TITANS®

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

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 2188

ANNUAL REPORT 2010

* For identification purpose only

CONTENTS

CORPORATE INFORMATION

Directors	Executive Directors Li Xin Qing *(Chairman of the Board)* An Wei *(Chief Executive Officer)* Independent non-executive Directors Li Wan Jun Li Xiao Hui Yu Zhuo Ping
Audit Committee	Li Wan Jun *(Chairman)* Li Xiao Hui Yu Zhuo Ping
Remuneration Committee	Li Xiao Hui *(Chairman)* Yu Zhuo Ping Li Wan Jun
Nomination Committee	Li Xin Qing *(Chairman)* Yu Zhuo Ping Li Xiao Hui
Authorised representatives (for the purpose of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited)	Li Xin Qing Room 201, No. 9 Xiang Zhou Hai Cheng Road Xiang Zhou District Zhuhai Guangdong Province the PRC Wong Yiu Hung Room 707, Opulent Building 402 Hennessy Road Wanchai Hong Kong
Company Secretary	Wong Yiu Hung *A member of Chartered Institute of Management Accountants of the United Kingdom, and a member of the Hong Kong Institute of Certified Public Accountants*
Auditor	SHINEWING (HK) CPA Limited 43/F., The Lee Gardens 33 Hysan Avenue Causeway Bay, Hong Kong

CORPORATE INFORMATION

Registered Office	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Principal Place of Business and Address of Headquarters in the PRC	Titans Science and Technology Park No. 60 Shihua Road West Zhuhai Guangdong Province the PRC
Principal Place of Business in Hong Kong	Room 09-10, 41/F China Resources Building 26 Harbour Road Wanchai Hong Kong
Cayman Islands Principal Share Registrar and Transfer Office	Butterfield Fulcrum Group (Cayman) Limited Butterfield House 68 Fort Street P.O. Box 609 Grand Cayman KY1-1107 Cayman Islands
Hong Kong Share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712-1716 17th Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong

CORPORATE INFORMATION

Legal Adviser to the Company	*as to Hong Kong law:* P. C. Woo & Co. 12th Floor, Prince's Building 10 Chater Road Central Hong Kong
Compliance Adviser	OSK Capital Hong Kong Limited 11th Floor, Hip Shing Hong Centre 55 Des Voeux Road Central Hong Kong
Stock Code	2188
Website	www.titans.com.cn
Principal Banker	Bank of Communications Zhuhai Jida sub-branch 1/F, Zhong Dian Tech Building Jida Jiuzhou Road the PRC

FINANCIAL HIGHLIGHTS

OPERATING FIGURES FOR THE PAST FOUR YEARS

For the year ended 31 December	**2010** **RMB'000**	2009 RMB'000	2008 RMB'000	2007 RMB'000
Turnover	**288,488**	216,452	175,338	144,404
Gross profit	**155,468**	101,627	79,348	70,034
Profit for the year and total comprehensive income for the year attributable to owners of the Company	**60,253**	54,106	38,812	34,155
Earnings per share				
Basic	**RMB0.083**	RMB0.093	RMB0.067	RMB0.059
Diluted	**RMB0.082**	RMB0.090	RMB0.067	RMB0.059

CONSOLIDATED BALANCE SHEET FOR THE PAST FOUR YEARS

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

FINANCIAL HIGHLIGHTS

FINANCIAL INDICATORS FOR THE PAST FOUR YEARS

For the year ended 31 December	2010	2009	2008	2007
Inventory turnover (1) (day)	**64.88**	49.59	72.63	90.93
Trade and bill receivables turnover (2) (day)	**257.88**	258.66	217.15	188.43
Trade and bill payables turnover (3) (day)	**143.27**	132.33	117.48	135.95
Current ratio (4) (%)	**3.28**	1.82	1.87	1.52
Gearing ratio (5) (%)	**6.32**	13.55	13.03	18.56
Return on equity (6) (%)	**13.27**	37.56	34.68	46.73

Notes:

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

(2) Trade and bills receivables turnover equals the average of trade and bills receivables at the beginning and the ending of the year divided by turnover and 1+17% value added tax (as trade and bills receivables include the value added tax receivables from customers) and multiplied by 365.

(3) Trade and bills payable turnover equals the average of trade and bills payables at the beginning and ending of the year divided by cost of sales and 1+17% value added tax (as trade and bills payables include the value added tax payable to suppliers), and multiplied by 365.

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

(5) Gearing ratio equals sum of the borrowings, amount due to shareholders, amounts due to minority shareholders of a subsidiary, amounts due to directors and convertible loan note divided by total assets and multiplied by 100%.

