**8**	**53,787**	**20.19**	57,013	1,137	55,876	22.20
Over 1 year to 2 years	**81,513**	**5,087**	**76,426**	**28.70**	40,103	1,022	39,081	15.53
Over 2 years to 3 years	**15,211**	**3,479**	**11,732**	**4.40**	14,269	3,303	10,966	4.36
Over 3 years	**8,007**	**4,857**	**3,150**	**1.18**	6,127	6,127	–	–
Total	**279,770**	**13,431**	**266,339**	**100.00**	265,077	13,431	251,646	100.00

Our trade and bills receivables' turnover days for the years ended 31 December 2010 and 2011 were approximately 258 days and approximately 304 days respectively.

Our electrical DC product series, our key products, are 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 prices 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 approximately 10% of the total contract sum to be paid after signing of the contract, 80% of the contract sum may become payable by the customer after our products have been delivered and satisfactorily installed and tested. It is normally stipulated that the balance of 10% will be withheld, being retention money as a form of product performance surety, and be paid by the customer to us 12 to 18 months after the on-site installation and testing.

MANAGEMENT DISCUSSION AND ANALYSIS

We may grant a credit period in the range of 30 days to 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 consider that the time lag between the payment terms under our sales contracts and our accounting revenue recognition policy is a major reason for our relatively long trade and bills receivables turnover days.

We consider that the long trade receivables turnover days is also partly due to delays in the timetable of some of the customers' projects and/or that there are occasions where the products of the Group may only be considered finally tested by the customers upon completion of the other parts or even the whole project by the customers or their contractors.

For the year end 31 December 2011, we made no additional specific provision as allowance for doubtful trade receivables (2010: RMB2,961,000). Up to 26 March 2012, about 9.5% of the trade and bill receivables outstanding as at 31 December 2011 have been settled.

ANALYSIS ON TRADE AND BILL PAYABLES

As at 31 December 2010 and 2011, our trade and bills payables amounted to RMB63,270,000 (comprising trade payables of RMB51,941,000 and bills payables of RMB11,329,000) and RMB90,941,000 (comprising trade payables of RMB70,226,000 and bills payables of RMB20,715,000) respectively. The increase in trade and bills payables from 31 December 2010 to 31 December 2011 was mainly due to increase in raw materials purchase during the reporting period. For the two years ended 31 December 2010 and 2011, our trade and bills payable turnover days were approximately 143 days and approximately 164 days respectively.

The table below sets forth ageing analysis of our trade payables as of 31 December 2010 and 2011:

	Year ended 31 December	
	2011	2010
	RMB'000	RMB'000
Within 90 days	**57,043**	47,537
91 days to 180 days	**4,511**	2,344
181 days to 365 days	**7,022**	452
Over 1 year to 2 years	**952**	1,608
Over 2 years to 3 years	**698**	–
	70,226	51,941

MANAGEMENT DISCUSSION AND ANALYSIS

DEBTS

All our debts were classified as short-term liabilities payable within 12 months from the respective balance sheet dates. The following table sets out our indebtedness as at 31 December 2010 and 2011. All our indebtedness were denominated in Renminbi.

	Year ended 31 December			
	2011		2010	
	RMB'000	**Applicable/ effective interest rates**	RMB'000	Applicable/ effective interest rates
Bank and other borrowings	**54,773**	**4.86% to 7.87%**	40,000	4.52% to 7%
	54,773		40,000	

As at 31 December 2011, total bank and other borrowings amounted to approximately RMB54,773,000 (as at 31 December 2010: approximately RMB40,000,000), among which secured loans amounted to RMB35,000,000 (as at 31 December 2010: approximately RMB10,000,000), and unsecured borrowings amounted to RMB19,773,000 (as at 31 December 2010: approximately RMB30,000,000). Bank loans as at 31 December 2011 were subject to variable interest rates ranging from 4.86% to 7.87% per annum (as at 31 December 2010: ranging from 4.52% to 7% per annum).

As at 31 December 2011, the Group's gearing ratio (total indebtedness divided by total assets) was 7.66% (2010: 6.32%).

LIQUIDITY, FINANCIAL RESOURCES AD CAPITAL STRUCTURE

As at 31 December 2011, the total equity of the Group amounted to RMB473,701,000 (2010: RMB454,020,000), the Group's current assets were RMB633,002,000 (2010: RMB588,492,000) and current liabilities were RMB229,659,000 (2010: RMB179,260,000). As at 31 December 2011, the Group had short-term bank deposits, bank balances and cash of RMB163,761,000, excluding restricted bank balances of RMB10,081,000. Our total assets less our total liabilities equal our net assets, which was RMB473,701,000 as at 31 December 2011.

The Group finances its operations with internally generated cash flows, bank loans and part of the proceeds raised from the listing of the shares of the Company (the "Shares") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 28 May 2010 (the "Listing"). As at 31 December 2011, the Group had outstanding bank borrowings of RMB54,773,000 (as at 31 December 2010: RMB40,000,000).

MANAGEMENT DISCUSSION AND ANALYSIS

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATES

In April 2011 and June 2011, the Group made a total capital contribution of US$3,000,000 (using the foreign exchange rate as at the registered date, RMB19,573,000) to 江陰泰坦高壓電氣有限公司 (Jiangyin Titans High Voltage Electric Co., Ltd.*) ("Jiangyin Titans"). As at 31 December 2011, the Group's shareholding interests in Jiangyin Titans increased from 51% to 90.04%.

In November 2011, 珠海泰坦自動化技術有限公司 (Zhuhai Titans Automatic Technology Company Limited*) ("Titans Automatic"), a subsidiary of the Group, acquired the remaining 20% interests of 珠海泰坦新能源系統有限公司 (Zhuhai Titans New Energy System Co., Ltd.*) ("Zhuhai New Energy") from an independent third party at a consideration of RMB600,000 which was determined with reference to the relevant portion of the registered capital in Zhuhai New Energy paid up by the independent third party. As at 31 December 2011, Titans Automatic owned the 100% equity interests in Zhuhai New Energy.

For the year ended 31 December 2011, the Group owned two associates in Beijing, namely Beijing Hua Shang and Beijing New Clear, and one associate in Henan, namely Henan Longyuan, respectively to engage in the marketing and sales of products like charging equipment for electric vehicles and power grid monitoring and management products. On 22 December 2011 and 5 May 2011, the Group's equity interest in Beijing New Clear and Henan Longyuan diluted from 20% to 12% and from 26% to 10.4% respectively as a result of a capital expansion and injection of new capital by other investors in the registered capital of Beijing New Clear and Henan Longyuan. As at 31 December 2011, the Group still owned 45% interests in Beijing Hua Shang.

On 29 December 2011, the Group deregistered a subsidiary – 石家莊國富泰坦新能源有限公司 (Shijiazhuang Guofu Titans New Energy Co., Ltd.*) with a deemed gain on deregistration of RMB78,000.

Save from the above, as at 31 December 2011, the Group had no other material acquisition or disposal of its subsidiaries and associates.

ESTABLISHMENT OF A NEW SUBSIDIARY IN HONG KONG

In October 2011, the Group purchased a shell company in Hong Kong, namely Grace Technology Development Limited ("Grace Technology"), as its new subsidiary, with an authorised share capital of HK$10,000 divided into 10,000 shares of HK$1.00 each. One share of Grace Technology is held by Titans (BVI) Limited, representing its entire issued share capital. The purpose of establishing Grace Technology is investment holding and engaging in import and export trading. As at 31 December 2011, Grace Technology was incorporated into the group structure.

CONTINGENT LIABILITIES

As at 31 December 2011, the Group had no material contingent liabilities.

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL COMMITMENTS

As at 31 December 2011, the Group had capital expenditure contracted for but not provided in the consolidated financial statements in respect of the acquisition of property, plant and equipment of RMB27,406,000. The Group had no capital expenditure authorised but not contracted for in respect of the acquisition of property, plant and equipment as at 31 December 2011.

PLEDGE OF ASSETS

The Group's leasehold land and buildings of carrying values of approximately RMB6,863,000 (2010: RMB7,676,000) as at 31 December 2011 were pledged to secure bank borrowings and facilities.

Pursuant to an agreement, 珠海泰坦科技股份有限公司 (Zhuhai Titans Technology Co., Ltd.*) ("Titans Technology") pledged trade receivables of approximately RMB50,000,000 (2010: RMB11,509,000) for credit facilities of RMB50,000,000 (2010: RMB38,400,000) granted to Titans Technology from a bank.

Pursuant to an agreement entered into between Titans Technology and 珠海市中小企業信用擔保有限公司 (Zhuhai Small-Medium Enterprises Credit Guarantee Co., Ltd.*) on 10 March 2010, Titans Technology pledged the leasehold land and buildings of carrying values of approximately RMB281,000 (2011: nil) and RMB500,000 (2011: nil) refundable deposits as securities for its guarantee given to 珠海市中小企業信用擔保有限公司 (Zhuhai Small-Medium Enterprises Credit Guarantee Co., Ltd.*) for credit facilities of RMB5,000,000 granted to Titans Technology as at 31 December 2010.

EMPLOYEES AND REMUNERATION

As at 31 December 2011, the Group employed about 504 employees. The remuneration paid to our employees and Directors is based on experience, responsibility, workload and the time devoted to the Group.

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 insurance operated by the Ministry of Labour and Social Security, the premium in respect of which is undertaken between the Group and the employees based on percentages fixed by relevant PRC laws.

The Group and its employees in Hong Kong contribute to the mandatory provident fund in accordance with the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) and relevant requirements.

The Company also adopted a Pre-IPO Share Option Scheme and a Share Option Scheme, details of which are set out in pages 38 to 40 in Directors' Report in this Report.

MANAGEMENT DISCUSSION AND ANALYSIS

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 results are expressed in Renminbi, whereas the dividends on 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 approximately RMB157,000 (2010: loss of approximately RMB5,790,000). As at 31 December 2011, the Group did not have significant foreign exchange hedges. Such foreign exchange book loss arose as a result of a change in the historical exchange rate when the transaction occurred and the exchange rate.

The Group adopted a conservative approach towards its treasury policies. Our treasury function mainly involves the management of our cash flow. Cash is mainly deposited in banks in Renminbi for our 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 2011.

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

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

MAJOR LITIGATION AND ARBITRATION PROCEEDINGS

The Group has no major litigation or arbitration during the year ended 31 December 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

USE OF PROCEEDS

The net proceeds raised from the Listing were approximately HK$243,600,000 (approximately RMB214,588,000).

We set out below the status of the usage of the net proceeds from the issue of Shares in connection with the Listing.

Proposed use of proceeds	**Proposed amount to be used**	**Actual amount used up to 31 December 2011**
	RMB'000	RMB'000
Support and enhance manufacturing capacity and acquire new production facility	66,737	18,127
Further establish and consolidate the Group's position in the market	80,470	53,266
Support and strengthen the Group's product research and development capability	19,742	18,696
Support and enhance the Group's marketing ability	28,755	3,283
Working capital	18,884	21,000
	214,588	114,372

The unused balanced of approximately RMB100,000,000 was kept as bank deposits in the PRC.

As set out in the prospectus of the Company dated 18 May 2010, we propose to spend part of our proceeds to acquire a piece of land in the Hengqin Economic Development Zone, Zhuhai and build a new factory thereon. The parcel of land has still not been acquired. The Group is actively evaluating such factors such as price and formalities, etc of the parcel of land. The Group will not rule out the possibility of seeking new lands in other regions of Zhuhai City.

CORPORATE GOVERNANCE REPORT

We are committed to ensuring high standards of corporate governance at all times and in all areas 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 will strive to adhere to the principles of corporate governance and adopt sound corporate governance practices to meet the legal and commercial standards by focusing on areas such as internal control, fair disclosure and accountability to all shareholders.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The Board regularly reviews the Group's corporate governance guidelines and developments. In the opinion of the Directors, the Company has complied with the code provisions of the Code throughout the year ended 31 December 2011 except where stated and explained in this Corporate Governance Report.

THE BOARD

The members' attendance of the Board and Committee meetings for the year 2011 are as follows:

	Number of meetings attended/held			
	Board	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**
Executive Directors				
Mr. Li Xin Qing *(Chairman)*	4/4	N/A	N/A	1/1
Mr. An Wei *(Chief Executive Officer)*	4/4	N/A	N/A	N/A
Independent Non-Executive Directors				
Mr. Li Wan Jun	4/4	2/2	2/2	N/A
Ms. Li Xiao Hui	4/4	2/2	2/2	1/1
Mr. Yu Zhuo Ping	3/4	2/2	2/2	1/1

As of the date of this report, the Board comprises two executive Directors and three independent non-executive Directors. Detailed biographies outlining each Director's scope of specialist experience can be found on pages 31 to 33.

During the reporting period, the Directors had devoted sufficient time to perform their duties on relevant matters under each of his/her respective responsibilities.

CORPORATE GOVERNANCE REPORT

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Prior to 28 March 2011, no individual had been appointed as a Chief Executive Officer of the Company. On 28 March 2011, Mr. An Wei, one of the Directors, was appointed as the Chief Executive Officer of the Company. Mr. Li Xin Qing, another Director, continues to be the Chairman of the Board. Since then, the roles and duties of the Chairman and Chief Executive Officer of the Company have been separately undertaken by different officers, which is in compliance with the requirements as set out in Code Provision A.2.1. Mr. Li Xin Qing and Mr. An Wei each holds 50% shareholding in Rich Talent Management Limited, which holds 7,985,418 Shares in the Company.

Mr. Li Xin Qing acted as the Chairman of the Board during the year ended 31 December 2011. He 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 shareholders of the Company, and overseeing the Group's overall direction and strategic planning. In addition, the Chairman also plays a key role in promoting all Directors to actively contribute to the Board affairs and establishing good corporate governance practices and procedures.

Mr. An Wei , 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 Company, 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.

The day-to-day operations of the Company are delegated to the management with department heads being responsible for different aspects of the business and functions. Non-executive Directors (including the independent non-executive Directors) serve the relevant function 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 Company's strategy and internal control. All independent non-executive Directors possess extensive academic, professional and industry expertise and management experience and have provided their professional advice to the Board. All of the independent non-executive Directors are appointed for a term of three years and are subject to retirement by rotation and re-election in accordance with the Company's articles of association.

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

CORPORATE GOVERNANCE REPORT

BOARD MEETINGS

Four Board meetings were held during the year 2011. Attendance of the Board members in the meetings is listed out on page 23. A Board decision was also made by written resolution during year 2011. The Board meetings were held about 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 Board to discharge its duties. All 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 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 Board meetings are kept and available for inspection by all Directors at the Group's office.

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

The shareholders of the Company in general meeting, or the Board upon recommendation of the nomination committee (the "Nomination Committee") of the Company, can appoint any person as a Director of the Company 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 Company's articles of association, at each annual general meeting, one-third of the Directors for the time being, or, if their number is not a multiple of three, 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. Mr. Li Xin Qing and Mr. An Wei were re-elected to be the executive Director of the Company in the annual general meeting held on 25 May 2011.

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.

In 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 Directors are encouraged to discuss with the Chairman regarding any additional information or training they may require to discharge their duties more effectively.

TRAINING AND SUPPORT FOR DIRECTORS

All 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.

CORPORATE GOVERNANCE REPORT

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 the continual achievement of the high corporate governance standards expected of a listed company.

AUDIT COMMITTEE, REMUNERATION COMMITTEE AND NOMINATION COMMITTEE

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 comments 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 auditors 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 auditors. Members of the Audit Committee are also responsible for reviewing the financial reporting process and internal control systems of our Company. The Audit Committee comprises our three independent non-executive Directors, namely Ms. Li Xiao Hui, Mr. Yu Zhuo Ping and Mr. Li Wan Jun 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 in the website of the Stock Exchange and the Company. The Audit Committee held two meetings in 2011 to review the 2010 annual results of the Group for the twelve months ended 31 December 2010 and the 2011 interim results for the six months ended 30 June 2011 , all members of the Audit Committee attended the said meeting. The Audit Committee has reviewed with the management and the Group's external auditors, 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 auditors. The Audit Committee reviewed with the management on the Group'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 auditors are monitored closely by the Group's senior management. During the year under review, the fees paid to the Group's external auditor SHINEWING were as follows:

	2011 **HK$'000**
Audit fees	**840**
Non-audit service fees (service fee for reviewing the Group's financial statements for the six months ended 30 June 2011)	**150**

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 auditors at the annual general meeting in 2012.

