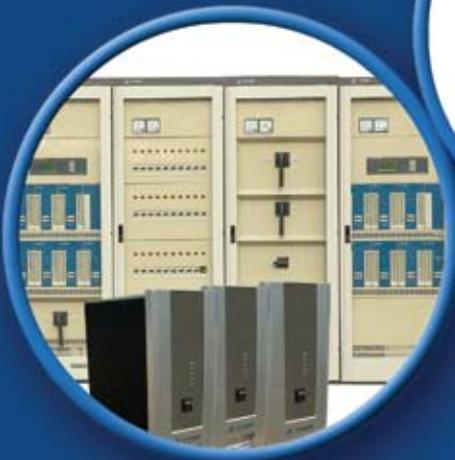




China Titans Energy Technology Group Co., Limited  
**中國泰坦能源技術集團有限公司\***

*(Incorporated in the Cayman Islands with limited liability)*

Stock Code : 2188



**PLACING AND  
PUBLIC OFFER**

Sponsor

**OSK Capital Hong Kong Limited**

Sole Global Coordinator, Bookrunner and Lead Manager

\* for identification purpose only



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## IMPORTANT

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*If you are in any doubt about the contents of this prospectus, you should obtain independent professional advice.*



### China Titans Energy Technology Group Co., Limited

中國泰坦能源技術集團有限公司\*

*(Incorporated in the Cayman Islands with limited liability)*

#### PLACING AND PUBLIC OFFER

- Number of Offer Shares :** 200,000,000 Shares (subject to Over-allotment Option)
- Number of Hong Kong Offer Shares :** 20,000,000 Shares (subject to reallocation)
- Number of International Placing Shares :** 180,000,000 Shares (subject to Over-allotment Option and reallocation)
- Maximum Offer Price :** HK\$1.2 per Offer Share, plus brokerage fee of 1%, SFC transaction levy of 0.004% and Stock Exchange trading fee of 0.005% (payable in full upon application in Hong Kong dollars and subject to refund on final pricing)
- Par value :** HK\$0.01 per Share
- Stock code :** 2188

*Sponsor*

### OSK Capital Hong Kong Limited

*Sole Global Coordinator, Bookrunner and Lead Manager*



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Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and Hong Kong Securities Clearing Company Limited ("HKSCC") take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents referred to in the paragraph headed "Documents delivered to the Registrar of Companies" in Appendix VI to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other document referred to above.

The Offer Price (as defined in this prospectus) which is currently expected to be not less than HK\$1.05 per Offer Share and will not be more than HK\$1.2 per Offer Share, is expected to be fixed by an agreement between the Lead Manager (for itself and on behalf of the Underwriters) and the Company on or before the Price Determination Date (as defined in this prospectus) which is currently expected to be on or before Tuesday, 25 May 2010 and, in any event, not later than Wednesday, 26 May 2010. The Lead Manager (acting for itself and on behalf of the Underwriters) may reduce the number of Hong Kong Offer Shares and/or the indicative Offer Price range stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, a notice of the reduction of the number of the Offer Shares and/or the indicative Offer Price range will be published in the South China Morning Post (in English), the Hong Kong Economic Times (in Chinese) and the respective websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.titans.com.cn](http://www.titans.com.cn)) not later than the morning of the last day for lodging applications under the Share Offer.

**We are incorporated under the laws of the Cayman Islands and our businesses are located in the PRC. Potential investors should be aware of the differences in the legal, economic and financial systems between these countries and Hong Kong. Potential investors should also be aware that the regulatory frameworks in these countries are different from the regulatory framework in Hong Kong and should take into consideration the different market nature of the Shares. Such differences and risk factors are set out in the section headed "Risk Factors" and "Appendix IV — Summary of the constitution of the Company and Cayman Islands Company Law" in this prospectus.**

Prospective investors of the Offer Shares should note that the Underwriters are entitled to terminate their obligations under the Underwriting Agreements (as defined in the prospectus) by notice in writing to us from the Lead Manager (on behalf of itself and other Underwriters) upon the occurrence of any of the events set forth under the paragraph "Grounds for termination" in the section headed "Underwriting" in this prospectus at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Such events include, without limitation to, any act of God, actions of the government, war, military action, riot, public disorder, civil commotion, economic sanctions, epidemic, fire, flood, explosion, terrorism, strike or lockout.

\* *for identification purposes only*

18 May 2010

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## EXPECTED TIMETABLE

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*The Company will issue an announcement in Hong Kong to be published in the South China Morning Post (in English), the Hong Kong Economic Times (in Chinese) and the respective websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.titans.com.cn) if there is any change in the following expected timetable (note 1) of the Hong Kong Public Offering.*

*Date*

Latest time to complete electronic applications under  
**White Form eIPO** service through the designated  
website **www.eipo.com.hk** (note 2) ..... 11:30 a.m. on Monday, 24 May 2010

Application lists of the Hong Kong Public Offering  
open (note 3) ..... 11:45 a.m. on Monday, 24 May 2010

Latest time for lodging **WHITE** and **YELLOW**  
Application Forms ..... 12:00 noon on Monday, 24 May 2010

Latest time to complete payment of **White Form**  
**eIPO** applications by effecting Internet banking  
transfer(s) or PPS payment transfer(s) ..... 12:00 noon on Monday, 24 May 2010

Application lists of the Hong Kong Public  
Offering close (note 3) ..... 12:00 noon on Monday, 24 May 2010

Expected Price Determination Date (note 4) ..... Tuesday, 25 May 2010

Announcement of the final Offer Price, results of applications  
of the Hong Kong Public Offering, indication of level of  
interest in the Share Offer and basis of allotment of  
the Hong Kong Offer Shares to be published in the  
South China Morning Post (in English), the Hong Kong  
Economic Times (in Chinese) and on the Company's  
website at www.titans.com.cn (note 5) and the website  
of the Stock Exchange at www.hkexnews.hk on or before ..... Thursday, 27 May 2010

Results of allocations in the Hong Kong Public Offering  
(with successful applicants' identification document numbers,  
where appropriate) to be available through a variety of  
channels as described in the section headed "How to apply  
for the Hong Kong Offer Shares — Publication of Results,  
Despatch/Collection of Share Certificates/e-Refund Payment  
Instructions/Refund Cheques" in this prospectus from ..... Thursday, 27 May 2010

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## EXPECTED TIMETABLE

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*Date*

Results of allocations in the Hong Kong Public Offering  
will be available at [www.iporesults.com.hk](http://www.iporesults.com.hk) with  
a “search by ID” function . . . . . Thursday, 27 May 2010

Despatch of share certificates in respect of wholly or partially  
successful applications pursuant to the Hong Kong Public  
Offering on or before (*note 6*) . . . . . Thursday, 27 May 2010

Despatch of White Form e-Refund payment instructions  
and refund cheques in respect of wholly or partially  
unsuccessful applications pursuant to the Hong Kong  
Public Offering on or around (*notes 7 and 8*) . . . . . Thursday, 27 May 2010

Dealings in the Shares on the Stock Exchange expected  
to commence on . . . . . Friday, 28 May 2010

*Notes:*

- (1) All times refer to Hong Kong local time. Details of the structure of the Share Offer, including its conditions, are set out in the section headed “Structure of the Share Offer” in this prospectus.
- (2) You will not be permitted to submit your application through the designated website at [www.eipo.com.hk](http://www.eipo.com.hk) after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (3) If there is a “black” rainstorm warning or a tropical cyclone warning signal number eight (8) or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, 24 May 2010, the application lists will not open on that day. Further information is set out in the paragraph headed “Effect of bad weather on the opening of the application lists” under the section headed “How to apply for the Hong Kong Offer Shares” in this prospectus.
- (4) The Price Determination Date is expected to be on or about Tuesday, 25 May 2010, and in any event, not later than Wednesday, 26 May 2010. If, for any reason, the Offer Price is not agreed on or before Wednesday, 26 May 2010, the Share Offer will not proceed and will lapse.
- (5) The Company’s website and all the information contained thereon do not form part of this prospectus.
- (6) Share certificates for the Hong Kong Public Offering are expected to be issued on Thursday, 27 May 2010 but will only become valid certificates of title if (i) the Share Offer has become unconditional in all respects; and (ii) the Underwriting Agreements have not been terminated in accordance with their terms at any time prior to 8:00 a.m. on the Listing Date, which is expected to be Friday, 28 May 2010. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of the Share certificates or prior to the Share certificates becoming valid certificates of title do so entirely at their own risk. If the Share Offer does not become unconditional or any of the Underwriting Agreements is terminated in accordance with its terms, we will make an announcement as soon as possible.

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## EXPECTED TIMETABLE

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- (7) e-Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications and in respect of successful applications if the final Offer Price is less than the price payable on application.
- (8) Applicants who apply on **WHITE** Application Forms for 1,000,000 Hong Kong Offer Shares or more under the Hong Kong Public Offering and have indicated in their Application Forms that they wish to collect their refund cheques (where applicable) and share certificates (where applicable) in person from our Company's Hong Kong Share Registrar may collect their refund cheques (where applicable) and share certificates (where applicable) in person from our Company's Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Thursday, 27 May 2010 or any other date as notified by our Company in newspapers and websites as the date of collection/despatch of e-Refund payment instructions/refund cheques/share certificates. Identification and (where applicable) authorisation documents acceptable to Computershare Hong Kong Investor Services Limited must be produced at the time of collection.

Applicants who apply on **YELLOW** Application Forms for 1,000,000 Hong Kong Offer Shares or more under the Hong Kong Public Offering and have indicated in their Application Forms that they wish to collect their refund cheques (where applicable) in person may collect their refund cheques (where applicable) but may not elect to collect their share certificates (where applicable), which will be deposited into CCASS for credit to their designated CCASS Participants' stock accounts or CCASS Investor Participants' stock accounts, as appropriate. The procedure for collection of refund cheques for applicants who apply on **YELLOW** Application Forms for the Hong Kong Offer Shares is the same as that for **WHITE** Application Form applicants.

Applicants who apply through the **White Form eIPO** service and paid their application monies through single bank accounts may have refund monies (if any) despatched to their application payment bank accounts, in the form of e-Refund payment instructions. Applicants who apply through the **White Form eIPO** service and paid their application monies through multiple bank accounts may have refund monies (if any) despatched to the address as specified in their application instructions to the White Form eIPO Service Provider, in the form of refund checks, by ordinary post at their own risk.

Applicants who opt for personal collection must not authorise any person to make collection on their behalf. Applicants being corporations which opt for personal collection must attend by their authorised representatives with letters of authorisation of their corporations stamped with the corporations' chops (bearing the name of the corporations). Both individuals and authorised representatives of corporations (as applicable) must produce, at the time of collection, evidence of identity and authority (as applicable) acceptable to the Company's Hong Kong Share Registrar. Uncollected share certificates and refund cheques will be despatched by ordinary post at the applicants' own risk to the addresses specified in the relevant Application Forms. Further information is set out in the section headed "How to apply for the Hong Kong Offer Shares" in this prospectus.

For details of the structure of the Share Offer, including conditions of the Hong Kong Public Offering, please refer to the section headed "Structure of the Share Offer".

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## CONTENTS

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You should rely solely on the information contained in this prospectus and the Application Forms to make your investment decision.

We have not authorised anyone to provide you with information that is different from what is contained in this prospectus.

Any information or statements not made in this prospectus must not be relied upon by you as having been authorised by us, the Sponsor, the Lead Manager, the Underwriters, any of their respective Directors, officers, employees or any of their respective representatives or any other parties involved in the Share Offer.

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## SUMMARY

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*This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read the entire prospectus before you decide whether to invest in the Shares.*

*There are always risks associated with any investment. Some of the particular risks in investing in the Shares are set out in the section headed "Risk Factors" in this prospectus. You should read that section carefully before you decide whether to invest in the Shares.*

### OVERVIEW

Our Group supplies power electronic products and equipment and is holding various copyrights, patents and trademarks. Our Group's subsidiary, Titans Technology, has been engaging in the research of power electronic technology and application since 1992. Two of our subsidiaries, Titans Technology and Zhuhai Titans, are accredited high and new technology enterprises by the Department of Science and Technology of Guangdong Province, the PRC. Our power electronic technology is being applied in different sectors of the power electronic industry.

Our existing principal products are products of the electrical DC product series which are developed, manufactured and sold by our Group. They accounted for the majority of our total turnover during the Track Record Period and all our sales were made to customers in the PRC (whilst a small part of our sales were related to overseas projects). Products of our electrical DC product series are divided into various categories, namely, high frequency switch DC power supply system, high frequency switch communication power supply system and power dedicated uninterruptible power supply (UPS). Major customers of our electrical DC product series mainly come from the power industry, including power plants, transforming stations and power grid companies.

In addition to electrical DC products manufactured by us, since 2004, we have also engaged in the sale of PASS (Plug & Switch System) products, a kind of power transmission switchgear, manufactured by an Italian independent manufacturer, and the provision of the necessary installation and testing services. PASS is a kind of switchgear used by transforming stations.

The sales of our electrical DC products and other products are mainly made based on customers'/users' specifications in respect of their projects which are non-recurring.

At the same time, we also apply our electronic power technology in the development of our other new products, namely, power grid monitoring and management products, charging equipment for electric vehicles, wind and solar power generation balancing control products and high-power LED lighting products. We have commenced selling of these new products during the Track Record Period. The principal target customer base of many of our new products overlaps with our established customer base for our traditional electrical DC products. Most of the customers who have purchased products from our new product lines are state-owned or large scale enterprises and institutions. For the two years ended 31 December 2008 and 2009, the sales of these new products accounted for approximately 12.69% and 18.65% respectively of our total turnover, with the remaining approximately 75.46% and 60.45% respectively attributable to sales of our electrical DC products and approximately 11.85% and 21.00% respectively attributable to sales of PASS products.

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## SUMMARY

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### OUR SALES

We promote our products mainly through (1) our cooperation with sales partners and (2) our internal team, including sales representatives and other sales staff.

We have established a team of 35 sales staff covering 30 provinces, autonomous regions or direct-controlled municipalities in the PRC, comprising 23 sales representatives who are mainly responsible for the marketing and sale of our electrical DC products to companies in the power industries in their designated areas; and 12 other sales staff who are mainly responsible for the marketing and sale of our electrical DC products to companies which are not in the power industry and for marketing our other new products.

Apart from selling our products directly to end-user customers, we also sell our products to a number of sales partners who will on-sell our products to end-user customers. Sales partners were companies in which some of our sales representative and/or their family members or relatives had invested. During the Track Record Period, we sold our products to 10 sales partners. One of the sales partners was deregistered in December 2008. We have not entered into any formal cooperation agreements with these sales partners. All the sales partners' company names include the Chinese characters of the word "Titans" (泰坦 or 鈇坦 in Chinese) with a view to establishing a strong market image and facilitating their marketing work. As confirmed by our PRC legal advisers, Commerce & Finance Law Offices, the sales partners are not our agents and they do not require our consent to use "Titans" in their company names under PRC law. The sales partners will earn the difference between the price at which we sell our products to them and the price at which they sell our products to end-user customers. We consider the sales partners are like distributors of our products. As most of our products are customised based on the users' specifications and requirements, we work closely with the sales partners to understand the users' needs. We have worked with different sales partners for one to 10 years. As compared with the sale of our electrical DC products to users in the power industry, we may sell our electrical DC products to the sales partners at a discount depending on the nature, size and requirements of the projects, our relationship with the sales partners and the background of the users. We believe that cooperating with the sales partners will help broaden our sales channel. Based on our contractual relationships with the sales partners, we regard them as our customers. Apart from their obligations pursuant to the terms and conditions of the agreements regarding sale and purchase of our products, i.e. the purchase of our products and payment of the purchase price, they do not owe us any other obligations. We monitor the work of the sales partners and the related sales representatives of the Group by working closely with them and may terminate our business relationships with them if there is any serious misconduct committed by the relevant sales representatives or sales partners.

We are not a party to the sales contracts entered into between the sales partners and the users and we are not liable for any breach by a sales partner in respect of its contract with its customer.

Our technical team will work closely with our sales representatives, sales staff as well as our sales partners in order to understand the specific requirements of the buyers of our products. Our products are principally manufactured in accordance with the specific requirements as requested by the end-user customers.

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## SUMMARY

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We also provide installation services, after-sale services and user training to our customers and to those end-user customers who have purchased our products from our sales partners.

As confirmed by our PRC legal advisers, Commerce & Finance Law Offices, we, as the manufacturer of the products sold to the customers of the sales partners, are liable for potential product liability under PRC law.

The table below sets out our sales attributable to different channels during the Track Record Period.

	<b>For the year ended 31 December</b>					
	<b>2007</b>		<b>2008</b>		<b>2009</b>	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Sales partners	23,515	16.28	30,458	17.37	36,306	16.77
Sales representatives (other than sales to the sales partners) <i>(Note)</i>	102,584	71.04	90,675	51.71	70,253	32.46
Other sales staff	<u>18,305</u>	<u>12.68</u>	<u>54,205</u>	<u>30.92</u>	<u>109,893</u>	<u>50.77</u>
<b>Total</b>	<u><u>144,404</u></u>	<u><u>100</u></u>	<u><u>175,338</u></u>	<u><u>100</u></u>	<u><u>216,452</u></u>	<u><u>100</u></u>

*Note:* The amount of sales generated by these sales representatives who have, or whose family members have, shareholding interests in the sales partners amounted to approximately RMB55.3 million for the year ended 31 December 2007, RMB49.6 million for the year ended 31 December 2008 and RMB27.3 million for the year ended 31 December 2009.

The sales representatives, the sales partners and their shareholders are not connected persons of the Company and are not related to the controlling shareholders, substantial shareholders, directors and other senior management of the Company and its subsidiaries and their respective associates.

As at the Latest Practicable Date, there were nine sales representatives who had, or whose family members had, shareholding interests in the sales partners. In view of the Listing, we are in the process of further improving our arrangements with the sales partners and the sales representatives. On or before the Listing, except for one sales representative who is responsible for sales in Beijing, we will terminate the employment of the other eight sales representatives who are related to the sales partners and will enter into formal cooperation agreements with the relevant sales partners. Pursuant to the formal cooperation agreements, those sales partners will then be exclusively responsible for marketing and soliciting sales of our electrical DC products to power grid companies in the regions currently being covered by those sales partners and those related sales representatives. In respect of the sales representative in Beijing, we will continue to engage him as our sales staff, but will cease to sell our products to the sales partner owned by him.

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## SUMMARY

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The sale arrangement with the sales partners and sales representatives of the Group will continue to be monitored and controlled by the marketing manager and the deputy general manager of Titans Technology, who, save for the working relationships maintained pursuant to their employment in our Group, are independent from all the sales partners, sales representatives and their respective associates.

### OUR TRADE RECEIVABLES

We grant different credit periods to different customers, depending on the background of the customers, the products sold and services provided. Customers of our electrical DC product series are mainly state-owned transforming stations. For accounting purposes, our sales and trade receivables are recorded when we deliver our products to our customers. We consider that when our products are delivered to the customers, significant risks, control and ownership have been transferred to the buyers as they will be free to handle, manage and appropriate the products and thus the title of the goods has been passed to the buyers. We confirm that our revenue recognition policy is in compliance with HKFRS. Although we recognise our sales and trade receivables upon delivery of our products to the customers, our customers may not be obliged to pay us immediately. As confirmed by our PRC legal advisers, Commerce & Finance Law Offices, we are only entitled to receive payments from our customers subject to the terms of contracts with our customers. In respect of the sale of our electrical DC products, we may require payment of a deposit of approximately 10% of the total contract sum to be payable upon 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. During the Track Record Period, there was an average of approximately 82 days between delivery and on-site installation and testing of our products. 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 within 12 to 18 months months after the on-site installation and testing provided that the Group's equipment performs properly. We may grant a credit period in the range from 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). For illustration purposes, based on the above payment terms and the average time required for installation and testing after product delivery, we are only entitled to receive up to 90% of the purchase price from 112 days to 172 days after the delivery of our products to the customers. 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 relatively long average period of 82 days between delivery and on-site installation and testing is 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. The actual time taken by us to perform the installation and testing work on our products usually only takes about two to three working days. We do not consider installation and testing a significant part of our contracts.

In addition to the above, some of these customers did not settle their trade receivables due to us in accordance with the terms of the sales contracts. The actual settlement in respect of some of the sales of our electrical DC products to power plants and transforming stations extended over a period of up to two years during the Track Record Period.

## SUMMARY

The turnover days in relation to outstanding trade and bills receivables for the three years ended 31 December 2007, 2008 and 2009 were 188.43 days, 217.15 days and 258.66 days respectively. We believe that this may mainly be due to our sales and trade receivables being recorded when our products are delivered but before the amounts become payable by the customers in accordance with the sales contracts and that some of our customers in the power sector settle the amounts payable to us after completion of the construction of their projects but not in accordance with the terms of the sales contracts. Investors should read carefully the relevant risks regarding our lengthening trade receivables turnover set out in the “Risk Factors” section.

The table below sets forth the ageing analysis of our trade receivables as of 31 December 2007, 2008 and 2009 and their subsequent settlements up to 31 March 2010.

	As at 31 December 2007			As at 31 December 2008			As at 31 December 2009			Subsequent settlement following December 2009
	Gross amount RMB'000	Allowance for doubtful debt RMB'000	Net amount RMB'000	Gross amount RMB'000	Allowance for doubtful debt RMB'000	Net amount RMB'000	Gross amount RMB'000	Allowance for doubtful debt RMB'000	Net amount RMB'000	
Within 90 days	57,728	72	57,656	58,184	2	58,182	117,316	758	116,558	2,052
91 days to 180 days	21,848	139	21,709	36,721	226	36,495	40,333	450	39,883	8,110
181 days to 365 days	14,513	175	14,338	18,335	24	18,311	47,990	2,329	45,661	16,376
Over 1 to 2 years	12,699	1,881	10,818	26,655	4,600	22,055	18,876	3,154	15,716	3,741
Over 2 to 3 years	2,815	1,525	1,290	2,562	1,600	962	5,248	2,613	2,635	22
Over 3 years	1,534	1,247	287	2,605	1,759	846	2,331	1,846	485	19
	111,137	5,039	106,098	145,062	8,211	136,851	232,088	11,150	220,938	30,320
			100%	100%		100%	100%		100%	

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## SUMMARY

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The table below sets forth the ageing analysis (from the date we recorded our sales and trade receivables upon product delivery) of the retention money receivables before allowance for doubtful debts (comprising part of our trade receivables) as of 31 December 2007, 2008 and 2009 respectively.

	<b>As at 31 December</b>		
	<b>2007</b>	<b>2008</b>	<b>2009</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 90 days	4,447	2,377	8,186
91 days to 180 days	2,397	3,177	3,105
181 days to 365 days	4,231	4,406	7,038
Over 1 year to 2 years	5,878	7,464	4,822
Over 2 years to 3 years	2,635	2,286	1,765
Over 3 years	<u>1,267</u>	<u>2,238</u>	<u>961</u>
	<u>20,855</u>	<u>21,948</u>	<u>25,877</u>

Up to 31 March 2010, 68%, 38% and 7% of the retention money receivables outstanding as at 31 December 2007, 2008 and 2009 respectively have been settled.

For those customers other than power generation plants and power grids purchasing whole systems (including sales to such users through our sales partners) and customers of components or modules, our Group will normally request cash on delivery of our products or we will provide a credit period of typically 30 days to 90 days from the issue of the invoice after the Group has established stable relationships with the relevant customers.

Currently we have not yet entered into any formal cooperation agreement with the sales partners and we grant to our sales partners credit periods of up to around three months upon delivery of our products to the customers of the sales partners depending on our relationships with the relevant sales partners. However, they may not abide by the credit terms and settle the trade receivables owing to us within the granted credit periods and the actual settlement of trade receivables from the sales partners may exceed three months. In that case, we will discuss with the relevant sales partners and understand the reasons for the delays and their settlement plans. Under the formal cooperation agreements to be entered into between the Group and sales partners, we may grant sales partners credit periods of up to six months. Please refer to the paragraph headed "Sales" in the "Business" section for further information on the terms of the formal cooperation agreements.

The trade receivables from the sales partners as at each of 31 December 2007 and 2008 have been settled in full. Up to 31 March 2010, approximately 20.36% of the trade receivables from the sales partners outstanding as at 31 December 2009 have been settled whilst approximately 12.45% of the other trade receivables outstanding as at 31 December 2009 have been settled. No provision has been made nor bad debt written off in respect of any trade receivables from the sales partners during the Track Record Period.

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## SUMMARY

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As at 31 December 2009, our trade and bills receivables (net of allowances) amounted to RMB220.9 million. Based on our experience, trade receivables from sales partners will usually be substantially settled in the next financial year; in respect of trade receivables from other customers, usually around 60% will be settled within one year after product delivery, around 30% will be settled from 13 months to 24 months after product delivery and the remaining 10% will be settled after 24 months after product delivery.

As at 31 December 2007, 2008 and 2009, it is estimated that trade and bills receivables balances of approximately RMB41,594,000, RMB69,963,000 and RMB81,243,000 respectively were past due as at the reporting dates and we have not provided for any allowance for doubtful debts. Such amounts represented approximately 38.8%, 51.1% and 36.6% respectively of our total trade and bills receivables as at each reporting date during the Track Record Period. Among the above overdue balances, approximately RMB9,608,000, RMB5,311,000 and RMB15,783,000 respectively were trade and bills receivables due from the sales partners, which represented approximately 55.2%, 19.4% and 46.4% respectively of the total trade and bills receivables due from the sales partners as at each reporting date during the Track Record Period.

Based on our experience, we estimate that about 75% of our trade receivables outstanding as at 31 December 2009 will be settled by the end of 2010, about 90% of such trade receivables will be settled by the end of 2011 and about 95% of that will be settled by the end of 2012 and the remaining 5% may be settled thereafter.

We set out below the average turnover days relating to trade receivables from sales partners and from other customers during the Track Record Period.

	<b>For the year ended 31 December</b>		
	<b>2007</b>	<b>2008</b>	<b>2009</b>
Sales to sales partners (no allowance for doubtful receivables was made)	139.36 days	229.13 days	263.20 days
Other customers (after allowance for doubtful receivables)	197.98 days	214.64 days	257.75 days
Other customers (before allowance for doubtful receivables)	207.87 days	228.90 days	273.65 days

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## SUMMARY

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For the two years ended 31 December 2008 and 2009, the trade receivables turnover days in respect of sales to the sales partners were longer than the trade receivables turnover days in respect of sales to other customers (after allowance for doubtful receivables). We consider that this is affected by a higher proportion of credit sales to the sales partners towards the end of the years than in the case of our sales to other customers as illustrated in the table below.

	<b>Sales partners</b>	<b>Other customers</b>
<b>2007</b>		
January to March	5.5%	14.0%
April to June	18.1%	22.0%
July to September	44.1%	27.8%
October to December	32.3%	36.2%
<b>2008</b>		
January to March	6.9%	26.6%
April to June	11.4%	22.5%
July to September	46.6%	32.4%
October to December	35.1%	18.5%
<b>2009</b>		
January to March	7.9%	12.5%
April to June	27.0%	19.5%
July to September	19.3%	19.7%
October to December	45.8%	48.3%

The table below sets out the settlement status of the Group's trade and bills receivables due from sales partners and other customers up to 31 March 2010.

	<b>Percentage of settlement in respect of the amount of trade and bills receivables as at 31 December</b>		
	<b>2007</b>	<b>2008</b>	<b>2009</b>
Sales partners	100%	100%	20.36%
Other customers	<u>96.57%</u>	<u>86.27%</u>	<u>12.45%</u>
Total	<u>97.12%</u>	<u>89.01%</u>	<u>13.66%</u>

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Our PRC legal advisers, Commerce & Finance Law Offices, have advised that failing to settle the purchase price in accordance with the agreed payment terms under the contract may constitute a breach of contract under PRC law. In view of our lengthening trade receivables turnover days, our accounts department closely monitors our cash flow positions. To manage our cash and working capital position, we make monthly cash receipt projections and plan for payments based on the projections. The cash flow projections also help us budget our production and sales.

We have been in this industry for about 17 years. We believe that we have accumulated experience in managing our credit and working capital risks and striking a balance between such risks and our competitiveness. We consider the risks of bad debts controllable as most customers or users of our products in the power industry are state-owned enterprises and we have established good relationships with all major sales partners. Based on our understanding and our best knowledge and information, we estimate that approximately RMB117.0 million, RMB135.2 million and RMB183.4 million of our sales were made in respect of projects which were invested by state-owned enterprises in the PRC, representing approximately 81.0%, 77.1% and 84.7% respectively of our total sales of each of the three years ended 31 December 2007, 2008 and 2009, which comprise (i) approximately RMB95.2 million, RMB106.9 million and RMB150.7 million in respect of our sales to customers other than the sales partners (representing approximately 78.8%, 73.8% and 83.6% respectively of our total sales to customers other than the sales partners of 2007, 2008 and 2009); and (ii) RMB21.8 million, RMB28.3 million and RMB32.7 million in respect of our sales to the sales partners (representing approximately 92.7%, 92.9% and 89.9% respectively of our total sales to the sales partners) were made in respect of projects which were invested by state-owned enterprises in the PRC for the three years ended 31 December 2009. We may sell our products to intermediaries such as project contractors who sell our products to state-invested projects. The tables below set out the ageing analysis of the trade and bills receivables outstanding as at each reporting date during the Track Record Period.

Ageing analysis of the trade receivables (after allowance for doubtful receivables) in respect of state-invested projects (excluding the sales to the sale partners) as at 31 December 2007, 2008 and 2009.

	<b>As at 31 December</b>		
	<b>2007</b>	<b>2008</b>	<b>2009</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 90 days	44,570	28,281	96,824
91 days to 180 days	12,215	28,337	22,309
181 days to 365 days	9,661	11,180	30,060
Over 1 year to 2 years	8,589	17,982	11,750
Over 2 years to 3 years	1,092	843	1,020
Over 3 years	<u>140</u>	<u>640</u>	<u>331</u>
	<u>76,267</u>	<u>87,263</u>	<u>162,294</u>
Subsequent settlement (up to 31 March 2010)	98.1%	88.9%	11.9%

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Ageing analysis of the trade receivables (which no allowance for doubtful receivables was made) in respect of our sales to the sales partners regarding state-invested projects as of 31 December 2007, 2008 and 2009.

	As at 31 December		
	2007	2008	2009
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 90 days	7,652	21,717	16,607
91 days to 180 days	7,851	3,216	6,725
181 days to 365 days	1,471	1,135	8,606
Over 1 year to 2 years	<u>89</u>	<u>519</u>	<u>—</u>
	<u>17,063</u>	<u>26,587</u>	<u>31,938</u>
Subsequent settlement (up to 31 March 2010)	100%	100%	21.4%

To the best of our knowledge, for each of the three years ended 31 December 2007, 2008 and 2009, three, one and four of our top five customers respectively were state-owned enterprises or companies in which state-owned enterprises have invested. We believe that long outstanding trade receivables are a characteristic of the equipment supply industry to customers in the power industry in the PRC, we do not intend to significantly change our credit and payment terms offered to our customers. We usually do not take legal action against those customers who fail to settle our trade receivables in accordance with the payment terms of the relevant sales contracts because of this industry characteristic. However, we may consider carrying out some sales of smaller sizes on a cash basis with a view to achieving a better control of our credit risk.

The long outstanding trade receivables have led to considerable pressure on our working capital management and may adversely affect our liquidity. Our Group has been financing our working capital by way of short-term bank loans and other borrowings. Our business will be seriously interrupted if we fail to obtain financing or if the finance cost is high.

### OUR PRODUCT DEVELOPMENT AND PRODUCTION

We have established a research and development team specialising in the improvement of our existing products and the development of new products. Our research and development team mainly focuses on three areas, namely power electronics, automation control and software engineering. As at the Latest Practicable Date, our research and development team comprised approximately 75 members, of whom approximately 89% received tertiary education and approximately 44% have more than five years' experience in the power electronic industry. Our senior management team has extensive experience in and an in-depth understanding of China's power electronic market, in which some of them have over 15 years of industry experience. With the effort of our management and staff, our Group has won a number of awards and other recognition.

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Raw materials, parts and components used by us in the production of our products mainly include metal casings, low voltage electric components (such as electric switches), electric cables, inverters, controlling chips, batteries, printed circuit boards, various other electronic components and PASS products. In respect of new products, we also source LED lights, wind turbines and solar power panels from third party suppliers. Some of the parts and components, such as casings and printed circuit boards are made by the suppliers in accordance with our design and specifications. We source most of our raw materials, parts and components in the PRC. Our production facilities are located in Zhuhai City, Guangdong Province, the PRC. The site on which our production facilities are located was purchased by the Group in 1998. The production conducted at our production facilities includes product design, sourcing, assembling, testing and packaging.

We set out below, for illustration purposes, our estimated production capacity and actual production level for the three years ended 31 December 2007, 2008 and 2009.

	Complete system set			Module		
	Estimated Capacity <sup>(1)</sup> (unit)	Actual Production (unit)	Utilisation Rate <sup>(2)</sup> %	Estimated Capacity <sup>(1)</sup> (set)	Actual Production (set)	Utilisation Rate <sup>(2)</sup> %
Year ended 31 December 2007	3,314	3,150	95.0	10,210	8,280	81.1
Year ended 31 December 2008	3,935	3,612	91.7	12,270	9,524	77.6
Year ended 31 December 2009 <sup>(3)</sup>	4,129	3,841	93.0	13,271	12,369	93.2

*Note 1:* The estimated capacity represents our estimate of the volume of products which we may be able to produce at our normal production level with no significant overtime work and temporary production workforce.

*Note 2:* The utilisation rate is the ratio of the actual production to the potential production capacity during the relevant year.

*Note 3:* The above table does not include our production of high-power LED lighting products which is separate from the production of our other products. Our estimated production capacity of high-power LED lighting products which commenced in the year ended 31 December 2008 is as follows:

	Lighting part			Driver		
	Estimated Capacity	Actual Production	Utilisation Rate	Estimated Capacity	Actual Production	Utilisation Rate
For the year ended 31 December 2008	1,628	985	60.5%	678	431	63.5%
For the year ended 31 December 2009	2,295	2,219	96.7%	1,233	1,078	87.5%

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Potential investors should understand that the above information is for reference purposes only and represents an estimate of the volume of products that we may be capable of producing on normal working hours and level of our production workforce. In view of our high production utilisation based on our estimated production capacity during the Track Record Period and potential market opportunities in future, we believe that we will have to increase our long-term capacity by increasing, among other things, our production staff force and our production space.

### SHAREHOLDING

As at the Latest Practicable Date, our Controlling Shareholders held an aggregate of 88.03% of the issued share capital of the Company with the remaining 11.97% of the issued share capital of the Company held by companies wholly-owned by a private investor, Thomas Pilscheur.

The Clear Profit Exchangeable Bond and Benefit Way Exchangeable Bond were issued by Bright Luck, a company jointly owned by Mr. Li and Mr. An, to Tsoi Kin Wah and Enhance Investment, private investors respectively. The Exchangeable Bonds will be exchanged indirectly into an aggregate holdings of 4.82% of the issued share capital of the Company upon Listing (assuming that the Over-allotment Option is not exercised).

The Convertible Note was issued by the Company and is held by Wealth Source. The Convertible Note is convertible into new Shares representing 2.47% of the issued share capital of the Company upon Listing (assuming that the Over-allotment Option is not exercised).

Please refer to the paragraphs headed “Issue of the Exchangeable Bonds” and “Issue of Convertible Note” of the section headed “Our history and development” in this prospectus for further details of the Exchangeable Bonds and the Convertible Note.

After completion of the Share Offer and upon Listing, the Controlling Shareholders’ shareholding interest in our Company will be 58.85% (assuming that the Over-allotment Option is not exercised).

### GLOBAL FINANCIAL CRISIS

The global financial crisis started in the second half of 2008. Despite the financial crisis, our sales for the year ended 31 December 2008 increased by approximately 21.4% as compared with our sales for the year ended 31 December 2007. Our sales for the year ended 31 December 2009 increased by approximately 23.4% as compared with our sales for the year ended 31 December 2008. The increase was mainly attributable to the increase in the sales of our other new products and PASS products during the said two years. However, the sales of our electrical DC products for the year ended 31 December 2009 decreased by 1.1% as compared with the year ended 31 December 2008. During the year ended 31 December 2009, we consider that our sales and cashflow may have been affected by the global financial crisis. However, it would be difficult for us to quantify the effect of the financial crisis on our operations. We consider that the financial crisis has resulted in some of our

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## SUMMARY

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customers being more cautious in respect of their development plans and therefore has resulted in a slow down of their capital investment plans and/or a decrease in the value of contracts which we tendered during the two years ended 31 December 2008 and 2009 and/or delays in the settlement of our trade and bills receivables for the two years ended 31 December 2008 and 2009.

In response to the global financial crisis, the PRC has introduced a RMB4 trillion economic stimulus plan and 10 major measures involving investment in hundreds of thousands of projects over a span of two years. Amongst 10 major measures adopted by the State Council, three involve grid investments, namely: the second measure, to improve grids in rural areas; the third measure, to expedite the transformation of grids in cities; and the seventh measure, to accelerate post-disaster reconstruction in earthquake-stricken areas. CCID Consulting estimates that with the introduction of the “10 Measures of the State Council”, grid investments will reach RMB830 billion for the two-year period 2009 to 2010; RMB70 billion higher than previously expected. Further, the PRC government has set a target of over 10% for the average annual growth of China’s power industry during the period of the Eleventh Five-Year Plan from 2008 to 2010. Our Directors believe that the above factors will continue to drive demand for power electronic products, including the Group’s line of electrical DC products.

Save for delays in the settlement of trade receivables by some customers, we have not experienced any withdrawal of banking facilities, request for early repayment of loans, material cancellation of orders, bankruptcy or default on the part of any customers and/or suppliers. However, we consider that the global financial crisis may have led to delays in some power transmission projects or other projects of some of our customers which in turn have resulted in a delay in the settlement of our trade receivables after we have delivered our products to such customers.

### **BANK BORROWINGS**

As at 31 March 2010, we had total bank and other borrowings of approximately RMB26.5 million to finance our working capital requirements of our daily operations. We also have obtained some other trading credit facilities from various banks. To secure some of the above bank borrowings and other trading credit facilities, we have engaged two independent guarantee companies in the PRC to provide corporate guarantees in favour of the lending banks in respect of our borrowings and other trading credit facilities. Our executive Directors have also provided personal counter-guarantees in favour of the banks and the guarantee companies. Such personal counter-guarantees from the executive Directors will be released on or before Listing subject to the Company providing the guarantee companies with a replacement of corporate guarantees. In addition, we have pledged our interests in properties located at Titans Technological Park, where our principal operations are situated, and our 99% equity interest in Titans Technology, our major operating subsidiary, to the lenders and the guarantee companies. Whilst we are confident that we will be able to meet the payment obligations under the loans based on, among other factors, our market position and our business growth, our historical yearly cash flow pattern, our relationships with various banks and the additional funding from the Share Offer, if we fail to repay the above bank borrowings, the lenders and the guarantee companies will have the right to seize our properties at Titans Technology Park and our 99% equity interest in Titans Technology and sell them in the market in order to settle our payment obligations under the loans. In that case, our operations will be seriously interrupted.

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## SUMMARY

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The Directors confirm that the collateral given to the guarantee companies was determined after arm's length negotiations between the Group and the respective guarantee companies. As at 31 March 2010, the aggregate amount of the bank borrowings and the maximum amount of the banking facilities guaranteed by the two guarantee companies amounted to RMB14 million. The carrying value of the 99% equity interest in Titans Technology as at 31 December 2009 amounted to approximately RMB139.3 million, representing 10.0 times of the maximum guarantee amount. Our Directors consider that the provision of such collateral in the interests of the Company as (1) most of the real property interests owned by Titans Technology with a carrying book value of RMB8.5 million have been pledged to other lending banks and we have no other material real property to pledge to the guarantee companies as security; (2) we do not consider that there is a high default risk in respect of our debts guaranteed by the guarantee companies; and (3) this will enable us to obtain the necessary bank loan and banking facilities. The Directors consider that as the Group did not have sufficient real property to provide primary charges to all of the lending banks at the time of applying for the bank borrowings, it was a normal and commercial practice to engage third party guarantee companies to provide guarantees in favour of the lending banks in respect of the Group's bank borrowings. The Directors do not consider it as an indicator of the Group facing any credibility issue.

The Group may seek to refinance its bank borrowings when they fall due.

### WORKING CAPITAL

The total cash and bank balances of the Group as at 31 December 2009 amounted to RMB27.1 million (not including the restricted bank balances of RMB15.7 million to support the issue of bills and letters of credit for trading purposes).

To manage and support its working capital requirements, we will utilise our cash flow from operational activities and bank and other borrowings. We closely monitor our cash flow position. Monthly projections on cash receipts are prepared and payment plans are made accordingly. We will also endeavour to further expedite the receivables collection process by following up more closely with the sales partners and customers.

Based on the mid point of the Offer Price, HK\$187.5 million net proceeds will be available; among which HK\$17.8 million will be used to strengthen our working capital position.

Our Directors are of the opinion that, taking into consideration the financial resources available to us including internally generated funds, available banking facilities and the estimated net proceeds from the Share Offer, we have sufficient working capital for our present capital and operating requirements in the next 12 months commencing from the date of this prospectus.

For further details of our Group's business, please refer to the section headed "Business".

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## SUMMARY

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### COMPETITIVE STRENGTHS OF OUR GROUP

We believe that the following principal factors attributed to our growth in the power electronic industry in the past and will assist in the future growth of our Group:

- Established presence in the power electronic products industry and an experienced management team
- Product planning and diversified product portfolio
- Advanced core technologies and continued research and development capabilities
- Solid customer base and extensive sales network
- Comprehensive, client-oriented and effective management
- Demand for our electrical DC products driven by growth of demand for power
- Growth of demand for energy saving products and renewable energy

### OUR BUSINESS STRATEGIES

Our Group's strategy is to consolidate and enhance our existing products and services in the power industry market in the PRC, and to promote our new products and develop new markets. Our new products include charging equipment for electric vehicles, power grid monitoring and management products, high-power LED lighting products and wind and solar power generating balancing control products. Our business strategies include:

- Consolidate the position of our existing products in the market and our corporate value
- Continue to strengthen research and development of products
- Strengthen sales and develop new opportunities
- Enhance production capability

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## SUMMARY

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### SELECTED COMBINED FINANCIAL INFORMATION

The following tables summarise our combined turnover, gross profit, gross profit margin, assets and liabilities information and cash flows information during the Track Record Period, prepared on the basis that our current Group structure had been in place throughout the Track Record Period. This summary is extracted from, and should be read in conjunction with the Accountants' Report, the text of which is set forth in Appendix I to this prospectus:

#### Combined income statements

	Year ended 31 December					
	2007		2008		2009	
	<i>RMB'000</i>	<i>% of turnover</i>	<i>RMB'000</i>	<i>% of turnover</i>	<i>RMB'000</i>	<i>% of turnover</i>
Turnover	144,404	100.00	175,338	100.00	216,452	100.00
Cost of sales	<u>(74,370)</u>	<u>(51.50)</u>	<u>(95,990)</u>	<u>(54.75)</u>	<u>(114,825)</u>	<u>(53.05)</u>
Gross profit	70,034	48.50	79,348	45.25	101,627	46.95
Other revenue	7,082	4.90	10,607	6.05	7,582	3.50
Negative goodwill	—	—	—	—	830	0.38
Fair value change on convertible loan note	—	—	104	0.06	179	0.08
Selling and distribution expenses	(22,369)	(15.49)	(20,211)	(11.53)	(22,614)	(10.44)
Administrative expenses	(13,286)	(9.20)	(23,442)	(13.37)	(26,563)	(12.27)
Finance costs	<u>(1,126)</u>	<u>(0.78)</u>	<u>(1,290)</u>	<u>(0.73)</u>	<u>(1,386)</u>	<u>(0.64)</u>
<b>Profit before taxation</b>	40,335	27.93	45,116	25.73	59,655	27.56
Taxation	<u>(5,916)</u>	<u>(4.10)</u>	<u>(6,416)</u>	<u>(3.66)</u>	<u>(6,431)</u>	<u>(2.97)</u>
<b>Profit for the years</b>	<u>34,419</u>	<u>23.83</u>	<u>38,700</u>	<u>22.07</u>	<u>53,224</u>	<u>24.59</u>
<b>Attributable to:</b>						
Owners of the Company	34,155	23.65	38,812	22.13	54,106	25.00
Minority interests	<u>264</u>	<u>0.18</u>	<u>(112)</u>	<u>(0.06)</u>	<u>(882)</u>	<u>(0.41)</u>
	<u>34,419</u>	23.83	<u>38,700</u>	22.07	<u>53,224</u>	<u>24.59</u>
Dividends for the years	<u>1,942</u>		<u>—</u>		<u>21,982</u>	
Earnings per share						
— Basic ( <i>RMB</i> )	<u>5.9 cents</u>		<u>6.7 cents</u>		<u>9.3 cents</u>	

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## SUMMARY

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### Our turnover and gross profit

The table below summarises information regarding our turnover and its breakdown between our various product segments during the Track Record Period:

	<b>Year ended 31 December</b>					
	<b>2007</b>		<b>2008</b>		<b>2009</b>	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
<b>Electrical DC products</b>	127,002	87.95	132,317	75.46	130,840	60.45
<b>Power grid monitoring and management products</b>	4,030	2.79	7,484	4.27	16,231	7.50
<b>Charging equipment for electric vehicles</b>	—	—	4,565	2.60	15,157	7.00
<b>Wind and solar power generation balancing control systems</b>	6,034	4.18	7,010	4.00	—	—
<b>High-power LED lighting equipment</b>	—	—	3,181	1.81	8,758	4.05
<b>PASS products</b>	<u>7,338</u>	<u>5.08</u>	<u>20,781</u>	<u>11.85</u>	<u>45,466</u>	<u>21.00</u>
<b>Total</b>	<u>144,404</u>	<u>100.00</u>	<u>175,338</u>	<u>100.00</u>	<u>216,452</u>	<u>100.00</u>

## SUMMARY

The table below summarises information regarding our gross profit and gross profit margin during the Track Record Period.

	For the year ended 31 December								
	2007		2008		2009				
	Amount	% to	Gross	Gross	Gross	% to			
	RMB'000	total	profit	profit	profit	total			
		gross	margin	margin	margin	gross			
		profit	Amount	Amount	Amount	profit			
		%	RMB'000	RMB'000	RMB'000	%			
		gross	%	%	%	gross			
		profit	%	%	%	profit			
		margin	%	%	%	margin			
		%	%	%	%	%			
Electrical DC products	61,914	48.75	88.41	63,600	48.07	80.15	68,024	51.99	66.93
Power grid monitoring and management products	3,125	77.54	4.46	4,217	56.35	5.31	10,030	61.80	9.87
Charging equipment for electric vehicles	—	—	—	728	15.95	0.92	8,569	56.53	8.43
Wind and solar power generation balancing control equipment	2,224	36.86	3.18	2,372	33.84	2.99	—	—	—
High-power LED lighting equipment	—	—	—	798	25.09	1.01	2,073	23.67	2.04
PASS products	2,771	37.76	3.95	7,633	36.73	9.62	12,931	28.44	12.73
Total	70,034	48.50	100.00	79,348	45.25	100.00	101,627	46.95	100.00

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## SUMMARY

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### Combined assets and liabilities information

	<b>At 31 December</b>		
	<b>2007</b>	<b>2008</b>	<b>2009</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Non-current assets</b>			
Property, plant and equipment	13,356	12,516	13,358
Intangible assets	<u>2,833</u>	<u>2,456</u>	<u>2,079</u>
	<u>16,189</u>	<u>14,972</u>	<u>15,437</u>
<b>Current assets</b>			
Inventories	18,925	19,279	11,921
Trade and bills receivables	107,098	137,001	221,938
Prepayments, deposits and other receivables	12,174	14,742	14,444
Amounts due from related companies	168	—	—
Amounts due from shareholders	2	190	202
Restricted bank balances	10,352	13,516	15,667
Bank balances and cash	<u>23,468</u>	<u>27,475</u>	<u>27,081</u>
	<u>172,187</u>	<u>212,203</u>	<u>291,253</u>
	<u>188,376</u>	<u>227,175</u>	<u>306,690</u>
<b>Current liabilities</b>			
Trade and bills payables	33,750	38,545	58,868
Receipts in advance	13,956	10,765	2,561
Accruals and other payables	24,202	25,976	43,136
Dividend payables	8	150	2,942
Amounts due to a shareholder	308	—	1,519
Amounts due to minority shareholders of a subsidiary	900	900	—
Amounts due to related companies	819	—	—
Amounts due to directors	20,943	3,073	7,447
Tax payables	6,113	8,211	11,247
Borrowings	12,000	16,868	24,000
Convertible loan note	<u>—</u>	<u>8,760</u>	<u>8,581</u>
	<u>112,999</u>	<u>113,248</u>	<u>160,301</u>
<b>Net current assets</b>	<u>59,188</u>	<u>98,955</u>	<u>130,952</u>
<b>Net assets</b>	<u><u>75,377</u></u>	<u><u>113,927</u></u>	<u><u>146,389</u></u>

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## SUMMARY

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### Combined statements of cash flows

	2007	2008	2009
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>OPERATING ACTIVITIES</b>			
Profit before taxation	40,335	45,116	59,655
Adjustments for:			
Interest income	(292)	(289)	(132)
Finance costs	1,126	1,290	1,386
Fair value change on convertible loan note	—	(104)	(179)
Depreciation of property, plant and equipment	1,529	1,611	1,850
Amortisation of intangible assets	167	377	377
Loss/(gain) on disposal of property, plant and equipment	21	(39)	2
Negative goodwill	—	—	(830)
Written off of goodwill from acquisition of additional interest of a subsidiary	85	—	—
Allowance for inventories	129	—	—
Allowance for trade receivables	2,412	3,172	2,939
Allowance for other receivables	39	177	57
	<u>          </u>	<u>          </u>	<u>          </u>
Operating cash flows before movements in working capital	45,551	51,311	65,125
(Increase)/decrease in inventories	(924)	(354)	7,358
(Increase) in trade and bills receivables	(42,162)	(33,075)	(87,876)
(Increase)/decrease in prepayments, deposits and other receivables	(2,712)	(2,743)	241
(Increase)/decrease in amounts due from related companies	(119)	168	—
Increase in trade and bills payables	2,682	4,795	20,323
Increase/(decrease) in receipts in advance	8,678	(3,191)	(8,204)
Increase in accruals and other payables	4,712	1,774	16,760
Increase/(decrease) in amounts due to related companies	800	(819)	—
	<u>          </u>	<u>          </u>	<u>          </u>
Cash generated from operations	16,506	17,866	13,727
PRC income tax paid	(2,416)	(4,318)	(3,395)
	<u>          </u>	<u>          </u>	<u>          </u>
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<u>14,090</u>	<u>13,548</u>	<u>10,332</u>

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## SUMMARY

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	<b>2007</b>	<b>2008</b>	<b>2009</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	(1,291)	(1,197)	(2,736)
Decrease (increase) in restricted bank balances	1,226	(3,164)	(2,151)
Advance to shareholders	—	(190)	(12)
Interest received	274	289	132
Proceeds on disposal of property, plant and equipment	49	465	42
Acquisition of intangible assets	(3,000)	—	—
Acquisition of additional interests in subsidiaries	<u>(1,050)</u>	<u>—</u>	<u>—</u>
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<u>(3,792)</u>	<u>(3,797)</u>	<u>(4,725)</u>
<b>FINANCING ACTIVITIES</b>			
Dividend paid	(2,002)	(8)	(19,190)
Repayment of bank and other borrowings	(16,000)	(14,132)	(18,868)
Interest paid	(1,126)	(1,290)	(1,386)
Repayment to minority shareholders of a subsidiary	(143)	—	(900)
New bank and other borrowings raised	12,000	19,000	26,000
(Repayment to)/advance from directors	(7,772)	(17,870)	4,374
Capital contributions from minority shareholders of a subsidiary	900	—	2,450
(Repayment to)/advance from shareholders	(1,032)	(308)	1,519
Issue of convertible loan note	<u>—</u>	<u>8,864</u>	<u>—</u>
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<u>(15,175)</u>	<u>(5,744)</u>	<u>(6,001)</u>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<u>(4,877)</u>	<u>4,007</u>	<u>(394)</u>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>	<u>28,345</u>	<u>23,468</u>	<u>27,475</u>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR,</b> represented by bank balances and cash	<u>23,468</u>	<u>27,475</u>	<u>27,081</u>

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## SUMMARY

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### STATISTICS OF THE SHARE OFFER

	Based on an indicative Offer Price of HK\$1.05	Based on an indicative Offer Price of HK\$1.2
Market capitalisation of the Shares <sup>(2)</sup> .....	HK\$840 million	HK\$960 million
Unaudited pro forma adjusted net tangible assets per Share <sup>(3)</sup> .....	HK\$0.43	HK\$0.47

*Notes:*

1. All the statistical data in the table above are calculated based on the assumption that the Over-allotment Option is not exercised.
2. The calculation of market capitalisation is based on the estimated 800,000,000 Shares issued upon completion of the Share Offer and the Capitalisation Issue.
3. The unaudited pro forma adjusted net tangible asset per Share is calculated after making the adjustments referred to in the section headed “Unaudited Pro Forma Adjusted Net Tangible Assets” in Appendix II to this prospectus and taking into account the indicative Offer Prices of HK\$1.05 and HK\$1.2 per Offer Share and 800,000,000 Shares expected to be in issue upon completion of the Share Offer and the Capitalisation Issue.
4. The pro forma net tangible assets per Share is calculated after making the adjustments as set out under the paragraph headed “Unaudited Pro Forma Adjusted Net Tangible Assets” in Appendix II to this prospectus and is based on 800,000,000 Shares expected to be in issue upon completion of the Share Offer and the Capitalisation Issue.

### RISK FACTORS

We consider that our business is subject to a number of risk factors which can be summarised as follows:

#### Risks relating to our Group’s operations

- Long turnover period of trade and bills receivables
- Changes to the cooperation arrangement with sales partners
- Reliance on electrical DC products
- Limited operating history in the manufacturing and selling wind and solar power generation balancing control products, high-power LED lighting products, charging equipment for electric vehicles and power grid monitoring and management products series
- Risks relating to the underlying technologies relied on by our products
- Reliance on key management
- Difficulty in detecting and deterring misconduct committed by our sales staff and sales partners

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## SUMMARY

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- Our relationships with our sales staff and sales partners may be interrupted
- Reliance on major suppliers and absence of long-term supply agreements
- Reliance on major customers
- Risks relating to seasonal sales and cash flow patterns which lead to pressure on working capital and liquidity
- Protection of self-owned core technologies and licence rights and infringement of intellectual property rights
- Any change in tax treatment in the PRC may have an impact on our operations
- Product liability exposure and insurance coverage
- Price fluctuations of materials, parts and components
- Fluctuations of our profit margins
- We have not obtained the building ownership certificate for the structures built within the industrial complex and we may be required to relocate our warehouse and staff canteen without proper title and permits
- Risk relating to our expansion plan and new investment opportunities
- We may lose our major properties and major operating subsidiary if we fail to meet our payment obligations in respect of our bank borrowings
- Our dividend payments made in the past may not be used as a reference or basis to determine our ability to pay dividends in the future

### **Risks relating to the industry**

- Changes in industrial policies by the PRC government
- Increasing competition from domestic and foreign competitors
- Risk relating to the forecast of market demand
- Risks relating to the development and business cycle of the power industry
- Risks relating to China's accession to the WTO
- Risk relating to the recent global economic crisis

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## SUMMARY

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### **Risks relating to the PRC**

- Political, economic and legal environment of the PRC
- New PRC Labour Contract Law
- Environmental regulations
- Difficulties in seeking recognition and enforcement of foreign judgements or arbitral awards in China
- Changes in PRC government policies in foreign investment in the PRC may adversely affect the business and operational results of our Group
- Changes in PRC government policies on dividend distribution and enterprise tax may adversely affect our business and operational results of our Group
- Interest and dividends payable by us to our investors and gain on the sale of our Shares may become subject to withholding taxes under PRC tax laws
- Recurrence of Severe Acute Respiratory Syndrome (SARS) and outbreak of other epidemics, Influenza A (H1N1) and/or avian flu
- Currency conversion and exchange control

### **Risks relating to the Shares**

- Liquidity and possible price volatility of the Shares
- Dilution of Shareholders' interest in additional equity fund raising

### **Risks relating to the Share Offer**

- Termination of the Underwriting Agreements
- We strongly caution you not to place any reliance on any information contained in press articles or other media regarding us and/or our Share Offer

### **Risks relating to this prospectus**

- Forward-looking statements
- Undue reliance on industrial statistics derived from various official governmental sources

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## SUMMARY

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### DIVIDEND POLICY

Following the listing of our Shares, our Shareholders will be entitled to receive dividends declared by our Company. We intend to pay dividends by way of interim and final dividends.

The payment and amount of any dividends will be at the discretion of our Directors and the Directors' decision to declare or to pay any proposed dividends in the future, and the amount of any proposed dividends, if declared and paid, will be based on our earnings, financial condition, cash requirements and availability, future prospects, contractual restrictions, applicable laws and provisions and other relevant factors. There is no assurance as to whether the dividend distribution will occur as intended, the amount of dividend payment or the timing of such payment.

We declared and/or paid dividends of RMB1,942,000, nil and RMB21,982,000 for the three years ended 31 December 2007, 2008 and 2009 respectively, which were financed by our internal resources. Save as disclosed herein, no other dividend was declared by any member of our Group since the commencement of the Track Record Period. The dividend distribution recorded during the Track Record Period may not be used as a reference or basis to determine the level of dividends that may be declared or paid by us in the future. Please refer to the paragraph headed "Our dividend payments made in the past may not be used as a reference or basis to determine our ability to pay dividends in the future" in the section "Risk Factors".

### FUTURE PLANS AND USE OF PROCEEDS

We believe that the Listing will enhance our profile and expand our capital base for our future growth and development. We estimate that the aggregate net proceeds available to us from the Share Offer, after deducting related underwriting fees and expenses payable by us in connection with the Share Offer, and assuming an Offer Price of HK\$1.125 per Share (being the mid-point of the stated range of the Offer Price between HK\$1.05 and HK\$1.2 per Share), will be approximately HK\$201,800,000 (equivalent to approximately RMB177,760,000). We currently intend to apply such net proceeds as follows:

- approximately HK\$62.7 million (equivalent to approximately 31.1% of our total estimated net proceeds) will be used to support and enhance our manufacturing capability and/or acquiring new production facilities (including approximately HK\$22 million for the acquisition of a piece of land in Zhuhai in 2010, approximately HK\$20 million for the building of a new factory in 2010 and 2011 and HK\$20.7 million for the purchase of additional production equipment and machinery from 2010 to 2012) in order to cope with the diversifying product portfolio of the Group;
- approximately HK\$75.7 million (equivalent to approximately 37.5% of our total estimated net proceeds) will be used to further establish and consolidate the market positions of our existing products, which will include among other things, using approximately HK\$30 million in the next two years to invest in new business opportunities and acquire technologies, projects or business complementary to the existing business of the Group which we will actively identify and using approximately HK\$45.7 million for implementing a series of strategies from 2010 to 2012 to continue our brand building, enhance our overall

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## SUMMARY

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competitiveness and consolidate our market position (which, subject to the then circumstances and terms of engagement, may involve engaging a professional consultant to advise and improve our organisational structure, management and operational efficiency and staff remuneration structure);

- approximately HK\$18.6 million (equivalent to approximately 9.2% of our total estimated net proceeds) will be used from 2010 to 2012 to support and strengthen our product research and development capability in respect of our existing product portfolio and potential new products, including (i) devoting further resources (human resources, equipment hardware and software) for the development of our products; (ii) enhancing our core technologies and their applicability and reliability in view of the developing market requirements; (iii) cooperating with research institutions to develop new technologies and products; and (iv) expediting the commercialisation process of our research and development work through a series of research and development work and reviews;
- approximately HK\$27.0 million (equivalent to approximately 13.4% of our total estimated net proceeds) will be used to support and enhance our marketing ability including using approximately HK\$11.3 million for carrying out sales and marketing activities such as customer relationship building, attending related technology or product conferences, exhibitions and seminars, advertising or making press releases in technical magazines or Internet websites from 2010 to 2012, and approximately HK\$15.7 million for expanding our marketing channels through the establishment of about 10 new representative offices in the PRC in cities such as Shanghai, Chengdu, Xian, Shenyang, Wuhan, Jinan with about 20 additional staff to promote our new products mainly in 2010 and 2011; and
- approximately HK\$17.8 million (equivalent to approximately 8.8% of our total estimated net proceeds) will be used as working capital and for other general purposes of our Group.

The Group applied to acquire a piece of land located in the Economic Development Zone of Heng Qin, Zhuhai for the construction of a new production plant in December 2006. In the same month of our application, the management committee of the Economic Development Zone agreed to our plan to set up our facilities in the Economic Development Zone. We submitted a revised proposal to the management committee of the Economic Development Zone in July 2009. The application is still subject to the approval of 珠海橫琴新區公共建設局 (Public Construction Bureau of Zhuhai Hengqin New Area). The size and exact location of the land which the Company may acquire has not been determined. Based on our communications with the relevant officers of the Heng Qin Economic Development Zone, we estimate that we may be able to obtain the approval for our production plant development in the Heng Qin Economic Development Zone by the end of 2010. However, there is no assurance that our application will be approved or when it will be approved. If our application for the land acquisition is not approved or we otherwise decide not to build our new plant in the Economic Development Zone of Heng Qin, Zhuhai, we will identify another suitable place for the expansion of our production facilities. As at the Latest Practicable Date, our Group has not entered into any contract or agreement in respect of the above possible acquisition of land or construction of new production facilities.

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## SUMMARY

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The amount of net proceeds allocated for the construction of new plant and expansion of new facilities may not be sufficient for the whole intended purpose. Any deficiency in funding for the above-mentioned projects will be financed by internal funds and/or bank borrowings and/or other appropriate financing available to the Group from time to time.

We have not identified any specific acquisition or investment targets nor entered into any legally binding agreement or arrangement relating thereto. However, in the process of selecting acquisition or investment targets, we will consider whether the target business is complementary or synergistic to our business and whether the acquisition or investment may help expand our market share and enhance our market recognition.

We have been developing our core technologies and the relevant commercialisation and applications by our internal research and development team. Whilst we will continue to develop our own research and development team, we plan to cooperate with other research institutions in respect of our product and technology development in order to leverage on their knowledge and expertise. We will discuss with the appropriate research institutions our research and development plan when opportunities arise.

There are risks that we may not be able to execute our business plans or there may be changes to the timing of our plans. For example, we may not be able to identify an appropriate area for our production expansion or appropriate acquisition targets for consolidating our market share. Please refer to the section headed “Risk factors” of this prospectus for the relevant risks.

In the event that the Offer Price is fixed at HK\$1.05 or HK\$1.2 (being the respective lowest and highest points of the indicative range of the Offer Price as stated in this prospectus) and assuming the Over-allotment Option is not exercised, the net proceeds of the Share Offer will be approximately HK\$187,570,000 (equivalent to approximately RMB165,230,000) and HK\$216,020,000 (equivalent to approximately RMB190,290,000) respectively after deduction of all underwriting fees and expenses paid and payable by us. In the event that the net proceeds are less or more than HK\$201,800,000 by reason of the Offer Price being fixed at a price lower than or above HK\$1.125, we intend to adjust the allocation of the net proceeds to the above uses in the proportions stated above.

In the event that the Over-allotment Option is exercised in full and assuming the Offer Price is HK\$1.125 (the mid-point price of the indicative price range as indicated in this prospectus), the Company will receive additional net proceeds of approximately HK\$32 million. We intend to apply the additional net proceeds in the same manner and in the same proportions as shown above.

In the case that the net proceeds from the Share Offer are not immediately applied for the aforesaid purposes, we currently intend that the amount be placed on short term deposit with licensed banks in Hong Kong and/or commercial banks in the PRC or other financial institutions.

We will issue an announcement if there is any material change in the use of proceeds.

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## DEFINITIONS

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*In this prospectus, unless the context otherwise requires, the following terms shall have the meanings set out below:*

“Application Form(s)”	WHITE application form(s), YELLOW application form(s) and GREEN application form(s) or, where the context so requires, any of them
“Anhui Kaili”	安徽凱立科技股份有限公司 (Anhui Kaili Technology Company Limited*), a company incorporated in the PRC on 8 December 2000, is owned as to 85.08% by Wang Chuan, 7.71% by Guo Yao Hua and 7.21% by Wang Yan and to the best knowledge and belief of the Directors, Anhui Kaili and its ultimate beneficial owners are independent third parties
“Articles” or “Articles of Association”	the articles of association of our Company as amended from time to time
“associates”	has the meaning ascribed to it under the Listing Rules
“Beijing Chuang Shi”	北京創世博源科技發展有限公司 (Beijing Chuang Shi Bo Yuan Technology Development Co., Limited*), a company established in the PRC. To the best knowledge and belief of the Directors, Beijing Chuang Shi and its ultimate beneficial owners are independent third parties
“Beijing Hua Shang”	北京華商三優新能源科技有限公司 (Beijing Hua Shang Clear New Energy Technology Co., Ltd.*), a company incorporated in the PRC on 8 February 2010, is owned as to 45% by Titans Automatic, 35% by Beijing HS Assets Management, 10% by Beijing Chuang Shi and 10% by Beijing Hua Xin
“Beijing HS Assets Management”	北京華商偉業資產管理有限公司 (Beijing Hua Shang Wei Ye Assets Management Co., Limited*), a company established in the PRC. To the best knowledge and belief of the Directors, Beijing HS Assets Management and its ultimate beneficial owners are independent third parties
“Beijing Hua Xin”	北京華新電工設備有限公司 (Beijing Hua Xin Electrical Installation Equipment Co., Limited*), a company established in the PRC. To the best knowledge and belief of the Directors, Beijing Hua Xin and its ultimate beneficial owners are independent third parties

*\* for identification purposes only*

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## DEFINITIONS

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“Beijing Jiao Da”	北京交大科技孵化器有限公司 (Beijing Jiao Da Technology Incubator Company Limited*), a company established in the PRC on 23 December 2003, is owned as to 75% by 北京交大資產經營有限公司 (Beijing Jiao Da Asset Management Company Limited*) and 25% by 北京宏德信智源信息技術有限公司 (Beijing Hong De Xin Zhi Yuan Information Technologies Co., Ltd.*). Beijing Jiao Da is a former shareholder of Beijing New Clear and its ultimate beneficial owners are independent third parties
“Beijing New Clear”	北京優科利爾能源設備有限公司 (Beijing New Clear Energy Equipment Co., Ltd.*), a company incorporated in the PRC on 6 September 2007, is owned as to 55% by Titans Technology, 20% by Zhong Shu Xian, 20% by Zhuhai Tian Ze, 2% by Liu Jun, staff of our Group, and 3% by Fu Yulong, one of our senior management of our Group. Zhong Shu Xian and Zhuhai Tian Ze are substantial shareholders of Beijing New Clear and thus connected persons of the Company
“Benefit Way”	Benefit Way Group Limited, a company incorporated in the British Virgin Islands with limited liability on 17 September 2007, the entire shareholding of which is owned by Bright Luck as at the Latest Practicable Date and will be owned by Enhance Investment upon exercise of the right attaching to the Benefit Way Exchangeable Bond upon Listing
“Benefit Way Exchangeable Bond”	the exchangeable bond issued by Bright Luck in the principal amount of HK\$7,700,630 exchangeable into one share of US\$1.00 each in Benefit Way representing its entire issued share capital
“Board” or “Board of Directors”	the board of Directors
“Bright Luck”	Bright Luck Management Limited, a company incorporated in the British Virgin Islands with limited liability on 2 August 2007, the entire issued share capital of which are beneficially owned as to 50% by Mr. Li and 50% by Mr. An, both are Controlling Shareholders and executive Directors
“Business Day”	any day (other than a Saturday or a Sunday) on which banks in Hong Kong are generally open for normal banking business
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate

*\* for identification purposes only*

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## DEFINITIONS

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“Capitalisation Issue”	the issue of Shares to be made upon capitalisation of certain sums standing to the credit of our share premium account as referred to in the paragraph headed “Written resolutions of all the Shareholders passed on 8 May 2010” in Appendix V to this prospectus
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant or a CCASS Custodian Participant or a CCASS Investor Participant
“CCID Consulting”	賽迪顧問股份有限公司 (CCID Consulting Company Limited), a subsidiary of the China Centre of Information Industry Development of the Ministry of Information Industry of the PRC, and whose securities are listed on Growth Enterprise Market of the Stock Exchange (Stock Code: 8235), the principal business of which is the provision of consulting services for information industry in China
“Changmao”	珠海市長懋企業有限公司 (Zhuhai Changmao Enterprises Co., Ltd.*), a company established in the PRC on 16 April 1993, was owned as to 66.66% by two private individuals and 33.33% by Feng Jian prior to its deregistration on 2 November 2005
“Clear Profit”	Clear Profit Resources Limited, a company incorporated in the British Virgin Islands with limited liability on 16 July 2007, the entire shareholding of which is owned by Bright Luck as at the Latest Practicable Date and will be owned by Tsoi Kin Wah upon exercise of the right attaching to the Clear Profit Exchangeable Bond upon Listing
“Clear Profit Exchangeable Bond”	the exchangeable bond issued by Bright Luck in the principal amount of HK\$5,639,830 exchangeable into one share of US\$1.00 each in Clear Profit representing its entire issued share capital

*\* for identification purposes only*

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## DEFINITIONS

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“Companies Law”	the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
“Company” or “our Company”	China Titans Energy Technology Group Co., Limited (中國泰坦能源技術集團有限公司*) (formerly known as China Titans New Energy Group Company Limited), an exempted company incorporated in the Cayman Islands with limited liability on 16 November 2007
“connected person”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and unless the context requires otherwise, refers to Genius Mind and its beneficial owner Mr. Li, Great Passion and its beneficial owner Mr. An, Rich Talent, Honor Boom and its beneficial owners, Li Xiao Bin, Ou Yang Fen and Cui Jian who, together, will hold a 58.86% of the total issued share capital of our Company immediately following the Share Offer and the Capitalisation Issue
“Convertible Note”	the convertible note issued by the Company in the principal amount of HK\$10,000,000 convertible into new Shares representing approximately 2.47% of the total issued share capital of the Company immediately following the Listing and the issue of Shares pursuant to the Share Offer
“Director(s)”	the director(s) of our Company
“EB Investors”	Tsoi Kin Wah and Enhance Investment
“Enhance Investment”	Enhance Investment Enterprises Limited, a company incorporated in the British Virgin Islands with limited liability on 18 July 2007, the entire shareholding of which is owned by Competent Management Limited which is beneficially owned by Tam Siu Fun Yeko, an independent third party. Enhance Investment is the holder of the Benefit Way Exchangeable Bond
“Exchangeable Bonds”	Benefit Way Exchangeable Bond and Clear Profit Exchangeable Bond
“GDP”	gross domestic product

*\* for identification purposes only*

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## DEFINITIONS

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“Genius Mind”	Genius Mind Enterprises Limited, a company incorporated in the British Virgin Islands with limited liability on 19 October 2007 and a Controlling Shareholder, the entire issued share capital of which is beneficially owned by Mr. Li
“Great Passion”	Great Passion International Limited, a company incorporated in the British Virgin Islands with limited liability on 19 October 2007 and a Controlling Shareholder, the entire issued share capital of which is beneficially owned by Mr. An
“GREEN Application Form(s)”	the application form(s) to be completed by the <b>White Form eIPO</b> Service Provider, Computershare Hong Kong Investor Services Limited
“Group”	our Company and our subsidiaries or, where the context so requires, in respect of the period before we became the holding company of its present subsidiaries, such subsidiaries or the business which have since been acquired or carried on by them
“Growth Technology”	珠海成長科技有限公司 (Zhuhai Growth Technology Company Limited*), a company incorporated in the PRC with limited liability, the registered capital of which is owned as to 40% by Feng Jian, a director of Titans Technology and Jiangyin Titans
“Guotai Junan Securities” or “Sole Global Coordinator” or “Lead Manager” or “Sole Bookrunner”	Guotai Junan Securities (Hong Kong) Limited, the sole global coordinator, sole bookrunner and lead manager of the Share Offer and a licensed corporation to carry on business in types 1 (dealing in securities) and 4 (advising on securities) regulated activities under the SFO
“HKFRS”	the Hong Kong Financial Reporting Standards
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Offer Shares”	the Shares offered by us for subscription pursuant to the Hong Kong Public Offering

\* for identification purposes only

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## DEFINITIONS

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“Hong Kong Public Offering”	the offering by our Company of initially 20,000,000 new Shares for subscription by the public in Hong Kong (subject to adjustment as described in the section headed “Structure of the Share Offer” in this prospectus) for cash at the Offer Price (plus brokerage of 1% of the Offer Price, SFC transaction levy of 0.004% of the Offer Price and Stock Exchange trading fee of 0.005% of the Offer Price) on the terms and conditions described in this prospectus and the Application Forms
“Hong Kong Underwriters”	the Underwriters of the Hong Kong Public Offering whose names appear in the section headed “Underwriting — Hong Kong Underwriters” in this prospectus
“Hong Kong Underwriting Agreement”	the underwriting agreement dated 17 May 2010 relating to the Hong Kong Public Offering entered into by, among others, the Lead Manager, the Hong Kong Underwriters and us as further described in the section headed “Underwriting — Underwriting arrangements and expenses — (a) Hong Kong Public Offering” in this prospectus
“Honor Boom”	Honor Boom Investments Limited, a company incorporated in the British Virgin Islands with limited liability on 18 October 2007 and a Controlling Shareholder, the entire issued share capital of which is beneficially owned as to 40%, 30% and 30% by Li Xiao Bin, Ou Yang Fen and Cui Jian respectively, all being our Controlling Shareholders. Li Xiao Bin and Ou Yang Fen are our senior management. Cui Jian is one of the sales representatives of our Group
“Huge Step”	Huge Step Holdings Limited, a company incorporated in the British Virgin Islands with limited liability on 19 October 2007, the entire issued share capital of which is beneficially owned by Thomas Pilscheur
“independent third party”	a person or company which is independent of and not connected with the Directors, chief executive, Substantial Shareholders or any connected persons of our Company, or any of its subsidiaries or any of their respective associates for the purpose of the Listing Rules
“International Placing”	the conditional placing of initially 180,000,000 Shares by the International Underwriters with professional and institutional investors for cash at the Offer Price, as further described in the section headed “Structure of the Share Offer” in this prospectus
“International Placing Shares”	the Shares offered pursuant to the International Placing

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## DEFINITIONS

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“International Underwriters”	the Underwriters of the International Placing whose names appear in the section headed “Underwriting — International Underwriters” in this prospectus
“International Underwriting Agreement”	the conditional underwriting agreement expected to be entered into on or before the Price Determination Date by, among others, the Lead Manager, the International Underwriters and us in respect of the International Placing, as further described in the section headed “Underwriting — Underwriting arrangements and expenses — (b) International Placing”
“Jiangyin Titans”	江陰泰坦高壓電氣有限公司 (Jiangyin Titans High Voltage Electric Co., Ltd.*), a company established in the PRC with limited liability on 24 June 2009 and 51% of the equity interest of which is owned by Titans Automatic
“Jinyi”	廣西鍾山金易集團有限公司 (Guangxi Zhong Shan Jinyi Group Co., Ltd.*), a company established in the PRC on 31 August 2005, is owned as to 80% by Zhou Wei, who is a director of Titans Technology and as to 20% by Liu Jing Nong, an independent third party
“Jumbo Gain”	Jumbo Gain Enterprises Limited, a company incorporated in the British Virgin Islands with limited liability on 30 August 2007, the entire issued share capital of which is beneficially owned by Thomas Pilscheur
“Kangtai”	河北康泰投資有限公司 (Hebei Kangtai Investments Co., Ltd.*), a company established in the PRC on 11 February 1995, is owned as to 1.82% by Zhang Yue, 3.64% by Sun Jun Lan and 94.55% by Feng Xi Lin and to the best knowledge and belief of the Directors, Kangtai and its ultimate beneficial owners are independent third parties
“Kensington”	Kensington Industries Limited, a company incorporated in Hong Kong with limited liability on 5 September 1991, was owned as to 99.8% by Mr. An and so far as the Directors are aware of, the company has been de-registered
“Latest Practicable Date”	13 May 2010, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained in this prospectus

*\* for identification purposes only*

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## DEFINITIONS

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“Liheng”	珠海理亨財務顧問有限公司 (Zhuhai Liheng Financial Consultancy Company Limited*), a company established in the PRC on 19 December 2000, is held as to 75% by Qu Li Heng and 25% by Chen Ping and to the best knowledge and belief of the Directors, Liheng and its ultimate beneficial owners are independent third parties
“Listing”	the listing of our Shares on the main board of the Stock Exchange
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Date”	the date on which dealings in the Shares first commence on the Stock Exchange, which is expected to be on 28 May 2010
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
“Memorandum” or “Memorandum of Association”	the memorandum of association of our Company
“Mr. An”	Mr. An Wei, an executive Director and a Controlling Shareholder
“Mr. Li”	Mr. Li Xin Qing, an executive Director and a Controlling Shareholder
“Mr. SJ Li”	Mr. Li Si Jia, the son of Mr. Li
“Mr. Y An”	Mr. An Yan, the son of Mr. An
“new energy”	a generic term used, which our Directors believe, to encompass a variety of types of cleaner, alternative, renewable, sustainable energy sources or usages
“Non-competition Deed”	a deed of non-competition dated 8 May 2010 entered into between our Company and the Controlling Shareholders, as further described in “Non-Competition Deed” under the section headed “Relationship with our Controlling Shareholders” of this prospectus

\* for identification purposes only

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## DEFINITIONS

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“Offer Price”	the final offer price per Offer Share (exclusive of 1% brokerage fee, 0.004% SFC transaction levy and 0.005% Stock Exchange trading fee) which will not be less than HK\$1.05 and is expected to be not more than HK\$1.2, at which the Hong Kong Offer Shares are to be offered for subscription pursuant to the Hong Kong Public Offering and International Placing, to be agreed upon by the Lead Manager (on behalf of the Underwriters) and us on or before the Price Determination Date
“Offer Share(s)”	the Hong Kong Offer Share(s) and the International Placing Share(s), collectively, and where relevant, together with any additional Share(s) issued pursuant to the exercise of the Over-allotment Option
“Operating Subsidiaries”	Titans Automatic, Titans Technology, Shijiazhuang Titans, Jiangyin Titans, Zhuhai Titans and Beijing New Clear
“OSK” or “Sponsor”	OSK Capital Hong Kong Limited, the sponsor to the Company in respect of its listing application of the Shares on the Stock Exchange, and a licensed corporation to carry on business in types 1 (dealing in securities) and 6 (advising on corporate finance) regulated activities under the SFO
“Over-allotment Option”	the option to be granted by us to the Underwriters pursuant to the International Underwriting Agreement, exercisable by the Lead Manager (on behalf of the Underwriters), to require us to allot and issue up to an additional 30,000,000 new Shares, solely to cover the over-allocations in the Share Offer, if any, as described in detail in the section headed “Structure of the Share Offer — Over-allotment and Stabilisation”
“Perfect Quality”	Perfect Quality Holdings Limited, a company incorporated in the British Virgin Islands with limited liability on 19 October 2007, the entire issued share capital of which is beneficially owned by Thomas Pilscheur
“PRC” or “China”	the People’s Republic of China which, for the purpose of this prospectus, excludes Hong Kong, Macau and Taiwan
“PRC GAAP”	the PRC Generally Accepted Accounting Principles
“Pre-IPO Share Option Scheme”	our pre-IPO share option scheme adopted pursuant to written resolution of our Shareholders passed on 8 May 2010, the principal terms of which are summarised in the sub-section headed “Pre-IPO Share Option Scheme” in the section headed “Statutory and General Information” set out in Appendix V to this prospectus

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## DEFINITIONS

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“Price Determination Agreement”	the agreement to be entered into between our Company and the Lead Manager (on behalf of the Underwriters) on or prior to the Price Determination Date to record the Offer Price as agreed between our Company and the Lead Manager (on behalf of the Underwriters)
“Price Determination Date”	at or about 5:00 p.m., Tuesday, 25 May 2010 (Hong Kong time) by which time the Offer Price will be determined, or such later time as our Company and the Lead Manager (on behalf of the Underwriters) may agree, but in any event not later than Wednesday, 26 May 2010 (Hong Kong time)
“Reorganisation”	the corporate reorganisation of our Group as set forth in the paragraph headed “Corporate reorganisation” in Appendix V to this prospectus
“Rich Talent”	Rich Talent Management Limited, a company incorporated in the British Virgin Islands with limited liability on 30 August 2007, the entire shareholding of which is owned by Bright Luck as at the Latest Practicable Date
“Rich Talent Exchangeable Bond”	the exchangeable bond issued by Bright Luck in the principal amount of HK\$2,759,540 exchangeable into 1 share of US\$1.00 each in Rich Talent representing its entire issued share capital and which was fully redeemed on 24 December 2008
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share Offer”	the Hong Kong Public Offering and the International Placing
“Share Option Scheme”	the share option scheme conditionally adopted by us on 8 May 2010, the principal terms of which are summarised in the sub-section headed “Share Option Scheme” in the section headed “Statutory and General Information” set out in Appendix V to this prospectus
“Shareholder(s)”	the holder(s) of the Shares
“Share(s)”	ordinary share(s) of HK\$0.01 each in our Company’s share capital
“Shijiazhuang Titans”	石家莊國富泰坦新能源有限公司 (Shijiazhuang Guofu Titans New Energy Co., Ltd.*), a company established in the PRC on 12 January 2009 with limited liability and a wholly owned subsidiary of Titans Automatic

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## DEFINITIONS

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“SJ Li LED Patent Licence Agreements”	the eight patent licence agreements entered into between Mr. SJ Li and Zhuhai Titans, pursuant to which, Zhuhai Titans obtained the exclusive licences to use the SJ Li LED Patents, which have been terminated
“SJ Li LED Patent Transfer Agreement”	a transfer agreement entered into between Mr. SJ Li and Zhuhai Titans, pursuant to which, Mr. SJ Li agreed to assign the SJ Li LED Patents to our Group
“SJ Li LED Patents”	the eight patents relating to LED lighting which were previously owned by Mr. SJ Li and have been assigned to Zhuhai Titans pursuant to the SJ Li LED Patent Transfer Agreement, details of the SJ Li LED Patents have been included in the paragraph headed “Patents” under the sub-section headed “Intellectual property rights of our Group” in Appendix V to this prospectus
“State Council”	the State Council of the PRC
“Stock Borrowing Agreement”	the stock borrowing agreement to be entered into between Genius Mind and Mr. Li and the Sole Global Coordinator to cover over-allocations (if any) under the Share Offer
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Substantial Shareholder(s)”	has the meaning ascribed to it under the Listing Rules, the details of which are set out in the section headed “Substantial Shareholders” in this prospectus
“T&TC Capital”	T&TC Capital Limited, a company incorporated in the British Virgin Islands with limited liability, which beneficial owners are independent third parties so far as the Directors are aware. T&TC Capital was the holder of the Rich Talent Exchangeable Bond
“Titans Automatic”	珠海泰坦自動化技術有限公司 (Zhuhai Titans Automatic Technology Company Limited*), a wholly-foreign owned enterprise incorporated in the PRC on 13 July 2005 and beneficially owned as to 100% by Titans HK, a wholly-owned subsidiary of our Company. Titans Automatic was formerly known as Titans Investment
“Titans BVI”	Titans (BVI) Limited, a company incorporated in BVI with limited liability on 19 October 2007, which is wholly owned by our Company. Titans BVI was formerly known as Right Pitch International Limited

\* for identification purposes only

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## DEFINITIONS

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“Titans Computer System”	珠海泰坦計算機系統有限公司 (Zhuhai Titans Computer System Co., Ltd.*), the predecessor of Titans Electric System
“Titans Electric System”	珠海泰坦電氣系統有限公司 (Zhuhai Titans Electric System Co., Ltd.*), the former name of Titans Technology, a sino-foreign joint venture company established in the PRC on 8 September 1992 and formerly known as Titans Computer System
“Titans Energy”	珠海泰坦能源電子技術有限公司 (Zhuhai Titans Energy Electronics Technology Company Limited*), a limited liability company incorporated in the PRC on 30 May 1997. The registered capital of this company is owned as to 30% by 澳門新環宇洋行 (Macau New Universe Trading), which is wholly-owned by Mr. Lu Liang Peng, and 70% by a company which is effectively controlled by Sun Shi Wen, a former shareholder of Titans Technology
“Titans Group”	珠海泰坦集團有限公司 (Zhuhai Titans Group Company Limited*), a company established on 18 November 1999 in the PRC with registered capital of RMB99.88 million and beneficially owned as to 40.57% by Lu Liang Peng, 22.21% by Mr. Li, 18.36% by Mr. An, 4.42% by Zhang Yue Qian, 4.19% by Liu Lu, 4.08% by Zhang Bing Xin, 2.88% by Ou Yang Fen, 1.93% by Li Xiao Bin and 1.36% by Cui Jian, and of which its business registration has been cancelled
“Titans HK”	Titans Holdings Co., Limited, a company incorporated on 15 December 2004 in Hong Kong with limited liability, and a direct and wholly-owned subsidiary of Titans BVI, a wholly owned subsidiary of our Company
“Titans HK Shareholders”	former shareholders of Titans HK, namely, Mr. Li, Mr. An, Li Xiao Bin, Ou Yang Fen, Cui Jian, Zhang Bing Xin, Zhang Yue Qin and Liu Lu
“Titans Investment”	珠海泰坦投資有限公司 (Zhuhai Titans Investment Limited*), the former name of Titans Automatic
“Titans Software”	珠海泰坦軟件系統有限公司 (Zhuhai Titans Software System Company Limited*), a limited liability company incorporated in the PRC on 17 June 1998 and a related party to our Group. The registered capital of this company is effectively controlled as to 75% by Lu Liang Peng, a former ultimate beneficial owner of Titans Technology

*\* for identification purposes only*

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## DEFINITIONS

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“Titans Technology”	珠海泰坦科技股份有限公司 (Zhuhai Titans Technology Co., Ltd.*), a sino-foreign joint venture company converted into a domestic limited company on 21 December 2000, then converted into a joint stock company in the PRC on 20 February 2001 and owned as to 99% by Titans Automatic, a wholly owned subsidiary of our Company, and as to 1% by Shijiazhuang Titans. Titans Technology was formerly known as Titans Computer System which was subsequently renamed as Titans Electric System
“Track Record Period”	the three financial years ended 31 December 2009
“Underwriters”	the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“Unionix”	Unionix (Far East) Limited, a company incorporated in Hong Kong with limited liability on 5 February 1997, which was held as to 55% by Sun Shi Wen, a former shareholder of Titans Technology, and 45% by Ou Yang Fen, a Controlling Shareholder. On 7 May 2008, Ou Yang Fen transferred its 45% shareholding in Unionix to Sun Shi Fang. Sun Shi Wen is a former shareholder of Titans Technology and is an independent third party
“Wealth Source”	Wealth Source Development Limited, a company incorporated in the British Virgin Islands with limited liability on 12 June 2009 and the entire shareholding of which is beneficially owned by Yim Shing Chi who is an independent third party
“White Form eIPO”	the application for Hong Kong Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website of <b>White Form eIPO</b> at <b>www.eipo.com.hk</b>
“White Form eIPO Service Provider”	Computershare Hong Kong Investor Services Limited
“WTO”	the World Trade Organisation
“Y An LED Patent Licence Agreements”	the three patent licence agreements entered into between Mr. Y An and Zhuhai Titans, pursuant to which, Zhuhai Titans obtained the exclusive licences to use the Y An LED Patents, which have been terminated

*\* for identification purposes only*

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## DEFINITIONS

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“Y An LED Patent Transfer Agreement”	a transfer agreement entered into between Mr. Y An and Zhuhai Titans, pursuant to which, Mr. Y An agreed to assign the Y An LED Patents to our Group
“Y An LED Patents”	the three patents relating to LED lighting which were previously owned by Mr. Y An and have been assigned to Zhuhai Titans pursuant to Y An LED Patent Transfer Agreement, details of the Y An LED Patents have been included in the paragraph headed “Patnets” under the sub-section headed “Intellectual property rights of our Group” in Appendix V to this prospectus
“Zhongji”	珠海經濟特區中技發展公司 (Zhuhai Special Economic Zone Zhongji Development Company*), a collectively owned enterprise (全民所有制企業) established in the PRC on 12 May 1987, was under the supervision of 珠海市建設委員會 (Zhuhai Construction Committee*) prior to its deregistration on 5 January 1998 and Zhongji and its ultimate beneficial owners are independent third parties
“Zhuhai Fudisi”	珠海福廸斯電力科技有限公司 (Zhuhai Fudisi Electrical Technology Co., Ltd.*), a company established in the PRC on 19 July 2007 with limited liability, is wholly owned by You Qiu Xiang. Zhuhai Fudisi is a substantial shareholder of Zhuhai Titans and thus a connected person of the Company
“Zhuhai Tian Ze”	珠海天澤能源科技有限公司 (Zhuhai Tian Ze Energy Technology Limited*), a company established in the PRC on 6 July 2007, is owned as to 90% by Tao Jie and 10% by Liu Ying. Zhuhai Tian Ze is a substantial shareholder of Beijing New Clear and thus a connected person of the Company
“Zhuhai Titans”	珠海泰坦新能源系統有限公司 (Zhuhai Titans New Energy System Co., Ltd.*) (formerly known as 珠海泰坦凱立電氣系統有限公司 (Zhuhai Titans Kaili Electrical System Co., Ltd.*) and subsequently renamed as 珠海科利爾能源科技有限公司 (Zhuhai Clear Energy Technology Co., Ltd.*)), a company established in the PRC with limited liability on 8 July 2005 and is owned as to 80% by Titans Automatic, a subsidiary of our Company, and as to 20% by Zhuhai Fudisi
“HK Dollar(s)” or “HK\$” and “cents”	Hong Kong dollar(s) and cents respectively, the lawful currency of Hong Kong
“kV”	kilovolt ampere, a unit of electrical power equal to 1,000 volt-ampere

\* for identification purposes only

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## DEFINITIONS

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“mW”	1,000,000 watts (equivalent to 1,000kW)
“%”	per cent.
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“sq. ft.” and “sq. m.”	square feet and square metres, respectively
“US” or “United States”	the United States of America
“US\$” or “US Dollar(s)”	United States dollars, the lawful currency of US
“we”, “us” or “our”	our Company or our Group (as the context may require)

### **Exchange rate conversion**

For the purpose of this prospectus, unless otherwise indicated, the following exchange rates have been used, where applicable, for reference purposes only and do not constitute a representation that any amounts have been, could have been or may be exchanged at such rates or any other rates on the date in question or any other date:

HK\$100 = RMB88.09

HK\$7.74 = US\$1.00

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## GLOSSARY OF TECHNICAL TERMS

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This glossary contains explanations of certain terms used in this prospectus in connection with our Group and its business. This terminology and the given meaning may not correspond to those standard usage adopted in the industry.

“alternating current” or “AC”	the changing current whose average value is zero during a certain cycle, subject to cyclic changes as a result of the variation in direction and strength
“automatic control products”	products which are developed to automate specific functions and processes that were previously carried out manually
“automatic control technology”	a technology that, without human involvement, enables the controlled target or process to operate as scheduled automatically by utilising control devices, as opposed to manual control technology
“charging equipment”	equipment with the function of charging of batteries
“charging equipment for electric vehicles”	charging equipment provided by our Group for recharging the batteries of electric vehicles, details of which are set out in the sub-section headed “Our Product and Services” under the section headed “Business” of this prospectus
“DC power supply”	any power supply whose output mode is direct current
“DC Power System”	equipment that converts one type of energy to another (e.g. converting DC to AC) and which provides power to users by converting power of general voltage and frequency parameters in the power grids into various parameter indices required by ultimate users by using power electronic technology such as rectifiers and inverters, which is commonly used in power generation plant and transforming stations
“direct current” or “DC”	the electric power whose voltage and current direction remains unchanged at any time, with all the electric charge in a circuit flowing toward the same direction
“discharge”	the electric power discharged by the equipment that stores electric power
“dual soft switch technology”	a technology which uses two different applications simultaneously: (i) it uses power electronics to exactly open and close the switch at the point of zero current and zero voltage and thus realises less loss; and (ii) it opens and closes the contactor of a rectifier diode exactly at the moment when voltage and current are at zero, making it a virtually loss-free process

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## GLOSSARY OF TECHNICAL TERMS

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“electric vehicle”	environmentally friendly motor vehicle which is powered by energy stored in rechargeable battery pack(s)
“electrical DC product(s)”	electrical DC system product(s) provided by us which includes DC Power System comprising intelligent high frequency switch DC power supply systems, power monitoring systems and power transmission management systems, details of the electrical DC products are set out in the sub-section headed “Our Products and Services” under the section headed “Business” of this prospectus
“GCFW Series”	an advanced model of GZDW Series, one of our key products during the Track Record Period. It can convert DC power in battery pack to AC power and synchronously transmit to the power grid
“GZDW Series”	GZDW intelligent power switch DC system, one of our key products during the Track Record Period. It discharges the function of provision of control, protection and signalling system for power generation plant and transforming stations
“high frequency switch DC power supply”	the power supply which transforms the power of AC/DC, DC/DC and DC/AC by applying the high frequency PWM technology
“high-power LED lighting products” or “high-power LED lighting equipment”	the light-emitting diode lights provided by us, details of our high-power LED lighting products are set out in the sub-section headed “Our Products and Services” under the section headed “Business” of this prospectus
“integrated power management and control technology”	power unit and control unit are integrated within one device that can independently fulfill a wide range of different functions
“inversion”	the transformation of DC into AC with different voltage, power and frequency
“ISO 9001”	a constituent part of the ISO 9000 series which covers the areas of design control, management responsibility, quality system, purchasing, process control, control of unqualified products, corrective and preventive action, and other areas
“OEM”	original equipment manufacturer

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## GLOSSARY OF TECHNICAL TERMS

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“PASS product”	an acronym for the Plug and Switch System, which is a kind of complete electrical equipment used in the construction of transforming stations that accommodate each of the high-voltage circuit switchgear, isolator, earthing knife-switch, electric current and voltage sensor in a common sealed member filled with insulating gas, connected to the outer part with two or three insulating sleeves
“power dedicated UPS”	UPS whose function is, in the case of abnormal operation of a power grid such as power failure, under voltage or other interruption, to provide back-up alternating power supply for the loading equipment to maintain the normal operation of electric appliances
“power electronic technology”	a modern technology that converts and controls the electric power of electric equipment by applying semiconductor power switch, electronic technology and control technology
“power grid monitoring and management products”	the products, including stabilising and monitoring facilities, provided by us to be installed in the transforming stations or power consumption enterprises for the purpose of controlling and saving electricity, details of the power grid monitoring and management products are set out in the sub-section headed “Our Products and Services” under the section headed “Business” of this prospectus
“rectifying”	the transformation of AC into DC with different voltage and power
“SPWM technology”	sinusoidal pulse width modulation technology, being a technology providing sine wave standard alternating signals to our power electronic equipment
“synchronous dual rectifying technology”	a power electronics technology that synchronises the opening and closing of contactors for rectifiers and transformation power switching devices, thus realising virtually loss-free transformation
“transforming station”	a substation which includes transformers for transmitting electricity between systems or grids operation at different voltage levels
“UPS”	an acronym for uninterruptible power supply, which is equipment that provides back-up power supply upon power failure
“wind and solar power generation balancing control products”	the products provided by us comprising wind and solar power generation balancing and control devices, details of which are set out in the sub-section headed “Our Products and Services” under the section headed “Business” of this prospectus

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## RISK FACTORS

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You should carefully consider all of the information set out in this prospectus before making an investment in the Offer Shares in the Share Offer including the risks and uncertainties described below. You should pay particular attention to the fact that our business is located almost exclusively in the PRC, and we are governed by a legal and regulatory environment which in some respects may differ from that which prevails in other countries. Our business, financial condition or results of operations could be materially adversely affected by any of the risks stated below. The trading price of the Offer Shares in this Share Offer could decline due to any of these risks, and you may lose all or part of your investment.

### RISKS RELATING TO OUR GROUP'S OPERATIONS

#### Long turnover period of trade and bills receivables

Our major customers of our electrical DC product series include companies in the power industry, including power plants, transforming stations and power grid companies. We, in compliance with the HKFRS, record our sales and trade receivables in their full amounts after products have been delivered to customers. Subject to the terms of each sale contract, in respect of the sale of our electrical DC products, we may require the payment of a 10% deposit from the customers upon signing of the contracts. 80% of the contract sum may become due and payable after the products have been delivered and satisfactorily installed and tested. During the Track Record Period, there was an average of approximately 82 days between delivery and on-site installation and testing of our products. The remaining 10% of the contract sum shall be paid to us by the customers within 12 to 18 months after the on-site installation and testing. We may grant a further credit period in the range of 30 days to 90 days from the due date of each of the above installment payments. Despite the credit terms under our sales agreements with customers, some customers did not settle our receivables in accordance with the terms of the relevant contracts and our trade receivables turnover was relatively long during the Track Record Period. Increases in our sales during the Track Record Period has also lengthened our trade and bills receivables turnover days. The number of turnover days in relation to outstanding trade and bills receivables for the three years ended 31 December 2007, 2008 and 2009 were 188.43 days, 217.15 days and 258.66 days respectively.

As at 31 December 2007, 2008 and 2009, trade and bills receivables balances with aggregate carrying amounts of approximately RMB41,594,000, RMB69,963,000 and RMB81,243,000 respectively were past due as at the reporting dates against which we have not provided for any allowance for doubtful debts. Such amounts represented approximately 38.8%, 51.1% and 36.6% of our total trade and bills receivables as at each reporting date during the Track Record Period. Among the above overdue balances, approximately RMB9,608,000, RMB5,311,000 and RMB15,783,000 were trade and bills receivables due from the sales partners, which represented approximately 55.2%, 19.4% and 46.5% respectively of the total trade and bills receivables due from the sales partners as at each reporting date during the Track Record Period.

Although we recognise our sales and trade receivables upon delivery of our products to the customers, our customers may not be obliged to pay us immediately. Our customers are only required to pay us the purchase prices pursuant to the terms of the sales contracts which are likely to be by stages after delivery of products. We consider that long trade and bills receivables turnover days and

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## RISK FACTORS

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the high proportion of overdue trade and bills receivables were mainly due to (1) the time lag between our accounting policy to recognise the full sales amount and trade receivables amount upon delivery of product and the due dates of the trade receivables and that (2) some of our customers in the power generation or transmission sectors settle the amounts payable to their suppliers, including us, after completion of the construction of their whole power generation units or transforming stations. For the three years ended 31 December 2007, 2008 and 2009, our direct sales to power generation plants and transmission stations in the PRC amounted to approximately RMB75.1 million, RMB100.3 million and RMB62.7 million respectively, representing approximately 52.0%, 57.2% and 29.0% of our sales during the relevant years respectively. As at 31 December 2009, the amount of trade and bills receivables in respect of the above sales to power plants and transmission stations in the PRC amounted to approximately RMB77.0 million, of which approximately 11.27% of such balance has subsequently been settled up to 31 March 2010.

Two of our major competitors are listed on the Shenzhen Stock Exchange. The trading of their shares was not suspended as at the Latest Practicable Date. Both such competitors recorded net profit for the three years ended 31 December 2007, 2008 and 2009. Based on their respective published financial statements, their respective trade receivables turnover days for each of the three years ended 31 December 2007, 2008 and 2009 were as follows:

	<b>For the year ended 31 December</b>		
	<b>2007</b>	<b>2008</b>	<b>2009</b>
Listed competitor A	159.82 days	229.20 days	295.25 days
Listed competitor B	168.36 days	165.83 days	165.26 days

Although our customers (including the sales partners) may not abide by the credit terms under our sales contracts, we do not intend to significantly change our credit and payment terms offered to our customers. We usually do not take legal action against those customers who fail to settle our trade receivables in accordance with the payment terms of the relevant sales contracts because of this industry characteristic. We monitor trade receivables collection and ageing. Our sales representatives and other sales staff will also help monitor the development of our clients' projects and communicate with our clients regarding settlement of trade receivables. The long outstanding trade receivables have led to considerable pressure on our working capital management and may adversely affect the liquidity of our working capital particularly during the first half of a year. Our Group has been financing our working capital by way of short-term bank loan and other borrowings. Our business will be seriously interrupted if we fail to obtain financing or if the finance cost is very high. Bad debt provisions or write-offs of trade receivables will also have an adverse effect on our profitability. The amount of trade and bills receivables provisions charged to our combined income statement for the three years ended 31 December 2007, 2008 and 2009 amounted to RMB2,412,000, RMB3,172,000 and RMB2,939,000 respectively, representing approximately 1.7%, 1.8% and 1.4% respectively of our sales for the relevant years.

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## RISK FACTORS

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### **Changes to the cooperation arrangement with sales partners**

We consider sales partners and sales representatives represent an important part of our sales function. Shareholders of the sales partners are some of our sales representatives and/or their family members.

For the three years ended 31 December 2007, 2008 and 2009, the aggregate sales to the sales partners and sales generated by those related sales representatives of the Group amounted to approximately RMB78.8 million, RMB80.1 million and RMB63.6 million respectively, representing approximately 54.6%, 45.7% and 29.4% respectively of our total turnover for each of the relevant years.

We have not entered into formal cooperation agreements with the sales partners. With a view to formalising our cooperation arrangements with the sales partners and promoting better control over the activities of the sales partners and those of our sales representatives who have, or whose family members have, shareholding interests in the sales partners, we will enter into formal cooperation agreements with the sales partners and terminate the employment of those relevant sales representatives and we will cease to sell our products to certain sales partners. Pursuant to the formal cooperation agreements, the sales partners will be responsible for the marketing and sale of our electrical DC products to customers in the power industry in designated regions and we will not employ any shareholders of the sales partners, which we will formally engage, or their respective associates as our sales representatives. We will continue to sell our products to those sales partners who will then on-sell the products to the customers, in such cases, those sales partners will continue to earn the difference between their purchase prices from us and their selling prices to the customers. In some other cases, where the customers require to enter into sales contracts directly with us as the manufacturer or where we consider the contracts to be significant in terms of tender/contract size and/or project profile, we may directly sell our products to customers referred to us by those sales partners. In such cases, we will pay commission of up to 15% of the relevant sales amount to those sales partners. Please refer to the paragraph headed “Sales — formal cooperation agreements” in the “Business” section of this prospectus for further details of the proposed arrangements under the cooperation agreements. As those related sales representatives of the Group will cease to be our employees, they will no longer be entitled to receive salary and expense reimbursement from us. Investors should refer to the section headed “Sales partners” and the section headed “Sales” in the “Business” section of this prospectus for the present arrangements with the sales partners and the related sales representatives of the Group and the proposed new arrangements under the formal cooperation agreements to be entered into.

As the formal cooperation agreements are new arrangements, the sustainability of such arrangements has not been tested and is uncertain. If the new arrangements do not reach our satisfaction and are found to be ineffective, our marketing effort, sales performance and profitability will be materially and adversely affected.

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## **RISK FACTORS**

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### **Reliance on electrical DC products**

The majority of our Group's total turnover during the Track Record Period was attributable to sales of the electrical DC products. The sales of electrical DC products during the three years ended 31 December 2007, 2008 and 2009 were RMB127,002,000, RMB132,317,000 and RMB130,840,000 respectively, representing 87.95%, 75.46% and 60.45% respectively of our total turnover in the relevant years. If for any reasons there is a decrease in the overall national demand for electricity or the development of electrical DC products in the market, it may lead to a decrease in the demand for our electrical DC products. If we are unable to develop new products in substitution of our existing products, our sales and profit will be adversely affected.

### **Limited operating history in the manufacturing and selling of wind and solar power generation balancing control products, high-power LED lighting products, charging equipment for electric vehicles and power grid monitoring and management products series**

We have developed several series of new products such as the power grid monitoring and management products series in 2005, wind and solar power generation balancing control products in March 2006, high-power LED products in June 2007 and charging equipment for electric vehicles in April 2006. For the three years ended 31 December 2007, 2008 and 2009, our sales in respect of new products amounted to approximately RMB10,064,000, RMB22,240,000 and RMB40,146,000 respectively, representing approximately 6.97%, 12.68% and 18.65% respectively of our sales during the relevant years. The market for these new products in the PRC is still in a stage of development and it is uncertain as to whether a market can be developed as expected, whether the sales of these new products can meet our expectations or whether the cost, technology and other aspects of our products can meet the expectations of the market. In the event that long-term trends and development in the market of our new products is not as promising as expected, the development of our new products will be adversely affected, and that will, in turn, adversely affect our Group's future operations and growth.

### **Risks relating to the underlying technologies relied on by our products**

With our strong research and development capabilities in power electronic and power automation control, we have developed several core technologies in line with the development trends in the industry. Our products are based on these core technologies. However, commercialisation of such technologies require numerous trials and repeated testing. Should there be any defects with any of the above core technologies, the quality of our product will be undermined, which will in turn result in an adverse effect on our profitability. In addition, we may not be able to use the core technologies to develop other new products that meet the market needs nor may we be able to further improve our new technologies in order to avoid obsolescence.

We continue to invest in our research and development. For the three years ended 31 December 2007, 2008 and 2009, our research and development expenses amounted to approximately RMB4,491,000, RMB8,041,000 and RMB9,156,000 respectively, representing approximately 3.1%, 4.6% and 4.2% respectively of our sales during the relevant years.

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## RISK FACTORS

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### Reliance on key management

Our success is, to a large extent, attributable to the expertise and experience of our management team members. Certain members of our key management team have over 10 years of experience in the power electronics industry and are crucial for the success of our electrical DC products. Since the core technology used in our new products is mainly based on that used in our electrical DC products, the expertise and experience of our management team can also be leveraged upon in respect of our new products development. However, should any of the key management members, in particular, Mr. Li and Mr. An, cease to be involved in our Group's management or leave us, our operation and profitability may be adversely affected.

### Difficulty in detecting and deterring misconduct committed by our sales staff and sales partners

The table below sets out our turnover attributable to different sales channels during the Track Record Period.

	For the year ended					
	2007		2008		2009	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Sales partners	23,515	16.28	30,458	17.37	36,306	16.77
Sales representatives (other than sales to the sales partners)	102,584	71.04	90,675	51.71	70,253	32.46
Other sales staff	<u>18,305</u>	<u>12.68</u>	<u>54,205</u>	<u>30.92</u>	<u>109,893</u>	<u>50.77</u>
 Total	 <u>144,404</u>	 <u>100</u>	 <u>175,338</u>	 <u>100</u>	 <u>216,452</u>	 <u>100</u>

We consider that communication with customers is an important factor in being successful in the industry. We carry out our nationwide customer liaison work through our various staff, including the sales representatives, other sales staff and members of our technical team. In particular, the sales representatives and the other sales staff represent our Group to negotiate contract terms with the customers. Some of the customers may be situated far away from the headquarters of our Group in Zhuhai or may be in some remote areas. We consider that it may make it more difficult for the Group to monitor and control the work of our sales representatives and other sales staff especially when substantial physical distances are involved despite our efforts to do so. Employees' misconduct (in particular any misconduct by our sales representatives, other sales staff and staff of our technical team, who communicate directly with our customers) may lead to violations of laws, imposition of regulatory sanctions and serious reputational or financial harm to our Group. Such misconduct may include the following:

- entering into binding transactions without the Group's approval;
- concealing unauthorised activities or negotiations, resulting in unknown and unmanaged risks or losses;

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## RISK FACTORS

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- using or disclosing confidential information improperly;
- recommending unsuitable products, services or transactions for customers;
- engaging in misrepresentation or fraudulent, deceptive or otherwise improper activities during marketing or sale of our products to our customers;
- engaging in unauthorised or excessive transactions to the detriment of customers or us; or
- failing to comply with the applicable laws or our internal controls, risk management and other policies and procedures.

We also work closely with a number of sales partners in order to promote the use of our products. We have not entered into formal cooperation agreements with these sales partners. Up to 31 December 2009, we sold products to ten sales partners. Some of our sales representatives and/or their family members or relatives have shareholding interests in the sales partners ranging from 10% to 100%. We sell our products to the sales partners who will then on-sell the products to end-user customers. In addition, they use the Chinese characters of the word “Titans” (泰坦 or 鈇坦 in Chinese) in their company names, it is possible that the customers may view the sales partners as part of our Group and any misconduct of the sales partners may adversely affect our reputation. As confirmed by our PRC legal advisers, Commerce & Finance Law Offices, the sales partners are not our agents and they do not require our consent to use “Titans” in their company names under PRC law. Up to the Latest Practicable Date, we have not received any legal claims or material complaints in respect of our sale partners and our internal sales staff. However, we may not be able to prevent any misconduct of our employees (including our sales representatives, other sales staff and members of technical team) and sales partners. We cannot assume that the precautionary measures taken by us for the purpose of preventing and detecting these activities will be effective in all cases. Employees’ and sales partners’ misconduct may adversely affect our business, financial condition and results of operations.

In view of the Listing, we will enter into formal cooperation agreements with the sales partners governing the terms of our cooperation with the sales partners, including, among other things, the use of the name “Titans” and terminate the employment of the sales representatives responsible for the same regions as the sales partners on or before Listing.

### **Our relationships with our sales staff and sales partners may be interrupted**

We market and generate sales of our products through a network of sales staff and sales partners as well as the effort of our management team. Our relationships with these sales representatives, other sales staff and sales partners can be adversely affected by numerous factors including, among others, the possibility of our failure to support their work, or motivate their continuing selling effort. Any deterioration of our relationships with the sales staff and sales partners may lead to a possible loss of our sales and may have an adverse effect on our profitability, financial condition and business operations.

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## **RISK FACTORS**

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### **Reliance on major suppliers and absence of long-term supply agreements**

Our Group's purchases (without value added tax) from our five largest suppliers, all being independent third parties, of materials including metal casing parts, batteries, PASS and other electronic products accounted for approximately 31.6%, 27.6% and 39.3% of our total purchase of raw materials for the three years ended 31 December 2007, 2008 and 2009 respectively. Save for some indicative annual framework agreements signed with certain major suppliers setting out the in-principle pricing and supply terms, we have not entered into any long-term supply agreements with our major suppliers in respect of any binding supply arrangement. Should there be any disruption in the supply of raw materials from our major suppliers and we fail to identify alternative sources of supply with competitive prices, sufficient quantity and satisfactory quality, our production and performance may be adversely affected.

### **Reliance on major customers**

For the three years ended 31 December 2007, 2008 and 2009, our sales to our five largest customers, all being independent third parties, amounted to approximately RMB50,040,000, RMB60,111,000 and RMB88,927,000 respectively, representing approximately 34.65%, 34.28% and 41.08% respectively of our total turnover for the relevant years. Our sales to our largest customer in 2009 amounted to approximately RMB39,018,000, representing approximately 18.03% of our total sales for the year. Our sales to the largest customer for the two years ended 31 December 2007 and 2008, which is our sales partner, amounted to approximately RMB17,367,000 and RMB19,925,000 respectively, representing approximately 12.03% and 11.36% respectively of our total turnover for the two years. Another sales partner was also one of our top five customers for the year ended 31 December 2008, our sales to which accounted for approximately 5.25% of our total sales during the year. Unionix and Titans Energy, who are related parties of us for accounting purposes, were also ranked among our top five customers for the two years ended 31 December 2007 and 2008, our sales to which accounted for approximately 6.61% and 5.18% respectively of our total sales for the years. Products purchased by Titans Energy from us mainly included software and modules in respect of their automation systems. Save for the above, our top five customers during the Track Record Period were mainly power companies, project contractors and other power electronic equipment suppliers. Our sales are mostly made to specifications of our customers based on their project requirements and we have not entered into any long-term agreements with our major customers. We have no assurance that we will successfully bid for further contracts of our existing customers and retain these customers in future or that they will maintain their business with us. If these customers reduce or cease purchasing our products, we have no assurance that we are able to obtain, in substitution, orders of a comparable size, and consequently our financial condition and results of operations may be materially and adversely affected.

### **Risks relating to seasonal sales and cash flow patterns which lead to pressure on working capital and liquidity**

Our business is affected by seasonal patterns. Sales and collection of trade receivables are generally slower in the first half of a year and are stronger in the second half of the year. We believe that this may be partly due to the spending pattern of many state owned companies in respect of their capital investment projects where more planning work (including project planning and funding and treasury planning) is carried out in the first half of a year.

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## RISK FACTORS

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The seasonal pattern in sales and collection of trade receivables also exerts pressure on our working capital management. We may experience net cash out flow from operating activities in some months. Our operations may be adversely affected if we fail to effectively manage our working capital.

### **Protection of self-owned core technologies and licence rights and infringement of intellectual property rights**

As a high technology enterprise, core technologies and critical production processes are fundamental for our continuing success and development. If our core technologies and licence rights are infringed by way of unauthorised copying, use or imitation, our sales may be seriously affected, our reputation may be damaged and large amounts of resources may need to be spent on litigation to protect our technological patents. All of these will in turn have an adverse effect on our operation and profitability.

As at the Latest Practicable Date, we have registered eight trademarks, three invention patents, 26 utility model patents and two design patents in the PRC and two trademarks in Hong Kong. We have submitted patent applications in the PRC in respect of 11 new patents, which are being processed. No assurance can be given as to when or whether the applications will be approved. If the patent application is rejected by the State Intellectual Property Bureau of the PRC (國家知識產權局), or similar technology has been patented by other companies, we may not be able to apply the technology in our future products and this will have an adverse effect on our operations and profitability.