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

CHAIRMAN'S STATEMENT

Dear Shareholders,

Under the macro environment of an inevitable trend of global energy saving and emission reduction, low-carbon economy, and new energy utilization, the market for energy technologies is expanding rapidly. This is particularly the case for the economy in the People's Republic of China (the "PRC" or "China"). Whilst maintaining its rapid development, it is also paying more attention to the energy issues and has continuously issued respective industry-supporting policies. This has provided enormous business opportunities and prospects for the development of energy technology enterprises. Under such macro environment, we have capitalized on our accumulated advantages in power electronic products and technologies over the years and achieved satisfactory operating results in 2010 through the dedicated efforts of all staff.

In 2010, China Titans Energy Technology Group Co., Limited (中國泰坦能源技術集團有限公司*) (the "Company", together with its subsidiaries, the "Group") recorded an operating income of RMB288,448,000, representing an increase of 33.26% over that of 2009. Our net profit attributable to the shareholders amounted to RMB60,253,000, representing an increase of 11.36% over that of 2009. The aforesaid net profit had already taken into account of the fair value loss from a convertible note with a principal value of HK$10,000,000 (the "Pre-IPO Convertible Note") issued prior to our listing and the non-recurring expenses incurred in connection with our listing in 2010. Excluding these two items, our net profit would have amounted to RMB72,263,000, representing an increase of 27.52% over that of 2009.

In 2010, on the basis of maintaining stable sales in respect of our traditional principal products, we achieved rapid development in new products such as charging equipment for electric vehicles, power grid monitoring and management products as well as solar power generation balancing control products. Sales of new products as a percentage of our turnover increased from 18.55% in 2009 to 51.87% in 2010, exceeded the portion of traditional products for the first time and has become our new growth drivers and sources of profit contribution. We achieved remarkable domestic market positions for new products such as charging equipment for electric vehicles. This symbolizes the initial realization of our transformation from a supplier of a single series of product to a supplier of a full range of power electronic equipment systems, thereby laying a sound foundation for our rapid development in the future.

In 2010, our management performed various work closely relating to the objective of "rapid enhancement of the Group's competitive edge". Firstly, in terms of research and development, whilst we actively attracted excellent and highly talented staff to join Titans, we also worked together with universities and research institutions to establish a highly-efficient model of research and development by integrating our internal value and external value. Secondly, in terms of marketing, whilst maintaining the stable current operating and sales system, the Group also established corresponding structures in key regions through various means such as investments and share subscription to further enhance our marketing capabilities, consolidate and expand our market position. Thirdly, in terms of manufacturing, whilst we continue to develop our existing capability, tried to find new manufacturing sites, and also explored new co-operation with our suppliers to cope with the current issue of insufficient production capacity. Whilst the Group gradually increased its investment in hardware, we also focused on improving our software quality, and improved management standard and operation capability to enhance the overall strength for our development needs.

* *identification pupose only*

CHAIRMAN'S STATEMENT

2011 is the year inaugurating China's "Twelfth Five-Year Plan". China will continue to maintain a rapid development momentum for industries such as power, new energy, energy-saving and emission reduction, Titans will continue to enjoy such favourable market environment. 2011 is Titans' first full accounting year since its successful listing on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and it is also a year of transition for Titans. This year, Titans will strive to capture the development opportunities to further successfully transform itself from a supplier of a single series of products into a supplier of a full range of power electronic equipment systems. This year, Titans will continue to strengthen and consolidate the work carried out in 2010. We will also utilize the proceeds from our listing and leverage on the favourable conditions to enhance our core competitive edge in a short period of time. We will achieve a leading position in research and development and sales in the industry. I believe with the dedicated efforts of our "Titans", we will be able to achieve the above objectives.

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

Lin Xin Qing
Chairman

28 March 2011

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the year ended 31 December 2010, the Group recorded turnover of RMB288,448,000, representing an increase of 33.26% over that of last year. We believe that our growth in turnover was stimulated by the strong market demand generated from the policies favourable to industry regarding domestic consumption and new energy development. The table below shows the turnover of our different groups of product for the two years ended 31 December 2009 and 2010.

	Year ended 31 December			
	2010		2009	
	RMB'000	**%**	RMB'000	%
Electrical DC products	**129,030**	**44.73**	130,840	60.45
Power grid monitoring and management products	**26,960**	**9.34**	16,231	7.50
Charging equipment for electric vehicles	**83,727**	**29.03**	15,157	7.00
Wind and solar power generation balancing control systems	**37,889**	**13.14**	–	0
High-power LED lighting equipment	**1,045**	**0.36**	8,758	4.05
PASS products	**9,797**	**3.40**	45,466	21.00
Total	**288,448**	**100.00**	216,452	100.00

We recorded a profit and total comprehensive income of RMB64,076,000 for the year of 2010, representing an increase of 20.39% over that of last year.

Due to an increase in the value of the shares of the Company (the "Shares") upon listing (the "Listing") on the Main Board of the Stock Exchange as compared with the estimated value of our Shares before Listing as at 31 December 2009, we recorded a loss from an increase in fair value of the Pre-IPO Convertible Note issued prior to our Listing. The entire Pre-IPO Convertible Note was converted into 19,746,548 Shares upon Listing (after the capitalisation issue in connection with the Listing).