CORPORATE GOVERNANCE REPORT

Remuneration Committee

We have established a remuneration committee (the "Remuneration Committee") which is responsible for considering and recommending our Board the remuneration and other benefits paid by us to our Directors 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 Group's approved share options scheme to executive Directors. 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 its shareholders.

The Remuneration Committee comprises three independent non-executive Directors, namely Ms. Li Xiao Hui, Mr. Yu Zhuo Ping and Mr. Li Wan Jun and is chaired by Ms. Li Xiao Hui. 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 website of the Stock Exchange and the Company.

Two Remuneration Committee meetings were held in 2011. All members of the Remuneration Committee attended the meetings.

On 17 February 2011, the Remuneration Committee approved the grant of 19,430,000 share options by our Company carrying rights to subscribe for 19,430,000 new Shares at an exercise price of HK$1.1 per share to certain employees and a substantial shareholder (who is also an employee) of the Company. Details of the options granted were set out in the Company's announcement dated 17 February 2011. Details of the share options granted to executive Directors and the management team to date are also published on pages 38 to 42 of the "Report of the Directors".

On 28 March 2011, the Remuneration Committee met to review and approve the bonus payment to the Directors. Details of each executive Director's salary are set out in note 15 of the "Notes to the Consolidated Financial Statements". The primary objective of the Group's remuneration policy is to retain and motivate executive Directors by linking their compensation to the Group'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. No Director can, however, approve his or her own remuneration.

During the whole year ended 31 December 2011, the annual salary of the senior management of the Company ranges from RMB140,000 to RMB298,000.

CORPORATE GOVERNANCE REPORT

Nomination Committee

We have established a nomination committee (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. Yu Zhuo Ping and Ms. Li Xiao Hui 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 website 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.

One Nomination Committee meeting was held on 28 March 2011. All members of the Nomination Committee attended the meeting in which the Nomination Committee nominated the appointment of Mr. An Wei as Chief Executive Officer of the Company.

INTERNAL CONTROL, INTERNAL AUDIT AND FINANCIAL REPORTING

The Board is entrusted with the overall responsibility for establishing and maintaining the Group's internal control systems and reviewing their effectiveness. The Company had established the Internal Audit Department in 2011, in which its responsibility is to review the internal control system of the Group under the leadership of the Board and the Audit Committee. The Directors have approved the review results of the internal control system. It is the responsibility of the management of the Group to implement all the policies of the Board on risks and regulations and control. The Group's internal control systems are designed to provide reasonable protection of the Group's assets, and to safe guard these assets against unauthorised use or disposition by ensuring that all such transactions are executed in accordance with management's authorisation. The systems also ensure that accounting records are sufficiently accurate for the preparation of financial information used for operational and reporting purposes. The Group has adopted comprehensive procedures with duly assigned levels of authority in areas of financial, operational and compliance controls, and risk management to ensure that its assets and resources remain secure at all times. The role of the Audit Committee is, through discussion with management and other consultants, and the use of the internal audit function, to review the effectiveness of the internal control systems, including financial, operational and compliance controls, and risk management functions, and to report to the Board any significant risks and issues. The Audit Committee raised their advices and suggestions to the Board regarding the further improvement of risk management and control and public relations in the meeting that was held in June 2011. It also suggested the Company to learn from the experiences of other listed companies in risk management and control. The Directors acknowledged their responsibility for preparation of financial statements which give a true and fair view of the Group's state of affairs of the results and cash flow 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 auditors of the Company, SHINEWING, have the responsibility to express an opinion on the Group's consolidated financial statements based on its audit and to 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 50 to 51 of this annual report also sets out the responsibilities of SHINEWING.

CORPORATE GOVERNANCE REPORT

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/her duties on behalf of the Company. All Directors have attended a training session organized by the Company's legal advisers in Hong Kong regarding the various requirements in the Listing Rules and other usual laws and requirements applicable to companies listed in Hong Kong in year 2010.

DIRECTORS' SECURITIES TRANSACTIONS

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 securities transactions by Directors. Having made specific enquiries with all Directors, all the Directors confirm that they have complied with the provisions of the Model Code for the year ended 31 December 2011.

DIRECTORS' INTERESTS

Full details of individual Director's interests in the shares and share options of the Company are set out on pages 45 to 47 of the "Directors' Report".

OPEN COMMUNICATION

The Company is committed to acting in good faith and in the best interests of its 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 its shareholders.

COMMUNICATION WITH SHAREHOLDERS

Effective communication with shareholders has always been one of the Company's priorities. The various channels by which the Company communicates with its 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 its shareholders twice a year and maintains a regular dialogue with investors. Interim and annual results are announced as early as possible to keep shareholders informed of the Company 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 progress of the Group's businesses.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS

The Company's articles of association state 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 Group'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

All Shares in the Company are ordinary shares. The total number of outstanding Shares issued at the date of this report is 830,000,000. In accordance with the Listing Rules, any votes of shareholders at the Company's general meetings are taken by poll. 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.

INVESTOR RELATIONS

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. 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.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Li Xin Qing, aged 54, is the Chairman and an executive Director of our Company and the chairman of the Nomination Committee and he is also one of the largest shareholders of the Company. Mr. Li is responsible for the corporate strategies . Mr. Li obtained a bachelor of engineering degree from Tong Ji 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 Tong Ji 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. Mr. Li was appointed an executive Director on 16 November 2007. At present, Mr. Li is also a director of Titans BVI Limited ("Titans BVI"), Grace Technology, Titans Holdings Co., Limited ("Titans HK"), Titans Technology, Titans Automatic and is 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). Save as disclosed, he has no relationship with any other Directors, senior management, or substantial or controlling shareholders (as defined in the Listing Rules) of our Company. Mr. Li does not hold any directorships in any public listed companies, the securities of which are listed on any securities market in Hong Kong or overseas in the past three years preceding the date of this report. Please refer to the section headed "Directors' Report" in this report for details of Mr. Li's shareholding interests in the Company. Mr. Li has entered into a service contract with the Company for an initial term of three years commencing on 28 May 2010, the date on which the shares were listed in the Stock Exchange (the "Listing Date").

* *For identification purpose*

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

Mr. An Wei, aged 55, is the Chief Executive Officer and an executive Director of our Company and he is one of the largest shareholders of the Company. 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 Tong Ji University(同濟大學)in July 1986 and obtained his doctorate degree in science management and engineering from Tong Ji 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 China in August 1997. With his doctorate degree majoring in management and over 10 years experience in the Group, Mr. An has acquired a variety of skills and extensive experience in management. Mr. An joined the Group in September 1992, being a director of Titans Technology. He has been the general manager of Titans Technology since July 1998. He was the vice chairman of Private Enterprises Association of Zhuhai(珠海市私營企業協會副會長). He is the current vice chairman of Private Enterprises Association Guangdong Province(廣東省私營企業協會副會長)Mr. An was appointed an executive Director on 16 November 2007. At present, Mr. An is also a director of Titans BVI, Grace Technology, Titans HK, Titans Technology, Titans Automatic and Beijing Hua Shang and a director and legal representative of Jiangyin Titans and Auhui Titans. Please refer to the section headed "Directors' Report" in this report for details of Mr. An's shareholding interests in the Company. Save as disclosed, he has no relationship with any Directors, senior management, substantial or controlling shareholders (as defined in the Listing Rules) of our Company. Mr. An does not hold any directorships in any public listed companies, the securities of which are listed on any securities market in Hong Kong or overseas in the past three years preceding the date of this report. Mr. An has entered into a service contract with the Company for an initial term of three years commencing on the Listing Date.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Li Wan Jun, aged 44, is an independent non-executive Director, a member of the Remuneration Committee and the chairman of the Audit Committee. Mr. Li was appointed 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. Mr. Li has not held any other positions with any member of our Group. From 1996 to 2000, Mr. Li worked in the finance department of 澳門珠光集團有限公司 (Zhu Kuan Group Co. Ltd. of Macau). From 2001 to 2007, Mr. Li worked as vice manager in the finance department and audit department of 珠海市珠光集團控股有限公司 (Zhu Kuan Group Holding Co. Ltd. of Zhuhai City ("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 Jiuzhou Development Company 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. Li has not been a director of any public companies the securities of which are listed on any securities market in Hong Kong and overseas during the last three years preceding the date of this report. Mr. Li has entered into an appointment letter with the Company for an initial term of three years commencing on the Listing Date. Save as disclosed, he has no relationship with any other Directors, senior management, or substantial or controlling shareholders (as defined in the Listing Rules) of our Company.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

Ms. Li Xiao Hui, aged 45, was appointed as independent non-executive Director on 20 November 2009. She is the chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee. Ms. Li has not held any other positions with any member of our Group. Ms. Li graduated from Yangzhou Normal University (揚州師範大學) now known as Yangzhou University (揚州大學) with a bachelor degree of economics in 1989. Ms. Li then obtained a master degree in economics in 1993 from the Renmin University of China (中國人民大學). In 2001, Ms. Li obtained a doctoral degree in economics from Central University of Finance and Economics (中央財經大學). From 2003 to present, Ms. Li has been teaching in and is appointed as the deputy dean of the faculty of accounting in Central University of Finance and Economics, primarily responsible for managing the teaching of the faculty and participating in research and development in corporate internal control, risk management and auditing of risk management. From 1995 to 2008, Ms. Li wrote books and other publications in relation to auditing, accounting and risk management. Ms. Li has not been a director of any public listed companies the securities of which are listed on any securities market in Hong Kong and overseas during the past three years preceding the date of this report. Ms. Li has entered into an appointment letter with the Company for an initial term of three years commencing on the Listing Date. Save as disclosed, she has no relationship with any other Directors, senior management, or substantial or controlling shareholders (as defined in the Listing Rules) of our Company.

Mr. Yu Zhuo Ping, aged 52, was appointed an independent non-executive Director on 20 November 2009. He is a member of the Audit Committee, the Remuneration Committee and the Nomination Committee. Mr. Yu has not held any other positions with any member of our Group. Mr. Yu graduated from Tong Ji University (同濟大學) with a bachelor degree in mechanical engineering in 1982 and a master degree in mechanical engineering in 1985. In 1996, Mr. Yu obtained a doctoral degree in design and manufacturing engineering from Tsing Hua University (清華大學). Prior to joining our Group, Mr. Yu joined Braunschweig Automotive Research Institute, the automotive institute of Technical University Darmstadt, and the research department of Volkswagen Automotive Company. Since 2002, Mr. Yu has been the dean of the Faculty of Automotive in Tong Ji University and the assistant to the president of Tong Ji University primarily responsible for the teaching in and management of the Faculty of Automotive. In 2002, Mr. Yu was awarded with the Shanghai Municipality Scientific and Technological Progress Award (class 2) (上海市科學技術二等獎) from the local government of Shanghai Municipality (上海市人民政府) for his research in "Construction and testing analysis of wind tunnel for automotive". In 2007, Mr. Yu was awarded with the Shanghai Municipality Scientific and Technological Progress Award (class 1) (上海市科學技術進步一等獎) from the local government of Shanghai Municipality. In 2008, Mr. Yu was further awarded with the National Scientific and Technological Progress Award (class 2) (國家科學技術進步二等獎) by the Ministry of Science and Technology of the PRC (中國科技部). Mr. Yu is also the independent non-executive director of 上海航天汽車機電股份有限公司(Shanghai Aerospace Automobile Electromechanical Co., Ltd) (stock code: 600151), a company listed on the Shanghai Stock Exchange. Save as disclosed, Mr. Yu has not been a director of any public companies the securities of which are listed on any securities market in Hong Kong or overseas during the last three years preceding the date of this report. Mr. Yu has entered into an appointment letter with the Company for an initial term of three years commencing on the Listing Date. Save as disclosed, he has no relationship with any other Directors, senior management, or substantial or controlling shareholders (as defined in the Listing Rules) of our Company.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. Li Xiao Bin, aged 50, is a senior engineer and deputy general manager. 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 is currently general manager of the research and development centre of our Group and is also responsible for the sales and development of our electrical DC products. Mr. Li Xiao Bin also is a director of Titans HK, Titans Automatic 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, one of controlling shareholders of our Group, is interested in the 40% issued share capital of Honor Boom Investments Limited, a company which holds approximately 9.93% of the issued share capital of our Company. Save as disclosed, he has no other relationship with the Directors, senior management, substantial or controlling shareholders (as defined in the Listing Rules) of our Company.

Ms. Ou Yang Fen, aged 47, is an accountant and deputy general manager. Ms. Ou Yang Fen is responsible for the management affairs of the financial centre of our Group. Ms. Ou Yang Fen graduated from Guangdong Radio & TV University (廣東廣播電視大學) in 1998 majored 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, one of controlling shareholders of our Group, is interested in the 30% issued share capital of Honor Boom Investments Limited, a company which holds approximately 9.93% of the issued share capital of our Company. Save as disclosed, she has no other relationship with the Directors, senior management and other controlling shareholders (as defined in the Listing Rules) of our Company.

Mr. Chen Xiang Jun, aged 44, 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 Xiang Jun obtained a master degree of Business Administration in Executive Management from Royal Roads University in 2007. Mr. Chen Xiang Jun joined Titans Technology in March 2001. Mr. Chen is currently general manager of the corporate development centre of the Group and the secretary to the board of directors of Titans Technology. Mr. Chen is mainly responsible for the operation management and capital operation related matters. Save as disclosed, Mr. Chen Xiang Jun has no relationship with any other Directors, senior management, substantial or controlling shareholders (as defined in the Listing Rules) of our Company.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Fu Yulong, aged 48, holds a master degree in business administration. Mr. Fu Yulong graduated from Zhengzhou University (鄭州大學) in 1994 and obtained a Master Degree of Business Administration from 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 general manager of the marketing center of our Group, and is fully responsible for the sales of the Group's products. Save as disclosed, he has no relationship with any other Directors, senior management, substantial or controlling shareholders (as defined in the Listing Rules) of our Company.

Mr. Li Zhen Hua, aged 54, obtained a bachelor degree in Economics from Xiamen University in 1983 and registered as an accountant in the PRC in 1992. Mr. Li Zhen Hua joined our Group in September 2009 as our Financial Controller. Mr. Li is experienced in financial and organisation management. Before he joined our Group, Mr. Li Zhen Hua was the finance manager of Hua Fu Hong Kong Company (華福香港公司), a subsidiary of Fujian Investment & Enterprise Holdings Corporation (福建投資企業集團公司) in Hong Kong from 1983 to 1996, and was the general manager of 雲南隴川縣閩宏水電有限責任公司 (Yunnan Long Chuan Xian Hong Shui Dian Company Limited) from 2005 to 2008. Save as disclosed, he has no relationship with any other Directors, senior management, or substantial or controlling shareholders (as defined in the Listing Rules) of our Company.

Mr. Pan Jingyi, aged 61, is a senior engineer. He graduated from Radio and TV University, Shaanxi (陝西省廣播電視大學) completed the automation of the electric power system programme in 1987. Mr. Pan has been working in the field of electrical engineering from 1985 to 2005, Mr. Pan worked in a power plant in Xian and was head of electric station and chief engineer of an electric company, a subsidiary Company of the said power plant. Mr. Pan joined Titans Technology in February 2005 and is currently a chief engineer of the Group. Save as disclosed, he has no relationship with any other Directors, senior management, substantial or controlling shareholders (as defined in the Listing Rules) of our Company.

DIRECTORS' REPORT

The Directors of the Company submit their report together with the audited consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2011.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The Company is an investment holding company. The Group is principally engaged in the supply of power electronic product and equipment. The principal activities of each of the subsidiaries of the Company are set out in note 47 to the accompanying financial statements.

Business segments

The Group is engaged in the supply of power electronic product and equipment. Business analysis of sales, segment results, total assets and capital expenditures are set out in note 9 to the accompanying financial statements.

Geographical segments

The Group operates in the Mainland China.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2011 are set out in the consolidated statement of comprehensive income on page 52 of this annual report.