We have filed applications for patent registration for part of our products and production methods. Under the current Patent Law of the PRC (中華人民共和國專利法), any legal entity or individual can make a request to the patent registration body to use the patent with a fee, and under certain circumstances the patent administration department of the State Council may grant mandatory approvals for the use of a patent. We consider that the extent to which we may be protected under the Patent Law of the PRC is uncertain. On the other hand, our competitors may have independently developed their own technical know-how that is similar to the technology used for manufacturing our products, and these competitors may apply for registration of patents or other intellectual property rights in respect of their technologies, production processes and products. In such circumstances, we may be exposed to infringement claims by the competitors if they successfully registered their intellectual property rights. When any such claims are made, we may be required to devote extensive amount of human and financial resources in relation to such legal proceedings, and as a result, our business, operation results and financial position may be adversely affected. Up to the Latest Practicable Date, there have been no legal claims or litigation being brought against us in respect of any infringement of other people's intellectual property rights.

Mr. Li and Mr. An were directors of Titans Software and Mr. Li, Mr. An and Ou Yang Fen, a member of the Controlling Group, were directors of Titans Energy. By virtue of the common directorship of Mr. Li and Mr. An as stated above, these two companies are regarded as related parties of our Group. Mr. Li resigned as director of Titans Energy on 18 June 2008 and of Titans Software on 11 November 2009. Mr. An resigned as director of Titans Software on 3 June 2005 and of Titans Energy on 18 June 2008. Ou Yang Fen resigned as director of Titans Energy on 18 June 2008.

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## RISK FACTORS

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We have licensed the use of certain of our trademarks to Titans Energy. Although there are provisions in the relevant licence agreements which protect our rights, we cannot control Titans Energy for not breaching the relevant provisions. We also co-own a trademark with Titans Software. We consider this co-ownership arrangement as a result of the historical reason that Titans Software and Titans Technology used to be affiliated companies under Titans Group (details of which has been stated in the paragraph headed “Intellectual Property Rights” of section headed “Business” in this prospectus). We sell most of our products under our Titans trademarks. The use of our trademarks by Titans Software and Titans Energy may lead to other people associating the operations or other acts of Titans Software or Titans Energy with those of our Company, which may damage our reputation and brand.

### **Any change in tax treatment in the PRC may have an impact on our operations**

The income tax rate chargeable on companies in the PRC may vary depending on the availability of preferential tax treatment or subsidies for their industry or location. The current maximum enterprise income tax rate is 25%. Titans Technology and Zhuhai Titans are recognised high and new technology enterprises and were established in the Zhuhai Special Economic Zone, and thus are entitled to the tax benefit under 《廣東省經濟特區條例》(Guangdong Province Special Economic Zone Regulations\*). They enjoy a corporate tax rate of 15% as high and new technology enterprises. The status of high and new technology enterprise of Titans Technology is valid up to 29 December 2011 and that of Zhuhai Titans is valid up to 16 December 2011. However, under 《國務院關於實施企業所得稅過渡優惠政策通知》(Notice by the PRC State Council on the Implementation of the Grandfathering Preferential Policies under the PRC Enterprise Income Tax Law\*), the applicable income tax rate to Titans Technology and Zhuhai Titans will be 24% in 2011 and 25% from 2012 onwards. Titans Automatic is a foreign invested company and enjoys the policy of 兩免三減半 (exemption from tax in the first two profit-making years and a 50% reduction of tax in the next three years). Accordingly, it is exempted from income tax for 2008 and 2009 and enjoyed a reduced tax rate of 11% in 2010, 12% in 2011 and 12.5% in 2012. The corporate tax rate applicable to Beijing New Clear, Shijiazhuang Titans and Jiangyin Titans is 25%. The PRC Enterprise Income Tax Law was promulgated on 16 March 2007 and came into effect on 1 January 2008. According to the new law, a uniform corporate income tax rate of 25% will be applied to both domestic and foreign invested enterprises in the PRC progressively. Under such reform, PRC domestic or foreign invested enterprises will be subject to the new income tax at the rate of 20% for 2009, 22% for 2010, 24% for 2011 and 25% for 2012.

### **Product liability exposure and insurance coverage**

We may be subject to product liability claims, litigation and complaints. Under the laws of the PRC, we are not required to maintain any insurance policies in relation to our business or our products sold or distributed. We have not maintained any insurance coverage for product liability. We have established our quality control procedures. We test our products before they are delivered to customers. During the Track Record Period, there was no return of a whole system set of our products by a customer after the products were delivered. As at the Latest Practicable Date, there have been no

*\* for identification purposes only*

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## **RISK FACTORS**

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legal claims or material complaints relating to the quality or safety of our products or incidental to our business. However, should our products be found defective and/or should they cause damage or physical injury to any person, we may have to devote significant resources to defend any such claims or to provide compensation or settlement. This may adversely affect the relationship between us and our customers leading to a negative reputation and an adverse effect on our profitability.

### **Price fluctuations of materials, parts and components**

The materials, parts and components purchased by us mainly include batteries, hardware component (casings), PASS products, low voltage electric appliances, electric cables, invertors, controlling chips and various electronic components. For example, the lowest and highest purchase prices of metal casing parts during the Track Record Period were RMB4,328.84 per tonne in June 2009 and RMB7,957.83 per tonne in August 2008; the lowest and highest purchase prices of a 2V/200 AH battery (a type of battery which is commonly used for our electrical products) during the Track Record Period were RMB230 per unit in December 2008 and RMB376 per unit in December 2007; and the lowest and highest purchase prices of BVR4 electricity wire (a common type of electricity wire used for the production of our products) during the Track Record Period were RMB2.37 per meter in March 2009 and RMB3.6 per meter in July 2008; and the lowest and highest purchase price of PASS M0 (a model of PASS for electricity grid and transformer stations) during the Track Record Period were USD65,000 per unit in April 2009 and USD75,000 per unit in October 2008. During the Track Record Period, the materials costs for the three years ended 31 December 2007, 2008 and 2009 amounted to approximately RMB69,113,000, RMB88,463,000 and RMB107,376,000 respectively, representing 92.93%, 92.16% and 93.51% respectively of our total cost of sales, compared to our total turnover for such periods, such costs represents approximately 47.8%, 50.6% and 49.6% respectively of our total turnover for the relevant years. The prices of our raw materials, parts and components are subject to price fluctuations in the market. We have no assurance that we will be able to pass on any price increases in raw materials to our customers. If we cannot fully pass on any price increases in raw materials, parts and components which are significant to the Group onto our customers, our gross profit margin and financial performance may be materially and adversely affected.

### **Fluctuations of our profit margins**

For the three years ended 31 December 2007, 2008 and 2009, our Group's gross profit margin were 48.50%, 45.25% and 46.95% respectively and net profit margins were 23.65%, 22.13% and 25.00% respectively. The Directors consider that the power electronic industry in the PRC is competitive. Product price is one of the major factors considered by customers.

Whilst we were able to maintain the gross profit margin of our traditional products, including electrical DC products (the gross profit of which amounted to approximately 48.75%, 48.07% and 51.99% respectively for the three years ended 31 December 2007, 2008 and 2009), during the Track

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## RISK FACTORS

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Record Period, the gross profit margin of our new products experienced more fluctuation during the Track Record Period. The table below sets out the gross profit margin of our new products during the Track Record Period.

	For the year ended 31 December					
	2007		2008		2009	
	Gross profit		Gross profit		Gross profit	
	Turnover	margin	Turnover	margin	Turnover	margin
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
<b>Power grid monitoring and management products</b>	4,030	77.54	7,484	56.35	16,231	61.80
<b>Charging equipment for electric vehicles</b>	—	—	4,565	15.95	15,157	56.53
<b>Wind and solar power generation balancing control equipment</b>	6,034	36.86	7,010	33.84	—	—
<b>High-power LED lighting equipment</b>	—	—	3,181	25.09	8,758	23.67

We consider that the fluctuation of the gross profit margins of the sales of our new products during the Track Record Period was mainly attributable to the fact that the markets for the new products were relatively new and there was a lack of a market price reference.

We consider that our ability to obtain higher prices for our products is one major factor to which the level of our gross profit margin can be attributed. Some of our competitors may have more financial resources than us, which could enable them to initiate and sustain price competition strategies. Should we fail to compete with other competitors by maintaining our competitive advantages or responding rapidly to a fast changing business environment, our operations could be adversely affected. Any increase in competition can adversely affect our market share, which may lead to price reductions and an increase in our expenses on marketing and product development activities. As a result, there is no assurance that our products will remain competitive or that they will continue to be successful in the future, and the profit margins may be adversely affected. Any of these events could have a material adverse effect on our financial condition, operation and prospects.

**We have not obtained the building ownership certificate for the structures built within the industrial complex and we may be required to relocate our warehouse and staff canteen without proper title and permits**

We have not obtained the building ownership certificate for the structures with a total gross floor area of approximately 1,261.00 sq.m., which represented approximately 15.51% of the total gross floor area occupied by the Group, located at the industrial complex at No. 60 Shi Hua West Road, Jida, Xiangzhou District, Zhuhai City, Guangdong Province, the PRC. The structures have been used by our Group as a warehouse and staff canteen. We do not separately use our staff canteen and warehouse to generate revenue on a standalone basis. According to our PRC legal advisers, Commerce & Finance Law Offices, we may not be able to obtain approval for the construction of the structures retrospectively and thus may not apply for the ownership certificate.

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## RISK FACTORS

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Without the relevant building ownership certificate, the relevant government authorities may impose demolition orders pursuant to which we may be required to rearrange the usage of our plants and offices and as a result thereof, our operation may be interrupted and operating costs may increase.

### **Risk relating to our expansion plan and new investment opportunities**

We plan to invest a substantial amount (approximately 31.1% of the net proceeds from the Share Offer) to enhance our manufacturing capacity and/or to acquire new production facilities. In relation to such expansion plan, we have applied for the construction of a new production plant in the Economic Development Zone of Heng Qin, Zhuhai. As at the Latest Practicable Date, the management committee of the Economic Development Zone of Heng Qin has agreed to our plan to set up our facilities there but the application is still subject to approval by the local government authority, including 珠海橫琴新區公共建設局 (Public Construction Bureau of Zhuhai Hengqin New Area).

There is no guarantee that our application for the construction of a new production plant at the Economic Development Zone of Heng Qin, Zhuhai will finally be approved by the local government authority. Even if our application is approved, there is no guarantee that the piece of land and the terms for the sale of the land offered to us will be acceptable to us. In that case, we will consider identifying another appropriate place in Zhuhai for our expansion plan.

We also intend to consolidate our market share by, among other means, acquiring projects or business complementary to our existing business. As at the Latest Practicable Date, we did not have any agreement to acquire any project or business. There is also no guarantee that we will be able to identify suitable targets. Even if we identify an appropriate target, we may not be able to reach an agreement with the owner of the target.

Potential investors should note that our business growth will be hindered if we fail on a timely basis to enhance and/or expand our production capabilities and our competitiveness may also be adversely affected, thus affecting our financial performance.

### **We may lose our major properties and major operating subsidiary if we fail to meet our payment obligations in respect of our bank borrowings**

As at 31 December 2009, we had total bank borrowings of approximately RMB23.5 million to finance our working capital requirements. To secure some of the above bank borrowings, we have engaged two independent guarantee companies in the PRC to provide corporate guarantees in favour of the lending banks in respect of our borrowings. Our executive Directors have also provided personal guarantees in favour of the lending banks and counter-guarantees in favour of the guarantee companies. In addition, we have pledged our interests in the properties located at the Titans Technological Park, where our principal operations are situated, and our 99% equity interest in Titans Technology, our major operating subsidiary, to the lenders and the guarantee companies. If we fail to repay the above bank borrowings, the lenders and the guarantee companies may exercise the right to

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## **RISK FACTORS**

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seize our properties and/or our 99% equity interest in Titans Technology and sell them on the market in order to settle our payment obligations under the loans. In that case, our operations will be seriously interrupted. The personal guarantees and counter-guarantees from the executive Directors will be released on or about the Listing Date subject to the Company providing corporate guarantees in favour of the lenders and the guarantee companies replacing some of the personal guarantees and counter-guarantees from the executive Directors.

### **Our dividend payments made in the past may not be used as a reference or basis to determine our ability to pay dividends in the future**

We derive the majority of our profits from the PRC. The profits available for distribution for companies established in the PRC are determined in accordance with PRC GAAP, which may differ from that in Hong Kong. There is no assurance that we will have sufficient profits for distribution as determined in accordance with PRC GAAP to support a dividend payment to the Shareholders in the future.

Following the listing of our Shares, our Shareholders will be entitled to receive dividends declared by our Company. The payment and amount of any dividends will be at the discretion of our Directors and our Directors' decision to declare or to pay any proposed dividends in the future, and the amount of any proposed dividends, if declared and paid, will be based on our earnings, financial conditions, cash requirements and availability, future prospects, contractual restrictions, the applicable laws and provisions and other relevant factors. There is no assurance as to whether the dividend distribution will occur as intended, the amount of dividend payment or the timing of such payment. We paid RMB1,942,000, nil and RMB21,982,000 to shareholders of our Group for the three years ended 31 December 2007, 2008 and 2009 respectively. However, the dividend distribution recorded during the Track Record Period may not be used as a reference or basis to determine the level of dividends that may be declared or paid by us in the future.

## **RISKS RELATING TO THE INDUSTRY**

### **Changes in industrial policies by the PRC government**

Since the implementation of the economic reforms and liberation policy, the State policy for the power industry has been favourable to and has encouraged investments. The power industry has for a long time been experiencing fast development. Should there be any significant change in the State development policies for the power industry, our business operations may be adversely affected.

Generally, wind and solar power are not competitive against traditional sources of power generation such as coal or oil due to the high setup cost for solar power and unstable output for wind power. Without support from State policy, it is difficult to turn these clean power sources into a profit making business. Should there be any significant changes or delays in putting forward the State environmental policies which encourage the use of environmentally friendly power sources, our business development in relation to these new products may be limited.

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## **RISK FACTORS**

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### **Increasing competition from domestic and foreign competitors**

We face increasing competition from both domestic and international producers of DC power equipment. Some of our competitors may have certain advantages over us, including greater financial resources, more advanced technologies, greater economies of scale, broader brand name recognition and better relationships in the market.

On the other hand, after the PRC's accession to the WTO, the PRC Government has undertaken to reduce tariffs in various industries and to liberate domestic markets to foreign competition. Many regulations originally designed to protect domestic enterprises are also being revised. Consequently we expect an increase in competition from foreign competitors. Increasing competition may result in price reduction, reduced gross profit margin and loss of our market share, any of which could adversely affect our business and profitability.

As for our sales strategy, we enter into contracts through tenders or by way of private negotiations and our price is determined after considering our production costs, the expected profit and our estimation on the prices offered by our competitors. Increasing competition may result in price reduction, reduced gross profit margin and loss of our market share, any of which could adversely affect our business and profitability.

For information about our market share, the competition landscape and our major competitors, see the section headed "Industry overview — Competition in the electrical DC product market".

### **Risk relating to the forecast of market demand**

There are always risks due to the emergence of more advanced technology or other factors, and our new products may not meet the requirements of customers in the future. Although we have put substantial effort into utilising our core technology to develop new products and to modify our existing products to cope with the changes in technical requirements, our profitability and future growth may be adversely affected if we are unable to respond to the changing requirements of the market or the advance of technology which may possibly render our existing products obsolete.

### **Risks relating to the development and business cycle of the power industry**

Our products are mainly provided to the power industry in the PRC. Accordingly, the sale of our products is subject to the development and business cycle of the power industry and other related industries. If the power industry or other related industries decline, our profitability may be adversely affected.

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## **RISK FACTORS**

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### **Risks relating to China's accession to the WTO**

As a result of China's accession to the WTO, more and more foreign competitors possessing advanced technology and large amount of capital resources enter the domestic market through mergers and acquisitions, and establish joint ventures or wholly owned enterprises in the PRC. Moreover, foreign products which may compete with our Group's principal products and new products have been free from tariffs since 2003. In this case, competition in the industry is increasing and we are facing new challenges.

### **Risks relating to the recent global economic crisis**

The recent global economic crisis has adversely affected the U.S. and the world economies. These developments include a general slowing down of economic growth of many different countries, including the U.S., tightening of credit liquidity and substantial volatility of stock markets. All our sales during the Track Record Period were made in the PRC. In response to the global financial crisis, China has introduced a RMB4 trillion economic stimulus plan and 10 major measures involving investment in hundreds of thousands of projects over a span of two years. Amongst 10 major measures adopted by the State Council, three involve grid investment, namely: the second measure, to improve grids in rural areas; the third measure, to expedite the transformation of grids in cities; and the seventh measure, to accelerate post-disaster reconstruction in earthquake-stricken areas. We consider that this will help maintain demand for electrical DC products. However, it is difficult for us to predict whether the financial crisis has ended or when the financial crisis will end and if the economic downturn in other countries continues, there is no guarantee that the PRC economy will not also be affected. If the PRC economy slows down significantly, this may significantly adversely affect our sales. In addition, if we fail to obtain necessary financing from banks due to tightening of credit, our working capital position and cash flow position may be adversely affected. Accordingly, our business, results of operations and financial conditions could all be materially and adversely affected.

## **RISKS RELATING TO THE PRC**

### **Political, economic and legal environment of the PRC**

Our Group's business and operation are located in Zhuhai, Guangdong Province, the PRC, the operations of which are therefore subject to the laws and regulations prevailing in the PRC. Potential investors should note that our Group's operations may be adversely affected should there be any changes in the political, economic and legal environment in the PRC or changes in the policies or regulations in the PRC relating to the industry in which our Group operates.

### **New PRC Labour Contract Law**

The new PRC Labour Contract Law which came into effect on 1 January 2008 provides additional protection of the legitimate rights of employees, including, requiring an employment relationship to be established by a written labour contract and imposition of stricter regulations in hiring temporary labour and termination of labour contracts. In addition, under the current employees'

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## **RISK FACTORS**

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annual paid leave regulations, an employee is entitled to five to 15 days paid leave after having been employed for 12 months or above, according to his length of service. The company shall pay to the employee an amount equivalent to 300% of the daily wages earned by an employee for any paid leave not allowed by the employer. We have already revised our labour contract in accordance with the new PRC Labour Contract Law. We expect that the costs of employment would increase and we cannot guarantee that there would not be any labour conflicts, suspension of work or strikes in the future. The increase in the cost of employment and the events of labour conflicts would result in adverse effects on the operation and financial condition of our Company.

### **Environmental regulations**

At present, the PRC government is adopting a rigorous approach in the enforcement of environmental protection laws and regulations. The standards laid down in the environmental protection laws and regulations are increasingly stringent. Consequently we may need to allocate more capital expenditure to be in compliance with the relevant laws and regulations. If we fail to comply with such laws or regulations in the future, we may be required to take corrective action or even to pay penalties or fines. Any of these factors may have a material adverse effect on our business operations and financial condition.

### **Difficulties in seeking recognition and enforcement of foreign judgements or arbitral awards in China**

All of our executive Directors and senior management reside in the PRC, and a substantial part of our Group's assets are located within the PRC. Therefore, it may be difficult for investors to enforce foreign judgements or arbitral awards against our executive Directors, senior management or our Group within the territory of the PRC. The PRC does not have treaties or arrangements providing for the recognition and enforcement of judgements made by the courts in most jurisdictions. On 14 July 2006, Hong Kong and China entered into the "Arrangement on Reciprocal Recognition and Enforcement of Judgements in Region Pursuant to Choice of Court Agreements Between Parties Concerned" (the "Arrangement"), pursuant to which a party with a final court judgement rendered by a Hong Kong court requiring payment of money in a civil and commercial case according to a choice of court agreement in writing may apply for recognition and enforcement of such judgement in China. Similarly, a party with a final judgement rendered by a PRC court requiring monetary payment in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of such judgement in Hong Kong. A choice of court agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the Arrangement in which a Hong Kong court or a PRC court is expressly designated as the court having sole jurisdiction for the dispute. Therefore, it is not possible to enforce a judgement rendered by a Hong Kong court in the PRC if the parties in dispute have not entered into a choice of court agreement in writing. As a result, it may be difficult or impossible for investors to effect service of process against our Group's assets in the PRC in order to seek recognition and enforcement of foreign judgements in the PRC.

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## RISK FACTORS

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The PRC is a signatory to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the “New York Convention”), which accordingly allows for the enforcement of arbitral awards given by the arbitral bodies of other New York Convention signatories. Following the resumption of sovereignty over Hong Kong by the PRC on 1 July 1997, the New York Convention is no longer applicable for the enforcement of arbitral awards of Hong Kong in other parts of the PRC. As a result, a Memorandum of Understanding was signed on 21 June 1999 to permit reciprocal enforcement of arbitral awards between Hong Kong and the PRC. Such Memorandum of Understanding was approved by the Supreme People’s Court of the PRC and the Hong Kong Legislative Council and became effective on 1 February 2000. Therefore, it may be difficult to seek recognition and enforcement of arbitral awards in the PRC if the arbitral awards were given by arbitral bodies that are not signatories to the New York Convention and do not have similar arrangements under the Memorandum of Understanding between Hong Kong and the PRC.

### **Changes in PRC government policies in foreign investment in the PRC may adversely affect the business and operational results of our Group**

Our Group may be subject to restrictions on foreign investment policies imposed by PRC law from time to time. For instance, under the Foreign Investment Catalogue, some industries are categorised as sectors which are encouraged, restricted or prohibited for foreign investment. All the business carried out by the Group currently falls into the sector which is encouraged for foreign investment. As the Foreign Investment Catalogue is updated every few years, there can be no assurance that the PRC government will not change its policies in a manner that would render part or all of the businesses of our Group as falling within the restricted or prohibited categories. If our Group cannot obtain approval from relevant approval authorities to engage in businesses which become prohibited or restricted for foreign investors, it may be forced to sell or restructure the businesses which have become restricted or prohibited for foreign investment. If our Group is forced to adjust the corporate structure or business line as a result of changes in government policy on foreign investment, the business, financial condition and results of operations of our Group may be materially adversely affected.

### **Changes in PRC government policies on dividend distribution and enterprise tax may adversely affect our business and operational results of our Group**

Under the Income Tax Law, which was effective on 1 January 2008, a withholding tax at the rate of 20% will be applicable to dividends paid by foreign invested enterprises to foreign investors. However, due to a tax treaty between the PRC and Hong Kong effective 8 December 2006, Titans HK, a company incorporated in Hong Kong, will be subject to withholding tax at a rate not exceeding 5% on dividends it receives from its PRC subsidiaries if it holds a 25% or more interest in that particular subsidiary at the time of distribution, or 10% if Titans HK holds less than a 25% interest in that particular PRC subsidiary.

According to the Income Tax law, if the “effective management” of an enterprise incorporated outside the PRC is located within the PRC, such enterprise may be regarded as a PRC tax resident enterprise and be subject to PRC enterprise income tax at the rate of 25% on its worldwide income. Our Directors and senior management reside in the PRC. We cannot rule out the possibility that Titans HK or any of our other overseas subsidiaries may be regarded as a PRC tax resident enterprise by PRC

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## RISK FACTORS

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taxation authorities according to the Income Tax Law in the future. According to the Income Tax Law, dividends received by a qualified PRC tax resident from another qualified PRC tax resident are exempt from enterprise income tax. However, given the short history of the Income Tax Law, it remains unclear as to the detailed qualification requirements for such exemption and whether the dividends Titans HK receives from Titans Automatic will be exempt from enterprise income tax if they are recognised as PRC tax residents.

The Notice of the State Administration of Taxation on Issues about the Determination of Chinese-Controlled Enterprises Registered Abroad as Resident Enterprises on the Basis of Their Body of Actual Management (No. 82 [2009] of the State Administration of Taxation) (《關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知(國稅發[2009]82號)》) (the “CCE Notice”) currently in force has only clarified the conditions under which a foreign company invested by a Chinese enterprise or a group of Chinese enterprises as its majority shareholder would be considered as having its “de facto to management organisation” located in the PRC.

As such, we believe our Company is not a PRC tax resident enterprise falling within the definition of the CCE Notice because our Company is controlled by Chinese nationals but there is no Chinese enterprise or group of Chinese enterprises investing in our Company as our Company’s majority shareholder.

If the PRC tax rules later clarify that any of our Group’s non-PRC entities is a deemed PRC tax resident enterprise, such deemed PRC tax resident enterprise would be subject to enterprise income tax of 25% on its worldwide income (including dividend income receivables from its subsidiaries), which excludes the dividends receivables directly from another PRC tax resident. There is no assurance that we will not be treated as a “PRC tax resident enterprise” under the Income Tax Law and related implementation regulations and not be subject to the enterprise income tax at the rate of 25% on our income generated both inside and outside the PRC.

When our current available tax benefits become unavailable as a result of the changes in PRC tax policies as mentioned above or for any other reasons, our financial condition and results of operations could be adversely affected. Moreover, our historical operating results may not be indicative of our operating results for future periods as a result of the expiration of the tax benefits currently available to us.

### **Interest and dividends payable by us to our investors and gain on the sale of our Shares may become subject to withholding taxes under PRC tax laws**

Under the Income Tax Law and implementation regulations issued by the State Council, PRC withholding tax at the rate of 10% is applicable to interest and dividends payable to investors that are “non-resident enterprises,” which do not have an establishment or place of business in China, or which have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such interest or dividends have their sources within China. Similarly, any gain realised on the transfer of shares by such investors is also subject to 10% PRC withholding tax if such gain is regarded as income derived from sources within China.

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## **RISK FACTORS**

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If we are considered a PRC “resident enterprise,” it is unclear whether the interest or dividends we pay with respect to our ordinary shares, or the gain our non-PRC shareholders may realise from the transfer of our ordinary shares, would be treated as income derived from sources within China and be subject to PRC tax. However, Hong Kong, where our intermediate holding companies are incorporated, has entered into a treaty that reduces the withholding tax rate to 5% on dividends received by Hong Kong companies from their PRC subsidiaries under certain conditions.

If we are required under the Income Tax Law to withhold PRC income tax on interest or dividends payable to our non-PRC shareholders that are “non-resident enterprises,” or if you are required to pay PRC income tax on the transfer of our ordinary shares, the value of your investment in our Shares may be materially adversely affected. A recently enacted PRC tax law could affect tax exemptions on dividends received by us, and our shareholders and increase our enterprise income tax rate.

### **Recurrence of Severe Acute Respiratory Syndrome (SARS) and outbreak of other epidemics, Influenza A (H1N1) and/or avian flu**

The PRC, including Hong Kong, and other Asian countries experienced an outbreak of SARS in early 2003, which made a significant impact on the economy of the PRC and throughout the Asia-Pacific Region. There have also been reports of the transmission of avian flu in various areas of the PRC as well as in other Asian countries. Should there be a recurrence of SARS or an outbreak of any other epidemic, this would directly or indirectly impact on the PRC’s economy, which may in turn impact on our Group and its customers. This may adversely affect our Group’s business and turnover.

The recent outbreak of Influenza A (H1N1), also widely known as “swine influenza,” has caused deaths worldwide. Countries and territories including Hong Kong have officially reported cases of Influenza A (H1N1) infection. The increasing number of Influenza A (H1N1) infected cases in certain Asian countries and territories could indicate a possible full-blown pandemic, which would in turn undermine human lives and the local and cross-border business activities and threaten the prospects of economic recovery in those areas. It is unclear whether the epidemic will become more aggressive or will wane in the near future. Any prolonged outbreak of Influenza A (H1N1) or other severe communicable disease in the PRC or elsewhere could have a material adverse effect on our business, prospects, financial condition or result of operations.

### **Currency conversion and exchange control**

RMB is not freely convertible to other currencies. Pursuant to the Foreign Exchange Control Regulations and the Regulations on the Foreign Exchange Settlement, Sales and Payments, foreign investment enterprises are permitted to remit their profit or dividends in foreign currencies overseas or remit such profit or dividends after converting them from RMB to foreign currencies through banks which are authorised to engage in foreign exchange business. Foreign investment enterprises are permitted to convert RMB to foreign currencies for items in current accounts (including such dividend payments to foreign investors), while the conversion of RMB to foreign currencies for items in capital accounts (such as direct investment, loan and investment in securities) is subject to more stringent controls.

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## **RISK FACTORS**

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Our operations in the PRC are mainly undertaken by Titans Technology and Titans Automatic, in the PRC, which are subject to the above regulations. There is no assurance that we will obtain sufficient foreign exchange for payment of dividends or other settlements in foreign exchange. This may, therefore, adversely affect our ability to pay dividends.

On 21 July 2005, the PRC revalued the exchange rate of the RMB to the US\$ and abolished the dollar pegging system applied in the past and adopted a controlled floating exchange rate that is adjusted based on market demand and by reference to a basket of currencies. Since then the exchange rate of the RMB to the US\$ has been increasing. Any increase in the value of RMB may adversely affect the growth of the PRC economy as well as the competitiveness of various industries in the PRC, including the power industry, which could in turn affect our financial condition and result of operations.

In the future, if we expand our business to other jurisdictions and may earn, incur or acquire revenues, expenses and assets in currencies other than RMB any exchange rate fluctuations with respect to foreign currencies may have a material effect on our business, financial condition and operations in the future.

### **RISKS RELATING TO THE SHARES**

#### **Liquidity and possible price volatility of the Shares**

An active trading market for the Shares may not develop and the trading price for Shares may fluctuate significantly. Prior to the Share Offer, there has been no open market for any of the Shares. The Offer Price may not be indicative of the price at which Shares will be traded on the Stock Exchange. In addition, there is no assurance that an active trading market for the Shares will develop, or, if it does develop, that it will be sustained following the Listing Date, or that the market price of the Shares will not decline below the Offer Price.

The trading price of the Shares could also be subject to significant volatility in response to, among other factors:

- investors' perceptions of us and our business plans
- variations in operating results
- technological innovations
- changes in pricing policy made by us and our competitors
- changes in our senior management personnel
- general economic and other factors

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## **RISK FACTORS**

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### **Dilution of Shareholders' interest in additional equity fund raising**

We may raise further funds in the future to finance the expansion of existing business or development of new business. If the additional fund raising is not done through issuing new equity securities to the existing Shareholders on a pro-rata basis, the interest of the existing shareholders may be diluted due to any further new issues of Shares.

### **RISKS RELATING TO THE SHARE OFFER**

#### **Termination of the Underwriting Agreements**

It is important that prospective investors of the Offer Shares should note that the Lead Manager (on behalf of itself and other Underwriters) is entitled to terminate its obligations under the Underwriting Agreements by notice in writing to us upon the occurrence of any of the events set forth under the paragraph "Grounds for termination" in the section headed "Underwriting" in this prospectus at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Such events include, without limitation, any act of God, actions of the government, war, military action, riot, public disorder, civil commotion, economic sanction, epidemic, fire, flood, explosion, terrorism, strike or lockout. In the event that the Lead Manager (on behalf of itself and other Underwriters) terminates its obligations under the Underwriting Agreement in accordance with the terms thereof, the Share Offer shall not proceed and no Offer Shares shall be allotted to any prospective investors.

#### **We strongly caution you not to place any reliance on any information contained in press articles or other media regarding us and/or our Share Offer**

Prior to the publication of this prospectus, there has been press and media coverage regarding us and the Share Offer, including news articles published in the Apple Daily, Hong Kong Daily News, Ming Pao News, Ta Kung Pao and Hong Kong Economic Journal on 12 May 2010 which referred to our Company's future dividend payment ratio and/or forecast profits for the years ending 31 December 2010 and 2011 that do not appear in this prospectus. There may be subsequent to the date of this prospectus but prior to the completion of the Share Offer, press and media coverage regarding us and/or our Share Offer. Such press and other media coverage may include references to certain events or information that do not appear in this prospectus. You should rely solely upon the information contained in this prospectus, the application forms and any formal announcements made by us in Hong Kong in making your investment decision regarding our Shares. We do not accept any responsibility for the accuracy or completeness of any information reported by the press or other media, nor the fairness, appropriateness or reliability of any forecasts, views or opinions expressed by the press or other media regarding our Shares, our Share Offer, or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information appearing in publications other than this prospectus is inconsistent or conflicts with the information contained in this prospectus, we disclaim it. Accordingly, you should not rely on any information, reports or publications other than this prospectus.

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## **RISK FACTORS**

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### **RISKS RELATING TO THIS PROSPECTUS**

#### **Forward-looking statements**

This prospectus contains certain “forward-looking” statements and information and adopts forward-looking terms such as “will”, “may”, “could”, “expect”, “estimate”, “believe”, “ought to”, “should” or “anticipate”. Those statements include, among other things, the discussion of our plans, objectives, expectation and intentions. Investors are cautioned that reliance on any forward-looking statements involves risks and uncertainties and that, although we believe the assumptions on which the forward-looking statements are based are reasonable, any of those assumptions could turn out to be inaccurate. The uncertainties in this aspect include, but are not limited to, those disclosed in this “Risk Factors” section, and many of which are not under our control. Therefore the inclusion of forward-looking statements in this prospectus should not be regarded as representations by us that our plans, objectives or estimate will be achieved, and investors should not place undue reliance on such forward-looking statements. We do not undertake any obligations to update or revise any forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise.

#### **Undue reliance on industrial statistics derived from various official governmental sources**

Various publicly available statistical information derived from various official governmental sources relating to the industry has been quoted in this prospectus. Our Directors have taken reasonable care in selecting and reproducing such information in this prospectus. However, neither our Company, the Sponsor, the Lead Manager, the Underwriters nor any other parties involved in the Share Offer has verified independently the accuracy of such information. We cannot assure the accuracy of such information, and will give no guarantee that such information is intrinsically consistent and that such information available in other publications or jurisdictions are basically the same. Moreover, we have no assurance that such information contained in this prospectus is prepared to the same standard or level of accuracy and comparable with the same kind of information available in other publications or jurisdictions. Therefore prospective investors should not unduly rely on the statistical information derived from various official governmental sources contained in this prospectus.

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## WAIVER FROM STRICT COMPLIANCE WITH THE LISTING RULES

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The following waiver from the basic conditions in relation to qualifications for Listing have been applied for and granted by the Stock Exchange.

### MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, our Company must have a sufficient management presence in Hong Kong. This normally means that at least two of the executive Directors must be ordinarily resident in Hong Kong. Given that the business and operation of the Group are primarily located, managed and conducted in the PRC and none of the executive Directors is ordinarily based in Hong Kong, we do not and will not, in the foreseeable future, have a management presence in Hong Kong.

Accordingly, we have applied to the Stock Exchange for a waiver and obtained such waiver from compliance with the requirements of Rule 8.12 of the Listing Rules. We have put in place the following measures to ensure that regular and effective communication is maintained between the Stock Exchange and us:

- (a) we have appointed two authorised representatives pursuant to Rule 3.05 of the Listing Rules, who will act as our Company's principal channel of communication with the Stock Exchange and ensure that the Group complies with the Listing Rules at all times. The two authorised representatives appointed are Mr. Li, an executive Director and Wong Yiu Hung, the company secretary of our Company, and Wong Yiu Hung is ordinarily resident in Hong Kong. Each of the authorised representatives will be available to meet the Stock Exchange in Hong Kong within a reasonable time frame upon the request of the Stock Exchange and will be readily contactable by telephone, facsimile or email. Each of the two authorised representatives is authorised by the Board to communicate on behalf of our Company with the Stock Exchange;
- (b) the Company shall promptly inform the Stock Exchange if there are any changes to the authorised representatives of the Company;
- (c) all the authorised representatives have means to contact all members of the Board (including the independent non-executive Directors) and of the senior management team promptly at all times as and when the Stock Exchange wishes to contact them or any of them for any matters. To enhance the communication between the Stock Exchange, the authorised representatives and the Directors, the Company shall implement a number of policies that (i) each executive Director and independent non-executive Director shall provide his/her mobile phone numbers, residential phone numbers, office phone numbers, fax numbers (if applicable) and email addresses (if applicable) to the authorised representatives; (ii) in the event that an executive Director or independent non-executive Director expects to travel and be out of office, he/she shall provide the phone number of the place of his/her accommodation to the authorised representatives; and (iii) all the executive Directors, independent non-executive Directors and authorised representatives will provide their respective mobile phone numbers, residential phone numbers, office phone numbers, fax numbers (if applicable) and email addresses (if applicable) to the Stock Exchange;

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## WAIVER FROM STRICT COMPLIANCE WITH THE LISTING RULES

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- (d) if the circumstances require, meetings of the Board can be summoned and held in such manner as permitted under the articles of association of our Company at short notice to discuss and address any issue with which the Stock Exchange is concerned in a timely manner; and
- (e) all executive Directors have confirmed that they possess valid travel documents to travel freely to Hong Kong and would be able to come to Hong Kong and meet the Stock Exchange upon reasonable short notice.

In addition, pursuant to Rule 3A.19 of the Listing Rules, we have entered into a compliance adviser agreement with OSK to retain OSK as the compliance adviser of our Company for a period commencing on the Listing Date and ending on the date on which our Company shall comply with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year commencing after the Listing Date to provide us with professional advice on continuing obligations under the Listing Rules, and to act at all times, in addition to the two authorised representatives of our Company, as the principal channel of communication between the Company and the Stock Exchange.

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## INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

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### DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus includes particulars given in compliance with the Hong Kong Companies Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information to the public with regard to our Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus.

The Directors confirm, having made all reasonable enquiries, that to the best of their knowledge and belief:

- (a) the information contained in this prospectus is accurate and complete in all material aspects and not misleading;
- (b) there are no other matters the omission of which would make any statement in this prospectus misleading; and
- (c) all opinions expressed in this prospectus have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

### UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering. For applicants under the Hong Kong Public Offering, this prospectus and the related Application Forms contain the terms and conditions of the Hong Kong Public Offering. The Share Offer comprises the Hong Kong Public Offering of initially 20,000,000 Shares and the International Placing of initially 180,000,000 Shares (subject, in each case, to reallocation on the basis described in the section headed "Structure of the Share Offer" in this prospectus).

The Listing is sponsored by OSK. Pursuant to the Hong Kong Underwriting Agreement, the Hong Kong Public Offering is underwritten by the Hong Kong Underwriters. The International Placing is managed by the Lead Manager and is underwritten by the International Underwriters. The International Underwriting Agreement is expected to be entered into on or about the Price Determination Date, subject to agreement on the Offer Price between our Company and the Lead Manager, on behalf of the Underwriters. If, for any reason, the Offer Price is not agreed between our Company and the Lead Manager, on behalf of the Underwriters, the Share Offer will not proceed.

For further information about the Underwriters and the underwriting arrangements, please see the section headed "Underwriting" in this prospectus.

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## INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

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### DETERMINATION OF THE OFFER PRICE

The Offer Shares are being offered at the Offer Price which will be determined by the Lead Manager (on behalf of the Underwriters) and us on 5:00 p.m. on the Price Determination Date, or such later date as may be agreed between the Lead Manager and our Company but in any event no later than Wednesday, 26 May 2010.

**If the Lead Manager (on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price on 5:00 p.m. on the Price Determination Date, or such later date as may be agreed between the Lead Manager and our Company but in any event no later than Wednesday, 26 May 2010, the Share Offer will not become unconditional and will lapse.**

### RESTRICTIONS ON SALE OF SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to confirm, or be deemed by his acquisition of Hong Kong Offer Shares to confirm, that he is aware of the restrictions on offers and sales of the Offer Shares described in this prospectus.

No action has been taken to permit a public offer of the Offer Shares or the general distribution of this prospectus and/or the related Application Forms in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purposes of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The Offer Shares are offered for subscription solely on the basis of the information contained and representations made in this prospectus. No person is authorised in connection with the Share Offer to give any information, or to make any representation, not contained in this prospectus, and any information or representation not contained in this prospectus must not be relied upon as having been authorised by our Company, the Underwriters, any of their respective directors or any other persons or parties involved in the Share Offer.

### United States

The Offer Shares have not been and will not be registered under the U.S. Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act.

The Offer Shares are being offered and sold outside the United States to non-U.S. persons in reliance on Regulation S.

In addition, until 40 days after the first date upon which the Offer Shares were bona fide offered to the public, an offer of the Offer Shares within the United States by a dealer may violate the registration requirements of the Securities Act.

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## INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

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The Offer Shares have not been approved or disapproved by the United States Securities and Exchange Commission, any state securities commission in the United States or any other United States regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the Share Offer or the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense in the United States.

### **United Kingdom**

This document is only addressed to and directed at, and the International Offering will only be addressed to and directed at, persons in member states of the European Economic Area who are (i) a “qualified investor” within the meaning of Article 2(1)(e) of the Prospectus Directive (Directive 2003/71/EC) (“Qualified Investor”) and (ii) an “eligible counterparty” within the meaning of Article 24 (2), (3) and (4) of Directive 2004/39/EC (“MiFID”) as MiFID is implemented into national law of the relevant EEA state (“Eligible Counterparty”).

In addition, in the United Kingdom this document is being distributed only to, and is directed only at Qualified Investors who (i) have professional experience in matters relating to investments falling within Article 19(5) of the United Kingdom Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 as amended (the “Order”) and (ii) are Eligible Counterparties within the meaning given in COBS 3.6.1 of the FSA Handbook as at 1 November 2007 (such persons together being referred to as “Relevant Persons”).

This document has not been approved by an authorised person. Any investment to which this document relates is available only to (and any investment activity to which it related will be engaged only with) Relevant Persons. This document is directed only at Relevant Persons and persons who are not Relevant Persons should not take any action based upon this document and should not rely on it. It is a condition of you receiving this document that you are a Relevant Person.

### **European Economic Area**

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each a “Relevant Member State”), no Offer Shares have been offered or will be offered to the public in that Relevant Member State prior to the publication of a prospectus in relation to the Offer Shares which has been approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive except that an offer of Offer Shares may be made to the public in that Relevant Member State at any time under the following exemptions under the Prospectus Directive, if they are implemented in that Relevant Member State:

- (a) to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;

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## INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

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- (b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000; and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;
- (c) by the managers to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the lead manager for any such offer;
- (d) in any other circumstances which do not require the publication by us of a prospectus pursuant to Article 3(2) of the Prospectus Directive;

in each case, provided that no such offer of Shares shall result in a requirement for the publication of a prospectus pursuant to Article 3 of the Prospectus Directive or any measure implementing the Prospectus Directive in a Relevant Member State and each person who initially acquires any Offer Shares or to whom any offer is made under the Share Offer will be deemed to have represented, acknowledged and agreed that it is a “qualified investor” within the meaning of Article 2(1)(e) of the Prospectus Directive.

For the purposes of this provision, the expression of “offer to the public” in relation to any Offer Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Offer Shares to be offered so as to enable an investor to decide to purchase or subscribe the Offer Shares, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression “Prospectus Directive” means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

### **Singapore**

This prospectus has not been, and will not be, lodged with or registered as a prospectus by the Monetary Authority of Singapore in Singapore. Accordingly, this prospectus and any other document or material in connection with the offer of the Offer Shares may not be issued, circulated or distributed in Singapore nor may any of the Offer Shares be offered for subscription or purchase or made the subject of an invitation or offer for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) an institutional investor under Section 274 of the Securities and Futures Act, (ii) to a relevant person (as defined in Section 275(2)), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275 or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the Securities and Futures Act.

Where the Offer Shares are subscribed or purchased under Section 275 by a relevant person, namely a person which is:

- (a) a corporation (which is not an accredited investor) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

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## INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

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- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor, that shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest in that trust shall not be transferable for six months after that corporation or that trust has acquired the Offer Shares under Section 275 except:
- (1) to an institutional investor under Section 274, or to a relevant person, or to any person pursuant to an offer that is made on terms that such rights or interest are acquired at a consideration of not less than S\$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets;
  - (2) where no consideration is given for the transfer; or
  - (3) by operation of law.

Furthermore, no advertisement may be made offering or calling attention to an offer or intended offer of the Offer Shares.

### **Japan**

The Offer Shares have not been and will not be registered under the Financial Instruments of Exchange Law of Japan (the "FIEL") and will not be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan, except pursuant to any exemption from the registration requirements of, and otherwise in compliance with, the FIEL and any other applicable laws, regulations and ministerial guidelines of Japan.

### **PRC**

This prospectus does not constitute a public offer of the Offer Shares, whether by way of sale or subscription, in the PRC. The Offer Shares are not being offered and may not be offered or sold directly or indirectly in the PRC to, or for the benefit of, legal or natural persons of the PRC, except pursuant to applicable laws and regulations of the PRC. For the purpose of this paragraph, PRC does not include Hong Kong, Macau and Taiwan.

### **Cayman Islands**

The Offer Shares may not and will not be offered or sold, directly or indirectly, to the public in the Cayman Islands.

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## INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

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### APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Application has been made to the Listing Committee for the listing of, and permission to deal in, the Shares in issue as described herein and the Shares to be issued pursuant to the Capitalisation Issue and the Share Offer (including Shares which may fall to be issued under the Over-allotment Option), upon the exercise of the options granted under the Pre-IPO Share Option Scheme and options that may be granted under the Share Option Scheme up to 10% of the Shares in issue upon Listing.

Save as disclosed herein, no part of the share or loan capital of our Company is listed or dealt in on any other stock exchange and no such listing or permission to list is being or is proposed to be sought in the near future.

Under section 44B(1) of the Hong Kong Companies Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the Offer Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to us by the Stock Exchange.

### HONG KONG SHARE REGISTER AND STAMP DUTY

All Shares issued pursuant to applications made in the Hong Kong Public Offering and the International Placing will be registered on our Company's Hong Kong register of members to be maintained in Hong Kong. The Company's principal register of members will be maintained by our Company's principal share registrar in the Cayman Islands.

Dealings in the Shares registered in the Hong Kong register of our Company in Hong Kong will be subject to Hong Kong stamp duty.

Unless determined otherwise by our Company, dividends payable in Hong Kong dollars in respect of Shares will be paid to the Shareholders listed on the Hong Kong register of our Company, by ordinary post, at the Shareholders' risk, to the registered address of each shareholder of our Company.

### SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the Shares on the Stock Exchange and our Company's compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date as HKSCC chooses.

Settlement of transaction between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for the Shares to be admitted into CCASS.

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## INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

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### PROFESSIONAL TAX ADVICE RECOMMENDED

Applicants for the Offer Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of holding and dealing in the Shares. It is emphasised that none of our Company, the Underwriters, the Sponsor, the Lead Manager and any of their respective directors, supervisors, agents or advisers or any other person involved in the Share Offer accepts responsibility for any tax effects on, or liabilities of, holders of Shares resulting from the subscription, purchase, holding or disposal of Shares.

### OVER-ALLOTMENT AND STABILISATION

In connection with the Share Offer, the Lead Manager (on behalf of the International Underwriters) or any person acting for it may over-allot or effect transactions with a view to supporting the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the issue date. However, there is no obligation on the Lead Manager or any person acting for it to do this. Such stabilising action, if taken, may be discontinued at any time and is required to be brought to an end after a limited period.

In connection with the Share Offer, our Company intends to grant to the Lead Manager (on behalf of the International Underwriters) the Over-allotment Option, which will be exercisable in full or in part by the International Lead Manager (on behalf of the International Underwriters) no later than 30 days after the last day for the lodging of applications under the Hong Kong Public Offering. Pursuant to the Over-allotment Option, our Company may be required to issue and allot at the Offer Price up to an aggregate of 30,000,000 additional Shares, representing 15% of the total number of Shares initially available under the Share Offer, in connection with over-allocation in the International Placing, if any.

Further details with respect to stabilisation and the Over-allotment Option are set out in the section headed “Structure of the Share Offer — Over-allotment and stabilisation” of this prospectus.

### PROCEDURES FOR APPLICATION FOR SHARES

The procedures for applying for the Hong Kong Offer Shares are set out in the section headed “How to apply for the Hong Kong Offer Shares” and on the relevant Application Forms.

### STRUCTURE OF THE SHARE OFFER

Details of the structure of the Share Offer, including its conditions, are set out in the section headed “Structure of the Share Offer” of this prospectus.

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## DIRECTORS

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Name	Address	Nationality
<i>Executive Directors</i>		
Mr. Li Xin Qing	Room 201, No. 9 Xiang Zhou Hai Cheng Road Xiang Zhou District Zhuhai City Guangdong Province the PRC	Chinese
Mr. An Wei	Room 401, Block 4 109 Xiang Zhou Xiang Yue Road Xiang Zhou District Zhuhai City Guangdong Province the PRC	Chinese
<i>Independent Non-executive Directors</i>		
Mr. Li Wan Jun	Room 402, Unit 1, Block 1 6 Jian Ye Yi Road Jiu Zhou Road Central Xiang Zhou District Zhuhai City Guangdong Province the PRC	Chinese
Ms. Li Xiao Hui	Room 1307, Zhongxing Building Yu Yuan Tan Nan Road Hai Dian District Beijing the PRC	Chinese
Mr. Yu Zhuo Ping	Room 301, Block 13 901 Ding Xiang Road Shanghai the PRC	Chinese

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## CORPORATE INFORMATION

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<b>Registered office</b>	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
<b>Principal place of business and address of headquarters in the PRC</b>	Titans Science and Technology Park No. 60 Shihua Road West Zhuhai Guangdong Province the PRC
<b>Principal place of business in Hong Kong</b>	Room 09-10, 41/F. China Resources Building 26 Harbour Road Wanchai Hong Kong
<b>Company secretary</b>	Wong Yiu Hung <i>A member of Chartered Institute of Management Accountants of the United Kingdom, and a member of the Hong Kong Institute of Certified Public Accountants</i>
<b>Authorised representative (for the purpose of the Listing Rules)</b>	Li Xin Qing Room 201, No. 9 Xiang Zhou Hai Cheng Road Xiang Zhou District Zhuhai City Guangdong Province the PRC  Wong Yiu Hung Room 707, Opulent Building 402 Hennessy Road Wanchai Hong Kong
<b>Compliance Adviser</b>	OSK Capital Hong Kong Limited
<b>Audit Committee</b>	Li Wan Jun ( <i>Chairman</i> ) Li Xiao Hui Yu Zhuo Ping
<b>Remuneration Committee</b>	Li Xiao Hui ( <i>Chairman</i> ) Yu Zhuo Ping Li Wan Jun

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## CORPORATE INFORMATION

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<b>Nomination Committee</b>	Li Xin Qing ( <i>Chairman</i> ) Yu Zhuo Ping Li Xiao Hui
<b>Our website address</b>	<i>www.titans.com.cn</i> (information on the website does not form part of this prospectus)
<b>Principal banker</b>	Bank of Communications Zhuhai Jida sub-branch 1/F, Zhong Dian Tech Building Jida Jiuzhou Road the PRC
<b>Cayman Islands principal share registrar and transfer office</b>	Butterfield Fulcrum Group (Cayman) Limited Butterfield House 68 Fort Street P.O. Box 609 Grand Cayman KY1-1107 Cayman Islands
<b>Hong Kong Share Registrar</b>	Computershare Hong Kong Investor Services Limited Shops 1712-1716 17th Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong

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## PARTIES INVOLVED IN THE SHARE OFFER

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**Sole Global Coordinator, Bookrunner  
and Lead Manager** Guotai Junan Securities (Hong Kong) Limited  
27/F., Low Block, Grand Millennium Plaza  
181 Queen's Road Central  
Hong Kong

**Sponsor** OSK Capital Hong Kong Limited  
11/F., Hip Shing Hong Centre  
55 Des Voeux Road Central  
Hong Kong

**Co-Lead Manager** OSK Securities Hong Kong Limited  
12/F., World-Wide House  
19 Des Voeux Road Central  
Hong Kong

**Co-Managers** China Merchants Securities (HK) Co., Limited  
48/F, One Exchange Square  
Central  
Hong Kong

Ever-Long Securities Company Limited  
18/F., Dah Sing Life Building  
99-105 Des Voeux Road Central  
Hong Kong

Kingsway Financial Services Group Limited  
5/F, Hutchison House  
10 Harcourt Road, Central  
Hong Kong

Oriental Patron Securities Limited  
Suite 2701-3 & 2705-8  
27/F, Two Exchange Square  
8 Connaught Place, Central  
Hong Kong

**Legal advisers to our Company** *as to Hong Kong law:*  
P. C. Woo & Co.  
12th Floor, Prince's Building  
10 Chater Road  
Central  
Hong Kong

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## PARTIES INVOLVED IN THE SHARE OFFER

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*as to PRC law:*

Commerce & Finance Law Offices  
6/F., Xinhua Insurance Plaza  
12A Jianguo Menwai Avenue  
Beijing, the PRC  
100020

*as to Cayman Islands law:*

Conyers Dill & Pearman  
Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman  
KY1-1111  
Cayman Islands

**Legal adviser to the Sponsor  
and the Underwriters**

*as to Hong Kong law:*

Charltons  
10/F., Hutchison House  
10 Harcourt Road, Central  
Hong Kong

**Auditors and reporting accountants**

SHINEWING (HK) CPA Limited  
16/F., United Centre  
95 Queensway  
Hong Kong

**Property valuer**

Savills Valuation and Professional Services Limited  
23/F., Two Exchange Square  
Central  
Hong Kong

**Receiving bankers**

Bank of Communications Co., Ltd.  
Hong Kong Branch  
20 Pedder Street  
Central  
Hong Kong

Wing Lung Bank Limited  
45 Des Voeux Road Central  
Hong Kong

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## INDUSTRY OVERVIEW

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This section contains information and statistics on the industry in which our Group operates. The information set out in this section has been extracted from an industry review report compiled by CCID Consulting as commissioned by our Company and various official publications derived from various official governmental sources. CCID Consulting, an independent third party, is principally engaged in the provision of market research and management consultancy services. The principal activities of its subsidiaries comprise the provision of data information management services, and public relationship consultancy services. The amount of fees payable by us to CCID Consulting is RMB420,000. Save for the aforesaid industry review report compiled by CCID Consulting, no other such report was commissioned by the Company. In view of the background and credentials of CCID Consulting, the method of research adopted by CCID Consulting in preparation of the industry review report, the independence of CCID Consulting from the Company and the confirmation from CCID Consulting that the data in its report is true and reliable, we consider (and the Sponsor is satisfied with CCID Consulting's competence to provide such industry review report) that there is no reason to believe that such information is false or misleading or that any material fact has been omitted that would render such information false or misleading. We believe that the sources of the information set out in this section are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information has not been independently verified by us, the Sponsor, the Underwriters or any other party involved in the Share Offer and no representation is given as to its accuracy.

### OVERVIEW OF TITANS'S INDUSTRIES

#### Industry in which our Group's business is involved

Our Group is principally engaged in the manufacture and supply of power electronic products and other energy related products and equipment by applying advanced power electronic and automatic control technologies for the purpose of energy conversion, monitoring, control and conservation. According to the *Industrial Classification and Codes for National Economic Activities* 《國民經濟行業分類和代碼表》 (GB/T4754-2002), our Group is classified as being involved in the industry of the manufacture of power electronic equipment. Power electronic technology is the technology for energy conversion and control through the application of power electronic theories, utilisation of power electronic devices, and other circuits or devices developed from these power electronic devices.

The development of this industry in the PRC has been promoted by various policies of the PRC government.

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## INDUSTRY OVERVIEW

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### Current status of the power electronic equipment industry

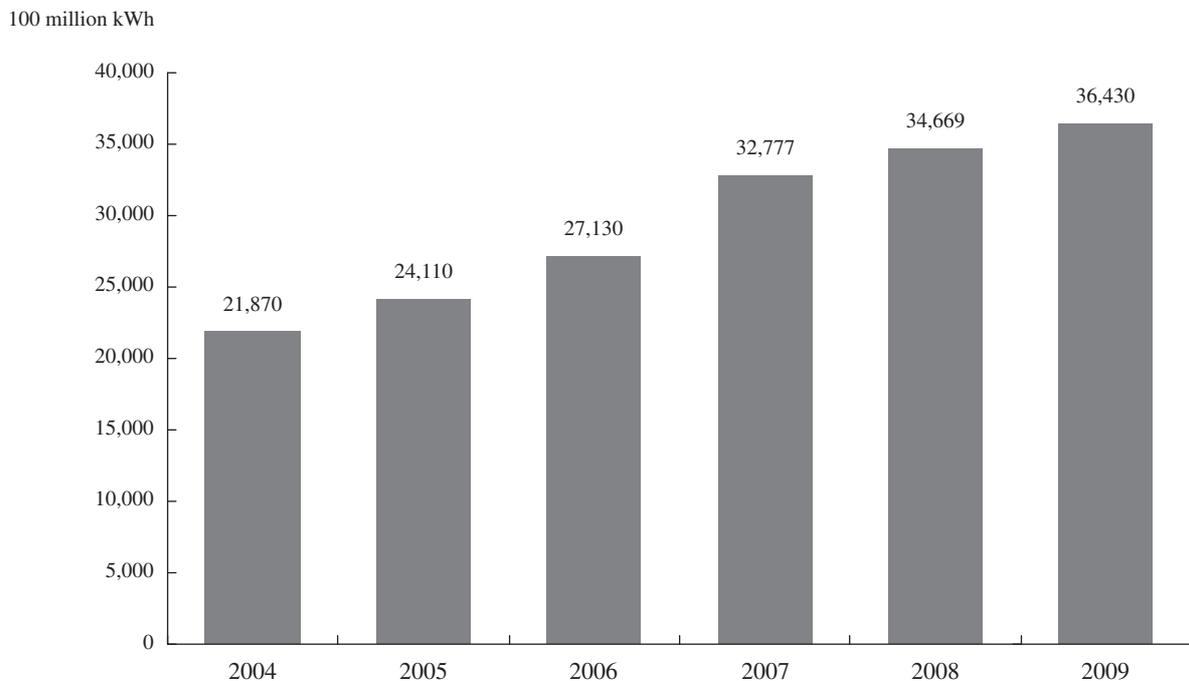
#### *Size of the industry*

The industry has grown and continues to expand as a result of changes in energy demand, the development of integrated electromechanical technologies, and the renovation of traditional industries by information technologies. In 1999, the world market for power electronic components amounted to US\$9.5 billion, and the world market for power electronic equipment amounted to US\$30 billion. In 2005, the world market for power electronic devices reached US\$29 billion, and the world market for power electronic equipment exceeded US\$85 billion. In 2008, the world market for power electronic devices reached US\$170 billion.

In China, power electronic technology has been widely applied in power generating systems, transmission systems and energy storage systems. General applications include re-active compensation, active filters using SPWM technology, high voltage DC power transmission and advanced passive power supplies. Power electronic technology is mainly used by us in the following aspects: electrical DC products, and wind and solar power generation balancing control systems; power transmission and distribution systems for power grid management systems and energy saving; power energy storage systems for electric vehicles charging; and high-power LED lighting equipment.

Due to increasing demand for electric energy, together with the increasing popularity of the use of new energy and breakthroughs in the development of power electronic technologies, there is huge potential for growth in the power electronic industry.

#### Consumption of electricity in China from 2004 to 2009



Source: CCID Consulting, April 2010

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## INDUSTRY OVERVIEW

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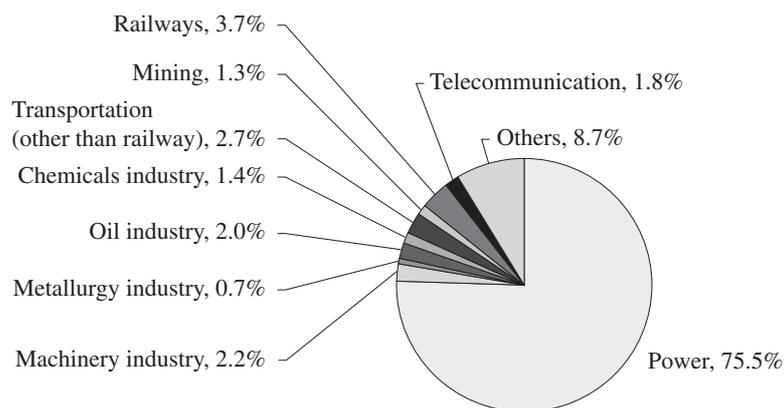
### Industry structure

Power electronic technology has been widely applied in many economic sectors. It plays a very important role in energy conservation, lessening environmental pollution, improving working conditions, saving raw materials, lowering cost and improving production.

In addition to the power industry, power electronic equipment has also been widely used in other major industries, such as the machinery, metallurgy, oil, chemical and transportation industries. Power electronic technology is fundamental to the development of these industries and is one of the key application technologies for carrying out technology improvements in traditional industries and to effect industry automation in China.

In terms of application scale, the power industry is considered to be one of the important and promising application fields for power electronic technology. Typical applications include high voltage direct electric current transmission (HVDC), flexible AC transmission systems, active power filters and energy storage AC excitation systems for use in power stations. The scale of the power industry in China is big and has been growing over recent years. While carrying out large-scale investment in the power industry, it is important to improve technology in relation to energy saving and efficiency enhancement. Energy saving can improve power consumption efficiency. By adopting power electronic technology, efficiency of power transmission and consumption can be enhanced by improving the electricity quality (such as by removing reactive voltage). Currently, power electronic technology is widely and significantly used in the whole process of generation, transmission, conversion, distribution and consumption of electric energy.

### Breakdown of the power electronic equipment market by industry in China in 2009



Source: CCID Consulting, April 2010

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## INDUSTRY OVERVIEW

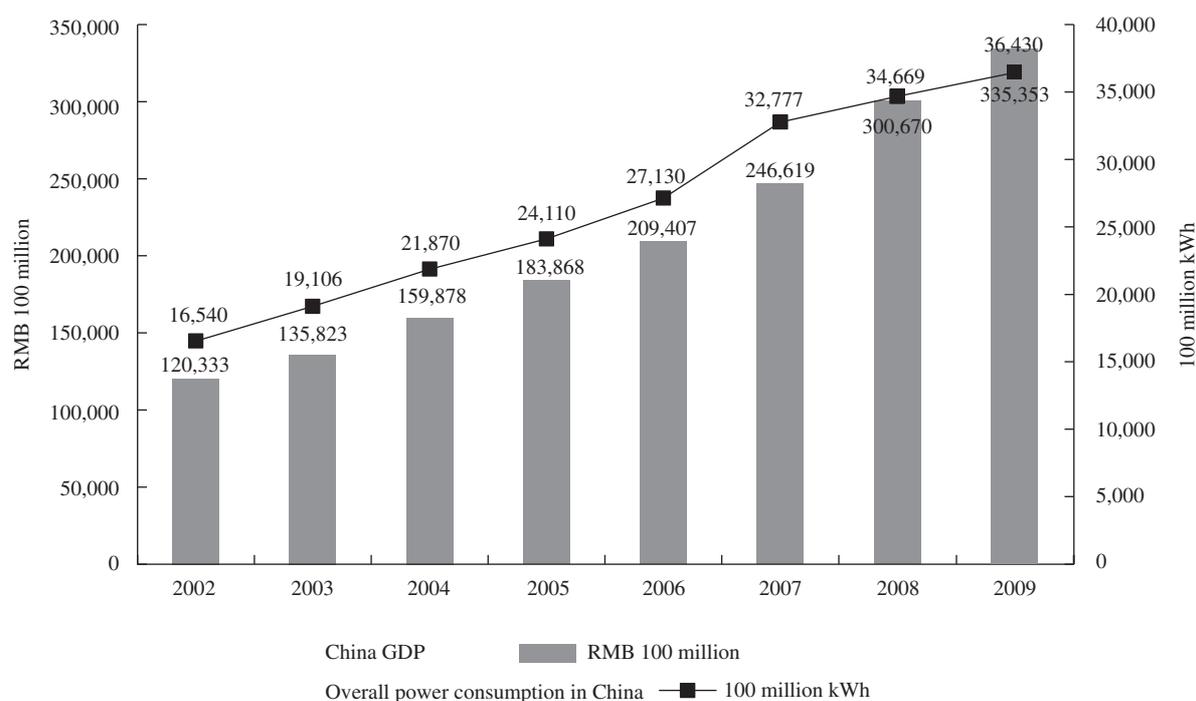
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### THE TREND OF THE DEVELOPMENT OF THE POWER ELECTRONIC EQUIPMENT INDUSTRY

#### Application of power electronic equipment in the power industry

China is a major energy consumer. With the rapid growth of the national economy and economic production, China overtook Japan in 1995 to become the second largest electricity consumer in the world behind only the United States. On the basis of the amount of power consumption and the growth of GDP, there appears to be a positive relationship between power consumption and GDP growth in the PRC. Currently, China is in an important period of industrialisation. Industrialisation (particularly in heavy industries) is expected to continue to be a major driver of growth of the national economy and such growth will need to be supported by the power industry. Overall economic growth is expected to boost the demand for power consumption.

#### Comparison Between GDP and Overall Power Consumption in China, 2002-2008



Source: National Bureau of Statistics of China, April 2010

According to an article issued by the Statistic Bureau of China in September 2009, power shortage has been a bottleneck to China's economic development. The PRC government has introduced a number of policies to reform the power industry with a view to addressing the shortage problem. Total installed generating capacity in the PRC is planned to increase to 731 million kW during the period of the Eleventh Five-Year Plan from 2006 to 2010 from 478 million kW during the period of the Tenth Five-Year Plan period from 2001 to 2005. During the period of the Eleventh Five-Year Plan (from 2006 to 2010), the newly added installed generating capacity is planned to be

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## INDUSTRY OVERVIEW

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around 253 million kW, an average annual growth of around 50 million kW. Based on the statistics published by the State Electricity Regulatory Commission in January 2009, infrastructure investment in the power industry in China amounted to RMB576.3 billion in 2008, representing a growth of 1.52% when compared with that of 2007.

CCID Consulting estimates that the sales of electrical electronic products in the PRC will continue to grow during the six years from 2008 to 2013 from RMB188.5 billion in 2008 to RMB593.1 billion in 2013.

In response to the global financial crisis, China has introduced a RMB4 trillion economic stimulus plan and 10 major measures involving investment in hundreds of thousands of projects over a span of two years. Amongst 10 major measures adopted by the State Council, three involve grid investment, namely: the second measure, to improve grids in rural areas; the third measure, to expedite the transformation of grids in cities; and the seventh measure, to accelerate post-disaster reconstruction in earthquake-stricken areas. CCID Consulting estimates that with the introduction of the “10 Measures of the State Council”, grid investment will reach RMB830 billion for the two-year period 2009 to 2010; RMB70 billion higher than previously expected. The additional investment will be made in grids with a voltage of 220kV and below. The investment amount for China Southern Power Grid (together with State Grid Corporation of China, the two state-owned power grid owners in China) has been increased by RMB30 billion for each of 2009 and 2010. This results in the proposed investment amount for China Southern Power Grid in 2009 being increased from RMB60 billion to RMB90 billion, representing an increase of 50%. The investment amount for State Grid Corporation over the next three years has been increased from the previous amount of approximately RMB840 billion to more than RMB1 trillion. Pursuant to the investment plans of the two major grids, the transformation of grids in cities and rural areas will become a focus for grid investment over the next two years. The additional investments, each with an amount of RMB30 billion, to be made by China Southern Power Grid over the next two years will be mainly used for the transformation of grids in rural areas and cities. State Grid Corporation plans to construct new grids of RMB1.16 trillion over the next three years.

The market for the Group’s products for the use of transforming stations, is divided into two parts: the existing market and incremental market. The existing market refers to the market demand generated by the replacement of existing equipment. The life of secondary power equipment is mostly eight to 10 years. After this period, the equipment typically needs to be reconstructed or replaced. As such, it is estimated that approximately 10% of the total existing equipment needs to be reconstructed or replaced each year. The incremental market refers to the market demand generated by new projects. The PRC government has set a target of over 10% for the average annual growth of China’s power industry during the period of the Eleventh Five-Year Plan from 2008 to 2010. Transforming stations and their equipment may be expected to grow at the same pace. Our Directors believe that this will continue to drive demand for power electronic products, including the Group’s line of electrical DC products.

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## INDUSTRY OVERVIEW

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### **Application of electronic equipment in the electric vehicle charging industry**

During recent years, the PRC government has organised a number of events which have utilised electric vehicles. According to China's Automobile Industry Development Plan<sup>note 1</sup> and the Readjustment and Revitalisation Plan for the Automobile Industry 《汽車產業調整和振興規劃》 issued in March 2009, China is targetted to have built up a production capacity of 500,000 new energy vehicles by 2011 and sales of new energy vehicles is targetted to account for approximately 5% of the total sales of passenger vehicles.

In recent years, the Group has established good business relationships with relevant power grid companies, government departments and battery and automobile manufacturers. Electric vehicles were used in the 2008 Beijing Olympic Games. The successful use of the Group's customised charging equipment for electric vehicles used at the 2008 Beijing Olympic Games have been well-recognised and our Directors believe that it should well place the Group to secure government projects in this field. The Group also supplied electric vehicles charging equipment for use at Expo 2010 Shanghai China.

Our Directors believe that government support is important for the development of the electric vehicle market in China. The State Grid Corporation of China announced in 2009 that it would support the construction of electric vehicle charging stations in Shanghai, Beijing and Tianjin. The Directors believe that the group is well positioned to capitalise upon the business opportunities which may arise in connection with such market growth.

### **Application of electronic power equipment in the renewable energy industry**

According to the report issued by CCID Consulting to us, the development of wind power in the PRC has been growing over recent years and this industry has been supported by PRC government policies. In 2008, total installed wind power capacity in the PRC reached 12.21 million kW, ranking China fourth in the world. At the same time, utilisation of solar energy cells in the PRC reached 2 million kW in 2008 accounting for 15% of the global production that year. Over the period of the Eleventh Five-Year Plan from 2006 to 2010, China plans to build 30 100,000 kW-level wind energy projects, and 1,000,000 kW-level wind power fields in each of Inner Mongolia, Hebei, Jiangsu and Gansu. Installed wind power generating capacity is targetted to reach 5 million kW by 2010. The unpredictability and changing wind and sun intensity means that wind energy and solar energy generation requires power electronic equipment to control the energy output. Therefore, the increasing use of renewable energy in power generation will further increase the demand for power electronic equipment.

*note 1: Source:* "Research on Developing Status and Countermeasures of Chinese Electric Vehicle", Xu Zhe "Chinese automobile industry research", June 2006

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## INDUSTRY OVERVIEW

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### Solar energy market

Pursuant to the *China Photovoltaic Industry Development Research Report* 《中國光伏產業發展報告》 issued by the Renewable Energy Specialty Committee of the China Resources Comprehensive Utilization Association (中國資源綜合利用協會) (a non-profit making organisation), it is stated that the PRC is considering the adoption of policies to enhance the domestic demand for photovoltaic energy (i.e. solar energy). These policies may (amongst other things) seek to address the problem that photovoltaic power generation is not currently cost competitive when compared with traditional power generation. CCID Consulting stated in its report that, since switching from energy derived from fossil fuels to photovoltaic power generation can reduce greenhouse gas and pollutant emissions and safeguard energy security, the PRC now plans to speed up the promotion of the use of solar energy. The PRC government is encouraging the development of the market of photovoltaic power generation in the following five aspects:

- alleviating power shortage problem of the rural areas by constructing solar projects to supply electricity to rural areas. Currently, the World Bank and the Office of the Leading Group for Western Region Development of the State Council (國家西部開發辦) are working on such proposals;
- solar power generation in special projects, such as the Expo 2010 Shanghai China and the 2008 Beijing Olympic Games;
- building solar power plants in desert regions;
- commencing programs for the installation of solar power generation equipment on roof tops in certain cities. At present, Shanghai, Beijing, Baoding in Hebei and Dezhou in Shandong are exploring this initiative; and
- conducting research and formulating policies in relation to the pricing of electricity so as to raise the competitiveness of solar power generation.

The PRC government has introduced the Golden Sun Demonstration Project. The Ministry of Finance, Ministry of Science and Technology of the PRC and National Energy Board jointly issued “Notice on the implementation of Golden Sun Project” on 16 July 2009. According to the “Golden Sun Demonstration Project Subsidy Assistance Fund Management Interim Procedures”, Golden Sun Demonstration Project comprises financial assistance, technology supports and other market related matters, and aims to accelerate the industrialisation and development of domestic photovoltaic power generation and promote photovoltaic technological advancement. Golden Sun demonstration project involves (1) enhancing the electricity supply capacity and demonstration projects relating to the usage of photovoltaic power, wind-solar complementary power, and hydro-solar complementary power and (2) the photovoltaic key technology industrialisation demonstration projects, including silicon purification, control inverter, grid-connected operation key technology industrialisation. The Ministry of Finance, Ministry of Science and the National Energy Bureau determine the subsidy standards and

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## INDUSTRY OVERVIEW

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the maximum subsidy amount of each project based on the technology advancement and the market development status. Grid-connected photovoltaic power generation projects may receive subsidies representing 50% of their total investments on the photovoltaic power generation systems and their supporting transmission technology constructions. Independent photovoltaic power generation systems in remote areas, where there is no electricity supply, may receive financial subsidies representing 70% of their total investments.

### **The wind power generation market**

In the world, many countries, in particular, developed countries, are paying attention to the development of wind power. Wind power generation is being seen as an important measure to adjust energy structure, protect the environment, conserve resources and achieve sustainable development. Statistics published by the Development Research Center of the State Council of the PRC show that the total installed wind power generating capacity in the world grew from 59.3 million kW in 2005 to over 100 million kW as of April 2008.

World wind power generation has developed significantly over the last 10 years. Over the past three years from 2006 to 2008, the accumulated installed wind power generating capacity in the world has enjoyed a CAGR of 29.2%. The PRC is among the top 10 countries in the world in relation to installed generating capacity, yet its wind power generating capacity has only grown by 17.5% over the three years from 2006 to 2008. Due to the limitations of domestically manufactured wind generating equipment, most wind power plants in China utilise imported wind power generating equipment. Imported wind power equipment is expensive, and the construction cost per kW of wind power generation is high. The price per kWh is in the range of RMB0.55 to RMB1.20. This relatively high cost has restricted the development of wind power generation.

### **Application of the electronic power technology in the high power LED lighting industry**

Given the advantages of energy conservation and long life, high brightness LED lighting is considered to be environmentally friendly, high brightness white light LED lighting is expected gradually to replace existing incandescent lamps and fluorescent lamps. LED lighting has the potential for widespread consumption and huge market demand.

According to a publication of the US Department of Energy in 2009, the use of light-emitting diodes and organic light-emitting diodes lighting (known as solid-state lighting) is considered a way for reducing carbon commission in the US. China targets to replace 50% of its light sources by semiconductor lamps (including LED lights) by 2010, saving almost 100 billion kWh of electricity each year, equivalent to the power output of 三峡工程 (the Three Gorges Project\*) in the PRC.

*\* for identification purposes only*

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## INDUSTRY OVERVIEW

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China has undergone rapid urbanisation. According to statistics on the street lamp industry compiled in 2006 by local street lamp management authorities in the PRC, there were more than 15 million street lamps installed on urban roads in China. This number has grown at an annual growth rate of over 20% from 2004 to 2006. By the end of 2008, road lighting accounts for 12% of the overall energy consumption in China. By 2010, power consumption in China is expected to reach 2.7 trillion kW, while power consumption by lighting will amount to some 300 billion kWh. In metropolitan cities, such as Beijing, Shanghai and Guangzhou, the number of street lamps exceeds 500,000-600,000 sets. We believe that there should be large potential demand for LED street lighting systems in the PRC.

### **Application of power electronic equipment in the power grid monitoring and management industry**

Grid monitoring and management has a bearing upon every industry in the national economy and upon daily energy consumption. Good power quality improves the efficiency of electricity consumption by equipment and prolongs the lifespan of equipment whilst at the same time reducing power wastage and loss in production capacity. The quality of electric energy is related to the development of sustainable electric power and may have a bearing upon the overall performance of the national economy. Improvement in power quality is an essential element in conservation and will help to build a more environmentally friendly electricity distribution network (a greener grid). Therefore, the application of electronic power equipment within the power grid monitoring and management industry has huge market potential and good growth prospects.

The Group has been researching and developing power electronic online real-time monitoring products for a number of years and has supplied such products to a number of power grid companies since 2005. The Directors believe that our Group is well-placed to capture business opportunities in this market.

### **COMPETITION IN THE ELECTRICAL DC PRODUCT MARKET**

According to the research of CCID Consulting, product added values in the electrical DC product market are mainly concentrated in the areas of product design and production, including circuit design, selection of components, development of software programs and process designs, with keen market competition in terms of reliability, costing and pricing, technical services, and product customisation and technological advancement.

Currently, there are quite a number of small and medium sized enterprises in the market collectively occupying a significant market share. But with customers' increasing demands for high product quality, CCID Consulting expects that there may be a trend towards integration.

We are a leading electrical DC product manufacturer in the PRC. We consider that our major competitors include two companies listed on the Shenzhen Stock Exchange. One of such competitors focuses on the supply of electrical DC products to power plants. The other competitor is a supplier of a wider range of power electronic equipment, and electrical DC products represent a relatively small portion of such company's business.

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## INDUSTRY OVERVIEW

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Considering that we have our own proprietary intellectual property rights and core technology, nationwide market, a strong research and development capability supporting the continued development of our high technology products, and that the quality of our products is well above the national standards as required by the relevant authorities, the Directors believe that our Group will be able to maintain a sustained level of competitiveness.

Apart from the development and sale of electrical DC products, we also focus on the development of other new products, including power grid monitoring and management products, charging equipment for electric vehicles, wind and solar power generation balancing control products and high-power LED lighting products.

According to CCID Consulting, competition in the power electronics industry in the PRC is characterised by:

1. Technology intensity — the manufacture of power electronic products involves various scientific work and technology, including high voltage electrical appliances manufacturing and testing; power electronics; automation; computer technology; micro-electronics; heat technology; and mechanics.
2. High entry barrier in terms of technology and capital.
3. Highly competitive with ample opportunities from emerging product markets. The power electronics industry is dominated by domestic companies with the support of the PRC government and their cost competitive advantage as compared with foreign companies. The market for solar, wind power and other new energy equipment is still not dominated by big companies in the PRC or imports of foreign equipment, and thus leaving much market potential for developing small to medium enterprises in the PRC.

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## REGULATORY OVERVIEW

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### **Regulatory overview**

Our operations are substantially located in the PRC and are subject to various PRC laws and regulations. We design, manufacture and sell electrical products in the PRC involving, among other technologies, power electronics. Our products systems comprise our hardware components and self-developed software components. We own a number of design and technology patents and software copyrights in the PRC.

According to our PRC legal advisers, Commerce & Finance Law Offices, currently, there are no specific laws or regulations in the PRC to regulate production of electrical products. Foreign enterprises engaged in the relevant business are subject to the provisions specified in the various laws relating to general commercial products.

Pursuant to the “Industrial Guidelines for Foreign Investments” (2007 amended version) issued by the Ministry of Commerce and National Development and Reform Commission on 31 October 2007 and effective from 1 December 2007, based on the scope of operation of our Operating Subsidiaries, they are classified as “encouraged” foreign enterprises, and their manufacturing of electric machinery and appliances are also “encouraged”.

We also set out below summaries of some major laws, rules and regulations in China which affect our daily operations and business development, such as the laws in respect of general product liability, software copyright, labour, taxation and environmental protection, as well as those in relation to our Listing.

### **Product liability and requirement**

Products of our Operating Subsidiaries manufactured within their scope of operation are subject to certain quality standards, including the safety standards under the “Product Quality Law” of the PRC issued on 23 February 1993 and amended on 8 July 2000, the “Consumer Interests Protection Law” effective on 1 January 1994, and Product Quality Law and other related laws and regulations, including requirements relating with personal safety and property protection. In the event of personal injury or property damages to customers caused by products defects, the customers shall be entitled to claim for damages from the manufacturers or sellers. We manufacture and sell our products in the PRC and are liable for potential product liability in respect of our products under the PRC laws. According to the PRC legal opinion of Commerce & Finance Law Offices, our Directors have confirmed that the Group has not violated the Product Quality Law, Consumer Interests Protection Law, Product Labelling Requirements, Inspection Law for imports and exports of commodities of the PRC during the Track Record Period.

Pursuant to the “Product Labelling Requirements” issued on 7 November 1997, manufacturers and sellers of products must properly label their products, for example, in respect of information on quality inspection certificates and address of the major manufacturing facilities.

Enterprises in the PRC are not required to maintain product liability insurance under PRC laws.

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## REGULATORY OVERVIEW

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### Software copyright

We develop and own 13 software copyrights in the PRC.

In order to protect the rights and interests of the owner of copyright of computer software, the State Council of the PRC promulgated the Regulations on the Protection of Computer Software on 20 December 2001, which came into force on 1 January 2002, and the State Copyright Bureau promulgated the Measures on the Registration of Copyright of Computer Software. According to the Regulations on the Protection of Computer Software, anyone who publishes, revises or translates computer software without the consent of the computer software owner shall bear civil responsibilities. For a software copyright owned by a legal person or any other organisation, the term of protection is 50 years, ending on the 31st of December of the 15th year after the first publication of the software. The software copyright owner may obtain a registration certificate for a software copyright in accordance with the registration procedures of the State Copyright Bureau, which certificate serves as prima facie evidence of ownership of the software copyright.

### Software products development

Our products may contain our proprietary software and we may sell our software on a standalone basis.

The Ministry of Information Industry promulgated the Measures on the Administration of Software Products on 27 October 2000. These measures govern the development and sale of computer software or information systems or facilities with software installed or software which is supplied to users in connection with the provision of technical support and the application of computer information systems in the PRC. These measures prohibit the development, manufacture, sale and import of software products which infringe intellectual property rights of third parties, carry computer viruses, endanger security of computer systems, contain any material which is prohibited by the PRC government or fail to comply with the standards applicable to software products.

All software products to be sold or used in the PRC are required to be approved by the Ministry of Information Industry or its provincial administrations and tested by registered organisations. The above approval shall be valid for five years and can be renewed after expiry. The regulation also requires that the business scope of the manufacturer includes the design of software, and the manufacturer also has the necessary conditions and technical ability for software production, a fixed place for production and the procedures and capability to ensure the quality of the software products.

The Group's software products have been tested by Zhuhai Southern Software Product Testing Centre\* (珠海南方軟件產品檢測中心) and have registered with Guangdong Information Industry Department\* (廣東信息產業廳).

*\* for identification purposes only*

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## REGULATORY OVERVIEW

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Our corporate development (which forms part of our management, financial administration and support functions as per our Group's employees by functions on page 222 of this prospectus), with the assistance of our research and development is responsible for ensuring our software products comply with the above laws and regulations regarding the sale and use of software products in the PRC.

### Labour and social insurance

We are an employer in the PRC. As at the Latest Practicable Date, we employed 342 staff in the PRC.

We are subject to various labour and safety laws and regulations in the PRC, including the PRC Labour Law (《中華人民共和國勞動法》), the PRC Labour Contract Law (《中華人民共和國勞動合同法》), the Implementation Regulation for the PRC Labour Contract Law (《中華人民共和國勞動法實施條例》), the Regulation of Insurance for Labor Injury (《工傷保險條例》), the Unemployment Insurance Law (《失業保險條例》), the Provisional Insurance Measures for Maternity of Employees (《企業職工生育保險試行辦法》), the Interim Regulation on the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》) and the Regulations for the Housing Provident Fund Contributions (《住房公積金管理條例》). Under these PRC laws and regulations, enterprises are required to provide their employees with welfare schemes including, among other things, pension premium, work-related injury insurance, medical insurance and training in relation to occupational safety.

Compared to the PRC Labour Law promulgated on 5 July 1994, the new PRC Labour Contract Law, or the Labour Contract Law, promulgated on 29 June 2007 provides additional protections to the legitimate rights of employees by requiring execution of employment contracts in written form, lessening the scope of circumstances under which employees may be exposed to indemnity for breach of employment contracts and imposing stricter penalties on employers who fail to pay remuneration or social security premiums for their employees. All enterprises in the PRC must comply with the new Labour Contract Law which came into effect on 1 January 2008.

The new Labour Contract Law provides more stringent requirements on fixed-term contracts, hiring of temporary workers, and dissolution of labour contracts than the old laws. In accordance with the workers' paid annual leave provision, which came into effect on 1 January 2008, each employee who has worked for a company for one full year is entitled to paid leave ranging from five to 15 days each year, based on the length of his working hours. Any unused annual leave by the end of a year, the company shall compensate the relevant employee with an amount equal to three times of the employee's daily wage in cash. Our employees are entitled to paid annual leaves in accordance with the existing laws. We encourage our employees to take all their paid annual leaves by the end of a year. The Labour Contract Law has provided for, among other things, employees' rights concerning overtime working hours, pensions and layoffs, the execution, performance, modification and termination of labour contracts, and the role of trade unions in certain circumstances.

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## REGULATORY OVERVIEW

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The PRC Labour Contract Law provides for specific standards and procedures for entering into non-fixed-termed labour contracts. Pursuant to the Labour Contract Law, either the employer or the employee is entitled to terminate the labour contract in circumstances as prescribed in the Labour Contract Law or if certain precondition provided in the Labour Contract Law is fulfilled, and in certain cases, the employer is required to pay economic compensation upon the termination of the labour contract pursuant to the standard provided by the Labour Contract Law. Based on the provisions in the Labour Contract Law, the Implementation Regulation for the PRC Labour Contract Law further sets forth more detailed rules with respect to the execution of labour contracts, the cancellation and termination of labour contracts and labour despatching.

We have made the necessary amendments to the employment contracts with our employees in view of the PRC labor law. As confirmed by our PRC legal advisers, the terms of our current standard employment contracts comply with the latest requirements of PRC labour laws.

### **Welfare contributions**

On 14 January 1999, the State Council issued the “Provisional Regulations on collection and payment of Social Insurance Premiums”. On 24 March 2002, the State Council amended and issued the “Regulation on Administration of Housing Accommodations Funds”. Regional government or authorities also issued local policies and regulations regarding social insurance and housing accommodations funds. Local enterprises should comply with the local policies and regulations, and make contributions to pension insurance, hospital insurance, personal injury insurance and unemployment insurance and housing accommodations fund.

With segregation of duties between different staff, our human resources department is responsible for calculating the contribution amounts and make the necessary filings to the relevant authorities in accordance with the relevant laws.

### **Laws and regulations relating to invitation and submission of bids**

#### **(1) *Projects that required tenders***

According to “PRC Law on the Invitation and Submission of Bids”, which came into effect on 1 January 2000, contracts in respect of the following types of projects (including construction, survey, design and management) must be tendered for bids: large-scale infrastructures in the PRC, public utilities in relation to public interests and public safety projects, partially or fully State funded or financed projects and the international organisations or foreign government loaned or assisting funded projects.

#### **(2) *Tender requirements***

Bidders must satisfy the requirements and prepare tender documents in accordance with the specific documentation requirements of each project in respect of the qualifications of the bidders or the contents of the tender documents as set by the project owner.

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## REGULATORY OVERVIEW

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According to the Law on the Invitation and Submission of Bids, an entity/person can bid for construction, survey, design or management projects individually, or can form a consortium with other entities or persons to bid for the projects. All parties in a bidding consortium must possess the skills and capabilities required for the projects for which they tender. Joint bidders of the same profession will be deemed to possess the lowest qualification of the joint bidders among the consortium. If a consortium wins the bid, parties of the consortium shall jointly enter into a contract with the project owner and shall be jointly and severally responsible for the obligations under the contract.

### (3) *Tender committee*

The project owner shall form a tender committee and can determine the successful bidder based on the report and recommendations of its tender committee, or may authorise the tender committee to directly select the winner. A winning bidder must be able to satisfy the provisions and criteria as stated in the tender invitation; be able to meet the substantive requirements of the project and offers the lowest tender price; unless the tender price is lower than the cost of the work or services.

### **Environment protection regulation**

Pursuant to the “Environment Protection Law of the PRC” adopted by the Standing Committee of the National People’s Congress on 22 December 1989, a number of national guidelines on discharge of pollutants were issued. In respect of any relevant areas that the national guidelines does not cover, provincial and municipal governments of provinces, autonomous regions and municipalities may set up their own guidelines in their respective provinces and regions.

Companies or enterprises, which produce environmental pollutants and discharge other pollutants causing public hazards, must adopt measures and procedures in their production, construction and other activities to protect the environment. To prevent the discharge of waste gas, waste water and gangue, dust, radiation materials and pollutions and hazards to the environment. Such systems and procedures must be implemented at the same time when the construction, production and activities of the company are being taken place. Companies or enterprises discharging environmental pollutants must apply for registration with the environmental protection administration authorities, and pay for any discharge of pollutants. A company may also be fined if it fails to implement appropriate/effective environmental protection systems and procedures. Companies causing serious pollutions are required to restore the environment to their original state within time limits, or improve the environment as affected by the pollutions.

If a company fails to report and/or register in respect of any environmental pollution caused by it, it will be warned or subject to penalties. If the company then fails to restore the environment to its original state or improve the environment as affected by the pollution within the time limit, it will be penalised, and its business licence may be suspended. Companies or enterprises causing environmental pollutions and hazards are responsible for taking actions to remedy the hazards and consequences caused by the pollutions, and compensation for any loss or damages caused by the environmental pollutions.

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## REGULATORY OVERVIEW

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Enterprises are required to comply with the applicable national and local environmental laws and regulations.

During our production process, fumes may be emitted and solid waste may be produced. We have implemented a number of measures in view of the environment protection laws in the PRC as more detailed in the paragraph headed “Environment Protection” in the section headed “Business” in this prospectus.

### **Taxation**

Majority of our Company’s business are operated in the PRC. Our Company conducts these business operations through subsidiaries established under the PRC laws. Our Company’s business in the PRC and our subsidiaries operating in the PRC are subject to relevant PRC taxation laws and regulations.

### ***Income Tax***

Commencing from 1 January 1994, income taxes payable by domestic enterprises, including State-owned enterprises and joint stock enterprises, are subject to the regulation under the “Provisional regulations on Enterprise Income Tax of the PRC” (“EIT Regulation”) which will be abolished commencing from 1 January 2008. The regulation temporarily sets Enterprise Income Tax rate at 33%, unless otherwise required by the laws, regulations or requirements by the State Council to be applicable on the lower tax rates or tax exemptions.

Pursuant to the “Enterprise Income Tax Law of the PRC” announced by the National People’s Congress on 16 March 2007 and to be effective from 1 January 2008, save as any preferential treatment provided under the PRC laws and regulations, domestic enterprises and foreign invested enterprises shall be subject to a unified applicable Enterprise Income Tax rate of 25%.

Titans Technology and Zhuhai Titans are high and new technology enterprises and were established in the Zhuhai Special Economic Zone, and thus are entitled to the tax benefit under 《廣東省經濟特區條例》 (Guangdong Province Special Economic Zone Regulations). They enjoy a corporate income tax rate of 15% as high and new technology enterprises. The status of high and new technology enterprise of Titans Technology is valid up to 29 December 2011 and that of Zhuhai Titans is valid up to 16 December 2011. Under 《國務院關於實施企業所得稅過渡優惠政策通知》 (Notice by the PRC State Council on the Implementation of the Grandfathering Preferential Policies under the PRC Enterprise Income Tax Law), the applicable income tax rate to Titans Technology and Zhuhai Titans will be 24% in 2011 and 25% from 2012 onwards. Titans Automatic is a foreign invested enterprise that enjoys the policy of 兩免三減半 (exemption from tax in the first two profit-making years and a 50% reduction of tax in the next three years) and is thus exempted from income tax for the years of 2008 and 2009 and enjoyed a reduced tax rate of 11% in 2010, 12% in 2011 and 12.5% in 2012. The tax rate of Beijing New Clear, Shijiazhuang Titans and Jiangyin Titans is 25%.

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## REGULATORY OVERVIEW

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### *VAT*

The “Provisional Regulation on VAT of the PRC” (“VAT Regulation”) was promulgated on 13 December 1993 and effective from 1 January 1994. The “VAT Regulation” is applicable on domestic and foreign invested enterprises selling commodities in the PRC, provision of processing or reparation labour or imports of commodities. Except for the sales or imports of specific categories of commodities which are entitled to a VAT rate of 13%, sales or imports, provision of processing, reparation labour are subject to a tax rate of 17%.

### *Business Tax*

Pursuant to the “Provisional Regulation on Business Tax of the PRC” and its implementation rules promulgated on 13 December 1993 and effective from 1 January 1994, enterprises providing various taxable labour services and transfer of intangible assets and sale of fixed assets are subject to Business Tax at a rate ranging from 3% to 20%, depending on the categories of taxable items.

### **Foreign Exchange**

All our operations are carried out in the PRC and RMB is our functional currency.

Pursuant to the Regulation of Foreign Exchange Administration of the PRC (《中華人民共和國外匯管理條例》), which was promulgated on 19 January 1996, as amended on 14 January 1997 and on 1 August 2008 by the State Council, Renminbi are freely convertible for current account items, such as trade-related receipts and payments, interest and dividends. However, conversion of Renminbi and remittance of the foreign currency outside the PRC for capital account items, such as direct equity investments, loans and repatriation of investment, are subject to prior approval from SAFE or its local counterpart.

### **Advances to third parties**

In accordance with the General Principal of Loans promulgated by the People’s Bank of China, companies engaging in lending business in the PRC must be approved by the People’s Bank of China in the PRC and hold a “Financial Institution Legal Person Licence” or “Financial Institution Business Licence” issued by the People’s Bank of China.

During the Track Record Period, the Group made some interest-free advances to some other parties, as described in more details in the paragraph headed “Other receivables” in the section headed “Financial Information” in this prospectus. We violated the General Principles of Loans by making such advances to related parties, independent third parties and sales partners and could be fined up to five times the amount of any income earned from the advances. As we did not earn any interest or other income in respect of such advances, our PRC legal advisers, Commerce & Finance Law Offices, have confirmed that no fine would be imposed on us and there would be no other adverse legal consequence to our Group in respect of such advances. Given the legal requirements in the PRC, we do not intend to make any other lending to any other parties.

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## REGULATORY OVERVIEW

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### Requirements in respect of overseas listing

Most our subsidiaries were established in the PRC and most existing shareholders of the Company including Mr. Li, Mr. An, Li Xiao Bin, Ou Yang Fen and Cui Jian are PRC residents.

On 8 August 2006, six PRC regulatory authorities, including among others the MOFCOM and the China Securities Regulatory Commission (“CSRC”), promulgated the Rules on Acquisition of Domestic Enterprises by Foreign Investors (the “M&A Rules”), in respect of mergers and acquisitions of domestic enterprises by foreign investors. The M&A Rules became effective on 8 September 2006. According to the legal opinion of our Group’s PRC lawyers, Commerce & Finance Law Offices, as all the relevant steps of the Reorganisation involving interests in members of the Group established in the PRC for the purpose of the Share Offer of the Company have been approved by, registered and filed with all relevant PRC governmental authorities, which had been granted the necessary authority in granting the relevant approvals, pursuant to the then applicable PRC laws and regulations before 8 September 2006, the M&A Rules are not applicable and the listing of the Shares on the Stock Exchange (including where relevant those steps of the Reorganisation which took place outside the PRC after 8 September 2006) does not require any other approvals in the PRC including MOFCOM’s approval and CSRC’s approval.

### Compliance with SAFE regulations

With regard to compliance with the “Notice of SAFE on Issues relating to Foreign Exchange Control on Fund Raising by Domestic Residents through Offshore Special Purpose Vehicles and Round-trip Investments” (《國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》) (the “Notice on SPV”), our Group’s PRC lawyers, Commerce & Finance Law Offices, opine as follows:

1. According to the “Notice on SPV”, Mr. Li, Mr. An, Li Xiao Bin, Zhang Yue Qin, Cui Jian, Zhang Bingxin, Ou Yang Fen and Liu Lu, as the de facto controllers of the offshore companies related to the Reorganisation, shall obtain the SAFE registration regarding the investments in such offshore companies and such offshore companies are not themselves required to obtain respective registrations.
2. Each of the shareholders of Titans HK, Mr. Li, Mr. An, Li Xiao Bin, Zhang Yue Qin, Cui Jian, Zhang Bingxin, Ou Yang Fen and Liu Lu has completed the SAFE registration regarding their round-trip investments with the Zhuhai Sub-branch of SAFE.
3. Our Group’s PRC lawyers, Commerce & Finance Law Offices, are of the view that the round-trip investments of Mr. Li, Mr. An, Li Xiao Bin, Zhang Yue Qin, Cui Jian, Zhang Bingxin, Ou Yang Fen and Liu Lu in the Group have complied with the requirements under the current effective PRC laws and regulations regarding foreign exchange control, including the Notice on SPV.

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## REGULATORY OVERVIEW

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### Regulatory compliance

As stated above in this section, we had made some interest-free advances to some other parties which violated the General Principles of Loans by making such advances and could be fined up to five times the amount of any income earned from the advances. As we did not earn any interest in respect of such advances, Commerce & Finance Law Offices, our PRC legal advisers, have confirmed that no fine would be imposed on us and there would be no other adverse legal consequence to our Group in respect of such advances.

We acquired the properties located at the Titans Technology Park as our production base in 1998. There has been no ownership certificate for part of the structures with a gross floor area of 1,261.00 sq.m., which we use as a staff canteen and warehouse. Such building was built without a building permit. According to our PRC legal advisers, Commerce & Finance Law Offices, the City Planning Law of the PRC provides that construction undertaken within a planned urban area without a building permit or has violated the requirements stated in the permit which seriously affects city planning, the relevant authority of city planning administration of the local people's government at or above the county level can order the suspension of the constructing project or demolition of the buildings constructed within a prescribed period of time or have the buildings, structures or facilities be confiscated. The Group might also be fined. Such ancillary building in issue is located in the Titans Technological Park, for our own use. According to the PRC legal advisers, Commerce & Finance Law Offices, the ancillary building was erected in the industrial complex of the Company, which is unlikely to affect the city planning. Accordingly, the possibility that the ancillary building be ordered to be demolished or the Group be fined is minimal. Please refer to the section headed "Financial Information" of and the property valuation report set out in Appendix III to this prospectus for further information on the ancillary building.

We are also leasing a number of premises as our offices. According to our PRC legal advisers, Commerce & Finance Law Offices, all the leases are valid and legally binding on the parties to the agreements. However, all those leases have not been registered in accordance with the applicable PRC laws. As advised by Commerce & Finance Law Offices, non-registration of the lease agreements will not affect their legal validity. We may be fined from RMB200 to RMB500 in respect of some of the leases depending on the locations of the leased properties. Please refer to the section headed "Financial Information" of and the property valuation report set out in Appendix III to this prospectus for further information on the leases.

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## OUR HISTORY AND DEVELOPMENT

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### OUR HISTORY

#### Overview

Our Group's business commenced in 1992. Titans Technology (formerly known as Titans Computer System, and subsequently renamed Titans Electric System), being our major operating subsidiary, was established in the PRC as a sino-foreign joint venture enterprise on 8 September 1992. As at the Latest Practicable Date, (a) 99% of the registered capital of Titans Technology was beneficially owned by Titans Automatic (formerly known as Titans Investments), a company established on 13 July 2005 with limited liability under the laws of the PRC, which was a wholly owned subsidiary of Titans HK, a company incorporated in Hong Kong on 15 December 2004 and (b) 1% of the registered capital of Titans Technology was owned by Shijiazhuang Titans, a wholly owned subsidiary of Titans Automatic.

When we started our business in 1992 via Titans Technology, the business scope of Titans Technology principally included research and development, production and sale of high frequency power supply equipment, and telecommunication products; research, development and sale of software; and the provision of services in respect of other automation projects. Mr. An, an executive Director, first became interested in approximately 48% of Titans Technology's registered capital in June 1997 through his acquisition of a 99.8% equity interest in Kensington and Mr. Li, the other executive Director, first became interested in Titans Technology in June 2000 through the acquisition of a 22.21% equity interest in Titans Group which in turn owned 75% of the registered capital of Titans Technology. As at the Latest Practicable Date, Titans Technology was a wholly-owned subsidiary of the Company and Mr. Li and Mr. An held an aggregate shareholding interest of 73.79% in the Company before the exercise of the Exchangeable Bonds and the Convertible Note.

We started the research and development, production and sales of our principal products, namely, our electrical DC products in 1995.

By 2000, we have participated in two technology development projects organised by State Grid Corporation of China in relation to certain series of our electrical DC products. Our electrical DC products were awarded the National Key New Products in November 1998 and the State Torch Plan Project in July 2002.

Our Titans Technology's research and development centre was accredited as a "Zhuhai Key Enterprise Technology Centre" by Zhuhai Economy and Trade Bureau in November 2003. In March 2004, "Titans" was awarded Guangdong Reputable Trademark. In addition to the aforesaid, Titans Technology has received a number of awards and accreditations. For details of our awards and accreditations, please refer to the sub-section headed "Awards and Recognitions" under the section headed "Business" of this prospectus.

Our product portfolio broadened following the launch of our UPS products in September 2005.

Based on our core technology, we researched and developed other new products, including power grid monitoring and management products, charging equipment for electric vehicles, wind and solar power generation balancing control products and high-power LED lighting products. We started selling our power grid monitoring and management products in July 2005 and gradually the other new products during the Track Record Period.

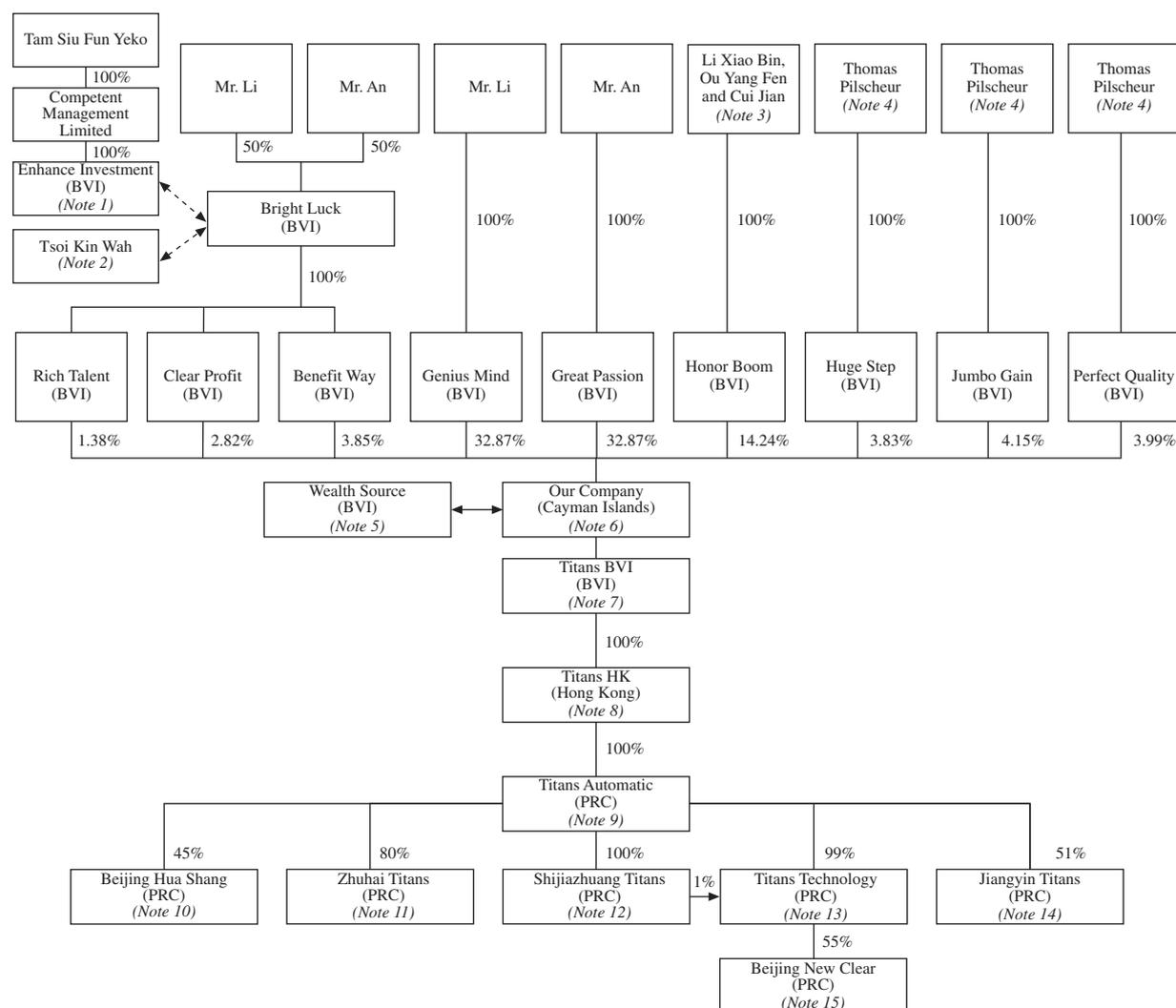
## OUR HISTORY AND DEVELOPMENT

We began our next stage of expansion by forming subsidiaries in various cities, including the establishment of Zhuhai Titans to carry on our business relating to LED products in 2005, and Beijing New Clear to carry on our business selling charging equipment for electric vehicles in 2007. We also established Shijiazhuang Titans in January 2009 to promote our new products in Hebei Province, the PRC. Jiangyin Titans was established in June 2009 for the marketing and sale of PASS products and for the provision of engineering services. Beijing Hua Shang, an associate of the Group, was established in February 2010 with a view to engaging the promotion and sale of charging equipment for electric vehicles and our other new products in Beijing.

### OUR CORPORATE STRUCTURE

We have eight subsidiaries, namely, Titans BVI, Titans HK, Titans Automatic, Titans Technology, Zhuhai Titans, Beijing New Clear, Shijiazhuang Titans and Jiangyin Titans and an associate, Beijing Hua Shang, of which, Titans BVI and Titans HK are investment holding companies and the other companies are subsidiaries or an associate with operations.

The shareholding structure and corporate structure of our Group as at the Latest Practicable Date was as follows:



◄-----► Exchangeable Bonds

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## OUR HISTORY AND DEVELOPMENT

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*Notes:*

- (1) The Benefit Way Exchangeable Bond was issued to Enhance Investment by Bright Luck on 3 January 2008. Upon Listing, the Benefit Way Exchangeable Bond shall automatically exchange into 1 share representing the entire issued share capital of Benefit Way which will then hold approximately 2.78% of the total issued share capital of the Company upon Listing. The Shares held by Benefit Way will be counted as part of the public float upon Listing but will be subject to a six-month lock-up period following Listing.
- (2) The Clear Profit Exchangeable Bond was issued to Tsoi Kin Wah by Bright Luck on 28 December 2007. Upon Listing, the Clear Profit Exchangeable Bond shall automatically exchange into 1 share representing the entire issued share capital of Clear Profit which will then hold approximately 2.04% of the total issued share capital of the Company upon Listing. The Shares held by Clear Profit will be counted as part of the public float upon Listing but will be subject to a six-month lock-up period following Listing.
- (3) Honor Boom is owned as to 40% by Li Xiao Bin, 30% by Ou Yang Fen and 30% by Cui Jian, all are our Controlling Shareholders. Li Xiao Bin and Ou Yang Fen are members of the senior management of the Group and Cui Jian is one of the sales representatives of the Group.
- (4) The Shares held by Huge Step, Jumbo Gain and Perfect Quality which in turn held by Thomas Pilscheur will be counted as part of the public float upon Listing but will be subject to a six-month lock-up period following Listing.
- (5) The Convertible Note was issued by the Company to Guofu on 22 December 2008 and was subsequently transferred to Wealth Source on 27 July 2009. Upon Listing, the Convertible Note shall automatically convert into approximately 2.47% of the total issued share capital of the Company. The Shares held by Wealth Source will be counted as part of the public float upon Listing but will be subject to a six-month lock-up period following Listing.
- (6) Our Company is an investment holding company.
- (7) Titans BVI is an investment holding company.
- (8) Titans HK is an investment holding company.
- (9) Titans Automatic is principally engaged in the research, development, manufacturing and sale of wind and solar power generation balancing control products, charging equipment for electric vehicles and power grid monitoring and management products.
- (10) Beijing Hua Shang is established with a view to engaging in the promotion and sale of charging equipment for electric vehicles and other new products in Beijing. The registered capital of Beijing Hua Shang is owned as to 45% by Titans Automatic, 35% by Beijing HS Assets Management, 10% by Beijing Chuang Shi and 10% by Beijing Hua Xin. Other than being shareholders of Beijing Hua Shang, Beijing HS Assets Management, Beijing Chuang Shi and Beijing Hua Xin and their ultimate beneficial owners are independent third parties.
- (11) Zhuhai Titans is principally engaged in the research, development and manufacturing of high-power LED lighting products and sale of the Group's other products. Zhuhai Titans is owned as to 80% by Titans Automatic and 20% by Zhuhai Fudisi. Other than being a shareholder of Zhuhai Titans, Zhuhai Fudisi and its ultimate beneficial owner are independent third parties. As such, Zhuhai Titans will not become a connected person of the Company upon Listing under the Listing Rules but Zhuhai Fudisi will become a connected person of the Company upon Listing by virtue of its shareholding in Zhuhai Titans.
- (12) Shijiazhuang Titans is principally engaged in the sale of wind and solar power generation balancing control products, power grid monitoring and management products and charging equipment for electric vehicles in Hebei Province.
- (13) Titans Technology is principally engaged in the research, development, manufacturing and sale of electrical DC product series.

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## OUR HISTORY AND DEVELOPMENT

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- (14) Jiangyin Titans is principally engaged in the marketing and sale of PASS products and the provision of engineering services. The registered capital of Jiangyin Titans is owned as to 51% by Titans Automatic and 49% by Song Qing Hong, who is an independent third party other than being a substantial shareholder of Jiangyin Titans. As such, Jiangyin Titans will not become a connected person of the Company upon Listing under the Listing Rules but Song Qing Hong will become a connected person of the Company upon Listing by virtue of her shareholding in Jiangyin Titans.
- (15) Beijing New Clear is principally engaged in the sale of charging equipment for electric vehicles. Beijing New Clear is owned as to 55% by Titans Technology, 20% by Zhong Shu Xian, 20% by Zhuhai Tian Ze, 2% by Liu Jun and 3% by Fu Yulong. Other than being a staff or senior management of our Group, Liu Jun and Fu Yulong are independent third parties. Other than being the shareholders of Beijing New Clear, Zhong Shu Xian, Zhuhai Tian Ze and their respective ultimate beneficial owners are also independent third parties. As such, Beijing New Clear will not become a connected person of the Company upon Listing under the Listing Rules but each of Zhong Shu Xian and Zhuhai Tian Ze will become a connected person of the Company upon Listing by virtue of his/its shareholding in Beijing New Clear.

### Titans BVI

Titans BVI (formerly known as Right Pitch International Limited), one of our wholly-owned subsidiaries, was incorporated on 19 October 2007 in the BVI. On 15 November 2007, one share of US\$1.00 each was allotted and issued to Genius Mind, a company wholly owned by Mr. Li. On 15 November 2007, the par value of shares of Titans BVI was changed to US\$0.01 each. On 21 November 2007, the following shares in Titans BVI were allotted and issued to the following companies:

<b>Name of allottee</b>	<b>Ultimate beneficial owner(s) of the allottee</b>	<b>Number of shares</b>
Genius Mind	Mr. Li	3,865
Great Passion	Mr. An	3,866
Honor Boom	Li Xiao Bin (40%) Ou Yang Fen (30%) Cui Jian (30%)	1,071
Jumbo Gain	Zhang Yue Qin	415
Perfect Quality	Liu Lu	399
Huge Step	Zhang Bing Xin	383

All the issued shares of Titans BVI are fully paid up.

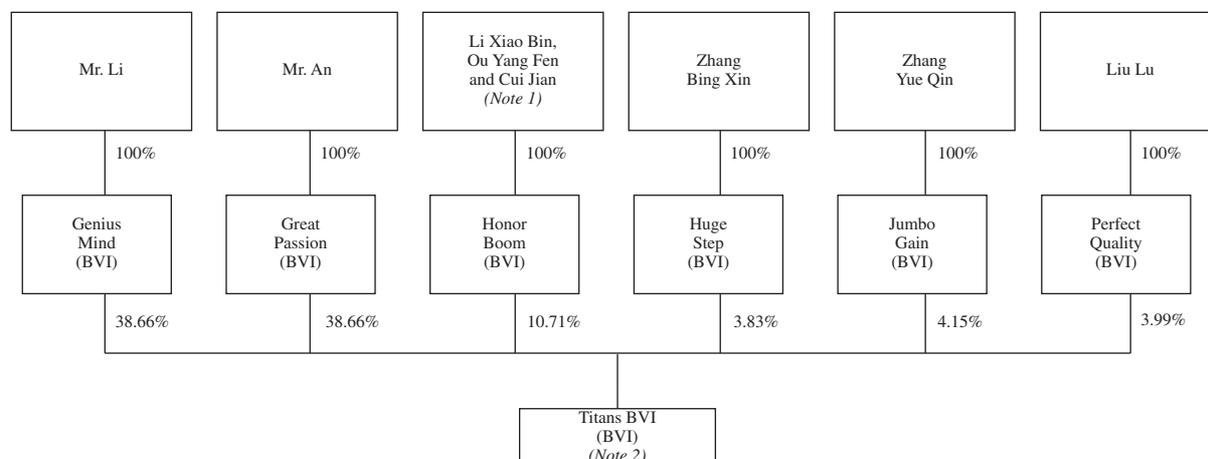
On 29 November 2007, as part of the Reorganisation, the Titans HK Shareholders, entered into a sale and purchase agreement with Titans BVI, pursuant to which Titans BVI agreed to purchase the entire issued share capital of Titans HK from the Titans HK Shareholders by the allotment and issue of consideration shares in Titans BVI to them or such other person as they may direct. As a result of the transfer, Titans BVI allotted 3,866 shares to Genius Mind, 3,866 shares to Great Passion, 1,071 shares to Honor Boom, 415 shares to Jumbo Gain, 399 shares to Perfect Quality and 383 shares to

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Huge Step. The chart below shows the shareholding structure of Titans BVI after the completion of the sale and purchase on 29 November 2007:



Notes:

- (1) Honor Boom is owned as to 40% by Li Xiao Bin, 30% by Ou Yang Fen and 30% by Cui Jian, all are our Controlling Shareholders. Li Xiao Bin and Ou Yang Fen are senior management of our Group. Cui Jian is one of the sales representatives of our Group.
- (2) Titans BVI is an investment holding company.