MANAGEMENT DISCUSSION AND ANALYSIS

Sales of Group's traditional products – electrical DC products amounted to RMB129,030,000 for the year ended 31 December 2010, which remained relatively stable as compared with that of the previous year. The directors of the Company (the "Directors") believe that electrical DC products are relatively mature, and have a relatively stable market structure. In addition, due to the rapid growth of our new products, we have placed more capacity and resources into the development of new products. As a result, the percentage of sales from electrical DC products to the Group's total turnover decreased from 60.45% in 2009 to 44.73% in 2010.

Sales of charging equipment for electric vehicles increased from RMB15,157,000 in 2009 to RMB83,727,000 in 2010 representing a significant increase of 452.40%. We believe that such strong growth in relation to charging equipment for electric vehicles was mainly driven by China's strong investments in the construction of electric vehicle charging stations. The State Grid Corporation of China ("State Grid"), the China Southern Power Grid and their affiliated companies have been the Group's major customers for many years. They have also been actively investing in various electric vehicles charging station projects. In 2010, the charging station equipment sold by the Group for the Shanghai World Expo were well-received. The Group also provided charging equipment to some other major projects in China, such as the Guangzhou Asian Games electric vehicles charging stations and the State Grid's electric vehicle charging demonstration projects in Shandong, Linyi, the PRC. The Group's electric vehicle charging equipment has been used by various projects located in different provinces, cities and regions (including Hong Kong). We believe that we have built a strong track record which demonstrates our remarkable market position in the electric vehicles charging equipment market.

Sales of power grid monitoring and management products increased from RMB16,231,000 in 2009 to RMB26,960,000 in 2010, representing an increase of 66.10%. This was mainly due to the increase in our sales to some provincial and municipal power grid companies. Our cooperation with Henan Electricity Company in respect of the demonstration project of power quality monitoring system for electrified railway centralized connection to the regional power grid (“電鐵集中接入地區電能質量監測系統示範工程”) passed the appraisal test in 2010. The appraisal results showed that the project, in the area of power quality management systems products, is considered to be high-tech, innovative and practical, and the related research results have reached international advanced standards. Experts from the appraisal committee recommended the promotion of active construction of quality management sub-systems for power companies in different cities in order to achieve on-line entire power grid monitoring and management. We believe that leveraging on the rapid growth of this product segment and the Group's advancement in technology, our power gird monitoring and management products will continue its high growth momentum.

In 2010, we sold our wind and solar power generation balancing control systems to provincial and municipal power grid companies and generated sales of RMB37,889,000 (2009: nil).

Sales of high-power LED lighting equipment decreased from RMB8,758,000 in 2009 to RMB1,045,000 in 2010. Competition within this market segment continued to be fierce. This market segment is in lack of much synergy with our long-term stable customers base of our business. Profit margin of this product series is low as compared with the profit margin of the other products. In 2010, the Group made a timely market adjustment and reduced our effort on the resources, marketing and sales of high-power LED lighting equipment in order to ensure more efficient utilization of resources. We believe that this is consistent with the Group's business strategy.

MANAGEMENT DISCUSSION AND ANALYSIS

Sales of PASS products reduced from RMB45,466,000 in 2009 to RMB9,797,000 in 2010. We purchase PASS products from a well-known Italian company. In connection with the sale of a PASS product, we bundle it with ancillary products and provide our customers with technical services. PASS products are not our self-developed products using our proprietary technology. It is not the Group's main business. We adopt appropriate marketing strategies based on market demand and our available resources.

Below are some of our other major business and management activities in 2010.

1. In 2010, we increased our investment in research and development in the new products such as charging equipment for electric vehicles, power grid monitoring and management, and wind and solar power generation balancing control systems. The Group's research and development expenses increased from RMB9.16 million in 2009 to RMB13.36 million in 2010. We have increased our research and development personnel to 44 members. In addition, in order to attract high-calibre research and development personnel, the Group has set up a research and development branch in Shenzhen, the PRC. In 2010, we strengthened cooperation with colleges and research institutes and partnered with Shanghai Donghua University and set up "Titans Group – Donghua University Industrial Design Center." The Group has continued to progress on our technology research and innovation. From 1 January 2010 to the date of this report, we were granted 10 new patents and made 9 new patents application, which are in the review process.

2. In 2010, we increased our investment in sales and marketing. Whilst ensuring the stability of our existing regional sales and marketing structure, we have strengthened our sales force and technical support team. This helps enhance the Group's overall sales capabilities to meet the rapidly-growing demand for our new products. In 2010, we increased our sales and technical staff by 24 people. We also expanded our sales network by establishing joint venture companies. In 2010, the Group invested in a 45% interest in Beijing Hua Shang Clear New Energy Technology Co., Ltd.*（北京華商三優新能源科技有限公司）and a 26% interest in Henan Longyuan New Energy Equipment Co., Ltd*（河南龍源新能源裝備有限公司）. The two companies provide additional sales channels for the new products such as charging equipment for electric vehicles.