The Board has recommended a final dividend of HK$1 cent per share for the year ended 31 December 2011. The proposed final dividend is subject to approval by the shareholders of the Company in the forthcoming annual general meeting of the Company and expected to be paid on or before 15 June 2012. Only Shareholders whose name appear on the register of members of the Company on 1 June 2012 are entitled to the final dividend.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the entitlement of shareholders to the aforesaid proposed final dividend, the register of members of the Company will be closed from 31 May 2012 to 1 June 2012, both days inclusive, all transfer documents 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, Wanchai, Hong Kong, for registration no later than 4:00 p.m. on 30 May 2012.

DIRECTORS' REPORT

RESERVES

Details of movements in the reserves of the Group and of the Company during the year ended 31 December 2011 are set out in note 46 to the accompanying financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group and of the Company during the year ended 31 December 2011 are set out in note 19 to the accompanying financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 32 to the accompanying financial statements.

DISTRIBUTABLE RESERVES

Details of the Company's distributable reserves as at 31 December 2011 is set out in note 46 to the accompanying financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's 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 set out on pages 5 to 6 of this annual report.

DIRECTORS' REPORT

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2011.

PRE-IPO SHARE OPTION SCHEME

A Pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") was adopted on 8 May 2010. The purpose of the Pre-IPO Share Option Scheme is to recognise the contribution of, and to provide an incentive to, the employees, officers, agents, consultants, representatives and sales partners of the Group who has contributed or will contribute to the Group. The principal terms of the Pre-IPO Share Option Scheme, approved and adopted by a written resolution of the shareholders of the Company dated 8 May 2010, are basically the same as the terms of the Share Option Scheme (as described below) except , among other terms, that:

(a) the Pre-IPO Share Option Scheme expired on the date immediately prior to the Listing Date on 28 May 2010;

(b) the subscription price per Share has been determined by the Board at 50% discount to the final Offer Price (i.e. HK$0.59 per Share); and

(c) the option period of each option granted is: (i) in relation to 25% of the Shares comprised in the option, the period commencing on the expiration of 12 months after the Listing Date and ending on the expiration of 24 months after the Listing Date; (b) in relation to another 25% of the Shares comprised in the option, the period commencing on the expiration of 24 months after the Listing Date and ending on the expiration of 36 months after the Listing Date; (c) in relation to another 25% of the Shares comprised in the option, the period commencing on the expiration of 36 months after the Listing Date and ending on the expiration of 48 months after the Listing Date; and (d) in relation to the remaining 25% of the Shares comprised in the option, the period commencing on the expiration of 48 months after the Listing Date and ending on the expiration of 60 months after the Listing Date.

All options were conditionally granted to the grantees on 8 May 2010.

DIRECTORS' REPORT

For the year ended 31 December 2011, under the Pre-IPO Share Option Scheme, 200,000 share options lapsed due to departure of one employee. As at 31 December 2011, there were outstanding options to subscribe for 23,720,000 Shares in aggregate (representing approximately 2.86% of the issued share capital of the Company as at 31 December 2011). Set out below is further information on the outstanding options granted under the Pre-IPO Share Option Scheme as at 31 December 2011:

	Number of share options					
Name of participant	**Outstanding at 31 December 2010**	**Exercised during the period**	**Lapsed during the period**	**Cancelled during the period**	**Outstanding at 31 December 2011**	**Approximate percentage of issued share capital of the Company**
Li Xin Qing *(Note)*	800,000	–	–	–	800,000	0.096%
An Wei *(Note)*	800,000	–	–	–	800,000	0.096%
Other employees of the Group	22,320,000	–	200,000	–	22,120,000	2.67%
Total for scheme	23,920,000	–	200,000	–	23,720,000	2.86%

Note: Li Xin Qin and An Wei are the executive Directors of the Company.

Subsequent to the year ended 31 December 2011, no options under the Pre-IPO Share Option Scheme have lapsed. As at the date of this report, there are 23,720,000 outstanding options under the Pre-IPO Share Option Scheme.

SHARE OPTION SCHEME

A share option scheme (the "Share Option Scheme") was adopted pursuant to a written resolution of all the then shareholders of the Company passed on 8 May 2010 ("Adoption Date").

The purpose of the Share Option Scheme is to enable the Group to grant 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 an absolute discretion, has made valuable contribution to the business of the Group based on his performance and/or years of service, or is regarded to be valuable human resource 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.

DIRECTORS' REPORT

When the Share Option Scheme has approved by the shareholders, 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 of the Company in issue on the date of listing of shares of the Company on the Stock Exchange, i.e. 80,000,000 Shares ("Scheme Mandate Limit") which represented approximately 9.64% of the Shares in issue as at the date of annual report. The Company may renew the Scheme Mandate Limit with shareholders' approval provided that each such renewal may not exceed 10% of the Shares in the Company 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-months period shall not exceed 1% of the issued share capital of the Company for the time being.

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

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 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.

DIRECTORS' REPORT

On 17 February 2011, the Company granted 19,430,000 share options to certain employees and a substantial shareholder (who is also an employee) of the Company.

Date of grant	:	17 February 2011
Exercise price of Share Options granted	:	HK$1.10 per Share
Number of Share Options granted	:	19,430,000 share options (each share option shall entitle the holder of the share option to subscribe for one Share)
Closing price of the Share on the Date of Grant	:	HK$1.10 per Share
Validity period of the Share Options	:	4 years commencing from 17 February 2011 and expiring on 16 February 2015 (both days inclusive), to be exercised in the following manner:

Portions of the Share Options exercisable	Period for exercise of the relevant portions of the Share Options
One-third of the total number of Share Options granted to any grantee	During the period commencing on 17 February 2012 and up to 16 February 2013
One-third of the total number of Share Options granted to any grantee	During the period commencing on 17 February 2013 and up to 16 February 2014
One-third of the total number of Share Options granted to any grantee	During the period commencing on 17 February 2014 and up to 16 February 2015

If any of the grantees fails to exercise all or part of the one-third of the total number of share options vested to him/her in each period, such one-third or remaining part of the one-third of the total number of share options vested during each period (as the case may be) shall lapse.

DIRECTORS' REPORT

Among all the share options granted, 600,000 share options were granted to Mr. Li Xiao Bin who is a substantial shareholder and senior management of the Company. Pursuant to Rule 17.04(1) of the Listing Rules and the terms of the Share Option Scheme, the grant of the 600,000 share options to Mr. Li Xiao Bin has been approved by the independent non-executive Directors of the Company.

For the year ended 31 December 2011, under the Share Option Scheme, 180,000 share options lapsed due to departure of one employee. As at 31 December 2011, there were outstanding options to subscribe for 19,250,000 Shares in aggregate (representing about approximately 2.32% of the issued share capital of the Company as at 31 December 2011).

Subsequent to the year ended 31 December 2011, 300,000 share options lapsed due to departure of another employee. As at the date of this report, 18,950,000 share options remained outstanding under the Share Option Scheme.

DIRECTORS

The Directors during the year were:

Mr. Li Xin Qing
Mr. An Wei
Mr. Li Wan Jun*
Ms. Li Xiao Hui*
Mr. Yu Zhuo Ping*

* *Independent non-executive Directors*

In accordance with article 84(1) of the Company's articles of association, Mr. Li Wan Jun and Mr. Yu Zhuo Ping shall retire from office by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service agreement with our Company on 8 May 2010. These agreements, except as indicated, are in all material respects identical and are summarised below:

(i) Each service agreement is for an initial term of three years commencing on the Listing Date and shall continue thereafter until terminated in accordance with the terms of the agreement. Under the agreement, either party may terminate the agreement at any time by giving to the other not less than three months' prior written notice, provided that such notice is not to be given at any time within 9 months of the date of signing of the agreement.

DIRECTORS' REPORT

(ii) For the first year from the Listing Date, the monthly salary for each of Mr. Li Xin Qing and Mr. An Wei shall be HK$50,000 and HK$50,000 respectively and shall accrue on a day to day basis. As from the second year from the Listing Date, the annual basic salary of each executive Director shall be as determined by the remuneration committee of the Board, provided that any increment shall not be more than 10% of the annual basic salary received by the executive Directors for the immediate preceding year.

(iii) Each of the executive Directors is also entitled to a discretionary bonus, provided that the aggregate amount of the bonuses payable to all our executive Directors in respect of any financial year may not exceed 3% of the audited consolidated net profit of our Group (after taxation and minority interest but before extraordinary or exceptional items) in respect of that financial year of our Company.

(iv) Each of the executive Directors shall abstain from voting and not be counted in the quorum in respect of any resolution of the Board regarding the amount of annual salary or discretionary bonus payable to him.

Each of Mr. Li Wan Jun, Mr. Yu Zhuo Ping and Ms. Li Xiao Hui has signed a letter of appointment dated 8 May 2010 with our Company under which they agreed to act as independent non-executive Director for a period of three years unless terminated in accordance with the terms of the appointment letters. The monthly director's fee for an independent non-executive Director is HK$10,000.

Save as disclosed above, none of our Directors, including those proposed for re-election at the forthcoming annual general meeting, has entered or has proposed to enter into any service agreements with us or any other members of our Group (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of its independent non-executive Directors confirmation of his/her 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.

DIRECTORS' INTERESTS IN CONTRACTS

No 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 had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the reporting year.

DIRECTORS' REPORT

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 15 to the accompanying financial statements.

Details of the five highest paid individuals during the year under review are set out in note 16 to the accompanying financial statements.

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, which are detailed in the paragraph headed "Remuneration Committee" under the section headed "Corporate Governance Report" of this report.

RETIREMENT BENEFIT SCHEMES

Particulars of the Group's retirement benefit schemes are set out in note 42 to the accompanying financial statements.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of Directors and senior management as at the date of this annual report are set out on pages 31 to 35 of this annual report.

DIRECTORS' REPORT

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

As at 31 December 2011, 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 Securities and Future Ordinance ("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 set out in Appendix 10 to the Listing Rules were as follows:–

Name of Director	**Nature of interest**	**Number of Shares or underlying Shares of the Company**	**Approximate percentage of existing issued share capital of the Company**
Li Xin Qing	Interest of controlled corporations	205,709,875 (L) *(Note 2)*	24.78%
	Beneficial owner	800,000 (L) *(Note 3)*	0.096%
An Wei	Interest of controlled corporations	205,869,875 (L) *(Note 4)*	24.80%
	Beneficial owner	800,000 (L) *(Note 5)*	0.096%

Notes:

1. The letter "L" stands for long position and the letter "S" stands for short position (both within the meaning stated in the form for notification specified pursuant to the SFO).

2. The entire issued share capital of Genius Mind Enterprises Limited ("Genius Mind") is beneficially owned by Li Xin Qing who is deemed to be interested in 197,724,457 Shares held by Genius Mind by virtue of the SFO. In addition, 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.

DIRECTORS' REPORT

3. The interest in 800,000 Shares represents the share options granted to Li Xin Qing pursuant to the Pre-IPO Share Option Scheme.

4. The entire issued share capital of Great Passion International Limited ("Great Passion") is beneficially owned by An Wei who is deemed to be interested in 197,884,457 Shares held by Great Passion by virtue of the SFO. In addition, 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.

5. The interest in 800,000 Shares represents the share options granted to An Wei pursuant to the Pre-IPO Share Option Scheme of the Company.

Save as disclosed above, as at 31 December 2011, 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 or any of its 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, 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.

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

As at 31 December 2011, 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 of the Company	Approximate percentage of existing issued share capital of the Company
Zeng Zhen *(Note 2)*	Interests of spouse	206,509,875 (L)	24.88%
Genius Mind *(Note 3)*	Beneficial owner	197,724,457 (L)	23.82%
Yan Kai *(Note 4)*	Interests of spouse	206,669,875 (L)	24.90%
Great Passion *(Note 5)*	Beneficial owner	197,884,457 (L)	23.84%
Honor Boom Investments Limited *(Note 6)*	Beneficial owner	82,458,117 (L)	9.93%

DIRECTORS' REPORT

Name of shareholder	Nature of interest	Number of Shares or underlying Shares of the Company	Approximate percentage of existing issued share capital of the Company
Li Xiao Bin *(Note 6)*	Interest of controlled corporations	82,458,117 (L)	9.93%
	Beneficial owner	1,400,000 (L)	0.17%
Zhang Lina *(Note 7)*	Interests of spouse	83,858,117 (L)	10.10%
Thomas Pilscheur	Beneficial owner	66,244,818 (L)	7.98%
Feng Yanlin *(Note 8)*	Interests of spouse	66,244,818 (L)	7.98%

Notes:

1. The letter "L" stands for long position and the letter "S" stands for short position (both within the meaning stated in the form for notification specified pursuant to the SFO).

2. Zeng Zhen is the spouse of Li Xin Qing. Therefore, Zeng Zhen is deemed to be interested in the Shares in which Li Xin Qing is interested for the purposes of the SFO.

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

4. Yan Kai is the spouse of An Wei. Therefore, Yan Kai is deemed to be interested in the Shares in which An Wei is interested for the purposes of the SFO.

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

6. The issued share capital of Honor Boom Investments Limited ("Honor Boom") is owned as to 40% by Li Xiao Bin, 30% by Ou Yang Fen and 30% by Cui Jian respectively. Li Xiao Bin is deemed to be interested in the 82,458,117 Shares held by Honor Boom. The interest in 1,400,000 Shares represents the share options granted to Li Xiao Bin under the Pre-IPO Share Option Scheme and the Share Option Scheme.

7. Zhang Lina is the spouse of Li Xiao Bin. Therefore. Zhang Lina is deemed to be interested in the Shares in which Li Xiao Bin is interested for the purposes of the SFO.

8. Feng Yanlin is the spouse of Thomas Pilscheur. Therefore, Feng Yanlin is deemed to be interested in the Shares in which Thomas Pilscheur is interested for the purposes of the SFO.

Save as disclosed above, as at 31 December 2011, 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.

DIRECTORS' REPORT

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed under the sections headed "Pre-IPO Share Option Scheme" and "Share Option Scheme" above, at no time during the 12 months ended 31 December 2011 was the Company, its holding company or its subsidiaries a party to any arrangements which enabled the Directors (including their spouses or children under 18 years of age), to acquire benefits by means of acquisition of Shares in or debenture of the Company or any other body corporate.

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 subsisted during the year under review.

No contract of significance has been entered into between the Company or any of its subsidiaries and the controlling shareholders (as defined in the Listing Rules) of the Company or any of its subsidiaries.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of purchases and sales for the year attributable to the Group's major suppliers and customers are as follows:

Purchases

The percentage of purchases for the year attributable to the five largest suppliers combined is less than 30%.

Sales	
– the largest customer	25.02%
– five largest customers combined	57.94%

None of the Directors, their 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.

RELATED PARTY TRANSACTIONS

The related party transactions set out in note 43 to the 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 financial year ended 31 December 2011.

DIRECTORS' REPORT

AUDIT COMMITTEE

The Company has established the Audit Committee which comprises three independent non-executive Directors, namely Mr. Li Wan Jun, Ms. Li Xiao Hui and Mr. Yu Zhuo Ping. Mr. Li Wan Jun is the chairman of the Audit Committee. The rights and duties of the Audit Committee comply with the Code provisions. The audit committee is responsible for reviewing and supervising the Group's financial reporting process and internal control system and providing advice and recommendations to the Board.

The Audit Committee had reviewed the audited results of the Group for the financial year ended 31 December 2011.

REMUNERATION COMMITTEE

The Remuneration Committee comprises three independent non-executive Directors, namely Ms. Li Xiao Hui, Mr. Yu Zhuo Ping and Mr. Li Wan Jun. Ms. Li Xiao Hui is the chairperson of the remuneration committee. The Remuneration Committee has rights and duties consistent with those set out in the Code provisions. The Remuneration Committee is principally responsible for formulating the Group's policy and structure for all remunerations of the Directors and senior management and providing advice and recommendations to the Board of Directors.

LITIGATION

Neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against the Company or any of its subsidiaries during the year under review.