On 17 December 2007, Genius Mind transferred 138 shares, 282 shares and 386 shares in Titans BVI to Rich Talent, Clear Profit and Benefit Way at par respectively. On the same date, Great Passion transferred 138 shares, 282 shares and 384 shares in Titans BVI to Rich Talent, Clear Profit and Benefit Way respectively at par.

On 17 December 2007, Genius Mind and Great Passion transferred 352 shares and 354 shares respectively in Titans BVI to Honor Boom at par, as incentive to the shareholders of Honor Boom.

On 25 April 2009, Thomas Pilscheur (“Mr. Pilscheur”) entered into a sale and purchase agreement with each of Zhang Bing Xin, Zhang Yue Qin and Liu Lu, pursuant to which, each of Zhang Bing Xin, Zhang Yue Qin and Liu Lu agreed to sell and Mr. Pilscheur agreed to purchase the entire issued share capital of Huge Step, Jumbo Gain and Perfect Quality which held 3.83%, 4.15% and 3.99% respectively of the then issued share capital of Titans BVI at the consideration of HK\$6,399,332, HK\$6,934,002 and HK\$6,666,667 respectively. Mr. Pilscheur is a private investor. Apart from his investment in our Company, Mr. Pilscheur has also invested in a number of private companies, including among others, a business consulting company, a business information servicing company and a medical equipment company in the PRC. He was introduced to the Group, Zhang Bing Xin, Zhang Xue Qin and Liu Lu by Feng Jian, a director of Titans Technology and Jianguyin Titans. The considerations for the acquisitions were agreed after arm’s length negotiations between Mr. Pilscheur and each of the then relevant shareholders with reference to a number of factors, such as the net asset value of the Group and its business prospects. Mr. Pilscheur has no relationship with any shareholders, management or connected persons of the Company.

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Huge Step, Jumbo Gain and Perfect Quality have undertaken not to and Mr. Pilscheur has undertaken to procure Huge Step, Jumbo Gain and Perfect Quality not to, unless with the consent of the Company, sell, transfer or otherwise dispose of or grant or agree to grant any option or other right in or charge, pledge, encumber or otherwise create any security interest over all or any of the (i) shares of Titans BVI held by Huge Step, Jumbo Gain and Perfect Quality for a period commencing from the date of the undertaking up to the Listing Date and (ii) shares of the Company held by Huge Step, Jumbo Gain and Perfect Quality for a period from the Listing Date up to six months from the Listing Date. In addition, Mr. Pilscheur has also undertaken that, unless with the consent of the Company, he will not sell, transfer or otherwise dispose of or grant or agree to grant any option or other right in or charge, pledge, encumber or otherwise create any security interest over all or any share of Huge Step, Jumbo Gain and Perfect Quality for a period from the date of the undertaking up to six months from the Listing Date. The Company has undertaken to the Lead Manager that it may consent to any exception to the above moratorium undertaking only if the Lead Manager agrees.

### **Titans HK**

On 15 December 2004, Titans HK was established in Hong Kong with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each, all of which were allotted and issued to Mr. An who transferred a total of 6,134 shares in Titans HK to Mr. Li as to 3,866 shares, Li Xiao Bin as to 639 shares, Zhang Yue Qin as to 415 shares, Liu Lu as to 399 shares, Zhang Bing Xin as to 383 shares, Ou Yang Fen as to 272 shares and Cui Jian as to 160 shares at par on the same day. Each of Mr. An, Mr. Li, Li Xiao Bin, Zhang Yue Qin, Liu Lu, Zhang Bing Xin, Ou Yang Fen and Cui Jian were interested in the share capital of Titans HK as to 38.66%, 38.66%, 6.39%, 4.15%, 3.99%, 3.83%, 2.72% and 1.60% respectively. All the issued shares of Titans HK are fully paid up.

On 29 November 2007, as part of the Reorganisation, the Titans HK Shareholders entered into a sale and purchase agreement with Titans BVI in relation to the sale and purchase of all issued shares in Titans HK from the shareholders of Titans HK to Titans BVI. Following completion of such sale and purchase, the entire issued share capital of Titans HK was wholly and beneficially owned by Titans BVI. Currently, Titans HK is an investment holding company and is a wholly-owned subsidiary of Titans BVI.

### **Titans Automatic**

Titans Automatic (formerly known as Titans Investment) was established on 13 July 2005 with limited liability under the laws of the PRC with a registered capital of RMB15 million. It was owned by Mr. An, Mr. Li, Li Xiao Bin, Zhang Yue Qin, Liu Lu, Zhang Bing Xin, Ou Yang Fen and Cui Jian as to 38.66%, 38.66%, 6.39%, 4.15%, 3.99%, 3.83%, 2.72% and 1.6% respectively. The business scope of Titans Automatic at the time of establishment was project investments.

On 9 August 2005, the registered capital of Titans Automatic was authorised to be increased from RMB15 million to RMB30 million. The capital increase was contributed by Mr. An, Mr. Li, Li Xiao Bin, Zhang Yue Qin, Liu Lu, Zhang Bing Xin, Ou Yang Fen and Cui Jian by cash proportional to their respective shareholdings. The equity interests held by each of the shareholders remained unchanged following the increase in registered capital.

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An equity transfer agreement was entered into among Mr. An, Mr. Li, Li Xiao Bin, Zhang Yue Qin, Liu Lu, Zhang Bing Xin, Ou Yang Fen and Cui Jian as transferors and Titans HK as transferee on 15 October 2005, pursuant to which, the transferors agreed to transfer their entire equity interests in Titans Automatic to Titans HK at a consideration of RMB30 million. On 28 October 2005, Titans Automatic was authorised to change its name from Titans Investment to Titans Automatic and transformed to a wholly-foreign owned enterprise. The business scope of Titans Automatic in its business licence was also changed to research, development, manufacture and sale of power electronic, automatic control technology and products such as high frequency switches, rectifying inverter equipment and automatic control equipment. Currently, Titans Automatic is principally engaged in research, development, manufacturing and sale of wind and solar power generation balancing control products, charging equipment for electric vehicles and power grid monitoring and management products.

Titans Automatic was allowed to increase its registered capital from RMB30 million to RMB42 million on 17 August 2006. The capital increase was contributed by Titans HK by cash. All the registered capital and the increase in registered capital of Titans Automatic were fully paid up by cash within the timeframe as required under the PRC laws.

### **Titans Technology**

Titans Technology (formerly known as Titans Computer System), was established in the PRC as a sino-foreign joint venture enterprise on 8 September 1992 with a registered capital of HK\$4 million, owned as to 70% by Kensington, a company in which Mr. Li was the general manager, and 30% by Zhongji, a company in which Mr. An was an officer. The registered capital of Titans Technology was paid by cash within the timeframe as required under the PRC laws. Mr. Li was the vice chairman and general manager, responsible for the management and operation of Titans Technology. In 1997, Mr. Li was appointed as the chairman and general manager, responsible for the research and development of products and the formulation of the business strategies of Titans Technology. In 1998, Mr. An was appointed as the general manager, responsible for the management and operation of Titans Technology. Mr. An became interested in approximately 48% of Titans Technology's registered capital on 2 June 1997 through the acquisition of a 99.8% equity interest in Kensington. Mr. Li first became interested in Titans Technology in June 2000 through the acquisition of a 22.21% equity interest in Titans Group which at that time in turn owned 75% of the registered capital of Titans Technology. Mr. Li and Mr. An acquired control of Titans Technology since then and the change of their respective shareholdings in Titans Technology are listed below. Mr. Li and Mr. An have participated in the management of Titans Technology since 1992 and 1998 respectively.

When Titans Technology was first established, it was engaged in the business of research, manufacture and sale of high frequency electric supplies, computer disc cleaners, data communication equipment and the provision of after-sale services for its own products. On 10 October 1992, Titans Technology was approved by Zhuhai Foreign Investment Office to expand its business scope to include research, development and sale of computer software, automatic control engineering for industrial processing, automatic engineering for office and computer technical consultancy and service operation projects. The business licence setting out the expanded scope of business was issued on 26 October 1992.

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On 12 July 1995, Titans Technology's changed its name at that time from Titans Computer System to Titans Electric System.

On 21 July 2000, Titans Technology was approved by 珠海經濟特區引進外貿辦公室 (Office of the Introduction of Foreign Trade of the Zhuhai Special Economic Zone) to increase its registered capital from HK\$4 million to HK\$20 million. The capital increase was contributed by its then shareholders by undistributed profits of Titans Technology. The shareholding of its then shareholders remained unchanged following the capital increase. The registered capital of Titans Technology was subsequently approved to be increased from HK\$20 million to RMB20.38 million on 21 December 2000.

From 21 December 2000, Titans Technology became a domestic limited company and the equity interest of which was wholly owned by domestic enterprises and/or PRC residents.

On 20 February 2001, Titans Technology was approved by 廣東省經濟貿易委員會 (The Economic and Trade Commission of Guangdong Province) to change its name to Zhuhai Titans Technology Co., Ltd. (珠海泰坦科技股份有限公司) (its present name) and to convert from a domestic limited company into a joint stock limited company. The then net assets of Titans Technology were taken as capital contribution and were converted into shares of the joint stock company at a proportion of 1:1. The share capital of Titans Technology was changed to RMB30,000,000 divided into 30,000,000 ordinary shares of RMB1 each.

On 29 May 2002, the undistributed profits of Titans Technology which amounted to RMB5,100,000 as at the year end of 2001 were approved by 廣東省經濟貿易委員會 (The Economic and Trade Commission of Guangdong Province) to be distributed to the then shareholders by way of the issue of 1.7 new shares for every 10 shares of RMB1 held by each the then shareholders in Titans Technology. Upon completion of the issue, the registered capital of Titans Technology was increased to RMB35.1 million.

On 5 July 2002, the business scope of Titans Technology was approved by the Administration Bureau of Industry and Commerce of Guangdong Province to be changed to research, manufacture and sale of high frequency switch rectifier systems, power inverter systems, switchgear electrical appliances, equipment for industrial processing automation, site bus control systems and instruments; manufacture of entire systems of, provision of engineering and after-sale services for, self produced products (except services/products, the provision of which will require specific administrative approval) import and export of self produced products and technology and know-how; processing with supplied materials or samples, assembling supplied components and processing trades.

Titans Technology was approved to increase its registered capital from RMB35.1 million to RMB40 million by way of capitalisation of undistributed profits of Titans Technology on 12 June 2003.

The shareholding of Titans Technology underwent various changes. Commencing from 19 January 2000 and up to 10 August 2005, a majority shareholding of Titans Technology was owned by Titans Group. On 10 August 2005, Titans Automatic acquired the interest in Titans Technology from Titans Group and whereupon Titans Group ceased to be a shareholder of Titans Technology.

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Mr. Li, Mr. An, Ou Yang Fen, Li Xiao Bin, Cui Jian, Zhang Bing Xin, Zhang Yue Qin and Liu Lu, the shareholders of Titans Automatic when it was established, held an aggregate of 59.43% interests in Titans Group since 31 December 2001 until the cancellation of its business registration on 1 January 2006. They are considered as a group of controlling shareholders (the “Controlling Group”).

Before and during the Track Record Period, the Controlling Group owned a majority stake in Titans Technology through their interests in Titans Automatic. In addition, members of the Controlling Group entered into a concert parties agreement on 29 September 2004 whereby members of the Controlling Group agreed to act unanimously in board meetings and shareholders meetings of Titans Group and in the business operation and management of Titans Group with effect from the date of signing. Pursuant to the concert parties agreement, variation of the terms of the concert parties agreement may be made by unanimous consent of the members of the Controlling Group in writing. Save as disclosed, there is no relationship, family or business, among the members of the Controlling Group. According to the PRC legal opinion issued by Commerce & Finance Law Offices, the concert parties agreement was valid and was binding upon and enforceable against the members of the Controlling Group under the PRC laws.

Following the transfer of shares of Huge Step, Jumbo Gain and Perfect Quality from Zhang Bing Xin, Zhang Yue Qin and Liu Lu to Mr. Pilscheur on 25 April 2009, Zhang Bing Xin, Zhang Yue Qin and Liu Lu no longer hold any interest in the Group and ceased to be members of the Controlling Group. The remaining individual members of the Controlling Group comprising Mr. Li, Mr. An, Ou Yang Fen, Li Xiao Bin and Cui Jian (the “New Controlling Group”) are considered as a group of shareholders together holding a controlling interest in the relevant holding company of the Group. A new agreement has been entered into between the members of the New Controlling Group on 8 May 2010, pursuant to which, all members of the New Controlling Group confirmed that they have been interested indirectly in Titans Technology since December 2001 and they were parties to the aforesaid concert parties agreement dated 29 September 2004. All members have also agreed that they will and procure the companies in which they are interested will act unanimously in the shareholders meetings of the Company and Titans BVI and, where applicable, the board meetings of the Company and Titans BVI in respect of the business operation and management of the Company and Titans BVI.

Mr. Li, Mr. An, Li Xiao Bin, Ou Yang Fen and Cui Jian are all employees or officers of the Group. The Company considers that they have been majority shareholders of the Group during the Track Record Period and are a group of controlling shareholders holding an aggregate of approximately 58.86% of the Company’s issued share capital upon Listing and considers that the requirement as to continuity of ownership and control under the Listing Rules is complied with. The members of the New Controlling Group are the ultimate major beneficial owners of our Company prior to Listing and they will be holding approximately 58.85% of the entire issued share capital of the Company upon Listing (assuming the Over-allotment Option is not exercised), and holding approximately 56.72% of the entire issued share capital of the Company upon Listing if the Over-allotment Option is exercised in full. Accordingly, they, together, are entitled to exercise or control the exercise of more than 50% of the voting power at general meetings of our Company. In addition, Mr. Li, Mr. An, Ou Yang Fen and Li Xiao Bin were also members of senior management of our Group during the entire Track Record Period. For the above reasons, the New Controlling Group, together with our corporate Shareholders, in which they are the ultimate beneficial owners, namely, Genius Mind, Great Passion, Rich Talent and Honor Boom, are the Controlling Shareholders of our Company as prescribed under the Listing Rules.

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At the beginning of the Track Record Period, Titans Technology was owned as to 69% by Titans Automatic, 15% by Kangtai, 10% by Jinyi, 5% by Liu Yonglong and 1% by Liheng.

During the Track Record Period, the shareholding of Titans Technology underwent the following changes:

Date	Transferor	Transferee	Percentage of interest under transfer	Consideration	Shareholding in Titans Technology after the transfer
20 June 2006 (Note 1)	Kangtai	Titans Automatic	14.75%	RMB5,900,000	Titans Automatic: 99% Kangtai: 0.25% Jinyi: 0.25% Liu Yonglong: 0.25% (Note 2) Liheng: 0.25%
	Jinyi		9.75%	RMB3,900,000	
	Liu Yong Long		4.75%	RMB1,900,000	
	Liheng		0.75%	RMB300,000	

*Notes:*

1. Pursuant to a supplemental agreement entered into between Kangtai, Jinyi, Liheng, Liu Yong Long and Titans Automatic on 23 October 2006, it was confirmed that the record date for transfer of the rights to receive income or distribution and the related obligations in respect of the aggregate of 30% equity interests in Titans Technology from Kangtai, Jinyi, Liheng and Liu Yong Long to Titans Automatic shall be 1 January 2006. Pursuant to the PRC legal opinion issued by Commerce & Finance Law Offices, the supplemental agreement is valid and is binding upon and enforceable against the parties thereto and the transfer of rights as confirmed in the above supplemental agreement are legally valid and enforceable and the rights to receive income or distribution and the related obligations in respect of such equity interests in Titans Technology have been transferred with effect from the agreed record date.
2. The consideration for the acquisition of the 30% equity interests in Titans Technology by Titans Automatic from the then existing shareholders of Titans Technology was based on 30% of the registered capital of Titans Technology, which was agreed between the parties after considering the minority interests held by these shareholders and the payment of their respective pro rata profit distributions by Titans Technology for the year ended 31 December 2005.

Save as disclosed, there were no other considerations involved in these acquisitions and none of Liheng, Kangtai Jinyi and Liu Yong Long has received other benefits arising from these acquisitions. According to our PRC legal advisers, Commerce & Finance Law Offices, Titans Technology has obtained all relevant approvals from the PRC authorities and the parties have complied with all applicable PRC laws and regulations in respect of the said acquisitions.

On 1 February 2008, the business scope of Titans Technology was approved by the Administration Bureau of Industry and Commerce of Guangdong Province to be extended to include development of computer software, and on 31 July 2008, was approved to be further extended to include research, development, manufacturing and sale of DC power switches and the installation of the complete set of our products.

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On 26 July 2009, agreements were entered into between Shijiazhuang Titans and each of Kangtai, Jinyi, Liu Yonglong and Liheng, pursuant to which, Shijiazhuang Titans agreed to purchase and each of Kangtai, Jinyi, Liu Yonglong and Liheng agreed to sell 0.25% interests in Titans Technology for an aggregate consideration of RMB400,000, representing 1% of the registered capital of Titans Technology. The transfer was registered with the Administration Bureau of Industries and Commerce of Zhuhai City on 3 September 2009.

As at the Latest Practicable Date, Titans Technology was owned as to 99% by Titans Automatic and 1% by Shijiazhuang Titans. Currently, Titans Technology is principally engaged in the research, development, manufacturing and sale of the electrical DC product series.

As confirmed by our PRC legal advisers, Commerce & Finance Law Offices, the de-registrations of Kensington and Titans Group have not resulted in any liability or obligations imposed on any Directors, and/or our senior management members.

### **Zhuhai Titans**

Zhuhai Titans was established on 8 July 2005 with limited liability under the laws of the PRC with a registered capital of RMB3 million which was paid up by cash within the timeframe as required under the PRC laws. At the date of establishment, Zhuhai Titans was owned as to 5% by Li Xiao Bin, a Controlling Shareholder, and 45% by Titans Technology. The remaining 50% equity interests in Zhuhai Titans were owned as to 37% by Anhui Kaili, 10% by 王炎 (Wang Yan), 2% by 郭耀華 (Guo Yao Hua), 0.5% by 徐堅 (Xu Jian) and 0.5% by 陳穎洲 (Chen Ying Zhou). Guo Yao Hua, Xu Jian and Chen Ying Zhou are the associates or employees or consultant of a company owned by Wang Yan. Save as disclosed, all other shareholders are independent third parties. The shareholders of the remaining 50% equity interests have not entered into any agreement with the Group in respect of the management of Zhuhai Titans. Currently, Zhuhai Titans is principally engaged in research, development and manufacturing of high-power LED lighting products. It is also engaged in the sale of the Group's other products.

On 2 August 2007, an equity transfer agreement was entered into among five individuals and Anhui Kaili as transferors and Titans Technology as transferee, pursuant to which, the five individuals and Anhui Kaili agreed to transfer 18% and 17% equity interests in Zhuhai Titans respectively to Titans Technology at a total consideration of RMB1,050,000 which was equivalent to 35% of the registered capital (RMB3,000,000) of Zhuhai Titans. According to the equity transfer agreement which took effect upon signing on 2 August 2007, Titans Technology effectively acquired 35% equity interests in Zhuhai Titans upon registration of the change of the shareholder with the relevant authority on 13 September 2007. Another equity transfer agreement was entered into between Anhui Kaili and Zhuhai Fudisi on 2 August 2007, pursuant to which Anhui Kaili agreed to transfer 20% equity interests in Zhuhai Titans to Zhuhai Fudisi at a consideration of RMB600,000 which was equivalent to 20% of the registered capital (RMB3,000,000) of Zhuhai Titans. Following the share transfers, Titans Technology and Zhuhai Fudisi were interested in 80% and 20% respectively of the registered capital in Zhuhai Titans. To the best knowledge and belief of the Directors, the principal business activities of Zhuhai Fudisi include research and development in electrical products. Other

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than being a substantial shareholder of Zhuhai Titans, Zhuhai Fudisi and its ultimate beneficial owner are independent third parties. As such, Zhuhai Titans will not become a connected person of the Company upon Listing under the Listing Rules but Zhuhai Fudisi will become a connected person of the Company upon Listing by virtue of its shareholding in Zhuhai Titans.

On 13 September 2007, Zhuhai Titans was approved to change its name to 珠海泰坦科利爾能源科技有公司 (Zhuhai Titans Clear Energy Technology Co., Ltd.\*) and to expand its business scope to include research, assembly, development and sale of mechanical equipment. On 16 April 2008, the business scope of Zhuhai Titans was approved by the Administration Bureau of Industry and Commerce of Zhuhai City to be extended to include research, assembly, development and sale of wind and solar power generation balancing control products, charging equipment for electric vehicles, new style of lighting products and power inverter systems and devices and assembly of mechanical equipment. On 4 November 2008, the name of Zhuhai Titans was changed to 珠海泰坦新能源系統有限公司 (Zhuhai Titans New Energy System Co., Ltd.\*). On 30 May 2009, an equity transfer agreement was entered into between Titans Technology as transferor and Titans Automatic as transferee, pursuant to which Titans Technology agreed to transfer its 80% equity interest in Zhuhai Titans to Titans Automatic at a consideration of RMB2.4 million. Following the share transfer and as at the Latest Practicable Date, Titans Automatic became interested in 80% of the registered capital of Zhuhai Titans while the interest of Zhuhai Fudisi in Zhuhai Titans remained unchanged.

### Beijing New Clear

Beijing New Clear was established on 6 September 2007 with limited liability under the laws of the PRC with a registered capital of RMB2 million which was paid up by cash within the timeframe as required under the PRC laws. Beijing New Clear was owned as to 55% by Titans Technology, 20% by Zhong Shu Xian, an independent third party, 20% by Zhuhai Tian Ze, a company engaged in the research, development and sale of electronic equipment, automatic equipment, instruments and apparatus for industrial use, and 5% by Beijing Jiao Da, a company engaged in the business of research and development of charging equipment. To the best knowledge and belief of the Directors, Beijing Jiao Da and their ultimate beneficial owners were independent third parties. On 5 May 2009, Beijing Jiao Da entered into equity transfer agreements with Liu Jun and Fu Yulong respectively, pursuant to which Beijing Jiao Da agreed to transfer its 2% and 3% equity interest in Beijing New Clear to Liu Jun and Fu Yulong at a consideration of RMB40,000 and RMB60,000 respectively. Liu Jun is a staff of our Group and Fu Yulong is a member of the senior management of our Group and they hold their respective interests in Beijing New Clear for their own benefit. After the share transfers and as at the Latest Practicable Date, Beijing New Clear was owned as to 55% by Titans Technology, 20% by Zhong Shu Xian, 20% by Zhuhai Tian Ze, 2% by Liu Jun and 3% by Fu Yulong. Other than being a staff or senior management member of our Group, Liu Jun and Fu Yulong are independent third parties. Other than being the shareholders of Beijing New Clear, Zhong Shu Xian, Zhuhai Tian Ze and its ultimate beneficial owners are also independent third parties. As such, Beijing New Clear will not become a connected person of the Company upon Listing for the purpose of the Listing Rules but each of Zhong Shu Xian and Zhuhai Tian Ze will become a connected person of the Company upon Listing by virtue

*\* for identification purposes only*

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of his/its shareholding in Beijing New Clear. According to its business licence, Beijing New Clear is authorised to engage in the business of, among others, those activities that are legal and authorised by the administrative regulations and those activities authorised by the State Council. Currently, Beijing New Clear is principally engaged in the sale of charging equipment for electric vehicles.

### **Shijiazhuang Titans**

Shijiazhuang Titans was established on 12 January 2009 with limited liability under the laws of the PRC with a registered capital of RMB1 million which was paid up by cash within the timeframe as required under the PRC laws. It is a wholly-owned subsidiary of Titans Automatic. According to its articles of association, Shijiazhuang Titans is authorised to engage in the business of, among other things, research, development, system integration and sale of high frequency power supply switches, low voltage DC equipment, rectifying inverter equipment, speedy switches for electric systems, protection equipment, wind and solar power generation balancing control products, new style lighting equipment, energy saving equipment, power electronics for electric vehicle charging equipment, the technology and production of new energy equipment. Currently, Shijiazhuang Titans is principally engaged in the sale of wind and solar power generation balancing control products, power grid monitoring and management products and charging equipment for electric vehicles in the Hebei Province.

### **Jiangyin Titans**

Jiangyin Titans was established on 24 June 2009 with limited liability under the laws of the PRC with a registered capital of RMB5 million which was paid up by cash within the timeframe as required under the PRC laws. The registered capital of Jiangyin Titans is owned as to 51% by Titans Automatic and 49% by Song Qing Hong. Other than being a substantial shareholder and a director of Jiangyin Titans, Song Qing Hong is an independent third party. As such, Jiangyin Titans will not become a connected person of the Company upon Listing under the Listing Rules but Song Qing Hong will become a connected person of the Company upon Listing by virtue of her shareholding in Jiangyin Titans. According to the business licence of Jiangyin Titans, it is authorised to engage in the business of, among other things, manufacture of both high and low voltage electrical equipment, sale of apparatus, meters, testing equipment and other spare parts. Currently, Jiangyin Titans is principally engaged in the marketing and sale of PASS products and the provision of engineering services.

### **Beijing Hua Shang**

Beijing Hua Shang was established on 8 February 2010 with limited liability under the laws of the PRC with a registered capital of RMB30 million, of which RMB6 million was paid up by cash within the timeframe as required under its articles of association. The remaining RMB24 million will be paid up by the shareholders of Beijing Hua Shang in proportion to their respective interests in the registered capital of Beijing Hua Shang on or before 30 June 2011.

The registered capital of Beijing Hua Shang is owned as to 45% by Titans Automatic, 35% by Beijing HS Assets Management, 10% by Beijing Chuang Shi and 10% by Beijing Hua Xin. So far as the Directors are aware, other than being the shareholders of Beijing Hua Shang, Beijing HS Assets Management, Beijing Chuang Shi and Beijing Hua Xin are independent third parties.

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## OUR HISTORY AND DEVELOPMENT

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According to the business licence of Beijing Hua Shang, it is authorised to engage in the business of technology development, sale of mechanical devices, instant charging equipment, switch DC charging equipment for intelligent charging stations, electrical power testing devices, electrical products, solar power generation products, intelligent power switch DC and controlling system and engaging in sub-contracting. Beijing Hua Shang is established with a view to principally engaging in the promotion and sale of charging equipment of electric vehicles and other new products of the Group.

### Issue of Exchangeable Bonds

Bright Luck is beneficially owned as to 50% by Mr. Li and 50% by Mr. An. On 9 November 2007, for Mr. Li's and Mr. An's personal reasons, Bright Luck entered into three subscription deeds with each of T&TC Capital, Tsoi Kin Wah and Enhance Investment as financial investors respectively, pursuant to which, Bright Luck agreed to issue the Exchangeable Bonds in the amount of HK\$2,759,540, HK\$5,639,830 and HK\$7,700,630 to T&TC Capital, Tsoi Kin Wah and Enhance Investment, exchangeable into the entire issued share capital of Rich Talent, Clear Profit and Benefit Way respectively. The consideration for the Exchangeable Bonds was arrived at after arm's length negotiations and after considering various factors, including but not limited to the profit guarantee for the year ended 31 December 2007 (which was subsequently cancelled as detailed below), the interest rate, the term of the Exchangeable Bonds and the lock-up period as set out below. The Rich Talent Exchangeable Bond, the Clear Profit Exchangeable Bond and the Benefit Way Exchangeable Bond are secured by share mortgages executed by Rich Talent, Clear Profit and Benefit Way in respect of their respective shareholdings in Titans BVI in favour of T&TC Capital, Tsoi Kin Wah and Enhance Investment. The Company is not a party to the Exchangeable Bonds and has not received any benefit from the issue of the Exchangeable Bonds.

T&TC Capital and Enhance Investment were introduced by the Lead Manager to Mr. Li and Mr. An as pre-IPO investors. The Rich Talent Exchangeable Bond was issued to T&TC Capital on 3 January 2008 and subsequently redeemed at par by Bright Luck with a 5% interest on 24 December 2008. Following redemption, the share charge given by Rich Talent was also released.

Tsoi Kin Wah carries on businesses in the power industry in the PRC. Given that Tsoi Kin Wah is only a private investor and is not an associate of any connected person of the Company and will only be interested in approximately 2.04% of the issued share capital of our Company upon Listing, Tsoi Kin Wah is considered to be an independent third party. Enhance Investment is a company incorporated in BVI with limited liability and its entire issued share capital is beneficially owned by Competent Management Limited which is beneficially owned by Tam Siu Fun Yeko, an independent third party. Tam Siu Fun Yeko engages in various financial investments. To the best knowledge and belief of the Directors, the principal business activity of Enhance Investment is investment holding. Save for Tsoi Kin Wah being an acquaintance of Mr. Li, none of Tsoi Kin Wah and Enhance Investment has any past or present relationship, business or otherwise, with the Group, its shareholders, directors, senior management or any of their respective associates nor did they enter into any agreements with our Group or the Controlling Shareholders in relation to the ownership and management of our Group except for the subscription of the Exchangeable Bonds.

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## OUR HISTORY AND DEVELOPMENT

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The subscription deeds entered into between Bright Luck as issuer and Tsoi Kin Wah and Enhance Investment as subscribers were completed and the Clear Profit Exchangeable Bond and the Benefit Way Exchangeable Bond were issued to Tsoi Kin Wah and Enhance Investment on 28 December 2007 and 3 January 2008 respectively. The Exchangeable Bonds will only be exchangeable into shares of Clear Profit and Benefit Way upon Listing. Each of Tsoi Kin Wah and Enhance Investment will be indirectly interested in 2.04% and 2.78% of the issued share capital of our Company upon Listing. Summary of principal terms of the Exchangeable Bonds are set out below:

- (a) The Clear Profit Exchangeable Bond and the Benefit Way Exchangeable Bond shall exchange into share(s) representing the entire issued share capital of Clear Profit and Benefit Way which in turn hold (i) 2.82% and 3.85% respectively of the total issued share capital of Titans BVI as at the date of the issue of the relevant Exchangeable Bonds; or (ii) 2.82% and 3.85% respectively of the total issued share capital of the Company upon completion of the Reorganisation and the Capitalisation Issue but prior to the issue of Shares pursuant to the Share Offer, as the case may be (subject to adjustments) (this term has been amended by second supplemental deeds, details of which are summarised below);
- (b) The Clear Profit Exchangeable Bond shall mature on 28 December 2008 and the Benefit Way Exchangeable Bond shall mature on 3 January 2009, being the first anniversary from the respective dates of issue, unless redeemed by Bright Luck (“Maturity Date”) (the Maturity Date has been extended to 30 June 2010 by supplemental deeds dated 27 July 2009 and the second supplemental deeds dated 13 March 2010 as set out below);
- (c) The Exchangeable Bonds bear interest at 5% per annum on the principal amount then outstanding, and is payable semi-annually in arrears on the expiry of six months period and twelve months period from the date of issue of the Exchangeable Bonds (the interest rate has been revised to 8% per annum respectively from the issue date pursuant to supplement deeds dated 27 July 2009 as set out below);
- (d) In the event that the Listing does not take place on or before the Maturity Date or such later date or dates as Bright Luck and the holders of the Exchangeable Bonds may agree, Bright Luck shall on the Maturity Date redeem any outstanding Exchangeable Bonds at the price equivalent to the principal amount of the relevant Exchangeable Bond(s) together with interest accrued thereon up to the Maturity Date; and
- (e) The Exchangeable Bonds would be subject to automatic exchange on the Listing Date or such earlier time as may be desirable and necessary for facilitating completion of the Listing.

On 27 July 2009, a supplemental deed was entered into between Bright Luck and each of Tsoi Kin Wah and Enhance Investment, pursuant to which the Clear Profit Exchangeable Bond and the Benefit Way Exchangeable Bond were amended as follows:-

- (1) the Maturity Date shall be extended from the first anniversary of the date of issue to the second anniversary of the date of issue;

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## OUR HISTORY AND DEVELOPMENT

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- (2) the Exchangeable Bonds shall bear interest at 8% instead of 5%; and
- (3) the profit guarantee of the Company for year ended 31 December 2007 was removed and cancelled.

On 13 March 2010, a second supplemental deed was entered into between Bright Luck and each of Tsoi Kin Wah and Enhance Investment, pursuant to which, each of Tsoi Kin Wah and Enhance Investment has (a) confirmed that the Clear Profit Exchangeable Bond and the Benefit Way Exchangeable Bond shall exchange into shares representing the entire issued share capital of Clear Profit and Benefit Way which in turn holds approximately 2.04% and 2.78% respectively of the total issued share capital of the Company upon the Listing and the issue of Shares pursuant to the Share Offer; and (b) agreed to extend the maturity date of the Clear Profit Exchangeable Bond and the Benefit Way Exchangeable Bond to 30 June 2010.

Other than the terms of the Clear Profit Exchangeable Bond and the Benefit Way Exchangeable Bond, no special right has been granted to Tsoi Kin Wah or Tam Siu Fun Yeko by Bright Luck. Neither Tsoi Kin Wah or Tam Siu Fun Yeko has participated in the management or operation of the Group.

Pursuant to the respective undertakings executed by Tsoi Kin Wah and Enhance Investment both dated 13 March 2010, each of Tsoi Kin Wah and Enhance Investment undertook that he/it will not, unless with the prior written consent of the Company, sell, transfer or otherwise dispose of or grant or agree to grant any option or other right in or charge, pledge, encumber or otherwise create any security interest over all or any of (i) the Exchangeable Bonds for the period from the date of the undertakings up to the Maturity Date or the Listing Date (whichever earlier); (ii) the Shares held by Clear Profit and Benefit Way during the six-month lock-up period commencing on the Listing Date (the "Lock-up Period"); and (iii) the shares of or interests in Clear Profit and Benefit Way from the date of the undertakings up to the expiry of the Lock-up Period.

On 13 March 2010, Competent Management Limited, the sole shareholder of Enhance Investment, undertook that it will not and will procure Enhance Investment not to, unless with the prior written consent of the Company, sell, transfer or otherwise dispose of or grant or agree to grant any option or other right in or charge, pledge, encumber or otherwise create any security interest over all or any of (i) the Benefit Way Exchangeable Bond for the period from the date of the undertaking up to the Maturity Date or the Listing Date (whichever earlier); (ii) the Shares held by Benefit Way during the Lock-up Period; and (iii) any shares of or interests in Benefit Way from the date of the Undertaking up to the expiry of the Lock-up Period. Competent Management Limited also undertook that it will not, unless with the prior written consent of the Company, sell or dispose of interests in Enhance Investment during the Lock-up Period. Tam Siu Fun Yeko, the sole shareholder of Competent Management Limited, undertook that she will not, unless with the prior written consent of the Company, sell or dispose of the interest in Competent Management Limited and will procure Competent Management Limited and Enhance Investment not to sell or otherwise dispose of the Shares during the Lock-up Period.

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## OUR HISTORY AND DEVELOPMENT

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### Issue of Convertible Note

On 19 December 2008, the Company as issuer entered into a subscription deed with Guofu (Hong Kong) Holdings Limited (“Guofu”) as investor and Mr. Li and Mr. An as guarantors to the issuer, pursuant to which the Company agreed to issue a guaranteed convertible note in the principal amount of HK\$10,000,000. Guofu and its ultimate beneficial owner are independent third parties. The subscription deed was completed and the Convertible Note was issued to Guofu on 22 December 2008. According to a transfer notice given by Guofu and Wealth Source to the Company dated 28 June 2009, the Convertible Note was subsequently transferred by Guofu to Wealth Source. In connection with the transfer, the Convertible Note held by Guofu was cancelled on 27 July 2009 and the Company re-issued the Convertible Note to Wealth Source on the even date. Accordingly, the new issue date of the Convertible Note is 27 July 2009. Wealth Source is a company incorporated in BVI with limited liability and its entire issued share capital is beneficially owned by Yim Shing Chi, a businessman and an independent third party (“Mr. Yim”). Mr. Yim is a private investor and was a former employee of Guofu, the former investor in the Convertible Note. Through his work for Guofu, Mr. Yim came to know the Company. Mr. Yim engages in various financial investments. To the best knowledge of the Directors, the principal business activity of Wealth Source is investment holding and Mr. Yim is an independent third party pursuant to the Listing Rules. Save for being a holder of the Convertible Note, Wealth Source and its ultimate beneficial owner do not have any past or present relationship, business or other relationship, with the Group, its shareholders, directors or their respective associates.

The principal terms of the Convertible Note held by Wealth Source are summarised below:

- (a) upon exercise of the conversion rights attaching to the Convertible Note in full, the Shares to be issued by the Company shall represent (i) approximately 3.30% of the entire issued share capital of the Company upon exercise of the conversion right attaching to the Convertible Note in full; or (ii) approximately 3.30% of the enlarged issued share capital of the Company upon completion of the Reorganisation and the Capitalisation Issue but prior to the issue of Shares pursuant to the Share Offer, as the case may be;
- (b) the Convertible Note shall mature on 27 July 2010, being the first anniversary of the date of issue;
- (c) the Convertible Note bears interest at 8.1% per annum on the principal amount then outstanding, which interest is payable on the maturity date;
- (d) in the event that the Listing does not take place on or before the maturity date or such later date or dates as the Company and the Convertible Note holder may agree, the Convertible Note shall lapse and the Company shall on the maturity date redeem the outstanding Convertible Note at the price equivalent to the principal amount of the Convertible Note together with interest accrued thereon up to the maturity date; and
- (e) the Convertible Note shall automatically be converted into the Shares on the Listing Date or such earlier time as may be desirable and necessary for facilitating completion of Listing.

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## OUR HISTORY AND DEVELOPMENT

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A supplemental deed was entered into between the Company, Wealth Source, Mr. Li and Mr. An on 13 March 2010, pursuant to which the parties have agreed to amend the Convertible Note such the result that upon exercise of the conversion rights attaching to the Convertible Note in full, the Shares to be issued by the Company shall represent approximately 2.47% of the total issued share capital of the Company upon the Listing and the issue of Shares pursuant to the Share Offer.

Other than the terms of the Convertible Note, no special right has been granted to Mr. Yim and he has not participated in the management or operation of the Group.

The conversion price of the Convertible Note equals to approximately HK\$0.506 per Share which represents a discount of approximately 52% and 58% of the minimum Offer Price and the maximum Offer Price respectively. The conversion price was determined following arm's length negotiations between the Company and Guofu with reference to the profits of the Group for the year ended 31 December 2007.

The Company applied the proceeds from the issue of the Convertible Note as general working capital of the Group.

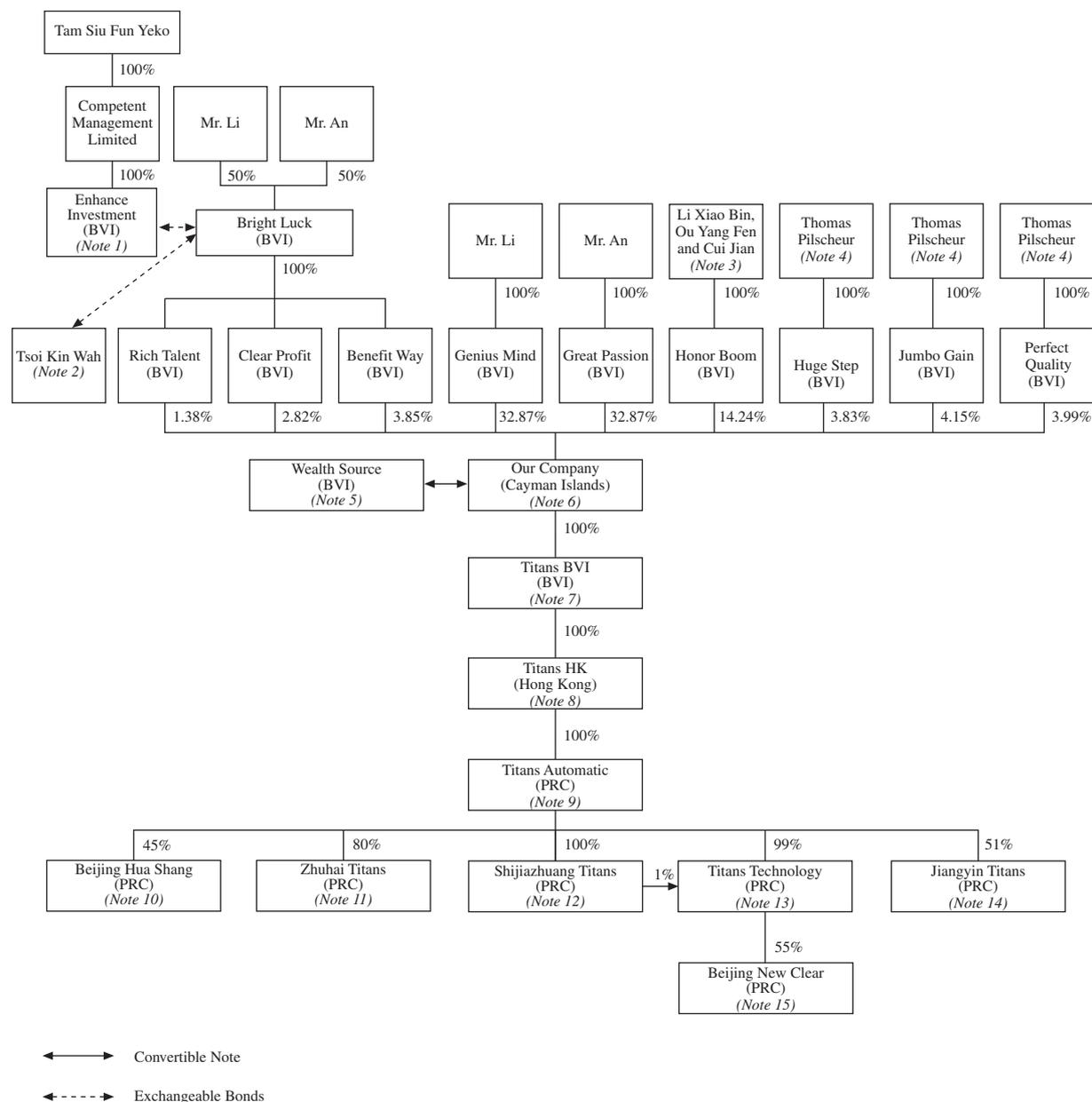
Pursuant to the undertakings given by Mr. Yim and Wealth Source dated 13 March 2010, each of Mr. Yim and Wealth Source undertook that he/it will not (and Mr. Yim also undertook to procure Wealth Source not to) unless with the prior written consent of the Company, sell, transfer or otherwise dispose of or grant or agree to grant any option or other rights in or charge, pledge, encumber or otherwise create any security interest over all or any of (i) the Convertible Note for the period from the date of the undertaking up to the maturity date of the Convertible Note or the Listing Date (whichever is earlier); and (ii) the Shares to be issued to Wealth Source upon conversion during the six-month lock-up period commencing on the Listing Date (the "CN Lock-up Period"). Mr. Yim also undertook that, unless with the prior written consent of the Company, he will not sell or otherwise dispose of any interests in Wealth Source, or any indirect shareholding or interests in Wealth Source, for the period from the date of the undertaking up to the expiry of the CN Lock-up Period.

### **Shareholding structure and corporate structure of our Group immediately before the Share Offer**

Our Company was incorporated on 16 November 2007 in the Cayman Islands with limited liability. We underwent the Reorganisation to rationalize our Group's structure in preparation for the Listing. On 8 May 2010, as part of the Reorganisation, all shareholders of Titans BVI entered into a reorganisation deed with our Company, pursuant to which our Company acquired the entire issued share capital of Titans BVI from the shareholders of Titans BVI in consideration of the allotment and issue of 100,000 Shares, all credited as fully paid, to the shareholders of Titans BVI on a pro rata basis. We completed the Reorganisation on 8 May 2010, pursuant to which our Company became the holding company of our Group. The following sets out the shareholding and corporate structure of our

## OUR HISTORY AND DEVELOPMENT

Group immediately before the completion of the Share Offer and the Capitalisation Issue (assuming that the Over-allotment Option and any options granted under the Pre-IPO Share Option Scheme and may be granted the Share Option Scheme are not exercised):



### Notes:

- (1) The Benefit Way Exchangeable Bond was issued to Enhance Investment by Bright Luck on 3 January 2008. Upon Listing, the Benefit Way Exchangeable Bond shall automatically exchange into one share representing the entire issued share capital of Benefit Way which will then hold approximately 2.78% of the total issued share capital of the Company upon Listing. The Shares held by Benefit Way will be counted as part of the public float upon Listing but will be subject to a six-month lock-up period following Listing.
- (2) The Clear Profit Exchangeable Bond was issued to Tsoi Kin Wah by Bright Luck on 28 December 2007. Upon Listing, the Clear Profit Exchangeable Bond shall automatically exchange into one share representing the entire issued share capital of Clear Profit which will then hold approximately 2.04% of the total issued share capital of the Company upon Listing. The Shares held by Clear Profit will be counted as part of the public float upon Listing but will be subject to a six-month lock-up period following Listing.

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## OUR HISTORY AND DEVELOPMENT

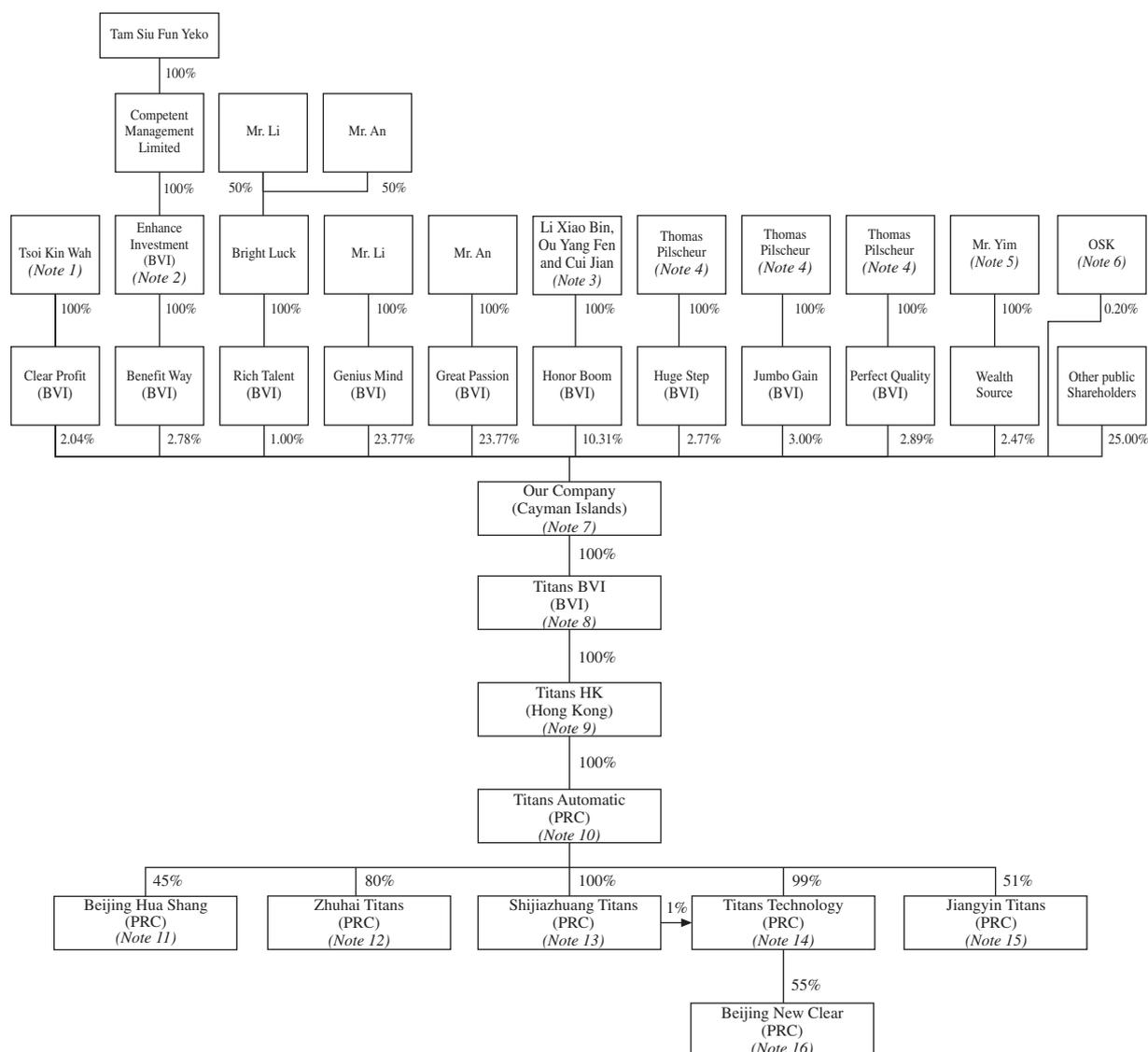
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- (3) Honor Boom is owned as to 40% by Li Xiao Bin, 30% by Ou Yang Fen and 30% by Cui Jian, all are our Controlling Shareholders. Li Xiao Bin and Ou Yang Fen are senior management of our Group and Cui Jian is one of the sales representatives of the Group.
- (4) The Shares held by Huge Step, Jumbo Gain and Perfect Quality which in turn is held by Thomas Pilscheur will be counted as part of the public float upon Listing but will be subject to a six-month lock-up period following Listing.
- (5) The Convertible Note was issued by the Company to Guofu on 22 December 2008 and was subsequently transferred to Wealth Source on 27 July 2009. Upon Listing, the Convertible Note shall automatically convert into approximately 2.47% of the total issued share capital of the Company. The Shares held by Wealth Source will be counted as part of the public float upon Listing but will be subject to a six-month lock-up period following Listing.
- (6) The Company is an investment holding company.
- (7) Titans BVI is an investment holding company.
- (8) Titans HK is an investment holding company.
- (9) Titans Automatic is principally engaged in the research, development, manufacturing and sale of wind and solar power generation balancing control products, charging equipment for electric vehicles and power grid monitoring and management products.
- (10) Beijing Hua Shang is established with a view to engaging in the promotion and sale of charging equipment for electric vehicles and other new products in Beijing. The registered capital of Beijing Hua Shang is owned as to 45% by Titans Automatic, 35% by Beijing HS Assets Management, 10% by Beijing Chuang Shi and 10% by Beijing Hua Xin. Other than being the shareholders of Beijing Hua Shang, Beijing HS Assets Management, Beijing Chuang Shi and Beijing Hua Xin and their ultimate beneficial owners are independent third parties.
- (11) Zhuhai Titans is principally engaged in the research, development and manufacturing of high-power LED lighting products and sale of the Group's other products. Zhuhai Titans is owned as to 80% by Titans Automatic and 20% by Zhuhai Fudisi. Other than being a shareholder of Zhuhai Titans, Zhuhai Fudisi and its ultimate beneficial owner are independent third parties. As such, Zhuhai Titans will not become a connected person of the Company upon Listing under the Listing Rules but Zhuhai Fudisi will become a connected person of the Company upon Listing by virtue of its shareholding in Zhuhai Titans.
- (12) Shijiazhuang Titans is principally engaged in the sale of wind and solar power generation balancing control products, power grid monitoring and management products and charging equipment for electric vehicles in Hebei Province.
- (13) Titans Technology is principally engaged in the research, development, manufacturing and sale of electrical DC product series.
- (14) Jiangyin Titans is principally engaged in the marketing and sale of PASS products and the provision of engineering services. The registered capital of Jiangyin Titans is owned as to 51% by Titans Automatic and 49% by Song Qing Hong, who is an independent third party other than being a substantial shareholder of Jiangyin Titans. As such, Jiangyin Titans will not become a connected person of the Company upon Listing under the Listing Rules but Song Qing Hong will become a connected person of the Company upon Listing by virtue of her shareholding in Jiangyin Titans.
- (15) Beijing New Clear is principally engaged in the sale of charging equipment for electric vehicles. Beijing New Clear is owned as to 55% by Titans Technology, 20% by Zhong Shu Xian, 20% by Zhuhai Tian Ze, 2% by Liu Jun and 3% by Fu Yulong. Other than being a staff or senior management of our Group, Liu Jun and Fu Yulong are independent third parties. Other than being the shareholders of Beijing New Clear Zhong Shu Xian, Zhuhai Tian Ze and its ultimate beneficial owners are also independent third parties. As such, Beijing New Clear will not become a connected person of the Company upon Listing under the Listing Rules but each of Zhong Shu Xian, Zhuhai Tian Ze will become a connected person of the Company upon Listing by virtue of his/its shareholding in Beijing New Clear.

## OUR HISTORY AND DEVELOPMENT

### Shareholding structure and corporate structure of our Group immediately after the Share Offer

The following sets out the shareholding and corporate structure of our Group immediately after the completion of the Share Offer and the Capitalisation Issue (assuming that the Over-allotment Option and any options granted under the Pre-IPO Share Option Scheme and may be granted under the Share Option Scheme are not exercised):



Notes:

- (1) The Shares held by Clear Profit will be counted as part of the public float upon Listing but will be subject to a six-month lock-up period following Listing.
- (2) The Shares held by Benefit Way will be counted as part of the public float upon Listing but will be subject to a six-month lock-up period following Listing.

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## OUR HISTORY AND DEVELOPMENT

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- (3) Honor Boom is owned as to 40% by Li Xiao Bin, 30% by Ou Yang Fen and 30% by Cui Jian, all are our Controlling Shareholders. Li Xiao Bin and Ou Yang Fen are members of the senior management of the Group and Cui Jian is one of the sales representatives of the Group.
- (4) The Shares held by Huge Step, Jumbo Gain and Perfect Quality which in turn held by Thomas Pilscheur will be counted as part of the public float upon Listing but will be subject to a six-month lock-up period following Listing.
- (5) Mr. Yim, a businessman, is the sole shareholder of Wealth Source which is an investment holding company. The Shares held by Wealth Source will be counted as part of the public float upon Listing but will be subject to a six-month lock-up period following Listing.
- (6) It is a term of the engagement of OSK as the Sponsor that upon successful Listing, the Company shall allot such number of Shares representing 0.20% of the total issued share capital of the Company after Listing to OSK as part of the consideration for the services performed by OSK.
- (7) The Company is an investment holding company.
- (8) Titans BVI is an investment holding company.
- (9) Titans HK is an investment holding company.
- (10) Titans Automatic is principally engaged in the research, development, manufacturing and sale of wind and solar power generation balancing control products, charging equipment for electric vehicles and power grid monitoring and management products.
- (11) Beijing Hua Shang is established with a view to engaging in the promotion and sale of charging equipment for electric vehicles and other new products in Beijing. The registered capital of Beijing Hua Shang is owned as to 45% by Titans Automatic, 35% by Beijing HS Assets Management, 10% by Beijing Chuang Shi and 10% by Beijing Hua Xin. Other than being the shareholders of Beijing Hua Shang, Beijing HS Assets Management, Beijing Chuang Shi and Beijing Hua Xin and their ultimate beneficial owners are independent third parties.
- (12) Zhuhai Titans is principally engaged in the research, development and manufacturing of high-power LED lighting products and sale of the Group's other products. Zhuhai Titans is owned as to 80% by Titans Automatic and 20% by Zhuhai Fudisi. Other than being a shareholder of Zhuhai Titans, Zhuhai Fudisi and its ultimate beneficial owner are independent third parties. As such, Zhuhai Titans will not become a connected person of the Company upon Listing under the Listing Rules but Zhuhai Fudisi will become a connected person of the Company upon Listing by virtue of its shareholding in Zhuhai Titans.
- (13) Shijiazhuang Titans is principally engaged in the sale of wind and solar power generation balancing control products, power grid monitoring and management products and charging equipment for electric vehicles in Hebei Province.
- (14) Titans Technology is principally engaged in the research, development, manufacturing and sale of electrical DC product series.
- (15) Jiangyin Titans is principally engaged in the marketing and sale of PASS products and the provision of engineering services. The registered capital of Jiangyin Titans is owned as to 51% by Titans Automatic and 49% by Song Qing Hong, who is an independent third party other than being a substantial shareholder of Jiangyin Titans. As such, Jiangyin Titans will not become a connected person of the Company upon Listing under the Listing Rules but Song Qing Hong will become a connected person of the Company upon Listing by virtue of her shareholding in Jiangyin Titans.

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## OUR HISTORY AND DEVELOPMENT

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- (16) Beijing New Clear is principally engaged in the sale of charging equipment for electric vehicles. Beijing New Clear is owned as to 55% by Titans Technology, 20% by Zhong Shu Xian, 20% by Zhuhai Tian Ze, 2% by Liu Jun and 3% by Fu Yulong. Other than being a staff or senior management of our Group, Liu Jun and Fu Yulong are independent third parties. Other than being a the Shareholders of Beijing New Clear, Zhong Shu Xian, Zhuhai Tian Ze and their respective ultimate beneficial owners are also independent third parties. As such, Beijing New Clear will not become a connected person of the Company upon Listing under the Listing Rules but each of Zhong Shu Xian, Zhuhai Tian Ze will become a connected person of the Company upon Listing by virtue of his/its shareholding in Beijing New Clear.

Details of the Reorganisation are set out in the paragraph headed “Corporate reorganisation” in Appendix V to this prospectus.

We have been advised by our PRC legal advisers, Commerce & Finance Law Offices, that all the changes set out above in relation to the capital of each our subsidiaries in the PRC have been properly approved by the relevant PRC authorities and comply with relevant PRC laws and regulations.

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## BUSINESS

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### OVERVIEW

Our Group is a supplier of power electronic products and equipment and holds various copyrights, patents and trademarks. Our Group's subsidiary, Titans Technology, has been engaged in the research and development and commercial application of power electronic technology since 1992. Our power electronic technology is applied in different sectors of the power electronic industry. Our principal product line is our electrical DC product series. In addition, we have also applied our technology to develop further products lines, namely, power grid monitoring and management products, charging equipment for electric vehicles, wind and solar power generation balancing control products and high-power LED lighting products.

Our two subsidiaries, Titans Technology and Zhuhai Titans, are accredited high and new technology enterprises by the Department of Science and Technology of Guangdong Province, the PRC.

Our electrical DC products are developed, manufactured and sold by our Group. These products accounted for the majority of our total turnover during the Track Record Period. Our electrical DC products comprise the following categories of products:

<u>Product</u>	<u>Product Categories and Name</u>
Electrical DC products	<ul style="list-style-type: none"><li>• High frequency switch DC power supply systems</li><li>• High frequency switch communication power supply systems</li><li>• Power dedicated UPS</li></ul>

We have developed core technologies and gained market experience through the development of our electrical DC products.

The PRC government has been promoting energy saving devices and the use of renewable energy over recent years. In order to capture the opportunities brought by the rapid growth of demand for energy saving devices and renewable energy, we have developed the following new products using our technological expertise and experience.

<u>Product</u>	<u>Product Name</u>
Power grid monitoring and management products	<ul style="list-style-type: none"><li>• Electricity quality online monitoring devices</li><li>• Power grid control and energy saving equipment</li><li>• Power source and environmental control systems</li><li>• Transforming stations and high voltage line monitoring systems</li></ul>

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## BUSINESS

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<u>Product</u>	<u>Product Name</u>
Charging equipment for electric vehicles	<ul style="list-style-type: none"><li>• Charging stations for electric vehicles</li><li>• On-board charging devices for electric vehicles</li><li>• Mobile charging devices for electric vehicles</li></ul>
Wind and solar power generation balancing control products	<ul style="list-style-type: none"><li>• Shunt balancing devices</li><li>• Off-grid balancing control devices</li></ul>
High-power LED lighting products	<ul style="list-style-type: none"><li>• Road, tunnel and community courtyard LED lighting products</li><li>• LED lighting management controller and power supply modules</li></ul>

Further information relating to our products is set out in the sub-section headed “Our Products and Services” below.

We have obtained patents and have developed our technologies in relation to the development of electrical DC products, including technologies regarding power transmission, storage and release and regarding inversion between AC and DC. We are also dedicated to the development of new products based on our understanding of the power electronic market. Our new products are developed leveraging upon, among other purchased technologies, the technology we have developed for use in our electrical DC products. We plan to sell and market our new products, namely, our power grid monitoring and management product series and charging equipment for electric vehicles, and wind and solar power generation balancing control products to a target customer base which will overlap to a significant extent with our existing customer base for our electrical DC products. The core parts of our Group’s high-power LED products are the control components and the driver, both of which are types of power electronic equipment. The control components mainly deal with electrical current power inversion, storage and control in LED lighting systems, and the driver is controlled by the high frequency constant current and power showing no flash, the power factor of which reaches a certain level without causing pollution to the grid.

We believe that the growth of our Group is attributable to our continued research and development in our technology and to our management’s understanding of the market. Details of our core technologies are set out in the paragraph headed “Advanced core technologies and research and development capabilities” in the sub-section headed “Competitive strengths of our Group” under the section headed “Business” in this prospectus. Details of our patents and patent applications are set out in the sub-section headed “Intellectual property rights of our Group” in the section headed “Statutory and general information” in Appendix V to this prospectus.

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## BUSINESS

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Our key products are made-to-order. Our Directors believe that this reduces our exposure to inventory risk. Apart from selling complete systems of products and equipment, we also sell core parts, including modules and micro-computer control parts, and control software to customers for use with customers' own systems.

Most of our products are sold under the "Titans" brand. In certain regions where we have no presence and/or have not established strong relationships with end users, we provide OEM parts to manufacturers in such regions. Our OEM sales accounted for less than 0.2% of our total sales during the Track Record Period. We believe that the OEM business allows us to make use of our Group's technical strengths, and indirectly expand our market share and improve our profitability.

The majority of our Group's total turnover during the Track Record Period was attributable to sales of the Group's electrical DC products. Our major customers are enterprises investing in power infrastructure such as power plants and transforming stations, and other corporate users. We believe that there will be growing demand for our new products including charging equipment for electric vehicles, power grid monitoring and management products, wind and solar power generation balancing control products and high-power LED lighting products.

In addition to the sale of our self-developed electrical DC products, we also sell, on a non-exclusive basis, PASS products sourced from an Italian manufacturer of power and automation technology products. The Italian manufacturer was one of our major suppliers during the Track Record Period. Purchases from such Italian manufacturer accounted for approximately 7.11%, 10.69% and 25.16% of our total purchases during each of the years ended 31 December 2007, 2008 and 2009 respectively.

During the Track Record Period, our total turnover grew from approximately RMB144,404,000 in 2007 to approximately RMB175,338,000 in 2008. Net profit attributable to the owners of the Company grew from approximately RMB34,155,000 in 2007 to approximately RMB38,812,000 in 2008, and further grew to approximately RMB54,106,000 in 2009.

### COMPETITIVE STRENGTHS OF OUR GROUP

We consider our Group possesses the following competitive strengths:

***Established presence in the power electronic products industry and an experienced management team***

Our senior management team has extensive experience in and an in-depth understanding of China's power electronic products market. Some members of our senior management have over 10 years of industry experience. Based on our management's market knowledge and technical expertise, we believe that we have a good understanding of the position and trend of the domestic market and relevant technologies, as well as the needs and preferences of our customers (which include major enterprises such as power plants and power grid companies). Also, we have standardised our

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workflow, including setting up our “itinerant technical liaison system”, pursuant to which our technology department personnel are required to visit our customers to liaise with them and collect information concerning customers’ technical standards requirements and other specific requirements as well as to collect their feedback on our products. In addition, we organise meetings with customers to introduce our new products. By implementing the aforesaid measures, we believe that our customers have a better understanding of our products and services and we have a better understanding of our customers’ needs.

After years of operation in the power electronic products industry, our Group has an established position in the market, as evidenced by the following achievements. In terms of the recognition of technological expertise, our Group participated in the drafting and formulation of national standards for DC power products in the PRC. In terms of market, our Group has supplied electrical DC products to and established business relationships with a number of national and provincial power grid companies and large state-owned enterprises in China involved in power generation, and in industries which are large consumers of electrical power such as railways, the petrochemicals industry and the water supply and treatment industry. In terms of reputation, our “Titans” trademark has received wide recognition in the industry and has been accredited as a Guangdong Reputable Trademark.

With the efforts of our management and staff, our Group has won a number of recognitions and awards including Titans Technology being recognised as a High and New Technology Enterprise since 2000 by Guangdong Science and Technology Department, Guangdong Financial Department, Guangdong State Tax Bureau and Guangdong Local Tax Bureau, and our Group has supplied products used in the construction of certain major domestic projects, such as the transforming stations at a Satellite Launch Centre, the Qingzang Highland Railway, a city railway system, the “South to North water transfer” project, and providing charging systems for electric vehicles used at the 2008 Beijing Olympic Games venues and the Expo 2010 Shanghai China. We believe the products of our Group are well-regarded in the market.

### ***Product planning and diversified product portfolio***

Based on the technology and experience gained from the research and development work carried out on our electrical DC products, our Group has over the past four years developed our power grid monitoring and management products, charging equipment for electric vehicles, wind and solar power generation balancing control products and high-power LED lighting products.

The development of these new products is based on the technologies we have developed in connection with our traditional electrical DC products. Through the development of our electrical DC products, our Group has developed our core technologies and has built up a team of experienced technicians.

We will continue to carry out research and development, promotion and marketing of our new products in the future.

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We believe that the synergies that we enjoy as a result of our diversified product portfolio, our ability to apply the Group's accumulated technological expertise to new products and the significant overlap in target customer bases between certain of our product lines will facilitate our overall on-going growth, improve our profitability and lay a good foundation for our continuing development. Furthermore, we believe our current product development plan will provide us with a more diversified revenue base and gradually reduce our reliance on a single product group and thereby reduce our risk profile.

### *Advanced core technologies and research and development capabilities*

Titan Technology and Zhuhai Titans are accredited as high and new technology enterprises in the PRC by the Department of Science and Technology of Guangdong Province based on assessment of their business scope, intellectual property rights, and research and development activities.

Our core technologies mainly include power electronic, automation control and software technologies, such as "dual soft switch technology", "planar matrix transformer technology", "synchronous dual-rectifying technology" and "integrated power monitoring and management technology". We have obtained 31 patents and have applied for another 11 patents in the PRC. In addition, our Group has obtained 13 software registration certificates and 13 computer software copyrights. Please refer to the section "Appendix V — Statutory and General Information" in this prospectus for details. We believe our strong technical capabilities have helped us develop and will enable us to continue to develop technologically advanced power electronic products with reliable quality at reasonable prices.

We have established a research and development team specialising in the improvement of our existing products and the development of new products. Our research and development team mainly focuses on three areas, namely power electronics, automation control and software engineering. As at the Latest Practicable Date, our research and development team comprised approximately 75 members, of whom 89% received tertiary education and 44% have more than 5 years' experience in the power electronics industry. For the three years ended 31 December 2007, 2008 and 2009, our research and development expenses amounted to approximately RMB4,491,000, RMB8,041,000 and RMB9,156,000 respectively, representing approximately 3.1%, 4.6% and 4.2% respectively of our sales during the relevant years.

By 2000, we have participated in two technology development projects at the invitation of the State Grid Corporation of China in relation to our GZDW series of products and our GCFW series of products respectively, both of which are part of our electrical DC product series. Our Titans Technology's research and development center was accredited as a "Zhuhai Key Enterprise Technology Center" by Zhuhai Economy and Trade Bureau in November 2003.

Our Group believes that our strong product research and development capabilities are attributable not only to the technical expertise of our research development team, but also to the way in which we manage our research and development projects. Our Group has developed standardised rules and programmes including "Rules for Management of Research and Development Projects",

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“Rules for Management of Remuneration for Research and Development Projects” and “Rules for Management and Allocation of Funds for Research and Development Projects”. These rules cover the way in which we manage all important areas of our research and development efforts, including funding allocations, project development and incentive plans. According to these rules and programmes, our Group’s product research and development and commercialisation programs comprise six phases, namely concept development, planning, product development, testing, trial production and commercial production.

In view of the above, we believe that we have competitive advantages in terms of technology.

### *Solid customer base and extensive sales network*

Major end-users of our electrical DC products include:

- power grid companies;
- power plants including coal, hydropower and wind power plants;
- enterprises including petrochemical businesses, transportation, water treatment, metallurgy and coal mining enterprises; and
- other enterprises with their own electricity transforming stations.

Sales of our electrical DC products represented approximately 87.95%, 75.46% and 60.45% respectively of our Group’s total sales for each of the years ended 31 December 2007, 2008 and 2009 respectively.

Our Group began the sale of our electrical DC products in 1995. Excluding sales to the sales partners, our Group has over 10 years of business relationships with 18 provincial power grid companies (the sales from such customers represented approximately 24.94%, 15.02% and 16.78% respectively of our sales for the three years ended 31 December 2007, 2008 and 2009), over five years of business relationships with 28 provincial power grid companies, including the said 18 provincial power grid companies, (the sales from such customers represented approximately 42.24%, 32.62% and 26.55% respectively of our sales for the three years ended 31 December 2007, 2008 and 2009), and over three years of business relationships with 29 provincial power grid companies, (including the said 28 provincial power grid companies) (the sales from such customers represented approximately 42.25%, 32.72% and 26.63% respectively of our sales for the three years ended 31 December 2007, 2008 and 2009). Our Group has also supplied electrical DC products to over 25 enterprises engaging in infrastructure projects such as power stations, railways, and water supply and treatment and with major business enterprises engaged in industries such as refinery, petrochemicals and coal mining during the Track Record Period (the sales from such customers represented approximately 12.16%, 19.97% and 13.87% respectively of our sales for the three years ended 31 December 2007, 2008 and 2009). In view of the above, the Directors believe that our Group has established stable business relationships with many customers.

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We believe that our well-established customer base provides our Group with a stable base of core customers to which we can market both our traditional products and our new products.

Our Group has established a sales network covering various provinces in China. Our sales team comprised 23 sales representatives and 12 other sales staff covering 30 provinces, autonomous regions and direct-controlled municipalities in the PRC as at the Latest Practicable Date. We believe that our broad sales network enables our Group to promote our products and services to customers across the vast majority of the PRC.

### *Comprehensive, client-oriented and effective management*

We have designed our own workflow system to manage our production process. Our Group was awarded a quality management certificate from Shenzhen Huantong Certificate Centre in January 2005 certifying our compliance with the GB/T 19001-2000 - ISO 9001:2000 standard for product research and development, design, manufacturing and services. Most of our products are made-to-order based on our client's specifications. With a view to ascertaining more fully the client's requirements and better formulating a plan for the design, production, installation and after-sales support in respect of our product offering, we may send representatives from our marketing or technical department to visit our clients. We provide a warranty period of not less than one year to our customers supported by our customer service team which comprises more than 40 staff.

We believe that our effective management and client-oriented approach will enable us to continue to attract new customers and to capture additional business from our existing clients.

### *Demand for electrical DC products driven by growing power demand*

The PRC's energy sector is the largest and fastest growing energy sector in Asia. During the period from 2001 to 2005, annual growth of the PRC's gross domestic product averaged about 10%, whereas power generation growth averaged about 13% per year over the same period. By the end of 2007, the total installed generating capacity in the PRC amounted to 718 gigawatts. Based on the China Statistical Yearbook 2008, China invested RMB549.2 billion in relation to electricity infrastructure in 2007, representing a growth of 3.9% over 2006. In 2007, an additional 100 million kW of new electricity generating facilities were built in the PRC. Power grid coverage in China has also been increasing significantly. Power grid coverage of over 220 kV increased 41,462 km in China in 2007, representing an increase of 6,618 km over the amount by which coverage increased in 2006. The capacity of power transforming capability of over 220 kV also increased 188.48 kVA in 2007 in the PRC, representing an increase of 3,500 kVA over the amount by which it increased in 2006.

The Eleventh Five-Year Plan of China includes strategies and programs to promote power grid development in rural areas and other urban infra-structure developments (including promoting extra-high-voltage power grids, widening power grid coverage, promoting effective power allocation management, and power grid real-time monitoring and management) and to promote the construction of railway power grids and other specialised power grids during the period from 2006 to 2010.

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Our Directors believe that there is still large demand for power supply in China as a result of the continued growth of the economy. This is expected to result in increasing demand for more effective and efficient power systems as well as for monitoring and energy saving technologies and products. Our Directors believe that our Group's products, including our electrical DC products and power grid monitoring and management systems will be able to benefit from the market opportunities generated by such growth.

### *Growth of demand for energy saving products and renewable energy products*

Whilst energy fuels economic growth and poverty reduction, the inefficient use of energy induces accelerated resource depletion and may exacerbate environmental damage. The PRC government's commitment towards improving energy efficiency and conservation is reflected in its target of quadrupling the PRC's per capita gross domestic product over the period from 2000 to 2020 while only doubling the total level of energy use over the same period. In furtherance of the PRC's prioritisation of improving energy efficiency, the National Development and Reform Commission in 2006 launched a major program to improve energy efficiency in the 1,000 largest enterprises in the PRC, which together are estimated to consume approximately one-third of the PRC's primary energy. This group of 1,000 enterprises includes some of the largest consumers of energy in the energy supply sector (such as the coal, electricity and oil industries) and in the largest energy-consuming industrial sub-sectors (including, for example, the iron and steel industries). Under this program launched by the National Development and Reform Commission, each of the 1,000 enterprises will agree to an energy efficiency improvement plan and the energy usage of each enterprise will be monitored.

According to the Eleventh Five-Year Plan (which covers the period from 2006 to 2010), the Economy Stimulus Plan issued by the State Council and the Eleventh Five-Year Plan for the electronics industry. These plans indicate that China will not only accelerate the construction of power transmission and transformation facilities, but will also accelerate the demand for alternative energy equipment and energy saving equipment in relation to the construction of power facilities, such as replacing old power transmission facilities with more efficient facilities and to some extent with wind and solar power generation equipment. These plans also envisage the introduction of comprehensive power grid monitoring and management systems and the construction of charging stations for electric vehicles. We believe that the sustained growth of demand for power in China not only provides on-going opportunities for the continuing growth of sales in our traditional electrical DC products, but also provides an encouraging market opportunity for our new products.

We have commenced trial or small-scale-production of some new products, including our charging equipment for electric vehicles, power grid monitoring and management products in renewable energy and energy-saving sectors, and wind and solar power generation balancing control products. We believe that we are well-positioned to capitalise on business opportunities in this growth market.

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### OUR BUSINESS STRATEGIES

Our Group's strategy is to continue to strengthen the market position of our existing products and services in the PRC, and to promote our new products and develop new markets. Our new products include charging equipment for electric vehicles, power grid monitoring and management products, high-power LED lighting products and wind and solar power generation balancing control products.

Our business strategies are as follows:

#### **Consolidate the market position of our existing products and continue to build-up our brand image**

We have established a solid customer base of large power enterprises in China. We plan to enhance the Company's overall competitiveness through the implementation of a series of strategies to continue to build up our brand, enhance our overall competitiveness and consolidate our market position (which may involve engaging a professional consultant to advise and improve our organisation structure, management and operational efficiency and staff remuneration structure subject to the then conditions and terms of engagement). We may also consider acquiring technologies, projects or business complementary to the existing business of the Group which we will actively identify.

As at the Latest Practicable Date, we have not identified any specific acquisition or investment targets nor entered into any legally binding agreement or arrangement relating to the same. However, in the process of selecting acquisition or investment targets, we will consider whether the targets are carrying on a business which is complementary or synergetic to our business, the prospects of expanding of our market share and their market recognition.

#### **Continue to strengthen research and development of products**

We will continue to strengthen our research and development capabilities, in respect of our existing product portfolio and potential new products, including (i) devoting further resources (human resources, equipment hardware and software) for the development of our products; (ii) enhancing our core technologies and their applicability and reliability in view of the developing market requirements; (iii) cooperating with research institutions to develop new technologies and products; and (iv) expediting the commercialisation process of our research and development work through a series of our research and development process and results review. We intend to continue to ensure that our products are developed to satisfy the actual needs of our customers. Technology has been developing rapidly; our management will keep abreast of development trends and the activities of other manufacturers in the power electronic equipment sector in order to maintain our Group's position as one of the technology leaders in the market.

Whilst we will continue to develop our own research and development team, we plan to cooperate with other research institutions in respect of our product and technology development in order to leverage on their knowledge and expertise. We will discuss with the appropriate research institutions regarding our research and development plan when appropriate opportunities arise.

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### **Strengthen sales and develop new opportunities**

In respect of sales, our objectives are, first, increasing the market share of our existing products, and, secondly, developing and marketing our new products (including our power grid monitoring and management products, charging equipment for electric vehicles, wind and solar power generation balancing control equipment and high-power LED lighting equipment). We plan to enhance our marketing ability by carrying out more marketing activities such as attending related technology or product conferences, exhibitions and seminars, advertising or making press releases in technical magazines or Internet websites in 2010 to 2012. We also intend to expand our marketing channels through the establishment of around 10 new representative offices with about 20 additional staff in different cities in the PRC such as Shanghai, Xian, Chengdu to promote our new products.

Electric vehicles offer a potential solution to the adverse effect of the internal combustion engine on urban pollution and the generation of greenhouse gases. We believe that the electric vehicles industry has tremendous potential for growth. We maintain a close watch on developments in the electric vehicles market. We intend to continue to develop our range of products for use in connection with the charging of the batteries used in electric vehicles with a view to establishing a leading position in this sector in the PRC.

We shall continue to develop further and improve our products in the energy efficiency and energy saving sectors of the market. Given that the PRC government has prioritized these sectors, we believe that there exists excellent growth prospects for products such as our power grid monitoring and management products, high-power LED lighting products and our wind and solar power generation balancing and control products.

We will continue to pay close attention to the energy-related policies and programs adopted by the PRC government to ensure that our products will be positioned to benefit from the market opportunities arising from such policies and programs. We will also continue to enhance the promotion of our products in the energy efficiency and energy saving sectors.

### **Enhance production capability**

We believe that with an increased production capacity we will be able to enjoy better economies of scale. We will also place increased emphasis on improving labour productivity and on cost control. We will also endeavour to cooperate with upstream and downstream manufacturers (including cooperation in relation to the production of parts and whole systems), with a view to establishing strategic relationships with partners occupying complementary positions in the production chain. The development of such relationships should provide us with the flexibility to expand our capacity to supply products to customers rapidly in a cost efficient manner, enabling us to concentrate our resources on the development of our core products.

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In addition, we are planning to build a new plant to enhance our production capacity and have applied to acquire a piece of land located in the Economic Development Zone of Heng Qin, Zhuhai in December 2006 for this purpose. In the same month of our application, the management committee of the Economic Development Zone agreed to our plan to set up our facilities in the Economic Development Zone. We submitted a revised proposal to the management committee of the Economic Development Zone in July 2009. The application is still subject to approval of 珠海橫琴新區公共建設局 (Public Construction Bureau of Zhuhai Hengqin New Area). The size and exact location of the land which the Company may acquire have not been determined. Based on our communications with the relevant officers of the Heng Qin Economic Development Zone, we estimate that we may be able to obtain the approval for our production plant development in the Heng Qin Economic Development Zone by the end of 2010. However, there is no assurance that our application will be approved or when it will be approved. If our application for the land acquisition is not approved or we otherwise decide not to build our new plant in the Economic Development Zone of Heng Qin, Zhuhai, we will identify another suitable place for the expansion of our production facilities. As at the Latest Practicable Date, our Group has not entered into any contract or agreement in respect of the above possible acquisition of land or construction of new production facilities.

### OUR PRODUCTS AND SERVICES

Our power electronic products are divided into five principal categories: our electrical DC product series (which comprise our principal products), power grid monitoring and management products, charging equipment for electric vehicles, wind and solar power generating balancing control products and high-power LED lighting products.

As stated above, the Group's various products share a similar technology base and/or similar target customer group. The table below sets out details about our products.

Product	Product name	Major use and major application	Target customers/users	Month of first sales contract in respect of the product
Electrical DC product series	• High frequency switch DC power supply systems	Supplying relevant equipment for transforming stations with 220V or 110V DC power sources  For use in transforming stations and power generation plants using various voltages	Enterprises such as power generation companies, power grids, railways, petrochemical companies and water companies	June 1995

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Product	Product name	Major use and major application	Target customers/users	Month of first sales contract in respect of the product
	<ul style="list-style-type: none"> <li>• High frequency switch communication power supply systems</li> </ul>	<p>Supplying relevant equipment for transforming stations with 48V or 24V DC power source</p> <p>For use in transforming stations and power generation plants using various voltages</p>	Enterprises such as power generation companies, power grids, railways, petrochemical companies, and water supply and treatment companies	July 1998
	<ul style="list-style-type: none"> <li>• UPS for power companies</li> </ul>	<p>Supplying relevant equipment for transforming stations for the purpose of supplying uninterruptible AC power sources</p> <p>For use in transforming stations and power generation plants using various voltages</p>	Enterprises such as power generation companies, power grids, railways, petrochemical companies, and water supply and treatment companies	September 2005
Power grid monitoring and management products	<ul style="list-style-type: none"> <li>• Power source and dynamic environment control systems</li> </ul>	<p>Monitoring and real-time transmission of operational data of power equipment and environmental factors (temperature, humidity, smoke and fog, water and fire) and access control</p> <p>For use in transforming stations using various voltages</p>	Enterprises such as power grid companies and other power transforming stations	November 2006

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Product	Product name	Major use and major application	Target customers/users	Month of first sales contract in respect of the product
	<ul style="list-style-type: none"> <li>• Transforming stations and high voltage grid online monitoring systems</li> </ul>	<p>Monitoring and real-time transmission of operational data of transforming stations and high voltage grid insulation</p> <p>For use in transforming stations using various voltages</p>	Power grid companies	July 2005
	<ul style="list-style-type: none"> <li>• Electricity quality online monitoring devices</li> </ul>	<p>Monitoring and real-time transmission of electricity quality data, including users' voltage, current, harmonics, flicker and transient state, as well as determining electricity quality and status</p> <p>For use in transforming stations using various voltages</p>	Power grid companies	December 2008
	<ul style="list-style-type: none"> <li>• Power grid monitoring and management and energy saving devices</li> </ul>	<p>Improving the electricity quality by solving the problems of reactive compensation and harmonic control in power grids</p>	High energy consuming industrial users	January 2008
Charging equipment for electric vehicles	<ul style="list-style-type: none"> <li>• Charging stations for electric vehicles</li> </ul>	<p>Providing charging stations with a power charging source for charging electric vehicles</p>	Power grid companies and other enterprises investing in the construction of charging stations	March 2008

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Product	Product name	Major use and major application	Target customers/users	Month of first sales contract in respect of the product
	<ul style="list-style-type: none"> <li>• Built-in charging equipment for electric vehicles</li> </ul>	Managing electric vehicle battery charging	Electric vehicle manufacturers	Not started
	<ul style="list-style-type: none"> <li>• Mobile charging equipment for electric vehicles</li> </ul>	Providing mobile charging stations with a charging source	Power grid companies and other enterprises investing in the construction of charging stations for electric vehicles	March 2008
Wind and solar power generation balancing control products	<ul style="list-style-type: none"> <li>• Off-grid balancing control devices</li> </ul>	For use in connection with supplying solar or wind power to entities not connected to a power grid	Power grid companies	December 2007
	<ul style="list-style-type: none"> <li>• Shunt balancing devices</li> </ul>	Controlling equipment for wind and solar power generation systems connected to power grids	Enterprises investing in shunt wind and solar power generation equipment	July 2007
High-power LED lighting products	<ul style="list-style-type: none"> <li>• Road and tunnel LED lighting products</li> </ul>	Road lighting	Utilities, road administrations and relevant authorities	March 2008
	<ul style="list-style-type: none"> <li>• Community courtyard LED lighting products</li> </ul>	Courtyard lighting	A wide range of businesses and other organisations	March 2008

We target to sell our products directly to the target customers or contractors of the target customers' projects. Our sales are mainly based on specifications of our customers'/users' projects and are not recurring. However, we consider that an established business relationship with a customer will help us procure further sales to the customer in respect of its other projects.

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The sales of our Company's six categories of products during the Track Record Period are as follows:

	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Electrical DC products	127,002	132,317	130,840
Power grid monitoring and management products	4,030	7,484	16,231
Charging equipment for electric vehicles	—	4,565	15,157
Wind and solar power generation balancing control products	6,034	7,010	—
High-power LED lighting products	—	3,181	8,758
PASS products	7,338	20,781	45,466
	<u>144,404</u>	<u>175,338</u>	<u>216,452</u>

### Electrical DC Products

#### *Background of product demand*

Our electrical DC products constitute our major line of products and major source of income. This product line comprises high frequency switch DC power supply systems, high frequency switch communication power supply systems and UPS for power companies. These products perform important functions in the whole process of transmitting electricity from power plants to users. In the process of transmitting power to end users through the power grid, electricity will pass through the transforming stations in order to reduce the voltage to a level suitable for end-users' consumption. DC power systems are usually used for power plants and transforming stations to convert energy from AC to DC in order to (i) provide DC electricity to devices in the power generation plants and transforming stations and (ii) store back-up electricity in batteries to maintain a stable supply of electricity to the power plants and transforming stations in the event of power failure or temporary suspension. Power monitoring equipment facilitates monitoring, control and protection in the power generation process, and in respect of power supply and power consumption.

Power supply for individual and industrial users is mostly in AC form, and one of the key facilities in the process of power supply to users is electricity transforming. If a transforming station fails to operate due to power failure, it may result in power being cut off to end users (this can be a significant problem for end users such as hospitals, factories and so forth). To avoid the occurrence of such an event, critical equipment at a transforming station must operate without interruption in the case of a loss of power supply from the power grid. DC generated by a battery unit can provide power until the battery unit is exhausted in the event of a loss. For this reason, certain critical facilities at a transforming station are powered by DC.

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Our electrical DC products are installed in power plants and transforming stations. When AC power enters a transforming station, it will pass through our electrical DC products which will invert AC power to DC power such that electricity can be stored in batteries as back up. Our electrical DC products have internal batteries to ensure that continuous power, in both AC and DC forms, is available to the transforming station even if the power supply to the transforming station from the grid is disrupted. Our electrical DC products help ensure continuous power supply to transforming stations in the case of a power failure. In addition, our electrical DC products power system can convert AC power to DC power so that certain devices at power generation plants and transforming stations can be provided with DC power from an AC power supply by means of our DC power system.

### *Product description*

Our high frequency switch DC power source systems provide 220V or 110V direct current which are the standard voltages in the PRC for relevant equipment at transforming stations. Our high frequency switch communication power source systems provide 48V or 24V direct current for certain key equipment (mainly communication equipment) at transforming stations. Our UPS for power companies is designed to provide a back-up alternating power supply to maintain normal operation of electric appliances in the case of any abnormal operation of power grids such as power failure, voltage drop or supply interruption.

In addition to the sale of our electrical DC products in the form of a whole system set, the Group also supplies modules, which are a core component of our electrical DC products, to other enterprises including other DC product manufacturers in certain regions of the PRC where the Group does not have a well-established market presence. Furthermore, we also separately sell a series of system control software products which is used for power electronic systems integration and automation.

We do not provide any installation and testing services in some cases in connection with our software sales and this helps to reduce our cost of sales.

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Below are illustrative images of some of our electrical DC products.



### *Customer base*

During the Track Record Period, our Group's electrical DC products were sold to customers in the PRC, while some of our customers used our products in overseas projects. As we manufacture most of our electrical DC products on a project basis, our sales were accordingly determined by the number of projects successfully bid for and awarded to our Group.

Our Group's major products, the electrical DC products, are primarily supplied to and used by power plants and transforming stations (including those owned by the local governments and power companies such as, among other companies, 中國華電工程(集團)有限公司 (China Huadian Electricity Engineering (Group) Limited\*), 北京國電龍源環保有限公司 (Beijing Guodian Longyuan Environment Protection Company Limited\*), 山西大唐國際神頭發電有限公司 (Shanxi Datong International Shen Tou Electricity Generation Company Limited\*), 江西中電投新昌發電有限公司 (Jiangxi China Power Investment Xin Cheong Electricity Generation Company Limited\*), Jingyuan Second Power Co., Ltd and Gansu Touhe Hydroelectric Development Co., Ltd.) as well as other large energy consuming companies, including medium to large scale enterprises including railways, petro-chemical plants, and in enterprises of the coal and metallurgy sectors in China. According to the statistics published by 中國電力科學研究院高壓開關研究所 (the High Voltage Switch Research

*\* for identification purposes only*

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Institute of the China Electric Power Research Institute\*) in June 2009, that in the three years prior to the issue of the statistics our Group's key products, the GZDW Series and GCFW Series (both of which are major products within our electrical DC products) ranked among the top three in terms of the sales of similar products in the PRC. The High Voltage Switch Research Institute of the China Electric Power Research Institute is a special institute that provides comprehensive technological support to the State Grid Corporation of China in respect of high voltage switches, and is mainly engaged in among other things technological research, examination and testing of high voltage switches. In addition, we have supplied electrical DC products for some major projects in the PRC. The Directors believe that our involvements in these projects evidences the quality of our products and services as well as our market position. The table below sets out details of the Group's supply of products for use in a number of key projects in the PRC:

Project name	Category of products supplied by the Group	Customers	Contract sum	Month of agreement
Transforming stations at a Satellite Launch Centre	Electrical DC products	南京南瑞繼保工程技術有限公司 (Nanjing Nan Rui Ji Bao Engineering Technology Co., Ltd.*) 北京航天興科高新技術有限公司 (Beijing Aerospace Xing Ke Gao Xin Technology Co., Ltd.*) and two other independent third parties	RMB1,097,200	Between August 2002 to October 2003
The 750 KV transforming station in Lanzhou	Electrical DC products	西北電網有限公司 (Northwest Power Grid Co., Ltd.*)	RMB570,000	March 2004
Section I of the Qingzang Highland Railway	Electrical DC products	中鐵一局集團物資工程有限公司 (China Railway First Bureau Materials Engineering Group Co., Ltd.*)	RMB3,028,240	May 2004
The Tianjin subway project	Electrical DC products	天津市地下鐵道總公司 (Tianjin Metro Railway Corporation*) 天津市地下鐵道運營有限公司 (Tianjin Metro Railway Businesses Co., Ltd.*)	RMB3,771,600	December 2003 and June 2007
South to North water transfer project	Electrical DC products	河北省南水北調工程建設管理局 (Hebei Province Southern Water Northern Shifting Project Construction Authority*)	RMB1,488,800	April 2007
Laxiwa hydroelectric power plant at the Laxiwa Dam (which is scheduled for completion in 2010)	Electrical DC products	黃河上游水電開發有限責任公司 (Huang He Upstream Hydropower Development Co., Ltd.*)	RMB3,055,520	August 2007

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Project name	Category of products supplied by the Group	Customers	Contract sum	Month of agreement
Hydroelectric power plant at Pu Bu Gou of Da Du River, Si Chuan	Electrical DC products	國電大渡河流域水電開發公司 (Guodian Da Du River Hydropower development Co., Ltd.*)	RMB6,774,140	December 2007
Transforming station at Jin Shui Wan of China Three Gorges	Electrical DC products	中國長江三峽工程開發總公司 (China Chang Jiang China Three Gorges Project Development Co., Ltd.*)	RMB312,640	August 2009

### **Power Grid Monitoring and Management Products**

#### *Background of product demand*

The PRC government has over recent years implemented several policy initiatives to promote power grid efficiency and energy saving. This has created a huge potential for the growth of the market for power grid monitoring and management products. Power grid monitoring and management technology can improve the power supply quality of the grid, reduce losses due to electricity supply problems and reduce the negative impact on end-users of power supply disruptions. Enhancing efficiency in the supply of power will result in energy savings and will help to make power grids “greener”.

The State Grid Corporation of China issued a notice in May 2009 stating its plan to conduct research and experiments on the technology for the monitoring and management of electricity energy quality at various regional power grid companies across the PRC.

Grid pollution adversely affects the safety and reliability of the operation of power grids. It also may result in problems such as (1) serious hazard to electricity users and their devices, such as the possible interruption to the normal operation of electric devices including, for example, communication devices and computers which may experience data loss; (2) increase in power dissipation of power supply systems which reduces the power utilization efficiency; (3) malfunction of electric automated devices such as traffic lights which may result in serious accidents; (4) accelerated ageing of electric equipment; and (5) abnormalities in industrial production which in turn may lead to product quality problems.

There are in general two steps to achieve a high-quality power supply. First the supply must be monitored. By collecting and analyzing the power quality conditions through special devices any problems affecting power quality may be identified. Secondly, management control systems must be in place to react to any problems identified.

*\* for identification purposes only*

### *Product description*

Our “power quality on-line monitoring system”, one of our power grid monitoring and management products, is a device that conducts real-time on-line monitoring of the operational status of a power grid, and is able to provide analysis for power quality monitoring and management with different voltages and systems. This system can conduct simultaneous monitoring and analysis on various operating parameters of a power grid.

Our “power supply and dynamic environment monitoring system”, another power grid monitoring and management product of ours, is a system that conducts real-time on-line monitoring of the operational status of a power supply system and the temperature, humidity, waterlogging, fog, access control and air-conditioning at transforming stations. Our “transforming station and high-voltage transmission circuit on-line monitoring system” provides online monitoring and analysis of the effectiveness of the external insulation of a high-voltage transmission line or a transforming station.

Our “power grid energy saving and control device”, one of our newly-developed power grid monitoring and management products, is designed mainly to solve problems in respect of re-active compensation and harmonic waves in order to improve power quality and utilization efficiency.

Our various power grid monitoring and management products can be used in different combinations to provide power quality control solutions for power companies or energy consumers enabling them to enhance electricity safety and energy efficiency.

Below are illustrative images of some of our power grid monitoring and management products.



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### *Customer base*

Target customers of our power grid monitoring and management products including our “power quality on-line monitoring systems”, “power supply and environment monitoring systems” and “transforming station and high-voltage transmission circuit on-line monitoring systems”, mainly comprise power grid companies in China. During the Track Record Period, our customers for these products included municipal power grid companies in Sichuan and Henan Provinces and power grid companies in regions such as Shanxi and Fujian provinces. We sell our power control and energy saving products to those production enterprises which have a relatively high demand for quality energy such as steel mills, petrochemical plants, non-ferrous metal processing plants and precision material manufacturing enterprises.

The Directors believe that our target customers for our electrical DC products and power grid monitoring and management products overlap to a significant degree. Thus, we adopt a strategy to market our power grid monitoring and management products by leveraging on our existing stable customer base for our electrical DC products.

The Group plans to promote our “power quality on-line monitoring systems” and “power grid energy saving and control device” in the next two years through a series of enhancements of our marketing efforts and product development efforts as described in more detail in the section headed “Our business strategies” above in this prospectus.

### **Wind and Solar Power Generation Balancing Control Products**

#### *Background of product demand*

Wind and solar energy is an important source of renewable energy. It is green, safe and represents a practically inexhaustible power source. Because weather conditions and wind speed may change, the level of electricity generated by wind turbines and solar cells is sometimes not stable. Power generated by wind turbines and solar cells has to be treated through balancing and controlling equipment, before electricity can be transmitted into public power grids or to power electrical appliances or equipment. We have developed our wind and solar power generation balancing control products to control and balance the energy generated by wind turbines and solar cells.

#### *Product description*

Our wind and solar power generation balancing control products are developed based on our technology developed from our electrical DC products. This product line comprises two product series, being off-grid power generation balancing control devices and shunt power generation balancing control devices.

Our Group’s off-grid power generation balancing control devices can facilitate the supply of electricity power to remote areas where no power supply from a power grid is available. Our product enables any surplus power from wind and solar power generation to be stored in batteries, which can

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supply power when there is no wind or sunlight. Currently we have models in this product line, ranging from 1 kW to 1,000 kW, which are mainly designed for use in individual homes or communities. We believe that off-grid power generation is an important tool to expand electrical power supply coverage and provide lighting in remote areas.

The Group started in 2007 to supply off-grid power generation balancing control devices to customers in Guangdong, Sichuan and Guangxi provinces on a small scale.

In addition, our shunt power generation balancing control devices can transmit surplus electricity generated to public power grids. We currently have two models in this product line, 3kW and 5kW, suitable for use in individual homes. This device facilitates the supply of electricity to users and enables the users to sell the surplus electricity generated by the relevant wind or solar power generation systems to the public power grid to which they are connected.

We are continuing our product development work on this category of products.

We bid for a few number of projects in respect of the supply of our wind and solar power generation balancing control equipment in the year 2009 and won one of the tenders pursuant to which we are expected to deliver our products in 2010.

We intend to continue to promote our off-grid power generation balancing control devices to the market, and improve the function and range of models of our shunt power generation balancing control devices in the next two years. The Group intends to commence our pilot marketing and selling activities in respect of our shunt power generation balancing control devices over the course of the next two to three years including through our existing sales force and the new representative offices to be set up and more product demonstration in conferences and seminars. Please refer to the section headed “Our business strategies” above in this prospectus for further details of our plan in respect of our marketing plans and product development plans.

Below are illustrative images of some of our wind and solar power generation balancing control products.



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### *Customer base*

Our off-grid power generation balancing control devices are designed primarily to facilitate the provision of “green” energy to users in remote areas where no power supply is available from a power grid. In the PRC, certain power grid companies are encouraged to supply power to off-grid residents or other power consumers in remote areas of the PRC. Our wind and solar power products can enable those power grid companies to provide power in remote areas at relatively lower costs. Our major customers for our sales of such products during the Track Record Period were power grid companies in the PRC. We also target to sell these products to enterprises for use in remote areas where no power supply from a power grid is available, such as for use in remote base stations for telecommunication equipment, remote oil and gas transmission pipelines and remote water transmission pipelines. Such target customers may also be users of our electrical DC products.

The Group plans to commercially launch our off-grid power generation balancing control devices to the market over the next two years, targeting power grid companies in the PRC.

Based on our understanding of the market, we believe that power grid companies, enterprises and residential end-users may be interested in purchasing our shunt power generation balancing control devices and thus we regard them as our target customers.

During the Track Record Period, we sold our off-grid power generation balancing control devices to power grid companies in regions such as Sichuan and Guangxi provinces on a small scale. Our marketing strategy for such products is to leverage upon our established customer base for our electrical DC products. In addition to promoting such products to this existing client base, we will also promote these products to manufacturers of solar and wind power generating equipment.

On 16 July 2009, the Ministry of Finance, Ministry of Science and Technology of the PRC and National Energy Board jointly issued 關於實施金太陽示範工程的通知 (Notice on the implementation of Golden Sun demonstration projects), pursuant to which the PRC government will provide financial assistance to on-grid and off-grid solar power generating projects, effective from 16 July 2009. The amount of subsidy will be equal to between 50% to 70% of the project investment. Please refer to the section headed “Industry Overview” in this prospectus for more details on “Golden Sun demonstration projects”. The Group believes the implementation of this policy will accelerate the commercialisation process of wind and solar power generation products.

### **Charging Equipment for Electric Vehicles**

#### *Background of product demand*

According to the plan of the State Grid Corporation of China, the use of electric vehicles and other vehicles will be promoted to certain provinces by different means including research and development of battery-capacitor hybrid electric vehicles, showcasing the use of electric vehicles, rolling out of the conversion of conventional vehicles into electric vehicles and other relevant trial projects, construction of charging stations and research on key related technologies, standardisation of batteries and charging related equipment, and supporting policies. In May 2009, the State Grid Corporation of China published a document expressing its support to speed up the construction of

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electric vehicle charging stations in major cities such as Shanghai, Beijing and Tianjin, where such charging stations will become the first batch of showcase charging stations in major cities which can be used for charging electric buses and other public vehicles as well as electric cars. The Directors believe that there are attractive growth opportunities for its products for use with electric vehicles.

In the second half of 2008, the Ministry of Science and Technology of the PRC and the Ministry of Finance of the PRC jointly launched a showcase project in respect of electric vehicles with the aim of making available 1,000 vehicles using alternative energy for trials in ten large or medium sized cities each year for a period of three years. The trials will involve different types of public transportation, such as taxis, public and municipal vehicles and postal delivery vehicles. According to the website of the Ministry of Science and Technology, in February 2009, the Ministry of Science and Technology of the PRC and the Ministry of Finance of the PRC jointly issued the 關於開展節能與新能源汽車示範推廣試點工作的通知 (Notice on Carrying Out Experimental Demonstration and Promotion of Energy-Saving and New-Energy Vehicles) stating that experimental demonstration and promotion of energy-saving and alternative energy vehicles shall be carried out in 13 cities including Beijing and Shanghai and that financial subsidy policies will be introduced to promote the use of energy-saving and alternative energy vehicles in public transportation and taxi services. In March 2009, the State Council issued detailed rules in respect of 汽車產業調整和振興規劃(細則) (the Adjustment and Stimulus Plan for the Automobile Industry), stating that efforts will be made to reform existing production capability and develop a production capacity for 500,000 vehicles alternative energy vehicles utilizing a variety of technologies, achieve a target sales volume of alternative energy vehicles accounting for approximately 5% that of passenger vehicles, and improve the technology levels of specialised parts for new energy vehicles in the PRC to an advanced international level.

### *Product description*

The charging equipment for electric vehicles developed by our Group mainly comprises charging station equipment, mobile charging station equipment and built-in charging equipment. Charging station equipment and mobile charging equipment can be used at charging stations along side public road systems, or be used at other indoor or outdoor facilities such as warehouses, workshops, ports, airports, and tourist sights. Moreover, they can be modified to charge other powered equipment.

Our Group's charging equipment converts AC power into DC power to charge the batteries of electric vehicles. The charging process utilising the Group's equipment is automated.

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Below are illustrative images of some of our charging equipment for electric vehicles.



### *Customer base*

We have been marketing charging stations and mobile charging equipment for electric vehicles since March 2008 to customers in Beijing, Tianjin, Hubei Province, Zhejiang Province and other areas. The customers of our Group include power grid corporations which bought charging equipment for their charging stations, automobile companies which bought ancillary charging equipment for their electric vehicles, environment and sanitation authorities and municipal departments which bought charging equipment for their electric vehicles. We provided customised charging equipment for electric shuttle cars which were used for travel between various games venues at the 2008 Beijing Olympic Games. In 2009, we also provided electric vehicle charging equipment for the Expo 2010 Shanghai China.

Target customers of our electric vehicle charging equipment mainly comprise (1) domestic power grid corporations which are taking steps to build charging stations for electric vehicles in major cities in the PRC; (2) traffic and transportation administrations or transportation companies in various cities which are required to promote the use of electric vehicles above; and (3) automobile or auto-parts manufacturers.

It is our strategy to market these products by leveraging on our existing electrical DC products customer base in particular our good relationships with the power grid companies. We will continue to utilise these established business relationships to promote and market our electric vehicle charging equipment. Please also refer to the section headed “Our business strategies” above in this prospectus for further details of our marketing strategies.

### High-Power LED Lighting Products

#### *Background of product demand*

LED lighting uses light emitting diodes to convert electricity into light. One of the key advantages of LED lighting is its high efficiency, producing more light per watt than traditional lighting and affording an energy saving of approximately 80% compared with traditional incandescent light bulbs. In addition, LED lighting has a comparatively longer life and higher durability as compared with traditional lighting products. LED lighting does not contain mercury and so disposal of expired LED lighting does not pose the same environmental concerns as the disposal of fluorescent lighting products.

#### *Product description*

Technical requirements for high-power LED lighting products in respect of electric current, power control and power driving are stricter than those for traditional lighting products. After years of research and development on power and electronic technologies, we have been able to apply our core technologies to develop of our lighting management control components and high-power LED lighting drivers. In addition, we also have a team of staff focusing on product design. The Group's high-power LED lighting products have passed the illumination tests conducted by 廣東省產品質量監督檢驗中心 (Guangdong Test Center of Product Quality Supervision). The Group owns 8 technology patents relating to LED lighting and we are in the process of applying for 4 additional patents.

Our high-power LED lighting products can be connected to power grids or to wind and solar power systems.

Below are illustrative images of some of our high-power LED lighting products.



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### *Customer base*

The target customers of our high-power LED lighting products include urban project management authorities in cities, property developers and owners of large enterprises. Our sales people will keep contact with the urban project management authorities in different cities and keep abreast of the relevant city development plans and regulatory development with a view to better promoting our products. Please refer to the section headed “Our Business Strategies” above in this section for further details of our marketing plan.

### **Non-self-Developed PASS Products**

In addition to the aforesaid five categories of products developed and manufactured by our Group, our Group, since 2004, has also sold PASS (Plug & Switch System) products, a kind of power transmission switchgear manufactured by an Italian manufacturer. The Italian manufacturer and its beneficial owner(s) are independent third parties.

To the best of our knowledge, we understand that the Italian manufacturer produces and sells power products, power systems, automation products, process automation and robotics in various parts of the world. The Italian manufacturer is one of our major suppliers during the Track Record Period. For the three years ended 31 December 2007, 2008 and 2009, our purchases from the Italian manufacturer amounted to approximately RMB4,987,000, RMB9,504,000 and RMB25,163,000 respectively. We currently do not have any long-term supply contract or distribution agreement with such manufacturer. We source PASS products from the Italian manufacturer on a transaction by transaction basis. In respect of our purchases of PASS and other related products of such Italian manufacturer, we usually are required to settle the purchase in full by letters of credit before or upon FOB (free of board) delivery. The Italian manufacturer will usually provide product warranties for a period of 12 months of operations of the products or up to 18 to 20 months after the products are tested in the factory of the Italian manufacturer in Italy. As advised by our PRC legal advisers, Commerce & Finance Law Offices, we, as a seller of PASS products to our customers, are liable for potential product liability under the PRC laws.

PASS is a kind of circuit switchgear used in transforming stations, which are our major target customers and users. If any abnormal operation of the power grid is detected, PASS products will close the switch and thereby break the connection between the power grid and the transforming stations so that the transforming stations may be protected from any damage which may otherwise be caused by the abnormal power supply.

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Below is an illustrative image of a PASS product.



In connection with the sale of PASS products, we will produce or purchase ancillary equipment, such as controlling modules or other equipment, according to the requirements of the customers, and bundle them with PASS products that we sell. In addition, we also provide installation and after-sales services to our customers in respect of such products. We believe that by bundling ancillary equipment with PASS products and offering installation and after-sales services, we can enhance our profitability and competitiveness in respect of the sale of PASS products.

### SALES PARTNERS

#### Background of the sales partners

Apart from target customers in respect of our different types of products mentioned above, we also sell our products to some sales partners who assist us to promote and market and sell our products, mainly electrical DC products to the above target customers in the power generation and power transmission sectors in the PRC.

During the Track Record Period, we sold our products to 10 sales partners. We worked with nine sales partners in 2007, 10 sales partners in 2008 and nine sales partners in 2009. One sales partner was deregistered in 2009. We did not sell products to all sales partners in each year during the Track Record Period. For the three years ended 31 December 2007, 2008 and 2009, the number of our sales

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partners to which we sold our products were seven, six and seven respectively. All sales partners are corporate entities. Our cooperation with the sales partners was gradually built up as our business developed. Sales partners are corporates in which sales representatives or his family or his business acquaintances have invested which act as intermediaries to sell our electrical DC products. As at the Latest Practicable Date, there were nine sales partners and there were nine sales representatives who had personal/family shareholding interests in the sales partners. We set out below our sales partners and the shareholding interests of our sales representatives in them.

Province/city covered by the sales partner and the relevant sales representative	Sales representative and his shareholding interest in the sales partner	Year of becoming a sales representative	Year when the sales representative became interested in the sales partner	Sales partner
Guangdong	Zhang Tao (10%)	1999	2007	Guangzhou Titans Kai Li Electrical Technology Company Limited
Guangdong	Zhang Tao (10%)	1999	2006	Guangzhou Titans Electrical System Company Limited (note 1)
Guizhou	He Sen (80%)	1999	2004	Guizhou Titans Electrical System Company Limited
Jiangxi	Long Feng (80%) (note 7)	2002	2008	Nanchang Titans Shi Ye Company Limited
Fujian	Fan Xin Quan (90%) (note 5)	2000	2002	Fuzhou Titans Electrical System Company Limited (note 1)
Fujian	Fan Xin Quan (0%)	2000	n/a (note 6)	Fuzhou Titans Electricity Technology Company Limited
Shaanxi (note 2)	Li Yong Yi (50%) Huang Jian (40%)	1997 1997	2004 2004	Xian Titans Technology Company Limited (note 2)
Jinan	Ceng Wei Nian (100%)	2004	2006	Jinan Titans Electric Company Limited (note 3)
Beijing	Ding Yi (100%)	1997	2003	Beijing Titans Yang Guan Technology Development Center
Shanxi	Wang Liang (100%)	1997	2007	Shanxi Titans Technology Company Limited

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*Note 1:* It is our plan that we will not engage Guangzhou Titans Electrical System Company Limited and Fuzhou Titans Electrical System Company Limited as sales partners after we have entered into formal cooperation agreements with Guangzhou Titans Kai Li Electrical Technology Company Limited and Fuzhou Titans Electricity Technology Company Limited.

*Note 2:* Li Yong Yi and Huang Jian are husband and wife and serve jointly as the Group's sales representatives in Shaanxi province. Li Yong Yi and Huang Jian are also responsible for Ning Xia Hui Autonomous Region and Inner Mongolia Autonomous Region. After the Group has entered into a formal cooperation agreement with Xian Titans Technology Company Limited, Xian Titans Technology Company Limited will also be responsible for the marketing of the Group's electrical DC products to customers in Shaanxi province, Ning Xia Autonomous Region and Inner Mongolia Autonomous Region.

*Note 3:* Jinan Titans Electric Company Limited was deregistered in December 2008.

*Note 4:* Apart from the sales partners' shareholding interests in Guizhou Titans Electrical System Company Limited, Nanchang Titans Shi Ye Company Limited and Xian Titans Technology Company Limited, the remaining shareholding interests in the three sales partners are owned by family members and relatives of the related sales representatives of the Group, the remaining 90% shareholding interests in Guangzhou Titans Kai Li Electrical Technology Company Limited and Guangzhou Titans Electrical System Company Limited are owned by business acquaintances of the related sales representatives of the Group.

*Note 5:* Fan Xin Quan is also responsible for Chongqing city as the Group's sales representative. After the Group has entered into a formal cooperation agreement with Fuzhou Titans Electricity Technology Company Limited, Fuzhou Titans Electricity Technology Company Limited will also be responsible for the marketing of the Group's electrical DC products to customers in the power industry in Chongqing city.

*Note 6:* Fuzhou Titans Electricity Technology Company Limited is another sales partner, the shareholders of which are not our sales representatives but are family members of Fan Xin Quan, a sales representative.

*Note 7:* The spouse of Long Feng, Nin Xun Ru, is also a sales representative of the Group responsible for Jiangxi Province, but has no personal interest in the sales partner. Long Feng and Nin Xun Ru are also responsible for Hebei Province.

Our sales representatives and sales partners responsible for the same regions work together to promote our products and solicit customers' orders. We understand from the sales partners that the related sales representatives of the Group, who have personal/family shareholding interests in sales partners, participate in the management, marketing and/or other business operations of the sales partners.

The sales partners and their shareholders, including those who are our sales representatives, are not connected persons of the Company and are not related to the controlling shareholders, substantial shareholders, directors and other senior management of the Company and its subsidiaries and their respective associates.

We understand that the sales partners are engaged in the sale of power electronic products, including, among other things, our electrical DC products and the number of their employees range from two to 10. We have established business relationships with the sales partners ranging from one to 10 years.

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### **Arrangements with the sales partners**

We have not entered into any formal cooperation agreements with these sales partners. Based on our non-legally binding understandings with the sales partners, apart from through those sales representatives of the Group who are related to the sales partners, we will not directly solicit any sales of our electrical DC products to users in the regions covered by them. Based on our understanding, whilst selling other power electronic products, the sales partners do not engage in the sale of other products which compete with ours. We sell our products to the sales partners and they will then on-sell our products to the end customers. We understand that the sales partners and the related Group's sales representatives will work together and contact potential customers and look for sale opportunities. The sales partners and the related Group's sales representatives are mainly responsible for customer relationship management and liaison. We focus on understanding and satisfying the technical requirements and specifications of the users. If necessary, we may also meet the users to understand their needs and explain our product characteristics to the users. We also provide product instalment, testing and other after-sale services to the end-customer users of our products under our product warranty at our cost. We work closely with and provide support to the sales partners to help them get sales contracts by assisting them to prepare the part of the tender documents in respect of product technical requirements and the provision of installation, testing and after-sale services. Based on our contractual relationships with the sales partners, they are our customers. Apart from their obligations to us under the agreements regarding the sale and purchase of our products, i.e. the purchase of our products and payment of the purchase price, they owe us no other obligations.

As confirmed by our PRC legal advisers, Commerce & Finance Law Offices, we, as the manufacturer of the products sold to the customers of the sales partners, are liable for potential product liability under PRC law.

### **Selling price**

We determine the selling price of our products to the sales partners based on arm's length negotiations usually with reference to cost of production, credit terms, competition and our target profit margin. We are not a party to the agreements between the sales partners and their customers; and do not control the prices and other terms that the sales partners sell our products to the ultimate users. The sales partners negotiate the prices and other terms primarily independently from us, except for some more sizeable projects of the sales partners where we may be involved in the discussions of the terms to be offered by the sales partners to the ultimate customers. In respect of other sales of the sales partners, we do not have access to the detailed prices and terms offered by the sales partners to their customers. As compared with the sales of our electrical DC products directly to users in the power industry, such as transforming stations, we may sell our electrical DC products to the sales partners at a discount depending on, among other things, the expected margin and cost of the project and market competition. We understand that the sales partners will earn the difference between the prices at which we sell our products to them and the prices at which they on-sell our products to the ultimate customers. We are not liable for any breach of a sales partner in respect of its contract with its customer.