3. We have actively been expanding our production capacity. As stated in our prospectus dated 18 May 2010, we have been in close contact with the Zhuhai Hengqin Economic Development Zone. However, we understand that the planning and policy formulation of the Hengqin Economic Development Zone, being a State level economic zone, is still in progress. The Group's plans for the acquisition of land in the Hengqin Economic Development Zone is still under further discussion and negotiations. In order to meet the expanding demand for new production capacity, the Group has leased a factory facility with an approximate area of about 3,600 square meters in the proximity of its existing plant area. Besides, the Group has entered into an agreement to lease 9,110 square meters in Zhuhai City Guoxin Enterprise Zone, which can be put into use in May 2011.

* *For identification purpose only*

MANAGEMENT DISCUSSION AND ANALYSIS

4. In 2010, the Group strengthened its internal management system to improve the overall management standard and efficiency. In view of the rapid development of the Group's new products, the Group's has applied the product chain management model in its research and development and sales. We have reorganised the resources available to research and development, sales planning, sales channels, sales personnel, technical support and funding with a view to enhancing efficiency and reducing management costs. We have also upgraded our information technology hardware platform to enhance our internal information flow.

5. In 2010, with respect to environmental protection and application of new energy, the Group has established a wholly-owned subsidiary, Anhui Titan Liancheng Energy Technology Co., Ltd. to engage in the energy conservation services business by integrating the Group's resources in terms of products and human resources with a view to capturing the demand from the favourable State's policy on energy conservation. We believe that this new company will effectively complement and improve the Group's business model, and thus will gradually improve the Group's financial and cash flow positions.

PROSPECTS

2011 is the first year of China's "Twelfth Five-Year Plan". According to public information, it is the State's target to maintain a steady rapid growth, and to substantially develop in the energy-saving, environmental protection, new energy, electric vehicles, intelligent power grid and other strategic and emerging industries. For example, during the "Twelfth Five-Year Plan" period, State Grid plans to construct 2,351 transforming stations and 220,000 electricity re-charging piles for building a foundation for an intelligent power transforming charging network that covers the operating region of State Grid. In addition, in the next 10 years, State Grid will invest more than RMB3,000 billion in building an intelligent power grid system. Among such funding, 88% will be used to invest in electricity transforming, distributing and usages which relate to the Group's products. Investments of State Grid will include construction and modification of intelligent transforming stations, building of intelligent management support systems for automated power distribution, strengthening of the power usage collection system, charging stations, etc. Such plans and environment will provide the Group with good development opportunities, great market prospects and growth potential.

In 2011, we will try to capture the market opportunities by focusing on the two fundamental elements of "operation and sales" and "innovation" and the execution of our operation management.

MANAGEMENT DISCUSSION AND ANALYSIS

1. In accordance with our strategic plan, we will continue to steadily consolidate and increase our market position and market share in respect of electrical DC products. We will also enhance our research and development, manufacturing and sales of the new products, with a view to, in particular, consolidating and further improving the market position of our charging equipment for electric vehicles. We will firmly establish the "Titans" brand connotation and maintain market share leadership. In respect of our power grid monitoring and management products, we will try to capture the opportunity in respect of the construction of a nation-wide intelligent power grid, and establish a good market position in this power system industry sector. We will also steadily progress with the promotion and marketing of wind and solar power generation balancing control systems in order to achieve better sales.

2. We will further increase our investment in research and development, expedite commercialisation of our research and development results and maintain, in terms of technology, our leadership in the PRC. We will also continue to step up our effort in partnering with universities or research institutes to strengthen our research and development capability.

3. We will further enhance our sales channels and sales force.

4. We will continue to enhance the Group's production capacity. Before construction of a new production base, as a transitional arrangement, the Group has leased additional premises as and when appropriate to address our expanding production needs. Apart from the 3,600 square meters premises rented in 2010, the Group has entered into an agreement to lease 9,110 square meters in Zhuhai City Guoxin Enterprise Zone, which can be put into use in May 2011.

5. We will continue to strengthen the building of our human resources. On the one hand, we will continue to attract talented staff, especially those in field of research and development as well as sales. On the other hand, we will improve employee training and conduct career planning for employees to provide them with better career prospects. We will work jointly with universities in our training programs to our research and development team, sales leaders and other key functional teams.

6. We will strengthen our internal management systems and implement Office Automation, Enterprise Resource Planning, Product Lifecycle Management and other information platform.

7. In 2011, we will actively seek potential business partners based on the principle of creating synergy in terms of market and technology to quickly enhance the Group's market and research and development, and thus achieve rapid business development by leveraging on their technology and market position.