AUDITOR

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

ANNUAL GENERAL MEETING

It is proposed that the annual general meeting of the Company will be held on 25 May 2012. 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 annual general meeting will be despatched to 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, 28 March 2012

INDEPENDENT AUDITOR'S REPORT

信永中和
ShineWing

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

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

We have audited the consolidated financial statements of China Titans Energy Technology Group Co., Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 52 to 130, which comprise the consolidated statement of financial position as at 31 December 2011, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the consolidated financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report 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. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

INDEPENDENT AUDITOR'S REPORT

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2011 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Chan Wing Kit
Practising Certificate Number: P03224

Hong Kong
28 March 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	NOTES	2011 RMB'000	2010 RMB'000 (Restated)
CONTINUING OPERATIONS			
Turnover	(8)	**268,660**	287,403
Cost of sales		**(146,707)**	(132,160)
Gross profit		**121,953**	155,243
Other revenue	(10)	**20,869**	8,295
Fair value change on convertible loan note		**–**	(3,956)
Selling and distribution expenses		**(33,385)**	(21,362)
Administrative and other expenses		**(55,574)**	(39,694)
Share of results of associates		**1,740**	(770)
Other expenses		**(157)**	(13,844)
Finance costs	(11)	**(3,783)**	(5,312)
Profit before taxation		**51,663**	78,600
Income tax expense	(12)	**(18,591)**	(14,606)
Profit for the year from continuing operations		**33,072**	63,994
DISCONTINUED OPERATION			
Profit for the year from discontinued operation	(13)	**–**	82
Profit and total comprehensive income for the year	(14)	**33,072**	64,076
Profit and total comprehensive income for the year attributable to:			
Owners of the Company		**33,872**	60,253
Non-controlling interests		**(800)**	3,823
		33,072	64,076
Earnings per share	(18)		
From continuing and discontinued operations			
Basic (RMB)		**4.08 cents**	8.26 cents
Diluted (RMB)		**4.06 cents**	8.24 cents
From continuing operations			
Basic (RMB)		**4.08 cents**	8.25 cents
Diluted (RMB)		**4.06 cents**	8.23 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2011

	NOTES	2011 RMB'000	2010 RMB'000
Non-current assets			
Property, plant and equipment	*(19)*	**21,681**	15,260
Deposits for acquisition of plant and equipment		**23,216**	6,843
Prepaid lease payments	*(20)*	**12,817**	–
Intangible assets	*(21)*	**1,324**	1,702
Interests in associates	*(22)*	**14,624**	20,983
Available-for-sale financial assets	*(23)*	**8,198**	–
		81,860	44,788
Current assets			
Inventories	*(24)*	**61,471**	35,354
Trade and bills receivables	*(25)*	**268,089**	254,946
Prepayments, deposits and other receivables	*(26)*	**37,439**	21,310
Prepaid lease payments	*(20)*	**288**	–
Amounts due from associates	*(27)*	**91,873**	48,826
Restricted bank balances	*(28)*	**10,081**	11,441
Short-term bank deposits	*(28)*	**101,000**	65,000
Bank balances and cash	*(28)*	**62,761**	151,615
		633,002	588,492
Current liabilities			
Trade and bills payables	*(29)*	**90,941**	63,270
Receipts in advance		**6,990**	4,600
Accruals and other payables		**56,478**	51,195
Dividend payables		**–**	142
Tax payable		**20,477**	20,053
Bank and other borrowings	*(30)*	**54,773**	40,000
		229,659	179,260
Net current assets		**403,343**	409,232
Total assets less current liabilities		**485,203**	454,020

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2011

	NOTES	2011 RMB'000	2010 RMB'000
Non-current liabilities			
Deferred income	(44)	**1,308**	–
Deferred tax liabilities	(38)	**10,194**	–
		11,502	–
Net assets		**473,701**	454,020
Capital and reserves			
Share capital	(32)	**7,311**	7,311
Reserves		**464,075**	440,660
Equity attributable to owners of the Company		**471,386**	447,971
Non-controlling interests		**2,315**	6,049
Total equity		**473,701**	454,020

The consolidated financial statements on pages 52 to 130 were approved and authorised for issue by the board of directors on 28 March 2012 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 2011

	Attributable to owners of the Company											
	Share capital RMB'000	Share premium RMB'000	Share Option reserve RMB'000	Merger reserve RMB'000	Exchange translation reserve RMB'000	Capital reserve RMB'000	Statutory reserve fund RMB'000	Other reserves RMB'000	Retained Earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2010	2	–	–	8,639	504	(1,539)	24,976	–	111,443	144,025	2,364	146,389
Total comprehensive income for the year	–	–	–	–	–	–	–	–	60,253	60,253	3,823	64,076
Corporate reorganisation	(1)	–	–	1	–	–	–	–	–	–	–	–
Capitalisation issue of shares	5,269	(5,269)	–	–	–	–	–	–	–	–	–	–
Issue of new shares	2,041	237,035	–	–	–	–	–	–	–	239,076	–	239,076
Conversion of convertible loan note	–	12,537	–	–	–	–	–	–	–	12,537	–	12,537
Cost of issue of new shares	–	(12,164)	–	–	–	–	–	–	–	(12,164)	–	(12,164)
Recognition of share-based payments *(Note 45)*	–	–	4,244	–	–	–	–	–	–	4,244	–	4,244
Deemed disposal of a subsidiary *(Note 35)*	–	–	–	–	–	–	–	–	–	–	(138)	(138)
Appropriation to reserves	–	–	–	–	–	–	6,226	–	(6,226)	–	–	–
At 31 December 2010	7,311	232,139	4,244	8,640	504	(1,539)	31,202	–	165,470	447,971	6,049	454,020
Total comprehensive income for the year	–	–	–	–	–	–	–	–	33,872	33,872	(800)	33,072
Contribution of additional interest in a subsidiary *(Note 33)*	–	–	–	–	–	–	–	(530)	–	(530)	530	–
Recognition of share-based payments *(Note 45)*	–	–	7,634	–	–	–	–	–	–	7,634	–	7,634
Appropriation to reserves	–	–	–	–	–	–	7,554	–	(7,554)	–	–	–
Release on deregistration of a subsidiary *(Note 36)*	–	–	–	–	–	–	(39)	–	39	–	–	–
Dividends paid	–	–	–	–	–	–	–	–	(20,425)	(20,425)	–	(20,425)
Forfeiture of share options	–	–	(38)	–	–	–	–	–	38	–	–	–
Acquisition of additional equity interest in a subsidiary from non-controlling shareholder *(Note 34)*	–	–	–	–	–	–	–	2,864	–	2,864	(3,464)	(600)
At 31 December 2011	7,311	232,139	11,840	8,640	504	(1,539)	38,717	2,334	171,440	471,386	2,315	473,701

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2011

	2011 RMB'000	2010 RMB'000
OPERATING ACTIVITIES		
Profit before taxation:		
Continuing operations	**51,663**	78,600
Discontinued operation *(Note 13)*	**–**	97
	51,663	78,697
Adjustments for:		
Interest income	**(1,974)**	(1,559)
Finance costs	**3,783**	5,312
Share-based payments	**7,634**	4,244
Fair value change on convertible loan note	**–**	3,956
Allowance for trade receivables	**–**	2,961
Depreciation of property, plant and equipment	**4,212**	2,199
Share of results of associates	**(1,740)**	770
Amortisation of intangible assets	**378**	377
Amortisation of prepaid lease payments	**194**	–
Loss on disposal of property, plant and equipment	**284**	70
Gain on deemed disposal of interests/partial interests in associates *(Note 37)*	**(99)**	(77)
Reversal of allowance for inventories	**–**	(128)
Gain on deemed disposal of a subsidiary	**–**	(509)
Deemed gain on deregistration of a subsidiary *(Note 36)*	**(78)**	–
Reversal of allowance for other receivables	**–**	(87)
Government grants income	**(12,201)**	(103)
Operating cash flows before movements in working capital	**52,056**	96,123
Increase in inventories	**(26,117)**	(24,419)
Increase in trade and bills receivables	**(13,143)**	(37,845)
Increase prepayments, deposits and other receivables	**(16,129)**	(20,635)
Increase in amounts due from associates	**(43,047)**	(39,326)
Increase in trade and bills payables	**27,671**	5,655
Increase in receipts in advance	**2,390**	2,039
Increase in accruals and other payables	**5,362**	13,375
Cash used in operations	**(10,957)**	(5,033)
PRC income tax paid	**(7,973)**	(5,815)
NET CASH USED IN OPERATING ACTIVITIES	**(18,930)**	(10,848)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2011

	2011 RMB'000	2010 RMB'000
INVESTING ACTIVITIES		
Increase in short-term bank deposits	**(36,000)**	(65,000)
Deposits paid for acquisition of plant and equipment	**(16,373)**	(6,843)
Purchase of prepaid lease payments	**(13,299)**	–
Purchase of property, plant and equipment	**(11,914)**	(4,949)
Net cash outflow on deregistration of a subsidiary *(Note 36)*	**(1)**	–
Interest received	**1,974**	1,559
Decrease in restricted bank balances	**1,360**	4,226
Proceeds on disposal of property, plant and equipment	**997**	146
Investments in associates	**–**	(21,000)
Advance to associates	**–**	(9,500)
Deemed disposal of a subsidiary *(Note 35)*	**–**	(126)
Repayment from shareholders	**–**	202
NET CASH USED IN INVESTING ACTIVITIES	**(73,256)**	(101,285)
FINANCING ACTIVITIES		
New bank and other borrowings raised	**71,573**	118,415
Net cash inflow from government grants	**13,509**	103
Repayment of bank and other borrowings	**(56,800)**	(94,440)
Dividend paid	**(20,567)**	(2,800)
Interest paid	**(3,783)**	(2,557)
Net cash outflow on acquisition of a subsidiary *(Note 34)*	**(600)**	–
Proceeds from issue of shares	**–**	239,076
Payment of transaction costs attributable to issue of new shares	**–**	(12,164)
Repayment to directors	**–**	(7,447)
Repayment to shareholders	**–**	(1,519)
NET CASH FROM FINANCING ACTIVITIES	**3,332**	236,667
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(88,854)**	124,534
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**151,615**	27,081
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	**62,761**	151,615

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

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 address of the registered office is P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Island. The address of the principal place of business and headquarters in the PRC is Titans Science and Technology Park, No. 60 Shihua Road West, Zhuhai, Guangdong Province, the PRC. The address of the principal place of business in Hong Kong is Room 09-10, 41/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.

The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 28 May 2010.

The consolidated financial statements of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") are presented in Renminbi ("RMB") which is the same as the functional currency of the Company.

The Company's principal activity is investment holding. The principal activities of the subsidiaries are set out in note 47.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

Under a corporate reorganisation (the "Corporate Reorganisation") in preparation for the listing of the Company's shares in the Stock Exchange, the Company became the holding company of the companies comprising the Group on 8 May 2010. Details of the Corporate Reorganisation were set out in the prospectus dated 18 May 2010 issued by the Company (the "Prospectus").

The consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group for the year ended 31 December 2010 have been prepared on the basis as if the Company had always been the holding company of the companies now comprising the Group throughout the year ended 31 December 2010, or since the respective dates of incorporation of the relevant entity, where there is a shorter period.

The consolidated statement of financial position of the Group as at 31 December 2010 had been prepared to present the assets and liabilities of the companies now comprising the Group as at 31 December 2010 as if the current group structure had been in existence at that date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Application of new and revised standards and interpretations

In the current year, the Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Amendments to HKFRSs	Improvements to HKFRSs issued in 2010
Amendments to HKFRS 1	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters
Amendments to Hong Kong Accounting Standards ("HKAS") 32	Classification of Rights Issues
HKAS 24 (Revised)	Related Party Disclosures
HK(IFRIC)-Interpretation ("Int") 14 (Amendment)	Prepayments of a Minimum Funding Requirement
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments

The directors of the Company anticipate that the application of new and revised HKFRSs has had no material impact on the Group's performance and position for the current and prior years and/or the disclosures set out in these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

New and revised standards, amendments and interpretations in issue but not yet effective

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

Amendments to HKFRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[1]
Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets[1]
	Disclosures – Offsetting Financial Assets and Financial Liabilities[4]
	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[6]
HKFRS 9	Financial Instruments[6]
HKFRS 10	Consolidated Financial Statements[4]
HKFRS 11	Joint Arrangements[4]
HKFRS 12	Disclosure of Interests in Other Entities[4]
HKFRS 13	Fair Value Measurement[4]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[3]
Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets[2]
HKAS 19 (as revised in 2011)	Employee Benefits[4]
HKAS 27 (as revised in 2011)	Separate Financial Statements[4]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[4]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[5]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[4]

[1] *Effective for annual periods beginning on or after 1 July 2011.*
[2] *Effective for annual periods beginning on or after 1 January 2012.*
[3] *Effective for annual periods beginning on or after 1 July 2012.*
[4] *Effective for annual periods beginning on or after 1 January 2013.*
[5] *Effective for annual periods beginning on or after 1 January 2014.*
[6] *Effective for annual periods beginning on or after 1 January 2015.*

Amendments to HKFRS 7 Disclosures – Transfers of Financial Assets

The amendments to HKFRS 7 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

The directors anticipate that the application of the amendments to HKFRS 7 will affect the Group's disclosure regarding transfers of financial assets in the future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

New and revised standards, amendments and interpretations in issue but not yet effective (continued)

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

- HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

The directors anticipate that the adoption of HKFRS 9 in the future may have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

New and revised standards, amendments and interpretations in issue but not yet effective (continued)

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these fives standards are described below.

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and HK(SIC) – Int 12 Consolidation – Special Purpose Entities. HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 Interests in Joint Ventures and HK (SIC) – Int 13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structure entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

New and revised standards, amendments and interpretations in issue but not yet effective (continued)

The directors anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013. The application of these five standards may have significant impact on amounts reported in the consolidated financial statements. The application of HKFRS 10 may result in the Group no longer consolidating some of its investees, and consolidating investees that were not previously consolidated (e.g. the Group's investment in associates may become the Group's subsidiaries based on the new definition of control and the related guidance in HKFRS 10). However, the directors have not yet performed a detailed analysis of the impact of the application of these Standards and hence have not yet quantified the extent of the impact.

HKFRS 13 Fair Value Measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 Financial Instruments: Disclosures will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new standard may affect the amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

New and revised standards, amendments and interpretations in issue but not yet effective (continued)

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

The directors of the Company anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

4. 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 has been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on combination.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary 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.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. When assets 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 Company had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings 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 HKAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Merger accounting for business combination involving entities under common control

The consolidated financial statements incorporates the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statement of comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the end of the previous reporting period or when they first came under common control, whichever is shorter.

Revenue recognition

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

Revenue from sales of goods is recognised when the goods are delivered and title has 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 cost 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 2011

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Revenue from sales of software is recognised when the software is customised and delivered, 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 software;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the software 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 cost incurred or to be incurred in respect of the transaction can be measured reliably.

Rental income under operating leases is recognised on a straight-line basis over the term of the relevant lease.

Service income is recognised when services are provided.

Interest income from a financial asset 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 the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Investments in associates

An associate is any entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control over those policies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates (continued)

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of loss of an associate equals or exceeds its interest in that associate (which includes 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 recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 Impairment of Assets with its carrying amount, any impairment loss recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Upon disposal of an associate that results in the Group losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with HKAS 39. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that associate.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interest in the associate that are not related to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in subsidiaries

Investments in subsidiaries are carried on the statement of financial position of the Company at cost less impairment. Provision for impairment in a subsidiary is made when the recoverable amount of the subsidiary is lower than the Company's respective cost of investment.

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

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

The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease.

Leasehold land for own use

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasehold land and building under development for future owner-occupied purpose

When the leasehold land and buildings are in the course of development for production or for administrative purposes and the leasehold land component is classified as a prepaid lease payment, the leasehold land is amortised over a straight-line basis over the lease term. During the construction period, the amortisation charge provided for the leasehold land is included as part of costs of buildings under construction. Buildings under construction are carried at cost, less any identified impairment loss. Depreciation of buildings commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

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) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses 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 the translation reserve (attributed to non-controlling interest as appropriate).

Borrowing costs

All borrowing costs are recognised as and included in finance costs in the consolidated statement of comprehensive income in the period in which they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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. Other government grants are recognised as revenue over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. 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.

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme and the state-managed retirement benefit scheme are recognised as an expense when employees have rendered services entitling them to the contributions.