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### **Credit terms**

Pursuant to our sales contracts, we grant to our sales partners credit periods of up to around three months upon delivery of our products to the customers of the sales partners depending on our relationship with the relevant sales partners. However, we believe that the sales partners are also affected by the relatively long settlements of trade receivables from the buyers in the power industry and accordingly may not abide by the credit terms and settle the trade receivables owing to us within the granted credit periods. In that case, we will discuss with the relevant sales partners and understand the reasons for the delays and their settlement plans. Depending on the market situation, we may allow some major sales partners to settle our trade receivables over an extended credit period of up to nine months. We will consider any extension of our credit terms to the sales partners on a case by case basis as requested by the sales partners. Please refer to the sub-paragraph headed “Sales to and trade receivables from the sales partners” of this section for the outstanding trade receivables from the sales partners as at each balance sheet date during the Track Record Period. The sales partners and sales representatives form part of our marketing function. The sales partners and the sales representatives help liaise and solicit customers.

Under the formal cooperation agreements to be entered into between the Group and sales partners, we may grant sales partners credit periods of up to six months. Please refer to the paragraph headed “Sales” in this “Business” section for further information on the terms of the formal cooperation agreements.

When we decide to engage a sales partner to sell our products, we will consider the past performance of the related sales representative of the Group, including, among other things, the sales generated by the sales representative and feedback from the customers. We will commence selling our products to a sales partner if we are satisfied that the related sales representative(s) of the Group to be capable and reliable as considered and approved by the marketing manager and the deputy general manager of Titans Technology. The marketing manager and/or the deputy general manager of Titans Technology will visit the sales partners and the related sales representatives of the Group with a view to understanding their market ability and resources. To further control our credit risks, we control the level of sales to the sales partners and/or may demand for cash payment upon delivery. The Group may gradually increase its sales amount and/or grant longer credit to a sales partner if the Group is satisfied with the sales and settlement history of the sales partner.

Similar to our other sales, sales to the sales partners are recognised as our revenue when the products are delivered to the customers of the sales partners. Taxes are payable by us based on our sales and profits generated from our sales to the sales partners. We are not responsible for paying any tax in the PRC in respect of the sales of the sales partners.

### **Management and monitoring**

We maintain close contacts with the sales partners and the related sales representatives of the Group and understand their marketing activities in respect of our products. We have meetings and discussions with the sales partners and the related sales representatives of the Group from time to time to discuss our product selling strategies and understand their marketing activities, including the major projects that they are following and their general business situations, including the range of other

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products being sold by them. We believe that this enables us to observe and monitor the work of the sales partners and the related sales representatives of the Group. We may consider terminating our business relationship with a sales partner and the related sales representative(s) of the Group if they have committed any serious misconduct or are engaged in the sale of other products which will significantly adversely affect our prospects. Although the sales partners are not members of our Group and are legally not our agents, some of their shareholders are our sales representatives and they may say to perspective customers that they are distributors or distribution agents of our products. Users buying our products from the sales partners may also otherwise perceive the sales partners as members or agents of our Group. Accordingly, there are risks that misconduct of the sales partners, if any, may adversely affect our reputation. Please refer to the section headed “Risk Factors” in this prospectus for the associated risks.

### **Use of “Titans” in the name of the sales partners**

All our sales partners’ company names include the Chinese characters of the word “Titans” (泰坦 or 鈇坦 in Chinese) with a view to establishing a strong market image and facilitating their marketing work. The full names of the sales partners are different from any member of our Group. The full name of our two major sales partners, including, 廣州泰坦凱立電氣科技有限公司 (Guangzhou Titans Kai Li Electrical Technology Company Limited\*) who was one of our top five customers for the three years ended 31 December 2007, 2008 and 2009, and 福州泰坦電力科技有限公司 (Fuzhou Titans Electricity Technology Company Limited\*), who was also one of our top five customers for the year ended 31 December 2008. We understand that the sales partners entered into sale and purchase agreements in respect of our products or other products in their respective company names. As confirmed by our PRC legal advisers, Commerce & Finance Law Offices, the sales partners are not our agents and they do not require our consent to use “Titans” as their company names under the PRC law.

The use of the word “Titans” in their names were not initiated by us. However, we understand that it is for the benefit of the sales partners in promoting our products. As we understand from our PRC legal advisers, Commerce & Finance Law Offices, the PRC law does not provide any company with the right to restrict other companies from using a particular word as part of their names and therefore the Company does not have the right to control the use of the word “Titans” as part of the legal names or trading names by other companies in the PRC including the sales partners. However, if we consider that another company using “Titans” in its name has infringed the legal rights of our relevant subsidiaries, we could apply to the relevant authority in the PRC for a claim of economic loss we suffer from such company infringing our rights and/or require such company to change its name subject to the judgement of the court. Although there are no formal cooperation agreements, we believe that we are able to monitor the work of the sales partners mainly by (i) our routine communications with the sales partners in respect of their marketing activities; (ii) our direct communications with users of our products in the areas; (iii) our control over the technical aspects of our products which are mainly tailored made in accordance with the users’ needs and specifications; and (iv) our control over the selling prices to the sales partners.

*\* for identification purposes only*

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In view of the Listing, we intend to enter into formal cooperation agreements with the sales partners in order to formalise our terms of cooperation, including the respective duties and responsibilities of the Company and the sales partners, the non-competition arrangement and the use of the word “Titans” by the sales partners as their names. Under the formal cooperation agreements, the sales partners can use the word “Titans” in their names as our formal sales partners, which will mainly be engaged in the marketing and sales of the Group’s products, and pursuant to other specific conditions set out in the formal cooperation agreements including that the sales partners shall act professionally and cannot be engaged in the sale of other products or carry on any other activities which in the opinion of the Group will adversely affect the Group’s prospects, reputation and market position. Sales partners shall cease to use the name “Titans” once they cease to be sales partners of the Group. Pursuant to the formal cooperation agreement, if a sales partner abuses the use of the word “Titans”, and/or commits any breach of any of the terms of the formal cooperation agreement, we are entitled to (i) terminate the cooperation agreement; (ii) be indemnified by the sales partner from and against all losses suffered by the Group as a result of the breach; and (iii) receive compensation from the sales partner in an amount equivalent to any gain and/or profit received by the sales partner as a result of the breaches.

### **Sales to and trade receivables from the sales partners**

One of our sales partners, in which a sales representative owns a 10% interest, was our largest customer for each of the two years ended 31 December 2008 and the second largest customer for the year ended 31 December 2009. Another sales partner, which is owned by family members of a sales representative, was one of our five largest customers for the year ended 31 December 2008. All our sales partners and their ultimate beneficial owners are independent third parties. During the three years ended 31 December 2007, 2008 and 2009, sales to our sales partners amounted to approximately RMB23,515,000, RMB30,458,000 and RMB36,306,000, representing 16.3%, 17.4% and 16.8% respectively of our total turnover and the trade receivables due from the sales partners outstanding as at each of 31 December 2007, 2008 and 2009 amounted to approximately, RMB17,407,000, RMB27,334,000 and RMB33,929,000, representing 16.3%, 20.0% and 15.3% respectively of our total net trade and bills receivables. The trade receivables turnover days in respect of our sales to the sales partners for the three years ended 31 December 2007, 2008 and 2009 were 139.36 days, 229.13 days and 263.20 days respectively. The long and increasing turnover days was partly a result of an increasing proportion of credit sales close to the year end dates. For the year ended 31 December 2008, sales to the sales partners in the last three months of the year accounted for approximately 35.1% of our total sales to the sales partners during the year. For the year ended 31 December 2009, sales to the sales partners in the last three months of the year accounted for approximately 45.8% of our total sales to the sales partners during the year. Although the turnover days were high, but a majority of the outstanding receivables from sales partners outstanding as at the two years ended 31 December 2007, 2008 and 2009 were aged within six months. The trade receivables from the sales partners as at each of the two years ended 31 December 2007 and 2008 have been settled in full. Up to 31 March 2010, 20.36% of the trade receivables from the sales partners outstanding as at 31 December 2009 have been settled. Based on our experience and our communications with the sales partners, we estimate that substantially all of the trade receivables due from the sales partners as at 31 December 2009 will be settled by the end of 2010.

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The table below sets out the ageing analysis of the trade receivables from sales partners as at 31 December 2007, 2008 and 2009.

	<b>31 December</b>		
	<b>2007</b>	<b>2008</b>	<b>2009</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 90 days	7,799	22,023	18,145
91 days to 180 days	7,888	3,657	7,178
181 days to 365 days	1,529	1,135	8,606
Over 1 year to 2 years	<u>191</u>	<u>519</u>	<u>—</u>
	<u>17,407</u>	<u>27,334</u>	<u>33,929</u>
Percentage settled in the next financial year (or up to 31 March 2010 in respect of the trade receivables as at 31 December 2009)	<u>100%</u>	<u>100%</u>	<u>20.36%</u>

There was no provision made or actual bad debt written off against any trade receivables from sales partners during the Track Record Period.

### CUSTOMERS

Sales to our five largest customers amounted in aggregate to approximately RMB50,040,000, RMB60,111,000 and RMB88,927,000 in each of the years ended 31 December 2007, 2008 and 2009 respectively, representing approximately 34.65%, 34.28% and 41.08% respectively of our total turnover for the respective years. Sales to the largest customer (a sales partner in which a sales representative owns a 10% interest) amounted to approximately RMB17,367,000 and RMB19,925,000 in each of the two years ended 31 December 2007 and 2008 respectively, representing approximately 12.03% and 11.36% of our total turnover for the respective years. For the year ended 31 December 2009, sales to the largest customer (which is not a sales partner) amounted to RMB39,018,000, representing approximately 18.03% of our sales for the year.

Another sales partner which is owned by family members of a sales representative was also one of our five largest customers for the year ended 31 December 2008, our sales to which accounted for approximately 5.25% of our total turnover for the relevant year.

As at 31 December 2007, 2008 and 2009, the trade and bills receivables due from the five largest customers in each of the relevant year amounted to RMB26,538,000, RMB36,195,000 and RMB99,524,000 respectively. Up to 31 March 2010, approximately 100%, 99.5% and 14.7% respectively of the above trade and bills receivables as at 31 December 2007, 2008 and 2009 have been settled.

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Based on our understanding and our best knowledge and information, we estimate that approximately RMB117.0 million, RMB135.2 million and RMB183.4 million of our sales were made in respect of projects which were invested by state-owned enterprises in the PRC, representing approximately 81.0%, 77.1% and 84.7% respectively of our total sales of each of the three years ended 31 December 2009, which comprise (i) approximately RMB95.2 million, RMB106.9 million and RMB150.7 million in respect of our sales to customers other than the sales partners (representing approximately 78.8%, 73.8% and 83.6% respectively in respect of our total sales of 2007, 2008 and 2009 to customers other than sales partners); and (ii) approximately RMB21.8 million, RMB28.3 million and RMB32.7 million in respect of our sales to the sales partners (representing approximately 92.7%, 92.9% and 89.9% respectively in respect of our total sales to the sales partners) were made in respect of projects which were invested by state-owned enterprises in the PRC for the three years ended 31 December 2007, 2008 and 2009. Based on our understanding and our best knowledge and information, for the three years ended 31 December 2007, 2008 and 2009, three, one and four of our top five customers of the respective years are state-owned enterprises or are companies in which state-owned enterprises have invested and 100%, 100% and approximately 11.84% respectively of the trade receivables from these customers have been settled up to 31 March 2010.

During the Track Record Period, none of the Directors, their respective associates or shareholders holding more than 5% in our Company's issued share capital immediately after the completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be taken up under the Over-allotment Option), has any interests in any of the five largest customers of our Group. We have maintained relationships of at least three years with our five largest customers.

### **Payments and credit periods**

Our sales are mainly settled by way of banker's acceptance and bank transfers and are denominated in Renminbi.

Revenue from our sale of goods is recognised when the goods are delivered. We consider that when our products are delivered to the customers, significant risks, control and ownership have been transferred to the buyer as the buyer will be free to handle, manage and appropriate the products and thus the title of the goods has passed to the buyer. We confirm that our revenue recognition policy is in compliance with HKFRS.

We grant different credit periods to different customers, depending on the background of the customers, the products sold and services provided. Customers of our electrical DC product series are mainly state-owned power plants and transforming stations.

As stated above, for accounting purposes, we record our sales and trade receivables after we have delivered our products to customers. Although we recognise our sales and trade receivables upon delivery of our products to the customers, our customers may not be obliged to pay us immediately. As confirmed by our legal advisers, Commerce & Finance Law Offices, we are only entitled to receive payments from our customers subject to the terms of contracts with our customers. Pursuant to the terms of the sales contracts, we may require the payment of a deposit of approximately 10% of the total contract value to be paid after signing of the contract and 80% of the contract sum to become

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due and payable after our products have been delivered, satisfactorily installed and tested. During the Track Record Period, there was an average of approximately 82 days between delivery and on-site installation and testing of our products. Customers will sign confirmations after delivery of our products to them and after our products have been satisfactorily installed and tested. It is normally stipulated that the balance of 10% will normally be withheld, being retention money as a form of product performance surety, and be paid to the Group 12 to 18 months after on-site installation and satisfactory testing provided that the Group's equipment performs properly. In our sales contracts, an average credit period of around 30 to 90 days may be given to our customers from the due date of each installment payment as described above in this paragraph (including the initial deposit payments, the payments due after installation and testing and the payments of retention money). For illustrative purposes, based on the above payment terms and the average time for installation and testing after product delivery, we are only entitled to receive up to 90% of the purchase price from 112 days to 172 days after we have delivered our products to the customers. We consider that the above 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 relatively long average period of 82 days between delivery and on-site installation and testing is 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. The actual time taken by us to perform the installation and testing work on our products usually only takes about 2 to 3 working days. We do not consider installation and testing a significant part of our contracts.

Despite the credit terms granted in the sales contracts, actual settlement in respect of sales of our electrical DC products to power plants and transforming stations may not be made in accordance with the granted credit terms and may extend over a period of up to one to two years. We believe that this may mainly be due to the fact that our sales and trade receivables are recorded when our products are delivered but before the amounts become payable by the customers in accordance with the sales contracts and that some of our customers in the power generation or transmission sectors may only settle the amount payables to their suppliers, including us, after completion of the construction of their projects but not in accordance with the terms of the sales contracts. We consider that this has affected the settlement of trade receivables from the sales partners which face similar clientele in the power industry. Please refer to the paragraph headed "Analysis of trade and bills receivables" in the section headed "Financial information" in this prospectus for further detailed analysis of our trade receivables.

For those customers other than power generation plants and power grid companies purchasing whole system sets (including our sales partners) and customers of components or modules, our Group will normally request cash on delivery of our products or we will provide a credit period of typically 30 to 90 days from the issue of the invoice once the Group has established more stable relationships with such customers.

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The principal target customer base of many of our new products overlaps with our established customer base for our traditional electrical DC products. Most of the customers who have purchased products from our new product lines are state-owned or large scale enterprises and institutions. The payment and credit policies adopted by our Group in respect of its new products are currently materially the same as those for its existing products.

### PRODUCTION FACILITIES

The table below describes the details of our production facilities:

Location	Ownership	Approximate gross floor area	Major purpose
Titans Technological Park, Shihua Road, Zhuhai City, Guangdong Province, the PRC	Self-owned	8,131.21 sq.m.	Office and design, production and assembly of our products and other ancillary purposes

The site on which our production facilities are located was purchased by the Group in 1998, and has a total site area of approximately 7,061.11 sq.m. Our production facilities comprise a six-storey building, a five-storey building and other ancillary buildings, with a total gross floor area of approximately 8,131.21 sq.m..

As described in more detail below in the paragraph headed “Production Process”, the Group’s production process mainly consists of product design, sourcing, assembling, testing and packaging. Most of our products are manufactured in accordance with the requirements of our customers. We may subcontract part of the production process to other processors, which provides us with flexibility to accommodate production volume subject to the utilisation of our facilities. There is no designated production capacity in respect of our production facilities and process. Our production process mainly involves the assembly of parts and components that we source from suppliers. Labour and space are the two major factors determining our production capacity.

We set out below, for illustration purposes, an estimated production capacity and actual production level for the three years ended 31 December 2007, 2008 and 2009.

	Complete system set			Module		
	Estimated Capacity <sup>(1)</sup> <i>(unit)</i>	Actual Production <i>(unit)</i>	Utilisation Rate <sup>(2)</sup> %	Estimated Capacity <sup>(1)</sup> <i>(set)</i>	Actual Production <i>(set)</i>	Utilisation Rate <sup>(2)</sup> %
Year ended 31 December 2007	3,314	3,150	95.0	10,210	8,280	81.1
Year ended 31 December 2008	3,935	3,612	91.7	12,270	9,524	77.6
Year ended 31 December 2009 <sup>(3)</sup>	4,129	3,841	93.0	13,271	12,369	93.2

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*Note 1:* The estimated capacity represents our estimate of the volume of products which we may be able to produce at our normal production level with no overtime work and temporary production workforce.

*Note 2:* The utilisation rate is the ratio of the actual production to the potential production capacity during the relevant year.

*Note 3:* The above table does not include our production of high-power LED lighting products, which is separate from the production of our other products. Our estimated production capacities of high-power LED lighting products which commenced in the years ended 31 December 2008 and 2009 are as follows:

	Lighting part			Driver		
	Estimated Capacity	Actual Production	Utilisation Rate	Estimated Capacity	Actual Production	Utilisation Rate
For the year ended 31 December 2008	1,628	985	60.5%	678	431	63.5%
For the year ended 31 December 2009	2,295	2,219	96.7%	1,233	1,078	87.5%

Potential investors should understand that the above information is for reference only and represents an estimate of the amount of products that we may be capable of producing based on normal working hours and level of our workforce. In view of our high production utilisation based on our estimated production capacity during the Track Record Period and potential market opportunities in future, we believe that we will have to increase our long-term capacity by increasing, among other things, our production staff force and our production space. We propose to use approximately HK\$62.7 million of the net proceeds from the Share Offer (based on the mid point of the Offer Price range) to support and enhance our manufacturing capability and/or acquiring new production facilities.

We have recently rented a place nearby our present production plant at level 4 of an industrial building, No 119, Shihua Road West, Xiangzhou District, Zhuhai, Guangdong Province, the PRC with a gross floor area of approximately 1,277.37 sq.m. for a term from November 2009 to November 2012. We have moved our existing research, development and production base of our charging equipment for electric vehicles, high-power LED lighting products and power grid monitoring and management products to this newly rented premises. We have not purchased any new material machinery or equipment for this new production site. We believe that this increase in production floor space will help improve our production capacity but it will not be practicable to quantify the potential increase in our capacity. We spent approximately RMB40,000 in leasehold improvements and other moving expenses.

We plan to use part of the net proceeds from the Share Offer to enhance our production capacity, including building a new production plant. The Company has applied to acquire a piece of land at the Economic Development Zone of Heng Qin, Zhuhai, to build a new production plant. As at the Latest Practicable Date, the management committee of the Economic Development Zone of Heng Qin has agreed to our plan to set up our facilities in the economic development zone, but our application is still subject to approval by other government authorities. The size and exact location of the land which the Group may be approved to acquire have not been determined. Up to the Latest Practicable Date, we had not entered into any agreement and had no capital commitment in respect of this expansion plan. We plan to reserve approximately HK\$62.7 million from the net proceeds from the Share Offer

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to finance this planned expansion. Based on our preliminary proposal, we propose to build a new production facility of 20,000 sq.m. which will allow us to produce up to around 12,000 sets of system (depending on the types of product) each year. We estimate a total construction cost of RMB43 million (including RMB19 million for the land acquisition and RMB24 million for the construction of the buildings) and other capital expenditures of about RMB10.5 million mainly for the acquisition of additional production equipment from suppliers in the PRC. Potential investors should note that the above figures only represent our internal estimates. The actual costs may deviate materially from our estimates. Our Board will closely review the budget cost when the proposal is finalised. If the allocated proceeds from the Share Offer are not sufficient to finance this expansion project, we may seek further debt or equity financing. We estimate that this whole production expansion plan may take around five years to complete, subject to approval by the relevant government authorities.

The Group rents out a small part of its premises to third parties generating net rental income for the three years ended 31 December 2009 amounting to approximately RMB102,000, RMB105,000 and RMB32,000 respectively. Currently, premises with an area of about 324 sq.m. have been leased to a related company, Growth Technology for a term of 1 year from 1 November 2009 to 31 October 2010 at a total rental of RMB46,650. Growth Technology is a connected person of the Company for the purposes of the Listing Rules. Feng Jian, a director of Titans Technology and Jiangyin Titans, holds a 40% equity interest in Growth Technology.

### PRODUCTION PROCESS

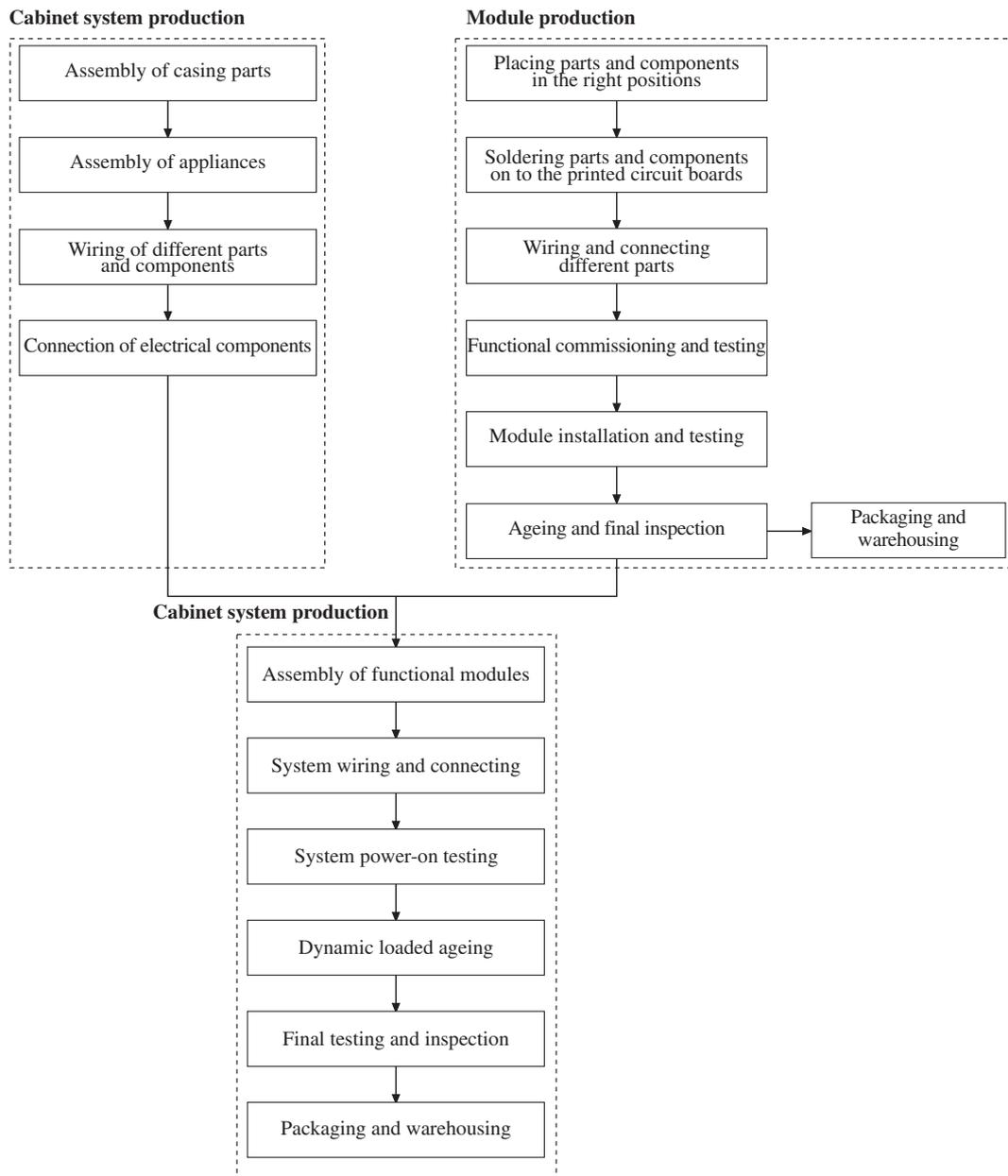
Our electrical DC products, power grid monitoring and management systems, charging equipment for electric vehicles, wind and solar power generation balancing control products, and high-power LED lighting products are mostly made to order in accordance with the customers' different technical requirements whether in the form of a whole system set, or a component, part or module after obtaining orders from customers. Our production process mainly involves product design based on customers' needs and specifications, purchase of parts and components, assembly of our products and testing before delivery. Our design mainly relates to the electronic parts, which is crucial to our products' performance, and product appearance. We then procure the relevant parts and components, including among other things printed circuit boards and metal casings, based on our designs. Production of our products does not require significant investment in equipment but mainly relies upon human resources input, our workforce and available production areas. Although different products may have different functions and specifications, all our products follow a similar assembly process. Depending on the complexity of the products, we normally require a lead-time 30 days to 45 days for the delivery of the products to the customers commencing from the date of execution of the relevant agreement with a customer setting out the detailed technical order specifications. We are responsible for the delivery and installation of the products and will normally participate in the onsite commissioning upon the completion of the installation of the whole system equipment, so as to ensure the proper functioning of our Group's products.

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Production of our power grid monitoring and management products, charging equipment for electric vehicles and wind and solar power generation balancing control products is similar to the production of a whole cabinet system of our electrical DC products involving the production of modules and the assembly of modules and other components into a cabinet system. The chart below sets out the production process flow of our electrical DC products, power grid monitoring and management products, charging equipment for electric vehicles, wind and solar power generation balancing control products:

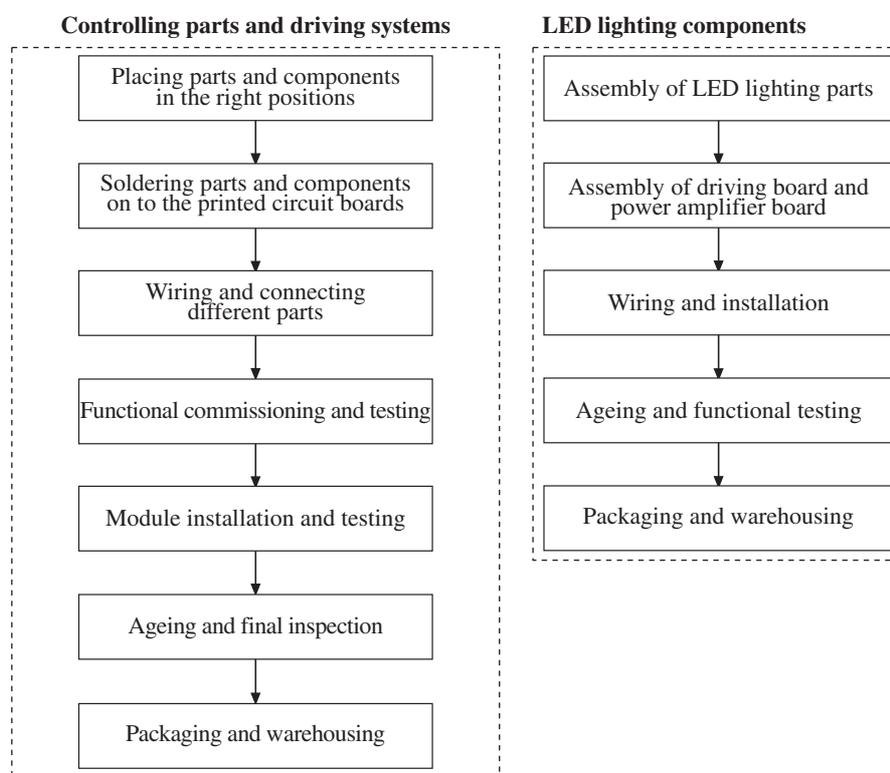


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The chart below sets out the product process flow of our high-power LED lighting products:



We produce our products principally on a project by project basis. The time required for each step mainly depends on, among other factors, the quantity of orders. For the year ended 31 December 2009, we produced 3,841 sets of systems and 12,369 modules. Based on 299 working days in 2009, for illustrative purposes only, on the average each working day, we produced approximately 13 sets of systems and approximately 41 modules.

### SUPPLIERS

During the Track Record Period, the raw materials and components purchased by us mainly comprise metal cases, low voltage electric components (such as electric switches), electric cables, inverters, controlling chips, batteries, printed circuit boards, various other electronic components and PASS. In respect of new products, we also source LED lights, wind turbines and solar power panels from third party suppliers. Some of the components, including metal cases and printed circuit boards, that we purchase are made and supplied to us by suppliers based on our design and specifications. As most of our products are made on a project basis and to better control our inventory risk, apart from some low value consumables such as some electronic parts (such as capacitors and resistors), we procure parts and components when we have actual orders from customers.

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We adopt purchase control measures when selecting suppliers to supply us with raw materials and components. We normally purchase from suppliers with whom we have an established relationship and whom we are confident can satisfy our product requirements. We make regular and ad hoc appraisals of our suppliers including: on-site appraisals, testing and trial use of product samples provided by the suppliers and comparing those samples with the performance of similar products sourced from other suppliers that we have tested, and evaluating feedback from other customers of the suppliers.

When sourcing a part or a component, we will compare the prices, product quality and functions offered by different suppliers and select the supplier that offers the required functionality at the best price and product quality.

We principally purchase raw materials and components from suppliers in the PRC, and we normally settle such purchases by way of banker's acceptance and bank transfers denominated in Renminbi. Our suppliers normally give us credit periods in the range of 90 days. In the event that there is any damage to the goods purchased, we will usually request a return and/or an exchange of goods.

Other than one of the five largest suppliers in 2009, which is a new supplier for metal cases, we have maintained business relationships with four out of five largest suppliers for the year ended 31 December 2009 for more than three years. During the Track Record Period, we have not encountered any major difficulties in the purchase of raw materials or components.

During the Track Record Period, our aggregate purchases from our five largest suppliers amounted to approximately RMB22,161,000, RMB24,510,000 and RMB39,321,000 for each of the years ended 31 December 2007, 2008 and 2009 respectively, representing approximately 31.6%, 27.6% and 39.3% respectively of our total purchases for each of such years. During the Track Record Period, the Group's purchases from our largest supplier amounted to approximately RMB5,863,000, RMB9,504,000 and RMB25,163,000 for each of the years ended 31 December 2007, 2008 and 2009 respectively, representing approximately 8.4%, 10.7% and 25.2% respectively of the total purchases for each of such years.

During the Track Record Period, none of the Directors, their respective associates or shareholders holding more than 5% in our Company's issued share capital immediately after the completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be taken up under the Over-allotment Option), has held any interests in any of the five largest suppliers of our Group.

## SALES

### Overview

We promote our products mainly through (1) our cooperation with sales partners and (2) our internal team, including sales representatives and other sales staff.

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The table below sets out turnover attributable to our different sales channels during the Track Record Period.

	<b>For the year ended 31 December</b>					
	<b>2007</b>		<b>2008</b>		<b>2009</b>	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Sales partners	23,515	16.28	30,458	17.37	36,306	16.77
Sales representatives (other than sales to the sales partners) <i>(Note)</i>	102,584	71.04	90,675	51.71	70,253	32.46
Other sales staff	<u>18,305</u>	<u>12.68</u>	<u>54,205</u>	<u>30.92</u>	<u>109,893</u>	<u>50.77</u>
<b>Total</b>	<u><u>144,404</u></u>	<u><u>100</u></u>	<u><u>175,338</u></u>	<u><u>100</u></u>	<u><u>216,452</u></u>	<u><u>100</u></u>

*Note:* The level of sales generated by these sales representatives who have, or whose family members have, shareholding interests in the sales partners amounted to approximately RMB55.3 million for the year ended 31 December 2007, RMB49.6 million for the year ended 31 December 2008 and RMB27.3 million for the year ended 31 December 2009.

As described in the paragraph headed “Sales Partners” above in this section, sales partners are our customers. During the Track Record Period, we sold our products to 10 sales partners. Some of our sales representatives, being our employees, and their family members and relatives are/were shareholders of the 10 sales partners holding shareholding interests ranging from 10% to 100%. One of the 10 sales partners was deregistered in December 2008. We sell our products to the sales partners. The sales partners will then enter into separate sales contracts with their customers in respect of the products that we sold to them. The sales partners together with the related sales representatives of the Group will market our products to perspective customers and manage their relationships with the customers. We work together with the sales partners to understand the technical requirements of the sales partners’ customers (i.e. users of our products). Based on the product requirements, we will then make our price quotes to the sales partners. If we consider it appropriate for the sales partners to directly enter into sales contracts with the buyers, the sales partners will bid and/or enter into sales contracts with their customers. After that we will enter into separate sales contracts with the sales partners. We are not a party to the sales partners’ tenders or the sales contracts between the sales partners and their customers. We deliver our products directly to the customers of the sales partners and provide the necessary installation, testing and maintenance services. As advised by our PRC legal advisers, Commerce & Finance Law Offices, we and the sales partners shall both be liable in respect of any product liabilities in respect of the above sales of our products to the sales partners who then sell to their customers.

We consider that the sales partners are like distributors of our products. As most of our products are customised based on the users’ specifications and requirements, we need to work closely with the sales partners to understand the users’ needs. We have worked with different sales partners for periods ranging from one to 10 years.

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Our sales representatives and other sales staff, managed and led by our management, are responsible for marketing and liaison with our customers (other than the sales partners). They will work together with our other departments, including the technical team and the customer service team to understand the requirements of the customers, formulate price and other terms of the tenders and/or negotiate terms of the agreements with the customers. We will directly tender for the sales contracts and enter into sales contracts with the users or their contractors. As in the case of the sales to the sales partners, we deliver our products to our customers and provide the necessary installation, testing and maintenance services in accordance with our sales contracts with our customers. We are liable in respect of any product liabilities in respect of our products sold.

During the Track Record Period, we had not incurred any loss in respect of claims against us or compensation to our customers or users of our products as a result of any misconduct committed by our sales partners and/or sales staff.

### **Sales to the sales partners and sales to other customers via the sales representatives or other internal sales staff**

As compared to the sales of our electrical DC products to users directly, we may sell electrical DC products to the sales partners at a discount depending on, among other things, the work of the sales partners, expected margin and costs of the projects and market competition. We consider it in the Company's interests to continue to work with the sales partners as this will help broaden our sales channel.

No provision has been made or bad debt has been written off in respect of any trade receivables from the sales partners during the Track Record Period.

We set out below the average trade and bills receivables turnover days of the amounts due from sales partners and from other customers during the Track Record Period.

	<b>For the year ended 31 December</b>		
	<b>2007</b>	<b>2008</b>	<b>2009</b>
<b>Trade and bills receivables turnover days</b>			
Sales to sales partners (no allowance for doubtful receivables was made)	139.36 days	229.13 days	263.20 days
Other customers (after allowance for doubtful receivables)	197.98 days	214.64 days	257.75 days
Other customers (before allowance for doubtful receivables)	207.87 days	228.90 days	273.65 days

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Our trade and bills receivables turnover days in respect of sales to sales partners and other customers increased during the Track Record Period. In 2008, some natural disasters took place in the PRC, including the Sichuan earthquake and snow storms, in addition to the global financial crisis. We consider that such events have caused delays in the implementation of some of our customers' projects in different areas in the PRC in 2008 and 2009. We also consider the 2008 Beijing Olympic Games to have caused delays in some of our customers' projects for the purpose of ensuring extra stability and safety of power system in the PRC during the period when the games were held. The delays in the completion of customers' projects causes delays in product installation and testing after we have delivered our products to the customers and recorded trade receivables. Our customers may be obliged to pay us after product installation and testing and some customers may not settle the contract bills until the whole projects have been completed, We consider that the time lag between the payment terms under the contracts and our revenue recognition policy, together with the delays in the timetable of our customers' underlying projects to be likely to have lengthened our trade and bills receivables turnover days.

We understand that the sales partners faced the same market situations as we did as their customer profiles are similar to ours. We regard sales partners as our long-term business partners. Depending on the market situation, we may allow some major sales partners, including Guangzhou Titans Kai Li Electrical Technology Company Limited (one of the top five customers during each year of the Track Record Period), to settle our trade receivables over an extended credit period of up to nine months. We will consider any extension of our credit terms to the sales partners on a case by case basis as requested by the sales partners. We consider that this led to an increase in the trade and bills receivables turnover days in respect of our sales to sales partners.

The increase in our trade and bills receivables turnover days during the Track Record Period was also affected by the seasonal pattern that the proportion of sales in the last three to six months before the year end increased. An increasing portion of sales towards the year end has resulted in longer trade and bills receivables turnover days which are calculated based on the ratio of the average trade and bills receivables based on the balance as at the year end and that as at the prior year end to sales during the year.

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The table below sets out the proportion of sales in each quarter during each year in the Track Record Period.

	<b>Sales partners</b>	<b>Other customers</b>
<b>2007</b>		
January to March	5.5%	14.0%
April to June	18.1%	22.0%
July to September	44.1%	27.8%
October to December	32.3%	36.2%
<b>2008</b>		
January to March	6.9%	26.6%
April to June	11.4%	22.5%
July to September	46.6%	32.4%
October to December	35.1%	18.5%
<b>2009</b>		
January to March	7.9%	12.5%
April to June	27.0%	19.5%
July to September	19.3%	19.7%
October to December	45.8%	48.3%

All outstanding trade and bills receivables from sales partners as at 31 December 2007 and 2008 have been settled in full.

The table below sets out the settlements status of the Group's trade and bills receivables due from sales partners and other customers up to 31 March 2010.

	<b>Percentage of settlement in respect of the amount of trade and bills receivables as at 31 December</b>		
	<b>2007</b>	<b>2008</b>	<b>2009</b>
Sales partners	100%	100%	20.36%
Other customers	<u>96.57%</u>	<u>86.27%</u>	<u>12.45%</u>
Total	<u>97.12%</u>	<u>89.01%</u>	<u>13.66%</u>

Based on our experience with the sales partners and other customers, settlement of trade and bills receivables from the sales partners was generally faster than the other customers did during the Track Record Period.

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### **Roles of sales partners and sales representatives**

Our sales partners cover areas in Guangdong Province, Guizhou Province, Jiangxi Province, Fujian Province, Shandong Province, Shaanxi Province, Shanxi Province and Beijing. Whilst our internal sales staff cover areas in provinces, autonomous regions and cities, including Guangdong Province, Guangxi Province, Yunnan Province, Guizhou Province, Hainan Province, Sichuan Province, Jiangxi Province, Hunan Province, Hubei Province, Fujian Province, Zhejiang Province, Jiangsu Province, Shandong Province, Shaanxi Province, Inner Mongolia Province, Qinghai Province, Gansu Province, Hebei Province, Heinan Province, Shanxi Province, Anhui Province, Xinjiang Uygur Autonomous Region, Liaoning Province, Jilin Province, Heilongjiang Province, Xizang Autonomous Region, Ningxia Hui Autonomous Region, Chongqing, Beijing and Shanghai. Some of the shareholders of the sales partners covering Guangdong Province, Guizhou Province, Jiangxi Province, Fujian Province, Shaanxi Province, Shanxi Province and Beijing are also our sales representatives covering the same areas. The sales partners and the related sales representatives of the Group work together in respect of the sale of our electrical DC products in their respective responsible regions. We do not consider there to be any material conflict of interests or competition arising out of the fact that an individual may act as a sales representative and at the same time be a shareholder of a sales partner which buys products from the Group and then on-sells the products to the end customers. We control when to sell our products to the ultimate customers and when to sell our products through the sales partners as we control the production technology of our products.

Our marketing manager and our deputy general manager of Titans Technology monitor and control the sale arrangements. When determining whether we will sell our products to the sales partners or directly to the users in those areas, we will discuss with our relevant sales representatives and sales partners and will take into account the size, technical requirements and tender requirements of the projects. There are occasions where customers require that the relevant contracts be entered into directly with us as the manufacturer rather than through the sales partners who are effectively distributors. In some cases, we will require that the relevant contract be entered into by the Group directly with the customer. We adopt this approach when we consider the relevant project to be of high profile and/or when we consider it strategically important for us to be the direct contracting party and/or where the project involves complicated products and other specifications and terms such that we consider it more efficient for us to handle directly. In these situations, we will directly enter into a contract with the customer in respect of the project and the marketing person will act as our sales representative rather than a representative of the sales partner. In that case, the sales partner will not be remunerated and such sales will be counted as a sale transaction generated by the related sales representative of the Group. Such sale representative will be entitled to obtain a payment calculated by reference to a certain percentage of sales amount in the form of expense reimbursements.

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Other than the situations stated above, in most other cases, we sell our electrical DC products to the sales partners in the regions where there are sales partners. We believe that this will motivate the marketing effort of the sales representatives and the sales partners. We set out below the sales of the Group's electrical DC products and other products to the sales partners and to other customers for each of the geographical areas for each year during the Track Record Period.

	For the year ended 31 December 2007 (Sales to other customers) (RMB '000)	For the year ended 31 December 2007 (Sales to sales partners) (RMB '000)	For the year ended 31 December 2008 (Sales to other customers) (RMB '000)	For the year ended 31 December 2008 (Sales to sales partners) (RMB '000)	For the year ended 31 December 2009 (Sales to other customers) (RMB '000)	For the year ended 31 December 2009 (Sales to sales partners) (RMB '000)
Anhui	10,248	0	6,169	0	5,273	0
Beijing*	2,528	22	6,131	0	4,281	0
Chongqing	84	0	54	0	0	0
Fujian*	17,562	3,732	14,754	9,211	10,549	6,346
Gansu	3,175	0	17,175	0	7,000	0
Guangdong*	15,855	18,674	23,218	20,444	20,241	27,080
Guangxi	5,385	0	4,882	0	5,521	0
Guizhou*	5,564	1,013	5,825	574	4,196	1,861
Hainan	28	0	740	0	33,992	0
Hebei	8,225	0	3,909	0	1,765	0
Heilongjiang	179	0	142	0	69	0
Henan	161	0	1,950	0	13,190	0
Hubei	5,168	0	3,127	0	4,004	0
Hunan	3,977	0	2,465	0	1,338	0
Jiangsu	463	0	243	0	7,475	0
Jiangxi*	1,639	0	1,224	17	1,898	213
Jilin	667	0	1,216	0	29	0
Liaoning	614	0	12	0	340	0
Inner Mongolia	1,295	0	461	0	392	0
Ningxia	5,013	0	12,856	0	2,840	0
Qinghai	2,889	0	8,140	0	4,715	0
Shaanxi*	4,642	0	1,601	212	4,392	67
Shandong*	5,024	74	3,251	0	1,811	0
Shanghai	649	0	1,218	0	8,550	0
Shanxi*	7,726	0	7,211	0	5,505	594
Sichuan	9,994	0	13,426	0	12,164	26
Tianjin	75	0	381	0	6,265	0
Xinjiang	0	0	2	0	849	121
Xizang	0	0	0	0	0	0
Yunnan	1,305	0	1,147	0	3,110	0
Zhejiang	645	0	218	0	4,799	0
Overseas <sup>(Note 1)</sup>	110	0	1,732	0	3,593	0
<b>Total</b>	<b>120,888</b>	<b>23,515</b>	<b>144,880</b>	<b>30,458</b>	<b>180,146</b>	<b>36,306</b>

\* regions with sales partners

*Note 1:* Sales overseas refer to projects situated outside the PRC. In respect of such overseas projects, we sold our products to companies in the PRC.

*Note 2:* For the year ended 31 December 2009, the sales partner in Guangdong Province also generated sales in respect of a project in Xinjiang Province.

*Note 3:* For the year ended 31 December 2009, the sales partner in Guizhou Province also generated sales in respect of a project in Sichuan Province.

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We maintain close contacts with the sales representatives and the sales partners. We control the production and supply of our goods, which thus allows us to monitor the work of the sales partners. Our executive Directors and other senior management are closely involved in the building up of business relationships with the provincial power supply bureaus and power grid companies, including the areas covered by the sales partners. We believe that this will allow us to monitor the market development in these areas and thus help control and monitor the work of the sales partners.

We believe that the present marketing and sales arrangements with the sales partners and the sales representatives help:

1. motivate the sales partners and the relevant sales representatives of the Group by providing them with more participation in the sales process; and
2. develop a long-term working relationship between the sales partners and the relevant sales representatives of the Group and thus better leverage on the business relationships built up by the sales partners and sales representatives of the Group with the target customers in the related areas.

### **Formal cooperation agreements**

In view of the Listing, we are in the process of further improving our arrangements with the sales partners and the sales representatives. On or before Listing, in those regions where there are sales partners, we intend to (1) enter into formal cooperation agreements with the sales partners, except Beijing Titans Yang Guan Technology Development Center, Guangzhou Titans Electrical System Company Limited and Fuzhou Titans Electrical System Company Limited which will cease to be our sales partners and (2) terminate the employment of all those sales representatives in the same designated regions covered by those sales partners that we will formally engage.

During the Track Record Period, there were two sales partners responsible for Guangdong Province (both of which are related to a sales representative of the Group) and two sales partners responsible for Fujian Province (both of which are related to a sales representative of the Group). As we plan to enter into formal cooperation agreements with Guangzhou Titans Kai Li Electrical Technology Company Limited and Fuzhou Titans Electricity Technology Company Limited, we will not enter into formal cooperation agreements with Guangzhou Titans Electrical System Company Limited and Fuzhou Titans Electrical System Company Limited.

The sales representative who owns Beijing Titans Yang Guan Technology Development Center will continue to be our sales representative responsible for Beijing, the PRC. Pursuant to our employment contract with the sales representative, he is not allowed to engage in any other business activities which compete with ours. Accordingly, we do not consider the termination of our informal working relationship with Beijing Titans Yang Guan Technology Development Center will create any potential conflict of interest.

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### *Major terms of the formal cooperation agreements*

#### a. Responsibilities of the sales partners

The sales partners which we formally engage will have the exclusive right and responsibility to market and solicit sales for our electrical DC products in relation to provincial power grid companies in the designated regions and relevant power grid companies at city level of the above provincial power grid companies.

Under the formal cooperation agreements, the sales partners will among other things,

1. liaise with existing and other potential customers in their respective designated areas with a view to promoting and marketing our electrical DC products, whilst any marketing work in respect of customers outside their respective designated areas can only be carried out with our consent;
2. familiarise themselves with our electrical DC products;
3. provide us with the customers' and market information; and
4. attend meetings with us to formulate appropriate marketing plans.

#### b. Designated regions

Guangdong Province, Guizhou Province, Jiangxi Province, Fujian Province, Shaanxi Province, Shanxi Province, Hebei Province, Ning Xia Hui Autonomous Region, Inner Mongolia Autonomous Region and Chongqing City, the PRC.

#### c. Non-competition

Apart from our electrical DC products, the sales partners shall not be engaged in the marketing or sale of other electrical DC products or other similar products of other suppliers. The sales partners shall also be restricted from carrying out, getting involved in or investing in any business which may compete with our existing or future businesses. The sales partners shall also protect our intellectual property in respect of our electrical DC products and shall report to us possible infringements of our intellectual property.

#### d. Term of the cooperation agreement

All the formal cooperation agreements will be for a term of one year renewable by the parties.

#### e. Our responsibilities

We will provide the sales partners with our product information from time to time. We will also work with the sales partners to understand the requirements of the customers, design the products and provide other necessary services, such as installation, testing and after-sale services.

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f. Selling arrangements

Under the formal cooperation agreement to be entered into with Guangzhou Titans Kai Li Electrical Technology Company Limited, our largest sales partner, we will continue to sell our products to Guangzhou Titans Kai Li Electrical Technology Company Limited unless (1) the customers require us to sign sales contracts as the manufacturer; or (2) we consider the projects to be of significant importance to our branding and market image.

Under the cooperation agreements to be entered into with the other sales partners, we will sell our products to them in respect of the sales generated by them in respect of projects of below 110kV and at city level or below or projects with a sales amount of less than RMB200,000 unless (1) the customers require us to sign sales contracts as the manufacturer; or (2) the tender involves more than one project, or (3) we consider the projects to be of significant importance to our branding and market image, or (4) the circumstances do not allow us to sell our products through the sales partners.

g. Credit terms

Sales to the sales partners will be made on zero to six months credit. We will determine the actual period based on various factors, including (1) the track record level of sales generated by the sales partners, (2) the size of the contracts, and (3) the nature of the underlying projects.

The sales partners will have to pay, as compensation, interest on any overdue amount calculated based on the then prevailing bank lending rate and we will have the right to suspend the trading relationship with the sales partners if they fail to make payments in accordance with the credit terms granted.

h. Selling price and commission

We will agree the selling price to the sales partners with reference to, among other things, the prices if we were to sell the same products directly to the user-customers, the marketing efforts of the sales partners and the size of the sales contracts.

In respect of those cases where we will directly tender for the projects and sell directly to users, we will pay the sales partners a commission of up to 15% of the sales amounts based on our internal sales management policy with reference to the contract size.

i. Use of our name “Titans”

Under the formal cooperation agreements, the sales partners can use the word “Titans” in their names as our formal sales partners, which will mainly be engaged in the marketing and sales of the Group’s products, and pursuant to other specific conditions set out in the formal cooperation agreements including that the sales partners shall act professionally and cannot be engaged in the sale of other products or carry on any other activities which in the opinion of the Group will adversely affect the Group’s prospects, reputation and market position. Sales partners shall cease to use the name “Titans” once they cease to be sales partners of the Group. Pursuant to the formal cooperation agreement, if a sales partner abuses the use of the word “Titans”, and/or commits any breach of any

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of the terms of the formal cooperation agreement, we are entitled to (i) terminate the cooperation agreement; (ii) be indemnified by the sales partner from and against all losses suffered by the Group as a result of the breach; and (iii) receive compensation from the sales partner in an amount equivalent to any gain and/or profit received by the sales partner as a result of the breaches.

j. Sales target

Depending on the market environment and the market position and resources of each sales partner, we will agree an annual sales target with the sales partner. If the sales partner fails to meet the annual sales target, we will have the right to regard it as a breach of contract if failing to meet the annual sales target is a result of the sales partner's negligence or lack of diligence and we will have the right to terminate the cooperation agreement.

k. Goods return policy

Under the formal cooperation agreements, in respect of goods sold to the sales partners, we may accept a return of our products before the products have been satisfactorily installed and tested, if there are problems with the quality of the products which cannot be fixed by repair and/or replacement of parts and components.

l. Termination

We will have the right to terminate the cooperation agreement if the sales partner has breached the terms of the cooperation agreement, including, among others, sales of electrical DC products of other suppliers, or carrying out, getting involved in or investing in any business which may compete with our existing or future businesses.

*Management and Control*

The sales arrangement will continue to be monitored and controlled by the marketing manager (Gu Wen Ge (顧文革)) and our deputy general manager (Li Xiao Bin, a member of the senior management team of our Group), who are independent from all the sales representatives, sales partners and their respective associates. The marketing manager and the deputy general manager of Titans Technology will continue to approve sales to the sales partners. Any substantial sales or sales which may involve additional research expenses or other resources have to be approved by an executive Director. Mr. An, an executive Director, will also be responsible for monitoring the sales arrangements with the sales partners. A monthly report of the Group's sales to the sales partners will be provided to the executive Directors and a quarterly report of the Group's sales to the sales partners will be provided to the Audit Committee of the Company. We will include in the report to the Audit Committee the sales to the sales partner, the relevant trade receivables outstanding from them, the amount of commission paid/payable to the sales partners and some further analysis comparing the sales to the sales partners and the sales to the other customers in order to allow the Audit Committee to review whether the sales to the sales partners and commission paid to the sales partners are on normal commercial terms and in the interests of the Company.

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### **Management of sales and marketing activities**

As stated above, we market and sell our products directly to end-users, project contractors and other electronic power equipment manufacturers as well as through our sales partners which will then on-sell our products to end-users. We also carry out our sales and marketing through two channels, namely (1) sales representatives and (2) other sales staff. We have established a marketing management and support team to formulate our various selling and marketing activities, including the formulation of sales strategies, marketing activities, gathering market information and customers' and users' feedback and other sales management work, such as the preparation of tender documents and receivables collection. An important strategy that we employ in our selling activities is to gain a thorough understanding of the product requirements of the users of our products. Our marketing management and support team is responsible for communicating with the customers and users of our products in respect of their technical needs and requirements.

Our marketing management and support team will coordinate the work of our sales representatives and other sales staff.

### **Sales representatives and other sales staff**

#### **(1) Sales representatives**

We have established a sales team of sales representatives covering designated areas within 23 provinces, autonomous regions or direct-controlled municipalities in the PRC. We had 22 sales representatives in 2007, 22 sales representatives in 2008 and 23 sales representative in 2009. We have entered into engagement and employment contracts with all the existing sales representatives. Among the sales representatives, there are nine sales representatives who have, or whose family members have, shareholding interests in the sales partners. In view of the Listing, apart from one of such sales representative who is responsible for Beijing, the PRC, we will terminate the employment of the other eight sales representatives after we have entered into formal cooperation agreements with the sales partners on or before Listing. In respect of the sales representative in Beijing, we will continue to employ him as our sales representative but will cease to sell our products to the sales partner owned by him.

Under the engagement and employment contracts between the sales partners and us, each sales representative is paid a fixed salary and is required to abide by our internal sales policies. As confirmed by our PRC legal advisers, Commerce & Finance Law Offices based on the terms of the engagement and employment contracts, all sales representatives are employees of the Group under PRC law and the Group has complied with the relevant PRC laws and regulations governing labour matters and social insurance in respect of the employment of the sales representative.

The sales representatives are mainly responsible for marketing our products to end-users of our products. Each of our sales representatives has a designated region in the PRC where he/she is responsible for promoting our Group's electrical DC products to customers in the power industry in his/her designated region. The sales representatives gather business information for us, promote our products to potential customers and maintain regular contact with our customers. We believe that assigning sales representatives with different designated regions will facilitate them to establish and

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maintain long term and stable relationships with customers. Whilst they are our employees, we do not require them to work full time for us and permit our sales representatives to engage in other business activities. However, under their employment contracts, they are not allowed to engage in any other business activities which compete with ours. We require each sales representative to confirm in writing to us every year that they have not engaged in any activities or business which compete with our business or otherwise adversely affect our interests. Our marketing management and support team and our senior management responsible for sales and marketing will communicate with the sales representatives from time to time regarding the marketing work and efforts of the sales representatives and will evaluate the sales performance of each sales representatives from time to time as described in more details below. We also, through our technical team, marketing management and support team and our senior management will also communicate with and obtain feedback from the customers and users of our products to understand the work of the sales representatives. Some of our sales representatives and their family members or relatives are shareholders of the sales partners. Such sales representatives will work together with the related sales partners in their designated markets. As the sales partners are not engaged in any business which competes with ours, we do not consider those sales representatives' investments in the sales partners a breach of their contracts with us. Our executive Directors confirm that no material violation of the employment terms of any sales representative was discovered in the past.

In conducting business, in the capacity of our sales representatives, they are required to approach and deal with customers as representatives of our Group. All agreements or contracts with customers are entered into in the name of the Group. In negotiating the terms of contracts and formulating the proposed tendering terms, our sales management and support team will work closely with our sales representatives. All sales agreements or contracts procured by our sales representatives have to be approved by the Group and the sales representatives are authorised by the Company to sign sales agreements or contracts in the name of the Group.

We actively manage and monitor their conduct and performance. We will reimburse the sales representatives their expenses incurred in the course of their selling activities for the Group. With a view to better controlling our selling and distribution costs, the reimbursement amounts are calculated by reference to a certain percentage of the sales proceeds procured by them and in determining such percentage, we take into account the profit margin of the sales procured by the sales representatives. Payment of the reimbursement will also depend on the settlement of the relevant trade receivables from customers. The Group will not reimburse any expense to a sales representative if the relevant sales contract has not been approved by the Group.

The establishment of a stable and long term sales team is an integral part of the Group's sales strategy and effort. Our sales representative for a particular city or area within a province should normally be a local resident who has relevant experience in sales to power generation and transmission companies and who has an established existing customer base. Our sales representatives need to be knowledgeable about our products and the power industry. As part of our internal performance appraisal system, we set annual performance targets for our sales representatives in terms of sales amount of our electrical DC products and/or target projects or customers. Sales to the sales partners are also counted as sales generated by the related sales representatives of the Group for appraisal purposes. We set the performance targets for the sales representatives based on past performance and market development (including but not limited to new perspective projects and sales opportunities. We

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consider this performance target system helps us keep track of the marketing efforts of our sales representatives. If they fail to meet their performance targets, we will try to understand the reasons. We may take action against those sales representatives if they fail to meet their sales targets because of their misconduct, such as conducting any business activities in respect of the sale of competing products or sub-standard work. We will work with the sales representatives to revise our marketing strategy if the sales representative fails to meet the performance target as a result of unanticipated market changes or developments. Further, the Group will hold regular sales meetings with its sales representatives to review, evaluate and re-adjust its marketing and product development work. In addition, the Group will hold ad hoc training sessions for its sales representatives to update them about the Group's latest products or newly introduced policies or systems. We believe that we have established a stable and effective network of sales representatives. Most of our sales representatives have worked with us for between three to ten years.

For the three years ended 31 December 2007, 2008 and 2009, we paid our sales representatives fixed salary and expense reimbursements of approximately RMB8.1 million, RMB6.8 million and RMB7.9 million respectively, among which approximately RMB4.9 million, RMB3.7 million and RMB3.7 million respectively were paid to those sales representatives who have, whose family members have, shareholding interests in the sales partners. The amount of expense reimbursements paid to the sales representatives during the Track Record Period depended mainly on the amount of expenses actually claimed by the sales representatives the amount of expense reimbursement which a sales representative is entitled to claim is subject to a maximum amount determined based on the sales generated by the sales representative.

As stated above, our sales representatives are employees of the Group. Cui Jian and Feng Jian are sales representatives of the Group covering Gansu Province and Jiangsu Province respectively. We hire Cui Jian and Feng Jian as our sales representatives based on their experience and market knowledge. Cui Jian is a member of the Controlling Group, and Feng Jian is a director of Titans Technology. During the Track Record Period, apart from the sales of our electrical DC products to customers in Gansu Province and Jiangsu Province, Cui Jian and Feng Jian also generated sales of electrical DC products to customers outside Gansu Province and Jiangsu Province which are not in the power industry. For the three years ended 31 December 2007, 2008 and 2009, our sales generated by Cui Jian and Feng Jian amounted to RMB2,562,000, RMB3,313,000 and RMB5,422,000 respectively and salary and reimbursements paid/payable to Cui Jian and Feng Jian as sales representatives amounted to approximately RMB783,000, RMB420,000 and RMB943,000 respectively. During the Track Record Period, Cui Jian and Feng Jian met their respective sales targets. We consider that the decrease in the sales generated from Cui Jian and Feng Jian during the Track Record Period was mainly affected by the changes in the market situations of their respective locations. We have established a system to monitor and review the work and performance of all our sales representatives, including Cui Jian and Feng Jian, as described above. Cui Jian and Feng Jian are not Directors of our Company or senior manager of our Group. Our senior management Li Xiao Bin (the Deputy General Manager of Titans Technology) and Chen Xiang Jun are responsible for overseeing the sales teams, including our sales representatives. Li Xiao Bin and Chen Xiang Jun assess the performance of Cui Jian and Feng Jian based on the same criteria as we appraise the performance of other sales persons, including requiring the sales persons to comply with our Group's internal policy, to act in the interests of our Group and that all terms and conditions of a sales contract have to be approved by the management. This helps ensure that there is no conflict of interests between the role of Cui Jian and

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Feng Jian as sales representatives and as an ultimate shareholder of the Company or as a director of a major subsidiary of the Group. Apart from Cui Jian and Feng Jian, all other sales representatives of the Group are independent third parties. Cui Jian and Feng Jian will continue to be our sales representatives after Listing.

For the three years ended 31 December 2007, 2008 and 2009, sales of the Group generated by the sales representatives (other than sales to the sales partners) amounted to RMB102,584,000, RMB90,675,000 and RMB70,253,000 respectively.

### (2) Other sales staff

In addition to our network of sales representatives, the Group has a team of 12 other sales staff following up the promoting and sales of our new products: power grid monitoring and management products, charging equipment for electric vehicles, wind and solar power generation balancing control products, and high-power LED lighting products. They also focus on customers in non-power related sectors, including, for example, the railway, petrochemical, oil and water supply sectors. Our other sales staff do not compete with our sales representatives and partners to the extent of their designated areas. We believe that our other sales staff effectively complements our network of sales representatives and sales partners and broadens our extensive sales channels.

Our senior management including Mr. Li, Mr. An and Li Xiao Bin also work closely with these sales staff to promote and market our products in respect of some sizeable customers and/or projects.

Similar to our sales representatives, our sales staff are paid a fixed salary and are required to abide by our internal sales policies. We also review and evaluate the performance of our other sales staff from time to time similar to the evaluation system in respect of sales representatives. Training is organised for the other sales staff with a view to familiarising them with the products that they are responsible for marketing and promoting. All sales generated by our other sales staff are entered into in the name of our Group. We select our other sales staff based on their business network, working experience, knowledge and people skills.

### Sales management and support

The Group has a marketing management and support team comprising approximately 60 members as at the Latest Practicable Date. It consists of the marketing department, the technical department, the customer service department and the planning department and is under the direction and management of a senior member of the management of the Group. The marketing management and support team is responsible for all marketing and customer related affairs, including: formulating sales policies, pricing, gathering and analysing market information, managing customer relationships, planning marketing activities, managing contracts, managing debt collection and sales representatives' training. Our technical team supports our sales and marketing efforts by preparing tender documents, communicating with customers in respect of their technical requirements, designing products to satisfy customers' specifications, filing of technical documents for customers and regular communication with customers on technical issues. Our customer service department is responsible for on-site installation and testing of products, after-sales services and providing on-site technical

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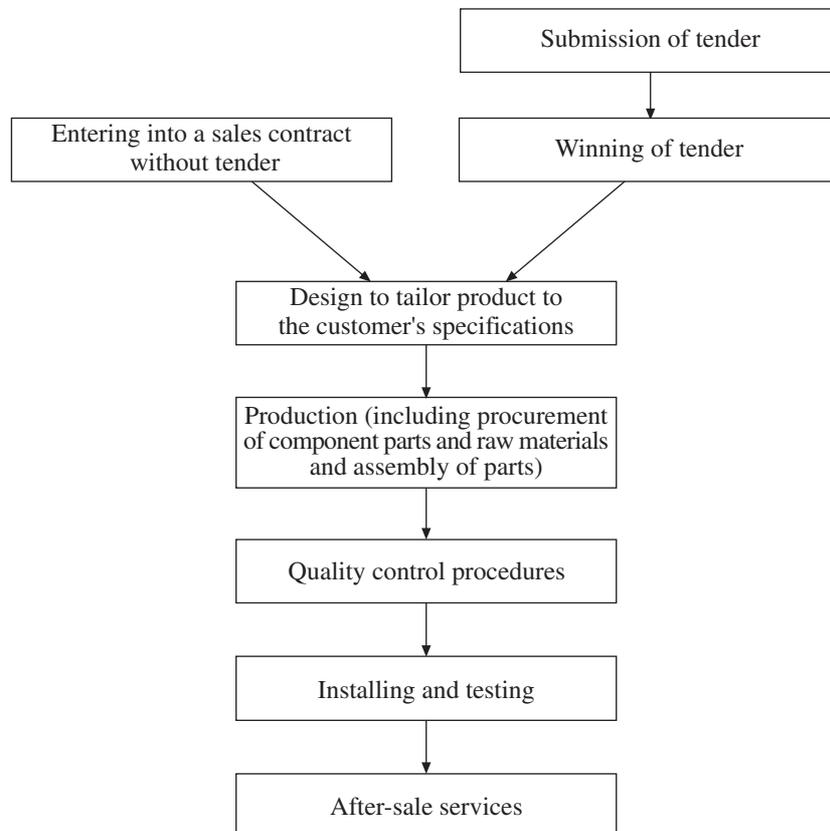
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training for customers. The planning department is responsible for the formulation and circulation of production plans, the placement of purchase orders for components and parts, execution management, delivery management and transportation. Over the years, we have established efficient marketing management and work procedures tailored to the needs of our business.

As part of our marketing effort, the sales representatives and other sales staff are required to establish and maintain communication channels with our customers in order to gather sales information and promote our products to customers (particularly in respect of our products' features and competitive advantages which are especially important in the case of our launch of new products), and collect and respond to customers' requirements and their feedback concerning our products. Senior executives from our marketing and technical departments will, in conjunction with our sales team hold conferences to introduce and promote our products and our Group, with a view to further strengthening our brand image and product recognition and cementing our relationships with our customers and creating sales opportunities. Our marketing activities include participating in exhibitions, organising new promotional seminars to showcase our new products and technologies, advertising and publishing professional articles in trade and industry magazines, newspapers and other publications. We keep abreast of market and product developments and trends by collecting information from specialised websites and publications. We also promote our products through our website [www.titans.com.cn](http://www.titans.com.cn).

### SALES MODEL

Our sales model principally comprises the following key stages:



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We usually have to bid for the sale of our products through tenders organised by our customers (including the end users or their project contractors). Our sales team is responsible for liaising with customers and potential customers and gathering information in respect of potential sales, including tenders organised by customers. Our technical team will understand the technical requirements of the customers and the projects, and prepare tender documents.

Bidding in the PRC is carried out in accordance with the “PRC Law on the Invitation and Submission of Bids”. Please refer to the paragraph headed “Laws and regulations relating to invitation and submission of bids” of the section headed “Regulatory overview” of this prospectus. With regard to tenders for the supply of our products, we will have to prepare tender documents setting out our proposals based on the documentation and qualification requirements.

For the three years ended 31 December 2009, our sales by way of tenders and our sales without tenders were as follows:

	<b>For the year ended 31 December</b>					
	<b>2007</b>		<b>2008</b>		<b>2009</b>	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Through tenders <i>(Note)</i>	114,478	79.3	148,479	84.7	175,847	81.24
Without tenders	<u>29,926</u>	<u>20.7</u>	<u>26,859</u>	<u>15.3</u>	<u>40,605</u>	<u>18.76</u>
<b>Total</b>	<u><u>144,404</u></u>	<u><u>100</u></u>	<u><u>175,338</u></u>	<u><u>100</u></u>	<u><u>216,452</u></u>	<u><u>100</u></u>

*Note:* Including the sales to our sales partners if the sales partners got the related sales contracts by way of tender.

### **Communications with customers**

We customise most of our products by making design modifications tailored to satisfying the specific requirements of our customers. Accordingly, we place significant emphasis on maintaining good and effective communication and liaison between our technical team and our customers. We regard this as an essential part of our sales process. In order to gain technical advantages during the tender process, the Group has placed great emphasis on analysis of regional technical characteristics and industry technical characteristics and has prepared manuals to provide guidance to our staff as to how to provide the best technical solution to our customers. Meanwhile, the Group has established our “itinerant technical liaison system”, whereby members of our technology team are required to pay visits to target power companies and/or other large enterprises each year to communicate with the responsible persons of those companies to get a better understanding of their requirements, gather technical information regarding the technical standards of equipment required by them, obtain their opinions about technical characteristics prevailing in the regions where they are located. We believe that these visits help us strengthen further customers’ awareness of our products and technical expertise. Occasionally, we also organise promotional seminars to showcase our new products and/or new technology to our customers and potential customers.

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### **Installation and testing**

We provide on-site installation and testing services to buyers of our products (including power generation plants, transforming stations and some other users, such as railway companies, petrochemical companies and metallurgical companies) as well as customers of our sales partners after product delivery. Customers (including customers of the sales partners) may return the products to us if our products fail to meet the product specifications or requirements under the sales contracts. All products have been satisfactorily tested before their delivery. During the Track Record Period, there was no return of a whole system set of our products by a customer after the products were delivered to the customer. We consider that title, control and risks of our products are passed to the customers upon delivery as the customers will be free to handle, manage and appropriate the products. During the Track Record Period, there was an average of approximately 82 days between delivery and on-site installation and testing of our products.

We consider that the relatively long average period of 82 days between delivery and on-site installation and testing is 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. The actual time taken by us to perform the installation and testing work on our products usually only takes about two to three working days. We do not consider installation and testing a significant part of our contracts.

Apart from selling a complete product system set, we also sell system control software and some core components of our systems such as modules and micro-computer control components. If we are not supplying a complete product system, we normally will not undertake installation and testing work.

### **After-sale services and product warranty expenses**

We do not make provision in respect of product warranty expenses when a sale is made. Expenses incurred in respect of after-sale services, including product warranty expenses, are charged as expenses to our income statement when they are incurred.

Product inspection, repair and maintenance in respect of product warranties are carried out by our after-sale service team. Our after-sales service team also perform product installation and testing and repair and maintenance services after the warranty period. Our after-sale service team does not separately record its expenses in respect of product warranties. Based on the expenses incurred by the after-sale service team and their working record, we estimate that our total expenses incurred in relation to the product inspection, repair and maintenance in respect of our product warranties should represent less than 1.5% of our sales for each of the three years ended 31 December 2007, 2008 and 2009.

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### **Product training and after-sale services**

Most of our products are customized to meet customers'/users' specifications. Normally, all products are supplied by us as a complete system set, will be installed by us on-site and will then be subjected to our on-site testing procedures. Training will also be offered to our customers/users of our products by our customer service team in respect of the operation and routine maintenance of such products. We attach particular importance to product maintenance and training as we consider that they provide customers/users with added benefits which enhances the attractiveness of our products and so aids our sales efforts. Our customer service team is also responsible for collecting and handling feedback from customers/users. We have established our "product inspection system" and the "customer training system" to formalise our procedures in these areas.

We normally offer our customers/end-users a warranty period of 12 months after our product has passed onsite testing or 18 months after delivery (whichever is the earlier), subject to negotiation on a case by case basis.

In respect of our sales directly to end-user customers, the majority of them will withhold approximately 10% of the contract price payable to us as performance surety, which will be paid to us after the expiry of the applicable warranty period.

During the warranty period, we will provide free maintenance or replacements for any damage, defect or breakdown of our products for reasons which are our responsibility, such as any defect in design, manufacture, materials or parts and any damage caused in transportation. We have also set up a 24 hour customers' service hotline to attend to product-related issues encountered by our customers. Normally, we target to assist customers/users to formulate a solution plan within one hour after receipt of the call to our hotline. We also undertake to arrive on-site within 24 hours in places accessible by air transportation and/or within 200 km of an airport. At the request of the customers/users of our products, we will also conduct routine inspection of the equipment sold and provide onsite training. In addition, our sales team closely cooperates with our technical team and customer service team to ensure that feedback from customers/users is effectively followed up.

During the Track Record Period, we experienced no material quality problems in respect of our products, and we did not face any legal claims from our customers. Accordingly, as at the Latest Practicable Date, no provision has been made for any contingent liabilities relating to product assurance or other related liabilities.

### **Pricing**

Product and contract pricing is controlled and determined by our marketing management team, and sales representatives and other sales staff have no right to determine pricing. The Group usually secures sales orders through a bidding process. In determining the bid price and our product price, we will have regard to a number of factors, including cost of production, credit terms, the level of likely competitive price given the prevailing market conditions and our target gross profit margin. Our executive Directors participate in formulating sales and pricing policies, including determining the appropriate pricing and gross profit margin for each major product and it is the responsibility of the senior management of our marketing department to execute such plan.

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The table below sets out the gross profit margin of our products during the Track Record Period.

	For the year ended 31 December		
	2007	2008	2009
	%	%	%
Electrical DC products	48.75	48.07	51.99
Power grid monitoring and management products	77.54	56.35	61.80
Charging equipment for electric vehicles	—	15.95	56.53
Wind and solar power generation balancing control equipment	36.86	33.84	—
High-power LED lighting equipment	—	25.09	23.67
PASS products	<u>37.76</u>	<u>36.73</u>	<u>28.44</u>
Gross profit margin of our Group	48.50	45.25	46.95

We have been trying to maintain our gross profit margin by controlling cost and passing any cost fluctuation effect to the customers. We consider we maintained a relatively stable overall gross profit margin during the Track Record Period, in particular our gross profit margin in respect of our electrical DC products. On the other hand our new products' gross profit margins experienced more fluctuations during the Track Record Period. We believe that this was partly due to the fact that the markets for the new products were still developing and lacked a strong market reference when we negotiated the prices with the customers.

### BRAND

We have placed emphasis on establishing, building up and maintaining market awareness of our brand. Apart from OEM and PASS products, most of the products are sold by our Group under the brand "Titans". We believe that the activities mentioned above have promoted the image of the "Titans" brand. In March 2004 and again in March 2007, our Group's "Titans" brand was named as a "Reputable Trademark of Guangdong Province" by the Administration for Industry and Commerce of Guangdong Province. For six consecutive years from 2003 to 2008, the Group was named an "Enterprise being Faithful to its Contracts and Commitments" by the Administration for Industry and Commerce of Guangdong Province.

### INVENTORY CONTROL

Our inventories normally include components, parts and other raw materials, work-in-progress stocks and finished products. Such inventories are mainly stored in the warehouse of Titans Technology located in Zhuhai, the PRC.

We conduct a stocktake each month and we conduct an inventory analysis at least semi-annually. Our Inventory analysis includes an analysis of the ageing, change and condition of components, parts and other raw materials, semi-finished products and finished products.

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As most of our products are customized products, we generally purchase most of our raw materials, such as batteries, cabinets and electric cables, only after receiving orders from customers. Low voltage electric devices and various electronic components (many of which are capable of being used in a variety of products), represent the majority of our raw materials inventory. The prices of such products have been relatively stable without significant fluctuation.

As at 31 December 2007, 2008 and 2009, the Group's inventories amounted to approximately RMB18,925,000, RMB19,279,000 and RMB11,921,000 respectively, with inventory turnover rates as at such dates of approximately 90.93 days, 72.63 days and 49.59 days respectively.

### PRODUCT RESEARCH AND DEVELOPMENT

As most of our products involve the use of advanced technology, we place great emphasis on product development and improvements. Our research and development team is overseen by a committee comprising the senior management. The head of the department decides the research and development projects and formulates the research and development budget. Before a research project commences, our research and development team is required to prepare a proposal which will include, amongst other things, a market analysis, a description of the relevant product, an assessment of potential competitive products, a production plan, and a marketing plan for the committee's consideration. The committee will consider the proposal based on resources available and the expected market for the products. The funding assigned for a research project will be made available to the team in stages and will be monitored by the accounting department.

The table below illustrates certain of the Group's achievements in the development and improvement of electrical DC products:

<b>Product Completion</b>	<b>Development and Improvement of Our Products</b>	<b>Award or Recognition</b>
June 1995	We developed our high frequency switch power source product	1996 National Key New Product granted by 中華人民共和國科學技術委員會 (Commission of Science and Technology of the PRC), 中國工商銀行 (Industrial and Commercial Bank of China), 中華人民共和國勞動部 (Ministry of Labor*), 國家外國專家局 (State Administration of Foreign Experts Affairs), 國家技術監督局 (State Administration of Technology Supervision*)

*\* for identification purposes only*

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Product Completion	Development and Improvement of Our Products	Award or Recognition
October 1995	We developed our micro-computer controlled high frequency switch DC power source product	<p>1997 Guangdong Key New Product granted by 廣東省科學技術委員會 (Guangdong Provincial Science and Technology Commission*)</p> <p>1998 Guangdong Key New Products granted by 中華人民共和國科學技術部 (Ministry of Science and Technology of the PRC), 國家稅務總局 (State Administration of Taxation), 中華人民共和國對外貿易經濟合作部 (Ministry of Foreign Trade and Economic Cooperation, PRC), 國家質量技術監督局 (State Administration of Technology Supervision*), 國家環境保護總局 (State Environmental Protection Administration)</p> <p>State Torch Plan Project granted by 科學技術部火炬高技術產業開發中心 (The Torch High Technology Industry Development Center of the Ministry of Science and Technology of the PRC)</p>
August 2002	We developed our intelligent high frequency switch rectifying/inverting power supply	2003 Guangdong Key New Products granted by 廣東省科學技術廳 (Guangdong Science and Technology Department)

The above awards or recognitions relate to our research and development efforts in respect of our electrical DC products.

We have 31 patents. For details, please refer to the paragraph “Intellectual Property Rights” in Appendix V — “Statutory and general information”.

In November 2000, the Group participated as a member of the “standard drafting unit” in the formulation of the “standard for the power industry in China — provisions or technical conditions for DC power source of power systems”. In March 2004, the Group as a member of the “standard drafting unit” and in its capacity as a “standard participating drafter” took part in the formulation of the “standard for the power industry in China — technical conditions for rectifying inverters used in storage batteries of power plants and substations”. In May 2005, the Group participated as a member of the “standard drafting unit” in the formulation of the “national standard — general technical conditions and safety requirements for DC power source equipment of power projects”. In October

*\* for identification purposes only*

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2005, in view of the contribution made by the Group to the safe and reliable operation of DC power systems in China, the High Voltage Switch Research Institute and the Power System DC Power Source Technology Committee of the China Electric Power Research Institute invited us to become a member of the Power System DC Power Source Technology Committee. On 4 August 2008, the Standardisation Administration of China announced that it would establish the “Power Engineering DC Power Source Devices Sub-committee under the National Power and Electronic Standardisation Technology Committee”, the Secretariat of which is proposed to be assumed by our subsidiary Titans Technology.

We have engaged in joint research and development projects with various industry or academic institutions such as state electric power scientific research institutes and colleges and universities with a view to combining our respective technological resources to jointly develop new technologies and/or products. In recognition of our Group’s technical achievements in the industry, our research and development centre was recognised as a “Zhuhai Key Enterprise Technical Center” by Zhuhai Economy and Trade Bureau in November 2003. In December 2005, pursuant to the joint approval granted by Zhuhai Science and Technology Bureau, Zhuhai Development and Reform Bureau and Zhuhai Economy and Trade Bureau, our research and development facility was officially made the “Zhuhai Electric Power and Electronic Engineering Technology Research and Development Centre” was set up. Funding and/or other support may be provided to us as the operator of the centre in respect of research projects approved by the relevant bureaus. All research results belong to our Group. According to the relevant provisions of the Administrative Measures of Guangdong Provincial Engineering Technology Research and Development Centre, an “engineering technology research and development centre” is an engineering technology research institute with overall leading capabilities in a certain industry and field, which has relatively comprehensive testing conditions for engineering technology, a quality research and development, engineering design and testing team, a stable source of funding, and is capable of offering various technical services.

Save for the above, it has been our continual effort to further develop and upgrade our products with a view to better satisfying our customers’ needs. In 2005, we developed and introduced an integrated power supply combining power supply to control systems, communication systems, UPS and AC power supply systems which can be monitored through a micro-computer and thus facilitates central system management and adjustments.

We have also recently been working on the research and development of a new generation of electrical DC products which can be used for digitalised control systems for power generation and transmission.

Since 2005, we started to use our core technologies in power drive, control and balancing developed from our electrical DC products to develop our new products. In the second half of 2005, we launched our power grid monitoring and management products. In 2007, we launched wind and solar power generation balancing control equipment. In August 2007, our high-power LED products passed the test of Guangdong Products Quality Supervision Testing Centre. In 2008, we launched new models of power grid monitoring and management products, charging equipment for electric vehicles and high-power LED lighting products. In May 2009, our on-line monitoring and testing system (a kind of power grid monitoring and management products) passed the test of the National Relay

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Protection and Automation Equipment Quality Supervision and Inspection Centre and our charging equipment for electric vehicles passed the test of the National Power Electronic Products Quality Supervision and Inspection Center. We consider that the passing of the above tests will help us further market those products to potential customers.

As at the Latest Practicable Date, our Group employed a total of 75 staff responsible for product research and development activities, of whom 89% received tertiary education and 44% have at least five years' experience working in the industry.

During the Track Record Period, we expended RMB4,491,000, RMB8,041,000 and RMB9,156,000 on research and development for each of the three years ended 31 December 2007, 2008 and 2009 respectively representing approximately 3.1%, 4.6% and 4.2% respectively of our sales during the relevant years. Our expenditure on research and development primarily comprises staff salaries, materials consumables, office expenses, product testing and appraisal expenses, and product investigation expenses.

To support the development of the Group, the Guangdong Provincial Government and the Zhuhai Municipal Government granted certain financial subsidies (which are not repayable and are recorded as income by the Group) or government interest-free subsidies in the form of loans or subsidised interest payments on loans on an annual basis. During the Track Record Period, we received non-repayable financial subsidies amounting in a total to RMB300,000, RMB820,000 and RMB893,000 for the three years ended 31 December 2007, 2008 and 2009 respectively.

### QUALITY CONTROL

We believe that, it is important for us to maintain good product quality in order to maintain long term relationships with our customers.

The Group holds the following quality control accreditations:

<b>Certification Centre</b>	<b>Member of the Group</b>	<b>Standard for Certification</b>	<b>Monthly/ Date Accredited</b>	<b>Expiry</b>
Shenzhen Huantong Certification Centre	Titans Technology	Quality system for complying with the GB/T19001-2000-ISO9001:2000 standard	December 2007	December 2010
Beijing New Century Certification Co., Ltd	Titans Automatic	Quality system for complying with the GB/T19001-2000 idt ISO9001:2000 standard in respect of a product	16 April 2008	15 April 2011

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Certification Centre	Member of the Group	Standard for Certification	Monthly/Date Accredited	Expiry
Beijing New Century Certification Co., Ltd	Titans Automatic	Quality system for complying with the GB/T19001-2000 idt ISO9001:2000 standard in respect of a product	25 April 2008	24 April 2011
SEI Partners*	Titans Technology	Maturity Level 2 (Managed) Capability Maturity Model Integration (CMMI) for System/Software Engineering (CMMI-SE/SW. V1.1)	June 2007	No expiry date

\* SEI is one of the service marks of Carnegie Mellon University, U.S.A.

Our quality control procedures cover the whole process of customer communication, tender management, product research and development, product design, materials purchase, product delivery and after-sale services. The carrying out of each quality control procedure is documented to ensure the implementation of our quality control systems. Our research and development committee will supervise and monitor the quality of our research and development work. We exercise quality control in respect of the delivery of our products by selecting experienced transportation companies and we have implemented quality control requirements in respect of the packaging of our products so as to reduce the risk of damage during delivery.

We only purchase components, parts and other raw materials from suppliers who have passed our internal evaluation. We believe that this helps to control the quality of components, parts and other raw materials purchased by us. In addition, we conduct quality control inspections on components, parts and other materials prior to their use. A full quality control inspection is carried out in respect of core components, parts and other raw materials prior to use. A sample quality control inspection is carried out in respect of general components, parts and other raw materials used by large quantities.

As part of our quality control procedures, we also test our semi-finished products and finished products through a process of debugging, examination and ageing. Debugging involves carrying out a functional test of the relevant semi-finished or finished product in order to ensure its proper functioning. Examination involves checking the product's design plans to ensure that the product has been produced in accordance with the customer's requirements. Ageing involves us subjecting the relevant semi-finished or finished product to operation under electrical overload for over 48 hours before delivery to the customer in order to identify any potential problems that might arise during its future operation.

As at the Latest Practicable Date, we employed 31 staff responsible for the Group's quality control operations.

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### INTELLECTUAL PROPERTY RIGHTS

#### (a) Trademarks

As at the Latest Practicable Date, our Group was the registered holder and beneficial owner of 8 trademarks in the PRC, details of which are set out in the paragraph headed “Intellectual Property Rights” in “Appendix V — Statutory and general information” to this prospectus.

As at the Latest Practicable Date, our Group has registered two trademarks in Hong Kong, details of which are set out in paragraph headed “Intellectual Property Rights” in Appendix V to this prospectus.

As disclosed in the section headed “Our history and development”, Titans Group, Unionix, Sun Shi Wan and Lu Liang Peng were once direct or indirect shareholders of Titans Technology prior to August 2005. During such time, Titans Software and Titans Energy were also subsidiaries of Titans Group engaging in other businesses different from those of Titans Technology. Titans Group, Unionix, Sun Shi Wan and Lu Liang Peng then ceased to be shareholders or beneficial owners of Titans Technology and the owners of Titans Technology, Titans Software and Titans Energy were separated but both continue to use “Titans” in their names. Due to the above historical reason, we agreed to co-own a trademark with Titans Software and license the right to use a trademark of our Group to Titans Energy.

Titans Software is principally engaged in the development and sale of data management software and the production of metal casings which do not compete with the business of the Group. As explained above, one of the trademarks registered under class 42 in relation to scientific and technological services and research and design relating thereto; industrial analysis and research services; design and development of computer hardware and software, is co-owned by Titans Software and Titans Technology. We do not use the trademark registered under class 42 for the sale of our products. We have no intention of ending this co-ownership arrangement. In relation to the business of our Group during the Track Record Period, most of our products were sold using the various trademarks which are solely owned by us and which are registered under class 9 in relation to scientific, nautical, surveying, photographic, cinematographic, optical, weighing, measuring, signalling, checking (supervision), life-saving and teaching apparatus and instruments; apparatus and instruments for conducting, switching, transforming, accumulating, regulating or controlling electricity; apparatus for recording, transmission or reproduction of sound or images; magnetic data carriers, recording discs; automatic vending machines and mechanisms for coin-operated apparatus; cash registers, calculating machines, data processing equipment and computers; fire-extinguishing apparatus. We have no intention to change this co-ownership arrangement.

Titans Energy is engaged in the manufacture and sale of electrical products for system control and automation which do not compete with our business. As explained above, Titans Technology has agreed to grant Titans Energy licences to use certain of the trademarks registered and owned by Titans Technology for free for a period from 1 January 2009 to 30 December 2012. We also sell our self-produced products using these trademarks. For the three years ended 31 December 2007, 2008 and 2009, sales of our products using these trademarks accounted for approximately 98.79%, 99.98% and 99.8% respectively of our total turnover. Pursuant to the licence agreements, Titans Energy cannot

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sub-license the use of the trademarks to any other parties without our consent and Titans Energy is required to ensure the quality of the products of Titans Energy using the trademarks. The Group will have the right to claim against Titans Energy for any damages to the Group's reputation as a result of Titans Energy's use of the trademarks and will have the right to stop Titans Energy from continuing using the trademarks in such circumstances. We do not intend to renew this licence arrangement after expiry of the existing licence agreement with Titans Energy.

Save for the historical relationships disclosed in the section headed "Our history and development", Titans Software, Titans Energy and their respective ultimate beneficial shareholders are independent of the Company and its connected persons. Titans Software and Titans Energy are not connected persons of the Company for the purposes of the Listing Rules. Mr. An and Mr. Li were formerly directors of Titans Software and Titans Energy. For the purpose of HKFRS, Titans Software and Titans Energy are regarded as related persons of the Company. Our key management, Mr. Li and Mr. An and the management of Titans Software and Titans Energy are business acquaintances. Mr. Li and Mr. An communicate with the management of Titans Software and Titans Energy from time to time and believe that they will be able to learn from the management of Titans Software and Titans Energy if there is any possible infringement of the Group's intellectual property rights or breach of the licence agreements. Titans Software and Titans Energy are also suppliers and customers of the Group. We will also monitor if Titans Software and Titans Energy have used our trademarks beyond the allowed scope as part of our business contracts with them. The Directors have confirmed that that up to the Latest Practicable Date, they were not aware of any incidents of any infringement of our trademarks by Titans Software or Titans Energy. Accordingly, the Directors consider, and the Sponsor agrees that, the above monitoring procedures are effective.

### (b) Patents

As at the Latest Practicable Date, our Group has registered three invention patents, 26 utility model patents and two design patents in the PRC, details of which are set out in the paragraph headed "Intellectual Property Rights" in "Appendix V — Statutory and general information" to this prospectus.

We submitted various utility patent applications in 2008 and 2009 to the State Intellectual Property Bureau in respect of our various products. Please refer to the section headed "Statutory and general information" in appendix V to this prospectus for more details of the applications. According to our PRC legal advisers, Commerce & Finance Law Offices, there is no legal impediment in respect of our applications unless there are objections to our applications within the stipulated periods. However, there is no timing requirement which stipulates when the application process will be completed.

The Group was granted exclusive licences to use the patents owned by Mr. Y An and Mr. SJ Li which licences were terminated following the assignment of such patents to us, details of which are set out in the sub-section headed "Discontinued Connected Transactions" under the section "Connected Transactions". As at the Latest Practicable Date, the SJ Li LED Patents and Y An LED Patents have been assigned to the Group. Certain of such patents are still in the process of application for registration with the State Intellectual Property Bureau by Zhuhai Titans.

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Mr. SJ Li is the son of Mr. Li and Mr. Y An is the son of Mr. An. Mr. SJ Li and Mr. Y An are not employees or officers of any company of our Group. Mr. SJ Li is a student and Mr. Y An is working in the PRC independently from the Group. We have no plan to employ them. At the time when the relevant technologies were being developed by the Group, it was intended that the technologies and the relevant patents be held by Zhuhai Titans, which was the only company in our Group with a business scope to engage in the design, manufacture and sale of high-power LED lighting products, after the Group had increased its stake in Zhuhai Titans and Zhuhai Titans becoming a subsidiary of the Group. It was a temporary arrangement for the technologies to be held by Mr. SJ Li and Mr. Y An for no particular reason other than pending our Group increasing our shareholding interest in Zhuhai Titans. Such patents and technologies have all been assigned or transferred to our Group at nil consideration. No payment has been made by us to Mr. SJ Li and Mr. Y An for holding such technologies. We started to sell high-power LED lighting products in 2008. For the years ended 31 December 2008 and 2009, sales of the Group's high-power LED lighting products using the technologies previously held by Mr. SJ Li and Mr. Y An amounted to RMB2.0 million and RMB8.8 million respectively representing approximately 1.1% and 4.1% respectively of our total turnover. Investors may refer to the section headed "Connected transactions" for further details of the licence agreements and the option agreements.

### (c) Computer Software Copyrights

As at the Latest Practicable Date, our Group held 13 software registration certificate from the Guangdong Province Information Industry and 13 computer software copyrights issued by the National Copyright Administration of the PRC, details of which are set out in the paragraph headed "Intellectual Property Rights" in "Appendix V — Statutory and general information" to this prospectus.

### (d) Domain names

As at the Latest Practicable Date, our Group has registered two domain names in the PRC, details of which are set out in the paragraph headed "Intellectual Property Rights" in "Appendix V — Statutory and general information" to this prospectus.

The Directors consider that protection of our Group's patents and trademarks from infringement by other parties is of key importance. Our sales and management support team gathers and analyses market information. If our management discovers any infringement of our intellectual property rights, our Group intends to take appropriate action (including legal proceedings) to protect our rights. We are not aware of any infringement of the Group's intellectual property rights and technologies during the Track Record Period. As at the Latest Practicable Date, to the best knowledge and belief of the Directors, no legal claim in relation to any alleged infringements of intellectual property rights had been made against us.

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### (e) Control

In order to protect the confidentiality of our intellectual properties and other research and development achievements, we require each of our senior, technical and research and development staff to enter into and abide by a confidentiality agreement in respect of our innovation, patents, software, technologies and other trade secret.

During the Track Record Period, we have not identified any infringement of our intellectual property rights, including our trademarks, patents and software copyrights.

### COMPETITION

As summarised in the section headed “Industry Overview”, we are one of the leading manufacturers in the electrical DC product market in the PRC. Apart from a few major players, the industry comprises a large number of relatively small manufacturers. Our major competitors include two companies listed on the Shenzhen Stock Exchange, the trading of the shares of which was not suspended as at the Latest Practicable Date.

We believe that our electrical DC products are competitive in terms of reliability, price, technical specification and level of customisation and level of technology.

Our Directors believe that the market for wind and solar power generation balancing control products is at an initial stage with relatively few participating, mainly small and medium-sized, enterprises. Currently, a number of enterprises are actively engaged in promotional work on trials.

Our Directors consider that the market for our high-power LED lighting products has yet to fully develop. Currently, our products compete with traditional lighting systems in terms of pricing and this has affected the level of profit margin we have been able to achieve in respect of the sales of these products. We have passed the illumination tests for LED road lighting and for LED tunnel lighting conducted by Guangdong Test Center of Product Quality Supervision (廣東省產品質量監督檢驗中心), which is a testing and certification institute affiliated to General Administration of Quality Supervision, Inspection and Quarantine of the PRC in accordance with the guideline written by China Academy of Building Research.

Our Group was selected to supply charging equipment for the electric vehicles for the 2008 Beijing Olympic Games and Expo 2010 Shanghai China.

We believe that our power grid monitoring and management product series should have wide applications in the power electronic market. However, the domestic market for these types of products is still at an early stage of development and the state of competition in the market is still not clear.

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### INSURANCE

We maintain social insurance cover for the Group's employees in accordance with the applicable laws of the PRC and the requirements of the local authorities. The insurance premiums are paid by us and our employees in the proportion as required under the relevant laws of the PRC. We also maintain property insurance in respect of the Group's assets and products (including semi-finished products and raw materials). Although we maintain insurance to cover any losses or damages to our products during transportation and delivery, we have not maintained any insurance in respect of any third party losses that may arise from the interruption of the Group's business or in respect of product liability claims. To mitigate the risk of product liability, we negotiate the terms of each contract to be entered with our customers with a view to reasonably limiting our liability and we endeavour to include certain limitation clauses such as force majeure clauses in certain of our sales contracts as appropriate. During the Track Record Period, we have not experienced any material product liability claims or other legal claims. Based on the above, our Directors consider that the existing level of insurance coverage sufficient for our present level of assets and operations.

### AWARDS AND RECOGNITIONS

Major awards obtained by us in the PRC are set out as follows:

<b>Awards/ certificates</b>	<b>Year of grant/ renewal</b>	<b>Expiry/ renewal</b>	<b>Granting/issuing party</b>	<b>Salient criteria of assessment</b>	<b>Significance on our business development</b>
Guangdong High and New Technology Enterprise	12-2008	12-2011	Department of Science and Technology of Guangdong Province	<ul style="list-style-type: none"><li>• Intellectual property rights owned</li><li>• Business nature</li><li>• Level of research and development activities</li><li>• Our product mix</li><li>• Our management</li></ul>	A recognition of high and new technology contents of our business and entitlements to and tax benefits

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Awards/ certificates	Year of grant/ renewal	Expiry/ renewal	Granting/issuing party	Salient criteria of assessment	Significance on our business development
Guangdong Well-known Trademark	03-2004	03-2013	Guangdong Administration for Industry and Commerce	<ul style="list-style-type: none"> <li>• Whether the trademark is generally recognized by the market</li> <li>• Whether a company has an effective system to regulate the use, manage and protect its trademark</li> </ul>	We consider it a recognition of our brand name in the market
Quality Management System Certificate (GB/T 19001-2000- ISO 9001:2000)	12-2007	12-2010	Shenzhen Huantong Certification Center Co., Ltd.	Internal process and documentations in respect of the quality management system in respect of our production process	This represents an internationally recognised standard which could help enhance our corporate image
Software Enterprise	04-2005	(Note)	Department of Information Industry of Guangdong Province	<ul style="list-style-type: none"> <li>• The use of software in the business</li> <li>• Intellectual property rights owned in respect of software products developed</li> <li>• Number of staff engaged in the development of software products</li> <li>• The amount of research and development work in respect of software products</li> <li>• Amount of sales of software products</li> </ul>	Entitlement to value added tax refund in respect of the sale of software products

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## BUSINESS

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Awards/ certificates	Year of grant/ renewal	Expiry/ renewal	Granting/issuing party	Salient criteria of assessment	Significance on our business development
Capability Maturity Model Integration (CMMI) Maturity Level 2 (Managed))	06-2007	(Note)	SEI Partners (SEI is one of the service marks of Carnegie Mellon University, U.S.A.)	<ul style="list-style-type: none"> <li>• CMMI model appraised the process maturity of our organisation in respect of our software development</li> </ul>	This represents a recognition of our software development process
Zhuhai Intellectual Property Advantage Enterprise	12-2005	(Note)	Intellectual Property Bureau of Zhuhai City	<ul style="list-style-type: none"> <li>• Whether the enterprise has established a system to manage intellectual property rights</li> <li>• The number of invention patents or utility model patents or design patents owned</li> </ul>	This represents a recognition of our ability to properly manage our intellectual property rights
Zhuhai Top Ten Civil Enterprises	11-2005	(Note)	Zhuhai People's Government	<ul style="list-style-type: none"> <li>• Financial performance</li> <li>• Intellectual property rights owned</li> </ul>	This helps enhance our Company's reputation in the market
Zhuhai Key Enterprise Technical Center	11-2003	(Note)	Zhuhai Economy and Trade Bureau	<ul style="list-style-type: none"> <li>• Amount of assets, annual revenue, profit before tax and leverage ratio</li> <li>• Size and experience of the research and development team</li> </ul>	This helps demonstrate our research and development ability.

*Note:* There is no expiry date.

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## BUSINESS

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Major awards/recognition in relation to our products in the PRC are set out as follows:

<b>Products</b>	<b>Award/ recognition</b>	<b>Date of award</b>	<b>Granting/issuing party</b>	<b>Salient criteria of assessment</b>	<b>Significance our business development</b>
Electrical DC power supply system	Recommended manufacturer of major equipment for power engineering work of 220KV transforming stations	10-2007	Power Planning and Design Institute/China Power Complete Equipment Co., Ltd.	<ul style="list-style-type: none"> <li>• Sales credentials</li> <li>• Technology content</li> <li>• Product testing/assessment results in respect of self-developed products</li> <li>• Product quality control system</li> </ul>	A recognition in the power electronic industry
Electrical DC power supply system	Recommended manufacturer of major equipment for power engineering work of 200MW thermal generator units	10-2007	Power Planning and Design Institute/China Power Complete Equipment Co., Ltd.	<ul style="list-style-type: none"> <li>• Sales credentials</li> <li>• Technology content</li> <li>• Product testing/assessment results in respect of self-developed products</li> <li>• Product quality control system</li> </ul>	A recognition in the power electronic industry
Electrical DC power supply system	Recommended manufacturer of major equipment for power engineering work of 300MW thermal generator units	10-2007	Power Planning and Design Institute/China Power Complete Equipment Co., Ltd.	<ul style="list-style-type: none"> <li>• Sales credentials</li> <li>• Technology content</li> <li>• Product testing/assessment results in respect of self-developed products</li> <li>• Product quality control system</li> </ul>	A recognition in the power electronic industry

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## BUSINESS

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### CERTIFICATES, PERMITS AND REGISTRATION

Our PRC legal advisers, Commerce & Finance Law Offices, have confirmed that our Operating Subsidiaries (being subsidiaries established in the PRC) have obtained valid business licences in respect of their business operations and that our Group has obtained all related approvals, certificates and permits in respect of its business operations.

### ENVIRONMENTAL PROTECTION

As advised by our PRC legal advisers, Commerce & Finance Law Offices, our Group's operations in the PRC are subject to, among others, the following environmental laws and regulations: (i) the Environmental Protection Law of the PRC (中華人民共和國環境保護法); (ii) the Law of the PRC on the Prevention and Control of Water Pollution (中華人民共和國水污染防治法); (iii) the Law of the PRC on the Prevention and Control of Atmospheric Pollution (中華人民共和國污染防治法); (iv) the Law of the PRC on the Environmental Impact Assessment (中華人民共和國環境影響評價法); and (v) the Regulations on the Administration of Construction Project Environmental Protection (建設項目環境保護管理條例).

We have not been prosecuted, penalised or received any penalties for violation of the environmental protection laws, rules and regulations of the PRC and of the jurisdiction where our operations are being carried out during the Track Record Period. Based on confirmations from the relevant authorities in the PRC, our Operating Subsidiaries (being subsidiaries established in the PRC) have complied with the relevant environment protection laws and rules of the PRC.

Our Group has set up and enforced internal procedures to prevent and manage pollution. The major operation of our Group is the assembly of module parts and casings, which generates solid waste, as most of such parts are made of metal. To preserve the environment, we collect recyclable solid wastes and then deliver them to suppliers for recycling. In addition, welding is required for the assembly process which results in the emission of fumes. To minimise the impact on air quality, the welding fumes are released through ventilators. We completed improvement work of the air ventilation and waste water treatment systems of our staff canteen in December 2009. We consider that the current measures adopted by us to reduce the environmental impact of our operations are adequate. During the Track Record Period, our annual costs incurred in respect of compliance with applicable environmental rules and regulations were minimal. Given that the current measures are adequate, it is expected that we will not incur material costs in respect of compliance with currently applicable environmental rules and regulations in the foreseeable future.

We will continue to ensure compliance with the applicable environmental regulations and laws from time to time in the future. In the event that there is a material change in our manufacturing process or type of products, the environmental impacts arising from our operations will be assessed again and any necessary measures will be taken to ensure compliance with applicable environmental regulations and laws.

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## CONNECTED TRANSACTIONS

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### EXEMPT CONTINUING CONNECTED TRANSACTIONS, DISCONTINUED CONTINUING CONNECTED TRANSACTIONS AND OTHER ONE-OFF CONNECTED TRANSACTIONS

#### EXEMPT CONTINUING CONNECTED TRANSACTIONS

*After Listing, the following continuing connected transaction of our Company will be exempted from all the reporting, announcement and shareholders' approval requirements under Chapter 14A of the Listing Rules.*

##### 1. Lease agreement entered into between Titans Technology and Growth Technology

On 6 December 2009, a new lease agreement was entered into between Titans Technology as lessor and Growth Technology as lessee for the lease of office units measuring 324 square meters in the office building of the Group for a term of one year commencing on 1 November 2009 and expiring on 31 October 2010 for an annual rental of approximately RMB46,650 (exclusive of electricity charge). For the three years ended 31 December 2007, 2008 and 2009, the rental charged by Titans Technology on Growth Technology for the leasing of the office units in the office buildings of the Group were RMB36,000, RMB38,520 and RMB42,960 respectively. The rental for the lease agreement was determined based on arm's length negotiation of the parties.

Growth Technology is an associate of Feng Jian, who is a director of Titans Technology. Therefore, Growth Technology is a connected person of the Company under the Listing Rules. The lease agreement between Growth Technology and Titans Technology will constitute a continuing connected transaction for the Company upon Listing.

The Directors consider that the terms of the lease agreement are, and will continue to be, on normal commercial terms. Since the applicable percentage ratio will, on an annual basis, be less than 0.1% or if more than 0.1% but less than HK\$1,000,000, transactions under this lease agreement fall within the de minimis exemption under Rule 14A.33(3) of the Listing Rules and are therefore exempt from all the reporting, announcement and shareholders' approval requirements under Chapter 14A of the Listing Rules.

Our Directors (including our independent non-executive Directors) are of the view, and our Sponsor concurs, that the leasing of the office units to Growth Technology has been conducted on normal commercial terms and at the then prevailing market rate, are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

#### DISCONTINUED CONNECTED TRANSACTIONS

##### A. PERSONAL GUARANTEES GIVEN BY MR. LI AND MR. AN TO SECURE THE BANK BORROWINGS BY OUR GROUP

Titans Technology, in its normal course of business, borrowed funds from PRC banks. As a matter of standard banking practice in the PRC, guarantees and counter-guarantees were provided by Mr. Li and Mr. An in favour of certain banks and institutions as security. As Mr. Li and Mr. An are both connected persons of our Company, the provision of the personal guarantees and counter-guarantees as set out below will constitute financial assistance in favour of our Group and will constitute a connected transaction for the Company. However, the financial assistances as set out below is provided by a connected person for the benefit of our Group on normal commercial terms (or

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## CONNECTED TRANSACTIONS

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better) where no security over the assets of the Group granted in respect of the financial assistance and it will therefore be exempt from the reporting, announcement and independent shareholders' approval requirements pursuant to Rule 14A.65(4) of the Listing Rules. Our Directors (including independent non-executive Directors) are of the view, and our Sponsor concurs, that the guarantees and counter-guarantees provided by Mr. Li and Mr. An to secure the bank borrowings of our Group are in the best interests of our Company and our Shareholders as a whole based on the fact that no security has been provided to Mr. Li and Mr. An for giving such guarantee and counter-guarantees. The Company confirms that the personal guarantees and counter-guarantees set out in this sub-section will be released on or about the Listing Date subject to the Company providing corporate guarantees in favour of certain banks and institutions replacing some of the personal guarantees and counter-guarantees of Mr. Li and Mr. An.

**1. Guarantee given by Mr. Li and Mr. An in favour of 珠海江山投資擔保有限公司 (Zhuhai Jiangshan Investment and Company Limited\*) (“Jiangshan Investment”) and Zhuhai City Commercial Bank**

On 23 July 2009, Mr. Li and Mr. An have respectively granted personal counter-guarantees in favour of Jiangshan Investment as security for the guarantee given by Jiangshan Investment in favour of Zhuhai City Commercial Bank in respect of the banking facilities granted by Zhuhai City Commercial Bank to Titans Technology of up to RMB9,000,000. In addition, 99% of the issued share capital of Titans Technology was also charged in favour of Jiangshan Investment as security. According to the agreement entered into between Jiangshan Investment and Titans Technology dated 23 July 2009, Jiangshan Investment agreed, inter alia, that on the date immediately before the Listing, the personal counter-guarantees provided by Mr. Li and Mr. An will be released subject to the Company providing corporate guarantee in favour of Jiangshan Investment replacing the personal counter-guarantees of Mr. Li and Mr. An.

Jiangshan Investment was introduced to us by Zhuhai City Commercial Bank and it is a limited liability company with business situated in Zhuhai City, Guangdong Province, PRC, and its principal business activities include providing guarantee to personal loans and corporate finance. Jiangshan Investment started to provide guarantee in respect of the Group's borrowings in 2007. Jiangshan Investment and its shareholders are independent third parties. As far as the Directors are aware, it is not a normal practice of Zhuhai City Commercial Bank to accept personal guarantees from members or directors of a private enterprise as sole security for banking facilities and hence Zhuhai City Commercial Bank requested guarantees to be provided by guarantee companies, such as Jiangshan Investment. So far as the Directors are aware, provision of such guarantee arrangements is a normal commercial practice for Zhuhai City Commercial Bank and on normal commercial terms and in the interests of our Group. In order to maintain the normal operation and working capital of our Group, our Directors consider that the grant of personal counter-guarantees by Mr. Li and Mr. An to Jiangshan Investment is in the interests of our Group.

On 3 September 2009, guarantees were also given by Mr. Li and Mr. An in favour of Zhuhai City Commercial Bank as security for the abovementioned loan facility granted by Zhuhai City Commercial Bank to Titans Technology to the extent of up to RMB9,000,000.

No fee was paid or is payable and no security has been provided by our Group to Mr. Li and Mr. An in respect of the counter-guarantees and guarantees granted by them.

*\* for identification purposes only*

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## CONNECTED TRANSACTIONS

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Zhuhai City Commercial Bank agreed on 17 March 2010 to release guarantees granted by Mr. Li and Mr. An a day before the Listing Date.

**2. Guarantees given by Mr. Li and Mr. An in favour of 深圳發展銀行 (Shenzhen Development Bank Co., Ltd.)**

On 9 April 2009, each of Mr. Li and Mr. An provided a guarantee in favour of Shenzhen Development Bank Co., Ltd. as security for the banking facilities granted to Titans Technology to the extent of up to RMB30,000,000. Such banking facilities expired in March 2010. On 12 April 2010, each of Mr. Li and Mr. An provided a new guarantee in favour of the same bank as security for banking credit granted to Titans Technology of up to RMB40,000,000. Shenzhen Development Bank Co., Ltd. confirmed in writing on 20 April 2010 that it will release the guarantees provided by Mr. Li and Mr. An given that it is replaced by a corporate guarantee to be provided by the Company on or about the Listing Date.

No fee was paid or is payable and security has been provided by our Group to Mr. Li and Mr. An in respect of the guarantees granted by them.

**3. Guarantee given by Mr. Li in favour of 珠海市中小企業信用擔保有限公司 (Zhuhai Small and Medium Enterprises Credit Guarantee Company Limited \*) (“SME Credit”)**

On 9 February 2009, a counter-guarantee was given by Mr. Li in favour of SME Credit as security of the guarantees given by SME Credit to Bank of Communications, Zhuhai branch for a loan granted by Bank of Communications, Zhuhai branch to Titans Technology of up to RMB5,000,000. Pursuant to a supplemental agreement entered into between Titans Technology and SME Credit on 15 September 2009, SME Credit agrees to replace Mr. Li’s personal counter-guarantee by the guarantee to be provided by the Company on the date immediately before Listing. SME Credit was established in March 2000 in the PRC, the principal activities of which include, among others, the provision of guarantee, charge and pledge to financial institutions on behalf of enterprises and individual. SME Credit started to provide guarantee in respect of the Group’s borrowings in 2009. To the best knowledge and belief of the Directors, SME Credit and its shareholders are independent third parties.

No fee was paid or is payable and no security has been provided by our Group to Mr. Li and Mr. An in respect of the counter-guarantees granted by them.

**4. Guarantee given by Mr. Li and Mr. An in favour of Industries and Commercial Bank of China Limited (“ICBC”)**

On 21 October 2008, a guarantee was given by each of Mr. Li and Mr. An in favour of ICBC for a loan facility that ICBC granted to Titans Technology of up to RMB20,000,000 subject to agreement. ICBC issued a letter dated 9 October 2009 to Titans Technology to confirm that the facility is no longer valid.

A new guarantee agreement was entered into between Titans Automatic and ICBC on 2 November 2009 and a new security agreement was entered into between Titans Technology and ICBC on 2 April

*\* for identification purposes only*

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## CONNECTED TRANSACTIONS

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2009 in respect of a new facility of up to RMB20,000,000. Such facility is guaranteed by Titans Automatic and secured by certain trade receivables of Titans Technology of approximately RMB30 million. This facility is not guaranteed by Mr. Li and Mr. An or any other connected person of the Group.

No fee was paid or is payable and no security has been provided by our Group to Mr. Li and Mr. An in respect of the guarantees granted by them.

Details of other personal guarantees given by Mr. Li and Mr. An, which will be released and replaced by a corporate guarantee to be given by our Company upon Listing or will be released upon Listing are disclosed under the paragraph headed “Bank loans” of the sub-section headed “Indebtedness statement” under the section headed “Financial Information” and the paragraph headed “Issue of Convertible Note” under the sub-section headed “Our Corporate Structure” under the section headed “Our History and Development”.

### **B. CURRENT ACCOUNTS WITH THE CONTROLLING SHAREHOLDERS AND CONNECTED PERSONS**

During the Track Record Period, our Group maintained certain current accounts with the Controlling Shareholders and connected persons. Details of these current accounts are set out in the paragraphs headed “Amounts due to a shareholder and minority shareholder of a subsidiary” and “Amount due to directors” in the section headed “Financial Information” and the accountants’ reports as set out in Appendix I to this prospectus. The amounts due to a shareholder and minority shareholder of a subsidiary have been settled. The amounts due to directors are expected to be settled before Listing.

Our Directors (including our independent non-executive Directors) of the view, and our Sponsor concurs, that the maintenance of current accounts by the Group/Controlling Shareholder was fair and reasonable and in the interests of our Company and our Shareholders as a whole.

### **C. EXCLUSIVE LICENCE AGREEMENTS AND TRANSFER AGREEMENTS IN RESPECT OF CERTAIN LED TECHNOLOGIES**

#### **1. SJ Li LED Patent Licence Agreements entered into between Zhuhai Titans and Mr. SJ Li**

Background: We have been using and adopting the technologies which were registered or under application for patent registration by Mr. SJ Li. Such technologies have been adopted by our Group in the production of our high-power LED lighting products. Pursuant to the SJ Li LED Patent Licence Agreements, Mr. SJ Li agreed to grant the exclusive licence to use the SJ Li LED Patents to Zhuhai Titans at nil consideration. The term of the licence shall continue for a period commencing from 6 December 2007 up to 6 December 2017. However, the SJ Li LED Patents have been assigned to Zhuhai Titans pursuant to the SJ Li LED Patent Transfer Agreement.

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## CONNECTED TRANSACTIONS

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Subject Patent: The SJ Li LED Patents.

Connected Person: Mr. SJ Li is the son of Mr. Li, an executive Director and a Controlling Shareholder. Mr. SJ Li and Mr. Li are connected persons of our Company for the purpose of the Listing Rules.

### 2. **Y An LED Patent Licence Agreements entered into between Zhuhai Titans and Mr. Y An**

Background: We have been using and adopting the technologies which were registered or under application for patent registration by Mr. Y An. Such technologies have been adopted by our Group in the production of our high-power LED lighting products. Pursuant to the Y An LED Patent Licence Agreements, Mr. Y An agreed to grant the exclusive licence to use the Y An LED Patents to Zhuhai Titans at nil consideration. The term of the licence shall continue for a period commencing from 6 December 2007 up to 6 December 2017. However, the Y An LED Patents have been assigned to Zhuhai Titans pursuant to Y An LED Patent Transfer Agreement.

Subject Patent: The Y An LED Patents.

Connected Person: Mr. Y An is the son of Mr. An, an executive Director and a Controlling Shareholder. Mr. An and Mr. Y An are connected persons of our Company for the purposes of the Listing Rules.

### 3. **SJ Li LED Patent Transfer Agreement entered into between Zhuhai Titans and Mr. SJ Li**

Background: Pursuant to the SJ Li LED Patent Transfer Agreement, Mr. SJ Li has agreed with Zhuhai Titans for the assignment of the SJ Li LED Patents.

Status: As at the Latest Practicable Date, the SJ Li LED Patents have been assigned to Zhuhai Titans.

### 4. **Y An LED Patent Transfer Agreement entered into between Zhuhai Titans and Mr. Y An**

Background: Pursuant to the Y An LED Patent Transfer Agreement, Mr. Y An has agreed with Zhuhai Titans for the assignment of the Y An LED Patents.