Based on the above favourable external factors, market conditions and the Group's well formulated strategy, the Directors believe that the Group will be able to maintain its continuing growth in 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Comparison of our results for the years ended 31 December 2010 and 2009

Turnover

Our turnover increased from RMB216,452,000 for the year ended 31 December 2009 to RMB288,448,000 for the year ended 31 December 2010, representing an increase of 33.26% and a compound annual growth rate from 2008 to 2010 of 28.26%.

Cost of sales

Our cost of sales increased by 15.81% from RMB114,825,000 for the year ended 31 December 2009 to RMB132,980,000 for the year ended 31 December 2010. The increase was primarily attributable to the increase in sales during the year. Materials costs were the principal component of our cost of sales, which amounted to RMB107,376,000 and RMB120,475,000 for the year ended 31 December 2009 and 2010 respectively and accounted for 93.51% and 90.60% of our costs of sales for the year ended 31 December 2009 and 2010 respectively.

Gross profit

The table below sets out our gross profit and gross profit margin for the years indicated.

	For the year ended 31 December					
	2010			2009		
	Gross profit RMB'000	**% to total gross profit %**	**Gross profit margin %**	Gross profit RMB'000	% to total gross profit %	Gross profit margin %
Electrical DC products	**61,967**	**39.86**	**48.03**	68,024	66.93	51.99
Power grid monitoring and management products	**17,146**	**11.03**	**63.60**	10,030	9.87	61.80
Charging equipment for electric vehicles	**48,940**	**31.48**	**58.45**	8,569	8.43	56.53
Wind and solar power generation balancing control systems	**24,347**	**15.66**	**64.26**	–	–	–
High-power LED lighting equipment	**226**	**0.14**	**21.57**	2,073	2.04	23.67
PASS products	**2,842**	**1.83**	**29.10**	12,931	12.73	28.44
Total/Average	**155,468**	**100.00**	**53.90**	101,627	100.00	46.95

MANAGEMENT DISCUSSION AND ANALYSIS

As our turnover increased, our gross profit increased by 52.98% from RMB101,627,000 for the year ended 31 December 2009 to RMB155,468,000 for the year ended 31 December 2010. Our gross profit margin increased from 46.95% for the year ended 31 December 2009 to 53.90% for the year ended 31 December 2010. The significant improvement in our gross profit margin was a result of the increase in the sales of our new products, including the power grid monitoring and management products, charging equipment for electric vehicles and wind and solar power generation balancing control systems, which were sold at a higher average gross profit margin than that of our electrical DC products.

Other revenue

Our other revenue, which mainly included, among other things, value added tax refunds, government grants and interest income, increased by 9.40% from RMB7,582,000 for the year ended 31 December 2009 to RMB8,295,000 for the year ended 31 December 2010.

Selling and distribution expenses

Our selling and distribution expenses, which mainly included, among other things, marketing related travelling expenses and entertainment expenses, decreased by 4.97% from RMB22,614,000 for the year ended 31 December 2009 to RMB21,490,000 for the year ended 31 December 2010 as a result of our cost controlling effort. Our selling and distribution expenses as a percentage of turnover decreased from 10.44% for the year ended 31 December 2009 to 7.45% for the year ended 31 December 2010.

Administrative and other expenses

Our administrative and other expenses, which mainly included, among other things, management and back office staff cost, management travelling and entertainment expenses, office expenses, research and development expenses and allowance for doubtful trade receivables, increased by 66.61% from RMB23,824,000 for the year ended 31 December 2009 to RMB39,694,000 for the year ended 31 December 2010. Our administrative and other expenses as a percentage of turnover increased from 11.0% for the year ended 31 December 2009 to 13.76% for the year ended 31 December 2010. The increase in administrative and other expenses was mainly a result of an expansion of our business structure in view of our improved prospects after the Listing. During the year 2010, our research and development expenses also increased from RMB9,156,000 to RMB13,362,000.

MANAGEMENT DISCUSSION AND ANALYSIS

Share of results of associates

During the year ended 31 December 2010, we established Beijing Hua Shang Clear New Energy Technology Co., Ltd.*（北京華商三優新能源科技有限公司）on 8 February 2010, in which we held a 45% interest as at 31 December 2010 and Henan Longyuan New Energy Equipment Co. Ltd*（河南龍源新能源裝備有限公司）on 27 April 2010, in which we held a 26% interest as at 31 December 2010. Both companies are established to engage in the marketing and sales of our new products, such as charging equipment for electric vehicles. During the year, our Group's equity interest in Beijing New Clear Energy Equipment Co. Ltd.*（北京優科利爾能源設備有限公司）("Beijing New Clear") decreased from 55% to 20% as a result of a capital enlargement and injection of new capital by other investors in the registered capital of Beijing New Clear. The above three companies are accounted for as our associates and we shared RMB770,000 from the losses of such three companies based on our equity interests in them.