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 profit as reported in the consolidated statement of 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 base 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 assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

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.

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 is recognised to profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Property, plant and equipment

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

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual value, 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 derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the profit or loss in the period in which the item is derecognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets

Technical know-how

Purchased technical know-how with finite useful lives is stated at cost less accumulated amortisation and any accumulated impairment loss (see the accounting policy in respect of impairment losses on tangible and intangible assets below). Amortisation is provided 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 effective of any changes in estimate being accounted for on a prospective basis.

Research and development expenditure

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

Derecognition of intangible assets

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

Impairment losses on tangible and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered 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. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately.

Where impairment loss subsequently reverses, the carrying amount of the asset 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 in prior years. A reversal of impairment loss is recognised as income immediately.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is 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.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the fair value of money is material).

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 cash and short-term bank deposits as defined above.

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 (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets

The Group's financial assets are classified as loans and receivables. 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 financial asset 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 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 asset, 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, restricted bank balances, short-term bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment loss (see accounting policy on impairment of financial assets below).

Financial instrument – available-for-sale financial assets

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

Available-for sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment loss at the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Financial instrument – available-for-sale financial assets (continued)

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

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are 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 the Group's 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
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, subsequently 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 credit period, observable changes in national or local economic conditions that correlate with default on receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (Continued)

For financial assets carried at amortised cost, impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as 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 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 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.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of 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.

Financial liabilities and equity instruments

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

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The Group's financial liabilities are generally classified into financial liabilities at fair value through profit or loss and other financial liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

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 recognisation.

Interest expense is recognised on an effective interest basis.

Other financial liabilities

Other financial liabilities including trade and bills payables, accruals and other payables, dividend payables and bank and other borrowings are subsequently measured at amortised cost, using the effective interest method.

Convertible loan note

Convertible loan note issued by the Group (including related embedded derivatives) are designated as financial liabilities at fair value through profit or loss on initial recognition. Subsequent to initial recognition, the entire convertible loan note is measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

Equity instruments

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. 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 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 is recognised in profit or loss.

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

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 grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimates, with a corresponding adjustment to share option reserve.

At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Remuneration shares

Remuneration shares were issued to the sponsor of the Company when the Company has been listed on the Main Board of the Stock Exchange.

The fair value of shares grant date was determined by the fair value of the services received by the Group.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying 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 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.

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.

Depreciation of property, plant and equipment

The Group's management determines the estimated useful lives, residual values, and related depreciation charges for the property, plant and equipment with reference to the estimated periods that the Group intends to derive future economic benefits from the use of these assets. Management will revise the depreciation charge where useful lives are different to previously estimated, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Periodic review could result in a change in depreciable lives and residual lives and therefore depreciation expenses in the future periods.

Amortisation on technical know-how

The determination of the estimated useful lives involves management's estimation. Management will re-assess the estimated useful lives of technical know-how regularly which may result in a change in useful lives and therefore amortisation in the future periods should the expectation differs from the original estimates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

5. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty (continued)

Estimated impairment of technical know-how

Determining whether technical know-how is impaired requires an estimation of the value in use. The value in use calculation requires the Group to estimate the future cash flows expected to arise. The cash flows used are consistent with the most up-to-date budgets and plans formally approved by management and are based on reasonable and supportable assumptions. Where the actual future cash flows are less than expected, a material impairment loss may arise. No impairment of technical know-how has been recognised for each of the reporting periods.

Allowance for trade and other receivables

The Group performs ongoing credit evaluation of its customers and adjusts credit limits based on payment history and the customer's current credit-worthiness, as determined by a review of their current credit information. The Group continuously monitors collections and payments from its customers and maintain a provision for estimated credit losses based upon its historical experience and any specific customer collection issues that it has identified. As at 31 December 2011, the carrying amount of trade receivables is RMB266,339,000 (net of allowance for doubtful debts of RMB13,431,000) (31 December 2010: carrying amount of RMB251,646,000, net of allowance for doubtful debts of RMB13,431,000), and the carrying amount of other receivables is RMB14,942,000 (net of allowance for doubtful debts of RMB169,000) (31 December 2010: carrying amount of RMB9,704,000, net of allowance for doubtful debts of RMB169,000).

Allowance for inventories

The Group does not have a general allowance policy on inventory based on ageing given the nature of inventories that are not subject to frequent wear and tear and frequent technological changes. However, operational procedures have been in place to monitor this risk as majority of working capital is devoted to inventories. The Group's sales and marketing managers review the inventory aged listing on a periodical basis for those aged inventories. This involves comparison of carrying value of the aged inventory items with the respective net realisable value. The purpose is to ascertain whether allowance is required to be made in the consolidated financial statements for any obsolete and slow-moving items. In addition, physical count on all inventories is carried out on a periodical basis in order to determine whether allowance need to be made in respect of any obsolete and defective inventories identified. In this regard, the directors of the Company are satisfied that this risk is minimal and adequate allowance for obsolete and slow-moving inventories has been made, if any, in the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

5. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty (continued)

Share-based payment

The Group granted shares options to the employees as a common feature of employee remuneration. HKFRS 2 requires recognition of an expense for those share options at the fair value on the grant date (equity-settled plans). For share options granted to the employees, in case market prices are not available because the options granted are subject to terms and conditions that do not apply to traded options. If this is the case, the Group estimates the fair value of the equity instruments granted using a valuation technique, which is consistent with generally accepted valuation methodologies. For the year ended 31 December 2011, share-based payment expenses amount to approximately RMB7,634,000 (2010: RMB4,244,000).

6. 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 debt, which includes bank and other borrowings disclosed in note 30, cash and cash equivalents disclosed in note 28 and equity attributable to owners of the Company, comprising issued share capital as disclosed in note 32 and reserves as disclosed in the consolidated statement of changes in equity.

The directors of the Company review the capital structure on a continuous basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, raising of new borrowings or repayment of existing borrowings.

7. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2011 **RMB'000**	2010 RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**548,756**	542,032
Financial liabilities		
Amortised cost	**167,753**	121,926

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

7. FINANCIAL INSTRUMENTS

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and bills receivables, deposits and other receivables, amounts due from associates, restricted bank balances, short-term bank deposits, bank balances and cash, trade and bills payables, accruals and other payables, dividend payables and bank and other borrowings. 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. A significant portion of the Group's sales and purchases is denominated in the functional currency of the Group (i.e. RMB).

Certain cash on hand are denominated in Hong Kong Dollars ("HK$") and US Dollars ("US$"), 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	
	2011	2010
	RMB'000	RMB'000
HK$	**302**	26,447
US$	**71**	67

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 2011

7. 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 foreign currency risk of US$ and HK$.

The following table details the Group's sensitivity to a 5% (2010: 5%) increase or decrease in RMB against the relevant foreign currencies. 5% (2010: 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% (2010: 5%) change in foreign currency rates. A negative number below indicates a decrease in post-tax profit where RMB strengthen 5% (2010: 5%) against the relevant currencies. For a 5% (2010: 5%) weakening of RMB against the relevant currencies, there would be an equal and opposite impact on the profit and the balances below would be negative.

	US$ impact		**HK$ impact**	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Profit or loss	**(3)**	(3)	**(13)**	(1,323)

The Group's sensitivity to foreign currencies has increased during the respective years mainly due to the decrease in bank balances denominated in foreign currencies as at 31 December 2011.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

7. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Market risk (continued)

(ii) Interest rate risk

The Group's fair value interest rate risk relates primarily to its fixed rate borrowings as detailed in note 30. The Group currently does not use any financial instruments to hedge its exposure to fair value interest rate risk as the terms of all borrowings are within one year of which the corresponding exposures are limited. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate borrowings, restricted bank balances, short-term bank deposits and bank balances as detailed in notes 30 and 28 respectively. It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

The Group's exposures to interest rates on financial assets and 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 borrowings and bank balances.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for variable rate restricted bank balances, bank balances, and bank and other borrowings. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. At the end of the reporting period, a 50 (2010: 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.

At the end of the reporting period, if interest rates had been 50 (2010: 50) basis points higher or lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2011 would decrease/increase by approximately RMB66,000 (2010: RMB863,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

7. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk

As at 31 December 2011, 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. In addition, the Group reviews the recoverable amount of each individual trade debt 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.

The credit risk on liquid funds is limited because the counterparties are authorised banks in the PRC.

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for all of the trade receivables as at the end of the reporting period.

The Group has a concentration of credit risk as 33.97% and 74.11% (2010: 8.5% and 43.8%) of the trade receivables was due from the Group's largest and top five customers respectively as at 31 December 2011.

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring and maintains a level of cash and cash equivalents deemed adequate by the management to finance operations and litigate the effects of fluctuations in cash flows. As at 31 December 2011, the Group has available unutilised overdraft and short-term bank loan facilities of approximately RMB21,513,000 (2010: RMB104,917,000).

The following tables detail the Group's remaining contractual maturity for its financial liabilities. For non-derivative financial liabilities, the tables have 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 tables include both interest and principal cash flows.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

7. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Liquidity table

2011	**Within 1 year or on demand RMB'000**	**Total undiscounted cash flows RMB'000**	**Carrying amount RMB'000**
Non-derivative financial liabilities			
Trade and bills payables	**90,941**	**90,941**	**90,941**
Accruals and other payables			
– non-interest bearing	**22,039**	**22,039**	**22,039**
Bank and other borrowings			
– variable rate	**58,137**	**58,137**	**54,773**
	171,117	**171,117**	**167,753**

2010	Within 1 year or on demand RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
Non-derivative financial liabilities			
Trade and bills payables	63,270	63,270	63,270
Accruals and other payables			
– non-interest bearing	18,514	18,514	18,514
Dividend payables	142	142	142
Bank and other borrowings			
– fixed rate	9,505	9,505	9,000
– variable rate	32,727	32,727	31,000
	124,158	124,158	121,926

Fair value

The fair value of the Group's financial assets and financial liabilities are determined as follows:

- The fair value of financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis; and
- The fair value of the option of convertible loan note is estimated using option pricing model.

The carrying amounts of other financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values due to their short-term maturities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

7. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Fair value (continued)

Fair value measurements recognised in the consolidated statement of financial position.

The follow table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The only financial instrument measured at fair value for the year ended 31 December 2010 was being the convertible loan note which belonged to level 3 financial instruments.

Reconciliation of Level 3 fair value measurements of financial liabilities.

	Convertible loan note	
	2011	2010
	RMB'000	RMB'000
At 1 January	**–**	8,581
Total gains or losses:		
– in profit or loss	**–**	3,956
Conversion	**–**	(12,537)
At 31 December	**–**	–

There was no transfer into or out of level 3 during the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

8. TURNOVER

Turnover represents the amounts received and receivable for goods sold and services provided to external customers, net of discounts, returns and sales related taxes.

9. SEGMENT INFORMATION

The Group determines its operating segments based on the internal reports reviewed by the executive directors that are used to make strategic decisions.

The Group currently organises its operations into five reportable segments, namely direct current power system ("DC Power System"), distribution of plug and switch system ("PASS") products and other segments which are power monitoring and management equipment, charging equipment for electric vehicles, wind and solar power generating balancing control products and high power light-emitting diode ("LED") lighting products. They represent six major lines of products sold by the Group. The principal activities of the reportable segments are as follows:

DC Power System	–	Sales of DC Power System products
PASS Products	–	Distribution of PASS products
Power Monitoring	–	Sales of power monitoring and management equipment
Charging Equipment	–	Sales of charging equipment for electric vehicles
Wind and Solar Power	–	Sales of wind and solar power generating balancing control products
LED products	–	Sales of high power LED lighting products

The operation of LED products was discontinued with effect from 1 November 2011 (see note 13 for details).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

9. SEGMENT INFORMATION (continued)

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

Year ended 31 December 2011

	Continuing operations					Discontinued operation	
	DC Power System RMB'000	PASS products RMB'000	Power Monitoring RMB'000	Charging Equipment RMB'000	Wind and Solar Power RMB'000	LED products RMB'000	Total RMB'000
Segment revenue	**114,477**	**3,585**	**28,497**	**122,101**	**–**	**–**	**268,660**
Segment results	**38,229**	**470**	**9,387**	**45,692**	**–**	**–**	**93,778**
Other revenue							**15,659**
Share of results of associates							**1,740**
Unallocated head office and corporate expenses							**(59,514)**
Profit before taxation							**51,663**

Year ended 31 December 2010

	Continuing operations					Discontinued operation	
	DC Power System RMB'000	PASS products RMB'000	Power Monitoring RMB'000	Charging Equipment RMB'000	Wind and Solar Power RMB'000	LED products RMB'000	Total RMB'000
Segment revenue	129,030	9,797	26,960	83,727	37,889	1,045	288,448
Segment results	51,956	1,646	13,855	38,720	19,721	97	125,995
Other revenue							2,556
Share of results of associates							(770)
Fair value change on convertible loan note							(3,956)
Unallocated head office and corporate expenses							(45,128)
Profit before taxation							78,697

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

9. SEGMENT INFORMATION (continued)

Segment results represent the profit earned by each segment without allocation of central administrative cost, directors' emoluments, share of results of associates, fair value change on convertible loan note and finance costs. This is the measure reported to the chief executive officer for the purpose of resource allocation and performance assessment.

Segment assets and liabilities

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

Segment assets	**2011** **RMB'000**	2010 RMB'000
Continuing operations:		
DC Power System	**173,929**	139,969
PASS Products	**33,830**	19,648
Power Monitoring	**33,034**	27,512
Charging Equipment	**146,059**	91,300
Wind and Solar Power	**–**	32,934
Total segment assets	**386,852**	311,363
Assets relating to discontinued operation	**1,306**	3,427
Unallocated	**326,704**	318,490
Consolidated assets	**714,862**	633,280

Segment liabilities	**2011** **RMB'000**	2010 RMB'000
Continuing operations:		
DC Power System	**41,729**	18,506
PASS Products	**1,306**	289
Power Monitoring	**10,388**	5,631
Charging Equipment	**45,816**	38,020
Wind and Solar Power	**–**	5,424
Total segment liabilities	**99,239**	67,870
Liabilities relating to discontinued operation	**–**	–
Unallocated	**141,922**	111,390
Consolidated liabilities	**241,161**	179,260

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

9. SEGMENT INFORMATION (continued)

Segment assets and liabilities (continued)

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

- all assets are allocated to reportable segments other than deposits for acquisition of plant and equipment, available-for-sale financial assets, amounts due from associates, interests in associates, prepayments, deposits and other receivables, restricted bank balances, short-term bank deposits and bank balances and cash. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments; and

- all liabilities are allocated to reportable segments other than dividend payables, accruals and other payables, tax payable, bank and other borrowings and deferred tax liabilities. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

Other segment information

The following is an analysis of the Group's other segment information by reportable segments.

For the year ended 31 December 2011

	Continuing operations					Discontinued operation	
	DC Power System RMB'000	**PASS products RMB'000**	**Power Monitoring RMB'000**	**Charging Equipment RMB'000**	**Wind and Solar Power RMB'000**	**LED products RMB'000**	**Total RMB'000**
Additions to non-current assets	**5,077**	**13,120**	**1,264**	**5,414**	**–**	**–**	**24,875**
Depreciation and amortisation	**1,951**	**360**	**610**	**1,863**	**–**	**–**	**4,784**

For the year ended 31 December 2010

	Continuing operations					Discontinued operation	
	DC Power System RMB'000	PASS products RMB'000	Power Monitoring RMB'000	Charging Equipment RMB'000	Wind and Solar Power RMB'000	LED products RMB'000	Total RMB'000
Additions to non-current assets	1,420	95	58	1,530	1,753	93	4,949
Depreciation and amortisation	1,241	195	206	638	288	8	2,576
Allowance for trade receivables	1,325	490	859	277	–	10	2,961

Note:

Non-current assets excluded those relating to discontinued operation and excluded deposits for acquisition of plant and equipment, interests in associates and available-for-sale financial assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

9. SEGMENT INFORMATION (continued)

Geographical information

All revenues from external customers and non-current assets are derived from the PRC.