Status: As at the Latest Practicable Date, the Y An LED Patents have been assigned to Zhuhai Titans.

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## CONNECTED TRANSACTIONS

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At the time when the relevant technologies were being developed by the Group, it was intended that such technologies and the relevant patents (after registration) be held by Zhuhai Titans, which was established to carry out the business in respect of high-power LED lighting products, after the Group has increased its stake in Zhuhai Titans and Zhuhai Titans becoming a subsidiary of the Group. It was a temporary arrangement for the technologies to be held by Mr. SJ Li and Mr. Y An for no particular reason other than pending the establishment of Zhuhai Titans at such time. No payment has been made by us to Mr. SJ Li and Mr. Y An for holding such technologies. Mr. SJ Li is the son of Mr. Li and Mr. Y An is the son of Mr. An. They are not employees or officers of our Group. We have no plan to employ them.

Save for the above, our Group is not using any technologies owned by any third parties.

### OTHER ONE-OFF CONNECTED TRANSACTIONS

#### 1. Sale and Purchase Agreement entered into between Titans Technology and Jinyi Smelting

On 11 November 2007, an agreement was entered into between Titans Technology and Guangxi Zhong Shan Jinyi Smelting Company Limited (“Jinyi Smelting”), a subsidiary of Jinyi. Pursuant to which, Titans Technology sold to Jinyi Smelting certain power grid monitoring and management products for a total consideration of RMB1,424,000, which was determined with reference to the technology and components required for the products and the requirement of Jinyi Smelting. As products of the Group are made in accordance with the specific requirements of a customer and that market of power grid monitoring and control products are less mature, the Company considers it not appropriate to make references to prices charged to other customers. As explained in the “Financial Information” section of this prospectus, gross profit margins of our power grid monitoring and management products fluctuated quite significantly during the Track Record Period. Our Directors (including our independent non-executive Directors) were of the view, and our Sponsor concurs, that the agreement with Jinyi Smelting was conducted on normal commercial terms and the terms of which were fair and reasonable (including that the consideration was comparable to similar products sold to independent third parties) and in the interests of our Company and our Shareholders as a whole.

Given that Jinyi Smelting is a subsidiary of Jinyi, a company in which Mr. Zhou Wei, a director of Titans Technology, holds 80% of the registered capital, Jinyi Smelting is an associate of Mr. Zhou Wei and thus a connected person of the Company. The entering into of the agreement between Titans Technology and Jinyi Smelting constituted a connected transaction for the Company.

#### 2. Financing arrangement with Li Xiao Bin and Ou Yang Fen

As part of senior staff remuneration packages, our Group granted non-interest bearing loans to certain management employees to purchase their own cars. Currently, we have 13 employees (including Li Xiao Bin and Ou Yang Fen, our Controlling Shareholders and senior management) enjoying this staff benefit.

On 24 December 2009, Li Xiao Bin entered into a car loan lending agreement with Titans Technology pursuant to which Titans Technology advanced a non-interest bearing loan in the sum of RMB200,000 to Li Xiao Bin for the purposes of purchasing a car. The loan is for a term of six years.

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## CONNECTED TRANSACTIONS

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Li Xiao Bin also entered into a charge with the Company pursuant to which title of the car shall be charged to the Company as security for the repayment of the loan. It was also agreed in the charge that Li Xiao Bin shall repay the loan in a monthly installment of RMB1,500 each and a sum of RMB18,400 at the end of each year from 2010 to 2015. As at 31 December 2009, the outstanding sum owed by Li Xiao Bin was RMB200,000.

On 18 January 2006, Ou Yang Fen entered into a car loan lending agreement with Titans Technology pursuant to which Titans Technology advanced a non-interest bearing loan in the sum of RMB250,000 to Ou Yang Fen for the purpose of purchasing a car. The loan is for a term of six years. Ou Yang Fen also entered into a charge with the Company pursuant to which title of the car shall be charged to the Company as security for the repayment of the loan. It was also agreed in the charge that Ou Yang Fen shall repay the loan in a monthly installment of RMB1,250 each and a sum of RMB25,000 at the end of each year from 2006 to 2011. As at 31 December 2009, the outstanding sum owed by Ou Yang Fen was RMB191,250.

Under the above car loan lending agreements, Li Xiao Bin and Ou Yang Fen shall repay the entire sum of the loan plus an interest equal to 7.2% per annum if his or her employment with us is terminated due to his or her misconducts against our internal policies.

The above loans were made as part of our employment on the principal amount of the loan benefits to management staff of our Group. We believe that this will encourage the development of their sense of belonging towards our Group and help retain quality staff. The principal terms of the car loans to Li Xiao Bin and Ou Yang Fen are substantially the same as the principal terms of other car loans to our other employees who are not our connected persons. Our Directors (including our independent non-executive Directors) are of the view, and our Sponsor concurs, that the above transactions were entered into on normal commercial terms.

### **3. Purchase of a motor vehicle by Titans Automatic from Growth Technology**

On 10 April 2009, Titans Automatic acquired a motor vehicle together with two valid and subsisting vehicle licences of Zhuhai City and Macau Special Administrative Region of the PRC from Growth Technology at a consideration of RMB580,000 in view of the need of the Group to upgrade its motorcade for the purpose of escorting important clients.

The consideration was determined based on the arm's length negotiation of the parties and with reference to the physical condition of the said motor vehicle and second-hand market reference price.

Growth Technology is an associate of Feng Jian, who is a director of Titans Technology. Therefore, Growth Technology is a connected person of the Company under the Listing Rules. The sale and purchase of the motor vehicle between Growth Technology and Titans Automatic constituted a connected transaction for the Company.

Our Directors (including our independent non-executive Directors) are of the view, and our Sponsor concurs, that the above transaction was entered into on normal commercial terms and the consideration of which was agreed after arm's length negotiation with reference to the prevailing market prices of similar transactions with independent third parties.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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### INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, the Directors are satisfied that we are able to conduct our businesses independent of our Controlling Shareholders:

1. Management independence and non-competition: Mr. Li and Mr. An were formerly directors of Titans Software, Mr. Li, Mr. An and Ou Yang Fen were directors of Titans Energy, and Ou Yang Fen was also a director of Unionix. Their involvement in Titans Software, Titans Energy and/or Unionix was limited to providing consulting services and attending board meetings, and the time involved therein was minimal. Mr. Li and Mr. An resigned as directors of Titans Software on 11 November 2009 and 3 June 2005 respectively. Mr. Li, Mr. An and Ou Yang Fen resigned as directors of Titans Energy on 18 June 2008. Ou Yang Fen resigned as a director of Unionix on 1 March 2008. After their resignation, neither Mr. Li nor Mr. An retains any role in Titans Software or Titans Energy or Ou Yang Fen retains any role in Titans Energy or Unionix. As at the Latest Practicable Date, they had no directorship or other role in Titans Software, Titans Energy or Unionix. Our Controlling Shareholders are working full-time for our Group. None of the Controlling Shareholders or our Directors has any interest in a business, other than the Group's business, which competes or is likely to compete, either directly or indirectly, with our Group's business. In addition, each of the individual Controlling Shareholders has entered into the Non-competition Deed in favour of us. For details, please refer to the paragraph "Non-competition Deed" of this section.
2. Operational independence: We have established our own business structure with various departments and functions which support the operation and development of the Group including, inter alia, research and development, production, planning, purchase of raw material, manufacturing process, sales and engineering services. We have established our own sales team, purchase team and productions, and do not rely solely on our Controlling Shareholders to access and contact our customer's and suppliers. Apart from the involvement of the Controlling Shareholders as Directors and staff of our Group, we operate independently with our own research and development, production, sales and administration facilities and supporting functions. We also own the intellectual properties rights that we are currently using. We have established a management system and related policies in accordance with ISO 9001 requirements. We are operating our business in accordance with these management systems.
3. Financial independence: Our Group has an independent financial system including accounting and cash management functions. As a matter of the PRC banking practice, Mr. Li and Mr. An have provided guarantees and counter-guarantees in respect of certain of our banking borrowings (as described in the sub-section headed "Discontinued Connected Transactions" under the section "Business" in this prospectus), the relevant banks and guarantee companies have confirmed in writing that they agree in principle to release the guarantees and counter-guarantees provided by Mr. Li and Mr. An subject to the Company providing corporate guarantees in favour of the relevant banks and guarantee companies replacing some of the personal guarantees and counter-guarantees of Mr. Li and Mr. An on or about the Listing Date.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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During the Track Record Period, some of the Controlling Shareholders make advances to the Group for working capital purposes as the Company considers it a cheaper and more flexible way to obtain financing. As at 31 December 2007, 2008 and 2009, the amount due to the Controlling Shareholders and their associates amounted to approximately RMB21,251,000, RMB3,073,000 and RMB8,966,000 respectively. Please refer to the sub-section headed “amount due to directors”, and “amount due to a shareholder and minority shareholders of a subsidiary” under the section headed “Financial Information” in this prospectus. All such balances are expected to be settled in full before Listing. We intend to rely on our internal resources, bank borrowings and other financing to support our working capital requirements after Listing.

4. Related party transactions: Mr. Li and Mr. An were directors of Titans Software, a company which business scope includes the development of computer software, network engineering (excluding Internet), data management, file management services, design, services and integrated wiring system of intelligent office buildings and development and sale of automatic control products, cases and cabinet systems. Both Mr. Li and Mr. An were directors of Titans Energy, a company which business scope includes the production and sale of intelligent power automatic equipment, environmental protection recorders, data collectors, design and installation of automatic engineering, development of computer software and high efficiency and energy saving technology. Ou Yang Fen was a director of each of Titans Energy and Unionix. By virtue of the common historical directorships of Mr. Li, Mr. An and Ou Yang Fen in Titans Software, Titans Energy, and/or Unionix, Titans Software, Titans Energy and Unionix are regarded as related parties of our Group and transactions between our Group and these companies constitute related parties transactions in the accountants’ report as set out in Appendix I to this prospectus. However, they are not considered as connected persons under the Listing Rules, and hence the related party transactions between these parties do not constitute connected transactions under the Listing Rules. Titans Energy supplied voltage-reactive power control systems to our Group in 2006 and 2007. There was no purchase from Titans Energy in 2008 and 2009. We sell modules of our electrical DC products to Titans Energy and software of our electrical DC products to Titans Energy and Unionix in relation to their automatic control products.

We purchase metal casings for our electrical DC products from Titans Software during the Track Record Period. All transactions with Titans Energy, Unionix and Titans Software are transactions negotiated on an arm’s length basis which are carried out in our ordinary and usual course of business and on normal commercial terms. Titans Software, Titans Energy and Unionix are related parties of the Company for historical reasons. After Listing, we may continue to sell or purchase from Titans Energy, Unionix and Titans Software depending on the terms and/or quality of their products. We do not consider the existence of these transactions affect our independence from them.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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Save for the financial arrangements as described above and the transactions with related parties above we had some other minor transactions with certain related parties or connected parties, such as rental and sale of products, the aggregate amount of which for each of the three years ended 31 December 2009 were not significant. Details of those transactions are set out in note 37 in the accountants' report in Appendix I to this prospectus and the section headed "Connected Transactions" in this prospectus. The Directors confirm that all such transactions are carried on normal commercial terms and in the ordinary and usual course of the Group's business.

Our Directors consider that our related party transactions during the Track Record Period as set out in the Accountants' Report in Appendix I to this prospectus were conducted on arm's length basis under normal commercial terms (including the considerations were comparable to the consideration of similar transactions with independent third parties, if any).

### NON-COMPETITION DEED

In preparation for the Listing, each of the Controlling Shareholders has entered into the Non-competition Deed in favour of our Company, pursuant to which they have undertaken, subject to the exceptions mentioned below, that they will not, and will procure that neither they nor their respective associates and/or parties acting in concert and/or the companies in which they have any shareholding (other than the members of the Group) shall, among others: (a) directly or indirectly be interested in or engaged in any business which competes or is likely to compete from time to time directly or indirectly with the Group's business, as set out in this prospectus, in the PRC and any other area in which the Group carries on business (the "Restricted Business"); (b) solicit any existing or then existing employee of our Group for employment by them; and (c) make use of any information pertaining to the business of our Group for the purpose of competing with the Restricted Business.

The aforesaid undertakings do not apply with respect to the holding of or interests in shares or other securities in any company which conducts or is engaged in any Restricted Business, provided that, in the case of such shares or securities, they are listed on a recognised stock exchange and:

- (a) the total number of the shares held by the relevant Controlling Shareholder and/or its/his/her associates and/or parties acting in concert and/or the companies in which they have any shareholding does not amount to more than 5% of the issued shares of that company;
- (b) the relevant Controlling Shareholder and/or its/his/her associates and/or parties acting in concert and/or the companies in which they have any shareholding are not entitled to appoint such number of directors representing more than 10% the total number of directors of that company; and
- (c) the relevant Controlling Shareholder and/or its/his/her associates and/or parties acting in concert and/or the companies in which they have any shareholding shall not be the shareholder with largest shareholding or interest of that company.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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The Non-competition Deed and the rights and obligations thereunder are subject to and conditional upon the Listing Committee granting the approval for listing of, and permission to deal in the Shares and the Share Offer becoming unconditional as specified under the section headed “Terms and Conditions of the Hong Kong Public Offering” of this prospectus.

The obligations of each of the Controlling Shareholders under the Non-competition Deed will remain in effect until:

- (a) the date on which the Shares cease to be listed on the Stock Exchange; or
- (b) the date on which the relevant Controlling Shareholder and its/his/her respective associates and/or parties acting in concert and/or the companies in which they have any shareholding cease to own 10% or more of the then issued share capital of the Company directly or indirectly;

whichever occurs first.

None of the Controlling Shareholders and their respective associates currently have interests in any business that competes or is likely to compete with the business of our Group.

Each of our Controlling Shareholders has undertaken under the Non-competition Deed that it/he/she shall provide to us and/or our Directors (including the independent non-executive Directors) from time to time all information necessary for annual review by the independent non-executive Directors with regard to compliance with the terms of the Non-competition Deed by the Controlling Shareholders. Each of the Controlling Shareholders has also undertaken to make an annual declaration as to compliance with the terms of the Non-competition Deed in our annual report.

In order to properly manage any potential or actual conflict of interests between us and our Controlling Shareholders in relation to the compliance and enforcement of the non-competition undertaking, we have adopted the following corporate governance measures:

- (i) our independent non-executive Directors shall review, at least on an annual basis, the compliance with and enforcement of the terms of the Non-competition Deed by the Controlling Shareholders;
- (ii) we will disclose any decisions on matters reviewed by the independent non-executive Directors relating to compliance and enforcement of the Non-competition Deed either through our annual report or by way of announcement;
- (iii) we will disclose in the corporate governance report of our annual report how the terms of the Non-competition Deed have been complied with and enforced; and

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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- (iv) in the event that any of our Directors and/or their respective associates has a material interest in any matter to be deliberated by the Board in relation to the compliance and enforcement of the Non-competition Deed, he/she may not vote on the resolutions of the Board approving the matter and shall not be counted towards the quorum for the voting pursuant to the applicable provisions in the Articles of Association.

Our Directors consider that the above corporate governance measures are sufficient to manage any potential conflict of interests between the Controlling Shareholders and their respective associates and our Group and to protect the interests of our Shareholders, in particular, the minority Shareholders.

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## FUTURE PLANS AND USE OF PROCEEDS

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### FUTURE PLANS AND PROSPECTS

Please refer to the section headed “Business — Our Business Strategies” for a detailed description of our future plans and prospects.

### USE OF PROCEEDS

We estimate that the aggregate net proceeds available to us from the Share Offer, after deducting related underwriting fees and expenses payable by us in connection with the Share Offer, and assuming an Offer Price of HK\$1.125 per Share (being the mid-point of the stated range of the Offer Price between HK\$1.05 and HK\$1.2 per Share), will be approximately HK\$201,800,000 (equivalent to approximately RMB177,760,000). We currently intend to apply such net proceeds as follows:

- approximately HK\$62.7 million (equivalent to approximately 31.1% of our total estimated net proceeds) will be used to support and enhance our manufacturing capability and/or acquiring new production facilities (including approximately HK\$22 million for the acquisition of a piece of land in Zhuhai in 2010, approximately HK\$20 million for the building of a new factory in 2010 and 2011 and HK\$20.7 million for the purchase of additional production equipment and machinery from 2010 to 2012) in order to cope with the diversifying product portfolio of the Group;
- approximately HK\$75.7 million (equivalent to approximately 37.5% of our total estimated net proceeds) will be used to support and consolidate the market positions of our existing products, which will include among other things, using approximately HK\$30.0 million in the next two years to invest in new business opportunities and acquire technologies, projects or business complementary to the existing business of the Group which we will actively identify and using approximately HK\$45.7 million for implementing a series of strategies from 2010 to 2012 to continue our brand building, enhance our overall competitiveness and consolidate our market position (which, subject to the then circumstances and terms of engagement, may involve engaging a professional consultant to advise and improve our organisational structure, management and operational efficiency and staff remuneration structure);
- approximately HK\$18.6 million (equivalent to approximately 9.2% of our total estimated net proceeds) will be used from 2010 to 2012 to support and the strengthen our product research and development capability in respect of our existing product portfolio and potential new products, including (i) devoting further resources (human resources, equipment hardware and software) for the development of our products; (ii) enhancing our core technologies and their applicability and reliability in view of the developing market requirements; (iii) cooperating with research institutions to develop new technologies and products; and (iv) expediting the commercialisation process of our research and development work through a series of our research and development work and reviews;
- approximately HK\$27.0 million (equivalent to approximately 13.4% of our total estimated net proceeds) will be to support and enhance our marketing ability including using approximately HK\$11.3 million for carrying out sales and marketing activities such as more

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## FUTURE PLANS AND USE OF PROCEEDS

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customer relationship building, attending related technology or product conferences, exhibitions and seminars, advertising or making press releases in technical magazines or Internet websites from 2010 to 2012, and approximately HK\$15.7 million for expanding our marketing channels through the establishment of about 10 new representative offices in the PRC in Shanghai, Chengdu, Xian, Shenyang, Wuhan, Jinan with about 20 additional staff to promote our new products mainly from 2010 and 2011; and

- approximately HK\$17.8 million (equivalent to approximately 8.8% of our total estimated net proceeds) will be used as working capital and for other general purposes of our Group.

The Group applied to acquire a piece of land located in the Economic Development Zone of Heng Qin, Zhuhai for the construction of a new production plant in December 2006. In the same month of our application, the management committee of the Economic Development Zone agreed to our plan to set up our facilities in the Economic Development Zone. We submitted a revised proposal to the management committee of the Economic Development Zone in July 2009. The application is still subject to the approval by 珠海橫琴新區公共建設局 (Public Construction Bureau of Zhuhai Hengqin New Area). The size and exact location of the land which the Company may acquire has not been determined. Based on our communications with the relevant officers of the Heng Qin Economic Development Zone, we estimate that we may be able to obtain the approval for our production plant development in the Heng Qin Economic Development Zone by the end of 2010. However, there is no assurance that when our application will be approved or when it will be approved. If our application for the land acquisition is not approved or we otherwise decide not to build our new plant in the Economic Development Zone of Heng Qin, Zhuhai, we will identify another suitable place for the expansion of our production facilities. As at the Latest Practicable Date, our Group has not entered into any contract or agreement in respect of the above possible acquisition of land or construction of new production facilities.

The amount of net proceeds allocated for the construction of new plant and expansion of new facilities may not be sufficient for the whole intended purpose. Any deficiency in funding for the above-mentioned projects will be financed by internal funds and/or bank borrowings and/or other appropriate financing available to the Group from time to time.

We have not identified any specific acquisition or investment targets nor entered into any legally binding agreement or arrangement relating thereto. However, in the process of selecting acquisition or investment targets, we will consider whether the target business is complementary or synergetic to our business and whether the acquisition or investment may help expand our market share and enhance our market recognition.

We have been developing our core technologies and the relevant commercialisation and applications by our internal research and development team. As at the Latest Practicable Date, we were not in cooperation with any research institutions in respect of our product development and we have not entered into any agreement in respect of our plan to cooperate with research institutes to enhance our product development. Whilst we will continue to develop our own research and development team, we plan to cooperate with other research institutions in respect of our product and technology development in order to leverage on their knowledge and expertise. We will discuss with the appropriate research institutions our research and development plan when opportunities arise.

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## FUTURE PLANS AND USE OF PROCEEDS

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There are risks that we may not be able to execute our business plans or there may be changes to the timing of our plans. For example, we may not be able to identify an appropriate area for our production expansion or appropriate acquisition targets for consolidating our market share. Please refer to the section headed “Risk factors” of this prospectus for the relevant risks.

In the event that the Offer Price is fixed at HK\$1.05 or HK\$1.2 (being the respective lowest and highest points of the indicative range of the Offer Price as stated in this prospectus) and assuming the Over-allotment Option is not exercised, the net proceeds of the Share Offer are approximately HK\$187,570,000 (equivalent to approximately RMB165,230,000) and HK\$216,020,000 (equivalent to approximately RMB190,290,000) respectively after deduction of all underwriting fees and expenses paid and payable by us. In the event that the net proceeds are less or more than HK\$201,800,000 by reason of the Offer Price being fixed at a price lower than or above HK\$1.125, we intend to adjust the allocation of the net proceeds to the above uses in the proportions stated above.

In the event that the Over-allotment Option is exercised in full and assuming the Offer Price is HK\$1.125 (the mid-point price of the indicative price range as indicated in this prospectus), the Company will receive additional net proceeds of approximately HK\$32 million. We intend to apply the additional net proceeds in the same manner and in the same proportion as shown above.

In the case that the net proceeds from the Share Offer are not immediately applied for the aforesaid purposes, we currently intend that the amount be placed on short term deposits with licensed banks in Hong Kong and/or commercial banks in the PRC or other financial institutions.

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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### DIRECTORS

#### Executive Directors

Mr. Li Xin Qing, aged 53, 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 and corporate culture of our Group. 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 珠海市科學技術進步獎評審委員會 (Zhuhai Municipality Scientific and Technological Progress Qualification Committee) 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 (通訊用高頻開關電源) 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 and Titans HK and is an executive director and the legal representative of Titans Technology, Titans Automatic and Zhuhai Titans. Save as disclosed, he has no relationship with any other Directors, senior management, or Substantial or Controlling Shareholders of our Company. Mr. Li does not hold any directorships in any public companies, the securities of which are listed on any securities market in Hong Kong or overseas in the last three years preceding the date of this prospectus. Please refer to the section headed “Substantial Shareholders” in this prospectus 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 the Listing Date. The annual remuneration of Mr. Li as an executive Director for the year ended 31 December 2009 was RMB226,000. The expected annual remuneration of Mr. Li as an executive Director for the year ending 31 December 2010 is approximately RMB402,625.

Mr. An Wei, aged 53, is the general manager and an executive Director of our Company and he is also 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.

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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Mr. An was 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 our Group in September 1992, being a director of Titans Technology. He has been the general manager of Titans Technology since July 1998. He was also the vice chairman of Private Enterprises Association of Zhuhai (珠海市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, Titans HK, and a director and general manager of Titans Automatic, the chairman of Jiangyin Titans and the executive director and the legal representative of Beijing New Clear and Shijiazhuang Titans. Please refer to the section headed “Substantial Shareholders” in this prospectus 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 of our Company. Mr. An does not hold any directorships in any public companies, the securities of which are listed on any securities market in Hong Kong or overseas in the last three years preceding the date of this prospectus. Mr. An has entered into a service contract with the Company for an initial term of three years commencing on the Listing Date. The annual remuneration of Mr. An as an executive Director for the year ended 31 December 2009 was RMB211,000. The expected annual remuneration of Mr. An as an executive Director for the year ending 31 December 2010 is approximately RMB395,895.

### Independent non-executive Directors

Mr. Li Wan Jun, aged 41, 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 holds 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 positions with any member of our Group. He has no relationship with any directors, senior management, or Substantial or Controlling Shareholders of the Company. 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 assistant 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). Since 2008, Mr. Li has been a financial controller of subsidiaries of the same company. Zhu Kuan Group Holding Co. Ltd, 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 the prospectus. Mr. Li has entered into a service contract with the Company for an initial term of three years commencing on the Listing Date. Mr. Li Wan Jun did not hold any shareholding interest in our Company and shall be entitled to a monthly fee of RMB10,000 commencing from the date of appointment. The expected annual remuneration of Mr. Li as an independent non-executive Director for the year ending 31 December 2010 is approximately RMB61,663.

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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Save as disclosed, he has no relationship with any other Directors, senior management, or Substantial or Controlling Shareholders of our Company.

Ms. Li Xiao Hui, aged 43, was appointed an 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 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 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 prospectus. Ms. Li has entered into a service contract with the Company for an initial term of three years commencing on the Listing Date. Ms. Li Xiao Hui did not hold any shareholding interest in our Company and shall be entitled to a monthly fee of RMB10,000 commencing from the date of appointment. The expected annual remuneration of Ms. Li as an independent non-executive Director for the year ending 31 December 2010 is approximately RMB61,663.

Save as disclosed, she has no relationship with any other Directors, senior management, or Substantial or Controlling Shareholders of our Company.

Mr. Yu Zhuo Ping, aged 50, was appointed an independent non-executive Director on 20 November 2009. He is the chairman of the Audit Committee and a member of the Remuneration Committee. 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 construction mechanical engineering in 1985. In 1996, Mr. Yu obtained a doctoral degree in automotive engineering from Tsing Hua University (清華大學). Prior to joining our Group, Mr. Yu joined Braunschweig automotive research institute, the research department of Volkswagen automotive company, and the automotive institute of Technical University Darmstadt. 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 3) (上海市科學技術三等獎) from the local government of Shanghai Municipality (上海市人民政府) for his research in “internal notice prediction, diagnosis and control of 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 for the “electric and electric platform or fuel cell automotive power train system” developed by him and his team. 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 State Council of the PRC (中華人民共和國國務院). 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), which is a company listed on the Shanghai Stock Exchange. Save as disclosed, Mr. Yu has not been a director of any public companies

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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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 prospectus. Mr. Yu has entered into a service contract with the Company for an initial term of three years commencing on the Listing Date. Mr. Yu Zhuo Ping did not hold any shareholding interest in our Company and shall be entitled to a monthly fee of RMB10,000 commencing from the date of appointment. The expected annual remuneration of Mr. Yu as an independent non-executive Director for the year ending 31 December 2010 is approximately RMB61,663.

Save as disclosed, he has no relationship with any other Directors, senior management, or Substantial or Controlling Shareholders of our Company.

Save as disclosed in this prospectus, there are no other matters concerning the appointment of our Directors that need to be brought to the attention of our shareholders and the Stock Exchange and there are no other matters which shall be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

### SENIOR MANAGEMENT

Mr. Li Xiao Bin, aged 47, has 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 and is an engineer. Mr. Li was accredited as the senior mechanical engineer by the Guangdong Ministry of Personnel of the PRC (廣東省人事廳) in 1997. Mr. Li worked as an engineer for three years with the Plasma Physics Laboratory of the Chinese Academy of Sciences from 1990 to 1993. He joined our Group in 1993. He is a director and a deputy general manager of Titans Technology responsible for the sale and development of our electrical DC products, a director of Titans Automatic, and the head of our research and development centre, responsible for overall research and development in respect of power electronic and technology which could be applied to our electrical DC product series, the key products of our Group. He received the “Certificate for Outstanding Technology Improvement (科學技術進步獎)” from the Chinese Academy of Sciences (中國科學院). Mr. Li Xiao Bin is one of our Controlling Shareholders and is interested in 40% of the entire issued share capital of Honor Boom, which will be interested in approximately 10.31% of the total issued share capital of the Company upon Listing. Save as disclosed, he has no other relationship with the Directors, senior management and other Substantial or Controlling Shareholders.

Ms. Ou Yang Fen, aged 44, is, a deputy general manager responsible for finance department. She has completed an advocational course in finance in Guangdong Radio & TV University (廣東廣播電視大學) in 1998. Ms. Ou Yang obtained the qualification of an accountant from the Ministry of Finance (財務部) 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 the company accountant, finance manager, the deputy general manager successively. She is currently the deputy general manager and financial officer of Titans Technology, mainly responsible for the financial management of Titans Technology. Ms. Ou Yang Fen is one of our Controlling Shareholders and is interested in 30% of the entire issued share capital of Honor Boom, which will be interested in approximately 10.31% of the total issued share capital of the Company upon Listing. Save as disclosed, she has no other relationship with the Directors, senior management and other Substantial or Controlling Shareholders.

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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Mr. Chen Xiang Jun, aged 41, obtained a bachelor degree of Mathematics from Nankai University (南開大學) in 1990. Mr. Chen obtained a master degree of Business Administration in Executive Management from Royal Roads University in 2007. He joined Titans Technology in March 2001 and is currently the deputy general manager and the secretary to the Board mainly responsible for capital market related matters and expanding the nation-wide marketing and the distribution network and the internal sales team of our Group. Mr. Chen did not have any shareholding interest in our Company as at the Latest Practicable Date. Save as disclosed, he has no relationship with any other Directors, senior management, or Substantial or Controlling Shareholders of our Company.

Mr. Pan Jingyi, aged 58, completed the automation of the electric power system programme in Radio and TV University, Shaanxi (陝西省廣播電視大學) in 1987 and is an engineer. He has been working in the field of electrical engineering from 1985 to 2005, Mr. Pan worked in a power plant in Xian is head of electric station and the chief engineer of an electric company, a subsidiary Company of the said power plant. He joined Titans Technology in February 2005 and is currently a deputy general manager and the chief engineer of Titans Technology. Mr. Pan is mainly responsible for the commercialisation of the products of our Group. He also contributed to the development of wind and solar power products of our Group. Mr. Pan did not have any shareholding interest in our Company as at the Latest Practicable Date. Save as disclosed, he has no relationship with any other Directors, senior management, or Substantial or Controlling Shareholders of our Company.

Mr. Fu Yulong, aged 46, graduated from Zhengzhou University (鄭州大學) in 1994 and obtained a Master 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 Titans Technology as a deputy general manager in May 2003, responsible for research and development and has contributed to the successful development of power automation technology of our Group. Mr. Fu is also the general manager of Beijing New Clear, responsible for overall management and operation. Mr. Fu did not have any shareholding interest in our Company as at the Latest Practicable Date. Save as disclosed, he has no relationship with any other Directors, senior management, or Substantial or Controlling Shareholders of our Company.

Mr. Li Zhen Hua, aged 52, obtained a bachelor degree in Economics from Xiamen University in 1983 and registered as an accountant in the PRC in 1992. He joined our Group in September 2009 as our Financial Controller. Mr. Li is experienced in financial and organisation management. Before he joined our Group, he 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 of our Company.

### COMPANY SECRETARY

Mr. Wong Yiu Hung, aged 53, was appointed as the company secretary of the Company in September 2009. Mr. Wong is ordinarily resident in Hong Kong. Mr. Wong graduated from The Chinese University of Hong Kong with a bachelor of social science in 1984. He admitted as a member of the Chartered Institute of Management Accountants of the United Kingdom and a member of the

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## **DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES**

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Hong Kong Institute of Certified Public Accountants in 1990. Mr. Wong has over 20 years of working experience in accounting and company secretarial matters as an accountant financial controller/chief financial officer, qualified accountant and/or company secretary of various companies, including, among other companies, Applied Electronics (OEM) Limited, Century City Holdings Limited, 3D-Gold Jewellery Holdings Limited (Provisional Liquidators Appointed) (subject to Scheme of Arrangement), Tungda Innovative Lighting Holdings Limited and Linfair Holdings Limited, the shares of each of which are listed on the Stock Exchange.

### **AUDIT COMMITTEE, REMUNERATION COMMITTEE AND NOMINATION COMMITTEE**

Our Company has established an Audit Committee with written terms of reference in compliance with the Listing Rules. The primary duties of the Audit Committee are to review and supervise the preparation of annual reports and accounts, the interim reports of our 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 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 accounts, and will consider matters raised by our auditor. Members of the Audit Committee are also responsible for reviewing the financial reporting process and internal control systems of our Company.

The Audit Committee comprises our three independent non-executive Directors, namely Li Xiao Hui, Yu Zhuo Ping and Li Wan Jun and is chaired by Li Wan Jun.

We have established a 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 comprises three members namely, Li Xiao Hui, Yu Zhuo Ping and Li Wan Jun and is chaired by Li Xiao Hui.

We have established a 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, Yu Zhuo Ping and Li Xiao Hui and is chaired by Mr. Li.

### **COMPLIANCE ADVISER**

Our Company has appointed OSK as its compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to the terms of the engagement letter entered into between the Company and the Compliance Adviser, the Compliance Adviser will advise our Company, among others, on the following circumstances:

- (i) the publication of any regulatory announcement, circular or financial report;
- (ii) where a transaction, which might be of a notifiable or connected transaction, is contemplated including but not limited to share issues and share repurchases;

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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- (iii) where our Company proposes to use the proceeds of the Share Offer in a manner different from that detailed in this prospectus or where the business activities, developments or results of operation of our Group deviate from any forecast, estimate, or other information in this prospectus; and
- (iv) where the Stock Exchange makes an enquiry of our Company regarding unusual movements in the price or trading volume of the Shares.

The term of the appointment will commence on the Listing Date and end on the date of despatch of the annual report of the Company in respect of its financial results for the first full financial year commencing after the Listing Date and such appointment shall be subject to extension by mutual agreement.

### DIRECTORS REMUNERATION

During the Track Record Period, the aggregate remuneration paid to the Directors were approximately RMB271,000, RMB439,000 and RMB466,000 for the three years ended 31 December 2007, 2008 and 2009 respectively.

During the Track Record Period, the aggregate amount of salaries, allowance and other benefits in kind, discretionary bonuses and contribution to defined contribution plans paid or payable by the Company to the five highest paid individuals (other than Directors) of the Group was RMB328,000, RMB491,000 and RMB499,000 for the three years ended 31 December 2007, 2008 and 2009 respectively.

All Directors receive reimbursements from the Company for expenses which are necessarily and reasonably incurred for providing services to the Company or in the execution of their duties. The executive Directors, who are also employees of the Company, receive, in their capacity as employees of the Company, compensation in the form of salaries, other allowances and benefits in kind, including the Company's contribution to the pension scheme for its executive Directors in accordance with the relevant PRC law. We pay our independent non-executive Directors a fixed monthly fee. Any discretionary bonus to be declared shall be approved by the Board and the Remuneration Committee taking into consideration the operating performance, financial position and business development of the Group.

Save as disclosed above, no other payments have been made or are payable by the Company to its directors, in respect of the three financial years ended 31 December 2009.

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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### STAFF

#### Overview of staff number

As at the Latest Practicable Date, our Group had a total of 342 employees and workers, which by functions are analysed as follows:

Function	Total number
Research and development	75
Marketing	13
Technical	21
Customer service	21
Planning	5
Sales ( <i>Note</i> )	35
Production	92
Acquisition and purchase	9
Quality control	31
Management, financial, administration and support	<u>40</u>
Total	<u><u>342</u></u>

*Note:* On or before the Listing, we will terminate the employment of eight sales representatives with us. Please refer to the sub-paragraph headed “Roles of the sales partners and the sales representatives” of the paragraph headed “Sales” in the “Business” section of this prospectus.

#### EMPLOYEE BENEFITS

We participate in various employees’ benefit plans such as retirement benefit scheme and medical insurance. Our 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 shall be undertaken between our Group and employee based on percentages fixed by relevant PRC laws.

As at the Latest Practicable Date, the Group has only one employee in Hong Kong. Our Group and its Hong Kong employee will 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 based on 5% of the relevant incomes of the relevant employee. Genius Mind, Great Passion, Mr. Li and Mr. An have given an undertaking to jointly and severally indemnify and keep indemnified the Group against all loss or liability suffered by the Group in respect of any payment

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## **DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES**

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made or required to be made by the Group for the contribution of Mandatory Provident Fund in respect of the employment of the Hong Kong employee and any costs and expenses incurred as a result of or in connection with any claim falling on the Group resulting from any failure of payment of the mandatory provident fund in respect of such employment.

During the Track Record Period, the aggregate contribution of our Group in our retirement benefit scheme amounted to approximately RMB485,000, RMB630,000 and RMB670,000 for the three years ended 31 December 2007, 2008 and 2009 respectively.

Based on the confirmations from the relevant PRC authorities, our Group has complied with all the relevant national and local labour and social welfare laws, regulations and requirements in the PRC and has made relevant contributions in accordance with these laws and regulations.

### **OUR RELATIONSHIP WITH OUR STAFF**

The Directors are of the view that staff of our Group is one of the most valuable assets and have contributed to the success of our Group. Since its establishment, we have not experienced any disruption to its business operations as a result of labour disputes, nor has it experienced any material difficulty in recruiting or retaining its experienced staff. The Directors believe that we have maintained a very good relationship with the staff.

### **SHARE OPTION SCHEMES**

Our Group has conditionally adopted the Pre-IPO Share Option Scheme and the Share Option Scheme, pursuant to which, among others, certain directors and employees of our Group have been granted and may be granted options to subscribe for Shares. The principal terms of the Pre-IPO Share Option Scheme and the Share Option Scheme are summarised in the paragraph headed “Pre-IPO Share Option Scheme” and “Share Option Scheme” respectively in “Appendix V — Statutory and General Information” to this prospectus.

### **WAIVER FROM STRICT COMPLIANCE WITH RULE 8.12 OF THE LISTING RULES**

Pursuant to Rule 8.12 of the Listing Rules, we must have a sufficient management presence in Hong Kong. This normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong.

Given that our business and operations are primarily located, managed and conducted in the PRC and none of our executive Directors are ordinarily resident in Hong Kong, we consider that it would be unduly burdensome for us to maintain a management presence in Hong Kong in order to comply with the requirement under Rule 8.12 of the Listing Rules.

Accordingly, we have applied to the Stock Exchange for a waiver from strict compliance of the requirements under Rule 8.12 of the Listing Rules. In order to maintain regular communication with the Stock Exchange, we have put in place various measures which are set out in the section headed “Waivers from Strict Compliance with the Listing Rules” in this prospectus.

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## SUBSTANTIAL SHAREHOLDERS

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### SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the Share Offer and the Capitalisation Issue but without taking into account (i) any Shares which may be issued upon the exercise of options which may be granted under the Pre-IPO Share Option Scheme, the Share Option Scheme and the Over-allotment Option; or (ii) any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandate referred to in paragraph headed “3. Written resolutions of all the Shareholders passed on 8 May 2010” in Appendix V to this prospectus, the persons (other than the Directors or chief executive of the Company) with interests or short positions in the Shares or underlying Shares 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 would be recorded in the register of the Company required to be kept under section 336 of the SFO:

(i) **Long positions in the Shares**

Name of Shareholder	Nature of interest	Number of Shares held after the Share Offer <sup>(1)</sup>	Approximate percentage of shareholding after the Share Offer
Genius Mind <sup>(1)</sup>	Beneficial owner	190,174,457	23.77%
Great Passion <sup>(2)</sup>	Beneficial owner	190,174,457	23.77%
Honor Boom <sup>(3)</sup>	Beneficial owner	82,458,117	10.31%
Li Xiao Bin <sup>(4)</sup>	Interest in controlled corporation	82,458,117	10.31%
	Beneficial owner	800,000	0.10%
Thomas Pilscheur <sup>(5)</sup>	Interest in controlled corporation	69,264,818	8.66%

*Notes:*

1. The entire issued share capital of Genius Mind is beneficially owned by Mr. Li who is deemed to be interested in the Shares held by Genius Mind under the SFO upon the Listing.
2. The entire issued share capital of Great Passion is beneficially owned by Mr. An who is deemed to be interested in the Shares held by Genius Mind under the SFO upon the Listing.
3. The issued share capital of Honor Boom is owned as to approximately 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 Shares held by Honor Boom.
4. The interest in 800,000 Shares represents the option granted to Li Xiao Bin under the Pre-IPO Share Option Scheme.
5. Thomas Pilscheur is the sole shareholder of each of Huge Step, Jumbo Gain and Perfect Quality. He is therefore deemed to be interested in 22,168,427 Shares held by Huge Step, 24,014,118 Shares held by Jumbo Gain and 23,088,273 Shares held by Perfect Quality.

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## SUBSTANTIAL SHAREHOLDERS

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(ii) **Short position in the Shares**

Name of interested party	Capacity/ Nature of interest	Number of Shares <i>(Note)</i>	Approximate percentage of shareholding
Genius Mind	Beneficial owner	30,000,000	3.75%

*Note:* These Shares will be the subject of the Stock Borrowing Agreement.

Save as disclosed herein and in the sub-section headed “2. Disclosure of interests” in the section headed “Further information about the Directors, senior management and staff” of Appendix V, our Directors are not aware of any person, taking no account of any Shares which may be taken up under the Share Offer and assuming no exercise of the Over-allotment Option or the options which may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme, who will, immediately following completion of the Share Offer, have interests or short positions in the Shares or underlying Shares 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 would be recorded in the register of the Company required to be kept under section 336 of the SFO.

### UNDERTAKINGS BY CONTROLLING SHAREHOLDERS

#### Non-disposal undertakings

Pursuant to Rule 10.07(1) of the Listing Rules, each of the Controlling Shareholders of the Company, have undertaken to the Stock Exchange, the Company, the Sponsor and the Lead Manager that, save as pursuant to the Share Offer or as allowed under the Listing Rules, they will not and will procure the relevant registered holder not to:

- (i) in the period commencing from the date of this prospectus and ending on the date which is six months from the Listing Date, dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of those Shares in respect of which they are or the relevant registered holder is/are shown by this prospectus to be the beneficial owner; or
- (ii) in the period of six months commencing from the date on which the period referred to in (i) above expires, dispose of, enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in (i) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, they or the registered holder of such Shares would cease to be a controlling shareholder.

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## SUBSTANTIAL SHAREHOLDERS

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Each of the Controlling Shareholders have further undertaken to the Stock Exchange, the Company, the Sponsor and the Lead Manager that within the period commencing from the date of this prospectus and ending on the date which is 12 months from the Listing Date, they will:

- (a) when they pledge/charge any Shares beneficially owned by them in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155, Laws of Hong Kong), as security for a bona fide commercial loan pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform the Company of such pledge/charge together with the number of the Shares so pledged/charged; and
- (b) when they receive indications, either verbal or written, from the pledgee or chargee that any of the pledged/charged Shares will be disposed of, immediately inform the Company of such indications.

The Company has agreed that it will inform the Stock Exchange as soon as it has been informed of such matters and disclose such matters by way of an announcement which will be published in the newspapers as soon as possible.

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## SHARE CAPITAL

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<i>Authorised share capital:</i>		<i>HK\$</i>
<u>10,000,000,000</u>	Shares	<u>100,000,000</u>
<i>Issued or to be issued, fully paid or credited as fully paid Shares:</i>		
200,000	Shares in issue as at the date of this prospectus	2,000
6,825	Shares to be issued upon conversion of Convertible Note	68.25
598,193,175	Shares to be issued pursuant to the Capitalisation Issue	5,981,931.75
1,600,000	Shares to be issued to OSK as part of its fee	16,000.00
<u>200,000,000</u>	Shares to be issued pursuant to the Share Offer	<u>2,000,000</u>
<u>800,000,000</u>	Shares	<u>8,000,000</u>

### **Assumptions**

This table assumes that the Share Offer and the Capitalisation Issue have become unconditional and, pursuant to which Shares have been issued. This table takes no account of any Shares which may be purchased or issued upon exercise of Over-allotment Option or pursuant to the exercise of options which may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme and pursuant to the general mandates as stated below.

The minimum level of public float to be maintained by our Company after the Listing is 25% of the issued share capital of our Company.

### **Ranking**

The Offer Shares will rank *pari passu* in all respects with all Shares in issue or to be issued and will qualify for all dividends or other distributions declared, made or paid on the Shares after the date of this prospectus except for the Capitalisation Issue.

### **Share Option Schemes**

Our Company has conditionally adopted the Pre-IPO Share Option Scheme on 8 May 2010 and has conditionally adopted the Share Option Scheme on 8 May 2010. The principal terms of the Pre-IPO Share Option Scheme and the Share Option Scheme are summarised in the paragraph headed “Pre-IPO Share Option Scheme” and “Share Option Scheme” respectively in Appendix V to this prospectus.

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## SHARE CAPITAL

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### General mandate to allot and issue Shares

Assuming the Share Offer becomes unconditional, the Directors have been granted a general unconditional mandate to allot, issue and deal with Shares with an aggregate nominal value of not more than the sum of:

- (a) 20% of the aggregate nominal value of the share capital of our Company in issue, excluding any Shares which may be issued pursuant to the Over-allotment Option and any Shares which may be issued upon exercise of any options that may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme, immediately following completion of the Share Offer and the Capitalisation Issue; and
- (b) the aggregate nominal value of share capital of our Company repurchased by our Company, if any, under the general mandate to repurchase Shares referred to below. The allotment and issue of Shares under a rights issue, scrip dividend scheme or similar arrangement, or of options which may be granted under the Share Option Scheme do not generally require the approval of the Shareholders of our Company in general meeting and the aggregate nominal value of the Shares which the Directors are authorised to allot and issue under this mandate will not be reduced by the allotment and issue of such Shares.

This mandate will expire at the earliest of:

- the conclusion of the next annual general meeting of our Company; or
- the expiration of the period within which our Company is required by the applicable laws of the Cayman Islands or the Articles of Association to hold its next annual general meeting; or
- when varied, revoked or renewed by an ordinary resolution of the Shareholders in general meeting.

### General mandate to purchase Shares

A general unconditional mandate was given to our Directors authorising them to exercise all powers of our Company to repurchase on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose such number of Shares as will represent up to 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option and any Shares which may be issued upon exercise of any options granted under the Pre-IPO Share Option Scheme and may be granted under the Share Option Scheme), such mandate to remain in effect until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of our Company; or

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## SHARE CAPITAL

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- (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles of Association or applicable laws of the Cayman Islands to be held; or
- (iii) the revocation, variation or renewal by an ordinary resolution of the Shareholders in general meeting.

Further details of this general mandate is set out in the paragraph headed “Repurchase by the Company of its own securities” in Appendix V to this prospectus.

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## FINANCIAL INFORMATION

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The following discussion and analysis should be read in conjunction with the audited combined financial statements as of and for the three financial years ended 31 December 2009, with the related notes thereto, set out in Appendix I to this prospectus. We have prepared our financial information in accordance with HKFRS. Our financial information has been prepared under the historical cost convention with the exception of certain financial assets and financial liabilities, which (where appropriate) were measured at fair value. For further information, please see “Appendix I — Accountants’ Report”. Any discrepancies in any table or elsewhere in this prospectus between the totals and sums of amounts listed herein are due to rounding.

The following discussion and analysis contain forward-looking statements that involve risks and uncertainties. Our actual results may differ significantly from those projected in the forward-looking statements. Factors that could cause or contribute to such differences include, without limitation, those discussed in the section headed “Risk Factors” and elsewhere in this prospectus.

### OVERVIEW

We are a supplier of, among other things, electrical DC products, power grid monitoring and management products, charging equipment for electric vehicles, wind and solar power generation balancing control products and high-power LED lighting products. Two of our major subsidiaries have been accredited as “High and New Technology Enterprises” in the PRC. Our major operation is based in Zhuhai, the PRC.

During the Track Record Period, we have been expanding our product portfolio by leveraging on, amongst other purchased technologies, our core technologies in power electronics. Apart from the sales of electrical DC products and PASS products, we also sold power grid monitoring and management products, charging equipment for electric vehicles, wind and solar power generation balancing control products and high-power LED lighting products during the Track Record Period.

Our sales by products during the Track Record Period are as follows:

	<b>2007</b>	<b>2008</b>	<b>2009</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Electrical DC products	127,002	132,317	130,840
Power grid monitoring and management products	4,030	7,484	16,231
Charging equipment for electric vehicles	—	4,565	15,157
Wind and solar power generation balancing control products	6,034	7,010	—
High-power LED lighting products	—	3,181	8,758
PASS products	<u>7,338</u>	<u>20,781</u>	<u>45,466</u>
	<u>144,404</u>	<u>175,338</u>	<u>216,452</u>

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## FINANCIAL INFORMATION

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Our annual production volume (including complete system sets and modules) increased from 11,430 units in 2007 to 13,035 units in 2008 and to 14,449 units in 2009. We consider that our production volume for the three years ended 31 December 2007, 2008 and 2009 grew generally in tandem with the growth of the power industry in the PRC other infrastructure development, such as railway systems and demand for new energy products.

Our turnover increased from RMB144,404,000 for the year ended 31 December 2007 to RMB175,338,000 for the year ended 31 December 2008 and further to RMB216,452,000 for the year ended 31 December 2009, representing a growth of 21.42% and 23.45% respectively. Our gross profit increased from RMB70,034,000 for the year ended 31 December 2007 to RMB79,348,000 for the year ended 31 December 2008 and further to RMB101,627,000 for the year ended 31 December 2009, representing a growth of 13.30% and 28.08% respectively.

Our profit attributable to owners of the Company increased from RMB34,155,000 for the year ended 31 December 2007 to RMB38,812,000 for the year ended 31 December 2008 and further to RMB54,106,000 for the year ended 31 December 2009, representing a growth of 13.63% and 39.41% respectively.

### **BASIS OF PRESENTATION**

We were incorporated in the Cayman Islands on 16 November 2007. As a result of the Reorganisation, our Company became the holding company of all our subsidiaries. For more details, please see the section headed “Corporate Reorganisation” in Appendix V to this prospectus.

The Reorganisation involved companies under common control and the Group is regarded and accounted for as a continuing group. Accordingly, for the purpose of preparing the Accountants’ Report, the financial information as set out in preparing the Accountants’ Report has been prepared on a combined basis by applying the principles of merger accounting.

Accordingly, the combined income statements, combined statement of comprehensive income, combined cash flow statements and combined statements of changes in equity of the Group for the Track Record Period, have been prepared on the combined basis and include the financial information of the companies now comprising the Group as if the current group structure had been in existence throughout the Track Record Period, or since their respective dates of incorporation/registration, whichever is the shorter period.

The combined statements of financial position of the Group as at 31 December 2007, 2008 and 2009 have been prepared to present the assets and liabilities of the Group as at those dates as if the current group structure had been in existence at those dates or since their respective dates of incorporation/registration where they did not exist at those dates or acquisition.

For subsidiaries historically acquired by the Group during the Track Record Period, their financial statements are consolidated from or to their effective dates of acquisition.

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## FINANCIAL INFORMATION

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In 8 May 2010, pursuant to the Reorganisation, the Company became the holding company of the Group as the entire interests of the Group's subsidiaries were transferred to the Company by way of swap of shares. There was no adjustment made to the net assets nor net profit or loss of any companies now comprising the Group in order to achieve consistency of the Group's accounting policies.

### FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

The following factors have, and will continue to have, a material impact on our results of operations and financial condition:

(a) *Economic growth in the PRC*

We are primarily engaged in the research, development, production and sale of power electronic products and equipment. All of our customers are located in the PRC. The potential market growth is mainly driven by the development of the power industry in the PRC, such as the construction of power generation plants and transforming stations, and the promotional strategies in respect of energy saving and new energy in the PRC. The increase in the level of living standards in the PRC has been accompanied by the growth in demand for electricity, and thus demand for power electronic products and equipment. With the growth in the PRC State's investment in the power industry, the Directors believe that there will be continued demand for power electronic and energy saving products, which in turn will have a positive impact on our business prospects.

(b) *Product mix*

By leveraging on the technologies derived from our research and development of our electrical DC products, we are also engaged in the research, production and sale of other products, including power grid monitoring and management products, charging equipment for electric vehicles, wind and solar power generation balancing control products and high-power LED products. The diversification of our product portfolio has strengthened our revenue base and affected our profit margins as a result of the change in the revenue derived from each class of products as a percentage of our total revenue. Our electrical DC products maintained a relatively stable gross profit margin during the Track Record Period, arranging from 48.07% to 51.99%. The gross profit margins of the other new energy products were different from the gross profit margin of electrical DC products. The gross profit margin of power grid monitoring and management products ranged from 56.35% to 77.54%; the gross profit margin of charging equipment for electric vehicles ranged from 15.95% to 56.53%; the gross profit margin of wind and solar power generation balancing control equipment ranged from 33.84% to 36.86%; and the gross profit margin of high-power LED lighting equipment ranged from 23.67% to 25.09%. Please refer to the table headed "Gross profit and gross profit margin" in this section below for details of the gross profit margin of each class of product for each year during the Track Record Period. We believe that different gross profit margins of our different products were mainly affected by the development and maturity of the market and competition with similar and substituting products. We believe that the policies of the Chinese government to promote energy saving and the use of new energy will have a positive impact on the business prospects of such new products.

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## FINANCIAL INFORMATION

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(c) *Purchase costs and selling prices*

Our gross profit margin in respect of the sale of our products depends on our production cost, including the purchasing cost of raw materials and components, our production cost such as staff cost and equipment depreciation, market price of our products and our ability to ask for higher selling prices.

During the three years ended 31 December 2007, 2008 and 2009, the average selling price of our electrical DC products (including the related modules and components) was RMB41,100, RMB39,400 and RMB37,500 respectively. We believe that the change in the average selling price of our electrical DC products was mainly a result of market competition and our negotiations with the customers. The costs of our products consist primarily of the cost of raw materials and components. The price of certain raw materials and components such as batteries, wires and casings fluctuated with the price of steel and metal materials during the Track Record Period. For example, the lowest and highest purchase prices of metal casing pasts during the Track Record Period were RMB4,328.84 per tonne in June 2009 and RMB7,957.83 per tonne in August 2008; the lowest and highest purchase prices of a 2V/200 AH battery (a type of commonly used battery for our electrical products) during the Track Record Period were RMB230 per unit in December 2008 and RMB376 per unit in December 2007; and the lowest and highest purchase prices of BVR4 electricity wire (a common type of electricity wire used for the production of our products) during the Track Record Period were RMB2.37 per metre in March 2009 and RMB3.6 per metre in July 2008; and the lowest and highest purchase price of PASS M0 (a model of PASS for electricity grid and transformer stations) during the Track Record Period were USD65,000 per unit in April 2009 and USD75,000 per unit in October 2008. Despite the fluctuations in material costs, we endeavour to maintain a stable gross profit margin of our products. The gross profit margin of our electrical DC products, our principal products, for the three years ended 31 December of 2007, 2008 and 2009, was maintained at about 48% to 52% whilst the gross profit margin of the Group for each of the three years ended 31 December 2007, 2008 and 2009 amounted to approximately 48.50%, 45.25% and 46.95% respectively. The fluctuations of our gross profit margin during the Track Record Period were mainly attributable to the change in our product mix and the different gross profit margin of each class of products.

(d) *The operating results of our business may fluctuate due to seasonality*

Our operating results affected by seasonal pattern in the past . During the Track Record Period, we generally recorded higher sales in the third and fourth quarters than in the first and second quarters, and our highest sales were generally recorded in the fourth quarter of the year. We believe that this may be partly due to the spending pattern of many state owned companies in respect of their capital investment projects where more planning work (including project planning and funding and treasury planning) is carried out in the first half of a year and that our customers normally place orders for purchases in the third and fourth quarters.

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## FINANCIAL INFORMATION

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(e) *Any change in tax treatment in the PRC may have an impact on our operations*

The rate of income tax chargeable on companies in the PRC may vary depending on the availability of preferential tax treatment or subsidies based on their industry or locations. The PRC Enterprise Income Tax Law was promulgated on 16 March 2007 and was effective on 1 January 2008. According to the new law, a uniform corporate income tax of 25% will be applied to both domestic and foreign invested enterprises in the PRC progressively. Titans Technology and Zhuhai Titans are high and new technology enterprises and were established in the Zhuhai Special Economic Zone, and thus are entitled to the tax benefit under 《廣東省經濟特區條例》 (Guangdong Province Special Economic Zone Regulations). They enjoy a corporate income tax rate of 15% as high and new technology enterprises. The status of high and new technology enterprise of Titans Technology is valid up to 29 December 2011 and that of Zhuhai Titans is valid up to 16 December 2011. Under 《國務院關於實施企業所得稅過渡優惠政策通知》 (Notice by the PRC State Council on the Implementation of the Grandfathering Preferential Policies under the PRC Enterprise Income Tax Law), the applicable income tax rate to Titans Technology and Zhuhai Titans will be 24% in 2011 and 25% from 2012 onwards. Titans Automatic is a foreign invested enterprise that enjoys the policy of 兩免三減半 (exemption from tax in the first two profit-making years and a 50% reduction of tax in the next three years) and is thus exempted from income tax for the years of 2008 and 2009 and enjoyed a reduced tax rate of 11% in 2010, 12% in 2011 and 12.5% in 2012. The tax rate of Beijing New Clear, Shijiazhuang Titans and Jiangyin Titans is 25%.

(f) *Effect of financial crisis and government supports*

The recent global financial crisis started in the second half of 2008. Despite the financial crisis, our sales for the two years ended 31 December 2008 and 2009 increased by approximately 21.4% and 23.4% respectively as compared with our sales for the year ended 31 December 2007 and 2008 which is attributable mainly to the increase in the sales of our other new products and PASS products. However, the sale of our electrical DC products for the year ended 31 December 2009 decreased by 1.1% as compared with the year ended 31 December 2008. We consider that the financial crisis may result in our customers being more cautious in respect of their development and may therefore have led to a slow down of their capital investments and/or a decrease in the value of contracts which we tendered and/or a delay in the settlement of our trade and bills receivables for the two years ended 31 December 2008 and 2009.

In response to the global financial crisis, China has introduced a RMB4 trillion economic stimulus plan and 10 major measures involving investment in hundreds of thousands of projects over a span of two years. Of the 10 major measures adopted by the State Council, three involve grid investments, namely: the second measure, to improve grids in rural areas; the third measure, to expedite the transformation of grids in cities; and the seventh measure, to accelerate post-disaster reconstruction in earthquake-stricken areas. CCID Consulting estimates that with the introduction of the “10 Measures of the State Council”, grid investments will reach RMB830 billion for the two-year period 2009 to 2010; RMB70 billion higher than previously expected. Further, the PRC government has set a target of over 10% for the average annual growth of China’s power industry during the period of the Eleventh Five-Year Plan from 2008 to 2010. Our Directors believe that the above factors will continue to drive demand for power electronic products, including the Group’s line of electrical DC product.

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## FINANCIAL INFORMATION

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Save for some delay in settlements of trade receivables from some customers, we have not experienced any withdrawal of banking facilities, request for early repayment of loans, material cancellation of orders, bankruptcy or default on the part of any customers and/or suppliers. However, we consider that the global financial crisis may have led to delays in some power transmission projects or other projects of some of our customers which in turn have led to a delay in the settlement of our trade receivables after we have delivered our products to such customers.

(g) ***Market competition***

As stated in the section headed “Industry Overview”, we were one of the leading manufacturers of electrical DC products in the PRC. Apart from a few major players, the industry comprises a large number of relatively small manufacturers. Our major competitors include two companies listed on the Shenzhen Stock Exchange. Any intensified competition between the major players on terms of pricing would adversely affect our future profitability.

### **CRITICAL ACCOUNTING POLICIES**

In preparing the financial statements of our operating results, we made a number of estimates. Such estimates were made on the basis of our historical experience and assumptions, which our Group believes to be reasonable under the circumstances. Actual conditions may differ from the assumptions in these estimates in the future. Our Group’s management believes that the following accounting policies involve the most significant judgements and estimates used in the preparation of its financial statements and could potentially impact on our Group’s financial results and future financial performance.

#### **Business combination**

Acquisitions of interests in subsidiaries is accounted for using the purchase method, except for transfer of equity interests under common control under the Reorganisation. The cost of the acquisition is measured at the aggregate fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and, if appropriate, equity instruments issued by the Group in exchange for control of the acquirees, plus any costs directly attributable to the business combination.

#### **Negative goodwill**

Negative goodwill arising on the acquisition of a subsidiary represents the Group’s share of the fair values of the identifiable assets, liabilities and contingent liabilities acquired as at the date of acquisition, over the cost of the acquisition. Negative goodwill arising on acquisition is recognised in the combined income statement immediately.

#### **Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivables and represents amounts receivables from goods sold in the normal course of business, net of discounts, returns and related taxes.

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We recognise revenue from sale of goods when the goods are delivered to customers. This is in conformity with the HKFRS that revenue from the sales of goods shall be recognised when the entity has transferred to the buyers the significant risks and rewards of ownership of the goods, the entity 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 entity; and the costs incurred or to be incurred in respect of the transaction can be measured reliably. We consider that when our products are delivered to the customers, significant risks, control and ownership have been transferred to the buyer as it will be free to handle, manage and appropriate the products.

Revenue from sale of software is recognised when the software is customised and delivered.

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

Service income is recognised when the services are rendered.

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.

### **Government grants**

Government grants are recognised as income over the periods necessary to match them with the related costs. Grants related to expenses items are recognised in the same period as those expenses are charged in the combined income statement and are reported separately as other revenue.

Government grants consist primarily of subsidy received in respect of our projects and developments and interest subsidy income in respect of our borrowings. The grants were granted on a project-by-project basis and were not recurring. Apart from using the grants on our specific projects and developments, there are no conditions attached to the government grants to the Group during the Track Record Period.

### **Technical know-how**

Purchased know-how with finite useful lives is stated at cost less accumulated amortisation and any accumulated impairment losses.

On 10 October 2006, we acquired technical know-how of RMB3,000,000 from an independent third party, of which RMB1,800,000 represented consideration for a technical know-how in relation to electrical DC product series, and RMB1,200,000 represented consideration for a technical know-how in relation to a power grid monitoring and management equipment. In anticipation of the

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technical specification and based on the judgement of the management expertise in the industry, the Directors estimate that the amortisation period of the above technical know-how should be seven years in respect of the electrical DC products and 10 years in respect of the power grid monitoring and management products.

### **Financial instruments**

Financial assets and financial liabilities are recognised on the Group's combined statement of financial position when a member of our Group entities 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 and 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.

### **Trade and bills receivables and other current receivables**

Trade and bills receivables and other current receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

## **CRITICAL JUDGEMENT IN APPLYING OUR ACCOUNTING POLICIES**

### **Depreciation of property, plant and equipment**

Our Group depreciates its property, plant and equipment on a straight-line basis over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method, at the rates of 4.5% to 20% per annum, commencing from the date when the property, plant and equipment are available for use. The estimated useful lives that are attributed to the property, plant and equipment reflected our Director's estimate of the period for which our Group intends to derive future economic benefit from such property, plant and equipment.

### **Allowance for inventories**

Most of our sales are made-to-order based on the orders placed by customers. Certain raw materials and components with higher value such as batteries and casings are purchased when sales orders are confirmed. The sales and marketing managers review the ageing analysis of inventory 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 an allowance is required to be made in the financial information for any obsolete and slow-moving items.

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In addition, physical count on all inventories is carried out at least semi-annually in order to determine whether allowance need to be made in respect of any obsolete and defective inventories identified. In this regard, our Directors are satisfied that this risk is minimal and adequate allowance for obsolete and slow-moving inventories has been made, if any, in the financial information.

### **Allowance for trade receivables**

Our Group performs ongoing credit evaluation of its customers and adjusts credit limits based on payment history and the customer's background and credit-worthiness, as determined by a review of their credit information. Our Group continuously monitors collections and payments from our customers and provide specific allowance for receivables when necessary based the ages of receivables and the specific circumstances of the customers.

### **Fair value of convertible loan note**

The Company issued the Convertible Note in December 2008. The Directors use their judgement and engage independent professional valuers in selecting an appropriate valuation technique for the Convertible Note, which is an instrument not quoted in an active market. The valuation of the Convertible Note incorporated market data and involved uncertainty in estimates used by management in the assumptions, including the volatility of share price, changes in subjective input assumptions can materially affect the fair value estimates.

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### SELECTED COMBINED FINANCIAL INFORMATION

The following table summarises our combined results during the Track Record Period, prepared on the basis that our current Group structure had been in place throughout the Track Record Period. This summary is extracted from, and should be read in conjunction with the Accountants' Report, the text of which is set forth in Appendix I to this prospectus:

#### Combined income statements

	Year ended 31 December					
	2007		2008		2009	
	<i>RMB'000</i>	<i>% of turnover</i>	<i>RMB'000</i>	<i>% of turnover</i>	<i>RMB'000</i>	<i>% of turnover</i>
Turnover	144,404	100.00	175,338	100.00	216,452	100.00
Cost of sales	<u>(74,370)</u>	<u>(51.50)</u>	<u>(95,990)</u>	<u>(54.75)</u>	<u>(114,825)</u>	<u>(53.05)</u>
Gross profit	70,034	48.50	79,348	45.25	101,627	46.95
Other revenue	7,082	4.90	10,607	6.05	7,582	3.50
Negative goodwill	—	—	—	—	830	0.38
Fair value change on convertible loan note	—	—	104	0.06	179	0.08
Selling and distribution expenses	(22,369)	(15.49)	(20,211)	(11.53)	(22,614)	(10.44)
Administrative expenses	(13,286)	(9.20)	(23,442)	(13.37)	(26,563)	(12.27)
Finance costs	<u>(1,126)</u>	<u>(0.78)</u>	<u>(1,290)</u>	<u>(0.73)</u>	<u>(1,386)</u>	<u>(0.64)</u>
<b>Profit before taxation</b>	40,335	27.93	45,116	25.73	59,655	27.56
Taxation	<u>(5,916)</u>	<u>(4.10)</u>	<u>(6,416)</u>	<u>(3.66)</u>	<u>(6,431)</u>	<u>(2.97)</u>
<b>Profit for the years</b>	<u>34,419</u>	<u>23.83</u>	<u>38,700</u>	<u>22.07</u>	<u>53,224</u>	<u>24.59</u>
<b>Attributable to:</b>						
Owners of the Company	34,155	23.65	38,812	22.13	54,106	25.00
Minority interests	<u>264</u>	<u>0.18</u>	<u>(112)</u>	<u>(0.06)</u>	<u>(882)</u>	<u>(0.41)</u>
	<u>34,419</u>	23.83	<u>38,700</u>	22.07	<u>53,224</u>	24.59
Dividends for the years	<u>1,942</u>		<u>—</u>		<u>21,982</u>	
Earnings per share						
— Basic ( <i>RMB</i> )	<u>5.9 cents</u>		<u>6.7 cents</u>		<u>9.3 cents</u>	

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### Combined statement of financial position

	At 31 December		
	2007 <i>RMB'000</i>	2008 <i>RMB'000</i>	2009 <i>RMB'000</i>
<b>Non-current assets</b>			
Property, plant and equipment	13,356	12,516	13,358
Intangible assets	2,833	2,456	2,079
	<u>16,189</u>	<u>14,972</u>	<u>15,437</u>
<b>Current assets</b>			
Inventories	18,925	19,279	11,921
Trade and bills receivables	107,098	137,001	221,938
Prepayments, deposits and other receivables	12,174	14,742	14,444
Amounts due from related companies	168	—	—
Amounts due from shareholders	2	190	202
Restricted bank balances	10,352	13,516	15,667
Bank balances and cash	23,468	27,475	27,081
	<u>172,187</u>	<u>212,203</u>	<u>291,253</u>
	<u>188,376</u>	<u>227,175</u>	<u>306,690</u>
<b>Current liabilities</b>			
Trade and bills payables	33,750	38,545	58,868
Receipts in advance	13,956	10,765	2,561
Accruals and other payables	24,202	25,976	43,136
Dividend payables	8	150	2,942
Amounts due to a shareholder	308	—	1,519
Amounts due to minority shareholders of a subsidiary	900	900	—
Amounts due to a related companies	819	—	—
Amounts due to directors	20,943	3,073	7,447
Tax payables	6,113	8,211	11,247
Borrowings	12,000	16,868	24,000
Convertible loan note	—	8,760	8,581
	<u>112,999</u>	<u>113,248</u>	<u>160,301</u>
<b>Net current assets</b>	<u>59,188</u>	<u>98,955</u>	<u>130,952</u>
<b>Net assets</b>	<u>75,377</u>	<u>113,927</u>	<u>146,389</u>
<b>Capital and reserves</b>			
Share capital	2	2	2
Reserves	73,087	111,899	144,023
<b>Equity attributable to owners of the Company</b>	73,089	111,901	144,025
<b>Minority interests</b>	2,288	2,026	2,364
<b>Total equity</b>	<u>75,377</u>	<u>113,927</u>	<u>146,389</u>

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### Selected financial ratios

The following table sets forth certain financial ratios of us as of the dates or for the years indicated:

	As of or for the year ended 31 December		
	2007	2008	2009
<b>Profitability ratios</b>			
Gross profit margin <sup>(1)</sup> (%)	48.50	45.25	46.95
Net profit margin <sup>(2)</sup> (%)	23.65	22.13	25.00
Return on equity <sup>(3)</sup> (%)	46.73	34.68	37.56
<b>Liquidity ratios</b>			
Current ratio <sup>(4)</sup> (times)	1.52	1.87	1.82
Quick ratio <sup>(5)</sup> (times)	1.36	1.70	1.74
Inventory turnover ratio <sup>(6)</sup> (days)	90.93	72.63	49.59
Trade and bills receivables turnover ratio <sup>(7)</sup> (days)	188.43	217.15	258.66
Trade and bills payable turnover ratio <sup>(8)</sup> (days)	135.95	117.48	132.33
<b>Capital adequacy ratios</b>			
Gearing ratio <sup>(9)</sup> (%)	18.56	13.03	13.55
Interest coverage ratio <sup>(10)</sup> (times)	36.82	35.97	44.13

*Notes:*

- (1) Gross profit margin is gross profit divided by turnover and multiplied by 100%.
- (2) Net profit margin is profit attributable to owners of the Company divided by turnover and multiplied by 100%.
- (3) Return on equity is profit attributable to owners of the Company divided by equity attributable to owners of the Company and multiplied by 100%.
- (4) Current ratio is current assets divided by current liabilities.
- (5) Quick ratio is current assets after subtraction of inventories and divided by current liabilities.
- (6) Inventory turnover ratio equals the average of inventories at the beginning and the ending of the year divided by cost of sales and multiplied by 365. For details of fluctuations in inventory turnover ratio, see the section headed “Financial information — Analysis of selected balance sheet items — Inventories analysis” in this prospectus.
- (7) Debtors’ turnover ratio 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. For details of fluctuations in trade and bills receivables turnover ratio, see the section headed “Financial information — Analysis of selected balance sheet items — Analysis of trade and bills receivables” in this prospectus.
- (8) Trade and bills payable turnover ratio 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. For details of fluctuations in creditors’ turnover ratio, see the section headed “Financial information — Analysis of selected balance sheet items — Analysis of trade and bills payables” in this prospectus.

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- (9) Gearing ratio equals sum of the borrowings, amounts 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%.
- (10) Interest coverage ratio equals profit before tax plus finance costs and divided by finance costs.

### DESCRIPTION OF THE MAJOR COMPONENTS OF OUR RESULTS OF OPERATIONS

#### Turnover

Our turnover is derived primarily from the sales of our products to the customers. Our principal products are electrical DC products, power grid monitoring and management products, charging equipment for electric vehicles, wind and solar power generation balancing control products, high-power LED lighting equipment and PASS products.

The table below presents, for the periods indicated, our turnover in terms of amount and as a percentage of our total turnover:

	Year ended 31 December					
	2007		2008		2009	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
<b>Electrical DC products</b>	127,002	87.95	132,317	75.46	130,840	60.45
<b>Power grid monitoring and management products</b>	4,030	2.79	7,484	4.27	16,231	7.50
<b>Charging equipment for electric vehicles</b>	—	—	4,565	2.60	15,157	7.00
<b>Wind and solar power generation balancing control systems</b>	6,034	4.18	7,010	4.00	—	—
<b>High-power LED lighting equipment</b>	—	—	3,181	1.81	8,758	4.05
<b>PASS products</b>	<u>7,338</u>	<u>5.08</u>	<u>20,781</u>	<u>11.85</u>	<u>45,466</u>	<u>21.00</u>
<b>Total</b>	<u>144,404</u>	<u>100.00</u>	<u>175,338</u>	<u>100.00</u>	<u>216,452</u>	<u>100.00</u>

As shown in the table above, electrical DC products accounted for 60.45% to 87.95% of our turnover during the three years ended 31 December 2009, and the percentage of sales of new products (power grid monitoring and management products, charging equipment for electric vehicles, wind and solar power generation balancing control equipment and high-power LED lighting equipment) increased from 6.97% in 2007 to 12.68% in 2008 and to 18.65% in 2009.

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We bid for a few number of projects in respect of the supply of our wind and solar power generation balancing control equipment in the year 2009 and have won one of the tenders, pursuant to which we are expected to deliver our products in 2010.

The table below shows the quantity of system sets we sold during the three years ended 31 December 2007, 2008 and 2009.

	<b>For the year ended 31 December</b>		
	<b>2007</b>	<b>2008</b>	<b>2009</b>
Electrical DC products	3,090	3,361	3,490
Power grid monitoring and management products	36	11	77
Charging equipment for electric vehicles	—	42	179
Wind and solar power generation balancing control systems	2	761	—
High-power LED lighting equipment (in terms of the number of lighting parts)	—	454	1,689
PASS products	9	21	56

The increase in turnover of our products and the decline in the percentage sale of electrical DC product series is a result of our diversifying product range which helps reduce our reliance on a single product series.

### Cost of sales

	<b>For the year ended 31 December</b>					
	<b>2007</b>		<b>2008</b>		<b>2009</b>	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Materials costs	69,113	92.93	88,463	92.16	107,376	93.51
Manufacturing overhead costs	3,325	4.47	4,787	4.99	4,802	4.18
Direct labour costs	1,932	2.60	2,740	2.85	2,647	2.31
<b>Total</b>	<u>74,370</u>	<u>100.00</u>	<u>95,990</u>	<u>100.00</u>	<u>114,825</u>	<u>100.00</u>

Materials costs mainly consist of purchasing costs of hardware components (such as metal casings), low voltage electric appliances, electric wires and cables, controlling chips, inverters, batteries and various electronic components and PASS products. Material costs accounted for approximately 92.93%, 92.16% and 93.51% of our cost of sales for the three years ended 31 December 2007, 2008 and 2009 respectively.

Other costs (manufacturing overhead costs and direct labour costs) consist primarily of staff costs, electricity and water charges and depreciation of production equipment of our production department. Our cost of sales increased as a result of the increase in the production and sales of our products and the fluctuation of the price of raw materials.

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### Gross profit and gross profit margin

The table below sets out the information regarding our gross profit and gross profit margin for the years indicated.

	For the year ended 31 December								
	2007			2008			2009		
	Amount RMB'000	Gross profit margin %	% to total gross profit %	Amount RMB'000	Gross profit margin %	% to total gross profit %	Amount RMB'000	Gross profit margin %	% to total gross profit %
Electrical DC products	61,914	48.75	88.41	63,600	48.07	80.15	68,024	51.99	66.93
Power grid monitoring and management products	3,125	77.54	4.46	4,217	56.35	5.31	10,030	61.80	9.87
Charging equipment for electric vehicles	—	—	—	728	15.95	0.92	8,569	56.53	8.43
Wind and solar power generation balancing control equipment	2,224	36.86	3.18	2,372	33.84	2.99	—	—	—
High-power LED lighting equipment	—	—	—	798	25.09	1.01	2,073	23.67	2.04
PASS products	2,771	37.76	3.95	7,633	36.73	9.62	12,931	28.44	12.73
Total	70,034	48.50	100.00	79,348	45.25	100.00	101,627	46.95	100.00

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Our electrical DC product series accounts for the majority of our total gross profit over the Track Record Period. During the Track Record Period, the gross profit margin of our electrical DC products remained relatively steady. We believe that this was mainly due to the factors that such products were mature products and we have over ten years' of experience in the production and product design, and we have established stable relationships with our major customers and suppliers. We have established cooperation relationships with our PASS supplier for approximately six years and the gross profit margin of PASS products remained stable in 2007 and 2008. In 2009, to bid for a major contract of PASS products we lowered the gross profit margin of the relevant sales. The overall gross profit margin of our PASS products for the year ended 31 December 2009 dropped.

Unlike our electrical DC products that have a relatively stable market, gross profit margins of our new products were more volatile as their market is still developing and we have not commenced mass commercial production of such products. Power grid monitoring and management products had a relatively more fluctuating gross profit margin. This was mainly due to the fact that the market is still developing and that there lacks of price reference. Accordingly, the selling price of our power grid monitoring and management products significantly depends on our bargain with each customer. The low gross profit margin of high-power LED lighting equipment was mainly a result of the fact that the principal competitors of such products were traditional lighting equipment with lower cost and we had to reduce the gross profit margin of our LED lighting equipment in order to compete with the traditional lighting equipment and gain users' recognition on such products. Our Directors believe that the gross profit margin of such products will improve as market recognition of LED lighting products grows and with the support of favourable government policies.

### **Other revenue**

Other revenue mainly consists of value added tax (VAT) refunds, government grants, net proceeds from sales of raw materials, repairs and maintenance services provided, interest income and rental income. Pursuant to the 《關於鼓勵軟體產業和積體電路產業發展有關稅收政策問題的通知》 (Notice on the relevant taxation policies regarding encouraging development of integrated circuit software industries) issued by the Ministry of Finance, State Administration of Taxation and China Customs on 22 September 2000, Titans Technology is recognised to be able to enjoy refund of value added tax actually paid by it in excess of 3% in relation to the sales of recognised software up to 2010. According to our PRC legal advisers, Commerce & Finance Law Offices, after 2010, we will not continue to be entitled to the VAT refund benefit under the existing applicable law. Our government grants represent subsidies for interest expenses incurred by us, subsidies for our scientific research projects. All VAT refunds and government grants recorded as other revenue during the Track Record

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Period have been received by us in cash. Other revenue as a percentage of turnover were 4.90%, 6.05% and 3.50% for the years ended 31 December 2007, 2008 and 2009 respectively. The following table sets out the breakdown of our other revenue for the years indicated:

	<b>For the year ended 31 December</b>		
	<b>2007</b>	<b>2008</b>	<b>2009</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Value added tax (“VAT”) refunds	5,833	8,925	5,749
Government grants	300	820	893
Net proceeds from sales of raw materials	325	116	13
Repairs and maintenance services provided	46	46	6
Interest income			
- from bank	274	289	132
- from directors	18	—	—
Rental income ( <i>Note</i> )	102	105	32
Consultancy services income	130	15	747
Reversal of allowance for trade receivables	—	—	—
Reversal of allowance for other receivables	—	—	—
Gain on disposal of property, plant and equipment	—	39	—
Other income	54	252	10
	<u>7,082</u>	<u>10,607</u>	<u>7,582</u>

*Note: Rental income is net of outgoings of RMB23,000, RMB22,000 and RMB14,000 for each of the three years ended 31 December 2009 respectively.*

### **Negative goodwill**

In June 2006, our Group acquired 30% equity interests in Titans Technology at a consideration of RMB12,000,000. The record date of such transfer was 1 January 2006. The negative goodwill arose as 30% of the then net assets of Titans Technology was higher than the consideration of the acquisition.

We entered into an agreement to further acquire another 1% equity interest in Titans Technology from the then minority remaining shareholders of Titans Technology at a total consideration of RMB400,000. The transfer was registered and became effective on 3 September 2009. A negative goodwill arose as 1% share of the then net asset value of Titans Technology was higher than the consideration.

### **Convertible Note**

On 22 December 2008, the Company issued the Convertible Note with a principal amount of HK\$10,000,000. The Convertible Note carries interest at a rate of 8.1% per annum on the principal amount then outstanding.

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The Convertible Note was valued by the directors of the Company with reference to the fair value of the Convertible Note. Changes in fair value of the convertible note of approximately RMB104,000 and RMB179,000 have been recognised in the combined statements of comprehensive income for the two years ended 31 December 2008 and 2009 respectively.

### Selling and distribution expenses

Selling and distribution expenses consist primarily of expenses and cost for marketing and promotion. Selling and distribution expenses as a percentage of turnover were 15.49%, 11.53% and 10.44% for the three years ended 31 December 2007, 2008 and 2009 respectively. The selling and distribution expenses as a percentage of our turnover declined as some selling and distribution expenses such as office expenses and entertainment were relatively stable and did not increase in proportion to sales.

	For the year ended 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Staff related expenses	3,734	5,216	4,689
Consumable materials	3,859	1,521	1,863
Office expenses	1,492	1,242	1,168
Travelling expenses	6,018	4,461	8,061
Entertainment	333	361	441
Transportations	3,155	3,735	2,983
Installation and testing fee	2,260	1,230	985
Tender expenses	800	860	778
Depreciation and amortisation	303	557	491
Others	415	1,028	1,155
	<u>22,369</u>	<u>20,211</u>	<u>22,614</u>

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### Administrative expenses

Administrative expenses consist primarily of administrative and management staff costs, travelling and entertainment expenses, office expenses, research and development expenses, depreciation of non-production related fixed assets, allowance for trade receivables and other miscellaneous administrative expenses. Administrative expenses as a percentage of turnover were 9.20%, 13.37% and 12.27% for the three years ended 31 December 2007, 2008 and 2009 respectively. The increase in administrative expenses in 2008 as compared with 2007 was primarily attributable to the provision for doubtful trade and bills receivables and the increase in our Group's research and development expenses and listing preparation expenses. Our administrative expenses in 2009 increased mainly as a result of an increase in the relevant staff related expenses and travelling expenses.

	<b>For the year ended 31 December</b>		
	<b>2007</b>	<b>2008</b>	<b>2009</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Staff related expenses	4,421	5,647	7,544
Depreciation	931	677	946
Research and development expenses ( <i>Note 1</i> )	792	2,480	2,510
Provision allowance for trade receivables	2,412	3,172	2,939
Provision allowance for other receivables	39	178	57
Listing preparation expenses	365	4,138	2,739
Office expenses	387	983	1,024
Travelling expenses	1,205	1,904	3,778
Entertainment	286	447	1,060
Insurance	49	148	60
Auditors' remuneration and legal and professional fees	613	1,022	804
Bank charges	255	286	457
Directors' remunerations	270	586	466
Transportations	165	212	190
Loss on disposal	21	11	2
Others (net) ( <i>Note 2</i> )	<u>1,073</u>	<u>1,551</u>	<u>1,966</u>
	<u><u>13,286</u></u>	<u><u>23,442</u></u>	<u><u>26,563</u></u>

*Note 1:* The research and development expenses only include major materials consumed for our research and development work but exclude the relevant salary and other staff related expenses, travelling, product testing, consumables, and office utility and overheads of the research and development department. Including the other related expenses, our total research and development expenses amounted to approximately RMB4,491,000, RMB8,041,000 and RMB9,156,000 for the three years ended 31 December 2007, 2008 and 2009 respectively.

*Note 2:* Other (net) administrative expenses comprise utility expenses, repair and maintenance costs, other taxes, donations and other sundry items.

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### Finance costs

Finance costs consist of interest expenses on bank borrowings and other working capital advances from employees, shareholders and other independent parties. Finance costs as a percentage of turnover were 0.78%, 0.73% and 0.64% for the three years ended 31 December 2007, 2008 and 2009 respectively.

### Taxation

#### Cayman Islands Profits Tax

The Company currently has no income, capital gains or other taxes in effect in the Cayman Islands on the basis of present legislation.

#### Hong Kong Profits Tax

The Company's wholly-owned subsidiary, Titans HK, is subject to Hong Kong profits tax rate of 16.5% (2007: 17.5% and 2008: 16.5%). For the three years ended 31 December 2007, 2008 and 2009, no profit tax for Hong Kong profits tax was made as Titans HK had no assessable profits arising in or deriving from Hong Kong during the Track Record Period.

#### PRC income tax

Titans Technology and Zhuhai Titans both enjoy a corporate tax rate of 15% from 2007 to 2009. The preferential tax treatment was a result of their status of being high and new technology enterprises and companies established in the Zhuhai Special Economic Zone. Titans Technology and Zhuhai Titans should continue to enjoy the preferential corporate tax rate of 15% as high and new technology enterprises. The status of high and new technology enterprise of Titans Technology is valid up to 29 December 2011 and that of Zhuhai Titans is valid up to 16 December 2011. If they cease to be accredited high and new technology enterprise, Titans Technology and Zhuhai Titans are still entitled to the tax benefit under 《廣東省經濟特區條例》 (Guangdong Province Special Economic Zone Regulation). Under 《廣東省經濟特區條例》 (Guangdong Province Special Economic Zone Regulation) and 《國務院關於實施企業所得稅過渡優惠政策通知》 (The Notice Issued by the State Council Regarding the Implementation of the Transition Arrangements for the Preferential Corporate Tax Policy), the applicable corporate tax rate to Titans Technology and Zhuhai Titans will be 24% in 2011 and 25% from 2012 onwards. Titans Automatic is a foreign invested company and enjoys the policy of 兩免三減半 (exemption from tax in the first two profit-making years and a 50% reduction of tax in the next three years). Titans Automatic did not record taxable profit for the year ended 31 December 2007. Accordingly, it was exempted from income tax for the years 2008 and 2009 and shall enjoy a tax rate of 11% in 2010, 12% in 2011 and 12.5% in 2012. After 2012, Titans Automatic will be subject to a corporate tax rate of 25%. The corporate tax rate applicable to Beijing New Clear, Shijiazhuang Titans and Jiangyin Titans is 25%.

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As confirmed by our PRC legal advisers, Commerce & Finance Law Offices, the above tax benefits were granted by the relevant competent authorities in the PRC in accordance with the relevant laws, rules or guidance.

The Directors confirm that our Group has made all the required tax filings under the relevant tax laws and regulations in the jurisdictions where our Group operated, has paid all outstanding tax liabilities which have been due and is not subject to any dispute or potential dispute with the relevant tax authorities. As advised by our PRC legal advisers, Commerce & Finance Law Offices, that the Group has made all the required tax filings and no outstanding tax liabilities was due to the relevant tax authorities and the Group did not subject to any dispute or potential dispute with the tax authorities during the Track Record Period.

Our effective tax rates for the years ended 31 December 2007, 2008 and 2009 are 14.67%, 14.22% and 10.78% respectively. The decrease in the effective tax rate was mainly a result of the increase in the sales of new products by Titans Automatic which was exempted from tax payment in 2009.

### *Profit attributable to owners of the Company*

For the years of 2007, 2008 and 2009, profit attributable to owners of the Company increased as turnover increased, while net profit margin decreased from 23.65% in 2007 to 22.13% in 2008, which was partly due to the recognition of additional for trade and bills receivables in 2008. Our net profit margin increased to approximately 25.00% mainly as a result of our improvement in our sales and decrease in our effective tax rate.

As stated above, starting from 2010, Titans Automatic will have to pay income tax for its profit earned.

### **Comparison of our results for the years ended 31 December 2009 and 31 December 2008**

#### *Turnover*

Our turnover increased from RMB175,338,000 for the year ended 31 December 2008 to RMB216,452,000 for the year ended 31 December 2009, representing an increase of 23.45%. This was mainly attributable to the increase of approximately 80.51% in our sales of new products. The sale of our electrical DC products remained stable in 2009. On the other hand, the sale of our charging equipment for electric vehicles increased 3.32 times from RMB4,565,000 in 2008 to RMB15,157,000 in 2009 as we successfully won the supply contract to Expo 2010 Shanghai China amounting to about RMB8.35 million. Our sales in 2009 were also affected by the increase in PASS products from RMB20,781,000 to RMB45,460,000 as we successfully won the contract for the supply of PASS products to a railway project in Hainan Province with a contract sum of approximately RMB33.08 million.

#### *Cost of sales*

Our cost of sales increased by 19.62% from RMB95,990,000 for the year ended 31 December 2008 to RMB114,825,000 for the year ended 31 December 2009. The increase was primarily

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attributable to the increase in sales during the same period. Materials costs were the principal component of our cost of sales, materials costs amounted to RMB88,463,000 and RMB107,376,000 for the year ended 31 December 2008 and 2009. Our material costs accounted for 93.51% of our costs of sales for the year ended 31 December 2009, representing a decrease as compared to 92.16% for the year ended 31 December 2008.

### *Gross Profit*

As our turnover increased, our gross profit increased by 28.08% from RMB79,348,000 for the year ended 31 December 2008 to RMB101,627,000 for the year ended 31 December 2009. Our gross profit margin increased from 45.25% for the year ended 31 December 2008 to 46.95% for the year ended 31 December 2009. Despite the decrease in the gross profit margin of our PASS products during the year, our Group's gross profit margin increased for the year ended 31 December 2009 mainly due to the increase in gross profit margin for electrical DC products of Group, which accounted for 66.93% of our Group's gross profit, the increase in the gross profit margin for power grid monitoring and management products, which accounted for 9.87% of our Group's gross profit and the increase in the gross profit margin for charging equipment for electric vehicles, which accounted for 8.43% of our Group's gross profit. We believe that the increase in the gross profit margin of the above products was mainly a result of our marketing effort and our effort to improve product design.

The decrease in the gross profit margin in respect of our sales of PASS products as we lowered our mark-up in order to win the sizeable supply contract to the railway project in Hainan Province.

### *Other revenue*

Our other revenue decreased by 28.52% from RMB10,607,000 for the year ended 31 December 2008 to RMB7,582,000 for the year ended 31 December 2009. The decrease was primarily attributable to the decrease in VAT refunds from RMB8,925,000 for the year ended 31 December 2008 to RMB5,749,000 for the year ended 31 December 2009. Our other revenue as a percentage of turnover decreased from 6.05% for the year ended 31 December 2008 to 3.50% for the year ended 31 December 2009.

For the year ended 31 December 2009, the Group sold an updated version of a software product. However, the Group did not update the product description in its value added tax sales invoices in respect of some of the sales of those software products in 2009 (the "Subject Sales"). As the product descriptions of the above Subject Sales in the relevant value added tax invoices do not exactly reflect the products sold by the Group, the Company understands that Group could not claim value added tax refunds in respect of those Subject Sales. We estimate that the Subject Sales amounted to approximately RMB15.9 million and we would have been entitled to an aggregate refund of VAT of approximately RMB2.2 million if all the value added tax sales invoices in respect of the Subject Sales had been correctly stated the descriptions of the updated product version. This mainly attributed to the decrease in value added tax refunds during the year ended 31 December 2009. In this regard, we have subsequently updated the relevant product description in our sales invoices.

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We entered into an agreement to further acquire another 1% interest in Titans Technology from the then minority remaining shareholders of Titans Technology at a total consideration of RMB400,000. The transfer was registered and became effective on 3 September 2009. A negative goodwill income of RMB830,000 was recorded as 1% share of the then net asset value of Titans Technology was higher than the consideration.

We also issued the Convertible Note on 22 December 2008. The Convertible Note is convertible into new Shares which will accounted for approximately 2.47% of our issued share capital upon Listing (assuming no Over-allotment Option is exercised). The Convertible Note is recorded in our balance sheet as a financial liability and its carrying value is subject to professional valuations of its fair value. A gain from fair value change of the Convertible Note was recorded during the year ended 31 December 2009 as a result of a decrease in its fair value.

### *Selling and distribution expenses*

Our selling and distribution expenses increased by 11.89% from RMB20,211,000 for the year ended 31 December 2008 to RMB22,614,000 for the year ended 31 December 2009. During this year, more marketing expenses (including mainly travelling and entertainment expenses) were incurred with a view to strengthening our relationships with our customers and securing more sales in the year ended 31 December 2009. Other selling and distribution expenses decreased during the years. Our selling and distribution expenses as a percentage of turnover decreased from 11.53% for the year ended 31 December 2008 to 10.44% for the year ended 31 December 2009.

### *Administrative expenses*

Our administrative expenses increased by 13.31% from RMB23,442,000 for the year ended 31 December 2008 to RMB26,563,000 for the year ended 31 December 2009. We originally planned to list on the Growth Enterprise Market (“GEM”) but we subsequently changed our plan to list on the Main Board of the Stock Exchange when we met the listing requirements under the Listing Rules. We wrote off listing preparation expenses in respect of our original GEM listing plan of RMB4,138,000 in the year ended 31 December 2008. In 2009, we wrote off part of the listing expenses of RMB2,739,000 in respect of this listing application. Our staff related expenses increased from RMB5,647,000 in 2008 to RMB7,544,000 in 2009 due to an increase in the headcounts of our supporting functions, including our research and development department and technical department, and an increase in our staff salary. Our travelling expenses increased from RMB1,904,000 in 2008 to RMB3,778,000 in 2009 as our senior management travelled more for business and project development. Nevertheless, our administrative expenses as a percentage of turnover decreased from 13.37% for the year ended 31 December 2008 to 12.27% for the year ended 31 December 2009.

### *Finance costs*

Our finance costs increased by 7.44% from RMB1,290,000 for the year ended 31 December 2008 to RMB1,386,000 for the year ended 31 December 2009. Our finance costs as a percentage of turnover decreased from 0.73% for the year ended 31 December 2008 to 0.64% for the year ended 31 December 2009. Our increase in finance cost was mainly a result of an increase in our bank borrowings during the year.

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### *Taxation*

Our income tax expenses increased by 0.23% from RMB6,416,000 for the year ended 31 December 2008 to RMB6,431,000 for the year ended 31 December 2009. The effective tax rates (being the ratio of our tax expenses to our profit before tax) for the year ended 31 December 2008 and 2009 were 14.22% and 10.78% respectively. The decrease in effective tax rate was partly a result of the increase in profit contribution from Titans Automatic during the year. Titans Automatic was exempt from paying corporate income tax in 2009 as explained above.

### *Profit attributable to owners of the Company*

As a result of the increase in our turnover and gross profit margin, profit attributable to owners of the Company increased by 39.41% from RMB38,812,000 for the year ended 31 December 2008 to RMB54,106,000 for the year ended 31 December 2009. Net profit margin with respect to profit attributable to owners of the Company increased from 22.13% for the year ended 31 December 2008 to 25.00% for the year ended 31 December 2009. This was mainly a result of the increase in turnover and our gross profit margin as explained above.

### *Profit attributable to minority interests*

Loss attributable to minority interests for the year ended 31 December 2009 amounted to RMB882,000 whilst there was a loss attributable to minority shareholders of our non-wholly owned subsidiaries for the year ended 31 December 2008 of RMB112,000. This was mainly related to the loss resulted in Zhuhai Titans during the years.

### **Comparison of our results for the years ended 31 December 2008 and 31 December 2007**

#### *Turnover*

Our turnover increased by 21.42% from RMB144,404,000 for the year ended 31 December 2007 to RMB175,338,000 for the year ended 31 December 2008. Sales of our electrical DC products grew from RMB127,002,000 to RMB132,317,000 as the PRC power industry grew in 2007. The increase in our turnover was also attributable to the increase in the sales of PASS products from RMB7,339,000 to RMB20,781,000 representing an increase of 183.2%. Our Group utilised its customer base of and sales network for electrical DC products to solicit orders for power grid monitoring and management products. Sales of new products also increased from RMB10,064,000 in 2007 to RMB22,240,000.

#### *Cost of sales*

Our cost of sales increased by 29.07% from RMB74,370,000 for the year ended 31 December 2007 to RMB95,990,000 for the year ended 31 December 2008, which was generally in line with the increase in our turnover.

Materials costs was the principal component of our Group's cost of sales. Raw materials costs amounted to RMB69,113,000 or 92.93% of cost of sales and RMB88,463,000 or 92.16% of cost of sales for the two years ended 31 December 2007 and 2008 respectively. Our cost of sales as a percentage of turnover was 54.75% for the year ended 31 December 2008 as compared to 51.50% for the year ended 31 December 2007.

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### *Gross profit*

Our gross profit increased by 13.30% from RMB70,034,000 for the year ended 31 December 2007 to RMB79,348,000 for the year ended 31 December 2008. In this regard, the gross profit of our electrical DC products increased from RMB 61,914,000 in 2007 to RMB 63,600,000 in 2008, with the gross profit margin decreased slightly from 48.75% in 2007 to 48.07% in 2008. The gross profit margin of PASS products decreased slightly from 37.76% in 2007 to 36.73% in 2008.

The gross profit margin of new products (in particular power grid monitoring and management products) fluctuated and we believe that this was due to the results of negotiations with individual customers as the market was relatively new and there lacked of well-established market references. The gross profit margin of power grid monitoring and management products decreased from 77.54% in 2007 to 56.35% in 2008. The gross profit margin of our power grid monitoring and management products was affected by our bargaining power to ask for higher prices for such products during negotiations and tenders. Decrease in gross profit margin was affected by a lower average selling price of our power grid monitoring and management products. In addition, we began to sell high-power LED products in 2008, the gross profit margin of which was only about 25.09%.

### *Other revenue*

Our other revenue increased by 49.77% from RMB7,082,000 for the year ended 31 December 2007 to RMB10,607,000 for the year ended 31 December 2008. The increase was primarily attributable to the increase in value added tax refunds from RMB5,833,000 in 2007 to RMB8,925,000 in 2008 as a result of an increase in the sales of our software products and the increase in government grants from RMB300,000 in 2007 to RMB820,000. Other income as a percentage of our turnover increased from 4.90% in 2007 to 6.05% in 2008.

### *Selling and distribution expenses*

Our selling and distribution expenses decreased by 9.65% from RMB22,369,000 for the year ended 31 December 2007 to RMB20,211,000 for the year ended 31 December 2008. The decrease was a result of many factors. During the year ended 31 December 2008, although the staff related expenses (mainly comprised salary and wages paid to our selling and distribution personnel) increased significantly by 39.7%, we were able to keep many other components of our selling and distribution expenses down, such as the amount of materials consumed (including products and components used to support sale and after-sales services), travelling expenses and installation and testing fees. Our selling and distribution expenses as a percentage to turnover decreased from 15.49% for the year ended 31 December 2007 to 11.53% for the year ended 31 December 2008.

### *Administrative expenses*

Our administrative expenses increased by 76.44% from RMB13,286,000 for the year ended 31 December 2007 to RMB23,442,000 for the year ended 31 December 2008. The increase was primarily attributable to an increase in provision allowance for trade and other receivables in respect of those long-outstanding receivables with no significant repayment, staff related expenses (mainly salaries and wages), research and development expenses in respect of our on-line monitoring equipment,

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electric vehicle charging equipment and high-power LED lighting equipment, travelling expenses of our management and in particular the expenses incurred in relation to the Company's listing exercise in Hong Kong. We originally planned to list on GEM of the Stock Exchange and then changed our plan to list on the Main Board of the Stock Exchange. Most expenses incurred by us in relation to the GEM listing proposal were then written off. Our administrative expenses as a percentage of turnover increased from 9.20% for the year ended 31 December 2007 to 13.37% for the year ended 31 December 2008.

### *Finance costs*

Our finance costs increased by 14.56% from RMB1,126,000 for the year ended 31 December 2007 to RMB1,290,000 for the year ended 31 December 2008. During the year, the amount of bank borrowings increased from RMB12,000,000 as at the end of 2007 to RMB16,868,000 as at the end of 2008. Our finance costs as a percentage of turnover slightly decreased from 0.78% in 2007 to 0.73% in 2008.

### *Taxation*

Our income tax expenses increased by 8.45% from RMB5,916,000 for the year ended 31 December 2007 to RMB6,416,000 for the year ended 31 December 2008. The increase was primarily attributable to the increase of profits before tax. The effective tax rate for the year ended 31 December 2007 was 14.67% and that for the year ended 31 December 2008 was 14.22%.

### *Profit attributable to owners of the Company*

Profit attributable to owners of the Company increased by 13.63% from RMB34,155,000 for the year ended 31 December 2007 to RMB38,812,000 for the year ended 31 December 2008. The increase was primarily attributable to the increase in our turnover and gross profit. Our net profit margin decreased from 23.65% for the year ended 31 December 2007 to 22.13% for the year ended 31 December 2008. This was mainly a result of the increase of our administrative expenses as a percentage to our turnover as explained above.

### *Profit attributable to minority interests*

Profit attributable to minority interests for the year ended 31 December 2008 recorded a share of losses of RMB112,000 as compared to a share of profits of RMB264,000 for the year ended 31 December 2007. The decrease was primarily attributable to the losses recorded by certain non-wholly owned subsidiaries of our Group (including Zhuhai Titans which was engaged in the manufacture and sale of high-power LED lighting equipment) in 2008. As such, relevant minority shareholders shared some of their losses as a result of accounting treatment.

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### Analysis of selected balance sheet items

#### *Prepayments, deposits and other receivables*

The table below sets out the prepayments, deposits and other receivables as at the balance sheet date indicated.

	<b>As at 31 December</b>		
	<b>2007</b>	<b>2008</b>	<b>2009</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Other receivables:			
Deposits placed to tenders	1,793	2,255	2,261
Advances to salesmen and employees	1,540	5,550	1,715
Advances to an independent customer	—	600	—
Advances to related parties	200	2	—
Advances to independent third parties	395	1	1
Others	<u>1</u>	<u>333</u>	<u>109</u>
	<u>3,929</u>	<u>8,741</u>	<u>4,086</u>
Allowance for other receivables	<u>(64)</u>	<u>(199)</u>	<u>(256)</u>
	3,865	8,542	3,830
Prepayments to suppliers	1,406	4,061	2,570
Deposits	2,003	2,066	2,355
Prepayments	<u>4,900</u>	<u>73</u>	<u>5,689</u>
	<u>12,174</u>	<u>14,742</u>	<u>14,444</u>

#### **Other receivables**

Other receivables (net) increased from RMB3,865,000 as at 31 December 2007 to RMB8,542,000 as at 31 December 2008 which was mainly attributable to the increase in deposits placed for tenders as sales increased, as well as the increase in advances to salesmen and employees for business development. As part of the Group's employment benefits, the Group makes interest-free advances to its management staff for car purchases which are repayable in full in six years. As at 31 December 2009, such advances amounted to RMB753,000, not including an advance to Ms Ou Yang Fen of RMB191,250 which is net off against her advance to the Group as at 31 December 2009 for accounting purposes. Please refer to the paragraph headed "Amount due to a shareholder and minority shareholders of a subsidiary" below in this section.

Other receivables (net) as at 31 December 2009 dropped to RMB3,830,000. The relatively high balance of other receivables as at 31 December 2008 was mainly a result of more advances to salesmen and employees for business purpose.

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As at 31 December 2007, there was an outstanding interest free advance of RMB200,000 from the Group to Growth Technology, a company controlled by Feng Jian, a director of Titans Technology, and a connected person of the company. Such amount was repaid in full in 2008. As at 31 December 2008, the Group had another advance to Zhuhai Fudisi amounting to RMB2,100. Such advance was interest free and has been repaid to the Group in full. Zhuhai Fudisi is a 20% shareholder of Zhuhai Titans and thus is a connected person of the Company for the purpose of the Listing Rules.

Other receivables included advances to independent third parties, all being acquaintances of the directors of our Group. As at 31 December 2007, 2008 and 2009 advances to independent third parties represented the advances provided mainly for their general working capital purposes. We did not consider the amount of advances made to Growth Technology, Zhuhai Fudisi and other independent third parties significant, as they only accounted for approximately 0.8% and 0.003% of our net asset value as at 31 December 2007, 2008 and 2009 respectively. Accordingly, we considered it acceptable to make the advances to Growth Technology and those independent third parties. Given the legal requirements in the PRC, the Group does not intend to continue to provide any advances to third parties after Listing. In addition, during the Track Record Period, we also provided an interest-free advance of RMB600,000 to a sales partner, 廣州泰坦凱立電氣科技公司 (Guangzhou Titans Kai Li Electrical Technology Company\*) (“Guangzhou Titans”), for its use as general working capital. Such advance was repaid by Guangzhou Titans to the Group on 28 September 2009. Apart from Guangzhou Titans Kai Li Electrical Technology Company, we did not make any advance to any other sales partners or sales representatives. According to our PRC legal advisers, Commerce & Finance Law Offices, we violated the General Principles of Loans promulgated by the People’s Bank of China (中國人民銀行頒佈的《貸款通則》) and other applicable PRC laws and regulations by having made advances to the related parties, the independent third parties and the sales partner, and the Group could be fined up to five times the amount of any income earned from the advances. During the Track Record Period, the Group did not earn any interest or other income on such advances. Accordingly, no fine would be imposed on the Group. As confirmed by Commerce & Finance Law Offices, there is no other adverse legal consequence to our Group in respect of the above advances.

As advised by our PRC legal advisers, Commerce & Finance Law Offices, our advances to our staff, including the advances for their car purchases as part of our employment benefits, do not violate the General Principles of Loans promulgated by the People’s Bank of China.

### **Prepayments to suppliers**

Prepayments to suppliers represented cash prepaid to third party suppliers for the purchase of materials for production. Prepayments to suppliers increased from RMB1,406,000 as at 31 December 2007 and to RMB4,061,000 as at 31 December 2008. Prepayments to suppliers as at 31 December 2009 was RMB2,570,000. The fluctuation of prepayments to suppliers was mainly attributable to our purchase volume for production.

*\* for identification purposes only*

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### Deposits

Deposits as at 31 December 2007 amounted to RMB2,003,000, being deposits paid to guarantee companies in relation to our loans of RMB2,000,000 as at 31 December 2007. Deposits to the guarantee companies increased to RMB2,066,000 as at 31 December 2008 and to RMB2,355,000 as at 31 December 2009. This was primarily attributable to a further deposit paid to a guarantee company of RMB500,000, being 10% of such amount of bank loan in relation to a bank loan of RMB5,000,000.

### Prepayments

Prepayments as at 31 December 2007 mainly represented the rental deposit prepaid in respect of the office rented by Zhuhai Titans. Such lease ceased in 2008. Prepayments as at 31 December 2009 mainly represented the professional fees paid in preparation of this Listing exercise.

### *Amounts due from related companies*

	<b>As at 31 December</b>		
	<b>2007</b>	<b>2008</b>	<b>2009</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Zhuhai Titans Software System Company Limited (珠海泰坦軟件系統有限公司) (Note)	—	—	—
Zhuhai Titans Energy Electronics Technology Company Limited (珠海泰坦能源電子技術有限公司) (Note)	168	—	—
	<u>168</u>	<u>—</u>	<u>—</u>

*Note: Mr. Li and Mr. An were directors of Titans Software and Mr. Li, Mr. An and Ms. Ou Yang Fen, (a member of the Controlling Group), were directors of Titans Energy. These two companies are regarded as related parties of our Group. Mr. Li resigned as director of Titans Energy on 18 June 2008 and of Titans Software on 11 November 2009. Mr. An resigned as director of Titans Software on 3 June 2005 and of Titans Energy on 18 June 2008. Ou Yang Fen resigned as a director of Titans Energy on 18 June 2008. Titans Software and Titans Energy are not connected persons of our Company for the purposes of the Listing Rules. Please refer to the section headed "Our History and Development" in this prospectus for the historical relationships between Titans Software, Titans Energy and our Group.*

Amounts due from Zhuhai Titans Software System Company Limited represents rental income receivables. Amounts due from Zhuhai Titans Energy Electronics Technology Company Limited represents trade receivables from the sales of products at prevailing market prices. The amounts were unsecured, interest-free and repayable on demand.

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### *Accruals and other payables*

	<b>As at 31 December</b>		
	<b>2007</b>	<b>2008</b>	<b>2009</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Advances from staff	21	112	—
Advances from independent third parties	5,136	2,400	1,000
Value added tax payables	6,176	8,894	25,610
Payroll and welfare payables	2,189	2,100	2,556
Accrued expenses	8,710	9,081	10,453
Other payables	<u>1,970</u>	<u>3,389</u>	<u>3,517</u>
	<u>24,202</u>	<u>25,976</u>	<u>43,136</u>

We received advances from staff and independent third parties, all being acquaintances of the directors of our Group, for general working capital purposes during the Track Record Period as it was simpler to obtain advances from them than from banks and the interest rate payable to them was lower than the bank borrowing rates. The advances from staff and independent third parties bear interest at 2.5% per annum payable by our Group and such interest rate is determined by reference to the PRC bank deposit interest rates, and our shareholders have ceased to pay any interest to these staff and independent third parties in respect of their advances to the Group since then. All advances from staff and independent third parties have been settled. According to the Company's PRC legal advisers, Commerce & Finance Law Offices, as the advances were made by individuals (instead of corporations), these advances do not violate 中國人民銀行頒佈的《貸款通則》(the General Principles of Loans promulgated by the People's Bank of China) and other applicable PRC laws and regulations. Save for being acquaintances of the directors of our Group, these independent third parties and are not connected persons of the Company. There were no written agreements between the independent third parties, staff and us.

Value added tax payables relate to value added tax received or receivables by us in respect of our sales. The increase in the value added tax payables as at 31 December 2009 as compared with the balance as at 31 December 2008 was mainly a result of an increase in our sales near the end of 2009. Please refer to the sub-paragraph headed "Sales to the sales partners and sales to the other customers via the sales representatives and other internal sales staff" in the "Business" section of this prospectus for our seasonal sales pattern in 2008 and 2009. The value added tax payables as at 31 December 2009 which have become due for payments up to 31 March 2010 have been settled in full.

Accrued expenses incurred during our ordinary course of business and increased as our selling activities and sales increased.

The table below sets out the breakdown of the accrued expenses as at each of the balance sheet dates during the Track Record Period.

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	<b>As at 31 December</b>		
	<b>2007</b>	<b>2008</b>	<b>2009</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Selling expenses	7,284	6,823	7,678
Travelling expenses	1,149	1,860	1,164
Others	<u>277</u>	<u>398</u>	<u>1,611</u>
 Total	 <u><u>8,710</u></u>	 <u><u>9,081</u></u>	 <u><u>10,453</u></u>

*Amounts due to a shareholder and minority shareholders of a subsidiary*

	<b>As at 31 December</b>		
	<b>2007</b>	<b>2008</b>	<b>2009</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Amounts due to a shareholder	308	—	1,519
Amounts due to minority shareholders of Titans Technology	<u>900</u>	<u>900</u>	<u>—</u>
	<u><u>1,208</u></u>	<u><u>900</u></u>	<u><u>1,519</u></u>

The amount due to a shareholder as at 31 December 2009 represented an advance from Ms. Ou Yang Fen to the Group for the Group's working capital purpose. Such amount due to Ms. Ou Yang Fen was net off against our interest-free advance to her of RMB195,000 as at 31 December 2009 as described in the paragraph headed "Other receivables" above in this section. Please also refer to the section headed "Connected Transactions" of this prospectus for further details of the terms of such advance. Ms. Ou Yang Fen is a senior management of our Group and holds 30% equity interests in Honor Boom, which in turn will hold 10.30% equity interests in the Company upon Listing (without taking into consideration of the Shares may be issued under the Over-allotment Option). Ou Yang Fen is also one of the Controlling Shareholders. The advances from Ou Yang Fen bear interest at 2.5% per annum. The advance from Ou Yang Fen has been settled.

The amounts due to minority shareholders of Titans Technology were for Titan Technology's working capital purposes and were interest-free, and were settled in full in April 2009.

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### *Amounts due (from)/to Directors*

	<b>As at 31 December</b>		
	<b>2007</b>	<b>2008</b>	<b>2009</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
An Wei	10,631	3,072	7,182
Li Xin Qing	<u>10,312</u>	<u>1</u>	<u>265</u>
	<u>20,943</u>	<u>3,073</u>	<u>7,447</u>

The amounts due to directors as at 31 December 2007 mainly represented interest-free advances from Mr. An and Mr. Li to finance the payment of the consideration for Titans HK's acquisition of Titans Automatic in July 2005. All the amounts due to Mr. Li and Mr. An will be settled before Listing.

The advances from Mr. An and Mr. Li to the Group was for short-term working capital purpose.

### **Inventory analysis**

The table below sets out information on our inventory for the periods indicated:

	<b>As at 31 December</b>					
	<b>2007</b>		<b>2008</b>		<b>2009</b>	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Materials	5,575	29.46	5,070	26.30	3,704	31.07
Work-in-progress	3,945	20.85	3,481	18.05	3,360	28.19
Finished goods	<u>9,405</u>	<u>49.69</u>	<u>10,728</u>	<u>55.65</u>	<u>4,857</u>	<u>40.74</u>
	<u>18,925</u>	<u>100</u>	<u>19,279</u>	<u>100</u>	<u>11,921</u>	<u>100</u>

Our Group's inventory balances increased from RMB18,925,000 as at 31 December 2007 to RMB19,279,000 as at 31 December 2008, which was in line with the increase of our sales. As at 31 December 2009, our Group's inventory decreased to RMB11,921,000. We try to maintain a low level of inventory. Our products are mainly based on customers' orders. We purchase materials and components with higher cost and value after we have received sales orders. Materials that we keep in stock are mainly those of lower value such as electrical parts and low voltage electric appliances. We consider that the decrease in inventory as at 31 December 2009, in particular finished goods, was mainly due to our increase in sales in the last quarter of 2009.

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Our average inventory turnover days decreased from 90.93 days for the year ended 31 December 2007 to 72.63 days for the year ended 31 December 2008. We endeavour to control our inventory. For the year ended 31 December 2009, our inventory turnover decreased to about 49.59 days. Up to 31 March 2010 all raw material inventory as at 31 December 2009 has since been used, and approximately 84.6% and 78.5% of our work-in-progress and finished goods have been used or sold respectively.

Save for an allowance of RMB129,000, we have not made any general or special provision for any inventory during the Track Record Period.

### **Analysis of trade and bills receivables**

#### *Outstanding balances during the Track Record Period*

As at 31 December 2007, 2008 and 2009, our trade and bills receivables (net of allowance) were RMB107,098,000, RMB137,001,000 and RMB221,938,000 respectively. The increase in trade and bills receivables during the Track Record Period was mainly due to the increase of our sales and our long trade receivables turnover as further discussed below. Collection of our trade receivables is also subject to seasonality. In general, sales due from customers in the power industry are settled in the second half of a year.