Other expenses

Other expenses for the year ended 31 December 2009 amounted to RMB2,739,000 relating to the preparation for the Listing. Other expenses increased to RMB13,844,000 for the year ended 31 December 2010 relating to expenses incurred in connection with the Listing of RMB8,054,000 and a book loss on foreign exchange of RMB5,790,000.

Finance costs

Our finance costs increased by 283.26% from RMB1,386,000 for the year ended 31 December 2009 to RMB5,312,000 for the year ended 31 December 2010. Our finance costs as a percentage of turnover increased from 0.64% for the year ended 31 December 2009 to 1.84% for the year ended 31 December 2010. The increase in our finance cost was mainly due to an increase in our bank borrowings and trade receivable factoring during the reporting year.

Taxation

Our income tax expenses increased by 127.35% from RMB6,431,000 for the year ended 31 December 2009 to RMB14,621,000 for the year ended 31 December 2010. The effective tax rates (being the ratio of our tax expenses to our profit before tax) for the year ended 31 December 2009 and 2010 were 10.78% and 18.58% respectively. The increase in effective tax rate was due to an increase in expenses which are not tax deductible and a reduction in certain tax exemptions enjoyed by the Group.

Profit attributable to non-controlling interests

For the year ended 31 December 2010, profit attributable to non-controlling interests of our non-wholly owned subsidiaries amounted to RMB3,823,000 representing their share of the profit/(loss) of our non-wholly owned subsidiaries.

* *For identification purpose only*

MANAGEMENT DISCUSSION AND ANALYSIS

Profit attributable to owners of the Company

As a result of the increase in our turnover and gross profit margin, even after taken into account the non-operating non-recurring fair value loss from the Pre-IPO Convertible Note of RMB3,956,000, profit for the year and total comprehensive income for the year attributable to owners of the Company still increased by 11.36% from RMB54,106,000 for the year ended 31 December 2009 to RMB60,253,000 for the year ended 31 December 2010. In addition, we also incurred RMB8,054,000 non-recurring expenses in relation to our Listing for the year ended 31 December 2010 (2009: RMB2,739,000). Net profit margin with respect to profit for the year and total comprehensive income for the year attributable to owners of the Company decreased from 25.00% for the year ended 31 December 2009 to 20.89% for the year ended 31 December 2010. We believe that this was mainly due to an increase in our expenses in connection with our Listing, including among other things, the fair value loss from the Pre-IPO Convertible Note and other expenses related to the Listing.

Excluding the fair value loss from the Pre-IPO Convertible Note, our profit for the year and total comprehensive income for the year attributable to owners of the Company would be RMB64,209,000 for the year ended 31 December 2010 (2009: RMB53,927,000).

If we further exclude the above mentioned non-recurring Listing expenses, our profit for the year and total comprehensive income for the year attributable to owners of the Company would have been RMB72,263,000, representing an increase of 27.52% from that for the year ended 31 December 2009 (2009: RMB56,666,000).

INVENTORY ANALYSIS

The table below sets out information on our inventory for the years indicated:

	Year ended 31 December			
	2010		2009	
	RMB'000	**%**	RMB'000	%
Materials	**13,752**	**38.90**	3,704	31.07
Work-in-progress	**12,183**	**34.46**	3,360	28.19
Finished goods	**9,419**	**26.64**	4,857	40.74
	35,354	**100.00**	11,921	100.00

Our Group's inventory balances increased from RMB11,921,000 as at 31 December 2009 to RMB35,354,000 as at 31 December 2010.

Our average inventory turnover days increased from 49.59 days for the year ended 31 December 2009 to 64.88 days for the year ended 31 December 2010. We have a better working capital position after Listing. This helped enhance our production and thus increased our inventory level as of the end of the reporting period including raw materials and semi-finished goods.

We have not made any general or special provision for the inventory as at 31 December 2010.

MANAGEMENT DISCUSSION AND ANALYSIS

ANALYSIS OF TRADE AND BILLS RECEIVABLES

As at 31 December 2009 and 2010, our trade and bills receivables (net of allowance) amounted to RMB221,938,000 (comprising trade receivables of RMB220,938,000 and discounted bills receivables of RMB1,000,000) and RMB254,946,000 (comprising trade receivables of RMB251,646,000 and bills receivables of RMB3,300,000) respectively. The increase in trade and bills receivables was mainly due to the increase of our sales.

The table below sets forth the ageing analysis of our trade receivables as of 31 December 2009 and 2010.