Major customers

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

	2011 RMB'000	2010 RMB'000
Customer A[1]	**57,462**	34,682
Customer B[1]	**39,268**	N/A[2]

[1] *Revenue mainly from Charging Equipment*

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

10. OTHER REVENUE

	2011 RMB'000	2010 RMB'000
Continuing operations		
Value added tax ("VAT") refunds *(note a)*	**5,210**	5,739
Interest income	**1,974**	1,559
Gain on deemed disposal of a subsidiary	**–**	509
Deemed gain on deregistration of a subsidiary *(note 36)*	**78**	–
Gain on deemed disposal of partial interest in an associate *(note 37)*	**–**	77
Gain on deemed disposal of interests in associates *(note 37)*	**114**	–
Consultancy service income	**688**	109
Government grants *(note b)*	**12,201**	103
Reversal of allowance for other receivables	**–**	87
Rental income *(note c)*	**47**	50
Repairs and maintenance services provided	**307**	35
Other income	**250**	27
	20,869	8,295

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

10. OTHER REVENUE (continued)

Notes:

(a) VAT refunds represent the refund of VAT charged on qualified sales of software products by the PRC tax bureau.

(b) Government grants represent the 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 of which there are no unfulfilled conditions or contingencies relating to those subsidies during the year. For the year ended 31 December 2010, the subsidy received from Zhuhai People's Government (「珠海市人民政府」) regarding Titans Technology was one of the top ten civil enterprises of Zhuhai city (「珠海市十大民營企業」) during the year *(for details please refer to note 44)*.

(c) Rental income is net of outgoings of RMB31,000 for the year ended 31 December 2011 (2010: RMB22,000).

11. FINANCE COSTS

	2011 **RMB'000**	2010 RMB'000
Continuing operations		
Interest on:		
Bank and other borrowings wholly repayable within five years	**1,465**	2,551
Advance from staff	**–**	6
Factoring cost on trade receivables	**2,318**	2,755
	3,783	5,312

12. INCOME TAX EXPENSE

	2011 **RMB'000**	2010 RMB'000 (Restated)
Continuing operations		
Current tax:		
PRC Corporate Income Tax	**8,397**	14,606
Deferred tax *(note 38)*		
Current year	**10,194**	–
	18,591	14,606

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

12. INCOME TAX EXPENSE (continued)

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.

The relevant tax rate for the Group's subsidiaries in the PRC was 25% for the year ended 31 December 2011 (2010: 25%).

Zhuhai Titans Automatic Technology Company Limited ("Titans Automatic"), Zhuhai Titans Technology Co., Ltd. ("Titans Technology") and Zhuhai Titans New Energy Systems Co., Ltd. ("Zhuhai Clear") were established in Zhuhai, the special economic zone, the income tax rates applicable to them was 15% pursuant to the relevant PRC laws in 2007, Titans Technology and Zhuhai Clear were recognised as High and New Technology Enterprises by Department of Science and Technology of Guangdong Province in 2008 and the income tax rate applicable to them is 15% for the year ended 31 December 2011 (2010: 15%).

Starting from May 2008, Titans Automatic in the PRC is exempted from the PRC income tax for two years starting from their first profit-making year, followed by a 50% reduction for the next three years. Provision for PRC income tax has been made based on 50% reduction in Titans Automatic for the years ended 31 December 2011 and 2010.

The taxation for the years can be reconciled to the profit before taxation per the consolidated statement of comprehensive income as follows:

	2011 **RMB'000**	2010 RMB'000 (Restated)
Profit before taxation from continuing operations	**51,663**	78,600
Tax at the applicable income tax rate of 15%	**7,865**	11,789
Tax effect of expenses not deductible for tax purpose	**2,397**	4,272
Tax effect of income not taxable for tax purpose	**(1,818)**	(861)
Tax effect of share of results of associates	**(261)**	115
Tax effect of tax losses not recognised	**1,411**	150
Effect of tax exemption granted	**–**	(274)
Other temporary differences not recognised	**–**	(120)
PRC withholding income tax	**10,194**	–
Utilisation of tax losses previously not recognised	**–**	(465)
Effect of difference tax rates of subsidiaries	**(1,197)**	–
Taxation for the year relating to continuing operations	**18,591**	14,606

Details of deferred taxation are set out in note 38.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

13. DISCONTINUED OPERATION

Pursuant to a resolution passed on 1 November 2011, the directors decided to cease the operation of LED products with immediate effect. The comparative profit and cash flows from discontinued operation have been re-presented to include the operation classified as discontinued in the current year.

The profit for the year from the discontinued operation is analysed as follows:

	2011 **RMB'000**	2010 RMB'000
Profit of LED products operation for the year	–	82

The results of the LED products operation for the period from 1 January 2011 to 31 October 2011, which have been included in the consolidated statement of comprehensive income, were as follows:

	Period from **1 January** **2011 to** **31 October** **2011** **RMB'000**	Year ended 31/12/2010 RMB'000
Revenue	–	1,045
Cost of sales	–	(820)
Selling and distribution expenses	–	(128)
Profit before tax	–	97
Income tax expense	–	(15)
Profit for the period/year	–	82
Profit for the year from discontinued operation include the following:		
Depreciation of property, plant and equipment	–	8

During the year ended 31 December 2011, the discontinued operation contributed no effect to the Group's net operating cash flows.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

14. PROFIT FOR THE YEAR

	2011 RMB'000	2010 RMB'000 (Restated)
Profit for the year from continuing operations have been arrived at after charging:		
Staff costs		
Directors' emoluments *(Note 15)*	**1,983**	2,091
Other staff		
– share based payments for other staff	**6,922**	3,960
– salaries and other allowances	**24,130**	16,097
– retirement benefits scheme contributions (excluding directors)	**3,822**	1,774
Total staff costs	**36,857**	23,922
Depreciation of property, plant and equipment	**4,212**	2,199
Amortisation of prepaid lease payments	**194**	–
Amortisation of intangible assets	**378**	377
Auditor's remuneration	**840**	717
Research and development costs	**16,369**	13,362
Operating lease rentals in respect of rented premises	**1,070**	1,486
Loss on disposal of property, plant and equipment	**284**	70
Loss on deemed disposal of an associate	**15**	–
Allowance for trade receivables (included in administrative expenses)	**–**	2,961
Reversal of allowance for inventories (included in cost of sales)	**–**	(128)
Cost of inventories recognised as an expense	**146,707**	133,108

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

15. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the five (2010: five) directors were as follows:

For the year ended 31 December 2011

		Other emoluments			
	Fees RMB'000	Salaries and other benefits RMB'000	Share based payments RMB'000	Retirement benefits scheme contributions RMB'000	Total emoluments RMB'000
Executive directors:					
Li Xin Qing	–	474	356	13	843
An Wei	–	474	356	13	843
Independent non-executive directors:					
Li Wan Jun	99	–	–	–	99
Li Xiao Hui	99	–	–	–	99
Yu Zhou Ping	99	–	–	–	99
Total	297	948	712	26	1,983

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

15. DIRECTORS' EMOLUMENTS (continued)

For the year ended 31 December 2010

		Other emoluments				
	Fees RMB'000	Salaries and other benefits RMB'000	Performance related incentive payment *(Note)* RMB'000	Share based payments RMB'000	Retirement benefits scheme contributions RMB'000	Total emoluments RMB'000
Executive directors:						
Li Xin Qing	–	367	397	142	14	920
An Wei	–	359	397	142	14	912
Independent non-executive directors:						
Li Wan Jun	52	–	40	–	–	92
Li Xiao Hui	52	–	40	–	–	92
Yu Zhou Ping	35	–	40	–	–	75
Total	139	726	914	284	28	2,091

Note: The performance related incentive payment was determined as a percentage of the net profits less non-recurring income for the year ended 31 December 2010.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

16. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (2010: two) were directors of the Company whose emoluments are included in the disclosures in Note 15 above. The emoluments of the remaining individual are as follows:

	2011 **RMB'000**	2010 RMB'000
Salaries and other benefits	**653**	725
Retirement benefits scheme contributions	**17**	18
	670	743

The emoluments of the remaining three individuals is within the band of nil to HK$1,000,000 (equivalent to nil to RMB828,000) (2010: nil to HK$1,000,000, equivalent to nil to RMB851,000).

17. DIVIDENDS

	2011 **RMB'000**	2010 RMB'000
Dividends recognised as distribution during the year:		
2011 Interim – HK$3 cents	**20,425**	–

The final dividend of HK$1 cent in respect of the year ended 31 December 2011 (2010: nil) per share has been proposed by the directors and is subject to approval by the shareholders in general meeting.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

18. EARNINGS PER SHARE

From continuing and discontinued operations

The calculation of basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	2011	2010
	RMB'000	RMB'000
Earnings		
Earnings for the purpose of basic and diluted earnings per share		
Profit for the year attributable to owners of the Company	**33,872**	60,253
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**830,000,000**	729,082,959
Effect of dilutive potential ordinary shares:		
Share options	**3,497,673**	2,289,268
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**833,497,673**	731,372,227

From continuing operations

The calculation of the basic and diluted earning per share from continuing operations attributable to the owners of the Company is based on the following data:

	2011	2010
	RMB'000	RMB'000
Earnings figures are calculated as follow:		
Profit for the year attributable to owners of the Company	**33,872**	60,253
Less: Profit for the year from discontinued operation	–	(82)
	33,872	60,171

The denominators used are the same as those detailed above for both basic and diluted earnings per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

19. 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	Total RMB'000
COST						
At 1 January 2010	16,171	394	3,195	3,795	2,246	25,801
Additions	–	105	691	3,130	1,023	4,949
Disposals	–	–	(104)	(1,645)	(48)	(1,797)
Deemed disposal of a subsidiary	–	–	(375)	(457)	–	(832)
At 31 December 2010	16,171	499	3,407	4,823	3,221	28,121
Additions	–	707	7,316	133	3,758	11,914
Disposals	–	–	(811)	(708)	(987)	(2,506)
At 31 December 2011	16,171	1,206	9,912	4,248	5,992	37,529
ACCUMULATED DEPRECIATION						
At 1 January 2010	7,357	98	1,864	2,065	1,059	12,443
Provided for the year	857	58	360	527	397	2,199
Eliminated on disposals	–	–	(78)	(1,481)	(22)	(1,581)
Deemed disposal of a subsidiary	–	–	(49)	(151)	–	(200)
At 31 December 2010	8,214	156	2,097	960	1,434	12,861
Provided for the year	857	529	1,284	659	883	4,212
Eliminated on disposals	–	–	(527)	(115)	(583)	(1,225)
At 31 December 2011	**9,071**	**685**	**2,854**	**1,504**	**1,734**	**15,848**
CARRYING VALUES						
31 December 2011	**7,100**	**521**	**7,058**	**2,744**	**4,258**	**21,681**
31 December 2010	7,957	343	1,310	3,863	1,787	15,260

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

19. PROPERTY, PLANT AND EQUIPMENT (continued)

The Group's leasehold land and buildings are located in the PRC and under medium-term leases.

The above items of property, plant and equipment are depreciated on a straight-line basis, after taking into account of their estimated residual value, at the following rates per annum:

Leasehold land and buildings	4.5%
Leasehold improvements	20% or based on lease terms
Furniture, fixtures and equipment	18%
Motor vehicles	18%
Plant and machinery	18%

As at 31 December 2011, the Group has pledged its leasehold land and buildings with carrying values of approximately RMB6,863,000 (2010: RMB7,957,000) to secure general banking facilities granted to the Group.

20. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments comprise land use rights in the PRC which are held under medium-term leases. The prepaid lease payments are amortised over a period of 45.5 years on a straight-line basis.

	2011	2010
	RMB'000	RMB'000
Analysed for reporting purposes as		
Non-current asset	**12,817**	–
Current asset	**288**	–
	13,105	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

21. INTANGIBLE ASSETS

	Technical know-how RMB'000
COST	
At 1 January 2010, 31 December 2010 and 31 December 2011	3,000
AMORTISATION	
At 1 January 2010	921
Charge for the year	377
At 31 December 2010	1,298
Charge for the year	378
At 31 December 2011	1,676
CARRYING VALUES	
At 31 December 2011	**1,324**
At 31 December 2010	1,702

The technical know-how has definite useful life. It is amortised on the straight-line basis over the estimated useful lives of the relevant assets of 7 or 10 years.

The recoverable amount of the technical know-how has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a period of three to six years (2010: three to six years), and a pre-tax discount rate of 5.00% (2010: 4.94%) for the year ended 31 December 2011. The cash flow beyond the five-year period is extrapolated using zero growth rate. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the technical know-how to exceed its aggregate recoverable amount.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

22. INTERESTS IN ASSOCIATES

	2011	2010
	RMB'000	RMB'000
Cost of investments in unlisted associates	**13,500**	21,676
Deemed disposal of partial interest in an associate *(note 37)*	**–**	77
Share of post acquisition results	**1,124**	(770)
	14,624	20,983

	2011	2010
	RMB'000	RMB'000
Total assets	**92,932**	124,097
Total liabilities	**(60,434)**	(62,556)
Net assets	**32,498**	61,541
Group's share of net assets of associates	**14,624**	20,983
Revenue	**100,493**	62,402
Profit/(loss) for the year	**3,879**	(2,258)
Group's share of results of associates for the year	**1,740**	(770)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

22. INTERESTS IN ASSOCIATES (continued)

Name of entity	Form of business structure	Place of Incorporation/ operation	Class of share held	Proportion of nominal value of registered capital directly held by the Group 2011	2010	Proportion of voting power held 2011	2010	Principal activities
Beijing Hua Shang Clear New Energy Technology Co., Ltd*（北京華商三優新能源科技有限公司）("Beijing HuaShang")	Registered	PRC	Capital contribution	**45%**	45%	**45%**	45%	Promotion and sales of charging equipment for electric vehicles
Beijing New Clear Energy Equipment Co., Ltd. *（北京優科利爾能源設備有限公司）("Beijing New Clear")	Registered	PRC	Capital contribution	**–^**	20%	**–^**	20%	Sales of charging equipment
Henan Longyuan New Energy Equipment Co. Ltd.*（河南龍源新能源裝備有限公司）("Henan Longyuan")	Registered	PRC	Capital contribution	**–^**	26%	**–^**	26%	Sales of charging equipment for electric vehicles and wind and solar power equipment

^ *Become an available-for-sale financial asset (please refer to note 23 for details)*

* *For identification only*

23. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2011 RMB'000	2010 RMB'000
Available-for-sale investments comprise:		
Unlisted investments:		
– equity securities	**8,198**	–

The above unlisted equity investments represent investments in unlisted equity securities issued by private entities incorporated in the PRC. They are measured at fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

24. INVENTORIES

	2011 RMB'000	2010 RMB'000
At cost		
Raw materials	**25,355**	13,752
Work-in-progress	**2,563**	12,183
Finished goods	**33,553**	9,419
	61,471	35,354

There was a long aged inventory which had been subsequently sold for the year ended 31 December 2010. As a result, a reversal of write-down of finished goods of RMB128,000 (2011: nil) has been recognised and included in cost of sales.

25. TRADE AND BILLS RECEIVABLES

	2011 RMB'000	2010 RMB'000
Trade receivables	**279,770**	265,077
Less: allowance for trade receivables	**(13,431)**	(13,431)
	266,339	251,646
Bills receivables	**1,750**	3,300
Total trade and bills receivables	**268,089**	254,946

Included in the balances of trade receivables as at 31 December 2011 were retention receivables of approximately RMB36,538,000 (2010: RMB37,757,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

25. TRADE AND BILLS RECEIVABLES (continued)

The following is an aged analysis of trade receivables net of allowance for trade receivables at the end of the reporting period:

	2011	2010
	RMB'000	RMB'000
0 – 90 days	**101,099**	128,489
91 – 180 days	**20,145**	17,234
181 – 365 days	**53,787**	55,876
1 – 2 years	**76,426**	39,081
2 – 3 years	**11,732**	10,966
Over 3 years	**3,150**	–
	266,339	251,646

The Group allows an average credit period of 90 days to its trade customers counted from the due date of each of their installment payments pursuant to the sales contracts. Installment payments are separate into initial deposit payment which due upon signing of sales contracts, the payment after installation and testing and retention money which due from the end of the product quality assurance period which is twelve to eighteen months after the installation and testing.