#### *Industry factors affecting our trade receivables turnover*

As stated in the section headed “Business” in this prospectus, settlement of our trade receivables are subject to the settlement practices of our customers in the power industry. 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. We consider that when our products are delivered to the customers, significant risks, control and ownership have been transferred to the buyer as it will be free to handle, manage and appropriate the products and thus the title of the goods has passed to the buyer. We confirm that our revenue recognition policy is in compliance with HKFRS. As confirmed by our legal advisers, Commerce & Finance Law Offices, we are only entitled to receive payments from our customers subject to the terms of contracts with our customers. 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 shall 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. During the Track Record Period, there was an average of approximately 82 days between delivery and on-site installation and testing of our products. 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. 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). For illustrative purposes, based on the above payment terms and the average time for installation and testing after

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product delivery, we are only entitled to receive up to 90% of the purchase price from 112 days to 172 days after we have delivered our products to the customers. 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 relatively long average period of 82 days between delivery and on-site installation and testing is 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. The actual time taken by us to perform the installation and testing work on our products usually only takes about 2 to 3 working days. We do not consider installation and testing a significant part of our contracts.

In addition, some of these customers did not settle their trade receivables owing to us in accordance with the terms of the sales contracts and actual settlement in respect of some of the sales of our electrical DC products to power plants and transforming stations extended over a period of up to one to two years. We believe that our revenue recognition policy and the settlement pattern of some customers in the power industry as described above have partly affected and lengthened our trade and bills receivables' turnover days. Our trade receivables may be settled over one to two years.

For each of the three years ended 31 December 2007, 2008 and 2009, the amount of retention money receivables from customers (before any doubtful debt allowance) amounted to approximately RMB20,855,000, RMB21,948,000 and RMB25,877,000 respectively, representing approximately 18.77%, 15.13% and 11.15% respectively of the gross outstanding amount of the trade receivables as at the relevant year end date. The table below sets forth the ageing analysis (from the date we recorded our sales and trade receivables upon product delivery) of the retention money receivables before allowance for doubtful debt (comprising part of our trade receivables) as of 31 December 2007, 2008 and 2009.

	<b>As at 31 December</b>		
	<b>2007</b>	<b>2008</b>	<b>2009</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 90 days	4,447	2,377	8,186
91 days to 180 days	2,397	3,177	3,105
181 days to 365 days	4,231	4,406	7,038
Over 1 year to 2 years	5,878	7,464	4,822
Over 2 years to 3 years	2,635	2,286	1,765
Over 3 years	<u>1,267</u>	<u>2,238</u>	<u>961</u>
	<u>20,855</u>	<u>21,948</u>	<u>25,877</u>

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Up to 31 March 2010, about 68%, 38% and 7% of the retention money receivables outstanding as at 31 December 2007, 2008 and 2009 respectively have been settled.

As at 31 December 2007, 2008 and 2009, it is estimated that the Group's trade and bills receivables balances included receivables with aggregate carrying amounts of approximately RMB41,594,000, RMB69,963,000 and RMB81,243,000 respectively which were past due as at the reporting date and we have not provided for any allowance for doubtful debts. Such amounts represented approximately 38.8%, 51.1% and 36.6% of our total trade and bills receivables as at each reporting date during the Track Record Period. Among the above overdue balances, approximately RMB9,608,000, RMB5,311,000 and RMB15,783,000 were trade and bills receivables due from the sales partners, which represented approximately 55.2%, 19.4% and 46.5% respectively of the total trade and bills receivables due from the sales partners as at each reporting date during the Track Record Period.

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### *Analysis of ageing and turnover during the Track Record Period*

The table below sets forth the ageing analysis of our trade receivables as of 31 December 2007, 2008 and 2009 and their subsequent settlements up to 31 March 2010.

	As at 31 December 2007				As at 31 December 2008				As at 31 December 2009				Subsequent settlement following December 2009 RMB'000
	Gross amount		Net amount		Gross amount		Net amount		Gross amount		Net amount		
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	
Within 90 days	57,728	72	57,656	54.3%	58,184	2	58,182	42.5%	117,316	758	116,558	52.8%	2,052
91 days to 180 days	21,848	139	21,709	20.5%	36,721	226	36,495	26.7%	40,333	450	39,883	18.1%	8,110
181 days to 365 days	14,513	175	14,338	13.5%	18,335	24	18,311	13.4%	47,990	2,329	45,661	20.7%	16,376
Over 1 year to 2 years	12,699	1,881	10,818	10.2%	26,655	4,600	22,055	16.1%	18,870	3,154	15,716	7.0%	3,741
Over 2 years to 3 years	2,815	1,525	1,290	1.2%	2,562	1,600	962	0.7%	5,248	2,613	2,635	1.2%	22
Over 3 years	1,534	1,247	287	0.3%	2,605	1,759	846	0.6%	2,331	1,846	485	0.2%	19
	111,137	5,039	106,098	100%	145,062	8,211	136,851	100%	232,088	11,150	220,938	100%	30,320

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Our trade and bills receivables' turnover days for the years ended 31 December 2007, 2008 and 2009 were 188.43 days, 217.15 days and 258.66 days respectively.

For the years ended 31 December 2008 and 2009, our trade and bills receivables turnover days increased. In 2008, there were natural disasters in the PRC, including the Sichuan earthquake and snow storms, and the global financial crisis. We believe that the above events have caused delays in the implementation of some of our customers' projects in different places in the PRC in 2008 and 2009. We believe that the 2008 Beijing Olympic Games have also delayed projects of some customers in order to ensure stability and safety of the power systems in the PRC during the period when the 2008 Olympic Games were held. We record trade receivables when we deliver our products to customers. Despite the credit terms granted in the sales contracts, some of our customers may not settle the contract bills until the whole projects have been completed. Accordingly, we consider that delay in the implementation timetable of our customers' underlying projects would likely lengthen the trade and bills receivables turnover days.

The increase in our trade and bills receivables turnover days from 2007 to 2009 was partly a consequence of the seasonal patterns that the proportion of sales in the last three to six months before the year end increased. An increasing portion of sales towards the year end has resulted in longer trade and bills receivables turnover days which is calculated based on the ratio of trade and bills receivables as at the year end to sales during the year.

The table below sets out the proportion of sales in each quarter during each year in the Track Record Period.

	<b>Sales partners</b>	<b>Other customers</b>
<b>2007</b>		
January to March	5.5%	14.0%
April to June	18.1%	22.0%
July to September	44.1%	27.8%
October to December	32.3%	36.2%
<b>2008</b>		
January to March	6.9%	26.6%
April to June	11.4%	22.5%
July to September	46.6%	32.4%
October to December	35.1%	18.5%
<b>2009</b>		
January to March	7.9%	12.5%
April to June	27.0%	19.5%
July to September	19.3%	19.7%
October to December	45.8%	48.3%

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### *Subsequent settlements*

Please refer to the table showing the subsequent settlement of our bills and trade receivables as at each year end during the Track Record Period set out above in the sub-paragraph headed “Analysis of ageing and turnover during the Track Record Period”. Up to 31 March 2010, approximately 97.1%, 89.0% and 13.7% of the trade and bills receivables as at 31 December 2007, 2008 and 2009 have been settled. In respect of those long outstanding trade and bills receivables, no provision was made if (1) the relevant customers have settled the whole or part of the sum after 31 December 2009, and/or (2) the relevant customers have long-term business relationships with us, and/or (3) the testing process has not been completed and/or (4) the relevant parts of the outstanding trade and bills receivables were retention money receivables which were not yet due as at 31 December 2009. All trade receivables due from sales partners recorded on or before 31 December 2008 have been settled. Up to 31 March 2010, approximately 20.36% of the trade receivables from the sales partners outstanding as at 31 December 2009 has been settled. Apart from the sales partners, we have established business relationships from two to nine years with the relevant customers with those trade and bills receivables which have been outstanding for more than two years and in respect of which no provision has been made.

Based on our experience and the recent settlement records, trade receivables from sales partners will usually substantially be settled in the next financial year; in respect of trade receivables from other customers, usually around 60% will be settled within 1 year after product delivery, around 30% will be settled from 13 months to 24 months after product delivery and the remaining 10% will be settled after 24 months after product delivery. We estimate that about 75% of our trade receivables outstanding as at 31 December 2009 will be settled by the end of 2010, about 90% of such trade receivables as at 31 December 2009 will be settled by the end of 2011 and about 95% of that will be settled by the end of 2012 and the remaining 5% may be settled thereafter.

### *Industry comparables*

The trend of lengthening trade and bills receivables turnover days was also experienced by our major competitors in the PRC. Two of our major competitors are listed on the Shenzhen Stock Exchange and the trading of their shares was not suspended as at the Latest Practicable Date. Both listed competitors recorded net profit for the three years ended 31 December 2007, 2008 and 2009. Based on their respective published financial statements, their respective trade and bills receivables turnover days for each of the three years ended 31 December 2007, 2008 and 2009 were as follows:

	<b>For the year ended 31 December</b>		
	<b>2007</b>	<b>2008</b>	<b>2009</b>
Listed competitor A	159.82 days	229.20 days	295.25 days
Listed competitor B	168.36 days	165.83 days	165.26 days

We consider our trade and bills receivables turnover for the three years ended 31 December 2007, 2008 and 2009 to be comparable with the trade receivables turnover of the above two major competitors during the said years.

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### *Provisions and bad debts*

As at 31 December 2007, 2008 and 2009, the amount of provision allowance amounted to approximately RMB5,039,000, RMB8,211,000 and RMB11,150,000 respectively, representing approximately 4.5%, 5.7% and 4.8% respectively of our trade receivables (before allowance) as of each of the above balance sheet date. No allowance was made in respect of trade receivables from any sales partners during the Track Record Period. We provide allowance for doubtful trade receivables on a specific basis. Provision allowance for trade receivables charged to our income statement during the Track Record Period amounted to RMB2,412,000, RMB3,172,000 and RMB2,939,000 for the three years ended 31 December 2007, 2008 and 2009 respectively. There was no other bad debt being written off during the Track Record Period.

### *Credit control*

In order to control the credit risk, the management of the Group has delegated a team responsible for assessing credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Our sales representatives and other sales staff, and our sales partners after the entering into of the formal cooperation agreements will monitor the development of our customers' projects and communicate with our customers regarding the settlement of our trade and bills receivables. 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.

As advised by our PRC legal advisers, Commerce & Finance Law Offices, failing to settle the purchase price in accordance with the agreed payment terms under the contract may constitute a breach of contract under the PRC law. We believe it is a characteristic of the power electronic market that equipment suppliers will face a relatively long trade receivables turnover period. We have been in this industry for 17 years. We believe that we have accumulated experience in managing our credit risk and working capital requirements and strike a balance between such risks and our competitiveness. We consider the risks of bad debts controllable as most customers or users of our products in the power industry are state-owned enterprises and we have established good relationships with all major sales partners. Based on our understanding and our best knowledge and information we estimate that approximately RMB117.0 million, RMB135.2 million and RMB183.4 million of our sales were made in respect of projects which were invested by state-owned enterprises in the PRC, representing approximately 81.0%, 77.1% and 84.7% respectively of our total sales of each of the three years ended 31 December 2009 respectively, and comprising (i) approximately RMB95.2 million, RMB106.9 million and RMB150.7 million respectively of our sales to customers other than sales partners (representing approximately 78.8%, 73.8% and 83.6% respectively of our total sales to customers other than the sales partners) and (ii) approximately RMB21.8 million, RMB28.3 million and RMB32.7 million respectively of our sales to the sales partners (representing approximately 92.7%, 92.9% and 89.9% respectively of our total sales to the sales partners) were made in respect of projects which were invested by state-owned enterprises in the PRC for the three years ended 31 December 2009. The tables below set out the ageing analysis of the trade and bills receivables outstanding as at each balance sheet date during the Track Record Period.

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Ageing analysis of the trade receivables (after allowance for doubtful receivables) in respect of state-invested projects (excluding the sales to the sale partners) as of 31 December 2007, 2008 and 2009.

	<b>As at 31 December</b>		
	<b>2007</b>	<b>2008</b>	<b>2009</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 90 days	44,570	28,281	96,824
91 days to 180 days	12,215	28,337	22,309
181 days to 365 days	9,661	11,180	30,060
Over 1 year to 2 years	8,589	17,982	11,750
Over 2 years to 3 years	1,092	843	1,020
Over 3 years	<u>140</u>	<u>640</u>	<u>331</u>
	<u>76,267</u>	<u>87,262</u>	<u>162,294</u>
Subsequent settlement (up to 31 March 2010)	98.1%	88.9%	11.9%

Ageing analysis of the trade receivables (no provision against which was made) in respect of our sales to the sales partners regarding state-invested projects as of 31 December 2007, 2008 and 2009.

	<b>As at 31 December</b>		
	<b>2007</b>	<b>2008</b>	<b>2009</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 90 days	7,652	21,717	16,607
91 days to 180 days	7,851	3,216	6,725
181 days to 365 days	1,471	1,135	8,606
Over 1 year to 2 years	<u>89</u>	<u>519</u>	<u>—</u>
	<u>17,063</u>	<u>26,587</u>	<u>31,938</u>
Subsequent settlement (up to 31 March 2010)	100%	100%	21.4%

However, we may sell our products to intermediaries such as project contractors who sell our products to state-invested projects. For the year ended 31 December 2007, 2008 and 2009, three, one and four of our top five customers of the respective years are state-owned enterprises or are companies in which state-owned enterprises have invested. We believe that long outstanding trade receivables are a characteristic of the equipment supply industry to customers in the power industry in the PRC, we do not intend to significantly change our credit and payment terms offered to our customers. We usually do not take legal action against those customers who fail to settle our trade receivables in accordance with the payment terms of the relevant sales contracts because of this industry characteristic. However, we may consider carrying out some sales of smaller sizes on a cash basis.

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In view of our lengthening trade receivables turnover days, our marketing management and support team, the staff of which are independent from our sales representatives and other sales staff, monitors collection of our trade receivables and our account department closely monitors our cash flow positions. To manage our cash and working capital position, our accounts department prepares monthly cash receipt projections based on the information provided by our marketing management and support team regarding the progress on the customers' projects and the relevant payment plans. Our accounts department then plans for cash payments based on the projections. Cash flow projections are prepared by an accounting staff and approved by our deputy general manager, Ou Yang Fen, a senior management member of us. Please refer to the section headed "Directors, senior management and employees" for Ou Yen Fen's experience and credentials. The cash flow projections also help us budget our manufacturing and sales. Our cash and working capital position improved over the three years ended 31 December 2009. Our quick ratio improved from 1.36 times in 2007 to 1.74 times in 2009. Please refer to the section headed "Working capital" below for more information on our working capital position during the Track Record Period.

Given the above, we consider that our monitoring and control system of our trade receivables our to be effective. Potential investors should refer to the associated risks and costs as set out in the section headed "Risk Factors" in this prospectus.

The Sponsor has discussed the reasons for the long outstanding receivables, the characteristics of the PRC power electronic industry, the collection efforts of the Group, the actual bad debts incurred during the Track Record Period with the Directors and other senior management of the Group and has reviewed the Accountants' Report in which an unqualified audit opinion is given by the Reporting Accountants on the financial statements of the Group for the Track Record Period, the records provided by the Company in respect of the subsequent settlements of the trade receivables outstanding as at 31 December 2009 and the financial and other business of some other players in the industries.

Based on the above, the Sponsor considers that the trade receivables control and collection system of the Group and the amount of provision allowance made against the trade receivables during the Track Record Period acceptable and satisfactory and that the length of the Group's trade receivables turnover is normal and comparable to that of its major competitors.

### **Analysis on trade and bills payables**

As at 31 December 2007, 2008 and 2009, our trade and bills payables were RMB33,750,000, RMB38,545,000 and RMB58,868,000 respectively. The increase in trade and bills payables from 31 December 2007 to 31 December 2009 was mainly due to the increase in purchases along with the increase in our sales. The relatively significant increase in our trade and bills payable as at 31 December 2009 was mainly affected by our purchase of PASS in November 2009 amounting to US\$3.085 million (equivalent to approximately RMB21.04 million) which was settled by a bank borrowing in April 2010. We try to control production costs and inventory in order to reduce pressure on our working capital. For the three years ended 31 December 2007, 2008 and 2009, our trade and bills payable turnover days were 135.95 days, 117.48 days and 132.33 days respectively.

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The table below sets forth ageing analysis of our trade payables as of 31 December 2007, 2008 and 2009.

	<b>As at 31 December</b>		
	<b>2007</b>	<b>2008</b>	<b>2009</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 90 days	23,993	18,894	25,064
91 days to 180 days	1,162	8,925	746
181 days to 365 days	398	1,066	2,719
Over 1 year to 2 years	205	303	751
Over 2 years	<u>482</u>	<u>522</u>	<u>75</u>
	<u>26,240</u>	<u>29,710</u>	<u>29,355</u>

### Receipts in advance

Receipts in advance represent deposit payments received from our customers in respect of our sales contracts which normally being 10% of the contract value. The amount of receipts in advance generally affected by our value of the contracts signed which products had not been delivered as of the balance sheet dates and the actual payments by our customers. The fluctuations in receipts in advance were mainly a result of the fluctuations of our contract sums in respect of those projects requiring deposit payments.

As at 31 December 2007, 2008 and 2009, receipts in advance amounted to RMB14.0 million, RMB10.8 million and RMB2.6 million. The decrease in the receipts in advance as at 31 December 2009 as compared with the outstanding balances as at 31 December 2008 and 2007 was mainly due to that there were some relatively sizeable contracts uncompleted as at 31 December 2007 and 2008.

### Debts

All our indebts were classified as short-term liabilities payable within 12 months from the respective balance sheet dates. The following table sets out our indebtedness during the Track Record Period. All our indebtedness were denominated in RMB except for the Convertible Note which was denominated in HK\$.

	<b>At 31 December</b>					
	<b>2007</b>		<b>2008</b>		<b>2009</b>	
	<i>RMB'000</i>	<i>Applicable/ effective interest rates</i>	<i>RMB'000</i>	<i>Applicable/ effective interest rates</i>	<i>RMB'000</i>	<i>Applicable/ effective interest rates</i>
Amounts due to shareholders	308	2.5%	—	—	1,519	2.5%
Amounts due to minority shareholders of a subsidiary	900	0%	900	0%	—	—
Amounts due to directors	20,943	0%	3,073	0%	7,447	0%
Bank and other borrowings	12,000	7.03% to 8.47%	16,868	6.05% to 8.96%	24,000	5.83% to 7.34%
Convertible Note	—	—	<u>8,760</u>	8.1%	<u>8,581</u>	8.1%
	<u>34,151</u>		<u>29,601</u>		<u>41,547</u>	

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Due to the increase in our sales, in particular in the fourth quarter of 2009, we have made additional borrowings from banks as at 31 December 2009 to finance our working capital requirements. Among the bank borrowings of RMB24,000,000, there were a secured bank borrowing of RMB8,000,000, unsecured bank borrowings of RMB12,000,000, an entrusted loan of RMB3,000,000 from Titans Energy and a discounted bill of RMB1,000,000, the effective interest rates ranged from 5.83% to 7.34% per annum.

Our above debts are mainly used to finance our working capital in respect of our daily operation. Our gearing ratios decreased from approximately 18.56% as at 31 December 2007 to approximately 13.55% as at 31 December 2009. At the same time, our interest coverage ratios were 36.82 times for the year ended 31 December 2007, 35.97 times for the year ended 31 December 2008 and 44.13 times for the year ended 31 December 2009. As our business developed during the Track Record Period, we gradually shifted from relying on funding from our two executive Directors, and to a smaller extent other shareholders, to bank and other borrowings and the issue of the Convertible Note to finance our working capital and other business requirements. Please refer to the section headed “History and development” in this prospectus for details of the terms of the Convertible Note. All the amounts due to shareholders have been settled and the amounts due to Directors will be settled in full on or before Listing. We settle the amounts due to the executive Directors, and other shareholders by bank and other financial borrowings and our internal resources. Our Directors confirm that we have abided by all terms of the bank and other borrowings during the Track Record Period.

During the year ended 31 December 2007, the Group entered into entrustment loan agreements with 珠海金環宇儀器儀表有限公司 (Zhuhai Jinhuan Yu Apparatus Meters Company Limited\*) (“Zhuhai Jinhuan Yu”), a company owned by Lu Liang Peng, a former shareholder of Titans Technology as our working capital.

Below is a summary of the entrusted loans from Zhuhai Jinhuan Yu to us.

<b>Term</b>	<b>Principal amount</b>	<b>Interest rate and handling fee</b>
24 January 2006 to 24 January 2007	RMB5,000,000	6.0996% per annum
23 June 2006 to 24 June 2007	RMB3,000,000	6.0996% per annum
23 September 2006 to 23 September 2007	RMB2,000,000	6.0966% per annum
10 July 2007 to 10 July 2008	RMB3,000,000	7.1029% per annum

All the above entrustment loans were not secured and have been settled in full.

Please refer to the paragraph headed “Indebtedness statement” below in this section for further information on our indebtedness position as at 31 March 2010.

*\* for identification purposes only*

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## FINANCIAL INFORMATION

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### CAPITAL INVESTMENTS

We did not have significant capital expenditures or commitments during the Track Record Period. For the three years ended 31 December 2007, 2008 and 2009, investment in property, plant and equipment only amounted to approximately RMB1.3 million, RMB1.2 million and RMB2.7 million respectively. The above capital investments of the Group during the Track Record Period mainly included leasehold land and buildings and improvements of RMB0.4 million, furniture, fixtures and equipment of RMB1.3 million, plant and machinery of RMB1.3 million and motor vehicles of RMB1.7 million.

Save for the commitment in respect of certain operating leases, the Group did not have any material capital commitment as at 31 December 2007, 2008 and 2009. We preliminarily estimate that we may incur capital expenditures amounting to RMB76 million in 2010 and RMB37 million in 2011 mainly on the construction of a new plant, the purchase of new production and research machinery, equipment and software acquisition of appropriate technologies and/or business, setting up of new representative offices and the making of demonstration products for marketing purposes which will be financed by the net proceeds from the Share Offer.

Our current plans with respect to future capital expenditures is subject to change based on the evolution of our business plans, including potential acquisitions, the progress of our capital projects, market conditions, our outlook on future business conditions, and whether we are able to successfully complete this Share Offer. Other than as required by law, we do not undertake any obligation to publish updates on our capital expenditure plans. There is no guarantee that any of the planned capital expenditures outlined above will proceed as planned. As we continue to expand, we may incur additional capital expenditures. In the future, we may consider additional debt or equity financing, depending on market conditions, our financial performance and other relevant factors. We cannot assure you that we will be able to raise additional capital, should that become necessary, on terms acceptable to us.

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### LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The following table summarises our cash flows during the Track Record Period:

	Year ended 31 December		
	2007	2008	2009
	RMB'000	RMB'000	RMB'000
Net cash from operating activities	14,090	13,548	10,332
Net cash used in investing activities	(3,792)	(3,797)	(4,725)
Net cash used in financing activities	<u>(15,175)</u>	<u>(5,744)</u>	<u>(6,001)</u>
Net (decrease)/increase in cash and cash equivalents	(4,877)	4,007	(394)
Cash and cash equivalents at beginning of the year	<u>28,345</u>	<u>23,468</u>	<u>27,475</u>
Cash and cash equivalents at end of the year	<u>23,468</u>	<u>27,475</u>	<u>27,081</u>

#### Cash flows

We generally finance our operations and business growth through a combination of internally generated cash flows and bank and other borrowings and advances. Following the completion of the Share Offer, we expect to finance our business expansion and operations through our internally cash resources, net proceeds from the Share Offer and bank borrowings.

#### Operating activities

Net cash used in our operating activities for the year ended 31 December 2009 was approximately RMB10,332,000, comprising mainly cash payments in respect of our sales and operations of RMB13,727,000 after deducting PRC income tax paid of RMB3,395,000. Operating cash flows before movements in working capital increased to RMB65,125,000 for the year ended 31 December 2009 from RMB51,311,000 for the year ended 31 December 2008. However, the cash generated from operations for the year ended 31 December 2009 was significantly affected by the increase in trade and bills receivables of RMB87,876,000 and an increase in trade and bills payables of RMB20,323,000 and a decrease in other net working items of RMB16,155,000. We will follow up more closely with the relevant customers in respect of the settlement of our trade and bills receivables and better manage our working capital level. On the basis of a full financial year, we recorded net cash inflow from operating activities for each of the three years ended 31 December 2007, 2008 and 2009.

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The turnover of our Group increased from RMB144,404,000 in 2007 to RMB175,338,000 in 2008, and our net profits increased from RMB34,419,000 in 2007 to RMB38,700,000 in 2008. Net cash generated from operating activities of our Group was RMB14,090,000 for the year ended 31 December 2007 and RMB13,548,000 for the year ended 31 December 2008, which was mainly affected by the longer turnover days for our trade and bills receivables. In addition tax paid also increased in tandem with the increase of our Group's profits which partly offset our cash inflow. For the year ended 31 December 2008, trade and bills receivables decreased by RMB33,075,000, prepayments, deposits and other receivables decreased by RMB2,743,000, inventory decreased by RMB354,000, receipts in advance decreased by RMB3,191,000 and amounts due to related companies decreased by RMB819,000. The negative effect on our cash inflow resulted by the above movements in working capital items was partially offset by the increase of RMB168,000 in the amounts due from related companies, the increase of RMB4,795,000 in trade and bills payables, and the increase of RMB1,774,000 in accruals and other payables.

Net cash generated from operating activities for the year ended 31 December 2007 amounted to RMB14,090,000. Our operating cash flow before movements in working capital amounted to RMB45,551,000 but it was reduced by the increase in trade and bills receivables, inventory, prepayment, deposits and other receivables, amounts due from related companies and the income tax payment of RMB48,333,000 in aggregate. The above cash outflow adjustments were partly offset by an increase in trade and bills payable of RMB2,682,000, and an increase in receipts in advance, accruals and other payables and amounts due to related companies of RMB14,190,000 in aggregate.

### **Investing activities**

We recorded net cash used in investing activities of RMB4,725,000 for the year ended 31 December 2009, mainly related to the release of an amount of RMB2,151,000 from the restricted bank balances and our purchase of equipment amounting to RMB2,736,000 during the year ended 31 December 2009.

Net cash used in investing activities for the year ended 31 December 2008 amounted to RMB3,797,000. Investing activities mainly included purchases of equipment of RMB1,197,000, an additional deposit in restricted bank balances of RMB3,164,000 and advance to shareholders of RMB190,000. Such cash outflow was offset by the cash inflow of RMB289,000 from interest received and cash inflow of RMB465,000 from disposal of equipment.

Net cash used in investing activities for the year ended 31 December 2007 was RMB3,792,000. For the year ended 31 December 2007, we acquired a further 35% interest in Zhuhai Titans using RMB1,050,000, technical know-how using RMB3,000,000 and equipment of RMB1,291,000. The cash outflow was partially offset by the cash inflow of interest received of RMB274,000 and a release of an amount of RMB1,226,000 from the restricted bank balances and a disposal of equipment receiving RMB49,000.

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### Financing activities

Net cash used in financing activities for the year ended 31 December 2009 amounted to RMB6,001,000, included dividend paid of RMB19,190,000, interests paid of RMB1,386,000 and repayment to minority shareholders of a subsidiaries of RMB900,000. The cash outflow was partly offset by cash inflow of RMB7,132,000 from new borrowings (net of repayment of borrowings), advance from directors and a shareholder of RMB5,893,000, cash inflow of RMB2,450,000 from an additional contribution by minority shareholders of a subsidiary.

Net cash used in financing activities for the year ended 31 December 2008 was RMB5,744,000, during the year, we repaid directors RMB17,870,000, paid dividend of RMB8,000 to certain minority shareholders of Titans Technology, paid interests of RMB1,290,000 and repaid shareholders of their advances to the Group of RMB308,000. The above cash outflow was partly offset by cash inflow of RMB4,868,000 from new borrowings (net of borrowings repaid) and cash inflow of RMB8,864,000 from the issue of the Convertible Note.

Net cash used in financing activities for the year ended 31 December 2007 amounted to RMB15,175,000. Cash outflow from financing activities included repayment of borrowings (net of new borrowings) of RMB4,000,000, repayment of RMB7,772,000 to directors, payment of dividend of RMB2,002,000, interests paid of RMB1,126,000, repayment of RMB1,032,000 to shareholders of Titans Technology and repayment of RMB143,000 to minority shareholders of Titans Technology. The cash outflow was partly offset by cash inflow of RMB900,000 from additional capital contribution by minority shareholders of Titans Technology.

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### Net current assets

Our net current assets positions as at 31 December 2007, 2008 and 2009, and 31 March 2010, being the latest practicable date for the purpose of this statement, are summarised as follows:

	At 31 December			31 March
	2007	2008	2009	2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>
<b>Current assets</b>				
Inventories	18,925	19,279	11,921	24,416
Trade and bills receivables	107,098	137,001	221,938	206,239
Prepayments, deposits and other receivables	12,174	14,742	14,444	18,222
Amounts due from related companies	168	—	—	—
Amounts due from shareholders	2	190	202	388
Restricted bank balances	10,352	13,516	15,667	15,210
Bank balances and cash	<u>23,468</u>	<u>27,475</u>	<u>27,081</u>	<u>19,305</u>
	<u>172,187</u>	<u>212,203</u>	<u>291,253</u>	<u>283,780</u>
<b>Current liabilities</b>				
Trade and bills payables	33,750	38,545	58,868	59,988
Receipts in advance	13,956	10,765	2,561	2,709
Accruals and other payables	24,202	25,976	43,136	38,872
Dividend payables	8	150	2,942	2,942
Amounts due to a shareholder	308	—	1,519	—
Amounts due to minority shareholders of a subsidiary	900	900	—	—
Amounts due to related companies	819	—	—	—
Amounts due to directors	20,943	3,073	7,447	6,145
Tax payables	6,113	8,211	11,247	4,462
Bank and other borrowings	12,000	16,868	24,000	27,500
Convertible loan note	<u>—</u>	<u>8,760</u>	<u>8,581</u>	<u>8,581</u>
	<u>112,999</u>	<u>113,248</u>	<u>160,301</u>	<u>151,199</u>
<b>Net current assets</b>	<u><u>59,188</u></u>	<u><u>98,955</u></u>	<u><u>130,952</u></u>	<u><u>132,581</u></u>

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As at 31 December 2007, 2008 and 2009, our net current assets (working capital) amounted to RMB59.2 million, RMB99.0 million and RMB131.0 million respectively. We consider the general increase of our working capital level was mainly a result of the increase in our turnover during the Track Record Period and the relevant increase in trade and bills receivables exceeding the increase of our current liabilities (mainly comprised trade and bills payables, receipts in advance, accruals and other payables and short-term debts). Please refer to the separate descriptions on the individual major items of our current assets and current liabilities above in this section in respect of their respective fluctuations during the Track Record Period.

As at 31 March 2010, our unaudited net current assets (net working capital) amounted to approximately RMB132.6 million, representing an increase of approximately 1.2% as compared with the amount as at 31 December 2009. The increase was mainly due to a decrease in the our current liabilities from approximately RMB160.3 million as at 31 December 2009 to approximately RMB151.2 million as at 31 March 2010 and an decrease of our current assets from approximately RMB291.3 million as at 31 December 2009 to approximately RMB283.8 million as at 31 March 2010.

Our bank balances and cash decreased from approximately RMB27.1 million as at 31 December 2009 to approximately RMB19.3 million as at 31 March 2010 and our bank and other borrowings increased from approximately RMB24.0 million as at 31 December 2009 to approximately RMB27.5 million as at 31 March 2010. The changes in our bank balances and cash and our bank and other borrowings, together with the cash inflow from our operations during the three months ended 31 March 2010, were mainly used to finance the payment of our accruals and other payables which decreased from approximately RMB43.1 million as at 31 December 2009 to approximately RMB38.9 million as at 31 March 2010, the payment of our amounts due to Directors which decreased from approximately RMB7.4 million as at 31 December 2009 to approximately RMB6.1 million as at 31 March 2010 and the payment of our tax payables which decreased from approximately RMB11.2 million as at 31 December 2009 to approximately RMB4.5 million as at 31 March 2010.

The increase in our inventory from approximately RMB11.9 million as at 31 December 2009 to approximately RMB24.4 million was related to our production relating to some sales projects regarding, among other things, some of our new products. From 31 December 2009 to 31 March 2010, our prepayments, deposits and other receivables, including, among other things, deposits paid to suppliers for purchases, increased by approximately RMB3.8 million in tandem with the increase in our inventory production.

Our current ratios increased from 1.52 times in 2007 to 1.82 times in 2009; and our quick ratio also increased from 1.36 times in 2007 to 1.74 times in 2009. Our current ratio as at 31 March 2010 was approximately 1.88 times and our quick ratio was approximately 1.72 times. We consider that the increase in our current ratio and quick ratio during the Track Record Period was mainly attributable to the increase in our trade and bills receivables. Potential investors should pay attention to our lengthening trade and bills receivables turnover days during the Track Record Period and the relevant risks as set out in the section headed “Risk Factors” in this prospectus.

### **Financial resources and capital structure**

We generally finance our operations through internal resources and bank and others borrowings.

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### Working capital

The total cash and bank balance of the Group as at 31 December 2009 amounted to RMB27.1 million (not including the restricted bank balances of RMB15.7 million to support the issue of bills and letters of credit for trading purposes).

To manage and support our working capital requirements, we will utilise our internally generated cash flow and bank and other borrowings. We closely monitor our cash flow position. Monthly projections on cash receipts are prepared and payment plans are made accordingly. We will also endeavour to further expedite the receivables collection process by following up more closely with the sales partners and customers.

After Listing we will continue to monitor and endeavour to speed up the collection of our trade receivables. It is one of our plans to increase our production capacity with a view to improving our sales performance. During the Track Record Period, our trade receivables grew in tandem with our sales. We believe that additional working capital will be required to support our future plans. As mentioned in the paragraph headed “Use of proceeds” in the section headed “Future plans and use of proceeds” in this prospectus, approximately HK\$17.8 million (based on the mid-point of the Offer Price range) will be used as working capital. We also believe that our status as a company listed on the Main Board of the Stock Exchange and our additional proposed investment in fixed assets (including, among other things, real estates as our expended production facilities), will place us in a better position to obtain additional financing from banks. We believe that the net proceeds from the Share Offer and the listing status will allow us to support our working capital requirements in connection with our expansion plans.

Our Directors are of the opinion that, taking into consideration the financial resources available to us including internally generated funds, available banking facilities and the estimated net proceeds from the Share Offer, we have sufficient working capital for our present capital and operating requirements in the next 12 months commencing from the date of this prospectus.

### TREASURY MANAGEMENT

Our treasury function mainly involves the management of our cash flow. Cash is mainly deposited in banks in RMB for our working capital purposes. We did not invest in any financial securities or foreign exchange (except for business purposes) during the Track Record Period. Our account department projects monthly cash receipts and plans for cash payments based on the information provided by our marketing management and support team as explained in the sub-paragraph headed “Credit control” in this section above.

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### INDEBTEDNESS STATEMENT

#### Summary of the Group's indebtedness

At the close of business on 31 March 2010, being the latest practicable date prior to the printing of this prospectus for the purpose of this indebtedness statement, the Group had total debt of RMB45.4 million, all of which are denominated in Renminbi, as set forth below:

	Secured RMB'000	Unsecured RMB'000	Total RMB'000
Short-term bank and other loans	8,000	18,500	26,500
Amounts due to directors ( <i>Notes 1 and 3</i> )	—	6,145	6,145
Amount due to an independent third party ( <i>Note 4</i> )	—	1,000	1,000
Dividend payable	—	2,942	2,942
Convertible Note ( <i>Notes 2 and 3</i> )	—	8,804	8,804
	<u>8,000</u>	<u>37,391</u>	<u>45,391</u>

*Notes:*

- (1) The amounts were unsecured, repayable on demand and interest-free. Such amounts will be fully settled before Listing.
- (2) The amount represents the sum of the principal amount of HK\$10,000,000 of the Convertible Note. The Convertible Note carries interest at a rate of 8.1% per annum on the principal amount. The Convertible Note will be converted into new Shares in full upon Listing.
- (3) Part of the amount in Hong Kong dollar are translated into RMB at HK\$1.1358 to RMB1.0.
- (4) The amount were settled in April 2010.

#### Bank loans

As at 31 March 2010, we had bank loans of RMB8,000,000 pursuant to a loan facility of up to RMB13 million which was secured by our owned properties located in the Titans Technological Park in Zhuhai. As at 31 March 2010, the market value of such properties amounted to RMB11,800,000. The bank loans are all of one-year term repayable in January and February 2011 bearing interest representing 1.1 times of the bank standard lending rate which was approximately 5.84% per annum as at 31 March 2010.

On 31 March 2010, we had another bank loan from the same bank of RMB5,000,000 pursuant to a loan facility of the same amount which was guaranteed by Zhuhai Small and Medium Enterprises Credit Guarantee Co. Ltd.\* (珠海市中小企業信用投保有限公司), an independent third party. Such

\* for identification purposes only

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guarantee was secured by a floating charge over trade receivables of Titans Technology at anytime before 10 October 2011, a second mortgage of the Group's properties in the Titans Technological Park, and a deposit of RMB500,000. A fee of 3.15% of the guaranteed amount was charged by Zhuhai Small and Medium Enterprises Credit Guarantee Co. Ltd.\* in respect of the above guarantee. There is no other restrictive covenant under the guarantee agreement. Terms of the guarantee agreement including fee and collaterals were agreed between the parties after arm's length negotiations. The bank loan is of one year is repayable in March 2011 bearing interest representing 1.1 times of the bank standard lending rate which was approximately 5.84% per annum as at 31 March 2010.

As at 31 March 2010, pursuant to a banking facility of up to RMB30,000,000, we had an unsecured bank loan of RMB7,000,000 which was guaranteed by Titans Automatic, Mr. Li and Mr. An. The bank loan was of one year and was repaid in April 2010 bearing interest representing 1.2 times of the bank standard lending rate which was approximately 6.372% p.a. as at 31 March 2010. On 9 April 2010, we repaid such bank loan in full. A new bank loan of the same amount of the same terms was lent to us on even date by the same bank. Such bank loan is unsecured and is guaranteed by Titans Automatic and by Mr. Li and Mr. An. The lending bank has agreed to release the guarantees provided by Mr. Li and Mr. An on or about the Listing Date subject to the Company providing a corporate guarantee replacing Mr. Li's and Mr. An's personal guarantees. Pursuant to the same credit facilities, as at 31 March 2010, there was an entrusted loan of RMB3,000,000 lent by Titans Energy to us via a bank in the PRC for working capital purpose. The loan amount is unsecured and not guaranteed, and bears interest at a rate of 7% per annum with a term of 11 months from October 2009 to September 2010. The remaining facilities can be used by us for issuing bills and/or obtaining bank guarantees subject to the terms and conditions of the bank from time to time. As at 31 March 2010, we utilized RMB5.94 million of such facilities for bank guarantees.

We discounted two bills of an aggregate amount of RMB3,500,000 due in April 2010 and August 2010 to banks at discount rates of 3% p.a. and approximately 4.42% per annum. Such amount was recorded as bank borrowings due by us as at 31 March 2010.

### **Other facilities utilised**

As at 31 March 2010, we utilised RMB5,484,500 of composite credit facilities of RMB9,000,000 granted by a bank to us was guaranteed by Mr. Li, Mr. An and Zhuhai Jiangshan Investment and Guarantee Company Limited\* (珠海江山投資擔保有限公司), an independent third party, for issuing bills. Personal counter-guarantees were provided by Mr. Li and Mr. An, in favour of, and 99% equity interest of Titans Automatic in Titans Technology and a RMB1,800,000 deposit were pledged by the Group to Zhuhai Jiangshan Investment and Guarantee Company Limited in respect of the guarantee provided by Zhuhai Jiangshan Investment and Guarantee Company Limited in favour of the lending bank. A fee of 1.8% of the guarantee amount was charged by Zhuhai Jiangshan Investment and Guarantee Company Limited in respect of its guarantee provided. There is no other restrictive covenant under the guarantee agreement. Terms of the guarantee agreement, including the fee and collaterals were agreed between the parties after the arm's length negotiations. The lending bank and

*\* for identification purposes only*

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Zhuhai Jiangshan Investment and Guarantee Company Limited have agreed to release the guarantees and counter guarantees provided by Mr. Li and Mr. An on the date immediately before Listing and subject to the Company providing a corporate guarantee replacing Mr. Li's and Mr. An's personal guarantees.

As at 31 March 2010, we had utilised RMB16.75 million of credit facilities of up to RMB20,000,000 for issuing letter of credit and bills. Titans Automatic provided corporate guarantee in favour of the bank granting us the credit facilities. Such credit facilities might be used by our Group as working capital loans of up to RMB10,000,000 and for issuing other trade finance instruments including letter of credit, bills and bank guarantees which have to be secured by a certain required level of restricted bank deposits. Trade receivables of approximately RMB30,000,000 of our Group were charged to such bank as security for the credit facilities.

As at 31 March 2010, our Group had been granted credit facilities totalling RMB77 million (subject to the terms and conditions imposed by the banks) of which we had utilised approximately RMB51.2 million in terms of bank borrowings of RMB23.0 million and issuing bills and letter of credit of RMB28.2 million.

### **Collateral charged to the independent guarantee companies**

To secure the above bank borrowings, we have pledged our interests of the properties located at the Titans Technological Park, where our principal operations are situated, and our 99% equity interest in Titans Technology, our major operating subsidiary, to the lenders and the guarantee companies. Whilst we are confident that we will be able to meet the payment obligations under the loans based on, among other factors, our market position and our business growth, our historical yearly cash flow position, our relationships with the various banks and the additional funding from the Share Offer, if we fail to repay the above bank borrowings, the lenders and the guarantee companies will have the right to seize our properties and/or our 99% equity interest in Titans Technology and sell them in the market in order to settle our payment obligations under the loans. In that case, our operations will seriously be interrupted.

The above banking facilities respectively guaranteed by Zhuhai Small and Medium Enterprises Credit Guarantee Co., Ltd and Zhuhai Jiangshan Investment and Guarantee Company Limited are granted to the Group by separate banks in the PRC. The Group has pledged its properties to another bank and does not have other material real properties which the Group could pledge to secure the above banking facilities. The Group therefore engaged Zhuhai Small and Medium Enterprises Credit Guarantee Co., Ltd and Zhuhai Jiangshan Investment and Guarantee Company Limited to provide third-party guarantees in favour of the said two banks in respect of the facilities granted by them to the Group.

The Directors confirm that the collateral given to the guarantee companies were determined after arm's length negotiations between the Group and the respective guarantee companies. As at 31 March 2010, the amount of bank borrowings and banking facilities guaranteed by Zhuhai Small and Medium Enterprises Credit Guarantee Co. Ltd. and Zhuhai Jiangshan Investment and Guarantee Company Limited amounted to RMB5 million and RMB9 million respectively. The carrying value of 99% equity interest in Titans Technology as at 31 December 2009 amounted to approximately RMB139.3 million,

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representing 10.0 times of the maximum guarantee amount. Our Directors consider that the provision of such collateral in the interests of the Company as (1) most of the real properties owned by Titans Technology with a carrying book value of RMB8.5 million as at 31 December 2009 have been pledged to other lending banks and we have no other material real property to pledge to the guarantee companies as security, (2) we do not consider there is a high default risk in respect of our debts guaranteed by the guarantee companies, and (3) this will enable us to obtain the necessary bank loan and banking facilities. The Directors consider that as the Group did not have sufficient real property to provide primary charge to all the lending banks at the time of applying for the bank borrowings, it was a normal and commercial practice to engage third party guarantee companies to provide guarantees in favour of the lending banks in respect of the Group's bank borrowings. The Directors do not consider it as an indicator of the Group facing any credibility issue.

During the three years ended 31 December 2007, 2008 and 2009, the Company paid RMB180,000, RMB180,000 and RMB319,500 respectively to the guarantee companies as guarantee and service fees.

### **Other advances**

As at 31 March 2010, there was a loan from an acquaintance of one of our Controlling Shareholders, Ou Yang Fen, to the Group of RMB1,000,000. Such borrowings bear interest at 2.5% per annum and has no fixed term of repayment. This loan was repaid in full in April 2010.

All the amounts due to our shareholder, Directors, staff and independent third parties have been/will be settled on or before Listing and there was no other advance provided by the above groups of people. Given the estimated strengthened cash position of our Group after the Listing and the Share Offer, we do not currently intend to borrow moneys from the above groups of people. However, if any borrowings from non-financial institutions are required in the future, all the borrowings will have to be approved by the Board of Directors, and by the independent non-executive Directors if the borrowings are provided by a connected person of the Company.

### **Dividend payable**

The Group declared dividends of RMB22.0 million in 2009, among which RMB2.9 million remained payable as at 31 March 2010. Such amount will be settled on or before Listing.

### **Convertible loan note**

On 22 December 2008, the Company issued the Convertible Note with a principal amount of HK\$10,000,000. The Convertible Note carries interest at a rate of 8.1% per annum on the principal amount then outstanding. The Convertible Note will be converted into Shares of the Company upon Listing in full. In the event that the Listing does not take place on or before 27 July 2010, the maturity date, the Company shall on 27 July 2010 redeem the outstanding Convertible Note at the price equivalent to the principle amount of the Convertible Note together with the interest accrued up to 27 July 2010.

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### Contingent liabilities

As at 31 March 2010, our Group had no contingent liabilities.

### Increase in total indebtedness

Our bank and other borrowings increased from RMB24 million as at 31 December 2009 to RMB27.5 million as at 31 March 2010; whilst our total indebtedness increased from RMB44.5 million to RMB45.4 million. The increase in our bank borrowings from 31 December 2009 to 31 March 2010 was partly to finance the repayment of our Shareholder's loan and directors' loans, as well as the payment of other accrual and payables of the Group.

Subsequent to 31 March 2010, we borrowed a new loan of RMB5 million for working capital purposes in support of purchases and settlement of trade and bills payables and other operating expenditures.

### Disclaimers

Save as aforesaid, and apart from intra-group liabilities, we did not have any outstanding mortgages, charges, debentures, loan capital, bank overdrafts, loans, debt securities or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptance or acceptance credits or any guarantees or other material contingent liabilities outstanding as at 31 March 2010.

On 23 March 2010, the Group entered into a loan agreement with the bank, which have granted the Group a loan facility of RMB13,000,000, under which another bank loan of RMB5 million which was drawn down on 15 April 2010 for working capital purposes. The loan is of the term of one year repayable in April 2011 bearing interest representing 1.1 times of the bank standard lending rate which was approximately 5.84% p.a. as at 31 March 2010. Together with the loans amounted to RMB10,000,000 borrowed by us from the same bank, which was outstanding as at 31 March 2010, we have fully utilised such loan facility.

As at the Latest Practicable Date, we were discussing with a bank a possible new short-term banking facility of up to HK\$9,000,000. It is proposed that any loan we may draw down under such facility bear interest at 3-month HIBOR (Hong Kong Interbank Offered Rate) plus 3.5% p.a. We may or may not enter into an agreement regarding this banking facility if we enter into an agreement regarding this banking facility. We may use this loan facility to repay our amounts due to our executive Directors, which amounted to approximately RMB6.1 million as at 31 March 2010. Depending on the circumstances, we may also arrange another loan to repay the above amounts due to executive Directors.

On 12 April 2010, we renewed certain bank facilities of up to RMB40,000,000 with the bank which has granted us a loan of RMB7,000,000 outstanding as at 31 March 2010. The RMB7,000,000 loan forms part of the RMB40,000,000 credit facilities granted to us. The remaining part of the credit facilities can be used by us in the form of bank guarantees which have to be secured by an equivalent

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## FINANCIAL INFORMATION

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amount of restricted bank deposits. The facilities were guaranteed by Titans Automatic, Mr. Li and Mr. An. The bank has agreed to release the personal guarantees provided by Mr. Li and Mr. An on or about the Listing Date subject to the Company providing a corporate guarantee in respect of this banking facility.

Subsequent to 31 March 2010, certain trade payables (letter of credit) were settled as financed by bank borrowings which amounted to approximately of USD2.2 million (equivalent to approximately RMB14.7 million) as at 27 April 2010.

Save for the above, we confirmed that there has not been any material adverse change in the indebtedness and contingent liabilities of the Group since 31 March 2010.

### PROPERTY INTERESTS

Savills, an independent property valuer, valued our properties held by the Group as at 31 March 2010. The full text of the letter, summary of values and valuation certificates with regard to such properties are set forth in Appendix III to this prospectus.

#### *Owned properties*

The industrial complex situate at Xiangzhou District, Zhuhai City held by our Group is used as offices and workshops. The complex comprises a 6-storey industrial building with a gross floor area of approximately 4,370.21 sq.m., a five-storey industrial building with a gross floor area of approximately 2,500 sq.m. and other ancillary buildings with a gross floor area of approximately 1,261.00 sq.m., which represented approximately 15.51% of the total gross floor area occupied by our Group, the ancillary building is used as warehouse and staff canteen. We do not use such ancillary building to generate revenue on a standalone basis. As at the date of the Latest Practicable Date, our Group has not obtained the building ownership certificate for this ancillary building of the complex. We acquired the whole properties in 1998, including the ancillary building without building ownership certificate. There is no separate carrying value attributable to the ancillary building in our accounts. According to the PRC legal advisers, Commerce & Finance Law Offices, the City Planning Law of the PRC provides that construction undertaken within a planned urban area without a building permit or has violated the requirements stated in the permit which seriously affects city planning, the relevant authority of city planning administration of the local people's government at or above the county level can order the suspension of the constructing project or demolition of the buildings constructed within a prescribed period of time or have the buildings, structures or facilities be confiscated. The Group might also be fined. Such ancillary building in issue is located in the Titans Technological Park, for our own use. According to the PRC legal advisers, Commerce & Finance Law Offices, the ancillary building was erected in the industrial complex of the Company, which is unlikely to affect the city planning. Accordingly, the possibility that the ancillary building be ordered to be demolished or the Group be fined is minimal. In addition, since the ancillary building is not for production and operation purpose, the demolition of such buildings would not have material adverse effect on the business operation or the Listing of the Company.

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## FINANCIAL INFORMATION

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The Directors do not consider the ancillary building crucial to our Group's operation and that the demolition of such building will have a material adverse effect on our Group's operations for the following reasons:

- (a) the ancillary building is used by our Group as warehouse and staff canteen, and the Directors believe that the Group may allocate other space within the complex as warehouse;
- (b) the Directors believe that it would not be difficult for the Group to rent adjacent areas for expansion, and relocation cost should not be material; and
- (c) according to the legal opinion from our PRC legal advisers, Commerce & Finance Law Offices, our Group has already obtained the land use rights and such ancillary building is located entirely on the said land.

If the ancillary building is to be demolished, we would discontinue our canteen operations. Assuming that we would move the warehouse to some other part of our existing premises at the Titans Technology Park and/or our rented premises at No 119, Shihua Road West, which is situated opposite to the ancillary building. We believe that the relocation could be completed within seven days with an estimated cost of around RMB40,000 and without any material disruption to our operations.

The Sponsor agrees with the view of the Directors above based on the available information.

Such ancillary building has been built and in use before we acquired the whole properties in 1998. According to our PRC legal advisers, Commerce & Finance Law Offices, we may not be eligible to apply for the approval for the construction of the ancillary building retrospectively and thus the ownership certificate for the building. Accordingly, there may not be any meaningful remedial action that we can take.

In future, we will carefully review all title documents of a property if we acquire any further property.

The Group also owns the flat situated at Xiangzhou District, Zhuhai City with gross floor area approximately 138.89 sq.m. for dormitory use.

For the purpose of the Listing, the Group's properties were revalued at RMB12,530,000 as at 31 March 2010 by Savills, an independent valuer. Details of the Group's properties, a summary of valuation and valuation certificates are set out in Appendix III to this prospectus. There is a net revaluation surplus, representing the excess of market value of the properties over their book value, approximately RMB3,930,000 as at 31 March 2010. In accordance with the Group's accounting policy, all properties are stated at cost less accumulated depreciation. As such, the net revaluation surplus arising from the valuation of properties is not included in the unaudited pro forma adjusted net tangible assets statement under the section headed "Financial Information — Unaudited Pro Forma Adjusted Net Tangible Assets" in this prospectus.

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## FINANCIAL INFORMATION

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### *Leased properties*

Our Group also rent an office premises of approximately 21.6 sq.m., which is situated at 10 Floor, 44 Gao Liang Qiao Xie Street, Xi Zhi Men Wai, Beijing from Beijing Bei Jiao Property Management Company Limited Shang Tai Ba branch office, an independent third party and the legal owner of the premises for a term commencing from 22 August 2009 and expiring on 22 August 2010. The tenancy agreement has not been registered under the PRC laws. According to the legal opinion from our PRC legal advisers, Commerce & Finance Law Offices, the tenancy agreement is valid and legally binding between the parties under the PRC law. However, we may be fined from RMB200 to RMB500. Except for the above fine, we will not be subject to any other administrative penalty as a result of not registering the tenancy agreement.

The Group rent the 3rd Floor of building No.2 with gross floor area of approximately 1,978 sq.m. and an office building with gross floor area of approximately 256 sq.m. from an independent third party. Such premises is situated at south of the factory of that independent third party (landlord) of Huanzhen North Road, Yunting Town, Jiangyin, as its office, for a term up to 30 May 2012. The tenancy agreement has not been registered under the PRC laws. According to the legal opinion from our PRC legal advisers, Commerce & Finance Law Offices, the tenancy agreement is valid and legally binding between the parties under the PRC law. However, we may be fined from RMB200 to RMB500. Except for the above fine, we will not be subject to any other administrative penalty as a result of not registering the tenancy agreement.

We rent a room of approximately 50 sq.m., which is situated at 26th Floor, Yanshan Hotel, No. 40 Yuhua West Road, Shijiazhuang, as its office, from Guofu Investment Company, an independent third party, for a term of two years commencing from 1 February 2009 to 1 February 2011. The tenancy agreement has not been registered under the PRC laws. As advised by our PRC legal advisers, Commerce & Finance Law Offices, the tenancy agreement is valid and legally binding on the parties under the PRC law and we will not be subject to any penalty as a result of not registering the tenancy agreement.

The Group also rent premises of approximately 1,277.37 sq.m., which is situated at level 4 of an industrial buildings, No 119, Shihua Road West, Xiangzhou District Zhuhai, Guangdong Province, the PRC as its workshop, from 珠海富光攝影科技廣告制作有限公司 (Zhuhai Fu Guan Photographic Technology Advertisement Production Company Limited\*), an independent third party, for a term commencing from 26 November 2009 and expiring on 26 November 2012. The relevant tenancy agreement has not been registered. In accordance with our PRC legal advisers, Commerce & Finance Law Offices, the registration procedures have not yet been introduced by the Zhuhai municipal government. Accordingly, there will not be any penalty on us in respect of not having the tenancy agreement registered in Zhuhai. As advised by our PRC legal advisers, Commerce & Finance Law Offices, the tenancy agreement is valid and legally enforceable under the PRC law. All the above premises leased are our sales or liaison offices. The above leases was not registered as the lessors did not cooperate. Although the above leases have not been registered, they are all valid and legally binding as advised by our PRC legal advisers. However, if we need to relocate our above offices, we estimate that the relocation cost would be around RMB10,000.

*\* for identification purposes only*

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## FINANCIAL INFORMATION

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As the validity of the leases are not affected, we do not plan to take any remedial action in respect of the above leases.

### PROPERTY VALUATION

Savills, an independent property valuer, has valued our properties, as at 31 March 2010. Savills' letters, a summary of valuation and valuation certificates issued by Savills are included in Appendix III to this prospectus.

The table below sets forth the reconciliation of the net book value of our Group's property interests from our audited combined financial information as at 31 December 2009 to their value as at 31 March 2010 as stated in Appendix III to this prospectus:

	<i>RMB'000</i>
Net book value of property interests of our Group as at 31 December 2009	8,814
Movements during the three months ended 31 March 2010:	
— Depreciation/amortization	<u>214</u>
Net book value as at 31 March 2010	8,600
Valuation surplus as at 31 March 2010	<u>3,930</u>
Valuation as at 31 March 2010 ( <i>Note</i> )	<u><u>12,530</u></u>

*Note:* The property interests of our Group as indicated comprise the properties valued by Savills as set out in Appendix III to this prospectus.

### MARKET RISKS

The Group is, in the normal course of business, exposed to market risks relating to credit risk, liquidity risk, interest rate risk and foreign currency exchange risk.

#### Credit Risk

The carrying amounts of bank balances and cash, restricted bank balances, trade and other receivables represent our exposure to credit risk in relation to financial assets. We monitor our exposure to credit risk on an ongoing basis by performing periodic credit evaluations on our customers on a case-by-case basis. Our credit risk for bank deposits and bank balances exposed is considered minimal as such amounts are placed with banks with good credit ratings.

We recorded a certain concentration of credit risk as approximately 25.0%, 26.4% and 45.0% of the trade receivables was due from our five largest customers as at 31 December 2007, 2008 and 2009 respectively.

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## FINANCIAL INFORMATION

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In addition, investors shall note that our trade and bills receivables have a long turnover period, and accordingly the Group is exposed to higher risks. Please refer to the paragraph above headed “Analysis of trade and bills receivables” for further details.

### **Liquidity risk**

We monitor our current and expected liquidity requirements to ensure that adequate reserves of cash and sufficient banking facilities from financial institutions were maintained in order to meet our liquidity requirements. We recorded current assets of RMB290,253,000 (including cash and bank of RMB27,081,000 and restricted bank balances of RMB15,667,000) as at 31 December 2009.

We also face much pressure in working capital liquidity (especially during the first half of a year) due to the long turnover period of our trade receivables. We previously obtained short-term advances/financing from banks, directors, shareholders or other channels. The Share Offer will provide additional working capital to the Group, and the Directors believe that the Share Offer will facilitate the Group’s future bank and equity financing and reduce our pressure on our working capital.

### **Inflation risk**

In the last two years, inflation in the PRC has not had a significant effect on our business. According to the National Bureau of Statistics of China, the change in the in the Consumer Price Index was 13.25%, 5.9% and -0.7% for 2007, 2008 and 2009 respectively. If inflation intensifies, our operating cost may grow, however, we may not be able to raise our product prices to offset the effect of increase in our costs arising as a result of inflation.

### **Interest Rate Risk**

Our profit is affected by fluctuations of interest rates. As at 31 December 2009, we had interest bearing bank and other loans of approximately RMB24,000,000 which will mature within a year, with an effective interest rates ranging from 5.83% to 7.34% per annum. We may not be in a position to renew our outstanding loans at the current effective interest rates the respective maturity.

### **Foreign Currency Exchange Risk**

Most of our sales and costs are denominated in Renminbi. Renminbi currently is not a freely convertible currency. On 21 July 2005, the PRC government introduced a managed floating exchange rate system to allow the value of Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. On 18 May 2007, the PRC government announced that it would allow Renminbi to fluctuate more during each day’s foreign exchange rate trading.

Our financial results are expressed in Renminbi, whereas the dividends on our Shares, if any, will be paid in Hong Kong dollars. Thus, any fluctuation of Renminbi could affect the value of our Shares. See “Risk factors — Currency conversion and exchange control”.

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## FINANCIAL INFORMATION

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### DIVIDENDS

Following the listing of our Shares, our Shareholders will be entitled to receive dividends declared by our Company. We intend to pay dividends by way of interim and final dividends.

The payment and amount of any dividends will be at the discretion of our Directors and the Directors' decision to declare or to pay any proposed dividends in the future, and the amount of any proposed dividends, if declared and paid, will be based on our earnings, financial conditions, cash requirements and availability, future prospects, contractual restrictions, the applicable laws and provisions and other relevant factors. There is no assurance as to whether the dividend distribution will occur as intended, the amount of dividend payment or the timing of such payment.

We declared and/or paid dividends of RMB1,942,000, nil and RMB21,982,000 for the three years ended 31 December 2007, 2008 and 2009 respectively, which were financed by our internal resources. Save as disclosed herein, no other dividend was declared by any member of our Group since the commencement of the Track Record Period. Our dividends declared and paid during the Track Record Period were paid out of our accumulated retained profits on or before 1 January 2008. We have not distributed any accumulated retained profit of our subsidiaries in the PRC on or after 1 January 2008. As confirmed by Commerce & Finance Law Offices, no withholding tax is payable by us regarding our dividend payments during the Track Record Period under the PRC Income Tax Law.

Under the PRC Income Tax Law, which was effective on 1 January 2008, a withholding tax at the rate of 20% will be applicable to dividends paid by foreign invested enterprises to foreign investors. However, due to a tax treaty between the PRC and Hong Kong effective 8 December 2006, Titans HK, as a company incorporated in Hong Kong, will be subject to withholding tax at a rate not exceeding 5% on dividends it receives from its PRC subsidiaries if it holds a 25% or more interest in that particular subsidiary at the time of distribution, or 10% if Titans HK holds less than 25% interest in that particular PRC subsidiary.

The dividend distribution recorded during the Track Record Period may not be used as a reference or basis to determine the level of dividends that may be declared or paid by us in the future. Please refer to the paragraph headed "Our dividend payments made in the past may not be used as a reference or basis to determine our ability to pay dividend in the future" in the section "Risk Factors".

### DISTRIBUTABLE RESERVES

Our Company was incorporated on 16 November 2007, as at 31 December 2009, being the date of our latest audited financial statements, our Company had no reserves available for distribution to our shareholders.

### UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma financial information prepared in accordance with Rule 4.29 of the Listing Rules is set out here to provide the investors with further information about how the Share Offer might have affected the financial position of the Group as at 31 December 2009 as if the Share Offer had occurred on 31 December 2009.

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## FINANCIAL INFORMATION

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The Unaudited Pro Forma Financial Information of the Group is prepared based on the audited combined net tangible assets attributable to owners of the Company as at 31 December 2009 as shown in “Appendix I — Accountants’ Report” to this prospectus, and adjusted as follows.

	<b>Audited</b>	<b>Estimated</b>	<b>Unaudited</b>	<b>Unaudited</b>	
	<b>combined net</b>	<b>net proceeds</b>	<b>pro forma</b>	<b>pro forma</b>	
	<b>tangible assets</b>	<b>from the</b>	<b>adjusted net</b>	<b>adjusted net</b>	
	<b>attributable to</b>	<b>Offering</b>	<b>tangible assets</b>	<b>tangible assets</b>	
	<b>the owners of</b>	<b>from the</b>	<b>attributable</b>	<b>per Share as at</b>	
	<b>the Company</b>	<b>Offering</b>	<b>to owners of</b>	<b>31 December</b>	
	<b>as at</b>	<b>Offering</b>	<b>the Company</b>	<b>2009</b>	
	<b>31 December</b>	<b>from the</b>	<b>immediately</b>	<b>per Share as at</b>	
	<b>2009</b>	<b>Offering</b>	<b>after the</b>	<b>31 December</b>	
	<b>2009</b>	<b>Offering</b>	<b>completion of</b>	<b>2009</b>	
	<b>RMB’000</b>	<b>RMB’000</b>	<b>the Offering</b>	<b>RMB</b>	<b>HK\$</b>
	<i>(note 1)</i>	<i>(notes 2 &amp; 4)</i>	<i>RMB’000</i>	<i>(note 3)</i>	<i>(note 4)</i>
Based on the Offer Price of HK\$1.05 per Share (being the lowest)	<u>141,946</u>	<u>165,230</u>	<u>307,176</u>	<u>0.38</u>	<u>0.43</u>
Based on the Offer Price of HK\$1.2 per Share (being the highest)	<u>141,946</u>	<u>190,290</u>	<u>332,236</u>	<u>0.42</u>	<u>0.47</u>

*Notes:*

1. The audited combined net tangible assets attributable to the owners of the Company as at 31 December 2009 is arrived at by deducting intangible assets of RMB2,079,000 from the audited combined net assets attributable to owners of the Company of RMB144,025,000 as at 31 December 2009 as extracted from the accountants’ report of the Company as set out in Appendix I to this prospectus.
2. The estimated net proceeds from the Share Offer are based on the Offer Price of HK\$1.05 or HK\$1.2 per Offer Share, after deduction of expenses payable by the Company in relation to the Share Offer without taking into account of any Offer Shares which may be issued pursuant to the Over-allotment Option.
3. The unaudited pro forma adjusted net tangible assets per Share is determined after the adjustment has been made as described in notes 1 and 2 above and on the basis that 800,000,000 Shares expected to be in issue immediately after the Capitalisation Issue and the completion of the Share Offer assuming that the Over-allotment Option is not exercised.
4. Renminbi amounts have been translated into Hong Kong dollars at RMB0.8809 to HK\$1. No representation is made that such Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.

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## **FINANCIAL INFORMATION**

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5. The Group's land and buildings were valued by Savills Valuation and Professional Services Limited ("Savills") and the valuation report in respect of which is set out in Appendix III to this prospectus. Pursuant to the valuation performed by Savills, the Group's interests in land and buildings as at 31 March 2010 amounted to approximately RMB12,530,000. Comparing the valuation amount as at 31 March 2010 to the unaudited carrying value of the Group's land and buildings as at 31 March 2010 of approximately RMB8,600,000, there were a difference of approximately RMB3,930,000. The valuation surplus of our property interests will not be incorporated in the Group's future financial statements as it is the Group's accounting policy to state the land and buildings are stated at cost less accumulated depreciation and any accumulated impairment losses in accordance with the relevant HKFRS. Had the properties been stated at the valuation amount, additional depreciation of approximately RMB494,000 would be charged for the year ending 31 December 2010.

### **NO MATERIAL ADVERSE CHANGE**

Our Directors confirm that since 31 December 2009, being the date of our latest audited financial statements, there has been no material adverse change in our financial or trading position or prospects.

### **DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES**

Our Directors confirm that as at the Latest Practicable Date, there are no circumstances which would give rise to a disclosure under Rules 13.13 to 13.19 of the Listing Rules.

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## UNDERWRITING

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### HONG KONG UNDERWRITERS

#### Lead Manager

Guotai Junan Securities (Hong Kong) Limited

#### Co-Lead Manager

OSK Securities Hong Kong Limited

#### Co-Managers

China Merchants Securities (HK) Co., Limited

Ever-Long Securities Company Limited

Kingsway Financial Services Group Limited

Oriental Patron Securities Limited

### INTERNATIONAL UNDERWRITERS

#### Lead Manager

Guotai Junan Securities (Hong Kong) Limited

#### Co-Lead Manager

OSK Securities Hong Kong Limited

#### Co-Managers

China Merchants Securities (HK) Co., Limited

Ever-Long Securities Company Limited

Kingsway Financial Services Group Limited

Oriental Patron Securities Limited

### UNDERWRITING ARRANGEMENTS AND EXPENSES

#### (a) Hong Kong Public Offering

##### *Hong Kong Underwriting Agreement*

Pursuant to the Hong Kong Underwriting Agreement, the Company is offering 20,000,000 Hong Kong Offer Shares (subject to adjustment) for subscription by way of Hong Kong Public Offering on and subject to the terms and conditions of this prospectus and the related Application Forms and 180,000,000 International Placing Shares (subject to adjustment and to any additional new Shares to be issued pursuant to the exercise of the Over-allotment Option) for subscription by way of International Placing on and subject to the terms and conditions of this prospectus.

Subject to (i) the Listing Committee granting listing of, and permission to deal in the Shares, including the Shares to be issued under the Capitalisation Issue, the Share Offer, the Over-allotment Option, the options granted under the Pre-IPO Share Option Scheme and options that may be granted under the Share Option Scheme, subject only to allotment and/or despatch of share certificates for the Offer Shares, and such approval and permission not having been subsequently revoked prior to 8:00

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## UNDERWRITING

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a.m. on the Listing Date and (ii) certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have severally agreed to apply or procure applications, on the terms and conditions of this prospectus and the related Application Forms, for the Hong Kong Offer Shares now being offered and which are not taken up under the Hong Kong Public Offering.

The Hong Kong Underwriting Agreement is conditional upon and subject to the International Underwriting Agreement having been signed and becoming unconditional.

### *Grounds for termination*

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Hong Kong Offer Shares under the Hong Kong Underwriting Agreement are subject to termination, if, at any time prior to 8:00 a.m. on the Listing Date:

- (1) there has come to the notice of the Lead Manager:
  - (a) that any statement, considered by the Lead Manager to be material, contained in this prospectus and/or the Application Forms in relation to the Share Offer was when the same was issued, or has become, untrue, incorrect or misleading in any material respect; or
  - (b) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute an omission therefrom considered by the Lead Manager to be material to the Share Offer; or
  - (c) any breach of any of the material obligations imposed upon any party to the Hong Kong Underwriting Agreement or the International Underwriting Agreement (other than on any of the Underwriters); or
  - (d) any material adverse change or development involving a prospective material adverse change in the conditions, business affairs, prospects or the financial or trading position of the Group as a whole; or
  - (e) any breach, considered by the Lead Manager to be material, of any of the warranties under the Hong Kong Underwriting Agreement or the International Underwriting Agreement;
- (2) there shall develop, occur, exist or come into effect:
  - (a) any event, or series of events, beyond the reasonable control of the Hong Kong Underwriters (including, without limitation, acts of government, strikes, lockouts, fire, explosion, flooding, civil commotion, acts of war, acts of God, acts of terrorism, riot, public disorder, economic sanctions, outbreak of diseases or epidemics including SARS, avian influenza and such related/mutated forms or interruption or delay in transportation) which in the reasonable opinion of the Lead Manager has or would

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## UNDERWRITING

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have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Hong Kong Public Offering or pursuant to the underwriting thereof; or

- (b) any change or development involving a prospective change, or any event or series of events likely to result in any change or development involving a prospective change, in local, national, international, financial, economic, political, military, industrial, fiscal, regulatory or market conditions and matters and/or disaster or any monetary or trading settlement systems (including any moratorium or suspension on or material fluctuations in trading prices of the securities generally traded on the Stock Exchange, the New York Stock Exchange, the NASDAQ National Market or any of the stock exchanges in China, a material fluctuation in the exchange rate of Hong Kong dollars against any foreign currency or any interruption in securities settlement or clearance service or procedures in Hong Kong or anywhere in the world); or
- (c) any new law or regulation or change or development involving a prospective change in existing laws or regulations or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in Hong Kong or any other jurisdictions relevant to any member of the Group (the “Specific Jurisdictions”); or
- (d) the imposition of economic sanctions, in whatever form, directly or indirectly, by or for the U.S. or by the EU (or any member thereof) on Hong Kong or any of the Specific Jurisdictions; or
- (e) a change or development occurs involving a prospective change in taxation or currency exchange control (or the implementation of any exchange control) in Hong Kong or any of the Specific Jurisdictions; or
- (f) any change or development involving a prospective change, or an actual occurrence of, any of the risks set out in the section headed “Risk factors” in this prospectus; or
- (g) any litigation or claim of material importance of any third party being threatened or instigated against any member of the Group; or
- (h) a valid demand by any creditor for repayment or payment of any indebtedness of any member of the Group or in respect of which any member of the Group is liable prior to its stated maturity; or
- (i) any loss or damage sustained by any member of the Group (howsoever caused and whether or not the subject of any insurance or claim against any person); or
- (j) a petition is presented for the winding-up or liquidation of any member of the Group or any member of the Group makes any composition or arrangement with its creditors

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## UNDERWRITING

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or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of the Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of the Group or anything analogous thereto occurs in respect of any member of the Group; or

- (k) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary of Hong Kong and/or the Hong Kong Monetary Authority or other competent authority) or the PRC,

which in the sole opinion of the Lead Manager (for itself and on behalf of the Hong Kong Underwriters) (1) is or will have or could be expected to have a material adverse effect on the business, financial or other condition or prospects of the Group as a whole or in the case of paragraph (h) above, to any present or prospective shareholder of the Company in his, her or its capacity as such; or (2) has or will have or could reasonably be expected to have an adverse effect on the success, marketability or pricing of the Share Offer or the level of applications under the Hong Kong Public Offering or the level of interest under the International Placing; or (3) makes it inadvisable, inexpedient or impracticable for the Share Offer to proceed.

### *Undertakings to the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement*

The Company has undertaken to the Hong Kong Underwriters and each of them that it will not, and each of Genius Mind, Great Passion, Mr. Li and Mr. An (the “Covenantors”) and executive Directors has jointly and severally undertaken to the Hong Kong Underwriters and each of them to procure, except pursuant to the Share Offer (including the issue of new Shares pursuant to the exercise of any of the Over-allotment Option and the exercise of options granted under the Pre-IPO Share Option Scheme and options which may be granted under the Share Option Scheme) and save as mentioned in this prospectus or with the prior written consent of the Lead Manager (on behalf of the Hong Kong Underwriters), and unless in compliance with the requirements of the Listing Rules, the Company shall not, and shall procure that its subsidiaries shall not, allot or issue, or agree to allot or issue, any Shares or securities convertible into equity securities of the Company (whether or not of a class already listed) (including warrants or other convertible or exchangeable securities), or grant or agree to grant any options, warrants or other rights to subscribe for or otherwise acquire any securities or convertible or exchangeable into Shares or other securities of the Company, or repurchase Shares or other securities of the Company, or enter into any swap or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership in any Shares, or offer to or agree to do any of the foregoing or announce any intention to do so within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date) and in the event of the Company doing any of the foregoing by virtue of the aforesaid consent or exceptions or during the period of six months immediately following the expiry of the first six months period after the Listing Date, the Company will take all reasonable steps to ensure that any such act will not create a disorderly or false market for any Shares or other securities of the Company.

Each of the Covenantors has jointly and severally undertaken to the Company and the Hong Kong Underwriters and each of them that without the prior written consent of the Lead Manager (on behalf

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## UNDERWRITING

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of the Hong Kong Underwriters), he or she or it shall not directly or indirectly (except pursuant to or in connection with the Stock Borrowing Agreement) and shall procure that the relevant registered Shareholders shall not in the period commencing on the Listing Date and ending on a date which is six months from the Listing Date:

- (a) transfer or dispose of, nor enter into any agreements to transfer or dispose of or otherwise create any options, rights, interests or encumbrances (including the creation or entry into of any agreement to create any pledge or charge) in respect of any of those securities in respect of which they are shown by this prospectus to be the beneficial owner(s) or any interest in such securities (which includes any interest in a company which holds any such securities) or securities that constitute or confer the right to receive such securities or securities convertible into or exercisable or exchangeable for or repayable with such securities; or
- (b) enter into a swap agreement or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of such securities, whether any such swap agreement or other agreement or transaction is to be settled by delivery of such securities or other securities, in cash or otherwise; or
- (c) agree (conditionally or unconditionally) to enter into or effect any transaction with the same economic effect as any of the transactions referred to in paragraphs (a) and (b) above; or
- (d) announce any intention to enter into or effect any of the transactions referred to in paragraphs (a), (b) or (c) above.

Pursuant to Rule 10.07(1) of the Listing Rules, each of the Controlling Shareholders, has undertaken to the Stock Exchange that he or she or it shall not and shall procure that the relevant registered holder(s) shall not:

- (a) during the period commencing on the date of this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which it is shown by this prospectus to be the beneficial owner; or
- (b) during the period of six months commencing on the date on which the period referred to in (a) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interest or encumbrances he or she or it would cease to be a controlling shareholder (as defined in the Listing Rules) of the Company.

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## UNDERWRITING

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Each of the Controlling Shareholders has also undertaken to the Stock Exchange and the Company that, within the period commencing on the date of this prospectus and ending on the date which is 12 months from the Listing Date, he or she or it shall:

- (a) when he or she or it pledges or charges any Shares beneficially owned by him/her/it in favor of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan, immediately inform the Company of such pledge or charge together with the number of the Shares so pledged or charged; and
- (b) when he or she or it receives any indications, either verbal or written, from any pledgee or chargee of any of the pledged or charged Shares will be disposed of, immediately inform the Company of any such indications.

The Company shall inform the Stock Exchange as soon as it has been informed of such matters and disclose such matters by way of an announcement which will be published in accordance with the Listing Rules.

### (b) **International Placing**

#### *International Underwriting Agreement*

In connection with the International Placing, the Company is expected to enter into the International Underwriting Agreement with, among others, the International Underwriters and the Sole Global Coordinator. Under the International Underwriting Agreement, the International Underwriters would, subject to certain conditions set out therein, severally agree to purchase the International Placing Shares being offered pursuant to the International Placing or procure purchasers for such International Placing Shares.

Under the International Underwriting Agreement, the Company will grant to the Sole Global Coordinator the Over-allotment Option, exercisable by the Sole Global Coordinator on behalf of the International Underwriters within 30 days from the last day for the lodging of applications under the Hong Kong Public Offering, to require the Company to allot and issue up to an aggregate of 30,000,000 additional Shares, representing in aggregate not more than 15% of the maximum number of the Offer Shares initially available under the Share Offer. These additional Shares will be issued at the Offer Price and will be solely for the purpose of covering over-allocations in the International Placing, if any.

### (c) **Underwriting commission**

The Underwriters will receive an underwriting commission of 3% on the aggregate Offer Price payable for the Offer Shares, out of which they will pay any subunderwriting commission. For unsubscribed Hong Kong Offer Shares reallocated to the International Placing, we will pay an underwriting commission at the rate applicable to the International Placing and such commission will be paid to the relevant International Underwriters. The commission payable to the Underwriters, together with the Stock Exchange listing fees, the Stock Exchange trading fee, the SFC transaction levy, legal and other professional fees, printing and other expenses relating to the Share Offer which

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## UNDERWRITING

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are currently estimated to be approximately HK\$23.2 million in aggregate (based on an Offer Price of HK\$1.125 per Share, being the mid-point of the stated range of the Offer Price of between HK\$1.05 and HK\$1.20 per Share and the assumption that the Over-allotment Option is not exercised) is to be borne by the Company.

**(d) Underwriters' interests in the Company**

Save for its obligations under the relevant Underwriting Agreement(s) and/or as otherwise disclosed in this prospectus, none of the Underwriters has any shares or securities in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for shares or securities in any member of the Group.

Pursuant to Rule 3A.19 of the Listing Rules, we have appointed OSK as our compliance adviser for the period commencing on the Listing Date and ending on the date on which our financial results for the first full financial year commencing after the Listing Date is required to be published in compliance with Rule 13.46 of the Listing Rules.

We agreed with OSK that as part of their sponsorship fee, we will issue and allot, 1,600,000 Shares to OSK representing approximately 0.2% of the total issued share capital of the Company upon completion of the Capitalisation Issue and the Share Offer (assuming no exercise of the Over-allotment Option). OSK and OSK Securities Hong Kong Limited, one of the Underwriters, are within the same group.

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## STRUCTURE OF THE SHARE OFFER

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### OFFER PRICE AND PRICE PAYABLE ON APPLICATION

The Offer Price will not be more than HK\$1.20 and is expected to be not less than HK\$1.05 per Offer Share. Based on the maximum Offer Price of HK\$1.20 per Offer Share, plus 1% brokerage fee, 0.004% SFC transaction levy (per side) and 0.005% Stock Exchange trading fee (per side), one board lot of 2,000 Shares will amount to a total of HK\$2,424.22.

The Offer Price is expected to be determined by the Company and the Sole Global Coordinator (on behalf of the Underwriters) on 5:00 p.m. on the Price Determination Date, or such later date as may be agreed by the Company and the Sole Global Coordinator but in any event no later than Wednesday, 26 May 2010.

If, based on the level of interests expressed by prospective professional and institutional investors during the book-building process, the Sole Global Coordinator (on behalf of the Underwriters, and with the consent of the Company) thinks it appropriate (for instance, if the level of interests is below the indicative Offer Price range), the indicative Offer Price range may be reduced below that as stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering.

In such case, the Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering cause there to be published in the South China Morning Post (in English), the Hong Kong Economic Times (in Chinese) and the respective websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.titans.com.cn](http://www.titans.com.cn)) notice of the reduction of the indicative Offer Price range. Such notice will also include any financial information which may change as a result of any such reduction.

### CONDITIONS

Acceptance of all applications for the Share Offer will be conditional upon:

- (i) the Listing Committee granting a listing of, and permission to deal in the Shares, including the Shares to be issued under the Capitalisation Issue, the Share Offer, the Over-allotment Option, the options granted under the Pre-IPO Share Option Scheme and options which may be granted under the Share Option Scheme, subject only to allotment and/or despatch of Share certificates for the Offer Shares;
- (ii) the Offer Price having been duly determined and the execution and delivery of the International Underwriting Agreement on or about the Price Determination Date; and
- (iii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including the waiver of any condition(s) by the Sole Global Coordinator on behalf of the Underwriters) and not having been terminated in accordance with the terms of that agreement or otherwise,

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## STRUCTURE OF THE SHARE OFFER

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in each case on or before the dates and times specified in the Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than Thursday, 17 June 2010, the date that is 30th day after the date of this prospectus.

The consummation of each of the Hong Kong Public Offering and the International Placing is conditional upon, among other things, the other becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived, prior to the dates and times specified, the Share Offer will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be caused to be published by us in the South China Morning Post (in English), the Hong Kong Economic Times (in Chinese) and the respective websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.titans.com.cn](http://www.titans.com.cn)) on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in “How to Apply for the Hong Kong Offer Shares” in this prospectus. In the meantime, the application monies will be held in separate bank account(s) with the receiving bankers or other licensed bank(s) in Hong Kong.

**Share certificates for the Hong Kong Offer Shares are expected to be issued on Thursday, 27 May 2010 but will only become valid certificates of title at 8:00 a.m. on the Listing Date, which is expected to be Friday, 28 May 2010, provided that (i) the Share Offer has become unconditional in all respects and (ii) the right of termination as described in the section headed “Underwriting — Underwriting Arrangements and Expenses — (a) Hong Kong Public Offering — Grounds for termination” in this prospectus has not been exercised.**

### OFFER MECHANISM — BASIS OF ALLOCATION OF SHARES

#### The Share Offer

The Share Offer consists of the International Placing and the Hong Kong Public Offering. The 200,000,000 Shares initially offered will comprise 180,000,000 Shares being offered under the International Placing and 20,000,000 Shares being offered under the Hong Kong Public Offering. The 200,000,000 Shares being offered under the Share Offer will represent about 25% of the Company’s enlarged share capital immediately after completion of the Share Offer (without taking into account the exercise of the Over-allotment Option).

Subject to possible reallocation on the basis set forth below, 20,000,000 Shares, representing 10% of the total number of Shares initially being offered under the Share Offer, will be offered to the public in Hong Kong under the Hong Kong Public Offering. The Hong Kong Public Offering is open to all members of the public in Hong Kong as well as to institutional and professional investors.

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## STRUCTURE OF THE SHARE OFFER

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You may apply for Offer Shares under the Hong Kong Public Offering or indicate an interest for Offer Shares under the International Placing, but you may not apply in both offerings for the Offer Shares. In other words, you may only apply for and receive either Hong Kong Offer Shares under the Hong Kong Public Offering or International Placing Shares under the International Placing, but not under both offerings. The International Placing Shares, will be placed with professional and institutional investors in Hong Kong, Singapore, Japan, United Kingdom, other places in Europe and other jurisdictions outside the United States in offshore transactions, as defined in, and in reliance on, Regulation S.

In connection with the Share Offer, the Company intends to grant to the Sole Global Coordinator on behalf of the International Underwriters the Over-allotment Option which is exercisable at any time within 30 days from the last date for the lodging of applications under the Hong Kong Public Offer. Pursuant to the Over-allotment Option, the Company may be required to issue up to an aggregate of 30,000,000 additional Shares (representing 15% of the number of Shares initially being offered under the Share Offer) to cover over-allocations in the International Placing. Please refer to the paragraph “Over-allotment and stabilisation” below for further details.

The levels of indication of interest in the International Placing and the basis of allotment and the results of application under the Hong Kong Public Offering are expected to be announced on or before Thursday, 27 May 2010 through a variety of channels as described in the section headed “How to Apply for the Hong Kong Offer Shares”.

### **The International Placing**

The Company is initially offering 180,000,000 International Placing Shares, representing 90% of the total number of Shares initially being offered in the Share Offer, for subscription by way of the International Placing. The International Placing is fully underwritten by the International Underwriters, subject to the pricing agreement and other terms and conditions of the International Underwriting Agreement. The International Underwriters are soliciting from prospective professional and institutional investors indications of interest in acquiring International Placing Shares in the International Placing. Professional investors generally include brokers, dealers and companies (including fund managers) whose ordinary business involves dealing in shares and other securities and entities which regularly invest in shares and other securities. Prospective professional and institutional investors will be required to specify the number of International Placing Shares they would be prepared to acquire either at different prices or at a particular price. This process is known as “book building”. In Hong Kong, retail investors should apply for Shares in the Hong Kong Public Offering, as retail investors applying for International Placing Shares, including retail investors applying through banks and other institutions, are unlikely to be allocated any International Placing Shares.

Allocation of the International Placing Shares pursuant to the International Placing is based on a number of factors, including the level and timing of demand and whether or not it is expected that the relevant investor is likely to buy further and/or hold or sell its Shares after the Listing. Such allocation is generally intended to result in a distribution of the International Placing Shares on a basis which would lead to the establishment of a broad shareholder base to the benefit of the Company and its Shareholders as a whole.

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## STRUCTURE OF THE SHARE OFFER

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If the Hong Kong Public Offering is not fully subscribed, the Sole Global Coordinator may reallocate all or any unsubscribed Shares originally included in the Hong Kong Public Offering to the International Placing.

The International Underwriters or selling agents nominated by the International Underwriters shall, on behalf of the Company, conditionally place the International Placing Shares with professional and institutional investor in Hong Kong, Singapore, Japan, United Kingdom and other regions. The International Placing of the International Placing Shares shall be subject to the Share Offer restrictions set out under the section “Information about this prospectus and the Share Offer” in this prospectus.

The International Placing is conditional on the same conditions as set out in the paragraph “Conditions” above. The total number of International Placing Shares to be allotted and issued pursuant to the International Placing may change as a result of the clawback arrangement referred to in the section “The Hong Kong Public Offering” below, the exercise of the Over-allotment Option and any reallocation of unsubscribed Shares originally included in the Hong Kong Public Offering.

### **The Hong Kong Public Offering**

The Company is initially offering 20,000,000 Hong Kong Offer Shares, representing 10% of the total number of Shares initially being offered in the Share Offer, for subscription by way of a public offer in Hong Kong. The Hong Kong Offer Shares are being offered at the Offer Price. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters, subject to the terms and conditions of the Hong Kong Underwriting Agreement.

The total number of Shares available for subscription under the Hong Kong Public Offering (after taking into account of any reallocation referred to below) is to be divided equally into two pools for allocation purposes: pool A and pool B. The Shares in pool A will be allocated on an equitable basis to applicants who have applied for Shares with an aggregate subscription price of HK\$5 million (excluding the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee payable) or less. The Shares in pool B will be allocated on an equitable basis to applicants who have applied for Shares with an aggregate subscription price of more than HK\$5 million (excluding the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee payable) and up to the value of pool B. Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If Shares in one (but not both) of the pools are undersubscribed, the surplus Shares will be transferred to the other pool to satisfy demand in that pool and be allocated accordingly.

Applicants can only receive an allocation of Shares from either pool A or pool B but not from both pools. Multiple or suspected multiple applications within either pool or between pools and any application for more than the total number of Shares originally allocated to each pool (i.e., 10,000,000 Shares) are liable to be rejected. Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application have not received any Shares under the International Placing, and such applicant’s application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be).

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## STRUCTURE OF THE SHARE OFFER

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Our Company, our Directors, the Sponsor and the Hong Kong Underwriters will take reasonable steps to identify and reject applications under the Hong Kong Public Offering from investors who have received shares in the International Placing, and to identify and reject indications of interest in the International Placing from investors who have received shares in the Hong Kong Public Offering.

The Sole Global Coordinator (on behalf of the Underwriters) may require any investor who has been offered shares under the International Placing, and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Sole Global Coordinator so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that it is excluded from any application for shares under the Hong Kong Public Offering.

The allocation of the Shares between the International Placing and the Hong Kong Public Offering is subject to adjustment. If the number of Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of Shares initially available for subscription under the Hong Kong Public Offering, then Shares will be reallocated to the Hong Kong Public Offering from the International Placing, so that the total number of Shares available for subscription under the Hong Kong Public Offering will increase to 60,000,000 Shares, representing 30% of the Shares initially available for subscription under the Share Offer. If the number of Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of Shares initially available for subscription under the Hong Kong Public Offering, then the number of Shares to be reallocated to the Hong Kong Public Offering from the International Placing will be increased so that the total number of Shares available for subscription under the Hong Kong Public Offering will be 80,000,000 Shares, representing 40% of the Shares initially available for subscription under the Share Offer. If the number of Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of Shares initially available for subscription under the Hong Kong Public Offering, then the number of Shares to be reallocated to the Hong Kong Public Offering from the International Placing will be increased, so that the total number of Shares available for subscription under the Hong Kong Public Offering will increase to 100,000,000 Shares, representing 50% of the Shares initially available for subscription under the Share Offer. In each such case, the additional Shares reallocated to the Hong Kong Public Offering will be allocated equally between pool A and pool B and the number of Shares allocated to the International Placing will be correspondingly reduced.

In addition, if the Hong Kong Public Offering is not fully subscribed, the Sole Global Coordinator in its discretion may reallocate all or any unsubscribed Shares originally included in the Hong Kong Public Offering to the International Placing.

Guotai Junan Securities is the Sole Bookrunner and Lead Manager of the Hong Kong Public Offering which is underwritten at the Offer Price by the Hong Kong Underwriters, on and subject to the terms and conditions of the Underwriting Agreements.

Allocation of Hong Kong Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level and timing of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants.

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This could, where appropriate, consist of balloting which means that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

### OVER-ALLOTMENT AND STABILISATION

#### The Over-allotment Option

In connection with the Share Offer, our Company intends to grant to the Sole Global Coordinator on behalf of the International Underwriters the Over-allotment Option, which will be exercisable by the Sole Global Coordinator on behalf of the International Underwriters within 30 days from the last day for the lodging of applications under the Hong Kong Public Offering. Pursuant to the Over-allotment Option, our Company may be required to issue and allot at the Offer Price up to an aggregate of 30,000,000 additional Shares, representing 15% of the total number of Shares initially available under the Share Offer, in connection with over-allocations in the International Placing, if any. If the Over-allotment Option is exercised in full, the total Offer Shares will represent approximately 27.71% of our Company's enlarged issued share capital following the completion of the Share Offer and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, a press announcement will be made.

#### Stabilising action

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the Underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard, and if possible, prevent any decline in the market price of the securities below the Offer Price. In Hong Kong and certain other jurisdictions, the price at which stabilisation is effected is not permitted to exceed the Offer Price.

In connection with the Share Offer, the Sole Global Coordinator (on behalf of the International Underwriters) or any person acting for it may over-allot or effect transactions with a view to supporting the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the issue date. However, there is no obligation on the Sole Global Coordinator or any person acting for it to do this. Such stabilising action, if taken, may be discontinued at any time and is required to be brought to an end after a limited period. The Sole Global Coordinator has been or will be appointed as stabilising manager for purposes of the Share Offer in accordance with the Securities and Futures (Price Stabilising) Rules made under the SFO and, should stabilising transactions be effected in connection with the Share Offer, this will be at the absolute discretion of the Lead Manager.

Following any over-allotment of Shares in connection with the Share Offer, the Sole Global Coordinator or any person acting for it may cover such over-allocation by (among other methods) making purchases in the secondary market or exercising the Over-allotment Option in full or in part, or by any combination of purchases and exercise of the Over-allotment Option. Any such purchases will be made in compliance with all applicable laws and regulatory requirements including the

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## STRUCTURE OF THE SHARE OFFER

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Securities and Futures (Price Stabilising) Rules made under the SFO. The number of Shares which can be over-allocated will not exceed the number of Shares which may be issued upon exercise of the Over-allotment Option, being 30,000,000 Shares representing 15% of the Shares initially available under the Share Offer.

In order to facilitate the exercise of over-allocations in connection with the Share Offer, the Stock Borrowing Agreement will be entered into between Genius Mind, Mr. Li and the Sole Global Coordinator pursuant to which Genius Mind will, if requested by the Sole Global Coordinator and subject to the terms of the Stock Borrowing Agreement, make available up to 30,000,000 Shares held by them which is equivalent to maximum number of new Shares to be allotted and issued by the Company under the Over-allotment Option, by way of stock borrowing, in order to cover the over-allocations in connection with the International Placing, if any.

Pursuant to Rule 10.07(3) of the Listing Rules, the Stock Borrowing Agreement will not be subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules which otherwise restricts the disposal of shares by controlling shareholders following a new listing on the conditions that:

- (1) the stock borrowing arrangements as contemplated under the Stock Borrowing Agreement with the Sole Global Coordinator will only be effected for the sole purpose of covering any short position prior to the exercise of the Over-allotment Option;
- (2) the maximum number of Shares to be borrowed from Genius Mind will be limited to the maximum number of Shares which may be allotted and issued by the Company upon full exercise of the Over-allotment Option;
- (3) the same number of Shares so borrowed (if any) must be returned to Genius Mind or its nominees (as the case may be), no later than three Business Days after the earlier of (a) the last day on which the Over-allotment Option may be exercised; and (b) the day on which the Over-allotment Option is exercised in full;
- (4) the stock borrowing arrangements as contemplated under the Stock Borrowing Agreement will be effected in compliance with all applicable laws, rules and regulatory requirements; and
- (5) no payments will be made to Genius Mind by the Sole Global Coordinator under the Stock Borrowing Agreement.

The possible stabilising action which may be taken by the Sole Global Coordinator in connection with the Share Offer may involve (among other things) (i) over-allotment of Shares, (ii) purchases of Shares, (iii) establishing, hedging and liquidating positions in Shares, (iv) exercising the Over-allotment Option in whole or in part and/or (v) the Sole Global Coordinator attempting to do any of the foregoing. Specifically, prospective applicants for and investors in the Offer Shares should note that:

- the Sole Global Coordinator may, in connection with any stabilising action, maintain a long position in the Shares;

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## STRUCTURE OF THE SHARE OFFER

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- there is no certainty regarding the extent to which and the time period for which the Sole Global Coordinator will maintain such a position;
- liquidation of any such long position by the Sole Global Coordinator may have an adverse impact on the market price of the Shares;
- no stabilising action can be taken to support the price of the Shares for longer than the stabilising period which will begin on the Listing Date and is expected to expire on the 30th day after the date expected to be the last day for lodging applications under the Hong Kong Public Offering. After this date, when no further action may be taken to support the price of the Shares, demand for the Shares, and therefore the price of the Shares, could fall;
- the price of any security (including the Shares) cannot be assured to stay at or above its offer price by the taking of any stabilising action; and
- stabilising bids may be made or transactions effected in the course of the stabilising action at any price at or below the Offer Price, which means that stabilising bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the Shares.

### LISTING ON ANY OTHER STOCK EXCHANGE

Our Directors are not considering any listing of our Company on any other overseas stock exchange. The Company has not submitted any application nor obtained any approval for the listing of the Shares.

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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You may apply for the Hong Kong Offer Shares by using one of the following channels:

- using a **WHITE** or **YELLOW** Application Form; or
- apply online through the designated website of the **White Form eIPO** Service Provider, referred to herein as the “**White Form eIPO**” service.

### 1. WHO CAN APPLY FOR HONG KONG OFFER SHARES

You can apply for the Hong Kong Offer Shares available for subscription by the public on a **WHITE** or **YELLOW** Application Form if you or any person(s) for whose benefit you are applying, are an individual, and:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States; and
- are not a United States person (as defined in Regulation S), or a legal or natural person of the PRC (except qualified domestic institutional investors).

If the applicant is a firm, the application must be in the names of the individual members, not the firm’s name. If the applicant is a body corporate, the application form must be signed by a duly authorized officer, who must state his or her representative capacity.

If an application is made by a person duly authorized under a valid power of attorney, the Sponsor (or their respective agents or nominees) may accept it at its discretion, and subject to any conditions it thinks fit, including production of evidence of the authority of the attorney.

The number of joint applicants may not exceed four.

If you wish to apply for Hong Kong Offer Shares online through the **White Form eIPO service (www.eipo.com.hk)**, you must also:

- have a valid Hong Kong identity card number; and
- be willing to provide a valid e-mail address and a contact telephone number.

You may only apply by means of the **White Form eIPO service if you are an individual applicant. Corporations or joint applicants may not apply by means of White Form eIPO.**

We, the Sponsor, the Lead Manager and the designated **White Form eIPO** Service Provider, in their capacity as our agents, have full discretion to reject or accept any application, in full or in part, without assigning any reason.

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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The Hong Kong Offer Shares are not available to existing beneficial owners of Shares, our Directors or chief executive or their respective associates as defined in the Listing Rules or any other connected persons as defined in the Listing Rules of our Company or persons who will become our connected persons immediately upon completion of the Share Offer.

You may apply for Hong Kong Offer Shares under the Hong Kong Public Offering or indicate an interest for International Placing Shares under the International Placing, but may not do both.

### 2. WHICH APPLICATION CHANNEL YOU SHOULD USE

(a) **WHITE** Application Forms

Use a **WHITE** Application Form if you want the Hong Kong Offer Shares to be registered in your own name.

(b) **YELLOW** Application Forms

Use a **YELLOW** Application Form if you want the Hong Kong Offer Shares to be registered in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant's stock account.

(c) **White Form eIPO**

Instead of using a **WHITE** Application Form, you may apply for the Hong Kong Offer Shares by means of the **White Form eIPO** service by submitting an application online through the designated website at [www.eipo.com.hk](http://www.eipo.com.hk). Use the **White Form eIPO** service if you want the Shares to be registered in your own name.

*Note:* The Hong Kong Offer Shares are not available to existing beneficial owners of the Shares, the Directors, chief executives or substantial Shareholders (as defined in the Listing Rules) of the Company or any of their associates (as defined in the Listing Rules) or United States persons (as defined in Regulation S) or persons who do not have a Hong Kong address.

### 3. WHERE TO COLLECT THE APPLICATION FORMS

You can collect a **WHITE** Application Form and this prospectus during normal business hours from 9:00 a.m. on Tuesday, 18 May 2010, until 12:00 noon on Monday, 24 May 2010 from:

Any of the following addresses of the Hong Kong Underwriters

1. Guotai Junan Securities (Hong Kong) Limited, 27/F., Low Block, Grand Millennium Plaza, 181 Queen's Road Central, Hong Kong
2. OSK Securities Hong Kong Limited, 12/F., World-Wide House, 19 Des Voeux Road Central, Hong Kong

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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3. Bank of Communications Co., Ltd. Hong Kong Branch, 20 Pedder Street, Central, Hong Kong
4. Wing Lung Bank Limited, 45 Des Voeux Road Central, Hong Kong
5. China Merchants Securities (HK) Co., Limited, 48/F, One Exchange Square, Central, Hong Kong
6. Ever-Long Securities Company Limited, 18/F., Dah Sing Life Building, 99-105 Des Voeux Road Central, Hong Kong
7. Kingsway Financial Services Group Limited, 5/F, Hutchison House, 10 Harcourt Road, Central, HK
8. Oriental Patron Securities Limited, Suite 2701-3 & 2705-8, 27/F, Two Exchange Square, 8 Connaught Place, Central, Hong Kong

(a) **Bank of Communications Co., Ltd. Hong Kong Branch**

	<b>Branch</b>	<b>Address</b>
Hong Kong Island	Hong Kong Branch	20 Pedder Street, Central
	North Point Sub-Branch	442-444 King's Road, North Point
Kowloon	Mongkok Sub-Branch	Shops A & B, G/F., Hua Chiao Commercial Centre, 678 Nathan Road
	Cheung Sha Wan Plaza Sub-Branch	Unit G04, Cheung Sha Wan Plaza, 833 Cheung Sha Wan Road
New Territories	Tseung Kwan O Sub-Branch	Shop 253-255, Metro City Shopping Arcade, Phase I, Tseung Kwan O
	Tsuen Wan Sub-Branch	G/F, Shop G9B-11, Pacific Commercial Plaza, Bo Shek Mansion, 328 Sha Tsui Road, Tsuen Wan

(b) **Wing Lung Bank Limited**

	<b>Branch</b>	<b>Address</b>
Hong Kong Island:	Head Office	45 Des Voeux Road Central
	Johnston Road Branch	118 Johnston Road
Kowloon:	Mongkok Branch	B/F Bank Centre, 636 Nathan Road
	China Hong Kong City Branch	Shop 7, G/F, China Hong Kong City
	Lamtin Sceneway Plaza Branch	Shop 59,3/F Sceneway Plaza, 8 Sceneway Road
New Territories:	Shatin Plaza Branch	21 Shatin Centre Street

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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You can collect a **YELLOW** Application Form and this prospectus during normal business hours from 9:00 a.m. on Tuesday, 18 May 2010 till 12:00 noon on Monday, 24 May 2010 from:

- (i) the **depository counter of HKSCC** at 2nd Floor, Vicwood Plaza, 199 Des Voeux Road Central, Hong Kong; or
- (ii) your stockbroker, who may have such Application Form and this prospectus available.

#### 4. HOW TO COMPLETE THE APPLICATION FORMS

There are detailed instructions on each Application Form. You should read these instructions carefully. If you do not follow the instructions, your application may be rejected and returned, together with the accompanying cheque(s) or banker's cashier order(s), by ordinary post to you (or the First-named applicant in the case of joint applicants) at your own risk at the address stated in the Application Form.

- (a) Obtain an Application Form as described in the sub-paragraph headed "Where to collect the Application Forms" above.
- (b) Complete the Application Form in English in ink, and sign it. There are detailed instructions on each Application Form. You should read these instructions carefully. If you do not follow the instructions, your application may be rejected and returned by ordinary post together with the accompanying cheque(s) or banker's cashier order(s) to you (or the first named applicant in the case of joint applicants) at your own risk at the address stated in the Application Form.
- (c) Each Application Form must be accompanied by payment, in the form of either one cheque or one banker's cashier order. You should read the detailed instructions set out on the Application Form carefully, as an application is liable to be rejected if the cheque or banker's cashier order does not meet the requirements set out on the Application Form.
- (d) Lodge the Application Form in one of the collection boxes by the time and at one of the locations as described in the sub-paragraph headed "Where to collect Application Forms" above.

You should note that, by completing and submitting the Application Form, you (and if you are joint applicants, each of you jointly and severally), for yourself or as agent or nominee and on behalf of each person for whom you act as agent or nominee, among other things:

- (a) you confirm that you have only relied on the information and representations in this prospectus in making your application and will not rely on any other information and representations save as set out in any supplement to this prospectus;
- (b) you agree that we, the Sponsor, the Sole Bookrunner, the Underwriters and any of our or their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Hong Kong Public Offering are liable only for the information and representations contained in this prospectus and any supplement thereto;

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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- (c) you undertake and confirm that you (if the application is made for your benefit) or the person(s) for whose benefit you have made the application (if any) have not indicated an interest for, applied for or taken up any International Placing Shares otherwise participated in the International Placing; and
- (d) you agree to disclose to our Company and/or our Hong Kong Share Registrar, the receiving bankers, the Sole Bookrunner, the Underwriters and their respective advisors and agents personal data and any information which they require about you or the person(s) for whose benefit you have made the application (if any).

If your application is made through a duly authorised attorney, the Company, the Sponsor and the Hong Kong Underwriters may accept it at their discretion, subject to any conditions they think fit, including evidence of the authority of your attorney.

In order for the **YELLOW** Application Form to be valid:

- (a) if the application is made through a designated CCASS Participant (other than a CCASS Investor Participant):
  - the designated CCASS Participant must endorse the form with its company chop (bearing its company name) and insert its participant I.D. in the appropriate box;
- (b) if the application is made by an individual CCASS Investor Participant:
  - the Application Form must contain the CCASS Investor Participant's full name and Hong Kong identity card number; and
  - the CCASS Investor Participant must insert its participant I.D. in the appropriate box in the Application Form;
- (c) if the application is made by joint individual CCASS Investor Participants:
  - the Application Form must contain all joint CCASS Investor Participants' full names and Hong Kong identity card numbers of all joint CCASS Investor Participants; and
  - the participant I.D. must be inserted in the appropriate box in the Application Form;
- (d) if the application is made by a corporate CCASS Investor Participant:
  - the Application Form must contain the CCASS Investor Participant's company name and Hong Kong business registration number; and
  - the participant I.D. and company chop (bearing its company name) must be inserted in the appropriate box in the Application Form.

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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Incorrect or omission details of CCASS Participant (including CCASS Participant I.D. and/or company chop bearing its company name) or other similar matters may render the application invalid.

### 5. APPLYING THROUGH WHITE FORM eIPO SERVICE

#### General

- (a) If you are an individual and meet the criteria set out above in “Who can Apply for Hong Kong Offer Shares”, you may apply through **White Form eIPO** service by submitting an application through designated website at **www.eipo.com.hk**. If you apply through **White Form eIPO** service, the Hong Kong Offer Shares will be issued in your own name.
- (b) Detailed instructions for application through the **White Form eIPO** service are set out on the designated website at **www.eipo.com.hk**. You should read these instructions carefully. If you do not follow the instructions, your application may be rejected by the designated **White Form eIPO** Service Provider and may not be submitted to our company.
- (c) In addition to the terms and conditions set out in this prospectus, the designated **White Form eIPO** Service Provider may impose additional terms and conditions upon you for the use of the **White Form eIPO** service. Such terms and conditions are set out on the designated website at **www.eipo.com.hk**. You will be required to read, understand and agree to such terms and conditions in full prior to making any application.
- (d) By submitting an application to the designated **White Form eIPO** Service Provider through the **White Form eIPO** service (**www.eipo.com.hk**), you are deemed to have authorized the designated **White Form eIPO** Service Provider to transfer the details of your application to our company and our Hong Kong Share Registrar.
- (e) You may submit an application through the **White Form eIPO** service in respect of a minimum of 2,000 Hong Kong Offer Shares. Each electronic application instruction in respect of more than 2,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms, or as otherwise specified on the designated website at **www.eipo.com.hk**.
- (f) You may submit your application to the designated **White Form eIPO** Service Provider through the designated website at **www.eipo.com.hk** from 9:00 a.m. on Tuesday, 18 May 2010 until 11:30 a.m. on Monday, 24 May 2010 or such later time as described under the sub-paragraph headed “Effect of bad weather on the opening of the application lists” below (24 hours daily, except on the last application day). The latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Monday, 24 May 2010, the last application day, or, if the application lists are not open on that day, then by the time and date stated in the subparagraph headed “Effect of bad weather on the opening of the application lists” below.
- (g) You will not be permitted to submit your application to the designated **White Form eIPO** Service Provider through the designated website at **www.eipo.com.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the website prior to 11:30 a.m., you will be permitted to

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close. If you do not make complete payment of the application monies (including any related fees) on or before 12:00 noon on Monday, 24 May 2010, or such later time as described under the section headed “Effect of bad weather on the opening of the application lists”, the designated **White Form eIPO** Service Provider will reject your application and your application monies will be returned to you in the manner described in the designated website at **www.eipo.com.hk**.

- (h) Warning: The application for Hong Kong Offer Shares through the **White Form eIPO** service (**www.eipo.com.hk**) is only a facility provided by the designated **White Form eIPO** Service Provider to public investors. Our company, our Directors, the Sponsor, the Underwriters and the **White Form eIPO** Service Provider take no responsibility for such applications, and provide no assurance that applications through the **White Form eIPO** service (**www.eipo.com.hk**) will be submitted to our company or that you will be allotted any Hong Kong Offer Shares.

### **Environmental protection**

The obvious advantage of **White Form eIPO** is to save the use of papers via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated White Form eIPO Service Provider, will contribute HK\$2 for each “China Titans Energy Technology Group Co., Limited” **White Form eIPO** application submitted via **www.eipo.com.hk** to support the funding of “Source of DongJiang — Hong Kong Forest” project initiated by Friends of the Earth (HK).

Please note that Internet services may have capacity limitations and/or be subject to service interruptions from time to time. To ensure that you can submit your applications through the **White Form eIPO** service (**www.eipo.com.hk**), you are advised not to wait until the last day for submitting applications in the Hong Kong Public Offering to submit your electronic application instructions. In the event that you have problems connecting to the designated website for the **White Form eIPO** service (**www.eipo.com.hk**), you should submit a **WHITE** Application Form. However, once you have submitted electronic application instructions and completed payment in full using the application reference number provided to you on the designated website, you will be deemed to have made an actual application and should not submit a **WHITE** Application Form. See the sub-paragraph headed “How Many Applications May You Make” below.

### **Additional information**

For the purposes of allocating Hong Kong Offer Shares, each applicant giving electronic application instructions through **White Form eIPO** service to the **White Form eIPO** Service Provider through the designated website at **www.eipo.com.hk** will be treated as an applicant.

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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If your payment of application monies is insufficient, or in excess of the required amount, having regard to the number of Hong Kong Offer Shares for which you have applied, or if your application is otherwise rejected by the designated **White Form eIPO** Service Provider, the designated **White Form eIPO** Service Provider may adopt alternative arrangements for the refund of monies to you. Please refer to the additional information provided by the designated **White Form eIPO** Service Provider on the designated website at [www.eipo.com.hk](http://www.eipo.com.hk).

### 6. HOW MANY APPLICATIONS YOU MAY MAKE

**You may make more than one application for the Offer Shares only if:**

You are a nominee, in which case you may lodge more than one application in your own name on behalf of different owners. In the box of the Application Form marked “For nominees” you must include:

- an account number, or
- some other identification code

for **each** beneficial owner. If you do not include this information, the application will be treated as being for your benefit.

**Otherwise, multiple applications are not allowed.**

Multiple applications or suspected multiple applications will be rejected. Save as referred to above, **all** of your applications will be rejected as multiple applications if you, or you and your joint applicants or any of your joint applicants together:

- make more than one application (whether individually or jointly with others) on a **WHITE** and/or **YELLOW** Application Form and/or by giving **electronic application instructions** to the designated **White Form eIPO** Service Provider through **White Form eIPO** service;
- both apply (whether individually or jointly with other(s)) on one **WHITE** Application Form and one **YELLOW** Application Form or on one **WHITE** or **YELLOW** Application Form and give **electronic application instructions** to the designated **White Form eIPO** Service Provider through the **White Form eIPO** service;
- apply (whether individually or jointly with others) on one **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to the designated **White Form eIPO** Service Provider through **White Form eIPO** service for more than the total number of Hong Kong Offer Shares initially available in either pool A or pool B, as further described in the section headed “Structure of the Share Offer — The Hong Kong Public Offering”; or
- have indicated an interest for, or have been or will be allocated International Placing Shares under the International Placing.

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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All of your applications will also be rejected as multiple applications if more than one application is made for your **benefit**. If an application is made by an unlisted company and

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company

then the application will be treated as being for your own benefit.

**Unlisted company** means a company with no equity securities listed on the Stock Exchange.

**Statutory control in relation to a company** means you:

- control the composition of the board of directors of that company; or
- control more than half of the voting power of that company; or
- hold more than half the issued share capital of that company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

### 7. HOW MUCH ARE THE HONG KONG OFFER SHARES

The maximum Offer Price is HK\$1.2 per Offer Share. You must also pay brokerage of 1%, SFC transaction levy of 0.004% and Stock Exchange trading fee of 0.005%. This means that for one board lot of 2,000 Offer Shares you will pay HK\$2,424.22. The Application Forms have tables showing the exact amount payable for certain numbers of the Offer Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and Stock Exchange trading fee in full when you apply for the Offer Shares. Your payment must be made by one cheque or one banker's cashier order and must comply with the terms set out in the Application Form.

If your application is successful, the brokerage is paid to participants of the Stock Exchange or the Stock Exchange (as the case may be), the transaction levy is paid to the SFC and the trading fee is paid to the Stock Exchange.

If the Offer Price as finally determined is less than HK\$1.2 per Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy and Stock Exchange trading fee attributable to the surplus application monies) will be made to applicants, without interest. Details of the procedures for refund are contained below in the paragraph headed "13. Publication of Results, Despatch/collection of share certificates/e-Refund payment instructions/refund cheques".

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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### 8. MEMBERS OF THE PUBLIC — TIME FOR APPLYING FOR HONG KONG OFFER SHARES

Completed **WHITE** or **YELLOW** Application Forms, with payment attached, must be lodged by 12:00 noon on Monday, 24 May 2010, or, if the application lists are not open on that day, then by 12:00 noon on the next business day the lists are open.

Your completed Application Forms, with payment attached, should be deposited in the special collection boxes provided at any of the branches of Bank of Communications Co., Ltd. Hong Kong Branch or any of the branches of Wing Lung Bank Limited listed in the section headed “Where to collect the Application Forms” above at the following times:

**Tuesday, 18 May 2010 — 9:00 a.m. to 5:00 p.m.**  
**Wednesday, 19 May 2010 — 9:00 a.m. to 5:00 p.m.**  
**Thursday, 20 May 2010 — 9:00 a.m. to 5:00 p.m.**  
**Saturday, 22 May 2010 — 9:00 a.m. to 1:00 p.m.**  
**Monday, 24 May 2010 — 9:00 a.m. to 12:00 noon**

#### White Form eIPO

You may submit your application to the designated **White Form eIPO** Service Provider through the designated website at **www.eipo.com.hk** from 9:00 a.m. on Tuesday, 18 May 2010 until 11:30 a.m. on Monday, 24 May 2010 or such later time as described under the sub-paragraph headed “Effect of bad weather on the opening of the application lists” below (24 hours daily, except on the last application day). The latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Monday, 24 May 2010, the last application day, or, if the application lists are not open on that day, then by the time and date stated in the sub-paragraph headed “Effect of bad weather on the opening of the application lists” below. You will not be permitted to submit your application to the designated **White Form eIPO** Service Provider through the designated website at **www.eipo.com.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

### 9. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, 24 May 2010. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon.

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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**Business day** means a day that is not a Saturday, Sunday or public holiday in Hong Kong.