	For the year ended 31 December							
	2010				2009			
	Gross amount RMB'000	**Allowance for bad debt RMB'000**	**Net amount RMB'000**	**%**	Gross amount RMB'000	Allowance for bad debt RMB'000	Net amount RMB'000	%
Within 90 days	**129,539**	**1,050**	**128,489**	**51.06**	117,316	758	116,558	52.8
91 days to 180 days	**18,026**	**792**	**17,234**	**6.85**	40,333	450	39,883	18.1
181 days to 365 days	**57,013**	**1,137**	**55,876**	**22.20**	47,990	2,329	45,661	20.7
Over 1 year to 2 years	**40,103**	**1,022**	**39,081**	**15.53**	18,870	3,154	15,716	7.0
Over 2 years to 3 years	**14,269**	**3,303**	**10,966**	**4.36**	5,248	2,613	2,635	1.2
Over 3 years	**6,127**	**6,127**	**–**	**–**	2,331	1,846	485	0.2
Total	**265,077**	**13,431**	**251,646**	**100**	232,088	11,150	220,938	100

Our trade and bills receivables' turnover days for the years ended 31 December 2009 and 2010 were 258.66 days and 257.88 days respectively.

Our electrical DC product series, our key products, are supplied to, among others, power generation plants and power grid companies. Sales are recognised upon product delivery which may be before the date when the trade receivables are due for payment. Our customers are only required to pay us the purchase prices pursuant to the terms of the sales contracts. In respect of the sale of our electrical DC products, we may require the payment of a deposit of approximately 10% of the total contract sum to be paid after signing of the contract, 80% of the contract sum may become payable by the customer after our products have been delivered and satisfactorily installed and tested. It is normally stipulated that the balance of 10% will be withheld, being retention money as a form of product performance surety, and be paid by the customer to us 12 to 18 months after the on-site installation and testing. We may grant a credit period in the range of 30 days to 90 days from the above installment payment due dates (including the payments of deposit, the payments due after testing and the payments of retention money). We consider that the time lag between the payment terms under our sales contracts and our accounting revenue recognition policy is a major reason for our relatively long trade and bills receivables turnover days.

MANAGEMENT DISCUSSION AND ANALYSIS

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

For the year end 31 December 2010, we made an additional specific provision of RMB2,961,000 as allowance for doubtful trade receivables (2009: RMB2,939,000).

Up to 21 March 2011, about 12.22% of the trade and bill receivables outstanding as at 31 December 2010 have been settled.

In order to control the level of trade receivables and the working capital of the Group, during 2010, the Group has factored approximately RMB49,546,000 accounts receivables (2009: discounted bills with recourse of RMB1,000,000) to a bank with a total cost of RMB2,755,000.

ANALYSIS ON TRADE AND BILLS PAYABLES

As at 31 December 2009 and 2010, our trade and bills payables amounted to RMB58,868,000 (comprising trade payables of RMB29,355,000 and bills payables of RMB29,513,000) and RMB63,270,000 (comprising trade payables of RMB51,941,000 and bills payables of RMB11,329,000) respectively. The increase in trade and bills payables from 31 December 2009 to 31 December 2010 was mainly due to an increase in our business activities. For the two years ended 31 December 2009 and 2010, our trade and bills payable turnover days were 132.33 days and 143.27 days respectively.

The table below sets forth ageing analysis of our trade payables as of 31 December 2009 and 2010.

	Year ended 31 December	
	2010	2009
	RMB'000	RMB'000
Within 90 days	**47,537**	25,064
91 days to 180 days	**2,344**	746
181 days to 365 days	**452**	2,719
Over 1 year to 2 years	**1,608**	751
Over 2 years	**–**	75
	51,941	29,355

MANAGEMENT DISCUSSION AND ANALYSIS

DEBTS

All our debts were classified as short-term liabilities payable within 12 months from the respective balance sheet dates. As at 31 December 2010, there were no non-current liabilities (that were payable more than 12 months from the respective balance sheet dates). The following table sets out our indebtedness as at 31 December 2009 and 2010. All our indebtedness were denominated in RMB except for the Pre-IPO Convertible Note which was denominated in HK$.

	Year ended 31 December			
	2010		2009	
	RMB'000	**Applicable/ effective interest rates**	RMB'000	Applicable/ effective interest rates
Amounts due to a shareholder	**–**	**–**	1,519	2.5%
Amounts due to directors	**–**	**–**	7,447	0%
Bank and other borrowings	**40,000**	**4.52% to 7%**	24,000	5.83% to 7.34%
The Pre-IPO Convertible Note	**–**	**–**	8,581	8.1%
	40,000		41,547	

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 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.

As at 31 December 2010, we had a gearing ratio (total indebtedness divided by total assets) of 6.32% (2009: 13.6%).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2010, the total equity of the Group amounted to RMB454.02 million (2009: RMB146.39 million), the Group's current assets were RMB588.49 million (2009: RMB291.25 million) and current liabilities were RMB179.26 million (2009: RMB160.30 million). As at 31 December 2010, the Group had short-term bank deposits, bank balances and cash of RMB216.62 million, not including the restricted bank balances of RMB11.44 million. As we did not have any non-current liability, our total assets less our total current liabilities equal our net assets which was RMB454,020,000 as at 31 December 2010.