Before accepting any new customer, the Group assesses the credit quality of the potential customers and determines the credit terms and limits for them. Credit quality of the existing customers and recoverability of the trade receivables is monitored by the Group regularly.

The Group's trade receivables neither past due nor impaired mainly represent sales made to recognised and creditworthy customers. These customers, who trade on credit terms, are subject to credit verification procedures. The Group does not hold any collateral over these balances.

At the end of the reporting period, the Group's trade receivables are individually determined to be impaired. In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. In view of the good repayment history from those major debtors of the Group, the directors of the Company consider that there is no further allowance for doubtful debts required in excess of the impairment loss recognised for each of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

25. TRADE AND BILLS RECEIVABLES (continued)

As at 31 December 2011, included in the Group's trade receivable balances were receivables with aggregate carrying amounts of approximately RMB165,240,000 (2010: RMB123,157,000) 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 either subsequently settled or there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

Ageing of trade receivables which are past due but not impaired:

	2011 RMB'000	2010 RMB'000
Duration of past due		
0 – 90 days	**20,146**	17,234
91 – 180 days	**13,447**	13,969
181 – 365 days	**59,447**	51,677
1 – 2 years	**60,252**	32,052
2 – 3 years	**9,586**	8,225
Over 3 years	**2,362**	–
	165,240	123,157
Neither past due nor impaired	**101,099**	128,489
	266,339	251,646

Movement in the allowance for trade receivables:

	2011 RMB'000	2010 RMB'000
Balance at beginning of the year	**13,431**	11,150
Deemed disposal of a subsidiary	**–**	(680)
Allowance for trade receivables	**–**	2,961
Balance at end of the year	**13,431**	13,431

As at 31 December 2011, included in the allowance for trade receivables are individually impaired trade receivables with aggregate balances of approximately RMB13,431,000 (2010: RMB13,431,000) which have been placed in severe financial difficulties. The Group does not hold any collateral over these balances.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

25. TRADE AND BILLS RECEIVABLES (continued)

During the year, the Group has not factored any accounts receivables (2010: RMB49,546,000) to a bank.

Pursuant to an agreement, Titans Technology pledged trade receivables of approximately RMB50,000,000 (2010: RMB11,509,000) for credit facilities of RMB50,000,000 (2010: RMB38,400,000) granted to Titans Technology from a bank.

26. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2011	2010
	RMB'000	RMB'000
Other receivables	**15,111**	9,873
Less: allowance for other receivables	**(169)**	(169)
	14,942	9,704
Prepayments to suppliers	**22,353**	11,005
Deposits	**–**	500
Prepayments	**144**	101
	37,439	21,310

No deposits were pledged to an independent party as the security for the guarantee given by the third party to a bank for credit facilities granted to the Group as at 31 December 2011 (2010: RMB500,000). Details of the pledge of assets are set out in note 41.

Movement in the allowance for other receivables:

	2011	2010
	RMB'000	RMB'000
Balance at beginning of the year	**169**	256
Reversal of allowance for other receivables	**–**	(87)
Balance at end of the year	**169**	169

As at 31 December 2010, included in the allowance for other receivables were individually impaired trade receivables with aggregate balances of approximately RMB169,000 (2011: RMB169,000) which had been assessed as highly probable from non-repayment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

27. AMOUNTS DUE FROM ASSOCIATES

At 31 December 2011, no balance included in amounts due from associates is unsecured, interest-free and repayment on demand (2010: RMB9,500,000). The remaining balances are unsecured, interest-free and trading in nature.

The Group allows credit period average 90 days after issuing sales invoice to its associates.

The Group's amounts due from associates mainly represent the sales made to Beijing HuaShang and the ageing of the balance is within 90 days.

In determining the recoverability of amounts due from associates, the Group considers any change in credit quality of amounts due from associates from the date credit was initially granted up to the reporting date. In view of the good settlement repayment history from the associates of the Group, the directors of the Company consider that there is no credit provision required for the year.

28. RESTRICTED BANK BALANCES/SHORT-TERM BANK DEPOSITS/BANK BALANCES

Restricted bank balances represent deposits required and restricted by banks in respect of the issue of letter of credit to certain customers and suppliers and therefore are classified as current assets. For the year ended 31 December 2011, the balances carried interest at average market rates of 0.36% (2010: 0.36%) per annum and will be released upon the completion of the respective transactions.

Short-term bank deposits represent the fixed bank deposits at rates ranged from 3.10% to 5.50% (2010: 1.91% to 2.75%) of which the days of maturity are over 3 months.

Bank balances carried interest at market rates of 0.50% (2010: 0.36%) per annum for the year ended 31 December 2011.

At 31 December 2011, bank balances of approximately RMB71,000 (2010: RMB67,000) and RMB302,000 (2010: RMB26,447,000) were denominated in US$ and HK$ respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

29. TRADE AND BILLS PAYABLES

	2011 **RMB'000**	2010 RMB'000
Trade payables	**70,226**	51,941
Bills payables	**20,715**	11,329
Total trade and bills payables	**90,941**	63,270

The following is an aged analysis of trade payables at the reporting date:

	2011 **RMB'000**	2010 RMB'000
0 – 90 days	**57,043**	47,537
91 – 180 days	**4,511**	2,344
181 – 365 days	**7,022**	452
1 – 2 years	**952**	1,608
Over 2 years	**698**	–
	70,226	51,941

The average credit period on purchases of goods is 90 days. The Group has financial risk management policy in place to ensure that all payables within the credit timeframe.

30. BANK AND OTHER BORROWINGS

	2011 **RMB'000**	2010 RMB'000
Bank loans, secured	**35,000**	10,000
Bank loans, unsecured	**19,773**	30,000
	54,773	40,000
Carrying amounts repayable:		
Within one year, shown under current liabilities	**54,773**	40,000

Bank loans are arranged at fixed rates as well as floating rates. The effective interest rates (which also equal to contracted interest rates) on the Group's bank loans ranges from 4.86% to 7.87% (2010: 4.52% to 7%) per annum for the year ended 31 December 2011.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

30. BANK AND OTHER BORROWINGS (continued)

The analysis of the terms of the bank and other borrowings is as follows:

	2011	2010
	RMB'000	RMB'000
Fixed rate borrowings	–	9,000
Variable rate borrowings	**54,773**	31,000
	54,773	40,000

During the year, the Group obtained new loans in the amount of RMB71,573,000 (2010: RMB118,415,000). The proceeds were used as the Group's working capital. The above bank and other borrowings are all denominated in RMB and hence no foreign currency risk exposure.

As at 31 December 2011 and 2010, certain of the borrowings were guaranteed by the directors of the Group, detail of the guarantees are set out at note 43.

As at 31 December 2010, Titans Technology pledged the leasehold land and buildings of carrying values of approximately RMB281,000 (2011: nil) and RMB500,000 (2011: nil) refundable deposits as securities for its guarantee given to 珠海市中小企業信企業擔保有限公司 for credit facilities of RMB5,000,000 granted to Titans Technology.

As detailed in note 41, the Group's leasehold land and buildings of carrying values of approximately RMB6,863,000 (2010: RMB7,676,000) as at 31 December 2011 were pledged to secure bank borrowings and facilities.

31. CONVERTIBLE LOAN NOTE

On 19 December 2008, the Company entered into the note purchase agreement with Guofu (Hong Kong) Holdings Limited ("Guofu"). Pursuant to the said note purchase agreement, the Company issued the convertible loan note for a principal amount of HK$10,000,000 (equivalent to RMB8,864,000 at the time of issuance) (the "Old Convertible Note") to Guofu on 22 December 2008. The convertible loan note carried interest at a rate of 8.1% per annum on the principal amount then outstanding.

On 27 July 2009, the Old Convertible Note was transferred by Guofu to Wealth Source Development Limited ("Wealth Source"). In connection with the transfer, the Old Convertible Note held by Guofu was cancelled on 27 July 2009 and the Company re-issued the convertible note to Wealth Source on 27 July 2009 (the "New Convertible Note"). The New Convertible Notes and Old Convertible Note carried the same terms.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

31. CONVERTIBLE LOAN NOTE (continued)

The term of conversion based on the securities holders agreement were as follows:

The New Convertible Note will be matured on the first anniversary from the date of issue of the New Convertible Note or such other date as the noteholder and the Company agrees (the "Maturity Date").

The principal amount of the New Convertible Note shall automatically be converted into 2.47% of the total issued share capital of the Company on the date of the initial public offering ("IPO") of the Company's shares on the Stock Exchange (the "Conversion Date").

In the event that the IPO does not take place on or before the Maturity Date or such later date or dates as the Company and Wealth Source agree, the New Convertible Note shall lapse and the Company shall on the Maturity Date redeem the outstanding New Convertible Note at the price equivalent to the principal amount of the convertible loan note together with interest accrued thereon up to the Maturity Date.

The convertible loan note was fairly valued by the directors of the Company with reference to a valuation report issued by BMI Appraisals Limited, independent and recognised business valuers, on the date of conversion, 28 May 2010. The change in fair value of the convertible loan note of approximately RMB3,956,000 had been recognised in the consolidated statement of comprehensive income for the year ended 31 December 2010.

The assumptions adopted for the valuation of the convertible loan note were as follows:

(i) The estimation of risk free rate had made reference to the yield of exchange fund notes with same duration as the convertible loan note;

(ii) The estimation of volatility for the underlying share price had considered the historical price movements of those companies engaged in relatively to similar industry;

(iii) The discount for lack of marketability for lock up periods and unsuccessful listing was approximately 25% – 50%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

31. CONVERTIBLE LOAN NOTE (continued)

The fair value of the convertible loan note was calculated using the Binomial model. The input into the model was as follows:

	28 May 2010
	RMB'000
Expected value of the shares on the valuation date	16,178
Price-to-earning ratio	15
Risk-free rate	0.29%

The movement of the convertible loan note for the year was set out below:

	2011	2010
	RMB'000	RMB'000
Carrying amount at the beginning of the year	–	8,581
Fair value change in profit and loss	–	3,956
Conversion to shares	–	(12,537)
Carrying amount at the end of the year	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

32. SHARE CAPITAL

The share capital at 1 January 2010 and 31 December 2010 represented the sum of share capital of Titans (BVI) Limited ("Titans BVI") and the Company.

	Notes	Number of shares	Share capital HK$'000
Authorised:			
Ordinary shares of HK$0.01 each			
Balance at 1 January 2010		38,000,000	380
Increase during the year	*(c)(i)*	9,962,000,000	99,620
At 31 December 2010, 1 January 2011 and 31 December 2011		10,000,000,000	100,000
			RMB'000
Issued and fully paid:			
Balance at 1 January 2010		100,000	1
Issued in consideration for the acquisition of a subsidiary pursuant to the Corporate Reorganisation	*(a)*	100,000	1
Conversion of convertible loan note	*(b)*	6,825	–
Capitalisation issue of shares	*(c)(iii)*	598,193,175	5,269
Issue of new shares upon listing of the Company's shares on the Stock Exchange	*(c)(ii)*	200,000,000	1,762
Issue of remuneration shares	*(c)(iv)*	1,600,000	14
Issue of new shares upon exercise of the over-allotment option	*(d)*	30,000,000	264
At 31 December 2010, 1 January 2011 and 31 December 2011		830,000,000	7,311

Notes:

(a) On 8 May 2010, the Company acquired the entire issued share capital of Titans BVI from Clear Profit Resources Limited, Benefit Way Group Limited, Rich Talent Management Limited, Genius Mind Enterprises Limited, Great Passion International Limited, Honor Boom Investments Limited, Huge Step Holdings Limited, Jumbo Gain Enterprises Limited and Perfect Quality Holdings Limited by the allotment and issue of a total of 100,000 shares, all credited as fully paid, to Clear Profit Resources Limited, Benefit Way Group Limited, Rich Talent Management Limited, Genius Mind Enterprises Limited, Great Passion International Limited, Honor Boom Investments Limited, Huge Step Holdings Limited, Jumbo Gain Enterprises Limited and Perfect Quality Holdings Limited as to 2,820 shares, 3,850 shares, 1,380 shares, 32,865 shares, 32,865 shares, 14,250 shares, 3,830 shares, 4,150 shares and 3,990 shares respectively as consideration.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

32. SHARE CAPITAL (continued)

Notes: (continued)

(b) On 28 May 2008, the convertible loan note was converted into 6,825 ordinary shares of HK$0.01 each in the Company.

(c) On 8 May 2010, shareholders' resolutions were passed to approve the matters set out in the paragraph headed "Written resolutions of all the Shareholders passed on 8 May 2010" in Appendix V to the Prospectus, pursuant to which:

(i) The authorised share capital of the Company was increased from HK$380,000 to HK$100,000,000 divided into 10,000,000,000 ordinary shares of HK$0.01 each.

(ii) On 28 May 2010, 200,000,000 ordinary shares of HK$0.01 each of the Company were issued ("New Issue") at HK$1.18 by way of placing and public offer. On the same date, the Company's shares were listed on the Main Board of the Stock Exchange.

(iii) Subject to the share premium account of the Company being credited as a result of the New Issue, the directors of the Company were authorised to capitalise HK$5,981,932 (equivalent to RMB5,269,484) standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par 598,193,175 ordinary shares for allotment and issue to the shareholders of the Company on the register of the members of the Company at the close of business on 14 May 2010 in proportion to their then respective existing shareholdings in the Company and the directors of the Company allotted and issued such shares as aforesaid and gave effect to the capitalisation.

(iv) The allotment and issue of 1,600,000 shares to OSK Capital Hong Kong Limited ("OSK") as part of the consideration for the services provided by them as sponsor to the Company for the listing of the Company's shares. In the opinion of the directors of the Company, the consideration was determined with reference to the fair value of the service provided by OSK.

(d) On 1 June 2010, an over-allotment option was exercised and a further 30,000,000 shares of HK$0.01 each were issued at HK$1.18 per share.

All shares issued during the year ended 31 December 2010 ranked pari passu in all respects with all shares then in issue.

33. CONTRIBUTION OF ADDITIONAL INTEREST IN A SUBSIDIARY

During the year ended 31 December 2011, Jiangyin Titans High Voltage electric Co., Ltd. ("Jiangyin Titans") increased the registered share capital from the contribution of the Group by approximately RMB19,573,000. The Group's equity interest in Jiangyin Titans increased from 51.00% to 90.04%. The difference on additional interest with a carrying amount of approximately RMB530,000 has been recognised in other reserves within equity.

34. ACQUISITION OF ADDITIONAL INTEREST IN A SUBSIDIARY

On 21 November 2011, Zhuhai Titans Automatic Technology Company Limited has acquired the remaining 20% equity interest in Zhuhai Titans New Energy Systems Co., from a third party, with a capital injection of RMB600,000. The carrying value of the additional equity interests acquired was approximately RMB3,464,000. The difference of approximately RMB2,864,000 between the consideration and the carrying value of the equity interests acquired has been recognised in other reserves within equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

35. DEEMED DISPOSAL OF A SUBSIDIARY

On 11 October 2010, there were capital enlargement and injection of capital to Beijing New Clear, then subsidiary of the Group. The Group's equity interest in Beijing New Clear was diluted from 55% to 25%. This transaction was regarded as a deemed disposal of a subsidiary and Beijing New Clear became an associate of the Group.

Analysis of assets and liabilities of Beijing New Clear over which control was lost:

	At 11/10/2010 RMB'000
Property, plant and equipment	632
Prepayment for acquisition of buildings	12,612
Inventories	1,114
Trade receivables	1,876
Other receivables, prepayments and deposits	1,244
Bank balances and cash	126
Trade payables	(1,253)
Other payables and accruals	(8,071)
Short-term bank loan	(7,975)
Non-controlling interests	(138)
Net assets disposed of	167
Gain on deemed disposal	
Interest in an associate	3,576
Capital injection by the Group	(2,900)
Net assets disposed of	(167)
Gain on deemed disposal of a subsidiary	509
Net cash outflow on deemed disposal of a subsidiary	
Bank balances and cash disposed of	(126)

The impact of the disposal of Beijing New Clear had no material effect on the Group's results and cash flows for the year ended 31 December 2010.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

36. DEREGISTRATION OF A SUBSIDIARY

On 29 December 2011, the Group's subsidiary, Shijiazhuang Guofu Titans New Energy Co., Ltd. was deregistered. The net assets of Shijiazhuang Guofu Titans New Energy Co., Ltd as at the date of deregistration were as follows:

Analysis of assets and liabilities at the date of deregistration:

	At 29/12/2011 RMB'000
Bank balances and cash	1
Other payables	(79)
Net liabilities	(78)
Deemed gain on deregistration	
Net liabilities	78
Deemed gain on deregistration of a subsidiary	78
Net cash outflow on deregistration of a subsidiary	
Bank balances and cash	(1)

The deregistration of Shijiazhuang Guofu Titans New Energy Co., Ltd has no material effect on the Group's results and cash flows for the year ended 31 December 2011.