### 10. COMMENCEMENT OF DEALINGS IN THE SHARES ON THE STOCK EXCHANGE

Dealings in the Shares on the Stock Exchange are expected to commence on Friday, 28 May 2010. The Shares will be traded on the Stock Exchange in board lots of 2,000 each.

### 11. SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and the Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for the Shares to be admitted into CCASS. Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangements as such arrangements will affect their rights and interests.

### 12. DEPOSIT OF SHARE CERTIFICATES INTO CCASS

If you apply for Hong Kong Offer Shares using a **YELLOW** Application Form and your application is wholly or partially successfully, your Share certificates will be issued in the name of HKSCC Nominees Limited and deposited into CCASS for credit to your investor participant stock account or the stock account of your designated CCASS participant as instructed by you in your Application Form at the close of business on Thursday, 27 May 2010, or under certain contingent situations, on any other date as shall be determined by HKSCC or HKSCC Nominees Limited.

If you are applying through a designated CCASS participant (other than a CCASS investor participant):

- for Hong Kong Offer Shares credited to the stock account of your designated CCASS participant (other than a CCASS investor participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS participant.

If you are applying as a CCASS investor participant:

- the Company expects to publish the results of CCASS investor participants' applications, together with the result of the Hong Kong Public Offering, in the newspaper and the websites on Thursday, 27 May 2010. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 27 May 2010 or such other date as shall be determined by HKSCC or HKSCC Nominees Limited.

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC will also make available to you an Activity Statement showing the number of Hong Kong Offer Shares credited to your stock account.

### **13. PUBLICATION OF RESULTS, DESPATCH/COLLECTION OF SHARE CERTIFICATES/ e-REFUND PAYMENT INSTRUCTIONS/REFUND CHEQUES**

We expect to announce the Offer Price, the indication of the level of interest in the International Placing, the basis of allotment of the Hong Kong Offer Shares and the indication of the level of applications under the Hong Kong Public Offering on 27 May 2010 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese). The allotment results will also be posted on the website of the Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company's website ([www.titans.com.cn](http://www.titans.com.cn)) on Thursday, 27 May 2010.

In addition, we expect to announce the results of applications and the Hong Kong Identity Card/passport/Hong Kong Business Registration numbers of successful applicants under the Hong Kong Public Offering at the times and dates and in the manner specified below:

- (a) Results of allocations for the Hong Kong Public Offering will be available from our designated results of allocations website at [www.iporeresults.com.hk](http://www.iporeresults.com.hk) on a 24-hour basis from 8:00 a.m. on 27 May 2010 to 12:00 midnight on Wednesday, 2 June 2010. The user will be required to key in the Hong Kong identity card/passport/Hong Kong business registration number provided in his/her/its application to search for his/her/its own allocation result;
- (b) Results of allocations will be available from our Hong Kong Public Offering allocation results telephone enquiry line. Applicants may find out whether or not their applications have been successful and the number of offer Shares allocated to them, if any, by calling 2862 8669 between 9:00 a.m. and 10:00 p.m. from Thursday, 27 May 2010 to Sunday, 30 May 2010; and
- (c) Special allocation results booklets setting out the results of allocations will be available for inspection during opening hours of individual branches and sub-branches from Thursday, 27 May 2010 to Saturday, 29 May 2010 at all the receiving bank branches and sub-branches at the addresses set out in the section headed "How to Apply for Hong Kong Offer Shares".

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum price per Share (excluding brokerage, Stock Exchange trading fee and SFC transaction levy thereon) paid on application, or if the conditions of the Share Offer are not fulfilled in accordance with the section headed "Structure of the Share Offer — Conditions" or if any application is revoked or any allocation pursuant thereto has become void, the application monies, or the appropriate portion thereof, together with the related brokerage, Stock Exchange trading fee and SFC transaction levy, will be refunded, without interest. It is intended that special efforts will be made to avoid any undue delay in refunding application monies where appropriate.

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application but, subject as mentioned below, in due course there will be sent to you by ordinary post, at your own risk to the address specified on the Application Form:

- (a) for applications on **WHITE** Application Forms: (i) Share certificate(s) for all the Hong Kong Offer Shares applied for, if the application is wholly successful; or (ii) Share certificate(s) for the number of Hong Kong Offer Shares successfully applied for if, the application is partially successful (except for wholly successful and partially successful applicants on **YELLOW** Application Forms whose Share certificates will be deposited into CCASS as described above); and/or
- (b) for applicants on **WHITE** and **YELLOW** Application Forms, a refund cheque or refund cheques crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) the surplus application monies for the Hong Kong Offer Shares unsuccessfully applied for, if the application is partially unsuccessful; (ii) all the application monies, if the application is wholly unsuccessful; and/or (iii) the difference between the Offer Price and the maximum price per Share paid on application in the event that the Offer Price is less than the maximum price per Share paid on application, in each case including related brokerage at the rate of 1%, a Stock Exchange trading fee of 0.005% and a SFC transaction levy of 0.004% but without interest. Part of your Hong Kong identity card number/passport number, or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third party for refund purpose. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encashment of, or may invalidate, your refund cheque.
- (c) for applicants who apply through the **White Form eIPO** service by paying the application monies through a single bank account and whose application is wholly or partially unsuccessful and/or the Final Offer Price being different from the Offer Price initially paid on the application, e-Refund payment instructions (if any) will be despatched to the applicant’s payment bank account on Thursday, 27 May 2010.
- (d) for applicants who apply through the **White Form eIPO** service by paying the application monies through multiple bank accounts and whose application is wholly or partially unsuccessful and/or the Final Offer Price being different from the Offer Price initially paid on the application, refund cheque(s) will be sent to the address as specified on the **White Form eIPO** application on Thursday, 27 May 2010, by ordinary post and at the applicant’s own risk.

Share certificates will only become valid certificates of title at 8:00 a.m. on Friday, 28 May 2010 provided that the Hong Kong Public Offering has become unconditional in all respects and the right of termination described in the section entitled “Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for Termination” has not been exercised.

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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Subject as mentioned below, refund cheques for surplus application monies (if any) in respect of wholly and partially unsuccessful applications and Share certificates for successful applicants under **WHITE** Application Forms are expected to be posted on Thursday, 27 May 2010. The right is reserved to retain any Share certificates and any surplus application monies pending clearance of cheque(s) or banker's cashier order(s).

If you are applying for 1,000,000 or more Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form and have indicated your intention on your Application Form to collect your refund cheque(s) (where applicable) and/or (for applicants using **WHITE** Application Forms) Share certificate(s) (where applicable) from the Company's Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, and have provided all information required by your Application Form, you may collect (where applicable) your refund cheque(s) and (where applicable) share certificate(s) from shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Thursday, 27 May 2010 or any other date notified by the Company in the newspapers and websites as the date of despatch of Share certificates/e-Refund payment instructions/refund cheques. If you are an individual who opts for personal collection, you must not authorise any other person to make collection on your behalf. If you are a corporate applicant which opts for personal collection, you must attend by your authorised representative bearing a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to the Company's Hong Kong Share Registrar. If you do not collect your refund cheque(s) and Share certificate(s), they will be despatched promptly to you by ordinary post to the address as specified in your Application Form at your own risk.

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## TERMS AND CONDITIONS OF THE HONG KONG PUBLIC OFFERING

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### 1. GENERAL

- (a) If you apply for the Hong Kong Offer Shares in the Hong Kong Public Offering, you will be agreeing with our Company and the Lead Manager (on behalf of the Hong Kong Underwriters) as set out below.
- (b) In this section, references to “you”, “applicants”, “joint applicants” and other like references shall, if the context so permits, include references to both nominees and principals on whose behalf HKSCC Nominees are applying for the Hong Kong Offer Shares; and references to the making of an application shall, if the context so permits.
- (c) Applicants should read this prospectus carefully, including other terms and conditions of the Hong Kong Public Offering, the paragraph headed “The Hong Kong Public Offering” in the section headed “Structure of the Share Offer”, and in the section headed “How to Apply for the Hong Kong Offer Shares” and the terms and conditions set out in the relevant Application Form or imposed by the **White Form eIPO** Service Provider (as the case may be) prior to making an application.

### 2. OFFER TO PURCHASE THE HONG KONG OFFER SHARES

- (a) You offer to purchase from our Company at the Offer Price the number of the Hong Kong Offer Shares indicated in your application (or any smaller number in respect of which your application is accepted) on the terms and conditions set out in this prospectus and the relevant Application Form.
- (b) For applicants using Application Forms, a refund cheque in respect of the surplus application monies (if any) representing the Hong Kong Offer Shares applied for but not allocated to you and representing the difference (if any) between the final Offer Price and the maximum Offer Price (including brokerage fee, the SFC transaction levy and the Stock Exchange trading fee attributable thereto), is expected to be sent to you at your own risk to the address stated on your Application Form.

Details of the procedure for refunds relating to each of the Hong Kong Public Offering methods are contained below in the paragraphs headed “If your application for the Hong Kong Offer Shares is successful (in whole or in part)” and “Refund of your money — additional information” in this section.

- (c) Any application may be rejected in whole or in part.
- (d) Applicants under the Hong Kong Public Offering should note that in no circumstances (save for those provided under section 40 of the Hong Kong Companies Ordinance) can applications be withdrawn once submitted.

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## TERMS AND CONDITIONS OF THE HONG KONG PUBLIC OFFERING

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### 3. ACCEPTANCE OF YOUR OFFER

- (a) The Hong Kong Offer Shares will be allocated after the application lists close. Our Company expects to announce the final number of Hong Kong Offer Shares, the level of applications under the Hong Kong Public Offering and the basis of allocations of the Hong Kong Offer Shares in the South China Morning Post (in English), the Hong Kong Economic Times (in Chinese) and the respective websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.titans.com.cn](http://www.titans.com.cn)) on Thursday, 27 May 2010.
- (b) The results of allocations of the Hong Kong Offer Shares under the Hong Kong Public Offering, including the Hong Kong Identity Card numbers, passport numbers or Hong Kong business registration numbers (where applicable) of successful applicants and the number of Hong Kong Offer Shares successfully applied for, will be made available on Thursday, 27 May 2010 in the manner described in “How to Apply for Hong Kong Offer Shares — 13. Publication of results, despatch/collection of share certificates/e-Refund payment instructions/refund cheques”.
- (c) Our Company may accept your offer to purchase (if your application is received, valid, processed and not rejected) by announcing the basis of allocations and/or making available the results of allocations publicly.
- (d) If our Company accepts your offer to purchase (in whole or in part), there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares in respect of which your offer has been accepted if the conditions of the Share Offer are satisfied or the Share Offer is not otherwise terminated. Further details are contained in the section headed “Structure of the Share Offer”.
- (e) You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

### 4. EFFECT OF MAKING ANY APPLICATION

- (a) By making any application, you (and if you are joint applicants, each of you jointly and severally) for yourself or as agent or nominee and on behalf of each person for whom you act as agent or nominee:
  - **instruct and authorise** our Company, the Lead Manager and the Underwriters (or their respective agents or nominees) to execute any transfer forms, contract notes or other documents on your behalf and to do on your behalf all other things necessary to effect the registration of any Hong Kong Offer Shares allocated to you in your name(s) or HKSCC Nominees, as the case may be, as required by the Articles and otherwise to give effect to the arrangements described in this prospectus and the relevant Application Form;
  - **undertake to sign all documents and to do all things necessary to enable you or HKSCC Nominees, as the case may be, to be registered as the holder of the Hong Kong Offer Shares allocated to you, and as required by the Memorandum of Association and the Articles;**

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## TERMS AND CONDITIONS OF THE HONG KONG PUBLIC OFFERING

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- **represent, warrant and undertake that you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act and you are outside the United States when completing the Application Form (as defined in Regulation S) and are not a U.S. person described in paragraph (k)(1) of Rule 902 of Regulation S under the U.S. Securities Act;**
- **represent and warrant that you are outside the United States and will acquire the Hong Kong Offer Shares in an offshore transaction (within the meaning of Regulation S);**
- **confirm** that you have received a copy of this prospectus and have only relied on the information and representations contained in this prospectus in making your application, and not on any other information or representations concerning our Company and you agree that neither our Company, the Lead Manager and the Underwriters nor any of their respective directors, officers, employees, partners, agents, advisers or any other parties involved in the Share Offer is or will be liable for any information or representations not contained in this prospectus;
- **agree (without prejudice to any other rights which you may have) that once your application has been accepted, you cannot revoke or rescind it because of an innocent misrepresentation;**
- **(if the application is made by an agent on your behalf) warrant that you have validly and irrevocably conferred on your agent all necessary power and authority to make the application;**
- **(if the application is made for your own benefit) warrant that the application is the only application which has been or will be made for your benefit on a WHITE or YELLOW Application Form or by giving electronic application instructions to the designated White Form eIPO Service Provider via White Form eIPO service;**
- **(if you are an agent for another person) warrant that reasonable enquiries have been made of that other person that the application is the only application which will be made for the benefit of that other person on a WHITE or YELLOW Application Form or by giving electronic application instructions to the designated White Form eIPO Service Provider via White Form eIPO service, and that you are duly authorised to sign the Application Form;**
- **agree** that our Company, the Lead Manager, the Hong Kong Underwriters and their respective directors and any other parties involved in the Hong Kong Public Offering are liable only for the information and representations contained in this prospectus;
- **agree** to disclose to our Company, its Hong Kong Share Registrar, receiving banker, the Lead Manager, the Underwriters and their respective advisers and agents any personal data and any information which they require about you or the person(s) for whose benefit you have made this application;

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## TERMS AND CONDITIONS OF THE HONG KONG PUBLIC OFFERING

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- **agree** that once your application is accepted, your application will be evidenced by the results of the Hong Kong Public Offering made available by our Company;
- **undertake** and **confirm** that you (if the application is made for your benefit) or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest in or received or been placed or allocated (including conditionally and/or provisionally) and will not apply for or take up or indicate any interest in any International Placing Shares in the International Placing, nor otherwise participate in the International Placing;
- **warrant** the truth and accuracy of the information contained in your application;
- **agree** to disclose to our Company, the Lead Manager and their respective agents any information about you or the person(s) for whose benefit you have made the application which they require;
- **represent, warrant** and **undertake** that the allotment of or application for the Hong Kong Offer Shares to you or by you or for whose benefit the application is made would not require the Company to comply with any requirements under any law or regulation (whether or not having the force of law) of any territory outside Hong Kong;
- **agree** that your application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;
- **undertake** and agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;
- **authorise** our Company to place your name(s) or the name of HKSCC Nominees, as the case may be, on the register of members of our Company as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) (where applicable) and/or any refund cheque (where applicable) to you or (in case of joint applicants) the first-named applicant in the application by ordinary post at your own risk to the address stated on your application (except that if you have applied for 1,000,000 Hong Kong Offer Shares or more and have indicated in your Application Form, you can collect your share certificate(s) and/or refund cheque (where applicable) in person between 9:00 a.m. and 1:00 p.m. on Thursday, 27 May 2010 (Hong Kong time) from Computershare Hong Kong Investor Services Limited);
- **understand** that these declarations and representations will be relied upon by our Company and the Lead Manager in deciding whether or not to allocate any Hong Kong Offer Shares in response to your application and that you may be prosecuted for false declaration;
- if the laws of any place outside Hong Kong are applicable to your application, you **agree** and **warrant** that you have complied with all such laws and none of our

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## TERMS AND CONDITIONS OF THE HONG KONG PUBLIC OFFERING

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Company, the Lead Manager and the Underwriters nor any of their respective officers or advisers will infringe any laws outside Hong Kong as a result of the acceptance of your offer to purchase, or any actions arising from your rights and obligations under the terms and conditions contained in this prospectus;

- **agree** with the Company and each Shareholder (and so that our Company, will be deemed by its acceptance in whole or in part of the application to have agreed, for itself and on behalf of each shareholder of our Company) to observe and comply with the Companies Law, the Companies Ordinance, the Memorandum of Association and the Articles;
  - **agree** with our Company, each Shareholder, Director, manager and officer of the Company, and our Company acting for itself and for each director, manager and officer of the Company agrees with each Shareholder, to refer all differences and claims arising from the Articles or any rights or obligations conferred or imposed by the Companies Law or other relevant laws and administrative regulations concerning the affairs of our Company to arbitration in accordance with the Articles, and any reference to arbitration shall be deemed to authorise the arbitration tribunal to conduct hearings in open session and to publish its award. Such arbitration shall be final and conclusive;
  - **agree** with our Company and each Shareholder that Shares are freely transferable by the holders thereof;
  - **authorise** our Company to enter into a contract on behalf of you with each of the Directors and other officers of our Company whereby each such Director and officer undertakes to observe and comply with his or her obligations to Shareholders stipulated in the Memorandum of Articles and the Articles; and
  - **confirm** that you are aware of the restrictions on offering of the Hong Kong Offer Shares described in this prospectus.
- (b) If you apply for the Hong Kong Offer Shares using a **YELLOW** Application Form, in addition to the confirmations and agreements referred to in (a) above you **agree** that:
- all the Hong Kong Offer Shares to be allocated to you shall be issued in the name of HKSCC Nominees and deposited directly into CCASS operated by HKSCC for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant, in accordance with your election on the Application Form;
  - each of HKSCC and HKSCC Nominees reserves the right at this absolute discretion
    - (1) **not to accept** any or part of the Hong Kong Offer Shares allotted to you in the name of HKSCC Nominees or **not to accept** such allotted Hong Kong Offer Shares for deposit into CCASS;

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## TERMS AND CONDITIONS OF THE HONG KONG PUBLIC OFFERING

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- (2) to cause such allotted Hong Kong Offer Shares to be **withdrawn** from CCASS and transferred into your name at your own risk and costs; and (3) to cause such **allotted Hong Kong Offer Shares to be issued in your name** (or, if you are a joint applicant, to the first-named applicant) and in such a case, to **post the share certificates** for such allotted Hong Kong Offer Shares at your own risk to the address on your Application Form by ordinary post **or to make available the same for your collection**;
- each of HKSCC and HKSCC Nominees may adjust the number of allotted Hong Kong Offer Shares issued in the name of HKSCC Nominees;
  - neither HKSCC nor HKSCC Nominees shall be liable to you in any way.
  - neither HKSCC nor HKSCC Nominees shall have any liability for the information and representations not so contained in this prospectus and the Application Forms.

### 5. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED HONG KONG OFFER SHARES

You should note the following situations in which Hong Kong Offer Shares will not be allocated to you or your application is liable to be rejected:

(a) **If your application is revoked:**

By completing and submitting an Application Form or submitting **electronic application instructions** to the designated **White Form eIPO** Service Provider, you agree that your application or the application made by the designated **White Form eIPO** Service Provider on your behalf cannot be revoked before Thursday, 17 June 2010. This agreement will take effect as a collateral contract with our Company, and will become binding when you lodge your Application Form or submit your **electronic application instructions** to the designated **White Form eIPO** Service Provider. This collateral contract will be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person before Thursday, 17 June 2010 except by means of one of the procedures referred to in this prospectus.

For this purpose, acceptance of applications which are not rejected will be constituted by announcement of the basis of allocation and/or making available the results of allocation publicly, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

However, your application or the application made by HKSCC Nominees on your behalf may only be revoked before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is not a business day) if a person responsible for this prospectus under section 40 of the Hong Kong Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus.

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## TERMS AND CONDITIONS OF THE HONG KONG PUBLIC OFFERING

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If any supplement to this prospectus is issued, applicant(s) who have already submitted an application may or may not (depending on the information contained in the supplement) be notified that they can withdraw their applications. If application(s) have not been so notified, or if applicant(s) have been notified but have not withdrawn their applications in accordance with the procedure to be notified, all applications that have been submitted remain valid and may be accepted. Subject to the above, an application once made is irrevocable and applicants shall be deemed to have applied on the basis of this prospectus as supplemented.

If your application or the application made by HKSCC on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

**(b) If the allocation of Hong Kong Offer Shares is void:**

Your allocation of Hong Kong Offer Shares will be void if the Listing Committee does not grant permission to list the Shares either:

- within three weeks from the closing of the applications lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing of the application lists.

**(c) If you make applications under the Hong Kong Public Offering as well as the International Placing:**

By filling in any of the Application Forms or giving application instructions to the designated **White Form eIPO** Service Provider, you agree not to apply for International Placing Shares under the International Placing.

Reasonable steps will be taken to identify and reject applications under the Hong Kong Public Offering from investors who have received International Placing Shares in the International Placing, and to identify and reject indications of interest in the International Placing from investors who have received Hong Kong Offer Shares in the Hong Kong Public Offering.

**(d) If our Company, the Lead Manager or their respective agents exercise their discretion:**

Our Company, the Lead Manager or their respective agents have full discretion to reject or accept any application, or to accept only part of any application, without having to give any reasons for any rejection or acceptance.

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## TERMS AND CONDITIONS OF THE HONG KONG PUBLIC OFFERING

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(e) **If:**

- your application is a multiple or a suspected multiple application;
- your Application Form is not completed correctly;
- your payment is not made correctly or you pay by cheque or banker's cashier order and the cheque or banker's cashier order is dishonoured on its first presentation;
- you or the person for whose benefit you are applying have applied for and/or received or will receive International Placing Shares under the International Placing;
- if you apply for more than 50% of the Hong Kong Offer Shares initially being offered in the public for subscription;
- any of the Underwriting Agreements does not become unconditional or it is terminated in accordance with the terms thereof.

**6. IF YOUR APPLICATION FOR THE HONG KONG OFFER SHARES IS SUCCESSFUL (IN WHOLE OR IN PART)**

(a) **If you are applying using a WHITE Application Form and you elect to receive any share certificate(s) in your name:**

- Refund cheques for these applicants who apply for less than 1,000,000 Hong Kong Offer Shares are expected to be despatched on or before Thursday, 27 May 2010 to the same address as that for Share certificate(s).
- Applicants who apply on **WHITE** Application Forms for 1,000,000 Hong Kong Offer Shares or more under the Hong Kong Public Offering and have indicated in their Application Forms that they wish to collect share certificates and (where applicable) refund cheques in person from the Company's Hong Kong Share Registrar may collect Share certificates and (where applicable) refund cheques in person from the Company's Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 27 May 2010.
- Applicants being individuals who opt for personal collection cannot authorise any other person to make collection on their behalf. Corporate applicants who opt for personal collection must attend by their authorised representatives bearing letters of authorization from the corporation stamped with the corporation's respective chops. Both individuals and authorised representative (if applicable) must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.
- Uncollected share certificates and (where applicable) refund cheques will be despatched by ordinary post at the applicants' own risk to the addresses specified in the relevant Application Forms.

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## TERMS AND CONDITIONS OF THE HONG KONG PUBLIC OFFERING

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**(b) If you are applying on a YELLOW Application Form and in which case you elect to have allocated Hong Kong Offer Shares deposited directly into CCASS:**

If your application is wholly or partly successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant as instructed by you (on the Application Form, at the close of business on Thursday, 27 May 2010, or, under certain contingent situations, on any other date as shall be determined by HKSCC or HKSCC Nominees.

- *If you are applying through a designated CCASS Participant (other than a CCASS Investor Participant) on a YELLOW Application Form:*

For Hong Kong Offer Shares credited to the stock account of your designated CCASS Participant (other than a CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allocated to you with that CCASS Participant.

- *If you are applying as a CCASS Investor Participant on a YELLOW Application Form:*

The Company is expected to make available the results of the Hong Kong Public Offering, including the results of CCASS Investor Participants' applications, in the manner described in the paragraph headed "How to Apply for the Hong Kong Offer Shares — 13. Publication of results, despatch/collection of share certificates/e-Refund payment instructions/refund cheques", on Thursday, 27 May 2010. You should check the results made available by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 27 May 2010 or such other date as shall be determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account you can check your new account balance via the CCASS Phone System or CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your stock account.

**No receipt will be issued for application monies paid. The Company will not issue temporary documents of title.**

**(c) If you apply through White Form eIPO:**

If you apply for 1,000,000 Hong Kong Offer Shares or more through the **White Form eIPO** service by submitting an electronic application to the designated **White Form eIPO** Service Provider through the designated website at [www.eipo.com.hk](http://www.eipo.com.hk) and your application is wholly or partially successful, you may collect your Share certificate(s)(where applicable) in person from Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Thursday, 27 May 2010, or such other date as notified by our Company as the date of despatch/collection of share certificates/e-Refund payment instructions/refund cheques.

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## TERMS AND CONDITIONS OF THE HONG KONG PUBLIC OFFERING

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If you do not collect your share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions to the designated **White Form eIPO** Service Provider promptly thereafter by ordinary post and at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your share certificate(s) will be sent to the address specified in your application instructions to the designated **White Form eIPO** Service Provider on Thursday, 27 May 2010 by ordinary post and at your own risk.

If you paid the application monies from a single bank account, e-Refund payment instructions (if any) will be despatched to your application payment bank account on Thursday, 27 May 2010.

If you used multi-bank accounts to pay the application monies, refund cheque (if any) will be despatched to the address specified in your application instructions to the designated **White Form eIPO** Service Provider on Thursday, 27 May 2010, by ordinary post and at your own risk.

### 7. REFUND OF YOUR MONEY — ADDITIONAL INFORMATION

- (a) You will be entitled to a refund (any interest accrued on refund money prior to the date of despatch of refund cheques will be retained for the benefit of our Company) if:
- your application is not successful, in which case our Company will refund your application money together with the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee to you, without interest;
  - your application is accepted only in part, in which case our Company will refund the appropriate portion of your application money, the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee, without interest;
  - the Offer Price (as finally determined) is less than the price per Offer Share initially paid by the applicant on application, in which case our Company will refund the surplus application money together with the appropriate portion of the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee, without interest; and
  - the conditions of Share Offer are not fulfilled in accordance with the section headed “Structure of the Share Offer — Conditions”.
- (b) If you apply on **YELLOW** Application Form for 1,000,000 Hong Kong Offer Shares or more under the Hong Kong Public Offering, you may collect your refund cheque (if any) in person from the Hong Kong Share Registrar on Thursday, 27 May 2010. The procedure for collection of refund cheques for **YELLOW** Application Form applicants is the same as that for **WHITE** Application Form applicants set out in sub-paragraph (a) of the paragraph headed “If your application for the Hong Kong Offer Shares is successful (in whole or in part)” in this section.

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## TERMS AND CONDITIONS OF THE HONG KONG PUBLIC OFFERING

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- (c) Refund cheques will be crossed “Account Payee Only”, and made out to you, or if you are a joint applicant, to the first-named applicant on your Application Form.
- (d) Refund cheques are expected to be despatched on Thursday, 27 May 2010. Our Company intends to make special efforts to avoid undue delays in refunding money.

### 8. PERSONAL DATA

The main provisions of the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong) (the “Ordinance”) came into effect in Hong Kong on 20 December 1996. This Personal Information Collection Statement informs the applicant for and holder of the Hong Kong Offer Shares of the policies and practices of our Company and the Hong Kong Share Registrar in relation to personal data and the Ordinance.

#### (a) Reasons for the collection of your personal data

From time to time it is necessary for applicants for securities or registered holders of securities to supply their latest correct personal data to our Company and the Hong Kong Share Registrar when applying for securities or transferring securities into or out of their names or in procuring the services of the Hong Kong Share Registrar.

Failure to supply the requested data may result in your application for securities being rejected or in delay or inability of our Company or its Hong Kong Share Registrar to effect transfers or otherwise render their services. It may also prevent or delay registration or transfer of the Hong Kong Offer Shares which you have successfully applied for and/or the despatch of Share certificate(s), and/or e-Refund payment instructions and/or refund cheque(s) to which you are entitled.

It is important that holders of securities inform our Company and the Hong Kong Share Registrar immediately of any inaccuracies in the personal data supplied.

#### (b) Purposes

The personal data of the applicants and the holders of securities may be used, held and/or stored (by whatever means) for the following purposes:

- processing of your application and verification of compliance with the terms and application procedures set out in the Application Forms and this prospectus and announcing results of allocations of the Hong Kong Offer Shares;
- enabling compliance with all applicable laws and regulations in Hong Kong and elsewhere;
- registering new issues or transfers into or out of the name of holders of securities including, where applicable, in the name of HKSCC Nominees;
- maintaining or updating the registers of holders of securities of our Company;

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## TERMS AND CONDITIONS OF THE HONG KONG PUBLIC OFFERING

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- conducting or assisting to conduct signature verifications, any other verification or exchange of information;
- establishing benefit entitlements of holders of securities of our Company, such as dividends, rights issues and bonus issues;
- distributing communications from our Company and its subsidiaries;
- compiling statistical information and shareholder profiles;
- making disclosures as required by any laws, rules or regulations;
- disclosing relevant information to facilitate claims on entitlements; and
- any other incidental or associated purposes relating to the above and/or to enable our Company and the Hong Kong Share Registrar to discharge their obligations to holders of securities and/or regulators and/or other purpose to which the holders of securities may from time to time agree.

(c) **Transfer of personal data**

Personal data held by our Company and the Hong Kong Share Registrar relating to the applicants and the holders of securities will be kept confidential but our Company and the Hong Kong Share Registrar, to the extent necessary for achieving the above purposes or any of them, make such enquiries as they consider necessary to confirm the accuracy of the personal data and in particular, they may disclose, obtain or provide (whether within or outside Hong Kong) the personal data of the applicants and the holders of securities to or from any and all of the following persons and entities:

- our Company or its appointed agents such as financial advisers and receiving bankers;
- HKSCC and HKSCC Nominees, who will use the personal data for the purposes of operating CCASS (in cases where the applicants have requested for the Hong Kong Offer Shares to be deposited into CCASS);
- any agents, contractors or third party service providers who offer administrative, telecommunications, computer, payment or other services to our Company and/or the Hong Kong Share Registrar in connection with the operation of their businesses;
- the Stock Exchange, the SFC and any other statutory, regulatory or governmental bodies; and
- any other persons or institutions with which the holders of securities have or propose to have dealings, such as their bankers, solicitors, accountants or stockbrokers.

By signing an Application Form or by giving **electronic application instructions** to the **White Form eIPO** Service Provider, you agree to all of the above.

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## TERMS AND CONDITIONS OF THE HONG KONG PUBLIC OFFERING

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**(d) Access and correction of personal data**

The Ordinance provides the applicants and the holders of securities with rights to ascertain whether our Company and/or the Hong Kong Share Registrar hold their personal data, to obtain a copy of that data, and to correct any data that is inaccurate. In accordance with the Ordinance, our Company and the Hong Kong Share Registrar have the right to charge a reasonable fee for the processing of any data access request. All requests for access to data or correction of data or for information regarding policies and practices or the kinds of data held should be addressed to our Company for the attention of the Company Secretary or (as the case may be) the Hong Kong Share Registrar for the attention of the Privacy Compliance Officer (for the purposes of the Ordinance).

The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the Company's reporting accountants, SHINEWING (HK) CPA Limited.



SHINEWING (HK) CPA Limited  
16/F, United Centre  
95 Queensway, Hong Kong

18 May 2010

The Directors  
China Titans Energy Technology Group Co., Limited  
OSK Capital Hong Kong Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") regarding China Titans Energy Technology Group Co., Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the three years ended 31 December 2009 (the "Track Record Period") for inclusion in the prospectus of the Company dated 18 May 2010 (the "Prospectus") in connection with the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company, formerly known as China Titans New Energy Group Company Limited, was incorporated and registered as an exempted company in the Cayman Islands with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 16 November 2007. Pursuant to a corporate reorganisation as detailed in the paragraph headed "Corporate Reorganisation" in Appendix V to the Prospectus (the "Reorganisation"), the Company became the holding company of the companies comprising the Group on 8 May 2010.

Throughout the Track Record Period and as at the date of this report, the Company has the following subsidiaries, all of which adopted a financial year end date of 31 December:

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held		Principal activities
			by the Company	Principal activities	
			Directly held	Indirectly held	
Titans (BVI) Limited (Formerly known as Right Pitch International Limited) ("Titans BVI")	British Virgin Islands 19 October 2007	Share capital - US\$200	100%	—	Investment holding

**APPENDIX I**
**ACCOUNTANTS' REPORT**

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held		Principal activities
			by the Company	Principal activities	
			Directly held	Indirectly held	
Titans Holdings Co., Limited (泰坦控股有限公司) ("Titans HK")	Hong Kong 15 December 2004	Share capital - HK\$10,000	—	100%	Investment holding
Zhuhai Titans Automatic Technology Company Limited* (珠海泰坦自動化技 術有限公司) (Formerly known as Zhuhai Titans Investment Limited* 珠海泰 坦投資有限公司) ("Titans Automatic")	People's Republic of China (the "PRC") 13 July 2005	Registered Capital - RMB42,000,000	—	100%	Research, development, manufacture and sales of wind and solar power generation balancing control products, charging equipment for electric 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) (Formerly known as Zhuhai Titans Computer System Co., Ltd.* (珠海泰坦計算機系統 有限公司) and Zhuhai Titans Electric System Co., Ltd.* (珠海泰坦電氣系統有限公司) ("Titans Technology")	The PRC 8 September 1992	Registered Capital - RMB40,000,000	—	#100%	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) (Formerly known as Zhuhai Clear Energy Technology Co., Ltd.* (珠海科利爾能源科技有限公 司) or Zhuhai Titans Kaili Electrical System Co., Ltd.* (珠海泰坦凱立電氣系統有限 公司) ("Zhuhai Clear")	The PRC 8 July 2005	Registered Capital - RMB3,000,000	—	##80%	Research, development, manufacture and sales of electrical power generation, balancing control and other products

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held		Principal activities
			by the Company	Principal activities	
			Directly held	Indirectly held	
Shijiazhuang Guofu Titans New Energy Co., Ltd.* (石家莊國富泰坦新能源有限公司) ("Shijiazhuang Titans")	The PRC 12 January 2009	Registered Capital - RMB1,000,000	—	100%	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) ("Jiangyin Titans")	The PRC 24 June 2009	Registered Capital - RMB5,000,000	—	**51%	Marketing and sales of plug and switch system products
Beijing New Clear Energy Equipment Co., Ltd.* (北京優科利爾能源設備有限公司) ("Beijing New Clear")	The PRC 6 September 2007	Registered Capital - RMB2,000,000	—	55%	Sales of charging equipment

\* For identification purpose only.

\*\* This company was established by the Group in 2009.

# On 1 January 2005, the Group acquired 69% equity interests in Titans Technology. On 1 January 2006, the Group further acquired an additional 30% equity interests in Titans Technology. On 5 August 2009, the Group further acquired the remaining 1% equity interest in Titans Technology. The Group's equity interest in Titans Technology was 100% at 31 December 2009.

### Zhuhai Clear was incorporated in the PRC on 8 July 2005. The Group held 45% equity interests and controlled the sole director of Zhuhai Clear, Li Xiao Bin, who is also a controlling shareholder of the Group and acts in concert with the Group and thus regarded Zhuhai Clear as a subsidiary since then. On 2 August 2007, the Group further acquired 35% additional equity interests in Zhuhai Clear. The Group's equity interests in Zhuhai Clear was 80% at 31 December 2007, 2008 and 2009.

No audited financial statements have been prepared for the Company and Titans BVI since their respective date of incorporation as it has not carried on any business, other than the transactions related to the Reorganisation. We have, however, reviewed all the relevant transactions of this company since its date of incorporation and carried out such procedures as we considered necessary for inclusion of the financial information relating to the Company.

The statutory financial statements of Titans HK, which were prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) for each of the two years ended 31 December 2008, have been audited by D.P. Lau & Company, Certified Public Accountants, Hong Kong. The statutory financial statements of Titans HK for the year ended 31 December 2009 have been audited by us.

No statutory financial statements have been prepared for Shijiazhuang Titans and Jiangyin Titans since their respective dates of establishment as these subsidiaries have not completed their first financial year. No statutory financial statements have been prepared for Beijing New Clear as it was not subject to statutory audit requirement under the relevant rules and regulations in its jurisdiction of establishment. We have, however, reviewed all the relevant transactions of these companies since their respective dates of establishment.

The statutory financial statements of Titans Automatic, Titans Technology and Zhuhai Clear were prepared in accordance with the relevant accounting rules and financial regulations applicable to enterprises established in the PRC (“PRC GAAP”) and were audited by 珠海華旗會計師事務所有限公司 (Zhuhai Huaqi Certified Public Accountants Limited, Certified Public Accountants) registered in the PRC, for each of the three years ended 31 December 2009 or since their respective date of establishment, where there is a shorter period.

For the purpose of this report, the financial statements of the Company and the consolidated financial statements of Titans BVI for the Track Record Period, which were prepared in accordance with HKFRSs, have been audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

We have examined the audited financial statements or, where appropriate, management accounts of the companies comprising the Group for the Track Record Period or since their respective dates of incorporation / establishment to 31 December 2009, where there is a shorter period (the “Underlying Financial Statements”). We have carried out such additional procedures as are necessary in accordance with the Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” as recommended by the HKICPA.

The combined statements of financial position of the Group as at 31 December 2007, 2008 and 2009 and the combined statements of comprehensive income and combined statements of cash flows of the Group for the Track Record Period as set out in this report have been prepared from the Underlying Financial Statements on the basis set out in note 1 below for the purpose of preparing our report for inclusion in the Prospectus. No adjustments are considered necessary to adjust the Underlying Financial Statements in the preparation of this report for inclusion in the Prospectus.

The directors of the Company are responsible for the preparation of the Underlying Financial Statements who approved their issue and are also responsible for the contents of the Prospectus in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion, on the Financial Information and to report our opinion to you.

**OPINION AND REVIEW CONCLUSION**

In our opinion, on the basis of presentation set out in note 1 below, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Group and the Company as at 31 December 2007, 2008 and 2009, and of the combined results and cash flows of the Group for the Track Record Period.

## (A) FINANCIAL INFORMATION

## Combined statements of comprehensive income

	Notes	Year ended 31 December		
		2007	2008	2009
		RMB'000	RMB'000	RMB'000
Turnover	7	144,404	175,338	216,452
Cost of sales		<u>(74,370)</u>	<u>(95,990)</u>	<u>(114,825)</u>
Gross profit		70,034	79,348	101,627
Other revenue	9	7,082	10,607	7,582
Negative goodwill	35	—	—	830
Fair value change on convertible loan note	32	—	104	179
Selling and distribution expenses		(22,369)	(20,211)	(22,614)
Administrative expenses		(13,286)	(23,442)	(26,563)
Finance costs	10	<u>(1,126)</u>	<u>(1,290)</u>	<u>(1,386)</u>
Profit before taxation		40,335	45,116	59,655
Taxation	11	<u>(5,916)</u>	<u>(6,416)</u>	<u>(6,431)</u>
Profit for the year and total comprehensive income for the year	12	<u>34,419</u>	<u>38,700</u>	<u>53,224</u>
Profit and total comprehensive income attributable to:				
Owners of the Company		34,155	38,812	54,106
Minority interests		<u>264</u>	<u>(112)</u>	<u>(882)</u>
		<u>34,419</u>	<u>38,700</u>	<u>53,224</u>
Earnings per share				
- Basic (RMB)	15	<u>5.9 cents</u>	<u>6.7 cents</u>	<u>9.3 cents</u>
- Diluted (RMB)		<u>5.9 cents</u>	<u>6.7 cents</u>	<u>9.0 cents</u>

## Combined statements of financial position

	Notes	The Group			The Company		
		2007 RMB'000	2008 RMB'000	2009 RMB'000	2007 RMB'000	2008 RMB'000	2009 RMB'000
<b>Non-current assets</b>							
Property, plant and equipment	16	13,356	12,516	13,358	—	—	—
Intangible assets	17	2,833	2,456	2,079	—	—	—
		<u>16,189</u>	<u>14,972</u>	<u>15,437</u>	<u>—</u>	<u>—</u>	<u>—</u>
<b>Current assets</b>							
Inventories	18	18,925	19,279	11,921	—	—	—
Trade and bills receivables	19	107,098	137,001	221,938	—	—	—
Prepayments, deposits and other receivables	20	12,174	14,742	14,444	—	—	3,630
Amounts due from related companies	21	168	—	—	—	—	—
Amounts due from shareholders	22	2	190	202	1	1	1
Amount due from a subsidiary	23	—	—	—	—	8,838	3,423
Restricted bank balances	24	10,352	13,516	15,667	—	—	—
Bank balances and cash	24	23,468	27,475	27,081	—	—	—
		<u>172,187</u>	<u>212,203</u>	<u>291,253</u>	<u>1</u>	<u>8,839</u>	<u>7,054</u>
<b>Current liabilities</b>							
Trade and bills payables	25	33,750	38,545	58,868	—	—	—
Receipts in advance		13,956	10,765	2,561	—	—	—
Accruals and other payables	26	24,202	25,976	43,136	—	—	1,441
Dividend payables		8	150	2,942	—	—	—
Amount due to a shareholder	27	308	—	1,519	—	—	—
Amounts due to minority shareholders of a subsidiary	28	900	900	—	—	—	—
Amounts due to related companies	29	819	—	—	—	—	—
Amounts due to directors	30	20,943	3,073	7,447	—	—	—
Tax payables		6,113	8,211	11,247	—	—	—
Bank and other borrowings	31	12,000	16,868	24,000	—	—	—
Convertible loan note	32	—	8,760	8,581	—	8,760	8,581
		<u>112,999</u>	<u>113,248</u>	<u>160,301</u>	<u>—</u>	<u>8,760</u>	<u>10,022</u>
<b>Net current assets (liabilities)</b>		<u>59,188</u>	<u>98,955</u>	<u>130,952</u>	<u>1</u>	<u>79</u>	<u>(2,968)</u>
<b>Net assets (liabilities)</b>		<u>75,377</u>	<u>113,927</u>	<u>146,389</u>	<u>1</u>	<u>79</u>	<u>(2,968)</u>
<b>Capital and reserves</b>							
Share capital	33	2	2	2	1	1	1
Reserves	34	73,087	111,899	144,023	—	78	(2,969)
<b>Equity attributable to owners of the Company</b>		<u>73,089</u>	<u>111,901</u>	<u>144,025</u>	<u>1</u>	<u>79</u>	<u>(2,968)</u>
<b>Minority interests</b>		<u>2,288</u>	<u>2,026</u>	<u>2,364</u>	<u>—</u>	<u>—</u>	<u>—</u>
<b>Total equity</b>		<u>75,377</u>	<u>113,927</u>	<u>146,389</u>	<u>1</u>	<u>79</u>	<u>(2,968)</u>

## Combined statements of changes in equity

	Attributable to owners of the Company							Total equity RMB'000	
	Share capital RMB'000	Merger reserve RMB'000	Exchange translation reserve RMB'000	Capital reserve RMB'000	Statutory reserve fund RMB'000	Retained earnings RMB'000	Total RMB'000		Minority interests RMB'000
At 1 January 2007	11	8,628	504	(1,539)	5,486	27,784	40,874	2,149	43,023
Contribution from a minority shareholder of a subsidiary	—	—	—	—	—	—	—	900	900
Acquisition of additional interests in a subsidiary	—	—	—	—	—	—	—	(965)	(965)
Issue of new shares	2	—	—	—	—	—	2	—	2
Arising from Group Reorganisation	(11)	11	—	—	—	—	—	—	—
Total comprehensive income for the year	—	—	—	—	—	34,155	34,155	264	34,419
Dividend paid	—	—	—	—	—	(1,942)	(1,942)	(60)	(2,002)
Appropriation to reserves	—	—	—	—	5,035	(5,035)	—	—	—
At 31 December 2007	2	8,639	504	(1,539)	10,521	54,962	73,089	2,288	75,377
Total comprehensive income (expense) for the year	—	—	—	—	—	38,812	38,812	(112)	38,700
Dividend paid	—	—	—	—	—	—	—	(150)	(150)
Appropriation to reserves	—	—	—	—	6,177	(6,177)	—	—	—
At 31 December 2008	2	8,639	504	(1,539)	16,698	87,597	111,901	2,026	113,927
Contribution from a minority shareholder of a subsidiary	—	—	—	—	—	—	—	2,450	2,450
Total comprehensive income (expense) for the year	—	—	—	—	—	54,106	54,106	(882)	53,224
Acquisition of additional interests in a subsidiary	—	—	—	—	—	—	—	(1,230)	(1,230)
Dividend paid	—	—	—	—	—	(21,982)	(21,982)	—	(21,982)
Appropriation to reserves	—	—	—	—	8,278	(8,278)	—	—	—
At 31 December 2009	2	8,639	504	(1,539)	24,976	111,443	144,025	2,364	146,389

## Combined statements of cash flows

	2007	2008	2009
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>OPERATING ACTIVITIES</b>			
Profit before taxation	40,335	45,116	59,655
Adjustments for:			
Interest income	(292)	(289)	(132)
Finance costs	1,126	1,290	1,386
Fair value change on convertible loan note	—	(104)	(179)
Depreciation of property, plant and equipment	1,529	1,611	1,850
Amortisation of intangible assets	167	377	377
Loss (gain) on disposal of property, plant and equipment	21	(39)	2
Negative goodwill	—	—	(830)
Written off of goodwill from acquisition of additional interests of a subsidiary	85	—	—
Allowance for inventories	129	—	—
Allowance for trade receivables	2,412	3,172	2,939
Allowance for other receivables	39	177	57
Operating cash flows before movements in working capital	45,551	51,311	65,125
(Increase) decrease in inventories	(924)	(354)	7,358
Increase in trade and bills receivables	(42,162)	(33,075)	(87,876)
(Increase) decrease in prepayments, deposits and other receivables	(2,712)	(2,743)	241
(Increase) decrease in amounts due from related companies	(119)	168	—
Increase in trade and bills payables	2,682	4,795	20,323
Increase (decrease) in receipts in advance	8,678	(3,191)	(8,204)
Increase in accruals and other payables	4,712	1,774	16,760
Increase (decrease) in amounts due to related companies	800	(819)	—
Cash generated from operations	16,506	17,866	13,727
PRC income tax paid	(2,416)	(4,318)	(3,395)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<u>14,090</u>	<u>13,548</u>	<u>10,332</u>

**APPENDIX I****ACCOUNTANTS' REPORT**

	<b>2007</b>	<b>2008</b>	<b>2009</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	(1,291)	(1,197)	(2,736)
Decrease (increase) in restricted bank balances	1,226	(3,164)	(2,151)
Advance to shareholders	—	(190)	(12)
Interest received	274	289	132
Proceeds on disposal of property, plant and equipment	49	465	42
Acquisition of intangible assets	(3,000)	—	—
Acquisition of additional interests in subsidiaries (Notes 35)	<u>(1,050)</u>	<u>—</u>	<u>—</u>
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<u>(3,792)</u>	<u>(3,797)</u>	<u>(4,725)</u>
<b>FINANCING ACTIVITIES</b>			
Dividend paid	(2,002)	(8)	(19,190)
Repayment of bank and other borrowings	(16,000)	(14,132)	(18,868)
Interest paid	(1,126)	(1,290)	(1,386)
Repayment to minority shareholders of a subsidiary	(143)	—	(900)
New bank and other borrowings raised	12,000	19,000	26,000
(Repayment to) advance from directors	(7,772)	(17,870)	4,374
Capital contributions from minority shareholders of a subsidiary	900	—	2,450
(Repayment to) advance from shareholders	(1,032)	(308)	1,519
Issue of convertible loan note	<u>—</u>	<u>8,864</u>	<u>—</u>
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<u>(15,175)</u>	<u>(5,744)</u>	<u>(6,001)</u>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	(4,877)	4,007	(394)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>	<u>28,345</u>	<u>23,468</u>	<u>27,475</u>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR,</b> represented by bank balances and cash	<u>23,468</u>	<u>27,475</u>	<u>27,081</u>

## NOTES TO THE FINANCIAL INFORMATION

## 1. BASIS OF PRESENTATION OF FINANCIAL INFORMATION

Pursuant to a corporate reorganisation as detailed in the paragraph headed “Corporate Reorganisation” set out in Appendix V of the Prospectus of the Company, the Company became the holding company of the companies comprising the Group on 8 May 2010. The Group comprising the Company and its subsidiaries resulting from the Corporate Reorganisation is regarded and accounted for as a continuing entity. The executive directors of the Company, Mr. Li Xin Qing and Mr. An Wei remained the executive directors and controlling shareholders of the Company before and after the Corporate Reorganisation. Accordingly, the Financial Information of the Group has been prepared on the basis as if the Company had always been the holding company of the Group by applying the principles of merger accounting as set out in the Accounting Guideline 5 “Merger accounting for common control combinations” issued by the HKICPA.

The combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flows for the Track Record Period include the results and cash flows of the companies now comprising the Group as if the current group structure had been in existence throughout the Track Record Period, or since their respective dates of incorporation/establishment or acquisition, where it is the shorter period.

The combined statements of financial position of the Group as at 31 December 2007, 2008 and 2009 have been prepared to present the assets and liabilities of the companies now comprising the Group which had been incorporated/established as at the relevant end of reporting periods as if the current group structure had been in existence at those dates.

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

The Financial Information is presented in Renminbi (“RMB”), which is the same as the functional currency of the Company.

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

The HKICPA issued a number of new or revised Hong Kong Accounting Standards (“HKASs”), HKFRSs, amendments and interpretations (“INTs”) (hereinafter collectively referred to as “new HKFRSs”) which are effective for the Group’s accounting periods beginning on 1 January 2009. For the purposes of preparing and presenting the Financial Information of the Track Record Period, the Group has consistently adopted all these new HKFRSs throughout the Track Record Period.

At the date of this report, the HKICPA has issued the following new and revised standards, amendments and INTs that are not yet effective.

HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008 <sup>1</sup>
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 <sup>2</sup>
HKAS 24 (Revised)	Related Party Disclosures <sup>5</sup>
HKAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>1</sup>
HKAS 32 (Amendment)	Classification of Rights Issues <sup>4</sup>
HKAS 39 (Amendment)	Eligible Hedged Items <sup>1</sup>
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters <sup>3</sup>
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters <sup>6</sup>
HKFRS 1 (Revised)	First-time Adoption of HKFRSs <sup>1</sup>
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions <sup>3</sup>
HKFRS 3 (Revised)	Business Combinations <sup>1</sup>

HKFRS 9	Financial Instruments <sup>7</sup>
HK(IFRIC) — INT 14 (Amendment)	Prepayments of a Minimum Funding Requirement <sup>5</sup>
HK(IFRIC) — INT 17	Distribution of Non-cash Assets to Owners <sup>1</sup>
HK(IFRIC) — INT 19	Extinguishing Financial Liabilities with Equity Instruments <sup>6</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2009

<sup>2</sup> Effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2010

<sup>4</sup> Effective for annual periods beginning on or after 1 February 2010

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2011

<sup>6</sup> Effective for annual periods beginning on or after 1 July 2010

<sup>7</sup> Effective for annual periods beginning on or after 1 January 2013

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after 1 January 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary.

HKFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The standard requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

In addition, as part of Improvements to HKFRSs issued in 2009, HKAS 17 Leases has been amended in relation to the classification of leasehold land. The amendments will be effective from 1 January 2010, with earlier application permitted. Before the amendments to HKAS 17, leasees were required to classify leasehold land as operating leases and presented as prepaid lease payments in the consolidated statement of financial position. The amendments have removed such a requirement. Instead, the amendments require the classification of leasehold land to be based on the general principles set out in HKAS 17, that are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. The application of the amendments to HKAS 17 might affect the classification and measurement of the Group's leasehold land.

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

### 3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information 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 which conform to HKFRSs issued by the HKICPA. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

#### **Basis of combination**

The Financial Information incorporates 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.

The results of subsidiaries acquired or disposed of during the Track Record Period are included in the combined statements 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 on combination.

Minority interests in the net assets of combined subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

#### **Transaction with minority interests**

On acquisition of additional interests in subsidiaries, the difference between the fair value and the carrying values of the underlying assets and liabilities attributable to the additional interests in subsidiaries being acquired are recognised directly to capital reserve. On subsequent disposal of a subsidiary, the attributable capital reserve is transferred to retained earnings.

Goodwill arising on acquisition of additional interests in subsidiaries is recognised as an asset and initially measured at cost, being the excess of the consideration over the fair value of the identifiable assets, liabilities and contingent liabilities recognised attributable to the additional interests in subsidiaries being acquired.

Negative goodwill arising on the acquisition of additional interests in subsidiaries represents the fair values of the identifiable assets, liabilities and contingent liabilities attributable to the additional interests in subsidiaries being acquired as at the date of acquisition, over the consideration. Negative goodwill arising on acquisition of additional interests in subsidiaries is recognised in the combined statement of comprehensive income immediately.

#### **Business combinations**

The acquisition of businesses, other than involving entities under common control, is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 "Business Combinations" are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

**Merger accounting for business combination involving entities under common control**

The Financial Information incorporates the financial statement 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 combined 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 Financial Information are presented as if the entities or businesses had been combined at the previous end of the reporting period or when they first came under common control, whichever is shorter.

**Negative goodwill**

Negative goodwill arising on the acquisition of a subsidiary represents the Group's share of the fair values of the identifiable assets, liabilities and contingent liabilities acquired as at the date of acquisition, over the cost of the acquisition. Negative goodwill arising on acquisition is recognised in the combined statement of comprehensive income immediately.

**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 the title has passed.

Revenue from sales of software is recognised when the software is customised and delivered.

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.

**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 profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

*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. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

*Leasehold land and buildings*

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases.

**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 exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. 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 Financial Information, 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, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the exchange translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

**Borrowing costs**

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

**Government grants**

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. Government grants related to depreciable assets are recognised as deferred income in the combined statement of financial position and transferred to

profit or loss over the useful lives of the related assets. 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 state-managed retirement benefit scheme are charged 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 combined 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 differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which 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.

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. Deferred tax is recognised in 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, other than construction in progress, are stated 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, other than construction in progress, over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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 profit or loss in the period in which the item is derecognised.

#### **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.

Gains or losses arising from derecognition are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the combined statement of comprehensive income when the asset is derecognised.

##### *Research and development expenditure*

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

#### **Impairment losses on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)**

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets 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. In addition, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that they may be impaired. 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.

#### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

#### **Provisions**

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure 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 is material).

**Financial instruments**

Financial assets and financial liabilities are recognised on the combined 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.

***Financial assets***

The Group's financial assets are classified as loans and receivables. 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. At the end of each reporting period subsequent to initial recognition, loans and receivables (including trade and bills receivables, deposits and other receivables, amounts due from related companies/ shareholders/ a subsidiary, restricted bank balances 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).

***Impairment of financial assets***

Financial assets are assessed for indicators of impairment at the end of each 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
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade and other receivables, assets that are assessed not to be impaired individually are 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.

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 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*

Financial liabilities and equity instruments issued by a group entity are classified according to 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.

#### *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 through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

#### *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. At each reporting dates 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.

#### *Other financial liabilities*

Other financial liabilities including trade and bills payables, accruals and other payables, dividend payables, amount due to a shareholder, amounts due to minority shareholders of a subsidiary, amounts due to related companies, amounts due to directors and bank and other borrowings are subsequently measured at amortised cost, using the effective interest method.

*Equity instruments*

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

**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. On derecognition of a financial asset, 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 directly in equity is recognised in profit or loss. If the Group retains substantially all the risks and rewards of ownership of a transferred asset, the Group continues to recognise the financial asset and recognise a collateralised borrowing for proceeds received.

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.

**4. KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an 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.

*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. Impairment loss of trade and other receivables of RMB2,451,000, RMB3,349,000 and RMB2,996,000 was recognised for each of the three years ended 31 December 2009 respectively.

*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 Financial Information 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 Financial Information.

*Fair value of convertible loan note*

The directors of the Company use their judgment and engage independent professional valuers in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. The fair value of conversion option derivative is subject of the limitation of the Binomial model that incorporated market data and involved uncertainty in estimates used by management in the assumptions. Because the Binominal model requires the input of highly subjective assumptions, including the volatility of share price, changes in subjective input assumptions can materially affect the fair value estimate. Details of the assumptions used are disclosed in note 32.

**5. 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 throughout the Track Record Period.

The capital structure of the Group consists of debt, which includes bank and other borrowings disclosed in note 31, cash and cash equivalents disclosed in note 24 and equity attributable to owners of the Company comprising issued share capital and reserves.

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 of the Company, the Group will balance its overall capital structure through the payment of dividends, raising of new borrowings or repayment of existing borrowings.

## 6. FINANCIAL INSTRUMENTS

### (a) Categories of financial instruments

	<b>The Group</b>		
	<b>2007</b>	<b>2008</b>	<b>2009</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Financial assets</b>			
Loans and receivables	<u>146,956</u>	<u>188,790</u>	<u>271,073</u>
<b>Financial liabilities</b>			
Amortised cost	92,930	85,512	137,912
Fair value through profit or loss	<u>—</u>	<u>8,760</u>	<u>8,581</u>
	<b>The Company</b>		
	<b>2007</b>	<b>2008</b>	<b>2009</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Financial assets</b>			
Loan and receivables	<u>1</u>	<u>8,839</u>	<u>3,424</u>
<b>Financial liabilities</b>			
Amortised cost	—	—	1,441
Fair value through profit or loss	<u>—</u>	<u>8,760</u>	<u>8,581</u>

### (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 related companies, amounts due from shareholders, amount due from a director, amount due from a subsidiary, restricted bank balances, bank balances and cash, trade and bills payables, accruals and other payables, dividend payables, amount due to a shareholder, amounts due to minority shareholders of a subsidiary, amounts due to related companies, amounts due to directors, bank and other borrowings and convertible loan note. 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 ("USD"), which expose the Group to foreign currency risk.

At the end of each reporting period, the carrying amounts of the Group's monetary assets denominated in currencies other than the respective functional currencies of the relevant group entities are as follows:

	<u>Assets</u>		
	<b>2007</b>	<b>2008</b>	<b>2009</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
HK\$	8	5	5
USD	<u>53</u>	<u>27</u>	<u>28</u>
	<u>61</u>	<u>32</u>	<u>33</u>

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.

#### Sensitivity analysis

The Group is mainly exposed to foreign currency risk of USD and HK\$.

The following table details the Group's sensitivity to a 5% increase or decrease in RMB against the relevant foreign currencies. 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 year end for a 5% change in foreign currency rates. A positive number below indicates an increase in profit and increase in other equity where RMB strengthen 5% against the relevant currencies. For a 5% weakening of RMB against the relevant currencies, there would be an equal and opposite impact on the profit and other equity.

	<u>HK\$ Impact</u>			<u>USD Impact</u>		
	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Profit or loss	<u>1</u>	<u>1</u>	<u>—</u>	<u>3</u>	<u>1</u>	<u>1</u>

The Group's sensitivity to foreign currencies has decreased during the respective years mainly due to the decrease in cash on hand denominated in foreign currencies as at the end of each reporting period.

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.

#### (ii) Interest rate risk

The Group's fair value interest rate risk relates primarily to its fixed rate borrowings as detailed in note 31. 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 and bank balances as detailed in notes 31 and 24 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 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. For each of the reporting periods, a 100 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.

For each of the reporting periods, if interest rates had been 100 basis points higher or lower and all other variables were held constant, the Group's post-tax profit would decrease/increase by approximately RMB51,000, RMB94,000 and RMB170,000 for each of the three years ended 31 December 2009 respectively.

#### (iii) *Other price risk*

The Group is required to estimate the fair value of the convertible loan note issued by the Company at the end of each reporting period, which therefore exposed the Group to equity price risk. The fair value adjustment will be affected either positively or negatively, amongst others, by the changes in expected equity value. Details of the convertible loan note issued by the Company are set out in note 32.

#### Sensitivity analysis

In the opinion of directors of the Company, the sensitivity analysis is unrepresentative of the inherent market risk as the pricing model used in the fair value valuation of convertible loan note involves multiple variables and certain variables are inter-dependent.

#### *Credit risk*

As at 31 December 2007, 2008 and 2009, 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 stated in the combined statements 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 at the end of each reporting period.

The Group has a concentration of credit risk as 11.4%, 15.9% and 19.0% of the trade receivables was due from the Group's largest customer as at 31 December 2007, 2008 and 2009 respectively and 25.0%, 26.4% and 45.0% of the trade receivables was due from the Group's largest five customers as at 31 December 2007, 2008 and 2009 respectively.

#### *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 forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. As at 31 December 2007, 2008 and 2009, the Group has available unutilised overdraft and short-term bank loan facilities of approximately RMB19,476,000, RMB50,665,000 and RMB35,394,000 respectively.

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.

*As at 31 December 2007*

	<b>Within 1 year or on demand</b>	<b>Total undiscounted cash flows</b>	<b>Carrying Amount as at 31 December 2007</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<i>Non-derivative financial liabilities</i>			
Trade and bills payables	33,750	33,750	33,750
Accruals and other payables			
- interest bearing	5,286	5,286	5,157
- non-interest bearing	19,045	19,045	19,045
Dividend payables	8	8	8
Amount due to a shareholder	308	308	308
Amounts due to minority shareholders of a subsidiary	900	900	900
Amounts due to related companies	819	819	819
Amounts due to directors	20,943	20,943	20,943
Bank and other borrowings			
- fixed rate	6,161	6,161	6,000
- variable rate	6,082	6,082	6,000
	<u>93,302</u>	<u>93,302</u>	<u>92,930</u>

As at 31 December 2008

	Within 1 year or on demand <i>RMB'000</i>	Total undiscounted cash flows <i>RMB'000</i>	Carrying amount as at 31 December 2008 <i>RMB'000</i>
<i>Non-derivative financial liabilities</i>			
Trade and bills payables	38,545	38,545	38,545
Accruals and other payables			
- interest bearing	2,575	2,575	2,512
- non-interest bearing	23,464	23,464	23,464
Dividend payables	150	150	150
Amounts due to minority shareholders of a subsidiary	900	900	900
Amounts due to directors	3,073	3,073	3,073
Convertible loan note	9,581	9,581	8,760
Bank and other borrowings			
- fixed rate	6,003	6,003	5,868
- variable rate	11,096	11,096	11,000
	<u>95,387</u>	<u>95,387</u>	<u>94,272</u>

As at 31 December 2009

	Within 1 year or on demand <i>RMB'000</i>	Total undiscounted cash flows <i>RMB'000</i>	Carrying Amount as at 31 December 2009 <i>RMB'000</i>
<i>Non-derivative financial liabilities</i>			
Trade and bills payables	58,868	58,868	58,868
Accruals and other payables			
- interest bearing	1,025	1,025	1,000
- non-interest bearing	42,136	42,136	42,136
Dividend payables	2,942	2,942	2,942
Amount due to a shareholder	1,519	1,519	1,519
Amounts due to directors	7,447	7,447	7,447
Convertible loan note	9,581	9,581	8,581
Bank and other borrowings			
- fixed rate	4,210	4,210	4,000
- variable rate	21,168	21,168	20,000
	<u>148,896</u>	<u>148,896</u>	<u>146,493</u>

## (c) Fair value

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

- the fair value of financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions; and
- the fair value of the option of convertible loan note is estimated using option pricing model.

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

Fair value measurements recognised in the statements of financial position

The Amendments to HKFRS7 "Financial instruments : Disclosures" required disclosure 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).

As at 31 December 2007, the Group did not have any assets or liabilities that were measured at fair value. As at 31 December 2008 and 2009, the only financial instrument measured at fair value is being the convertible loan note which belongs to level 3 financial instruments.

Reconciliation of Level 3 fair value measurements of financial liabilities:

	<b>Convertible loan note</b>	
	<b>2008</b>	<b>2009</b>
	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January	—	8,760
Total gains or losses:		
- in profit or loss	(104)	(179)
Issue	8,864	—
At 31 December	<u>8,760</u>	<u>8,581</u>

There were no transfer into or out of level 3 during the Track Record Period.

**7. 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.

**8. SEGMENT REPORTING**

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the Group's chief operating decision maker in order to allocate resources to the segment and to assess its performance. The chief operating decision maker of the Group has been identified as the Chief Executive Officer. The Group determines its operating segments based on the internal reports reviewed by the Chief Executive Officer that are used to make strategic decisions.

The Group currently organises its operations into three reportable segments, namely direct current power system ("DC Power System"), distribution of plug and switch system ("PASS") products and other segments which are power grid 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 line 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

All other segments - Sales of power grid monitoring and management equipment, charging equipment for electric vehicles, wind and solar power generation balancing control products and high-power LED lighting products

- (a) The following is an analysis of the Group's revenue and the results by operating segments for the Track Record Period:

	<b>Year ended 31 December 2007</b>			
	<b>DC Power System</b>	<b>PASS products</b>	<b>All Other Segments</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Reportable segment revenue	<u>127,002</u>	<u>7,338</u>	<u>10,064</u>	<u>144,404</u>
Reportable segment results	40,544	2,309	4,812	47,665
Depreciation and amortisation	930	94	73	1,097
Additions to property, plant and equipment and intangible assets	2,651	1,200	411	4,262
Reportable segment assets	131,702	4,318	4,388	140,408

	<b>Year ended 31 December 2008</b>			
	<b>DC Power System</b>	<b>PASS products</b>	<b>All Other Segments</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Reportable segment revenue	<u>132,317</u>	<u>20,781</u>	<u>22,240</u>	<u>175,338</u>
Reportable segment results	44,223	7,444	7,470	59,137
Depreciation and amortisation	981	273	82	1,336
Additions to property, plant and equipment	212	565	239	1,016
Reportable segment assets	143,122	5,805	23,374	172,301

	<b>Year ended 31 December 2009</b>			
	<b>DC Power System</b>	<b>PASS products</b>	<b>All Other Segments</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Reportable segment revenue	<u>130,840</u>	<u>45,466</u>	<u>40,146</u>	<u>216,452</u>
Reportable segment results	48,826	11,611	18,571	79,008
Depreciation and amortisation	1,291	215	271	1,777
Additions to property, plant and equipment	962	985	304	2,251
Reportable segment assets	166,031	47,937	38,325	252,293

(b) Reconciliation of reportable segment profit or loss and assets:

	<b>2007</b>	<b>2008</b>	<b>2009</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Profit</b>			
Reportable segment profit derived from the Group's external customers	47,665	59,137	79,008
Other income	7,082	10,067	7,582
Negative goodwill	—	—	830
Unallocated head office and corporate expenses (note)	<u>(14,412)</u>	<u>(24,088)</u>	<u>(27,765)</u>
Combined profit before taxation	<u>40,335</u>	<u>45,116</u>	<u>59,655</u>

*Note:* Depreciation of RMB599,000, RMB652,000 and RMB450,000 are included in unallocated head office and corporate expense for each of the three years ended 31 December 2009 respectively.

Additions to non-current assets of RMB29,000, RMB181,000 and RMB485,000 are included in unallocated head office for each of the three years ended 31 December 2009 respectively.

Interest income of RMB292,000, RMB289,000 and RMB132,000 are included in other income for each of the three years ended 31 December 2009 respectively.

The accounting policies of the reportable segments as the same as the Group's accounting policies described in note 3. This is the measure reported to the Chief Executive Officer for the purpose of resource allocation and performance assessment.

	<b>2007</b>	<b>2008</b>	<b>2009</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Assets</b>			
Reportable segment assets	140,408	172,301	252,293
Property, plant and equipment	3,210	3,012	2,647
Prepayments, deposits and other receivables	10,768	10,681	8,800
Amounts due from related companies	168	—	—
Amounts due from shareholders	2	190	202
Restricted bank balances	10,352	13,516	15,667
Bank balances and cash	<u>23,468</u>	<u>27,475</u>	<u>27,081</u>
Combined total assets	<u>188,376</u>	<u>227,175</u>	<u>306,690</u>

#### *Geographical information*

All revenues from external customers and property, plant and equipment are derived from the PRC, where the Group's place of domicile.

#### *Major Customers*

The Group's customer base includes one, one and two customers with whom transactions have exceeded 10% of the Group's revenues during the years ended 31 December 2007, 2008 and 2009 respectively. During the years ended 31 December 2007 and 2008 and 2009, sales from these customers amounted to RMB17,367,000, RMB19,925,000 and RMB66,100,000 respectively.

*Revenue from major products*

The following is an analysis of the Group's revenue from continuing operation from its major products:

	<b>2007</b>	<b>2008</b>	<b>2009</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Electrical DC product series	127,002	132,317	130,840
Power monitoring and management equipment	4,030	7,484	16,231
Charging equipment for electric vehicles	—	4,565	15,157
Wind and solar power generating balancing control products	6,034	7,010	—
High-power LED lighting products	—	3,181	8,758
PASS products	<u>7,338</u>	<u>20,781</u>	<u>45,466</u>
	<u>144,404</u>	<u>175,338</u>	<u>216,452</u>

**9. OTHER REVENUE**

	<b>2007</b>	<b>2008</b>	<b>2009</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Value added tax ("VAT") refunds (note a)	5,833	8,925	5,749
Government grants (note b)	300	820	893
Net proceeds from sales of raw materials	325	116	13
Repairs and maintenance services provided	46	46	6
Interest income			
- from bank balances	274	289	132
- from directors	18	—	—
Rental income (note c)	102	105	32
Consultancy services income	130	15	747
Gain on disposal of property, plant and equipment	—	39	—
Other income	<u>54</u>	<u>252</u>	<u>10</u>
	<u>7,082</u>	<u>10,607</u>	<u>7,582</u>

*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 City Science and Technology Bureau and Zhuhai City Department of Finance during the Track Record Period for the research and development work performed by Titans Technology in the improvement of the power grid electricity quality.
- c) Rental income is net of outgoings of RMB23,000, RMB22,000 and RMB14,000 for each of the three years ended 31 December 2009 respectively.

## 10. FINANCE COSTS

	<b>2007</b>	<b>2008</b>	<b>2009</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Interest on:			
Bank and other borrowings wholly repayable within five years	893	1,147	1,260
Advances from staff	166	132	56
Amount due to a shareholder	19	11	28
Discounted bills	<u>48</u>	<u>—</u>	<u>42</u>
	<u>1,126</u>	<u>1,290</u>	<u>1,386</u>

## 11. TAXATION

	<b>2007</b>	<b>2008</b>	<b>2009</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current tax:			
PRC Corporate Income Tax	<u>5,916</u>	<u>6,416</u>	<u>6,431</u>

No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from, Hong Kong during the Track Record Period.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

On 16 March 2007, the PRC promulgated the Law of the PRC on Corporate Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulation of the New Law. Under the New Law and Implementation Regulation, the Corporate Income Tax rate of the Group's subsidiaries in the PRC was increased from 15% to 25% progressively from 1 January 2008 onwards. The relevant tax rates for the Group's subsidiaries in the PRC range from 15% to 25% for the years ended 31 December 2008 and 2009.

Titans Automatic, Titans Technology and 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 for the year ended 31 December 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 years ended 31 December 2008 and 2009.

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. No provision for PRC income tax has been made in the combined statements of financial position as the PRC subsidiary was exempted from PRC income tax during the years ended 31 December 2008 and 2009.

Pursuant to the rules and regulations of the British Virgin Islands, the Group is not subject to any tax in the British Virgin Islands.

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

	<b>2007</b>	<b>2008</b>	<b>2009</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Profit before taxation	<u>40,335</u>	<u>45,116</u>	<u>59,655</u>
Tax at the applicable income tax rate of 15%	6,050	6,767	8,948
Tax effect of expenses not deductible for tax purpose	358	913	1,075
Tax effect of income not taxable for tax purpose (Note)	(879)	(1,355)	(987)
Tax effect of tax losses not recognised	23	220	226
Effect of tax exemption granted	—	(602)	(3,432)
Other temporary differences not recognised	364	496	449
Tax effect of different tax rates of subsidiaries	—	—	152
Utilisation of tax losses previously not recognised	<u>—</u>	<u>(23)</u>	<u>—</u>
Taxation for the year	<u>5,916</u>	<u>6,416</u>	<u>6,431</u>

*Note:* Income not taxable for tax purposes mainly consisted of negative goodwill and VAT refunds.

Details of deferred taxation are set out in note 36.

## 12. PROFIT FOR THE YEAR

	2007	2008	2009
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the year has been arrived at after charging (crediting):			
Staff costs			
Directors' emoluments (note 13)	271	439	466
Other staff			
- salaries and other allowances	10,781	13,720	11,388
- retirement benefits scheme contributions (excluding directors)	<u>485</u>	<u>630</u>	<u>670</u>
Total staff costs	<u>11,537</u>	<u>14,789</u>	<u>12,524</u>
Depreciation of property, plant and equipment	1,529	1,611	1,850
Amortisation of intangible assets	167	377	377
Auditor's remuneration	582	578	746
Research and development costs	4,491	8,041	9,156
Operating lease rentals in respect of rented premises	57	179	278
Loss on disposal of property, plant and equipment	21	—	2
Allowance for trade receivables (included in administrative expenses)	2,412	3,172	2,939
Allowance for other receivables (included in administrative expenses)	39	177	57
Allowance for inventories (included in cost of sales)	129	—	—
Written off of goodwill from acquisition of additional interest in a subsidiary	85	—	—
Cost of inventories recognised as an expense	<u>74,241</u>	<u>95,990</u>	<u>114,825</u>

## 13. DIRECTORS' EMOLUMENTS AND EMPLOYEES' EMOLUMENTS

## (a) Directors' emoluments

	2007 <i>RMB'000</i>	2008 <i>RMB'000</i>	2009 <i>RMB'000</i>
Fees	—	—	—
Other emoluments			
- Salaries and other benefits	245	409	437
- Retirement benefits scheme contributions	26	30	29
Total emoluments	<u>271</u>	<u>439</u>	<u>466</u>

Details of emoluments of directors during the Track Record Period are analysed as follows:

	2007 <i>RMB'000</i>	2008 <i>RMB'000</i>	2009 <i>RMB'000</i>
<b>Salaries and other benefits</b>			
<i>Executive directors:</i>			
Li Xin Qing	122	212	226
An Wei	123	197	211
<i>Independent non-executive director:</i>			
Li Wan Jun	—	—	—
Li Xiao Hui	—	—	—
Yu Zhuo Ping	—	—	—
Wang Guang Tian (resigned with effect from 17 September 2009)	—	—	—
Jiang Jiu Chun (resigned with effect from 17 September 2009)	—	—	—
Total	<u>245</u>	<u>409</u>	<u>437</u>

	2007	2008	2009
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Retirement benefits scheme contributions</b>			
<i>Executive directors:</i>			
Li Xin Qing	13	15	15
An Wei	13	15	14
<i>Independent non-executive director:</i>			
Li Wan Jun	—	—	—
Li Xiao Hui	—	—	—
Yu Zhuo Ping	—	—	—
Wang Guang Tian (resigned with effect from 17 September 2009)	—	—	—
Jiang Jiu Chun (resigned with effect from 17 September 2009)	—	—	—
Total	<u>26</u>	<u>30</u>	<u>29</u>

(b) **Employees' emoluments**

Of the five individuals with the highest emoluments in the Group, two were directors of the Company for each of the three years ended 31 December 2009. The emoluments of these directors are included in the disclosures in note 13(a) above. The emoluments of the remaining three individuals, which were individually below HK\$1,000,000, were as follows:

	2007	2008	2009
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Salaries and other benefits	292	439	455
Retirement benefits scheme contributions	<u>36</u>	<u>52</u>	<u>44</u>
	<u>328</u>	<u>491</u>	<u>499</u>

During the Track Record Period, no emoluments were paid or payable by the Group to the directors or the five highest paid individuals as a discretionary bonus or as inducements to join or upon joining the Group or as a compensation for loss of office. None of the directors waived any emoluments during the Track Record Period.

**14. DIVIDENDS**

No dividends have been paid or declared by the Company since its date of incorporation. However, during the Track Record Period, Titans HK and Titans BVI had distributed dividends for each of the three years ended 31 December 2009 to its then owners prior to the Corporate Reorganisation.

The rates of dividends and the number of shares ranking for dividends are not presented as such information is not considered meaningful having regard to the purpose of this report.

**15. EARNINGS PER SHARE**

The calculation of basic earnings per share is based on the profit attributable to owners of the Company for the Track Record Period and the weighted average number of ordinary shares in issue during the Track Record Period on the assumption that 600,000,000 shares of HK\$0.01 each, representing the number of shares of the Company immediately after the Corporate Reorganisation and the capitalisation issue as detailed in Appendix V to the Prospectus but excluding any share to be issued pursuant to the public offering had been effective on 1 January 2007 and adjusted for the effect of the shares to be issued upon conversion of convertible loan note.

	<b>2007</b>	<b>2008</b>	<b>2009</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Profit attributable to owners of the Company	34,155	38,812	54,106
Effect of dilutive potential ordinary shares:			
Fair value change on convertible loan note	<u>—</u>	<u>104</u>	<u>179</u>
Earnings for the purpose of diluted earnings per share	<u>34,155</u>	<u>38,708</u>	<u>53,927</u>
Weighted average number of ordinary shares in issue	580,240,000	580,240,000	580,240,000
Effect of dilutive potential ordinary shares:			
Convertible loan note	<u>—</u>	<u>539,891</u>	<u>19,760,000</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>580,240,000</u>	<u>580,779,891</u>	<u>600,000,000</u>

## 16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings RMB'000	Leasehold improvements RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Plant and machinery RMB'000	Construction in progress RMB'000	Total RMB'000
COST							
At 1 January 2007	14,682	—	2,671	2,393	1,641	953	22,340
Additions	—	226	379	95	55	536	1,291
Transfer	1,489	—	—	—	—	(1,489)	—
Disposals	—	—	(180)	(127)	—	—	(307)
At 31 December 2007	16,171	226	2,870	2,361	1,696	—	23,324
Additions	—	20	312	218	647	—	1,197
Disposals	—	—	(563)	—	(590)	—	(1,153)
At 31 December 2008	16,171	246	2,619	2,579	1,753	—	23,368
Additions	—	148	656	1,374	558	—	2,736
Disposals	—	—	(80)	(158)	(65)	—	(303)
At 31 December 2009	16,171	394	3,195	3,795	2,246	—	25,801
ACCUMULATED DEPRECIATION							
At 1 January 2007	4,854	—	1,691	1,593	538	—	8,676
Provided for the year	800	—	263	207	259	—	1,529
Eliminated on disposals	—	—	(153)	(84)	—	—	(237)
At 31 December 2007	5,654	—	1,801	1,716	797	—	9,968
Provided for the year	848	49	272	175	267	—	1,611
Eliminated on disposals	—	—	(414)	—	(313)	—	(727)
At 31 December 2008	6,502	49	1,659	1,891	751	—	10,852
Provided for the year	855	49	275	306	365	—	1,850
Eliminated on disposals	—	—	(70)	(132)	(57)	—	(259)
At 31 December 2009	7,357	98	1,864	2,065	1,059	—	12,443
CARRYING VALUES							
31 December 2007	10,517	226	1,069	645	899	—	13,356
31 December 2008	9,669	197	960	688	1,002	—	12,516
31 December 2009	8,814	296	1,331	1,730	1,187	—	13,358

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, other than construction in progress, 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%
Furniture, fixtures and equipment	18%
Motor vehicles	18%
Plant and machinery	18%

As at 31 December 2007, 2008 and 2009, the Group has pledged its leasehold land and buildings with carrying values of approximately RMB10,109,000, RMB9,303,000 and RMB8,489,000 respectively to secure general banking facilities granted to the Group.

#### 17. INTANGIBLE ASSETS

	<b>Technical know-how</b>		
	<b>2007</b>	<b>2008</b>	<b>2009</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>COST</b>			
At beginning of the year	—	3,000	3,000
Additions	<u>3,000</u>	<u>—</u>	<u>—</u>
At end of the year	<u>3,000</u>	<u>3,000</u>	<u>3,000</u>
<b>AMORTISATION</b>			
At beginning of the year	—	167	544
Charge for the year	<u>167</u>	<u>377</u>	<u>377</u>
At end of the year	<u>167</u>	<u>544</u>	<u>921</u>
<b>CARRYING VALUES</b>	<u><u>2,833</u></u>	<u><u>2,456</u></u>	<u><u>2,079</u></u>

In 2007, the Group acquired technical know-how of RMB3,000,000 from an independent third party, of which RMB1,800,000 represented technical know-how in relation to DC Power System and power dedicated uninterruptible power supply, and RMB1,200,000 represented technical know-how in relation to power grid monitoring and management equipment and PASS products.

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 seven to ten years period, and discount rate of 7.47%, 7.58% and 6.08% for the three years ended 31 December 2007, 2008 and 2009 respectively. 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.

**18. INVENTORIES**

	<b>2007</b>	<b>2008</b>	<b>2009</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At cost			
Raw materials	5,575	5,070	3,704
Work-in-progress	3,945	3,481	3,360
Finished goods	<u>9,405</u>	<u>10,728</u>	<u>4,857</u>
	<u>18,925</u>	<u>19,279</u>	<u>11,921</u>

**19. TRADE AND BILLS RECEIVABLES**

	<b>2007</b>	<b>2008</b>	<b>2009</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	111,137	145,062	232,088
Less: allowance for trade receivables	<u>(5,039)</u>	<u>(8,211)</u>	<u>(11,150)</u>
	106,098	136,851	220,938
Discounted bills receivables	—	—	1,000
Bills receivables	<u>1,000</u>	<u>150</u>	<u>—</u>
Total trade and bills receivables	<u>107,098</u>	<u>137,001</u>	<u>221,938</u>

Included in the balances of trade receivables as at 31 December 2007, 2008 and 2009 were retention receivables of approximately RMB20,855,000, RMB21,948,000 and RMB25,877,000 respectively.

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

	<b>2007</b>	<b>2008</b>	<b>2009</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
0 - 90 days	57,656	58,182	116,558
91 - 180 days	21,709	36,495	39,883
181 - 365 days	14,338	18,311	45,661
1 - 2 years	10,818	22,055	15,716
2 - 3 years	1,290	962	2,635
Over 3 years	<u>287</u>	<u>846</u>	<u>485</u>
	<u>106,098</u>	<u>136,851</u>	<u>220,938</u>

All of the bills receivables are aged within 90 days.

The Group allows an average credit period of 30 - 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 each 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 reporting date. 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 periods.

As at 31 December 2007, 2008 and 2009, included in the Group's trade receivable balances were receivables with aggregate carrying amounts of approximately RMB41,594,000, RMB69,963,000 and RMB81,243,000 respectively which are past due as at the reporting date 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:

	<b>2007</b>	<b>2008</b>	<b>2009</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Duration of past due</b>			
0 - 90 days	19,312	33,095	21,703
91 - 180 days	5,053	6,503	15,632
181 - 365 days	10,353	17,530	26,538
1 - 2 years	5,299	11,027	13,881
2 - 3 years	1,290	962	3,004
Over 3 years	<u>287</u>	<u>846</u>	<u>485</u>
	41,594	69,963	81,243
Neither past due nor impaired	<u>64,504</u>	<u>66,888</u>	<u>139,695</u>
	<u>106,098</u>	<u>136,851</u>	<u>220,938</u>

## Movement in the allowance for trade receivables:

	<b>2007</b>	<b>2008</b>	<b>2009</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Balance at beginning of the year	2,627	5,039	8,211
Impairment loss recognised on trade receivables	<u>2,412</u>	<u>3,172</u>	<u>2,939</u>
Balance at end of the year	<u>5,039</u>	<u>8,211</u>	<u>11,150</u>

As at 31 December 2007, 2008 and 2009, included in the allowance for trade receivables are individually impaired trade receivables with aggregate balances of approximately RMB5,039,000, RMB8,211,000 and RMB11,150,000 respectively which have been placed in severe financial difficulties. The Group does not hold any collateral over these balances.

## 20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	<b>2007</b>	<b>2008</b>	<b>2009</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Other receivables	3,929	8,741	4,086
Less: allowance for other receivables	<u>(64)</u>	<u>(199)</u>	<u>(256)</u>
	3,865	8,542	3,830
Prepayments to suppliers	1,406	4,061	2,570
Deposits	2,003	2,066	2,355
Prepayments	<u>4,900</u>	<u>73</u>	<u>5,689</u>
	<u>12,174</u>	<u>14,742</u>	<u>14,444</u>

Included in the deposits, RMB2,000,000, RMB2,000,000 and RMB2,300,000 were pledged to an independent third party as the security for the guarantee given by the third party to a bank for credit facilities granted to the Group. Details of the pledge of assets are set out in note 38.

**Movement in the allowance for other receivables:**

	<b>2007</b>	<b>2008</b>	<b>2009</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Balance at beginning of year	46	64	199
Impairment loss recognised on other receivables	39	177	57
Amounts written off as uncollectible	<u>(21)</u>	<u>(42)</u>	<u>—</u>
Balance at end of the year	<u>64</u>	<u>199</u>	<u>256</u>

As at 31 December 2007, 2008 and 2009, included in the allowance for other receivables are individually impaired other receivables with aggregate balances of approximately RMB64,000, RMB199,000 and RMB256,000 respectively which have been assessed as highly probable for non-repayment.

**21. AMOUNTS DUE FROM RELATED COMPANIES/DIRECTORS**

Name of related company	<b>Maximum amount outstanding during the year</b>					
	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Zhuhai Titans Software System Company Limited ("Titans Software") <sup>1</sup>	—	—	—	69	—	—
Zhuhai Titans Energy Electronics Technology Company Limited ("Titans Energy") <sup>2</sup>	<u>168</u>	<u>—</u>	<u>—</u>	<u>168</u>	<u>168</u>	<u>—</u>
	<u>168</u>	<u>—</u>	<u>—</u>			
<b>Name of directors</b>						
Mr. Li Xin Qing	—	—	—	—	—	105
Mr. An Wei	<u>—</u>	<u>—</u>	<u>—</u>	<u>619</u>	<u>—</u>	<u>—</u>

<sup>1</sup> Mr. An Wei and Mr. Li Xin Qing, directors of the Company, were directors of Titans Software and ceased to be the directors of Titans Software on 3 June 2005 and 11 November 2009 respectively.

<sup>2</sup> Both Mr. Li Xin Qing and Mr. An Wei were the directors of the Company and Titans Energy and both of them ceased to be the directors of Titans Energy on 30 September 2008.

*Notes:*

- (i) Amount due from Titans Software mainly represented by the rental receivable and expenses paid on behalf of Titans Software. The amount had been settled during the year ended 31 December 2007.
- (ii) Amount due from Titans Energy mainly represented accounts receivable and expenses paid on behalf of Titans Energy. The amount had been settled during the year ended 31 December 2008.

The amounts due from related companies are unsecured, interest-free and repayable on demand.

The amounts due from directors were unsecured, repayable on demand and interest was charged at 6.138% per annum.

The amounts were fully settled on during the year ended 31 December 2009.

## 22. AMOUNTS DUE FROM SHAREHOLDERS

The amounts mainly represented an amount due from Mr. Li Xiao Bin arising from the business travelling for the year ended 31 December 2008 and purchase of motor vehicle for the year ended 31 December 2009.

The amounts are unsecured, interest-free and repayable on demand.

## 23. AMOUNT DUE FROM A SUBSIDIARY

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

## 24. RESTRICTED BANK BALANCES/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 each of the three years ended 31 December 2009, the balances carried interest at average market rates of 1.44%, 0.54% and 0.36% per annum respectively and will be released upon the completion of the respective transactions.

Bank balances carried interest at market rates of 1.44%, 0.54% and 0.36% per annum for the years ended 31 December 2007, 2008 and 2009 respectively.

## 25. TRADE AND BILLS PAYABLES

	<b>2007</b>	<b>2008</b>	<b>2009</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	26,240	29,710	29,355
Bills payables	<u>7,510</u>	<u>8,835</u>	<u>29,513</u>
Total trade and bills payables	<u><u>33,750</u></u>	<u><u>38,545</u></u>	<u><u>58,868</u></u>

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

	<b>2007</b>	<b>2008</b>	<b>2009</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
0 - 90 days	23,993	18,894	25,064
91 - 180 days	1,162	8,925	746
181 - 365 days	398	1,066	2,719
1 - 2 years	205	303	751
Over 2 years	<u>482</u>	<u>522</u>	<u>75</u>
	<u>26,240</u>	<u>29,710</u>	<u>29,355</u>

The average credit period on purchases of goods is 90 - 180 days. The Group has financial risk management policy in place to ensure that all payables within the credit timeframe.

#### 26. ACCRUALS AND OTHER PAYABLES

	<b>2007</b>	<b>2008</b>	<b>2009</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Accrued expenses	8,710	9,081	10,453
Advances from staff	21	112	—
Advances from third parties	5,136	2,400	1,000
Payroll and welfare payables	2,189	2,100	2,556
VAT payables	6,176	8,894	25,610
Other payables	<u>1,970</u>	<u>3,389</u>	<u>3,517</u>
	<u>24,202</u>	<u>25,976</u>	<u>43,136</u>

Advances from staff and third parties (being acquaintance of the directors) were obtained for expansion and general working capital purpose. The advances are charged at 2.5% per annum. The advances are unsecured and repayable on demand.

#### 27. AMOUNT DUE TO A SHAREHOLDER

The amount represented advance from a shareholder, Ms. Ou Yang Fen. The amount is unsecured, charged interest at 2.5% per annum and repayable on demand.

The amount was fully settled in January 2010.

#### 28. AMOUNTS DUE TO MINORITY SHAREHOLDERS OF A SUBSIDIARY

The amount represented the advance from the minority shareholders of Titans Technology including Mr. Liu Yonglong, Zhuhai Liheng Financial Consultancy Company Limited, Hebei Kangtai Investments Co., Ltd., Guangxi Zhong Shan Jinyi Group Co., Ltd. and Ningxia Junxin Enterprise Investments Co., Ltd. The amounts are unsecured, interest-free and repayable on demand.

The amounts have been fully settled during the year ended 31 December 2009.

**29. AMOUNTS DUE TO RELATED COMPANIES**

The amounts represented payables to its related companies, Titan Software at 31 December 2007, for the purchase of finished goods. The amounts had been fully settled during the year ended 31 December 2008.

**30. AMOUNTS DUE TO DIRECTORS**

The amounts are interest-free, unsecured and repayable on demand.

The amounts mainly represented fund advanced to Titans HK for the capital contribution in the registered capital of Titans Automatic upon the establishment in July 2005.

As confirmed by the directors of the Company, the amounts will be/have been settled before listing of the Company's shares.

**31. BANK AND OTHER BORROWINGS**

	<b>2007</b>	<b>2008</b>	<b>2009</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Bank loans, secured	6,000	12,868	8,000
Bank loans, unsecured	3,000	4,000	13,000
Other borrowing, unsecured	3,000	—	3,000
	<u>12,000</u>	<u>16,868</u>	<u>24,000</u>
Carrying amounts repayable:			
Within one year, shown under current liabilities	<u>12,000</u>	<u>16,868</u>	<u>24,000</u>

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 loan ranges from 7.03% to 8.47%, 6.05% to 8.96% and 5.83% to 7.34% per annum for the years ended 31 December 2007, 2008 and 2009 respectively.

During the year ended 31 December 2007, the Group entered into entrustment loan agreement with 珠海金環宇儀器儀表有限公司 (Zhuhai Jinhuan Yu Apparatus Meters Company Limited) ("Zhuhai Jinhuan Yu"), a company owned by Mr. Lu Liang Peng, a former shareholder of a subsidiary of the Company. Pursuant to the loan agreement, Zhuhai Jinhuan Yu agreed to provide principal amount of RMB3,000,000 as at 31 December 2007, to Titans Technology.

During the year ended 31 December 2009, the Group entered into entrustment loan agreement with Titans Energy. Pursuant to the loan agreement, Titans Energy agreed to provide principal amount of RMB3,000,000 at fixed interest rate 7% per annum as at 31 December 2009, to Titans Technology.

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

	<b>2007</b>	<b>2008</b>	<b>2009</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Fixed rate borrowings	6,000	5,868	4,000
Variable rate borrowings	<u>6,000</u>	<u>11,000</u>	<u>20,000</u>
	<u>12,000</u>	<u>16,868</u>	<u>24,000</u>

The above bank and other borrowings are all denominated in RMB and hence no foreign currency risk exposure.

### 32. 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 Note carries 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 carries the same terms.

The term of conversion based on the securities holders agreement are 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 Note together with interest accrued thereon up to the Maturity Date.

The convertible 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, whose address is Suites 11-18, 31/F., 6-8 Harbour Road, Wanchai, Hong Kong on the date of issue, 31 December 2008 and 2009. The changes in fair value of the convertible note of approximately RMB104,000 and RMB179,000 have been recognised in the combined statements of comprehensive income for the years ended 31 December 2008 and 2009 respectively.

The assumptions adopted for the valuation of the convertible note are as follow:

- (1) The estimation of risk free rate has made reference to the yield of Exchange Fund Notes with same duration as the convertible note;
- (2) The estimation of volatility for the underlying share price has considered the historical price movements of those companies engaged in relatively to similar industry;

(3) The discount for lack of marketability for lock up periods and unsuccessfully listing is approximately 25% - 50%.

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

	<b>2008</b>	<b>2009</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Expected value of the shares on the valuation date	2,279	2,572
Price-to-earning ratio	9.05	15
Risk-free rate	0.25%	0.16%
Credit spread	2.63%	0.66%

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

	<b>2008</b>	<b>2009</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Carrying amount at the beginning of the year	—	8,760
Issued during the year	8,864	—
Fair value change in profit and loss	<u>(104)</u>	<u>(179)</u>
Carrying amount at the end of the year	<u><u>8,760</u></u>	<u><u>8,581</u></u>

### 33. SHARE CAPITAL

For the purpose of this report, the issued share capital in the combined statement of financial position as at 1 January 2007 represented the issued share capital of Titans HK which was the former holding company of the Group prior to the Corporate Reorganisation.

The share capital at 31 December 2007, 31 December 2008 and 31 December 2009 represented the paid-in capital of Titans BVI and the Company.

The Company was incorporated on 16 November 2007 with an authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each.

On 16 November 2007, 100,000 shares of HK\$0.01 each were allotted and issued credited as fully paid at par.

Pursuant to a board resolution dated 8 May 2010, the authorised share capital of the Company was increased from HK\$380,000 to HK\$100,000,000 by creation of an additional of 9,962,000,000 shares of HK\$0.01 each in the capital of the Company.

**34. RESERVES****(i) Merger reserve**

On 10 August 2005, Titans Automatic entered into an equity transfer agreement with 珠海泰坦集團有限公司 (Zhuhai Titans Group Company Limited) ("Titans Group") pursuant to which Titans Group transferred its 60% equity interests of Titans Technology to Titans Automatic at a consideration of RMB26,400,000. This business combination was accounted for by the Group using merger method and RMB8,628,000 was recognised in merger reserve.

Pursuant to a memorandum entered into between the same parties on 20 December 2005 and according to the legal opinion prepared by the Company's PRC legal advisors, Commerce & Finance Law Offices, the record date of the transfer of 60% equity interests in Titans Technology shall be 1 January 2005.

**(ii) Exchange translation reserve**

The exchange translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations outside the PRC which are dealt with in accordance with the accounting policies in note 3.

**(iii) Capital reserve**

On 1 January 2005, the Group acquired 9% additional equity interests of Titans Technology from its then minority equity shareholders for RMB3,600,000. The difference between the fair values of the net assets attributable to these additional interests and the carrying values of the underlying assets and liabilities attributable to these additional interests of RMB253,000 was charged directly to capital reserve.

On 1 January 2006, the Group further acquired 30% additional equity interests in Titans Technology and its subsidiary, Zhuhai Clear, which was incorporated on 8 July 2005, for a total consideration of RMB12,000,000. The difference between the fair values of the net assets attributable to these additional interests and the carrying values of the underlying assets and liabilities attributable to these additional interests of RMB1,286,000 was charged directly to capital reserve.

**(iv) Statutory reserve fund**

As stipulated by regulations in the PRC, the Company's subsidiaries established and operated in the PRC are required to appropriate 10% of their after-tax profit (after offsetting prior year losses) as determined in accordance with the PRC accounting rules and regulations, to statutory reserve fund until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of a dividend to equity owners.

**35. ACQUISITION OF ADDITIONAL INTERESTS IN SUBSIDIARIES**

Pursuant to the shares transfer agreement entered into between Titans Technology and several minority shareholders of Zhuhai Clear on 2 August 2007, Titans Technology further acquired 35% additional equity interests of Zhuhai Clear at a consideration of RMB1,050,000 which is equivalent to 35% of the registered capital (RMB3,000,000) of Zhuhai Clear. The resulted goodwill amounted to RMB85,000 was written off to the combined statements of comprehensive income immediately after the acquisition.

Pursuant to the share transfer agreement entered into between Shijiazhuang Titans and minority shareholders of Titans Technology on 26 July 2009, Shijiazhuang Titans further acquired 1% additional equity interest of Titans Technology at a consideration of RMB400,000 which is equivalent to 1% of the registered capital of Titans Technology. The consideration payable is included in other payables as at 31 December 2009. The resulted negative goodwill of RMB830,000 was recognised in the combined statements of comprehensive income.

### 36. DEFERRED TAXATION

The following are the major deferred tax assets not recognised and movement thereof during the Track Record Period:

	<b>Allowance for doubtful debt</b>	<b>Tax losses</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2007	401	—	401
Charged to profit or loss (Note 11)	<u>364</u>	<u>23</u>	<u>387</u>
At 31 December 2007	765	23	788
Charged to profit or loss (Note 11)	<u>496</u>	<u>197</u>	<u>693</u>
At 31 December 2008	1,261	220	1,481
Charged to profit or loss (Note 11)	<u>449</u>	<u>226</u>	<u>675</u>
At 31 December 2009	<u>1,710</u>	<u>446</u>	<u>2,156</u>

The Group had unused tax losses of approximately RMB157,000, RMB1,469,000 and RMB2,973,000 as at 31 December 2007, 2008 and 2009 respectively, available for offset against future profits. No deferred tax asset has been recognised due to unpredictability of future profits streams. All of the tax losses will expire five years from the year of origination.

The Group had deductible temporary differences of approximately RMB5,103,000, RMB8,410,000 and RMB11,406,000 as at 31 December 2007, 2008 and 2009 respectively. No deferred tax assets has been recognised due to the unpredictability of future profit streams will be available against which the deductible temporary differences can be utilised.

### 37. OPERATING LEASES

#### The Group as a lessor

Property rental income earned during the years ended 31 December 2007, 2008 and 2009 was RMB102,000, RMB105,000 and RMB32,000 respectively. All of the properties held have committed tenants for the next one year.

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

	<b>2007</b>	<b>2008</b>	<b>2009</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	<u>42</u>	<u>28</u>	<u>39</u>

**The Group as a lessee**

At the end of each reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follow:

	2007	2008	2009
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	89	40	639
In the second to fifth year inclusive	<u>—</u>	<u>—</u>	<u>793</u>
	<u>89</u>	<u>40</u>	<u>1,432</u>

Operating lease payments represent rentals payable by the Group for certain of its offices and workshops. Leases are negotiated for an average of two years and rentals are fixed for an average of one year for the years ended 31 December 2007, 2008 and 2009.

**38. PLEDGE OF ASSETS**

As detailed in note 16, the Group's leasehold land and buildings of carrying values of approximately RMB10,109,000, RMB9,303,000 and RMB8,489,000 as at 31 December 2007, 2008 and 2009 respectively were pledged to secure bank borrowings and other facilities.

Pursuant to an agreement entered into between Titans Automatic and 珠海南航融資擔保有限公司 (Zhuhai Nanhang Finance and Guarantee Company Limited) ("Nanhang") on 23 March 2006, Titans Automatic pledged its 51% equity interests in Titans Technology to Nanhang as security for its guarantee given to a bank for credit facilities of RMB8,000,000 granted to Titans Technology. The carrying values of 51% of Titans Technology amounted to approximately RMB33,000,000 as at 31 December 2006 and, at that date, the facilities obtained had been fully utilised. In addition, the Group also pledged a refundable deposit of RMB1,600,000 with Nanhang for this purpose. The pledges were released on 24 May 2007 upon termination of the agreement.

Pursuant to an agreement entered into between Titans Automatic and 珠海江山投資擔保有限公司 (Zhuhai Jiangshan Investment and Guarantee Company Limited) ("Jiangshan") on 15 March 2007, Titans Automatic pledged its 99% equity interests in Titans Technology to Jiangshan as security for the guarantee given to a bank for credit facilities of RMB10,000,000 granted to Titans Technology. The carrying values of 99% of Titans Technology amounted to approximately RMB95,251,000 as at 31 December 2007 and, at that date, approximately RMB4,988,000 of the facilities granted were utilised. In addition, the Group also pledged a refundable deposit of RMB2,000,000 with Jiangshan for this purpose. The pledges were released on 24 May 2007 upon termination of the agreement.

Pursuant to an agreement entered into between Titans Automatic and Jiangshan on 16 July 2008, Titans Automatic pledged its 99% equity interests in Titans Technology to Jiangshan as security for its guarantee given to a bank for credit facilities of RMB10,000,000 granted to Titans Technology. The carrying values of 99% of Titans Technology amounted to approximately RMB122,226,000 as at 31 December 2008 and, at that date, approximately RMB7,759,000 of the facilities granted were utilised. In addition, the Group also pledged a refundable deposit of RMB2,000,000 with Jiangshan for this purpose. As confirmed by the directors of the Company, the facilities utilised will be repaid and the facilities, and therefore all the assets pledged, will be released upon the listing of the Company's shares on the Main Board of the Stock Exchange.

Pursuant to an agreement entered into between Titans Automatic and Jiangshan on 3 September 2009, Titans Automatic pledged its 99% equity interests in Titans Technology to Jiangshan as security for its guarantee given to a bank for credit facilities of RMB9,000,000 granted to Titans Technology. The carrying values of 99% of Titans Technology amounted to

approximately RMB139,267,000 as at 31 December 2009 and, at that date, approximately RMB5,909,000 of the facilities granted were utilised. In addition, the Group also pledged a refundable deposit of RMB1,800,000 with Jiangshan for this purpose. Moreover, 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 6 February 2009, Titans Technology pledged at least RMB4,000,000 trade receivable and a refundable deposit of RMB500,000 as security 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. As confirmed by the directors of the Company, the facilities utilised will be repaid and the facilities, and therefore all the assets pledged, will be released upon the listing of the Company's shares on the Main Board of the Stock Exchange.

### 39. RETIREMENT BENEFITS SCHEMES

The employees of the PRC subsidiaries are members of the state-managed retirement benefits schemes (the "Schemes") operated by the PRC government. The PRC subsidiaries are required to contribute 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 Track Record Period are set in note 12.

### 40. RELATED PARTY TRANSACTIONS

During the Track Record Period, the Group had entered into the following transactions with related parties.

#### (a) Continuing transactions:

	<i>Notes</i>	<b>2007</b> <i>RMB'000</i>	<b>2008</b> <i>RMB'000</i>	<b>2009</b> <i>RMB'000</i>
Sales of goods	(i)	7,154	6,739	595
Sales of software	(ii)	3,060	6,889	4,622
Purchase of finished goods	(iii)	1,310	3,016	3,306
Rental income	(iv)	125	127	46
Rental expenses	(v)	45	160	90

#### *Notes:*

- (i) Power grid monitoring and management systems were sold to Titans Energy (please refer to note 21 for the relationship of Titans Energy with the Group), 廣西鍾山縣金易冶煉有限責任公司 (Guangxi Zhong Shan County Jinyi Metallurgy Co., Ltd.) ("Jinyi Metallurgy") and Shenzhen Liancheng Automatic Technology Co., Ltd. ("Liancheng") on terms mutually agreed between the parties, which were reference to prevailing market prices under the sales agreement. Jinyi Metallurgy is one of subsidiary of 廣西鍾山金易集團有限公司 ("Guangxi Zhong Shan Jinyi Group Co., Ltd."), which a director of Titans Technology has a beneficial interest. Liancheng is a subsidiary of Titans Energy.
- (ii) The software sales were made to Liancheng and Titans Energy on terms mutually agreed with the parties, which were reference to prevailing market prices under the sales agreement.
- (iii) Components of finished goods such as cabinet cases were purchased from Titans Energy and Titans Software on terms mutually agreed between the parties, which were reference to prevailing market prices under the purchase agreement. Please refer to note 21 for the relationship of Titans Software with the Group.

- (iv) Pursuant to the lease agreements entered into between Titans Technology and Titans Software on 31 August 2004, Titans Technology leased certain areas of its leasehold buildings to Titans Software for a period of one year from 1 March 2004 and 1 April 2004 to 28 February 2005 and 31 March 2005 respectively. The lease agreements were renewed for another one year on 11 March 2005 and expired on 28 February 2006 and 31 March 2006 respectively. On 27 March 2006, one of the lease agreements was renewed for another one year and expired on 31 March 2007. On 14 March 2007, the lease agreement was renewed for a period of one year which expired on 31 March 2008. On 30 March 2008, the lease was renewed for a period of one year which expired on 31 March 2009. In January 2009, Titans Software terminated the lease with Titans Technology.

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”), 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 from 1 May 2006 to 30 April 2007 and from 1 November 2006 to 30 October 2007 respectively. One of the lease agreements was renewed for another one year on 31 October 2007 and expired on 31 October 2008. On 13 May 2008, the lease agreement was renewed for another one year and expired on 31 May 2009. On 1 September 2009, the lease agreement was renewed for a period of one year which will be expired on 31 May 2010. On 6 December 2009, the lease agreement was renewed for a period of one year which will be expired on 31 October 2010.

In the opinion of the directors of the Company, the above lease agreements were referenced to the then prevailing market prices.

- (v) Pursuant to the lease agreement entered into between Zhuhai Clear and Jinhuanu on 20 August 2007, Zhuhai Clear leased a property from Jinhuanu as workshop for a period of one year from 20 August 2007 to 19 August 2008. On 5 June 2009, the lease agreement was renewed for one year which expired on 4 June 2010.

In the opinion of the directors of the Company, the above lease agreements were referenced to the then prevailing market prices.

- (vi) The Group has licensed the use of certain of the trademarks registered and owned by the Group to Titans Energy at nil consideration for the period from 1 January 2009 to 30 December 2012.

(b) **Discontinued transactions:**

		2007	2008	2009
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Interest income from directors	(i)	18	—	—
Interest paid to Zhuhai Jinhuanu	(ii)	112	—	—
Interest paid to a shareholder	(iii)	19	11	28

*Notes:*

- (i) The interest was charged at 6.138% per annum on the advances made to Mr. Li Xin Qing and Mr. An Wei. In the opinion of the directors of the Company, the interest was determined by reference to the then prevailing open market bank lending interest rates.
- (ii) The interest was charged at 7.02% per annum for the year ended 31 December 2007 on the entrustment loan from Zhuhai Jinhuanu. In the opinion of the directors of the Company, the interest was determined by reference to the then prevailing open market bank lending interest rates.

(iii) The interest was charged at 2.5% per annum on the amount due to Ms. Ou Yang Fen.

(c) **Balances**

Details of the balances with related parties are set out on the combined statements of financial position and notes 21, 22, 23, 27, 28, 29 and 30 respectively.

Included in other receivables, RMB200,000 were being cash advance to Zhuhai Growth at 31 December 2007. The amount was unsecured, interest-free. The amount was fully repaid during the year ended 31 December 2008.

(d) **Guarantees from directors**

At 31 December 2007, 2008 and 2009, certain banking facilities of the Group were guaranteed by Mr. Li Xin Qing and Mr. An Wei:

	<b>2007</b>	<b>2008</b>	<b>2009</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
To the extent of	<u>18,000</u>	<u>54,000</u>	<u>44,000</u>

The guarantees provided by Mr. Li Xin Qing and Mr. An Wei will be released upon the listing of the Company's shares on the Main Board of the Stock Exchange.

Details of the borrowings of the Company are set out in notes 31.

(e) **Compensation to key management personnel**

The remuneration paid to the directors and other key management personnel of the Group are disclosed in note 13.

The remuneration of directors and key executives is determined by the board of directors of the Company having regard to the performance of individuals and market trends.

**41. CONTINGENT LIABILITIES**

The Group did not have any significant contingent liabilities at the end of each of the Track Record Period.

**(B) DIRECTORS' REMUNERATION**

Save as disclosed herein, no remuneration has been paid or is payable by the Company or any of its subsidiaries to the Company's directors in respect of the Track Record Period.

**(C) SUBSEQUENT EVENTS**

The following significant events took place subsequent to 31 December 2009.

**1. Reorganisation**

The companies comprising the Group underwent a reorganisation to rationalise the Group's structure in preparation for the listing of the Company's shares on the Main Board of The Stock

Exchange of Hong Kong Limited. Details of the Reorganisation are set out in the section headed “Corporate Reorganisation” in Appendix V to the Prospectus. As a result of the Reorganisation, the Company became the holding company of the Group on 8 May 2010.

## **2. Share option scheme**

Pursuant to the written resolutions of the shareholders of the Company passed on 8 May 2010, the Company has conditionally adopted a share option scheme and a Pre-IPO Share Option Scheme. The principal terms of the share option schemes are set out in section headed “Share Option Scheme” and “Pre-IPO Share Option Scheme” respectively in Appendix V to the Prospectus. Up to the date of this report, 23,920,000 options were granted under the Pre-IPO Share Option Scheme to subscribe shares in the Company at 50% of the final offer price to the public, and remained outstanding as at the date of this report.

## **3. Establishment of an associate**

On 8 February 2010, the Group and other independent third parties established an associate (the “Associate”). The Associate will be owned by the Group and other independent third parties as to 45% and 55% respectively. The registered capital of the Associate is RMB30,000,000. The Associate will be principally engaged in sales of the charging products.

## **(D) SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements of the Group, the Company or any of its subsidiaries have been prepared in respect of any period subsequent to 31 December 2009.

Yours faithfully,

**SHINEWING (HK) CPA Limited**

*Certified Public Accountants*

**Chan Wing Kit**

Practising Certificate Number: P03224

Hong Kong

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## **APPENDIX II            UNAUDITED PRO FORMA FINANCIAL INFORMATION**

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For illustrative purpose only, the unaudited pro forma financial information prepared in accordance with Rule 4.29 of the Listing Rules is set out here to provide the investors with further information about how the Share Offer of Shares on the Stock Exchange might have affected the financial position of the Group as at 31 December 2009 as if the Share Offer had occurred on 31 December 2009.

The unaudited pro forma financial information is derived after a number of adjustments. Although reasonable care has been exercised in preparing the said information, prospective investors reading the information should bear in mind that these figures are inherently subject to adjustments and may not give a true picture of the financial position of the Group at 31 December 2009 or at any future date and the actual results of the Group for any future periods.

### **A.    UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS**

#### **(A)   UNAUDITED PRO FORMA STATEMENT OF ADJUSTED COMBINED NET TANGIBLE ASSETS**

The following is the unaudited pro forma statement of adjusted combined net tangible assets (the “Unaudited Pro Forma Financial Information”) of the Group prepared in accordance with Rule 4.29 of the Hong Kong Listing Rules for the purpose of illustrating the effect of the Offering on the combined net tangible assets of the Group as if the Offering had been completed on 31 December 2009.

The Unaudited Pro Forma Financial Information of the Group has been prepared for illustrative purpose only, based on the judgments, estimates and assumptions of the Directors, and because of its nature, it may not give a true picture of the financial position of the Group upon completion of the Offering.

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**APPENDIX II                      UNAUDITED PRO FORMA FINANCIAL INFORMATION**

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The Unaudited Pro Forma Financial Information of the Group is prepared based on the audited combined net tangible assets attributable to owners of the Company as at 31 December 2009 as shown in “Appendix I — Accountants’ Report” to this prospectus, and adjusted as follows.

	<b>Audited combined net tangible assets attributable to owners of the Company as at 31 December 2009 RMB'000 (note 1)</b>	<b>Estimated net proceeds from the Offering RMB'000 (notes 2 &amp; 4)</b>	<b>Unaudited pro forma adjusted net tangible assets attributable to owners of the Company immediately after the completion of the Offering RMB'000</b>	<b>Unaudited pro forma adjusted net tangible assets per Share as at 31 December 2009 RMB            HK\$ (note 3)      (note 4)</b>	
Based on the Offer Price of HK\$1.05 per Share (being the lowest)	<u>141,946</u>	<u>165,230</u>	<u>307,176</u>	<u>0.38</u>	<u>0.43</u>
Based on the Offer Price of HK\$1.2 per Share (being the highest)	<u>141,946</u>	<u>190,290</u>	<u>332,236</u>	<u>0.42</u>	<u>0.47</u>

*Notes:*

1. The audited combined net tangible assets attributable to owners of the Company as at 31 December 2009 is arrived at by deducting intangible assets of RMB2,079,000 from the audited combined net assets attributable to owners of the Company of RMB144,025,000 as at 31 December 2009 as extracted from the accountants’ report of the Company as set out in Appendix I to this prospectus.
2. The estimated net proceeds from the Offering are based on the Offer Price of HK\$1.05 or HK\$1.2 per Offer Share, respectively after deduction of expenses payable by the Company in relation to the Offering but ignoring additional of any Offer Shares which may be issued pursuant to the Over-Allotment Option.
3. The unaudited pro forma adjusted net tangible assets per Share is determined after the adjustment has been made as described in notes 1 and 2 above and on the basis that 800,000,000 Shares expected to be in issue immediately after the Capitalisation Issue and the completion of the Offering and that the Over-allotment Option is not exercised.
4. The Renminbi amount has been translated into Hong Kong dollar at RMB0.8809 to HK\$1. No representation is made that the Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.

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## APPENDIX II      UNAUDITED PRO FORMA FINANCIAL INFORMATION

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5. The Group's land and buildings were valued by Savills Valuation and Professional Services Limited ("Savills") and the valuation report in respect of which is set out in Appendix III to this prospectus. Pursuant to the valuation performed by Savills, the Group's interests in land and buildings as at 31 March 2010 amounted to approximately RMB12,530,000. Comparing the valuation amount as at 31 March 2010 to the unaudited carrying value of the Group's land and buildings as at 31 March 2010 of approximately RMB8,600,000, there were a difference of approximately RMB3,930,000. The valuation surplus of our property interests will not be incorporated in the Group's financial statements as it is the Group's accounting policy to state the land and buildings are stated at cost less accumulated depreciation and accumulated impairment losses in accordance with the relevant HKASs. Had the properties been stated at the valuation amount, additional depreciation of approximately RMB494,000 would be charged for the year ending 31 December 2010.

**B.    LETTER FROM THE REPORTING ACCOUNTANTS ON THE UNAUDITED PRO  
FORMA FINANCIAL INFORMATION**

The following is the text of a report received from the reporting accountants, SHINEWING (HK) CPA Limited, for the purpose of incorporation in this prospectus.



SHINEWING (HK) CPA Limited  
16/F., United Centre  
95 Queensway, Hong Kong

18 May 2010

The Board of Directors  
China Titans Energy Technology Group Co., Limited  
OSK Capital Hong Kong Limited

Dear Sirs,

We report on the unaudited pro forma statement of adjusted combined net tangible assets (the “Unaudited Pro Forma Financial Information”) of China Titans Energy Technology Group Co., Limited (the “Company”, formerly known as China Titans New Energy Group Company Limited), and its subsidiaries (hereafter collectively referred to as the “Group”) set out in Section A of Appendix II of the prospectus dated 18 May 2010 (the “Prospectus”) in connection with the proposed placing and public offer of 200,000,000 shares of HK\$0.01 each (“Offer Shares”) in the Company (the “Offering”), which has been prepared by the directors of the Company (the “Directors”), for illustrative purpose only, to provide information about how the Offering might have affected the unaudited combined net tangible assets of the Group if the Offering had been completed as at 31 December 2009. The basis of preparation for the Unaudited Pro Forma Financial Information is set out in Section A of Appendix II of the Prospectus.

**Respective responsibilities of Directors and reporting Accountants**

It is the responsibility solely of the Directors to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

**Basis of opinion**

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the Directors. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

The Unaudited Pro Forma Financial Information is for illustration purpose only, based on the judgements and assumptions of the Directors, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 31 December 2009 or at any future date.

**Opinion**

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

**SHINEWING (HK) CPA Limited**

*Certified Public Accountants*

**Chan Wing Kit**

Practising Certificate Number: P03224

Hong Kong

The following is the text of a letter, summary of values and valuation certificate prepared for the purpose of incorporation in this prospectus received from Savills Valuation and Professional Services Limited, an independent property valuer, in connection with their opinion of values of the properties of the Group as at 31 March 2010.



Savills Valuation and  
Professional Services Limited  
23/F Two Exchange Square  
Central, Hong Kong

T: (852) 2801 6100  
F: (852) 2530 0756

EA LICENCE: C-023750  
savills.com

The Directors  
China Titans Energy Technology Group Co., Limited  
Titans Science and Technology Park  
No. 60 Shihua Road West  
Zhuhai  
Guangdong Province  
PRC

18 May 2010

Dear Sirs,

In accordance with your instructions for us to value the properties in which China Titans Energy Technology Group Co., Limited (the “Company”) and its subsidiaries (hereinafter together referred to as the “Group”) have interests in the People’s Republic of China (the “PRC”), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of values of such properties as at 31 March 2010 (“date of valuation”) for inclusion in a Public Offering Document.

Our valuation of each of the properties is our opinion of its market value which we would define as intended to mean “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion”.

The market value is the best price reasonably obtainable in the market by the seller and the most advantageous price reasonably obtainable in the market by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, joint ventures, management agreements, special considerations or concessions granted by anyone associated with the sale, or any element of special value. The market value of a property is also estimated without regard to costs of sale and purchase, and without offset for any associated taxes.

In the course of our valuation, we have assumed that transferable land use rights in respect of the properties in the PRC for respective specific terms at nominal annual land use fees have been granted and that any land grant premium payable has already been fully paid. We have also assumed that, unless otherwise stated, the grantees of the properties have enforceable titles to the properties and have free and uninterrupted rights to use, occupy or assign the properties for the whole of the unexpired terms as granted.

In valuing Property No. 1 in Group I, which is held and occupied by the Group in the PRC, due to the nature of the buildings and structures were constructed, there are no readily identifiable market comparables, and the buildings and structures cannot be valued on the basis of direct comparison. They have therefore been valued on the basis of their depreciated replacement costs. We would define “depreciated replacement cost” to be our opinion of the land value in its existing use and an estimate of the new replacement costs of the buildings and structures, including professional fees and finance charges, from which deductions are then made to allow for age, condition and functional obsolescence. The depreciated replacement cost approach generally provides the most reliable indication of value for property in the absence of a known market based on market sales. For portions of the property which are subject to various tenancies, we have considered the rental income derived from such portions. For Property No. 2, we have adopted the direct comparison approach by making reference to the comparable market transactions assuming sale with the benefit of vacant possession.

In valuing the properties in Group II, which are rented by the Group in the PRC, we have assigned no commercial values to the properties, due either to the short-term nature of the lease or the prohibition against assignment or sub-letting or otherwise due to lack of substantial profit rent.

We have been provided by the Group with copies of extract of title documents relating to the properties in the PRC. However, we have not inspected the original documents to ascertain the existence of any amendments which may not appear on the copies handed to us. In the course of our valuation, we have relied to a very considerable extent on the information given by the Group and its legal advisers on PRC laws, Commerce & Finance Law Offices, regarding the titles to the properties. We have also accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, particulars of occupancy, floor and site areas and all other relevant matters. Dimensions, measurements and areas included in the valuation certificate are based on information provided to us and are therefore approximations only. No on-site measurements have been taken. We have had no reason to doubt the truth and accuracy of the information provided to us by the Group which is material to our valuation. We have also sought confirmation from the Group that no material facts have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view.

We have inspected the exterior and, where possible, the interior of the properties. During the course of our inspection, we did not note any serious defects. However, no structural survey has been made, we are therefore unable to report whether the properties are free of rot, infestation or any other structural defects. No tests were carried out on any of the services.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on any properties nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

In valuing the properties, we have complied with all the requirements contained in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited and The HKIS Valuation Standards on Properties (First Edition 2005) published by The Hong Kong Institute of Surveyors effective from 1 January 2005.

Unless otherwise stated, all money amounts stated in this report are in Renminbi (RMB).

We enclose herewith our summary of values and valuation certificate.

Yours faithfully,  
For and on behalf of  
**Savills Valuation and Professional Services Limited**

**Charles C K Chan**  
MSc FRICS FHKIS MCI Arb RPS(GP)  
*Managing Director*

*Note:* Charles C K Chan is a Chartered Estate Surveyor and has about 25 years' experience in the valuation of properties in Hong Kong and 20 years' experience in the valuation of properties in the PRC.

## SUMMARY OF VALUES

No. Property	Capital value in existing state as at 31 March 2010
<b>Group I — Properties held and occupied by the Group in the PRC</b>	
1. An industrial complex located at No. 60 Shihua Road West, Xiangzhou District, Zhuhai, Guangdong Province, PRC	RMB11,800,000
2. Flat 2D, Block 9, Haiwan Garden, No. 123 Shihua Road East, Xiangzhou District, Zhuhai, Guangdong Province, PRC	RMB730,000
	Sub-total: RMB12,530,000
<b>Group II — Properties rented by the Group in the PRC</b>	
3. Unit 1016 on Level 10, No. 44 Gaoliangqiao Xie Street, Xizhimenwai, Beijing, PRC	No commercial value
4. Level 3 of Building No. 2 and an office building, Huanzhen Road North, Yunting Town, Jiangyin, Jiangsu Province, PRC	No commercial value
5. Room 2603 on Level 26, Yanshan Hotel, No. 40 Yuhua Road West, Shijiazhuang, Hebei Province, PRC	No commercial value

<b>No. Property</b>	<b>Capital value in existing state as at 31 March 2010</b>
6. Level 4 of an industrial building, No. 119 Shihua Road West, Xiangzhou District, Zhuhai, Guangdong Province, PRC	No commercial value
Sub-total:	Nil
<b>Grand-total:</b>	<b><u>RMB12,530,000</u></b>

## VALUATION CERTIFICATE

## Group I — Properties held and occupied by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2010
1.	An industrial complex located at No. 60 Shihua Road West, Xiangzhou District, Zhuhai, Guangdong Province, PRC	<p>The property comprises two parcels of land with a total site area of approximately 7,061.11 sq.m. (76,006 sq.ft.) on which six buildings and structures completed in various stages between 1988 and 1992 are erected.</p> <p>The buildings mainly include workshop, office and warehouse. The total gross floor area of the property is approximately 8,131.21 sq.m. (87,524 sq.ft).</p> <p>The land use rights of the property have been granted for terms expiring on 18 February 2041 and 13 April 2041 for industrial use.</p>	<p>The property is mainly occupied by the Group for office, industrial, warehouse and other ancillary uses.</p> <p>As advised by the Group, portions of the property are subject to various tenancies.</p>	RMB11,800,000

*Notes:*

1. Pursuant to two Real Estate Title Certificates Nos. Yue Fang Di Zheng Zi Di C0350762 and C0350763 issued by the People's Government of Guangdong Province on 15 November 2001, the land use rights of two parcels of land with a total site area of 7,061.11 sq.m. and the building ownership rights of the property with a total gross floor area of 6,870.21 sq.m. have been granted to Zhuhai Titans Technology Co., Ltd. ("Titans Technology"), a wholly-owned subsidiary of the Company, for terms expiring on 18 February 2041 and 13 April 2041 for industrial use.
2. We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal advisers, which contains, *inter alia*, the following information:
  - i. Titans Technology has legally obtained the land use rights of the property and the building ownership rights of portion of the property with a total gross floor area of 6,870.21 sq.m.;
  - ii. Titans Technology is entitled to use, occupy, transfer, lease, mortgage or dispose of the land use rights of the property;
  - iii. Titans Technology is entitled to use, occupy, transfer, lease, mortgage or dispose of the buildings with a total gross floor area of 6,870.21 sq.m.;
  - iv. the land use rights and the building ownership rights as mentioned in Note 1 are subject to mortgages;
  - v. Titans Technology will be entitled to transfer the mortgaged land use rights and building ownership rights after approval from the mortgagee has been obtained;

- vi. Titans Technology has not obtained the building ownership certificate for the remaining portion of the temporary structures of the property with a total gross floor area of approximately 1,261.00 sq.m.. The enforcement of the demolition and the imposition of a fine by the relevant authorities for such structures are remote because the structures are built within the industrial complex, which do not offend the urban planning. Ever if the Group is enforced to demolish the structures, there will be no material impact on the operation of the Group as they are not used for production;
  - vii. the tenancy agreements are legal, valid and binding;
  - viii. the tenancy agreements have not been registered. The Group is not subject to any penalty as Zhuhai Real Estate Leasing Administration Ordinance has not come into effect; and
  - ix. the property is free from any litigations, disputes and other material encumbrances.
3. During the course of our valuation, we have not assigned any commercial value to portion of the property mentioned in Note 3.(vi). For reference purpose, if the relevant Real Estate Title Certificate has been obtained, the capital value of this portion as at 31 March 2010 was RMB490,000.
4. The property has been used for the prescribed use stated in the said Real Estate Title Certificates.

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 March 2010
2.	Flat 2D, Block 9, Haiwan Garden, No. 123 Shihua Road East, Xiangzhou District, Zhuhai, Guangdong Province, PRC	<p>The property comprises a domestic unit on Level 2 of a 13-storey residential building completed in 1995.</p> <p>The gross floor area of the property is approximately 138.89 sq.m. (1,495 sq.ft.).</p> <p>The land use rights of the property have been granted for a term expiring on 15 April 2062 for residential use.</p>	The property is occupied by the Group for dormitory use.	RMB730,000

*Notes:*

1. Pursuant to the Real Estate Title Certificate No. Yue Fang Di Zheng Zi Di C4453417 issued by the People's Government of Guangdong Province on 31 March 2006, the building ownership rights of the property have been granted to Zhuhai Titans Technology Co., Ltd. ("Titans Technology"), a wholly-owned subsidiary of the Company, for a term expiring on 15 April 2062 for residential use.
2. We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal advisers, which contains, *inter alia*, the following information:
  - i. Titans Technology has legally obtained the land use rights and the building ownership rights of the property;
  - ii. Titans Technology is entitled to use, occupy, transfer, lease, mortgage or dispose of the property; and
  - iii. the property is free from any litigations, disputes and other material encumbrances.
3. The existing use of the property is in compliance with the prescribed use as stated in the said Real Estate Title Certificate.

## Group II — Properties rented by the Group in the PRC

No.	Property	Description and tenancy details	Particulars of occupancy	Capital value in existing state as at 31 March 2010
3.	Unit 1016 on Level 10, No. 44 Gaoliangqiao Xie Street, Xizhimenwai, Beijing, PRC	<p>The property comprises an office unit on Level 10 of a 12-storey office building completed in 2003.</p> <p>The lettable area of the property is approximately 21.60 sq.m. (233 sq.ft.).</p> <p>The property is leased to the Group from Beijing Bei Jiao Property Management Company Limited Shang Tai Ba Branch Office (the “lessor”), an independent third party, for a term commencing on 22 August 2009 and expiring on 22 August 2010 at an annual rental of RMB11,826.</p>	The property is occupied by the Group for office use.	No commercial value

*Notes:*

1. The lessee of the property, Beijing New Clear Energy Equipment Co., Ltd. (“Beijing New Clear”), is a 55%-owned subsidiary of the Company.
2. We have been provided with a legal opinion on the title to the property issued by the Group’s PRC legal advisers, which contains, inter alia, the following information:
  - i. as the property management agent of the property, the lessor is entitled to lease out the property;
  - ii. the tenancy agreement is legal, valid and binding;
  - iii. the tenancy agreement has not been registered. There is a risk that Beijing New Clear will be fined by the relevant authorities for an amount between RMB200 and RMB500; and
  - iv. according to the tenancy agreement, the lessor will indemnify for any loss suffered by Beijing New Clear due to any title defect of the property or if the tenancy agreement becomes invalid.
3. The existing use of the property is in compliance with the prescribed use as stated in the said tenancy agreement.

No.	Property	Description and tenancy details	Particulars of occupancy	Capital value in existing state as at 31 March 2010
4.	Level 3 of Building No. 2 and an office building, located at Huanzhen Road North, Yunting Town, Jiangyin, Jiangsu Province, PRC	<p>The property comprises various office units completed in 2008.</p> <p>The total gross floor area of the property is approximately 2,234.00 sq.m. (24,047 sq.ft.).</p> <p>The property is leased to the Group from Jiangyin Minjian Construction Equipment Repairing and Testing Co., Ltd. (the “lessor”), an independent third party, for a term commencing on 1 June 2009 and expiring on 30 May 2012 at an annual rental of RMB269,824.</p>	The property is occupied by the Group for office use.	No commercial value

*Notes:*

1. The lessee of the property, Jiangyin Titans High Voltage Electric Co., Ltd. (“Jiangyin Titans”), is 51%-owned subsidiary of the Company.
2. We have been provided with a legal opinion on the title to the property issued by the Group’s PRC legal advisers, which contains, inter alia, the following information:
  - i. the lessor has obtained the Building Ownership Certificate and is entitled to lease out the property;
  - ii. the tenancy agreement is legal, valid and binding;
  - iii. according to the tenancy agreement, the party in breach of the tenancy agreement will indemnify for any subsequent economic loss suffered by another party; and
  - iv. the tenancy agreement has not been registered. There is a risk that Jiangyin Titans will be fined by the relevant authorities for an amount between RMB200 and RMB500.
3. The existing use of the property is in compliance with the prescribed use as stated in the said tenancy agreement.

No.	Property	Description and tenancy details	Particulars of occupancy	Capital value in existing state as at 31 March 2010
5.	Room 2603 on Level 26, Yanshan Hotel, No. 40 Yuhua Road West, Shijiazhuang, Hebei Province, PRC	<p>The property comprises a guest room on Level 26 of a 26-storey hotel building completed in 1999.</p> <p>The lettable area of the property is approximately 50.00 sq.m. (538 sq.ft.).</p> <p>The property is leased to the Group from Guofu Investment Company (the “lessor”), an independent third party, for a term commencing on 1 February 2009 and expiring on 1 February 2011 at an annual rental of RMB5,000.</p>	The property is occupied by the Group for office use.	No commercial value

*Notes:*

1. The lessee of the property, Shijiazhuang Guofu Titans New Energy Co., Ltd. (“Shijiazhuang Titans”), is wholly-owned subsidiary of the Company.
2. We have been provided with a legal opinion on the title to the property issued by the Group’s PRC legal advisers, which contains, inter alia, the following information:
  - i. the lessor is entitled to lease out the property;
  - ii. the tenancy agreement is legal, valid and binding;
  - iii. according to the tenancy agreement, the tenancy agreement will still be valid and binding even if the property has been transferred to another third party;
  - iv. the tenancy agreement has not been registered. There is a risk that Shijiazhuang Titans will be fined by the relevant authorities for an amount between RMB100 and RMB5,000; and
  - v. Shijiazhuang Titans is not subject to any penalty from the relevant authorities in accordance with Measures for Administration of Leases of Buildings in Urban Areas of Shijiazhuang.
3. The existing use of the property is in compliance with the prescribed use as stated in the said tenancy agreement.

No.	Property	Description and tenancy details	Particulars of occupancy	Capital value in existing state as at 31 March 2010
6.	Level 4 of an industrial building, No. 119 Shihua Road West, Xiangzhou District, Zhuhai, Guangdong Province, PRC	<p>The property comprises Level 4 of a 7-storey industrial building completed in 1998.</p> <p>The gross floor area of the property is approximately 1,277.37 sq.m. (13,750 sq.ft.).</p> <p>The property is leased to the Group from Zhuhai Fu Guan Photographic Technology Advertisement Production Company Limited (the “lessor”), an independent third party, for a term commencing on 26 November 2009 and expiring on 26 November 2012 at an annual rental of RMB214,596.</p>	The property is occupied by the Group for industrial use.	No commercial value

*Notes:*

1. The lessee of the property, Zhuhai Titans Automatic Technology Company Limited (“Titans Automatic”), is a wholly-owned subsidiary of the Company.
2. We have been provided with a legal opinion on the title to the property issued by the Group’s PRC legal advisers, which contains, inter alia, the following information:
  - i. the lessor has obtained the Building Ownership Certificate and is entitled to lease out the property;
  - ii. the tenancy agreement is legal, valid and binding;
  - iii. according to the tenancy agreement, the lessor will indemnify for any loss suffered by Titans Automatic due to any title disputes, seizures or auctions of the property; and
  - iv. the tenancy agreement has not been registered. Titans Automatic is not subject to any penalty as Zhuhai Real Estate Leasing Administration Ordinance has not come into effect.
3. The existing use of the property is in compliance with the prescribed use as stated in the said tenancy agreement.

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 16 November 2007 under the Companies Law. The Memorandum and the Articles comprise its constitution.

## **1. MEMORANDUM OF ASSOCIATION**

- (a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

## **2. ARTICLES OF ASSOCIATION**

The Articles were conditionally adopted on 8 May 2010. The following is a summary of certain provisions of the Articles:

### **(a) Directors**

#### **(i) *Power to allot and issue shares and warrants***

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Board may determine. Subject to the Companies Law, the rules of any Designated Stock Exchange (as defined in the Articles) and the Memorandum and Articles, any share may be issued on terms that, at the option of the Company or the holder thereof, they are liable to be redeemed.

The Board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of any Designated Stock Exchange (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the Board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) *Power to dispose of the assets of the Company or any subsidiary*

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iii) *Compensation or payments for loss of office*

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(iv) *Loans and provision of security for loans to Directors*

There are provisions in the Articles prohibiting the making of loans to Directors.

(v) *Disclosure of interests in contracts with the Company or any of its subsidiaries.*

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and, subject to the Articles, upon such terms as the Board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or

other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Articles, the Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Law and the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the Board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the Board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the Board approving any contract or arrangement or other proposal in which he or any of his associates is materially interested, but this prohibition shall not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his associate(s) any security or indemnity in respect of money lent by him or any of his associates or obligations incurred or undertaken by him or any of his associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

- (dd) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company;
- (ee) any contract or arrangement concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or a shareholder or in which the Director and any of his associates are not in aggregate beneficially interested in 5 percent. or more of the issued shares or of the voting rights of any class of shares of such company (or of any third company through which his interest or that of any of his associates is derived); or
- (ff) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(vi) ***Remuneration***

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the Board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any Board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the Board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The Board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The Board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the Board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) ***Retirement, appointment and removal***

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) will 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. The Directors to retire in every year will be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office or director shall be vacated:

- (aa) if he resigns his office by notice in writing delivered to the Company at the registered office of the Company for the time being or tendered at a meeting of the Board;
- (bb) becomes of unsound mind or dies;
- (cc) if, without special leave, he is absent from meetings of the Board (unless an alternate director appointed by him attends) for six (6) consecutive months, and the Board resolves that his office is vacated;
- (dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) if he is prohibited from being a director by law; or
- (ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The Board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine and the Board may revoke or terminate any of such appointments. The Board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the Board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(viii) ***Borrowing powers***

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

*Note:* These provisions, in common with the Articles in general, can be varied with the sanction of a special resolution of the Company.

(ix) *Proceedings of the Board*

The Board may meet for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(x) *Register of Directors and officers*

The Companies Law and the Articles provide that the Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

**(b) Alterations to constitutional documents**

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

**(c) Alteration of capital**

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Law:

- (i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;
- (ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares; or

- (v) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may subject to the provisions of the Companies Law reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

**(d) Variation of rights of existing shares or classes of shares**

Subject to the Companies Law, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy whatever the number of shares held by them shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

**(e) Special resolution-majority required**

Pursuant to the Articles, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice of not less than twenty-one (21) clear days and not less than ten (10) clear business days specifying the intention to propose the resolution as a special resolution, has been duly given. Provided that if permitted by the Designated Stock Exchange (as defined in the Articles), except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than ninety-five per cent. (95%) in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all Members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which notice of less than twenty-one (21) clear days and less than ten (10) clear business days has been given.

A copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles.

**(f) Voting rights**

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)).

Where the Company has any knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Articles), required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

**(g) Requirements for annual general meetings**

An annual general meeting of the Company must be held in each year, other than the year of adoption of the Articles (within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Articles)) at such time and place as may be determined by the Board.

**(h) Accounts and audit**

The Board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the Board or the Company in general meeting.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions the Articles; however, subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Articles), the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the auditor should disclose this fact and name such country or jurisdiction.

**(i) Notices of meetings and business to be conducted thereat**

An annual general meeting shall be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days and any extraordinary general meeting at which it is proposed to pass a special resolution shall (save as set out in sub-paragraph (e) above) be called by notice of at least twenty-one (21) clear days and not less than ten (10) clear business days. All other extraordinary general meetings shall be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice must specify the time and place of the meeting and,

in the case of special business, the general nature of that business. In addition notice of every general meeting shall be given to all members of the Company other than such as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to the auditors for the time being of the Company.

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above if permitted by the rules of the Designated Stock Exchange, it shall be deemed to have been duly called if it is so agreed:

- (i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than ninety-five per cent. (95%) in nominal value of the issued shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

- (aa) the declaration and sanctioning of dividends;
  - (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
  - (cc) the election of directors in place of those retiring;
  - (dd) the appointment of auditors and other officers;
  - (ee) the fixing of the remuneration of the directors and of the auditors;
  - (ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and
  - (gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.
- (j) **Transfer of shares**

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange (as defined in the Articles) or in such other form as the Board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the Board may approve from time to time. The instrument of transfer shall be executed

by or on behalf of the transferor and the transferee provided that the Board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The Board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the Board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in the Cayman Islands or such other place at which the principal register is kept in accordance with the Companies Law.

The Board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The Board may decline to recognise any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Articles) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in a relevant newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Articles), at such times and for such periods as the Board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

**(k) Power for the Company to purchase its own shares**

The Company is empowered by the Companies Law and the Articles to purchase its own Shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by any Designated Stock Exchange (as defined in the Articles).

**(l) Power for any subsidiary of the Company to own shares in the Company and financial assistance to purchase shares of the Company**

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

Subject to compliance with the rules and regulations of the Designated Stock Exchange (as defined in the Articles) and any other relevant regulatory authority, the Company may give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in the Company.

**(m) Dividends and other methods of distribution**

Subject to the Companies Law, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the Board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such

part of the dividend as the Board may think fit. The Company may also upon the recommendation of the Board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the Board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

**(n) Proxies**

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

**(o) Call on shares and forfeiture of shares**

Subject to the Articles and to the terms of allotment, the Board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the Board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the Board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the Board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the Board determines.

**(p) Inspection of register of members**

Pursuant to the Articles the register and Hong Kong register of members shall be open to inspection for at least two (2) hours on every business day by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the Board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the Board, at the Registration Office (as defined in the Articles), unless the register is closed in accordance with the Articles.

**(q) Quorum for meetings and separate class meetings**

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

Save as otherwise provided by the Articles the quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

A corporation being a member shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

**(r) Rights of the minorities in relation to fraud or oppression**

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman law, as summarised in paragraph 3(f) of this Appendix.

**(s) Procedures on liquidation**

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares (i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively and (ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of

different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

**(t) Untraceable members**

Pursuant to the Articles, the Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants in respect of dividends of the shares in question (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Articles) giving notice of its intention to sell such shares and a period of three (3) months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Articles), has elapsed since the date of such advertisement and the Designated Stock Exchange (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

**(u) Subscription rights reserve**

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

**3. CAYMAN ISLANDS COMPANY LAW**

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

**(a) Operations**

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

**(b) Share capital**

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and (f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the “Court”), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

The Articles includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

**(c) Financial assistance to purchase shares of a company or its holding company**

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries, its holding company or any subsidiary of such holding company in order that they may buy Shares in the Company or shares in any subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of Shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

**(d) Purchase of shares and warrants by a company and its subsidiaries**

Subject to the provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner or purchase, a company cannot purchase any of its own shares unless the manner of purchase has first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

**(e) Dividends and distributions**

With the exception of section 34 of the Companies Law, there is no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as be persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 2(m) above for further details).

**(f) Protection of minorities**

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

**(g) Management**

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

**(h) Accounting and auditing requirements**

A company shall cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

(i) **Exchange control**

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) **Taxation**

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 4 December 2007.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties.

(k) **Stamp duty on transfers**

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) **Loans to directors**

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) **Inspection of corporate records**

Members of the Company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

**(n) Winding up**

A company may be wound up compulsorily by order of the Court; voluntarily; or, under supervision of the Court. The Court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Court, just and equitable to do so.

A company may be wound up voluntarily when the members so resolve in general meeting by special resolution, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles expires, or the event occurs on the occurrence of which the memorandum or articles provides that the company is to be dissolved, or, the company does not commence business for a year from its incorporation (or suspends its business for a year), or, the company is unable to pay its debts. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court, there may be appointed one or more than one person to be called an official liquidator or official liquidators; and the Court may appoint to such qualified office such person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court shall declare whether any act hereby required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court. A person shall be qualified to accept an appointment as an official liquidator if he is duly qualified in terms of the Insolvency Practitioners Regulations. A foreign practitioner may be appointed to act jointly with a qualified insolvency practitioner.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of the company and distributing its assets. A declaration of solvency must be signed by all the directors of a company being voluntarily wound up within twenty-eight (28) days of the commencement of the liquidation, failing which, its liquidator must apply to Court for an order that the liquidation continue under the supervision of the Court.

Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval. A liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories), settle the list of creditors and, subject to the rights of preferred and secured creditors

and to any subordination agreements or rights of set-off or netting of claims, discharge the company's liability to them (pari passu if insufficient assets exist to discharge the liabilities in full) and to settle the list of contributories (shareholders) and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. At least twenty-one (21) days before the final meeting, the liquidator shall send a notice specifying the time, place and object of the meeting to each contributory in any manner authorised by the company's articles of association and published in the Gazette in the Cayman Islands.

**(o) Reconstructions**

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

**(p) Compulsory acquisition**

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

**(q) Indemnification**

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

**4. GENERAL**

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix VI. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

**FURTHER INFORMATION ABOUT OUR GROUP****1. Incorporation of our Company**

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 16 November 2007. Our Company has been registered as a non-Hong Kong company in Hong Kong under Part XI of the Companies Ordinance since 10 January 2008. Our principal place of business in Hong Kong is at Room 09-10, 41/F., China Resources Building, 26 Harbour Road, Wanchai, Hong Kong. In compliance with the requirements of the Companies Ordinance, Mr. Wong Yiu Hung has been appointed as the authorised representative of our Company for the acceptance of service of process and notices on our behalf in Hong Kong. As our Company is incorporated in the Cayman Islands, it operates subject to the Companies Law and to its constitution which comprises the Memorandum and the Articles. A summary of various parts of our Company's constitution and relevant aspects of the Companies Law is set out in Appendix IV to this prospectus.

**2. Changes in the share capital of our Company**

As at the date of incorporation, the authorised share capital of our Company was HK\$380,000 divided into 38,000,000 Shares with a nominal value of HK\$0.01 each. On 16 November 2007, one Share was issued for cash at par to Codan Trust Company (Cayman) Limited. On the same date, Codan Trust Company (Cayman) Limited transferred the said one Share to Clear Profit and our Company allotted and issued for cash at par 2,819 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 to Clear Profit, Benefit Way, Rich Talent, Genius Mind, Great Passion, Honor Boom, Huge Step, Jumbo Gain and Perfect Quality respectively.

Pursuant to the written resolutions of the Shareholders passed on 8 May 2010, the authorised share capital of the Company was increased from HK\$380,000 to HK\$100,000,000, by the creation of additional 9,962,000,000 Shares of HK\$0.01 each in the capital of our Company.

On 8 May 2010, the shareholders of Titans BVI, Mr. Li, Mr. An and our Company entered into a reorganisation deed pursuant to which our Company acquired the entire issued share capital of Titans BVI from the shareholders of Titans BVI in consideration of the allotment and issue of an aggregate of 100,000 Shares, all credited as fully paid, to the shareholders of Titans BVI.

Assuming that the Share Offer and the Capitalisation Issue become unconditional and the issue of the new Shares pursuant to the Share Offer and the Capitalisation Issue (before exercise of the Over-allotment Option) mentioned herein are completed, the authorised share capital of our Company will be HK\$100,000,000 divided into 10,000,000,000 Shares and the issued share capital of our Company will be HK\$8,000,000 divided into 800,000,000 Shares fully paid or credited as fully paid, with 9,200,000,000 Shares remaining unissued. Other than pursuant to the exercise of any options which may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme, there is no present intention to issue any part of the authorised but unissued share capital of our Company.

Save as aforesaid and as mentioned in the paragraph headed “Written Resolutions of all of the Shareholders passed on 8 May 2010” below, there has been no alteration in the share capital of our Company since the date of its incorporation.

### 3. Written resolutions of all the Shareholders passed on 8 May 2010

Pursuant to the resolutions in writing passed by all the Shareholders of our Company on 8 May 2010:

- (i) the increase of the authorised share capital of our Company from HK\$380,000 to HK\$100,000,000 by the creation of an additional 9,962,000,000 Shares of HK\$0.01 each in the capital of our Company to rank *pari passu* in all respects with the then existing issued Shares of HK\$0.01 each in the capital of our Company was approved;
- (ii) the allotment and issue of a total of 100,000 Shares, all credited as fully paid, to Clear Profit, Benefit Way, Rich Talent, Genius Mind, Great Passion, Honor Boom, Huge Step, Jumbo Gain and Perfect Quality 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 for the acquisition by our Company of the entire issued share capital of Titans BVI from Clear Profit, Benefit Way, Rich Talent, Genius Mind, Great Passion, Honor Boom, Huge Step, Jumbo Gain and Perfect Quality was approved;
- (iii) conditional on the share premium account of our Company being credited as a result of the Share Offer, the Directors were authorised to capitalise an amount of HK\$5,981,193.75 from the amount standing to the credit of the share premium account of our Company and to apply the said sum in paying up in full at par 598,193,175 Shares, such Shares to be allotted and issued, credited as fully paid at par to Clear Profit, Benefit Way, Rich Talent, Genius Mind, Great Passion, Honor Boom, Huge Step, Jumbo Gain and Perfect Quality, being shareholders of our Company appearing on the register of members of our Company on the date of this prospectus;
- (iv) conditional on (i) the Listing Committee of the Stock Exchange granting approval of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein (including any Shares which may be issued pursuant to the Capitalisation Issue or pursuant to the exercise of the Over-allotment Option or options which may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme) and (ii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as a result of the waiver of any condition(s) by Guotai Junan Securities acting for itself and on behalf of the Underwriters) and not being terminated in accordance with the terms of such agreement or otherwise, in each case on or before such dates as may be specified in the Underwriting Agreements:
  - (a) the Share Offer was approved and the Directors were authorised to effect the same and to allot and issue the new Shares pursuant to the Share Offer;

- (b) the Over-allotment Option was approved and the Directors were authorised to effect the same and to allot and issue Shares upon the exercise of the Over-allotment Option;
  - (c) the Pre-IPO Share Option Scheme was approved and adopted and the Directors or any duly authorised committee of them were authorised, at their absolute discretion to grant options to subscribe for Shares under the Pre-IPO Share Option Scheme and to allot and issue Shares pursuant thereto and to take all such steps as they consider necessary or desirable to implement the Pre-IPO Share Option Scheme;
  - (d) the Share Option Scheme was approved and adopted and the Directors or any duly authorised committee of them, were authorised at their absolute discretion to grant options to subscribe for Shares under the Share Option Scheme and to allot and issue Shares pursuant thereto and to take all such steps as they consider necessary or desirable to implement the Share Option Scheme; and
  - (e) the allotment and issue of 1,600,000 Shares to OSK as part of the consideration for the services provided by it as sponsor to the Company for the Listing;
- (v) a general unconditional mandate was given to the Directors to exercise all the powers of our Company to allot, issue and deal in, otherwise than by way of rights issue or an issue of Shares upon the exercise of options which may be granted under the Pre-IPO Share Option Scheme or the Share Option Scheme or under any option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of our Company and/or any of its subsidiaries or any other person of Shares or rights to acquire Shares or any scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association or a specific authority granted by the shareholders in general meeting, Shares with a total nominal value not exceeding 20% of the total nominal value of the share capital of our Company in issue immediately following completion of the Share Offer and the Capitalisation Issue (excluding any Shares which may be issued pursuant to the Over-allotment Option and any Shares which may be issued upon exercise of any options that may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme), such mandate to remain in effect until whichever is the earliest of:
- (a) the conclusion of the next annual general meeting of the Company;
  - (b) the expiration of the period within which the next annual general meeting of our Company is required by the Articles of Association or any applicable laws of the Cayman Islands to be held; or
  - (c) the passing of an ordinary resolution of the shareholders of the Company in general meeting revoking, varying or renewing such mandate;
- (vi) a general unconditional mandate was given to our Directors authorising them to exercise all powers of our Company to repurchase on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognised

by the SFC and the Stock Exchange for this purpose such number of Shares as will represent up to 10% of the total nominal amount of the share capital of our Company in issue immediately following completion of the Share Offer and the Capitalisation Issue (excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option and options that may be granted under the Pre-IPO Share Option Scheme or the Share Option Scheme), such mandate to remain in effect until whichever is the earliest of:

- (a) the conclusion of the next annual general meeting of our Company;
  - (b) the expiration of the period within which the next annual general meeting of our Company is required by the Articles of Association or any other applicable laws of the Cayman Islands to be held; or
  - (c) the passing of an ordinary resolution of the shareholders of our Company in general meeting revoking, varying or renewing such mandate;
- (vii) the general unconditional mandate mentioned in paragraph (v) above was extended by the addition to the aggregate nominal value of the share capital of our Company which may be allotted or agreed conditionally or unconditionally to be allotted by the Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company repurchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (vi) above provided that such extended amount shall not exceed 10% of the total nominal amount of the share capital of our Company in issue immediately following completion of the Share Offer and the Capitalisation Issue (excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option and options that may be granted under the Pre-IPO Share Option Scheme or the Share Option Scheme); and
- (viii) our Company conditionally approved and adopted the Articles of Association.

#### **4. Corporate reorganisation**

The companies comprising our Group underwent the Reorganisation to rationalise our Group's structure in preparation for the listing of the Shares on the Stock Exchange. The Reorganisation involved the following:

- (a) On 16 November 2007, the Company was incorporated in Cayman Islands.
- (b) On 19 October 2007, Titans BVI was incorporated in BVI, which company was acquired by the Controlling Shareholders as a shelf company and on 15 November 2007, 1 share of Titans BVI was allotted to Genius Mind, a company wholly owned by Mr. Li. On 21 November 2007, Titans BVI allotted and issued 3,865 shares to Genius Mind, 3,866 shares to Great Passion, 1,071 shares to Honor Boom, 415 shares to Jumbo Gain, 399 shares to Perfect Quality and 383 shares to Huge Step.

- (c) On 9 November 2007, Bright Luck entered into three subscription agreements with T&TC Capital, Tsoi Kin Wah and Enhance Investment respectively, pursuant to which Bright Luck agreed to issue the exchangeable bonds in the amount of HK\$2,759,540, HK\$5,639,830 and HK\$7,700,630 to T&TC Capital, Tsoi Kin Wah and Enhance Investment, exchangeable into the entire issued share capital of Rich Talent, Clear Profit and Benefit Way respectively.
- (d) On 29 November 2007, the Titans HK Shareholders, namely, Mr. Li, Mr. An, Li Xiao Bin, Ou Yang Fen, Cui Jian, Zhang Bing Xin, Zhang Yue Qin and Liu Lu and Titans BVI entered into a deed for the sale and purchase of shares in Titans HK, pursuant to which Titans BVI acquired the entire issued share capital of Titans HK from the Titans HK Shareholders in consideration of Titans BVI issuing and allotting credited as fully paid 3,866 shares, 3,866 shares, 1,071 shares, 383 shares, 415 shares and 399 shares in the capital of Titans BVI as consideration to Genius Mind, Great Passion, Honor Boom, Huge Step, Jumbo Gain and Perfect Quality respectively.
- (e) On 17 December 2007, Genius Mind transferred 138 shares, 282 shares and 386 shares in Titans BVI to Rich Talent, Clear Profit and Benefit Way at par respectively. On the same date, Great Passion transferred 138 shares, 282 shares and 384 shares in Titans BVI to Rich Talent, Clear Profit and Benefit Way at par respectively.
- (f) On 17 December 2007, Genius Mind and Great Passion transferred 352 shares and 354 shares in Titans BVI to Honor Boom at par, as incentive to the shareholders of Honor Boom who are also senior management and staff of the Group.
- (g) On 28 December 2007, the subscription deed entered into between Bright Luck as issuer and Tsoi Kin Wah as subscriber was completed and the Clear Profit Exchangeable Bond was issued to Tsoi Kin Wah. The Clear Profit Exchangeable Bond is exchangeable into shares representing the entire issued capital of Clear Profit which in turn held 2.82% of the total issued share capital of Titans BVI as at the date of issue.
- (h) On 3 January 2008, the subscription deeds entered into between Bright Luck as issuer and T&TC Capital and Enhance Investment as subscribers were completed and the Rich Talent Exchangeable Bond and the Benefit Way Exchangeable Bond were issued to T&TC Capital and Enhance Investment respectively. The Rich Talent Exchangeable Bond was and the Benefit Way Exchangeable Bond is exchangeable into shares representing the entire issued capital of Rich Talent and Benefit Way which in turn held 1.38% and 3.85% of the total issued share capital of Titans BVI respectively, as at the date of issue.
- (i) On 19 December 2008, the Company as issuer entered into a subscription deed with Guofu (Hong Kong) Holdings Limited (“Guofu”) as investor, and Mr. Li and Mr. An as guarantors to the issuer, pursuant to which, the Company agreed to issue to Guofu the Convertible Note.

- (j) On 22 December 2008, the Convertible Note was issued to Guofu. The Convertible Note was subsequently transferred from Guofu to Wealth Source on 27 July 2009.
- (k) On 24 December 2008, the Rich Talent Exchangeable Bond was redeemed at par by Bright Luck with 5% interest.
- (l) On 25 April 2009, Thomas Pilscheur entered into a sale and purchase agreement with each of Zhang Bing Xin, Zhang Yue Qin and Liu Lu, pursuant to which, each of Zhang Bing Xin, Zhang Yue Qin and Liu Lu agreed to sell and Thomas Pilscheur agreed to purchase the entire issued share capital of Huge Step, Jumbo Gain and Perfect Quality at the consideration of HK\$6,399,332, HK\$6,934,002 and HK\$6,666,667 respectively.
- (m) On 30 May 2009, Titans Technology entered into an equity transfer agreement with Titans Automatic, pursuant to which Titans Technology transferred its 80% equity interest in Zhuhai Titans to Titans Automatic at a consideration of RMB2.4 million and the record date for transfer of the rights to receive income or distributions and the related obligations in respect of the said equity interest was 31 December 2008.
- (n) On 26 July 2009, share transfer agreements were entered into between Shijiazhuang Titans and each of Kangtai, Jinyi, Liu Yonglong and Liheng, pursuant to which, Shijiazhuang Titans agreed to purchase and each of Kangtai, Jinyi, Liu Yonglong and Liheng agreed to sell 0.25% interest in Titans Technology for an aggregate consideration of RMB400,000. The transfer was registered with the Administration Bureau of Industries and Commerce of Zhuhai City on 3 September 2009.
- (o) On 27 July 2009, two sets of supplemental deed were entered into between Bright Luck and each of Tsoi Kin Wah and Enhance Investment, pursuant to which the Clear Profit Exchangeable Bond and the Benefit Way Exchangeable Bond were amended, details of the amendments have been set out in the paragraph headed “Issue of Exchangeable Bonds” under the sub-section “Our Corporate Structure” of the section headed “Our History and Development” of this prospectus.
- (p) On 13 March 2010, two sets of second supplemental deed were entered into between Bright Luck and each of Tsoi Kin Wah and Enhance Investment, pursuant to which, each of Tsoi Kin Wah and Enhance Investment has (a) confirmed that the Clear Profit Exchangeable Bond and the Benefit Way Exchangeable Bond shall exchange into shares representing the entire issued share capital of Clear Profit and Benefit Way which in turn holds approximately 2.04% and 2.78% respectively of the total issued share capital of the Company upon the Listing and the issue of Shares pursuant to the Share Offer; and (b) agreed to extend the maturity date of the Clear Profit Exchangeable Bond and the Benefit Way Exchangeable Bond to 30 June 2010.

- (q) On 13 March 2010, a supplemental deed was entered into between the Company, Wealth Source, Mr. Li and Mr. An, pursuant to which, such parties have agreed to amend the Convertible Note with the result that upon exercise of the conversion rights attaching to the Convertible Note in full, the Shares to be issued by the Company shall represent approximately 2.47% of the total issued share capital of the Company upon the Listing and the issue of Shares pursuant to the Share Offer.
- (r) On 8 May 2010, the shareholders of Titans BVI, Mr. Li, Mr. An and our Company entered into a reorganisation deed pursuant to which our Company acquired the entire issued share capital of Titans BVI from the shareholders of Titans BVI in consideration of the allotment and issue of an aggregate of 100,000 Shares, all credited as fully paid, to the shareholders of Titans BVI on a pro rata basis.

## 5. Changes in the share capital of subsidiaries

Our subsidiaries are referred to in the accountants' report in respect of our Company, the text of which is set out in Appendix I to this prospectus.

The following alterations in the share capital of our Company's subsidiaries have taken place within the two years preceding the date of this prospectus:

- (a) Following its incorporation on 19 October 2007, Titans BVI allotted and issued 1 share of US\$1.00 to Genius Mind on 15 November 2007. On the same date, the par value of the shares of Titans BVI was changed to US\$0.01 each. On 21 November 2007, Titans BVI allotted and issued for cash at par 9,999 shares of US\$0.01 each to Genius Mind, Great Passion, Honor Boom, Huge Step, Jumbo Gain and Perfect Quality as to 3,865 shares, 3,866 shares, 1,071 shares, 383 shares, 415 shares and 399 shares respectively.
- (b) On 29 November 2007, Titans BVI allotted and issued 10,000 ordinary shares of US\$0.01 each, credited as fully paid, to Genius Mind, Great Passion, Honor Boom, Huge Step, Jumbo Gain and Perfect Quality as to 3,866 shares, 3,866 shares, 1,071 shares, 383 shares, 415 shares and 399 shares respectively in consideration for the acquisition of the entire issued share capital of Titans HK.

Save as disclosed in this prospectus and except as referred to the paragraph headed "Corporate reorganisation", there has been no alteration in the share capital of any of our Company's subsidiaries within the two years immediately preceding the date of this prospectus.

## 6. Repurchase by the Company of its own securities

This section includes information relating to the repurchase of the Shares, including information required by the Stock Exchange to be included in this prospectus concerning such repurchase.

### (a) *Relevant legal and regulatory requirements*

The Listing Rules permit Shareholders to grant the Directors a general mandate to repurchase Shares that are listed on the Stock Exchange.

### (b) *Shareholder's approval*

All proposed repurchases of Shares must be approved in advance by an ordinary resolution of the Shareholders in a general meeting, either by way of general mandate or by specific approval of a particular transaction.

Under the Listing Rules, Shares to be repurchased by our Company must be fully paid up.

On 8 May 2010, a general unconditional mandate was given to our Directors authorising them to exercise all powers of our Company to repurchase on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose. Such number of Shares will represent up to 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option) such mandate to remain in effect until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of our Company; or
- (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles of Association or applicable laws of the Cayman Islands to be held; or
- (iii) the revocation, variation or renewal of the repurchase mandate by an ordinary resolution of the Shareholders in general meeting.

### (c) *Source of funds*

The repurchase of the Shares listed on the Stock Exchange must be funded out of funds legally available for the purpose in accordance with the Memorandum and Articles of Association of the Company and the applicable laws and regulations of the Cayman Islands and any other laws and regulations applicable to the Company. The Company may not repurchase Shares on the Stock Exchange for consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

(d) *Trading restrictions*

The Company may repurchase up to 10% of the issued share capital immediately after completion of the Share Offer (including the Shares which may be sold under the Over-allotment Option). The Company may not issue or announce a proposed issue of Shares for a period of 30 days immediately following a repurchase of Shares, without the prior approval of the Stock Exchange. The Company is also prohibited from repurchasing Shares on the Stock Exchange if the repurchase would result in the number of listed Shares which are in the hands of the public falling below the minimum percentage required by the Stock Exchange.

(e) *Status of repurchased securities*

All repurchased securities (whether effected on the Stock Exchange or otherwise) shall be automatically cancelled upon repurchase and the certificates for those securities must be cancelled and destroyed as soon as reasonably practicable following settlement of any such repurchase. Under the laws of the Cayman Islands, a company's repurchased shares shall be treated as cancelled and the amount of the company's issued share capital shall be diminished by the aggregate nominal value of the repurchased shares accordingly although the authorised share capital of the company will not be reduced.

(f) *Suspension of repurchase*

No repurchase of the Company's securities are permitted during the period from the time a price sensitive development has occurred or has been the subject of a decision until such time as the price sensitive information has been publicly announced. In particular, during the period of one month immediately preceding the earlier of either (i) the date of the board meeting for the approval of the Company's results for any year, half-year or quarter-year period or any other interim period; or (ii) the deadline for an announcement of the Company's results for any year, half-year or quarter-year period or any other interim period and ending on the date of the results announcement, the Company may not repurchase its Shares on the Stock Exchange unless the circumstances are exceptional. In addition, the Stock Exchange may prohibit repurchases of securities on the Stock Exchange if the Company has breached the Listing Rules.

(g) *Connected persons*

The Company is prohibited from knowingly repurchasing securities on the Stock Exchange from a "connected person", that is, a director, chief executive or substantial shareholder of the Company or any of its subsidiaries or any of their associates (as defined in the Listing Rules) and a connected person shall not knowingly sell his securities to the Company on the Stock Exchange.

(h) *Reasons for repurchases*

Repurchases will only be made where the Directors believe that such repurchases will benefit the Company and the Shareholders. Such repurchases may, depending on market conditions and the Company's net asset value per Share and earnings at the time, lead to an enhancement of the net asset value of the Company and/or earnings per Share.

(i) *General*

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the repurchase mandate in accordance with the Listing Rules, the Memorandum and Articles of Association of the Company and the applicable laws and regulations of the Cayman Islands.

There might be a material adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in this prospectus) in the event that the repurchase mandate is exercised. However, the Directors do not propose to exercise the repurchase mandate to such an extent as would, in the circumstances, have a material adverse effect on the Company's working capital requirements and/or on its gearing level which in the opinion of the Directors are from time to time appropriate for the Company.

If, as a result of any repurchase of the Shares, a Shareholder's proportionate interest in the Company's voting rights is increased, such increase will be treated as an acquisition of voting rights for the purpose of the Hong Kong Code on Takeovers and Mergers (the "Code"). Accordingly, a Shareholder or a group of Shareholders acting in concert (within the meaning of the Code) could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Code as a result of a repurchase of Shares by the Company. Save as aforesaid, the Directors are not aware of any other consequences which would arise under the Code as a consequence of any repurchases made pursuant to the repurchase mandate.

None of the Directors nor, to the best of their knowledge, having made all reasonable enquiries, any of their respective associates as defined by the Listing Rules, has any present intention to sell any Shares to the Company.

No connected person as defined by the Listing Rules has notified the Company that he has a present intention to sell his Shares to the Company if the repurchase mandate is exercised.

**FURTHER INFORMATION ABOUT OUR GROUP****1. Summary of material contracts**

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this prospectus and are or may be material:

- (a) a subscription deed dated 19 December 2008 entered into between Guofu as investor, Mr. Li and Mr. An as guarantors and the Company as issuer, pursuant to which the Company agreed to issue the Convertible Note to Guofu in the principal amount of HK\$10,000,000 convertible into 3,413 Shares;
- (b) an equity transfer agreement dated 30 May 2009 entered into between Titans Technology and Titans Automatic, pursuant to which Titans Technology transferred its 80% equity interest in Zhuhai Titans to Titan Automatic at a consideration of RMB2.4 million and the record date for transfer of the rights to receive income or distribution and the related obligations in respect of the said equity interest was 31 December 2008;
- (c) four sets of share transfer agreements entered into between Shijiazhuang Titans and each of Kangtai, Jinyi, Liu Yonglong and Liheng on 26 July 2009, pursuant to which, Shijiazhuang Titans agreed to purchase and each of Kangtai, Jinyi, Liu Yonglong and Liheng agreed to sell 0.25% interest in Titans Technology for an aggregate consideration of RMB400,000;
- (d) a supplemental deed dated 13 March 2010 entered into between the Company, Wealth Source, Mr. Li and Mr. An, pursuant to which, such parties have agreed to amend the Convertible Note.
- (e) a reorganisation deed dated 8 May 2010 entered into between the shareholders of Titans BVI, Mr. Li, Mr. An and our Company pursuant to which our Company acquired the entire issued share capital of Titans BVI in consideration of the allotment and issue of an aggregate of 100,000 Shares, all credit as fully paid, to the shareholders of Titans BVI on a pro rata basis;
- (f) the Non-competition Deed;
- (g) a deed of indemnity dated 17 May 2010 entered into between Genius Mind, Great Passion, Mr. Li and Mr. An (collectively the “Indemnifiers”) and our Company for itself and as trustee for each of its subsidiaries pursuant to which the Indemnifiers have given certain indemnities in favour of our Group including, among other things, the indemnities referred to in the paragraph headed “Estate duty and tax indemnity” under the section headed “Other Information” in this Appendix; and
- (h) the Hong Kong Underwriting Agreement.

## 2. Intellectual property rights of our Group

### (a) Trademarks

As at the Latest Practicable Date, our Group was the registered proprietor and beneficial owner of the following trademarks:

Registrant	Trademark	Place of registration	Class	Registration number	Expiry date
Titans Technology		PRC	9	682551	20.3.2014
Titans Technology	<b>TITANS</b>	PRC	9	678536	20.2.2014
Titans Technology	<b>泰坦</b>	PRC	9	1129288	20.11.2017
Titans Technology		PRC	9	3671331	06.05.2015
Titans Technology		PRC	9	1444349	13.09.2010
Titans Technology		PRC	9	1444348	13.09.2010
Titans Technology		PRC	9	1444350	13.09.2010
Titans Technology		PRC	42	3664741	13.12.2015

(Note 1)

Note 1: This trademark is co-owned by Titans Technology and Titans Software.

As at the Latest Practicable Date, our Group had registered the following trademarks in Hong Kong in respect of the classes of goods specified below:

Applicant	Trademark	Class	Trademark number	Date of registration
Titans HK	<b>TITANS</b>	9	300728965	26.09.2006
Titans HK		9	300728956	26.09.2006

Note 2: Class 9 relates to scientific, nautical, surveying, photographic, cinematographic, optical, weighing, measuring, signalling, checking (supervision), life-saving and teaching apparatus and instruments; apparatus and instruments for conducting, switching, transforming, accumulating, regulating or controlling electricity; apparatus for recording, transmission or reproduction of sound or images; magnetic data carriers, recording discs; automatic vending machines and mechanisms for coin-operated apparatus; cash registers, calculating machines, data processing equipment and computers; fire-extinguishing apparatus.

Class 42 relates to scientific and technological services and research and design relating thereto; industrial analysis and research services; design and development of computer hardware and software.

(b) *Patents*

As at the Latest Practicable Date, our Group had registered the following invention patents in the PRC:

<b>Patent holder</b>	<b>Name of invention patent</b>	<b>No. of patent</b>	<b>Date of application</b>	<b>Date of notification of grant</b>	<b>Effective period</b>
Zhuhai Titans	LED road lighting	ZL 2007 1 0029587.9	02.08.2007	24.06.2009	Until 01.08.2027
Zhuhai Titans	一體化散熱 LED road lighting	ZL 2007 1 0029589.8	02.08.2007	24.06.2009	Until 01.08.2027
Zhuhai Titans	High Brightness high-power LED road lighting	ZL 2007 1 0029855.7	24.08.2007	01.07.2009	Until 23.08.2027

As at the Latest Practicable Date, our Group had registered the following utility model patents in the PRC:

<b>Patent holder</b>	<b>Name of utility model patent</b>	<b>No. of patent</b>	<b>Date of application</b>	<b>Date of notification of grant</b>	<b>Effective period</b>
Titans Technology	Auto sensing arc eliminating device	ZL 2004 2 0102155.8	08.12.2004	19.04.2006	Until 07.12.2014
Titans Technology	Ground wire selection for small current device	ZL 2004 2 0102154.3	08.12.2004	24.05.2006	Until 07.12.2014
Titans Technology	Shunt inverter power source control system	ZL 2005 2 0064613.8	19.09.2005	11.04.2007	Until 18.09.2015
Titans Technology	Distributed diode energy feedback electronic loading system	ZL 2005 2 0064612.3	19.09.2005	03.01.2007	Until 18.09.2015
Titans Technology	DC switch power source equalised flow circuit	ZL 2005 2 0064614.2	19.09.2005	03.01.2007	Until 18.09.2015

Patent holder	Name of utility model patent	No. of patent	Date of application	Date of notification of grant	Effective period
Titans Technology	Power DC system positive and negative bus simultaneous ground connection inspection circuit	ZL 2005 2 0065509.0	11.10.2005	15.11.2006	Until 10.10.2015
Titans Technology	Inverter power supply current restricting protection circuit	ZL 2005 2 0065879.4	19.10.2005	22.11.2006	Until 18.10.2015
Titans Technology	AC data sampling circuit	ZL 2005 2 0065880.7	19.10.2005	22.11.2006	Until 18.10.2015
Titans Technology	High frequency switch power supply circuit	ZL 2005 2 0066182.9	24.10.2005	03.01.2007	Until 23.10.2015
Titans Technology	Multi-circuit communication management device	ZL 2005 2 0066207.5	25.10.2005	03.01.2007	Until 24.10.2015
Titans Technology	Transient grounding resistance testing instrument	ZL 2005 2 0066387.7	27.10.2005	11.04.2007	Until 26.10.2015
Titans Technology	Loading characteristics adjusting circuit	ZL 2005 2 0066464.9	31.10.2005	03.01.2007	Until 30.10.2015
Titans Technology	Mono frequency current conversion transformer	ZL 2005 2 0066636.2	02.11.2005	03.01.2007	Until 01.11.2015
Titans Technology	Transformer external insulation monitoring system	ZL 2005 2 0066929.0	07.11.2005	06.12.2006	Until 06.11.2015
Titans Technology	Remote control locking device	ZL 2005 2 0067027.9	09.11.2005	22.11.2006	Until 08.11.2015
Titans Technology	Switch power supply module output soft initiation circuit	ZL 2005 2 0066410.2	28.10.2005	18.07.2007	Until 27.10.2015
Titans Technology	Bi-directional charging and discharging power supply	ZL 2007 2 0047488.9	17.01.2007	19.03.2008	Until 16.01.2017

Patent holder	Name of utility model patent	No. of patent	Date of application	Date of notification of grant	Effective period
Titans Technology	Lag-Bridge ZVZC Switch Full Bridge Converter	ZL 2007 2 0049116.X	09.03.2007	06.02.2008	Until 08.03.2017
Titans Technology	Phase shifted full bridge circuit	ZL 2007 2 0049117.4	09.03.2007	06.02.2008	Until 08.03.2017
Titans Technology	Isolated high frequency bi-directional DC circuit	ZL 2007 2 0049118.9	09.03.2007	06.02.2008	Until 08.03.2017
Zhuhai Titans	High power wide angle LED road lightings	ZL 2007 2 0055110.3	02.08.2007	13.08.2008	Until 01.08.2017
Zhuhai Titans	LED lighting	ZL 2007 2 0055108.6	02.08.2007	13.08.2008	Until 01.08.2017
Zhuhai Titans	光伏路燈負載控制系統	ZL 2007 2 0055106.7	02.08.2007	27.08.2008	Until 01.08.2017
Zhuhai Titans	一體化散熱 LED road lighting	ZL 2007 2 0055107.1	02.08.2007	01.10.2008	Until 01.08.2017
Zhuhai Titans	High brightness high-power LED road lighting	ZL 2007 2 0055928.5	24.08.2007	08.10.2008	Until 23.08.2017
Zhuhai Titans	廣角波紋矩陣式LED 燈具	ZL 2008 2 0046123.9	09.04.2008	11.02.2009	Until 08.04.2018

As at the Latest Practicable Date, our Group had submitted applications in respect of the following utility model patents to the State Intellectual Property Bureau, which are under process:

<b>Applicant of invention</b>	<b>Name of invention</b>	<b>No. of application</b>	<b>Date of application</b>
Titans Automatic	一種帶有SD儲存卡接口電路的電能質量監測裝置	200920061901.6	06.08.2009
Titans Automatic	一種接以太網的電能質量監測裝置	200920062339.9	14.08.2009
Titans Automatic	一種高壓混合型有源濾波系統	200920194084.1	04.09.2009
Titans Automatic	一種電力通訊管理機系統	200920194087.5	04.09.2009
Titans Automatic	一種帶有USB接口電路的電能質量監測裝置	200920062338.4	14.08.2009
Zhuhai Titans	道路照明專用LED光源透鏡	200920054393.9	13.04.2009
Zhuhai Titans	大功率LED鋁基板集成模塊	200810026047.X	25.01.2008
Zhuhai Titans	廣角波紋矩陣式LED燈具	200810027302.2	09.04.2008
Zhuhai Titans	High Power wide angle LED road lighting <i>(Note 1)</i>	200710029590.0	02.08.2007
Zhuhai Titans	光伏路燈負載控制裝置	200710029588.3	02.08.2007
Zhuhai Titans	在風光互補系統中保護蓄電池的方法和風光互補系統	200710029753.5	17.08.2007

*Note 1: The application for registration of patent was rejected by the State Intellectual Property Office of the PRC on 8 May 2009. The Company is preparing to appeal against the rejection.*

(c) *Design patent*

As at the Latest Practicable Date, our Group had registered the following design patents in the PRC:

Patent holder	Name of design patent	No. of patent	Date of application	Date of notification of grant	Expiry date
Zhuhai Titans	燈罩	ZL 2008 3 0044437.0	28.03.2008	06.05.2009	27.03.2018
Zhuhai Titans	燈頭	ZL 2008 3 0044436.6	28.03.2008	09.09.2009	27.03.2018

(d) *Software registration and copyright registration of computer system software*

As at the Latest Practicable Date, our Group had obtained the following software registration certificates from the 廣東省信息產業廳 (Guangdong Province Information Industry Department):

Certificate holder	Name of software	No. of registration certificate	Date of notification of grant/ renewal of granting	Effective period
Titans Technology	泰坦科技TA4000電源及動力環境監控系統V1.0	粵DGY-2006-0490	15.09.2006	Until 14.09.2011
Titans Technology	泰坦科技TA5000智能型高壓設備在線監測系統V1.0	粵DGY-2006-0491	15.09.2006	Until 14.09.2011
Titans Technology	泰坦科技TEP-G直流絕緣監測系統V2.0	粵DGY-2002-0743	17.10.2007	Until 16.10.2012
Titans Technology	泰坦科技TEP-B蓄電池巡檢系統V2.0	粵DGY-2002-0740	17.10.2007	Until 16.10.2012
Titans Technology	泰坦科技GZDW微機監控高頻開關直流系統V2.2	粵DGY-2003-0305	17.10.2007	Until 16.10.2012
Titans Technology	泰坦科技TEP-I微機監控系統V2.2	粵DGY-2002-0744	17.10.2007	Until 16.10.2012

Certificate holder	Name of software	No. of registration certificate	Date of notification of grant/renewal of granting	Effective period
Titans Technology	泰坦科技PLC直流監控系統V1.2	粵DGY-2008-0642	27.10.2008	Until 26.10.2013
Titans Technology	泰坦科技VQC綜合電壓無功控制系統V2.0	粵DGY-2008-0641	27.10.2008	Until 26.10.2013
Titans Automatic	泰坦自動化TA3000電網淨化及節能系統V1.0	粵DGY-2008-0550	27.10.2008	Until 26.10.2013
Titans Automatic	泰坦自動化TTPQ-100電能質量監測系統V1.0	粵DGY-2008-0551	27.10.2008	Until 26.10.2013
Titans Technology	泰坦TZX-G高壓輸電線路絕緣子在線監測系統V2.2	粵DGY-2004-0079	12.05.2009	Until 11.05.2014
Titans Technology	泰坦科技TAL200型線路綜合保護系統V2.2	粵DGY-2004-0077	12.05.2009	Until 11.05.2014
Titans Technology	泰坦科技TAT210型變壓器綜合保護系統V2.2	粵DGY-2004-0078	12.05.2009	Until 11.05.2014

As at the Latest Practicable Date, our Group had registered its copyright of the following computer software with National Copyright Administration of the PRC:

Certificate holder	Name of the computer software	Software registration No.	No. of the copyright registration certificate	Date of first publication	Date of notification of grant
Titans Technology	泰坦科技TEP-G直流絕緣監測系統V2.0	軟著登字第081268號	2007SR15273	15.10.2000	30.09.2007
Titans Technology	泰坦科技PLC直流監控系統V1.2	軟著登字第105426號	2008SR18247	15.10.2000	05.09.2008
Titans Technology	泰坦科技VQC綜合電壓無功控制系統V2.0	軟著登字第105425號	2008SR18246	15.10.2000	05.09.2008
Titans Technology	泰坦科技TEP-B蓄電池巡檢系統V2.0	軟著登字第081267號	2007SR15272	15.10.2000	30.09.2007

Certificate holder	Name of the computer software	Software registration No.	No. of the copyright registration certificate	Date of first publication	Date of notification of grant
Titans Technology	泰坦科技GZDW微機監控高頻開關直流系統V2.2	軟著登字第081269號	2007SR15274	15.10.2000	30.09.2007
Titans Technology	泰坦科技TEP-I微機監控系統V2.2	軟著登字第081270號	2007SR15275	15.10.2000	30.09.2007
Titans Technology	泰坦科技TAT210型變壓器綜合保護系統V2.2	軟著登字第132372號	2009SR06193	11.12.2003	18.02.2009
Titans Technology	泰坦TZX-G高壓輸電線路絕緣子在線監測系統V2.2	軟著登字第132369號	2009SR06190	07.01.2004	18.02.2009
Titans Technology	泰坦科技TAL200型線路綜合保護系統V2.2	軟著登字第132368號	2009SR06189	15.02.2004	18.02.2009
Beijing New Clear	優科利爾TACC充電系統V1.0	軟著登字第103346號	2008SR16167	01.03.2008	18.08.2008
Titans Automatic	泰坦自動化TA 3000電網淨化及節能系統V1.0	軟著登字第100802號	2008SR13623	15.06.2007	17.07.2008
Titans Automatic	泰坦自動化TTPQ-100電能質量監測系統V1.0	軟著登字第100803號	2008SR13624	15.07.2007	17.07.2008
Zhuhai Titans	泰坦風光互補(太陽能)離網控制系統V1.0	軟著登字第0141752號	2009SR014752	26.04.2008	17.04.2009

(e) *Domain names*

As at the Latest Practicable Date, our Group had registered the following domain names in the PRC:

Domain name	Registrant	Registration date	Expiry date
titans.cn	Titans Technology	17.03.2003	17.03.2013
titans.com.cn	Titans Technology	24.02.2001	24.02.2013

## FURTHER INFORMATION ABOUT THE DIRECTORS, SENIOR MANAGEMENT AND STAFF

## 1. Directors

## (a) Interests in Shares

So far as the Directors are aware, immediately following completion of the Share Offer and the Capitalisation Issue, without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option or the exercise of any options which may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme, the interests and short positions of the Directors and chief executives of our Company in the Shares, underlying Shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have taken under such provisions) once the Shares are listed, or will be required, pursuant to section 352 of the SFO, to be entered in the register required to be kept therein once the Shares are listed, or will be required pursuant to the Model Code for Securities Transactions by Directors of Listed Company to be notified to our Company and the Stock Exchange once the Shares are listed, will be as follows:

(i) *Beneficial interests and short positions in Shares*

Name	Nature of Interest	Number of Shares <i>(Note 1)</i>	Approximate percentage of issued Shares
Mr. Li <i>(Note 2)</i>	Interests in controlled corporation	198,159,875 (L)	24.77%
	Beneficial owner	800,000 (L)	0.1%
	Interests in controlled corporation	30,000,000 (S) <i>(Note 4)</i>	3.75%
Mr. An <i>(Note 3)</i>	Interests in controlled corporation	198,159,875 (L)	24.77%
	Beneficial owner	800,000 (L)	0.1%

*Notes:*

- 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) in Shares.
- The entire issued share capital of Genius Mind is beneficially owned by Mr. Li who is deemed to be interested in 190,174,457 Shares held by Genius Mind under the SFO upon Listing. In addition, Mr. Li 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 Mr. Li. The interest in 800,000 Shares represents the options granted to Mr. Li pursuant to the Pre-IPO Share Option Scheme.

3. The entire issued share capital of Great Passion is beneficially owned by Mr. An who is deemed to be interested in 190,174,457 Shares held by Great Passion under the SFO upon Listing. In addition, Mr. An is also deemed to be interested in 7,895,418 Shares held by Rich Talent, a company which shareholding is owned as to 50% by Mr. An. The interest in 800,000 Shares represents the options granted to Mr. Li pursuant to the Pre-IPO Share Option Scheme.
4. These Shares will be the subject of the Stock Borrowing Agreement.

**(b) Particulars of service agreements**

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.
- (ii) For the first year from the Listing Date, the monthly salary for each of Mr. Li and Mr. An 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 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).

**(c) Remuneration of our Directors**

- (i) Our policies concerning remuneration of the executive Directors are:
  - (1) the amount of remuneration is determined on the basis of our relevant executive Directors' experience, responsibility, workload and the time devoted to our Group;
  - (2) bonus and non-cash benefits may be provided to our executive Directors under their remuneration package; and
  - (3) our executive Directors may be granted, at the discretion of the Board, options pursuant to the Pre-IPO Share Option Scheme and the Share Option Schemes, as part of their remuneration package.
- (ii) The aggregate amount of remuneration paid to our Directors by our Group in respect of each of the three years ended 31 December 2009 were approximately RMB271,000, RMB439,000 and RMB466,000 respectively.
- (iii) It is expected that an aggregate sum of approximately RMB983,000 will be paid by our Group to our Directors as remuneration in respect of the year ending 31 December 2010 pursuant to the present arrangements.
- (iv) Apart from our Directors, 3 other individuals are amongst the 5 persons who received the highest emoluments from our Group for the year ended 31 December 2009. Particulars of emoluments paid to such individuals are set out in note 13 of the accountants' report set out in Appendix I to this prospectus.
- (v) None of our directors or any past directors of any member of our Group has been paid any sum of money for each of the three years ended 31 December 2009:
  - (1) as an inducement to join or upon joining us; or
  - (2) for loss of office as a director of any member of our Group or of any other notice in connection with the management of the affairs of any member of our Group.
- (vi) There has been no arrangement under which a Director has waived or agreed to waive any emoluments for each of the three years ended 31 December 2009.
- (vii) Each of our independent non-executive Directors has been appointed for a term of 3 years commencing on the Listing Date. Save for a monthly director's fee of HK\$10,000, none of our independent non-executive Directors is expected to receive any other remuneration for holding their office as an independent non-executive Director.
- (viii) Save as disclosed, none of the Directors received any remuneration or benefits in kind from our Group for each of the three years ended 31 December 2009.

- (ix) Each of Mr. Li and Mr. An, by virtue of his directorship and/or interest in the shares or equity of the other companies involved in the Reorganisation, is or may be considered to be interested in the steps of Reorganisation and in related transactions and arrangements.

## 2. Disclosure of interests

To the best knowledge and belief of our Directors, immediately following the completion of the Share Offer and the Capitalisation Issue but without taking into account any Shares which may be issued upon the exercise of options which may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme and the Over-allotment Option, the persons (other than the Directors or chief executive of the Company) with interests or short positions in the Shares or underlying Shares 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 would be recorded in the register of the Company required to be kept under section 336 of the SFO or who are directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group will be as follows:

### (i) Long position in the Shares

Name	Name of Group member	Capacity and nature of interests	Number of Shares held	Approximate percentage of shareholding
Genius Mind (Note 1)	the Company	Beneficial owner	190,174,457	23.77%
Great Passion (Note 2)	the Company	Beneficial owner	190,174,457	23.77%
Honor Boom (Note 3)	the Company	Beneficial owner	82,458,117	10.31%
Li Xiao Bin (Note 3)	the Company	Interest in controlled corporation	82,458,117	10.31%
		Beneficial owner	800,000	0.1%
Thomas Pilscheur (Note 4)	the Company	Interest in controlled corporations	69,264,818	8.66%

Notes:

- The entire issued share capital of Genius Mind is beneficially owned by Mr. Li who is deemed to be interested in the Shares held by Genius Mind under the SFO upon Listing. Mr. Li is the sole director of Genius Mind.

2. The entire issued share capital of Great Passion is beneficially owned by Mr. An who is deemed to be interested in the Shares held by Genius Mind under the SFO upon Listing. Mr. An is the sole director of Great Passion.
3. The issued share capital of 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 Shares held by Honor Boom. The interest in 800,000 Shares represents the option granted to Li Xiao Bin under the Pre-IPO Share Option Scheme.
4. Thomas Pilscheur is the sole shareholder of each of Huge Step, Jumbo Gain and Perfect Quality. He is therefore deemed to be interested in 22,162,427 Shares held by Huge Step, 24,014,118 Shares held by Jumbo Gain and 23,088,273 Shares held by Perfect Quality.

(ii) *Short position in the Shares*

Name of interested party	Capacity/ Nature of interest	Number of Shares <i>(Note)</i>	Approximate percentage of shareholding
Genius Mind	Beneficial owner	30,000,000	3.75%

*Note:* These shares will be the subject of the Stock Borrowing Agreement.

(iii) *Other members of our Group*

Name of subsidiary	Name of shareholder	Nature of interest	Percentage of interest in the subsidiary
Beijing New Clear	Zhong Shu Xian	Beneficial interest	20%
	Zhuhai Tian Ze	Beneficial interest	20%
Zhuhai Titans	Zhuhai Fudisi	Beneficial interest	20%
Jiangyin Titans	Song Qing Hong	Beneficial interest	49%

### 3. Connected transactions/Related party transactions

Save as disclosed in this prospectus and in the accountants' report set out in Appendix I in this prospectus, during the Track Record Period, our Group has not engaged in any other material connected transactions or related party transactions.

**SHARE OPTION SCHEME**

The following is a summary of the principal terms of the Share Option Scheme conditionally approved by a written resolution of the Shareholders dated 8 May 2010:

**(a) Purpose**

The purpose of the Share Option Scheme is to provide incentives to Participants (as defined in paragraph (b) below) to contribute to the Company and to enable the Company to recruit and retain high-calibre employees and attract and retain human resources that are valuable to the Group.

**(b) Who may join**

The Board may grant (subject to acceptance in accordance with the terms of the Share Option Scheme) an option to subscribe for such number of Shares as it may determine at a price determined in accordance with paragraph (d) below 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) who, as the Board may determine in its 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 a valuable human resource of the Group based on his work experience, knowledge in the industry and other relevant factors (a "Participant"), subject to such conditions as the Board may think fit, provided that no grants shall be made except to such number of Participants and in such circumstances that the Company will not be required under applicable securities laws and regulations to issue a prospectus or other offer document in respect thereof; and will not result in the breach by the Company or its directors of any applicable securities laws and regulations or in any filing or other requirements arising.

**(c) Payment on acceptance of option**

HK\$1.00 is payable by a Participant who accepts the grant of an option in accordance with the terms of the Share Option Scheme (the "Grantee") on acceptance of the grant of an option.

**(d) Subscription price**

The subscription price for the Shares under the options to be granted under the Share Option Scheme will be a price determined by the Board and notified to the relevant Participant at the time the grant of the option is made to (and subject to acceptance by) the Participant and will be at least the highest of: (a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheets on the date of the grant (subject to acceptance) of the option, which must be a business day; (b) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of the grant (subject to acceptance) of the option; and (c) the nominal value of the Shares.

**(e) Maximum number of Shares subject to the Share Option Scheme**

The limit on the total number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of any member of the Group must not exceed 30% of the number of issued Shares from time to time. Options lapsed or cancelled in accordance with the terms of the relevant share option scheme shall not be counted for the purpose of calculating the said 30%-limit.

In addition, subject as provided below in this paragraph (e), the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme, together with all options to be granted under any other share option schemes of any member of the Group, must not represent more than 10% of the nominal amount of all the issued Shares as at the date of commencement of the listing of the Shares on the Stock Exchange (the “Scheme Mandate Limit”) i.e. expected to be 80,000,000 Shares. Options lapsed in accordance with the terms of the relevant share option scheme shall not be counted for the purpose of calculating the Scheme Mandate Limit.

The Company may refresh the Scheme Mandate Limit (or further refresh a refreshed Scheme Mandate Limit) at any time, subject to prior Shareholders’ approval given at a general meeting of the Company in accordance with the relevant provisions of the Listing Rules, provided that the maximum number of Shares which may be issued under options to be granted under the Share Option Scheme (when aggregated with any Shares which may be issued under options to be granted under any other share option scheme(s) of any member of the Group) under the limit as refreshed must not exceed 10% of the number of issued Shares as at the date of the approval of the refreshed limit, excluding any Shares that are subject to options previously granted (subject to acceptance) under the Share Option Scheme or any other share option scheme(s) of any member of the Group (whether the options are outstanding, cancelled or lapsed or have been exercised). The Company may also seek separate approval from the Shareholders in general meeting in accordance with the relevant provisions of the Listing Rules for granting options beyond the Scheme Mandate Limit (or refreshed Scheme Mandate Limit) to such Participants, in respect of such number of Shares and on such terms as may be specified in such approval.

The total number of Shares issued and which may be issued upon exercise of all options (whether exercised, cancelled or outstanding) granted under the Share Option Scheme and any other share option schemes of any member of the Group in any 12-month period immediately preceding any proposed date of the grant (subject to acceptance) of options to each Participant must not exceed 1% of the number of Shares in issue as at the proposed grant date. Any further grant of options in excess of this limit is subject to prior Shareholders’ approval given at a general meeting of the Company in accordance with the relevant provisions of the Listing Rules, with the relevant Participant and his associates (as defined in the Listing Rules) abstaining from voting.

**(f) Exercise of 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 upon granting of option.

**(g) Rights are personal to Grantee**

An option shall be personal to the Grantee and shall not be assignable and no Grantee shall in any way sell, transfer, assign, charge, mortgage, encumber or create any interest in favour of any third party over or in relation to any option or purport to do any of the foregoing. Any breach of the foregoing shall entitle the Company to cancel the relevant Grantee's outstanding options in whole or in part.

**(h) Rights on ceasing employment or other engagement**

If the Grantee ceases to be an employee (including any executive director), officer (including any non-executive director), agent, consultant or representative of the relevant member of the Group for any reason other than death, ill health, disability, insanity, misconduct or certain other grounds specified in the Share Option Scheme, then, if the option period has not at the date of cessation commenced, the option shall lapse; and if the option period has commenced, the Grantee may exercise the option up to his entitlement at the date of cessation (to the extent not already exercised) whichever is the earlier of the date of expiry of the option period or the last day of the period of one month following the date of such cessation, which date shall be the last actual day of employment, office, agency, consultancy or representation with the relevant member of the Group whether payment in lieu of notice is made or not (if applicable).

For the purposes of this paragraph (h), a Grantee shall not be regarded as ceasing to be an employee (including any executive director), officer (including any non-executive director), agent, consultant or representative of the relevant member of the Group if he ceases to hold a position of employment, office, agency, consultancy or representation with a particular member of the Group but at the same time takes up a different position of employment, office, agency, consultancy or representation with another member of the Group.

**(i) Rights on death, ill health, disability or insanity**

If the Grantee ceases to be an employee (including any executive director), officer (including any non-executive director), agent, consultant or representative of the relevant member of the Group by reason of death, ill health, disability or insanity before exercising the option in full and none of certain events which would be a ground for termination of his employment, office, agency, consultancy or representation specified in the Share Option Scheme arises, the Grantee or his legal personal representative(s) shall be entitled after commencement

of the option period until whichever is the earlier of the date of expiry of the option period or the last day of the period of 12 months from the date of cessation (or such longer period as the Board may determine) to exercise the option (to the extent not already exercised) in full or to the extent specified in the notice to exercise such option.

**(j) Rights on takeover**

If a general offer to acquire Shares (whether by takeover offer, merger, privatization proposal by scheme of arrangement between the Company and its members or otherwise in like manner) is made to all the Shareholders (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror) and such offer, having been approved (if required) in accordance with applicable laws and regulatory requirements, becomes or is declared unconditional, the Grantee (or his legal personal representatives) shall, even though the option period has not yet commenced, be entitled to exercise the option (to the extent not already exercised) at any time until whichever is the earlier of the date of expiry of the option period or the last day of the period of 14 days after the date on which the offer becomes or is declared unconditional, after which the option shall lapse.

**(k) Rights on winding up**

If a notice is given by the Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind up the Company, the Company shall on the same date as or soon after it despatches such notice to each member of the Company give notice thereof to all Grantees and thereupon, each Grantee (or his legal personal representative(s)) shall be entitled to exercise all or any of his options at any time not later than five business days prior to the proposed general meeting of the Company by giving notice in writing to the Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon the Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the Grantee credited as fully paid.

**(l) Effects of alterations to capital**

Subject to the limits on the number of Shares subject to the Share Option Scheme described in paragraph (e) above, in the event of any capitalisation issue, rights issue, open offer, consolidation, sub-division or reduction of the share capital of the Company (other than an issue of Shares as consideration in respect of a transaction), such corresponding adjustments (if any) will be made to the number or nominal amount of Shares subject to the options pursuant to the Share Option Scheme so far as unexercised, the subscription price in relation to each outstanding option and/or the method of exercise of the options, provided that no adjustment shall be made to the extent that the effect of such adjustment would be to enable a Share to be issued at less than its nominal value or which would give a Grantee a different proportion of the issued share

capital of the Company as to which he was previously entitled. In respect of any adjustment required by the foregoing provisions, other than any adjustment made on a capitalisation issue, an independent financial adviser or the auditors for the time being of the Company must also confirm to the Board in writing that the adjustments satisfy the foregoing proviso.

In any event, any such alterations will be made on the basis that a Grantee shall have the same proportion of the issued share capital of the Company. No such alteration will be made the effect of which would be to enable a Share to be issued at less than its nominal value. The issue of securities as consideration in a transaction is not to be regarded as a circumstance requiring any such alterations.

**(m) Lapse of options**

An option shall lapse automatically (to the extent not already exercised) on the earliest of:

- (i) the expiry of the option period;
- (ii) the expiry of any of the other periods referred to in paragraphs (h), (i) or (j) above;
- (iii) subject to paragraph (k) above, the earliest of the close of business on the fifth business day prior to the general meeting referred to in paragraph (k) above or the date of commencement of the winding up of the Company;
- (iv) save as otherwise provided in paragraph (j) above, or by the Court in relation to the scheme in question, upon the sanctioning pursuant to the Companies Law by the Grand Court of the Cayman Islands of a compromise or arrangement between the Company and its members or creditors for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies;
- (v) the date on which the Grantee ceases to be an employee (including any executive director), officer (including any non-executive director), agent, consultant or representative of the relevant member of the Group by reason of the termination of his employment, office, agency, consultancy or representation on certain grounds specified in the Share Option Scheme including, but not limited to, misconduct, bankruptcy, insolvency, having made any arrangement or composition with his creditors and conviction of any criminal offence involving his integrity or honesty or (if so determined by the Board) on any other ground on which an employer or principal would be entitled to terminate his employment, office, agency, consultancy or representation at common law or pursuant to applicable laws or under the Grantee's contract, agreement or arrangement with the relevant member of the Group; and
- (vi) the date on which the Board exercises the Company's right to cancel the option because of a breach by the Grantee of the rules summarised in paragraph (g) above.

**(n) Ranking and voting rights of Shares**

The Shares to be allotted upon the exercise of an option will be subject to all the provisions of the Articles and will rank *pari passu* with the fully paid Shares in issue on the date of allotment or, if that date falls on a day when the register of members of the Company is closed, the first day of the reopening of the register of members and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after the date of allotment, other than any dividend or other distribution previously declared or recommended or resolved to be paid or made with respect to a record date which shall be before the date of allotment.

A Share issued upon the exercise of an option shall not carry any voting rights until the registration of the Grantee (or any other person) as the holder thereof.

**(o) Cancellation of options**

The Board may effect the cancellation of any options granted but not exercised on such terms as may be agreed with the relevant Grantee, as the Board may in its absolute discretion see fit and in a manner that complies with all applicable legal requirements for such cancellation.

Where the Company cancels any options granted but not exercised and grants new options to the same Grantee, the grant of such new options may only be made under the Share Option Scheme if there is available unissued options (excluding the cancelled options) within each of the 10%-limits as referred to in paragraph (e) above and there is available options (excluding the cancelled options) under the 1%-limit for each Participant as referred to in paragraph (e) above.

**(p) Alteration to the Share Option Scheme**

The terms of the Share Option Scheme may be altered in any respect by resolution of the Board except that the provisions of the Share Option Scheme relating to matters contained in Rule 17.03 of the Listing Rules shall not be altered to the advantage of Participants unless with the prior sanction of a resolution of the Shareholders in general meeting.

Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of options granted must first be approved by the Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme.

The amended terms of the Share Option Scheme or the options must still comply with the relevant requirements of Chapter 17 of the Listing Rules.

Any change to the authority of the Board in relation to any alteration to the terms of the Share Option Scheme must first be approved by the Shareholders in general meeting.

**(q) Termination of the Share Option Scheme**

The Company by resolution of its Shareholders in general meeting or of the Board may at any time terminate the operation of the Share Option Scheme and in such event no further options will be granted or accepted but the provisions of the Share Option Scheme shall remain in force in all other respects. All options granted and accepted prior to such termination and not then exercised shall continue to be valid and exercisable subject to and in accordance with the Share Option Scheme.

**(r) Period of the Share Option Scheme**

Subject to termination as referred to in paragraph (q) above, the Share Option Scheme shall be valid and effective for a period of ten years commencing on 8 May 2010 (being the date of approval of the Share Option Scheme by the Shareholders) (after which period no further options will be granted or accepted); and thereafter for so long as there are any outstanding unexercised options granted and accepted pursuant thereto prior to the expiration of the said ten-year period and in order to give effect to the exercise of any such options or otherwise as may be required in accordance with the provisions of the Share Option Scheme.

**(s) Conditions**

The Share Option Scheme is conditional upon, it being approved by the Shareholders in general meeting, the Listing Committee of the Stock Exchange granting the listing of and permission to deal in any Shares to be issued pursuant to the exercise of options under the Share Option Scheme, and the commencement of the listing of the Shares on the Stock Exchange.

**(t) Restrictions on the timing of grant of option**

A grant of options may not be made after a price sensitive event or a price sensitive matter in relation to the securities of the Company has been the subject of a decision, until an announcement of such price sensitive information has been published in accordance with the Listing Rules. In particular, no option may be granted within the period commencing one month immediately preceding the earlier of: (i) the date of the Board meeting for the approval of the Company's interim or annual results; and (ii) the deadline for the Company to publish its interim or annual results announcement, and ending on the date of the results announcement.

**(u) Grant of options to connected persons**

Where any grant of options is proposed to be made to a Participant who is a director, chief executive or substantial shareholder of the Company, or any of their respective associates, such grant must first be approved by all the independent non-executive directors of the Company excluding any independent non-executive director who is the proposed Grantee of the options.

If the grant of options is to be made to a Participant who is a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates, which would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person under the Share Option Scheme and any other scheme(s) of any member of the Group in the 12-month period up to and including the proposed date of the grant (subject to acceptance) of the options: (i) representing in aggregate over 0.1% of the number of Shares then in issue; and (ii) having an aggregate value, based on the closing price of the Shares as stated in the Stock Exchange's daily quotations sheets on each relevant date of the grant (subject to acceptance) of the options, in excess of HK\$5 million, then such grant of options must first be approved by the Shareholders in general meeting, with all the connected persons of the Company abstaining from voting on the proposed grant. Any vote taken at the meeting to approve the proposed grant of such options must be taken on a poll. In addition, any proposed change in the terms of options granted to a Participant who is a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates, must first be approved by the Shareholders in general meeting on a similar basis (as to abstention and voting by poll) as stated above.

**PRE-IPO SHARE OPTION SCHEME****1. Summary of terms**

The Company has adopted the Pre-IPO Share Option Scheme. 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 except that:

- (a) the Pre-IPO Share Option Scheme expired on the date immediately prior to the Listing Date and save for the options which have been conditionally granted, no further options will be offered or granted or accepted under the Pre-IPO Share Option Scheme after the Listing Date;
- (b) the subscription price per Share has been determined by the Board at 50% discount to the final Offer Price (while the consideration payable for the grant of an option is the same as that under Share Option Scheme, i.e. HK\$1.00);

- (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;
- (d) given that no further options will be granted under the Pre-IPO Share Option Scheme after its expiration on the Listing Date, there are no similar provisions relating the cancellation of options where there is a grant of new options, the alteration to and termination of the Pre-IPO Share Option Scheme and restrictions on the timing of grant of option as summarized in paragraphs (p), (q) and (t) of the paragraph headed “Share Option Scheme” above; and
- (e) there are no similar requirements to be complied with on granting of options to connected persons as summarised in paragraph (u) of the paragraph headed “Share Option Scheme” above.

All options were conditionally granted to the grantees on 8 May 2010. An application has been made to the Listing Committee for the listing of and permission to deal in the Shares which may be issued pursuant to the exercise of options granted under the Pre-IPO Share Option Scheme.

## **2. Outstanding options granted**

As at the date of this prospectus, options to subscribe for 23,920,000 Shares in aggregate (representing about approximately 2.99% of the enlarged issued share capital of the Company immediately after completion of the Share Offer and the Capitalisation Issue and assuming no exercise of the Over-allotment Option) at an exercise price equivalent to 50% of the final Offer Price, have been conditionally granted by the Company under the Pre-IPO Share Option Scheme on 8 May 2010. The Directors consider that a discount of 50% to the final Offer Price is necessary in order to give incentives to the grantees. Commencing from the first anniversary of the Listing Date, the relevant grantees may exercise options by stages during the applicable option periods as set out in paragraph (c) of the sub-section headed “Summary of terms” above.

The options have been conditionally granted based on the performance of the grantees who have made important contributions and are important to the long term growth and profitability of the Group. A total of 53 participants have been conditionally granted options by the Company under the Pre-IPO Share Option Scheme.

Below is a list of grantees under the Pre-IPO Share Option Scheme:

<b>Name of grantee</b>	<b>Position in / Relation with our Group</b>	<b>Address</b>	<b>Number of Shares subject to options</b>	<b>Approximate percentage of shareholding held upon exercise of all options</b>
李欣青 (Li Xin Qing)	Executive Directors	Room 201, No. 9, Xiang Zhou Hai Cheng Road, Xiang Zhou District, Zhuhai City, Guangdong Province, PRC	800,000	0.1%
安慰 (An Wei)	Executive Director	Room 401, Block 4, 109 Xiang Zhou Xiang Yue Road, Xiang Zhou District, Zhuhai City, Guangdong Province, PRC	800,000	0.1%
李小濱 (Li Xiao Bin)	Deputy general manager of the Group	Room 301, Unit 4, Block 3, No.28 Ji Shui Road, Ji Da District, Zhuhai City, Guangdong Province, PRC	800,000	0.1%
歐陽芬 (Ou Yang Fen)	Deputy general manager of the Group	Room 101, Block 10, No.8 Nan Hang Si Street, Xiang Zhou District, Zhuhai City, Guangdong Province, PRC	800,000	0.1%
陳向軍 (Chen Xiang Jun)	Deputy general manager of the Group	Room 301, Unit 1, Block 4, No.28 Ji Shui Road, Zhuhai City, Guangdong Province, PRC	800,000	0.1%

Name of grantee	Position in / Relation with our Group	Address	Number of Shares subject to options	Approximate percentage of shareholding held upon exercise of all options
潘景宜 (Pan Jing Yi)	Deputy general manager of the Group	Room 829, No.127 Lian Xing Road, Zhuhai City, Guangdong Province, PRC	800,000	0.1%
付玉龍 (Fu Yulong)	Deputy general manager of the Group	Room 1301, Unit 2, Block 13, Ren Xing Heng Yuan, Ren Min Road West, Xiang Zhou District, Zhuhai City, Guangdong Province, PRC	800,000	0.1%
李永富 (Li Yong Fu)	General manager of a subsidiary of the Company	Room 801, Unit 3, Block 2, No.168 Ren Min Road West, Xiang Zhou District, Zhuhai City, Guangdong Province, PRC	800,000	0.1%
劉長樹 (Liu Chang Shu)	Assistant general manager of a subsidiary of the Company	Room 404, Unit 3, Block 10, No.206 Yi Hua Street, Xiang Zhou District, Zhuhai City, Guangdong Province, PRC	800,000	0.1%
李振華 (Li Zhen Hua)	Financial controller of the Group	Room 604, Block 13, Hai Wan Garden, Shi Hau Road East, Zhuhai City, Guangdong Province, PRC	400,000	0.05%

<b>Name of grantee</b>	<b>Position in / Relation with our Group</b>	<b>Address</b>	<b>Number of Shares subject to options</b>	<b>Approximate percentage of shareholding held upon exercise of all options</b>
唐升宗 (Tang Sheng Zong)	Assistant general manager of a subsidiary of the Company	Room 401, Block 9, No.31 Wen Yuan Road, Xiang Zhou District, Zhuhai City, Guangdong Province, PRC	640,000	0.08%
戴輝 (Dai Hui)	Assistant general manager of the subsidiary of a Company	Room 101, Block 1, Hua Fa Xin Cheng, No.1 Zhu Hai Da Dao, Zhuhai City, Guangdong Province, PRC	640,000	0.08%
胡坤 (Hu Kun)	Assistant general manager of a subsidiary of the Company	Room 918, Unit 2, No.10 Jian Ye San Road, Ji Da District, Zhuhai City, Guangdong Province, PRC	640,000	0.08%
鐘海川 (Zhong Hai Chuan)	Department manager of a subsidiary of the Company	Room 601, Unit 1, Block 25, No.52 Xing Ye Road, Xiang Zhou District, Zhuhai City, Guangdong Province, PRC	640,000	0.08%
倪漢生 (Ni Han Sheng)	Department manager of a subsidiary of the Company	Titans Science and Technology Park, No. 60 Shihua Road West, Zhuhai, Guangdong Province, PRC	400,000	0.05%

Name of grantee	Position in / Relation with our Group	Address	Approximate	
			Number of Shares subject to options	percentage of shareholding held upon exercise of all options
官平華 (Guan Ping Hua)	Department manager of a subsidiary of the Company	Room 701, Block 7, No.237 Gong Bei Xia Wan Road, Xiang Zhou District, Zhuhai City, Guangdong Province, PRC	640,000	0.08%
肖術明 (Xiao Shu Ming)	Department manager of a subsidiary of the Company	Room 603, Unit 1, Block 5, No.8 Qian Shan Cui Wei Road West, Xiang Zhou District, Zhuhai City, Guangdong Province, PRC	400,000	0.05%
鐘鼎高 (Zhong Ding Gao)	Department manager of a subsidiary of the Company	Room 202, Unit 3, Block 22, No.145 Ming Zhu Road North, Xiang Zhou District, Zhuhai City, Guangdong Province, PRC	400,000	0.05%
馮成軍 (Feng Cheng Jun)	Department manager of a subsidiary of the Company	Room 303, Block 3, Cui Hu Ju, Zhong Ao Xin Cheng, No.6 Jie Shi Road South, Tan Zhou Zhen, ZhongShan City, Guangdong Province, PRC	400,000	0.05%
潘慕軍 (Pan Mu Jun)	Department manager of a subsidiary of the Company	Room 401, Unit 3, Block 2, No.123 Cui Jing Road, Xiang Zhou District, Zhuhai City, Guangdong Province, PRC	640,000	0.08%

Name of grantee	Position in / Relation with our Group	Address	Approximate	
			Number of Shares subject to options	percentage of shareholding held upon exercise of all options
龍超華 (Long Chao Hua)	Department manager of a subsidiary of the Company	Room 303, Unit 1, Block 3, No.2398 Mei Hua Road West, Xiang Zhou District, Zhuhai City, Guangdong Province, PRC	640,000	0.08%
張大峰 (Zhang Da Feng)	Department manager of a subsidiary of the Company	Room 404, Unit 1, Block 1, Ri Yuan, Ren Min Road West, Zhuhai City, Guangdong Province, PRC	400,000	0.05%
劉軍 (Liu Jun)	Department manager of a subsidiary of the Company	Room 703, Unit 2, Block 2, Li Zhu Ji Xiang Shan Zhuang, No.64 Bai Lian Road, Ji Da District, Zhuhai City, Guangdong Province, PRC	400,000	0.05%
吳冶 (Wu Ye)	Department manager of a subsidiary of the Company	Room 604, Unit 2, No.53 Dong Feng Road, Xiang Zhou District, Zhuhai City, Guangdong Province, PRC	400,000	0.05%
陶杰 (Tao Jie)	Department manager of a subsidiary of the Company	Room 401, Block 31, Hua Fa Xin Cheng, No.1 Zhu Hai Da Dao, Zhuhai City, Guangdong Province, PRC	400,000	0.05%

<b>Name of grantee</b>	<b>Position in / Relation with our Group</b>	<b>Address</b>	<b>Number of Shares subject to options</b>	<b>Approximate percentage of shareholding held upon exercise of all options</b>
武傑 (Wu Jie)	Department manager of a subsidiary of the Company	Titans Science and Technology Park, No. 60 Shihua Road West, Zhuhai, Guangdong Province, PRC	400,000	0.05%
常永強 (Chang Yong Qiang)	Department manager of a subsidiary of the Company	Room 202, Unit 6, Block 1, No.8 Jian Ye Yi Road, Zhuhai City, Guangdong Province, PRC	400,000	0.05%
吳子祥 (Wu Zi Xiang)	Department manager of a subsidiary of the Company	Room 606, Block 3, Hua Ning Garden, Gong Bei Xia Wan Road, Zhuhai City, Guangdong Province, PRC	400,000	0.05%
劉魯 (Liu Lu)	Assistant general manager of an associate of the Company	Room 301, Unit 2, Block 10, Fan Hua Xiao Qu, Chang An District, Shi Jia Zhuang City, Hebei Province, PRC	200,000	0.025%
趙偉杰 (Zhao Wei Jie)	Research and development personnel	Room 1202, Block 18, No.600 Ren Min Road West, Xiang Zhou District, Zhuhai City, Guangdong Province, PRC	400,000	0.05%

<b>Name of grantee</b>	<b>Position in / Relation with our Group</b>	<b>Address</b>	<b>Number of Shares subject to options</b>	<b>Approximate percentage of shareholding held upon exercise of all options</b>
屈世磊 (Qu Shi Lei)	Research and development personnel	Room 501, Unit 2, Block 68, No.1 Xing Ye Road, Xiang Zhou District, Zhuhai City, Guangdong Province, PRC	400,000	0.05%
付雙仟 (Fu Shuang Qian)	Research and development personnel	Room 601, Jia Li Yuan, Jiu Zhou Da Dao Central, Ji Da, Xiang Zhou District, Zhuhai City, Guangdong Province, PRC	200,000	0.025%
李波 (Li Bo)	Research and development personnel	Room 504, Unit 1, Block 1, Jin Se Jiu Zhou, Ji Da, Xiang Zhou District, Zhuhai City, Guangdong Province, PRC	400,000	0.05%
鄧文聰 (Deng Wen Cong)	Research and development personnel	Room 1703, Unit 1, Block 1, Yu Jing Shan Garden, Da Xin Guang, Ji Da, Xiang Zhou District, Zhuhai City, Guangdong Province, PRC	200,000	0.025%
袁金峰 (Yuan Jin Feng)	Research and development personnel	Room 1601, Unit 3, Block 2, Hu Guang Shan Se, No.229 Lan Pu Road, Zhuhai City, Guangdong Province, PRC	400,000	0.05%

<b>Name of grantee</b>	<b>Position in / Relation with our Group</b>	<b>Address</b>	<b>Number of Shares subject to options</b>	<b>Approximate percentage of shareholding held upon exercise of all options</b>
周凌 (Zhou Ling)	Research and development personnel	Room 4B, Block 27, No.70 Chang Ye Road, Xiang Zhou District, Zhuhai City, Guangdong Province, PRC	200,000	0.025%
王永勤 (Wang Yong Qin)	Research and development personnel	Room 702, Block 7, No.3168 Qian Shan Ming Zhu Road South, Xiang Zhou District, Zhuhai City, Guangdong Province, PRC	200,000	0.025%
吳蘭旭 (Wu Lan Xu)	Research and development personnel	Room 504, Unit 1, Block 8, Jia Yuan, No.8 Qian Shan Cui Wei Road West, Xiang Zhou District, Zhuhai City, Guangdong Province, PRC	200,000	0.025%
孫曉明 (Sun Xiao Ming)	Research and development personnel	Room 602, Block 21, Tower 1 Singapore Garden, Xiang Zhou District, Zhuhai City, Guangdong Province, PRC	200,000	0.025%
田金明 (Tian Jin Ming)	Sales representative	Room 701, Unit 2, Block 4, Jing Shan Ming Yuan, No.28 Ji Shui Road, Zhuhai, Guangdong Province, PRC	640,000	0.08%

Name of grantee	Position in / Relation with our Group	Address	Number of Shares subject to options	Approximate percentage of shareholding held upon exercise of all options
張濤 (Zhang Tao)	Sales representative (Note)	Room 705, No.628 North, Guangzhou International Trading Building, Guangzhou Da Dao Zhong Road, Tianhe District, Guangzhou, Guangdong Province, PRC	400,000	0.05%
何森 (He Sen)	Sales representative (Note)	No.12, 21st Floor, Kai Ni Building, No.27 Bao Shan Road, Guiyang, Guizhou Province, PRC	400,000	0.05%
李虹 (Li Hong)	Sales representative	Qing Hai Dian Li She Ji Yuan, Jia Shu Yuan, Room 101, No.14 Yan Hu Xiang, Xi Ning, Qinghai Province, PRC	400,000	0.05%
李勇毅 (Li Yong Yi)	Sales representative (Note)	802 Unit 2, Block 3, Lan Shan Ming Di Ju He Yuan, Xin Chang Road, Jin Feng District, Yin Chuan, Ning Xia, PRC	400,000	0.05%
范新權 (Fan Xin Quan)	Sales representative (Note)	4th Floor, Building No. 43, C District, No.89 Ruan Jian Yuan Da Dao, Gu Lou District, Fu Zhou, Fujian Province, PRC	400,000	0.05%

Name of grantee	Position in / Relation with our Group	Address	Number of Shares subject to options	Approximate percentage of shareholding held upon exercise of all options
周慶豔 (Zhou Qing Yan)	Sales representative	502, Block C, Yong He Building, No.28 An Ding Men East Road, Dong Cheng District, Beijing City, PRC	400,000	0.05%
丁毅 (Ding Yi)	Sales representative	Room 1102, Unit 10, Building No.46, District 1, Tian Tong Xi Yuan, Chang Ping District, Beijing City, PRC	200,000	0.025%
龍峰 (Long Feng)	Sales representative (Note)	Room A205, Tian Yi Ming Ju, No.666 Beijing East Road, Nan Chang City, Jiangxi Province, PRC	200,000	0.025%
王亮 (Wang Liang)	Sales representative (Note)	Room 208, 2nd Floor, Block 1, No.16 Shui Xi Guan Nan Jie, Ying Ze District, Tai Yuan City, Shanxi Province, PRC	200,000	0.025%
歐陽洋 (Ou Yang Yang)	Sales representative	601, Unit 1, Block 6, No.8 Si Xian Road, Nan Ning City, Guangxi Province, PRC	200,000	0.025%
范紅光 (Fan Hong Guang)	Sales representative	No.30, Unit 5, No.20 Tian Ya Shi Bei Jie, Cheng Du City, Si Chuan Province, PRC	200,000	0.025%

Name of grantee	Position in / Relation with our Group	Address	Number of Shares subject to options	Approximate percentage of shareholding held upon exercise of all options
馮周 (Feng Zhou)	Sales representative	No.1, Unit 1, Block 1, Zhong Tie Ji Xie Yan Fa She Ji Yuan, No.45 Xu Dong Da Jie, Wu Han City, Hu Bei Province, PRC	200,000	0.025%
和顯則 (He Xian Ze)	Sales representative	No. 1203, Block B, Jin An Building, En Shi Da Dao, Hu Bei Province, PRC	200,000	0.025%
		Total:	<u>23,920,000</u>	<u>2.99%</u>

*Note:* The Company will terminate the employment of these sales representatives after the Group has entered into formal cooperation agreements with the sales partners, in which the sales representatives have, or whose family members have, shareholding interests in, on or before Listing.

Exercise of any of the above outstanding options will have a dilution effect on the shareholdings of the Shareholders at the time of such exercise of options as well as on the earnings/loss per Share for the relevant financial year of the Group.

Assuming that (1) the Share Offer had been completed (without exercise of the Over-allotment Option) and (2) all outstanding options granted under the Pre-IPO Share Option Scheme had been exercised in full at the beginning of the financial year ended 31 December 2009 and that an aggregate of 823,920,000 Shares (comprising an aggregate of 800,000,000 Shares being the number of Shares in issue as at the date of this prospectus and the number of Shares to be issued pursuant to the Share Offer and the Capitalisation Issue, and 23,920,000 Shares which may be issued pursuant to the exercise of all the options granted under the Pre-IPO Share Option Scheme) were in issue throughout the financial year ended 31 December 2009, the basic earnings per Share attributable to equity holders of the Company for the financial year ended 31 December 2009 would have been diluted from approximately RMB0.068 (based on 800,000,000 Shares in issue) to RMB0.066 (based on 823,920,000 Shares in issue).

Assuming that all outstanding options offered under the Pre-IPO Share Option Scheme were exercised in full on the Listing Date, the shareholding interests of the public would be increased from approximately 41.15% to approximately 42.47% of the issued share capital of the Company (assuming the Over-allotment Option is not exercised and taking no account of any Shares which may be allotted

and issued upon the exercise of any options which may be granted under the Share Option Scheme). All the options under the Pre-IPO Share Option Scheme will not be exercisable within first twelve months after the Listing Date.

Save as disclosed above, no options have been granted or will be granted under the Pre-IPO Option Scheme.

## **OTHER INFORMATION**

### **1. Estate duty and tax indemnity**

The Indemnifiers have entered into a deed of indemnity with and in favor of the Company (for itself and as trustee for each of its present subsidiaries) (being the contract referred to in paragraph (g) of the subsection headed “Summary of Material Contracts” in this Appendix) to provide indemnities on a joint and several basis against, among other things, any estate duty, death duty, inheritance tax, succession duty or any other similar tax or duty which is or becomes payable by the Company or any of its subsidiaries by the operation of any estate duty, death duty, inheritance tax, succession duty or any other similar legislation in Hong Kong or the PRC or any other relevant jurisdiction as a result or in consequence of any event or transaction occurring on or before the date upon which the Share Offer becomes unconditional (the “Relevant Date”).

The deed of indemnity also contain indemnities given jointly and severally by the Indemnifiers in respect of taxation resulting from income, profits or gains earned, accrued or received on or before the Relevant Date which might be payable by any member of the Group. The Indemnifiers shall be under no liability under the deed of indemnity in respect of taxation:

- (a) to the extent that provision has been made for such taxation in the combined audited accounts of the Company as set out in the Accountants’ Reports set out in Appendices I to this prospectus and for each of the three years ended 31 December 2009;
- (b) for which any member of the Group is liable as a result of any event occurring or income or profits earned, accrued or received or alleged to have been earned, accrued or received or transactions entered into in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets after the Relevant Date;
- (c) to the extent that such taxation or liability would not have arisen but for any act or omission by any member of the Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) voluntarily effected without the prior written consent or agreement of the Indemnifiers, otherwise than in the ordinary course of business after the Relevant Date or carried out, made or entered into pursuant to a legally binding commitment created after the Relevant Date;
- (d) to the extent that such taxation or liability is discharged by another person who is not the Company or any members of the Group and that the Company or such Group member is not required to reimburse such person in respect of the discharge of the taxation or liability; and

- (e) to the extent that the relevant taxation claim arises or is incurred as a consequence of any retrospective change in the law or the interpretation or practice thereof by the Hong Kong Inland Revenue Department or the tax authorities or any other authority in any part of the world coming into force after the Relevant Date or to the extent that such claim arises or is increased by an increase in the rates of taxation after the Relevant Date with retrospective effect.

The Directors have been advised that no material liability for estate duty is likely to fall on the Company or any of our subsidiaries.

## **2. Sponsor**

The Listing of our Shares is sponsored by OSK. OSK has made an application on our behalf to the Listing Committee for listing of, and permission to deal in, the Shares in issue and the Shares to be issued pursuant to the Capitalisation Issue and the Share Offer (including but not limited to any Shares falling to be issued pursuant to the exercise of the Over-allotment Option and pursuant to the exercise of any options which may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme) on the Stock Exchange.

Our Company agreed with OSK on 3 June 2009 that as part of their sponsorship fee, we will issue, at par, 1,600,000 Shares to OSK representing 0.2% of the total issued share capital of the Company upon completion of the Capitalisation Issue and the Share Offer (assuming no exercise of any Over-allotment Option and taking no account of any Share which may be allotted and issued upon the exercise of any options granted under the Pre-IPO Share Option Scheme and may be granted under the Share Option Scheme).

## **3. Compliance adviser**

In accordance with the requirements of the Listing Rules, our Company has entered into a compliance adviser agreement with OSK as our compliance adviser to provide advisory services to us to ensure compliance with the Listing Rules for a term commencing on the Listing Date and ending on the date on which we distribute the annual report for the first full financial year commencing after the Listing Date in accordance with Rule 13.46 of the Listing Rules, unless terminated earlier pursuant to the terms thereof.

## **4. Litigation**

As at the Latest Practicable Date, no member of our Group is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against any member of our Group.

## **5. Preliminary expenses**

The preliminary expenses of our Company in relation to the establishment of the Company in Cayman Islands are estimated to be approximately US\$8,500 (equivalent to approximately HK\$66,300), and are payable by our Company.

**6. Promoters**

The promoters of our Company are Mr. Li and Mr. An. Save as disclosed in this prospectus, no cash, securities or other benefit had been paid, allotted or given within the two years preceding the date of this prospectus, or proposed to be paid, allotted or given, to any promoter in connection with the Share Offer or the related transactions described in this prospectus.

**7. Qualifications of experts**

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

<b>Name</b>	<b>Qualification</b>
OSK Capital Hong Kong Limited	A licensed corporation permitted by the SFC to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
BMI Appraisals Limited	Business valuers
CCID Consulting Company Limited	Independent consultant engaged by the Company to provide an industry review report
Commerce & Finance Law Offices	PRC lawyers
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
Savills Valuation and Professional Services Limited	Property valuers
SHINEWING (HK) CPA Limited	Certified public accountants

**8. Consents of experts**

As at the Latest Practicable Date, each of OSK, BMI Appraisals Limited, CCID Consulting Company Limited, Commerce & Finance Law Offices, Conyers Dill & Pearman, Savills Valuation and Professional Services Limited and SHINEWING (HK) CPA Limited has given and has not withdrawn its respective written consent to the issue of this prospectus with the inclusion of its reports and/or letters and/or opinion and/or valuation certificates and/or the references to its name included herein in the form and context in which they are respectively included.

**9. Binding effect**

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance insofar as applicable.

**10. Disclaimers**

Save as disclosed in this prospectus:

- (a) none of the Directors nor any of the persons whose names are listed in the paragraph headed “Consents of experts” under the section headed “Other Information” in this Appendix:
  - (i) is interested in the promotion of our Company or in any assets which have within the two years immediately preceding the issue of this prospectus been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of the Group; or
  - (ii) is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group;
- (b) none of the persons whose names are listed in the paragraph headed “Consents of experts” under the section headed “Other Information” in this Appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group;
- (c) no cash, securities or other benefit has been paid, allotted or given within the two years preceding the date of this prospectus to any of promoter of the Company nor is any such cash, securities or benefit intended to be paid, allotted or given to any promoter of the Company on the basis of the Share Offer or related transaction as mentioned in this prospectus; and
- (d) so far as is known to our Directors and save as disclosed in this prospectus, none of our Directors, their respective associates (as defined in the Listing Rules) or Shareholders who, to the best knowledge of our Directors, are interested in 5% or more of our issued share capital have any interests in the 5 largest customers or the 5 largest suppliers of our Group.

**11. Miscellaneous**

- (a) Save as disclosed in this prospectus:
  - (i) within the two years preceding the date of this prospectus, no share or loan capital of our Company or any of its subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;
  - (ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
  - (iii) no founder, management or deferred shares of our Company or any of our subsidiaries have been issued or agreed to be issued; and

- (iv) within the two years preceding the date of this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of our Company or any of our subsidiaries.
  
- (b) Save for the interest of OSK in the Shares as disclosed in paragraph headed “2. Sponsor” of this sub-section, none of OSK, BMI Appraisals Limited, CCID Consulting Company Limited, Commerce & Finance Law Offices, Conyers Dill & Pearman, Savills Valuation and Professional Services Limited and SHINEWING (HK) CPA Limited:
  - (i) is interested beneficially or non-beneficially in any shares in any member of our Group; or
  
  - (ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any shares in any member of our Group.
  
- (c) No company within our Group is presently listed on any stock exchange or traded on any trading system.
  
- (d) All necessary arrangements have been made to enable the Shares to be admitted into CCASS for clearing and settlement.
  
- (e) There has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the 12 months immediately preceding the date of this prospectus.

## **12. Bilingual prospectus**

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

**DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES**

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were (i) copies of the **WHITE**, **YELLOW** and **GREEN** application forms, (ii) copies of the written consents referred to in the paragraph headed “Consents of experts” in the section headed “Other information” in Appendix V to this prospectus, and (iii) copies of the material contracts referred to in the paragraph headed “Summary of material contracts” in the section headed “Further information about our Group” in Appendix V to this prospectus.

**DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the offices of P.C. Woo & Co. at 12th Floor, Prince’s Building, 10 Chater Road, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

1. the Memorandum of Association and the Articles;
2. the accountants’ report of the Group prepared by SHINEWING (HK) CPA Limited, the text of which is set out in Appendix I to this prospectus;
3. the letter on the unaudited pro forma financial information prepared by SHINEWING (HK) CPA Limited, the text of which is set out in Appendix II to this prospectus;
4. the audited financial statements of the Company and the audited consolidated financial statements of the subsidiaries comprising the Group for the years ended 31 December 2007, 2008 and 2009;
5. the letter, summary of values and valuation certificates prepared by Savills Valuation and Professional Services Limited on the properties of the Group, the texts of which are set out in Appendix III to this prospectus;
6. the letter of advice prepared by Conyers Dill & Pearman summarising certain aspects of Cayman Islands Company Law as referred to in the paragraph headed “Summary of the constitution of the Company and the Cayman Islands company law” in Appendix IV to this prospectus;
7. the Companies Law;
8. the service contracts referred to in the paragraph headed “Particulars of service agreements” in the section headed “Further information about our Directors, senior management and staff” in Appendix V to this prospectus;
9. the material contracts referred to in the paragraph headed “Summary of material contracts” in the section headed “Further information about our Group” in Appendix V to this prospectus;

10. the written consents referred to in the paragraph headed “Consents of experts” in the section “Other information” in Appendix V to this prospectus;
11. the PRC legal opinion dated 18 May 2010 issued by Commerce & Finance Law Offices, the legal advisers to the Company as to PRC laws; and
12. the rules of the Pre-IPO Share Option Scheme and the Share Option Scheme.



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