37. DEEMED DISPOSAL OF INTERESTS/PARTIAL INTEREST IN ASSOCIATES

On 4 May 2011, an independent third party had injected RMB15 million into the Group's associate, Henan Longyuan, as equity investment. On 22 December 2011, an independent third party had injected RMB20 million into the Group's associate, Beijing New Clear, as equity investment. As a result, the Group's equity interests in Henan Longyuan and Beijing New Clear, were diluted from 26.00% to 10.40% and from 20.00% to 12.00% respectively. Henan Longyuan and Beijing New Clear became available-for-sale financial assets of the Group. Gain arising from the deemed disposal of interest in Henan Longyuan amounted to approximately RMB114,000. The loss arising from the deemed disposal of interest in Beijing New Clear amounted to approximately RMB15,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

37. DEEMED DISPOSAL OF INTERESTS/PARTIAL INTEREST IN ASSOCIATES (continued)

On 27 December 2010, six independent third parties in aggregate and the Group had injected RMB11.2 million and RMB2 million respectively into the Group's associate, Beijing New Clear, as equity investment. As a result, the Group's equity interest in Beijing New Clear was diluted from 25% to 20%. Gain arising from this deemed disposal of partial interest in Beijing New Clear amounted to approximately RMB77,000.

38. DEFERRED TAXATION

The followings are the major deferred tax assets not recognised and movement thereof during the current/prior years:

	Allowance for trade and other receivables	**Tax losses**	**Total**
	RMB'000	RMB'000	RMB'000
At 1 January 2010	1,710	446	2,156
Charged to profit or loss	(120)	(315)	(435)
At 31 December 2010	1,590	131	1,721
Charged to profit or loss	–	1,280	1,280
At 31 December 2011	1,590	1,411	3,001

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

38. DEFERRED TAXATION (continued)

The followings is the major deferred tax liability recognised and movement thereof during the current/prior years:

	Undistributable profits of subsidiaries RMB'000
At 1 January 2010, 31 December 2010 and 1 January 2011	–
Charged to profit or loss	10,194
At 31 December 2011	10,194

The Group had unused tax losses of approximately RMB7,313,000 (2010: RMB875,000) as at 31 December 2011, available for offsetting against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. All of the tax losses will expire five years from the year of origination.

The Group had deductible temporary differences of approximately RMB10,603,000 (2010: RMB10,603,000) as at 31 December 2011. No deferred tax asset has been recognised due to the unpredictability of future profit streams will be available against which the deductible temporary differences can be utilised.

Under the EIT Law of 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 for the year ended 31 December 2011 in respect of temporary difference attributable to accumulated profits of the PRC subsidiaries amounting to approximately RMB203,872,000 as the Group considered the temporary differences will reverse during the year and in the foreseeable future.

Deferred taxation had not been provided for in the consolidated financial statements for the year ended 31 December 2010 in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to approximately RMB210,769,000 as the Group is able to control the timing of the reversal of the temporary differences and it was probable that the temporary differences will not reverse.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

39. OPERATING LEASE COMMITMENTS

The Group as a lessor

Property rental income earned during the year ended 31 December 2011 was RMB47,000 (2010: RMB50,000). All of the properties held have committed tenants for the next one year.

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease receipts:

	2011	2010
	RMB'000	RMB'000
Within one year	**88**	30

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:

	2011	2010
	RMB'000	RMB'000
Within one year	**996**	1,490
In the second to fifth year inclusive	**1,177**	1,138
	2,173	2,628

Operating lease payments represent rentals payable by the Group for certain of its offices and workshops. Leases are negotiated for an average of two (2010: two) years and rentals are fixed for one (2010: one) year for the year ended 31 December 2011.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

40. CAPITAL COMMITMENTS

	2011 RMB'000	2010 RMB'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**27,406**	28,667
Capital expenditure in respect of the acquisition of property, plant and equipment authorised but not contracted for	**–**	12,800

41. PLEDGE OF ASSETS

As detailed in note 19, the Group's leasehold land and buildings of carrying values of approximately RMB6,863,000 (2010: RMB7,676,000) as at 31 December 2011 were pledged to secure bank borrowings and facilities.

Pursuant to an agreement, Titans Technology pledged trade receivables of approximately RMB50,000,000 (2010: RMB11,509,000) for credit facilities of RMB50,000,000 (2010: RMB38,400,000) granted to Titans Technology from a bank.

Pursuant to an agreement entered into between Titans Technology and 珠海市中小企業信用擔保有限公司 on 10 March 2010, Titans Technology pledged the leasehold land and buildings of carrying value of approximately RMB281,000 (2011: nil) and RMB500,000 (2011: nil) refundable deposits as securities for its guarantee given to 珠海市中小企業信用擔保有限公司 for credit facilities of RMB5,000,000 granted to Titans Technology.

42. RETIREMENT BENEFITS SCHEMES

The Group participates in a retirement benefits scheme, which was registered under the Mandatory Provident Fund Scheme Ordinance (the "MPF Ordinance"), for all its employees in Hong Kong. The scheme is a defined contribution scheme effective from December 2000 and is funded by contributions from employer and employees according to the provisions of the MPF Ordinance. The employer's contributions vested fully with the employees when contributed into the scheme. The only obligation of the Group with respect to the scheme is to make the specified contributions.

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 a certain percentage of their payroll 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 are set in notes 14 and 15 respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

43. RELATED PARTY TRANSACTIONS

a) During the year ended 31 December 2011, the Group had entered into the following transactions with related parties.

	Notes	**2011 RMB'000**	2010 RMB'000
Rental income	*(i)*	**47**	41
Sales to associates	*(ii)*	**51,621**	35,985

Notes:

(i) Pursuant to the lease agreements entered into between Titans Technology and Zhuhai Growth Technology Company Limited 珠海成長科技有限公司 ("Zhuhai Growth"), in which a director of Titans Technology has a beneficial interest, on 28 April 2006 and 6 November 2006 respectively, Titans Technology leased certain areas of its leasehold buildings to Zhuhai Growth for a period of one year. On 1 August 2011, the lease agreement was renewed for another one year and expired on 31 July 2012.

In the opinion of the directors of the Company, the above lease agreement was referenced to the then prevailing market price.

(ii) Sales of charging equipment for electric vehicles to Beijing HuaShang (2010: sales of wind and solar power generating balancing control products and charging equipment for electric vehicles to Beijing HuaShang and Beijing New Clear) on terms mutually agreed with the parties, which were reference to prevailing market prices under the sales agreement.

b) The Group has licensed the use of certain of the Group's trademarks registered and owned be the Group to Titans Energy at nil consideration for the period from 1 January 2009 to 30 December 2012.

c) Compensation to key management personnel

The remuneration of directors set out in note 15 which is determined by the remuneration committee of the Company having regard to the performance of individuals and market trends.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

43. RELATED PARTY TRANSACTIONS (continued)

d) Guarantees from directors

At 31 December 2011 and 2010, certain banking facilities of the Group were guaranteed by Mr. Li Xin Qing and Mr. An Wei:

	2011	2010
	RMB'000	RMB'000
To the extent of	**30,000**	28,000

Details of the borrowings of the Group are set out in note 30.

44. DEFERRED INCOME

During the year ended 31 December 2011, the Group received government grants of RMB13,509,000 (2010: RMB103,000) related to research and development on technology innovation on charging equipment for motor vehicles. The amounts are recognised as income according to the research and development expenses incurred during the year over the forecasted research and development cost. This policy has resulted in a credit to income in the current year of RMB12,201,000 (2010: RMB103,000). As at 31 December 2011, an amount of RMB1,308,000 (2010: nil) remains to be amortised.

45. SHARE-BASED PAYMENTS

Pre-IPO share option scheme

Pursuant to a written resolution approved by the Company's shareholders on 8 May 2010, the pre-IPO share option scheme of the Company ("Pre-IPO Share Option Scheme") became effective. Certain executive directors, senior managerial staff and employees of the Group were granted options to recognise their contribution to the Group. Under the Pre-IPO Share Option Scheme, 53 participants (the "Grantees") have been conditionally granted options by the Company. The exercise of the options would entitle the Grantees to purchase aggregate of 23,920,000 shares of the Company immediately following completion of the placing and public offer and the capitalisation issue at 50% of the final offer price. The options are exercisable by instalments twelve months after 28 May 2010, the date on which the shares of the Company were listed on the Stock Exchange, (the "Listing Date") and up to 5 years since the Listing Date.

The Group will receive HK$1 for each grant under the Pre-IPO Share Option Scheme.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

45. SHARE-BASED PAYMENTS (continued)

Share option scheme

Pursuant to the resolution in writing of shareholders of the Company on 8 May 2010, the Company has adopted a new share option scheme (the "Share Option Scheme") for a period of 10 years commencing on 8 May 2010, the board of directors 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) for 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. 19,430,000 share options were first granted during the year ended 31 December 2011 since adoption.

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.

Details of the Pre-IPO share option are as follows:

Date of grant	Vesting proportion	Exercisable period	Exercise price	Fair value at grant date
			HK$	HK$
8 May 2010	25%	28.5.2011-27.5.2012	0.59	0.61
	25%	28.5.2012-27.5.2013	0.59	0.65
	25%	28.5.2013-27.5.2014	0.59	0.68
	25%	28.5.2014-27.5.2015	0.59	0.69

Detail of the new share options granted on 17 February 2011 are as follows:

Date of grant	Vesting proportion	Exercisable period	Exercise price	Fair value at grant date
			HK$	HK$
17 February 2011	33%	17.2.2012-16.2.2013	1.10	0.29
	33%	17.2.2013-16.2.2014	1.10	0.39
	33%	17.2.2014-16.2.2015	1.10	0.46

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

45. SHARE-BASED PAYMENTS (continued)

The Company has share option schemes for directors and eligible employees. Details of the Pre-IPO and new share options outstanding during the current period are as follows:

	Number of share options
Outstanding at 1 January 2011	23,920,000
Granted during the year	19,430,000
Forfeited during the year	(380,000)
Outstanding at 31 December 2011	42,970,000

Share options were granted on 8 May 2010 and 17 February 2011. The aggregate fair value of the options determined at the date of grant using the Binomial model was approximately HK$15,741,000 and HK$7,365,000 (equivalent to approximately RMB13,760,000 and RMB6,178,000) respectively based on the valuation report issued by an independence valuer, Avista Valuation Advisory.

Equity-settled share-based payment of approximately RMB7,634,000 (2010: RMB4,244,000) was recognised in the consolidated statement of comprehensive income for the year ended 31 December 2011.

The following assumptions were used to calculate the fair values of share options:

	Pre-IPO share option granted on 8 May 2010	**Share options granted on 17 February 2011**
Grant date share price (HK$)	1.05 – 1.2	1.06 – 1.12
Exercise price (HK$)	0.525 – 0.6	1.1
Expected life (years)	2.058 – 5.058	4
Expected volatility	54.59% – 57.84%	46.50% – 52.70%
Dividend yield	1.17%	0%
Risk-free interest rate	0.58% – 1.82%	0.72% – 1.63%

The Binomial model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. Changes in variables and assumptions may result in changes in the fair value of the options.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

46. STATEMENT OF FINANCIAL POSITION FOR COMPANY LEVEL

	2011	2010
	RMB'000	RMB'000
Non-current asset		
Investment in a subsidiary	**1**	1
Current assets		
Dividend receivable	**25,665**	–
Amount due from a subsidiary *(Note a)*	**212,168**	216,630
Bank balances and cash	**117**	19
	237,950	216,649
Current liability		
Accruals and other payable	**1,376**	711
Net current assets	**236,574**	215,938
	236,575	215,939
Capital and reserves		
Share capital *(Note 32)*	**7,311**	7,311
Reserves *(Note b)*	**229,264**	208,628
	236,575	215,939

Notes:

(a) The amount is unsecured, interest-free and repayable on demand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

46. STATEMENT OF FINANCIAL POSITION FOR COMPANY LEVEL

Notes: (continued)

(b) Reserves

	Share premium RMB'000	**Share option reserve** RMB'000	**Retained Earnings (accumulated losses)** RMB'000	**Total** RMB'000
At 1 January 2010	–	–	(2,969)	(2,969)
Loss for the year and total comprehensive expense for the year	–	–	(24,786)	(24,786)
Capitalisation issue of shares	(5,269)	–	–	(5,269)
Issue of new shares	237,035	–	–	237,035
Conversion of convertible loan note	12,537	–	–	12,537
Cost of issue of new shares	(12,164)	–	–	(12,164)
Recognition of share-based payments *(Note 45)*	–	4,244	–	4,244
At 31 December 2010	232,139	4,244	(27,755)	208,628
Loss for the year and total comprehensive income for the year	–	–	33,427	33,427
Dividends paid	–	–	(20,425)	(20,425)
Recognition of share-based payments *(Note 45)*	–	7,634	–	7,634
Forfeiture of share options	–	(38)	38	–
At 31 December 2011	232,139	11,840	(14,715)	229,264

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

47. SUBSIDIARIES OF THE COMPANY

At the end of the reporting period, the Company has the following subsidiaries, all of which adopted a financial year end date of 31 December 2011 and 2010:

Name of subsidiary	Place of incorporation/ establishment and operation	Class of shares held	Issued and fully paid share capital/registered capital 2011	2010	Attributable equity interest held by the Company 2011	2010	Principal activities
Titans (BVI) Limited#	British Virgin Islands 19 October 2007	Ordinary	**US$200**	US$200	**100.00%**	100.00%	Investment holding
Titans Holdings Co., Limited 泰坦控股有限公司	Hong Kong 15 December 2004	Ordinary	**HK$10,000**	HK$10,000	**100.00%**	100.00%	Investment holding
Grace Technology Development Limited 嘉能科技發展有限公司	Hong Kong 29 July 2011	Ordinary	**HK$1**	–	**100.00%**	–	Investment holding
Zhuhai Titans Automatic Technology Company Limited* 珠海泰坦自動化技術有限公司	The PRC – wholly foreign-owned enterprise	Ordinary	**RMB232,000,000**	RMB189,779,960	**100.00%**	100.00%	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 Technology Co., Ltd.* 珠海泰坦科技股份有限公司	The PRC – limited liability company	Ordinary	**RMB200,000,000**	RMB160,000,000	**100.00%**	100.00%	Research, development, manufacture and sales of electrical direct current products
Zhuhai Titans New Energy Systems Co., Ltd.* 珠海泰坦新能源系統有限公司	The PRC – limited liability company	Ordinary	**RMB3,000,000**	RMB3,000,000	**100.00%**	80.00%	Research, development, manufacture and sales of electrical power generation balancing control and other products
Shijiazhuang Guofu Titans New Energy Co., Ltd.* 石家莊國富泰坦新能源有限公司	The PRC – limited liability company	Ordinary	**–^**	RMB1,000,000	**–^**	100.00%	Sales of wind and solar power generation balancing control products, power grid monitoring and management products and charging equipment
Jiangyin Titans High Voltage Electric Co., Ltd. * 江陰泰坦高壓電氣有限公司	The PRC – limited liability company	Ordinary	**RMB24,573,400**	RMB5,000,000	**90.04%**	51.00%	Marketing and sales of plug and switch system products
Anhui Titans Liancheng Energy Technology Co., Ltd. * 安徽泰坦聯成能源技術有限公司	The PRC – limited liability company	Ordinary	**RMB30,000,000**	–	**100.00%**	–	Research, development, manufacture and sales of electrical direct current products

* *For identification purpose only.*

\# *Directly held by the Company.*

^ *Deregistered on 29 December 2011.*