The Group finances its operations with internally generated cash flows, bank loans and proceeds raised as part of its Listing. As at 31 December 2010, the Group had outstanding bank borrowings of RMB40 million (2009: RMB24 million).

MANAGEMENT DISCUSSION AND ANALYSIS

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATES

Pursuant to the share transfer agreement entered into between Shijiazhuang Guofu Titans New Energy Co., Ltd.*（石家莊國富泰坦新能源有限公司）("Shijiazhuang Titans") (a wholly-owned subsidiary of our Group) and non-controlling interests of Zhuhai Titans Technology Co., Ltd.*（珠海泰坦科技股份有限公司）("Titans Technology") on 26 July 2009, Shijiazhuang Titans acquired a 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 was included in other payables as at 31 December 2009. The resulted negative goodwill of RMB830,000 was recognised in the consolidated statement of comprehensive income. After the acquisition, Titans Technology has become a wholly-owned subsidiary of the Company.

On 11 October 2010, there were capital enlargement and injection of capital to Beijing New Clear, a then subsidiary of the Group, by independent third parties and the Group in different proportion. The Group's equity interest in Beijing New Clear was diluted from 55% to 25%. Beijing New Clear has then become an associate of the Group.

On 27 December 2010, six independent third parties in aggregate and the Group injected RMB11.2 million and RMB2 million respectively into Beijing New Clear, as equity investment. As a result, the Group's equity interest in Beijing New Clear was further diluted from 25% to 20%.

We recorded a gain arising from this deemed disposal of partial interest in Beijing New Clear of RMB77,000 as a result.

Save from the above, as at 31 December 2010, the Group had no other material acquisition or disposal of its subsidiaries and associates.

CONTINGENT LIABILITIES

As at 31 December 2010, the Group had no material contingent liabilities.

CAPITAL COMMITMENTS

As at 31 December 2010, the Group had capital expenditure contracted for but not provided in the consolidated financial statements in respect of the acquisition of property, plant and equipment of RMB28,667,000. The Group also had capital expenditure authorised but not contracted for in respect of the acquisition of property, plant and equipment of RMB12,800,000.

* *For identification purpose only*

MANAGEMENT DISCUSSION AND ANALYSIS

PLEDGE OF ASSETS

As at 31 December 2010, our leasehold land and building of carrying values of approximately RMB7,676,000 were pledged to secure bank borrowings and other facilities. In addition, we also pledged the relevant leasehold land and buildings and RMB500,000 (2009: RMB500,000) refundable deposits as security for a guarantee given by an independent guarantee company in respect of credit facilities of RMB5,000,000 granted to us.

As at 31 December 2010, the Group pledged trade receivables of approximately RMB11,509,000 (2009: nil) for credit facilities of RMB38,400,000 (2009: nil) granted to us by a bank.

EMPLOYEES AND REMUNERATION

As at 31 December 2010, the Group had about 448 employees. The remuneration paid to our employees and Directors is based on experience, responsibility, workload and the time devoted to the Group.

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

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

The Group and its employee in Hong Kong contribute to the mandatory provident fund in accordance with the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) and relevant requirements. A Pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") was adopted on 8 May 2010 to motivate staff members to contribute to the success of the Group and to help retain high calibre staff. As at 31 December 2010, there were outstanding options carrying rights to subscribe for a total of 23,920,000 Shares at an exercise price of HK$0.59 per Share which were granted to 53 employees of the Group, including the two executive Directors, under the Pre-IPO Share Option Scheme. Subsequent to the year ended 31 December 2010, options carrying rights to subscribe for a total of 200,000 new Shares have lapsed. As at the date of this report, there are outstanding options carrying rights to subscribe for a total of 23,720,000 Shares under the Pre-IPO Share Option scheme.

A share option scheme was adopted on 8 May 2010 (the "Share Option Scheme") to provide incentives to eligible persons (including employees, officers, agents, consultants or representatives of any member of the Group (including any executive or non-executive director of any member of the Group)) for their contribution to the Company and to enable the Company to recruit and retain high calibre employees. As at 31 December 2010, no option was granted by the Company under the Share Option Scheme.

On 17 February 2011, the Company granted 19,430,000 share options to certain employees and a substantial shareholder (who is also an employee) of the Company under the Share Option Scheme to subscribe for a total of 19,430,000 new Shares in the share capital of the Company at an exercise price of HK$1.10 per Share.

MANAGEMENT DISCUSSION AND ANALYSIS

FOREIGN EXCHANGE

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

During the reporting period, the Group recorded an exchange loss of approximately RMB5,790,000 (2009: loss of approximately RMB80,000). As at 31 December 2010, the Group did not have significant foreign exchange hedges. Such foreign exchange book loss arose as a result of a change in the historical exchange rate as at the date when the net proceeds of HK$243.6 million were raised from the share offer in connection with the Listing and the exchange rate as at 31 December 2010.

The Group adopted a conservative approach towards its treasury policies. Our treasury function mainly involves the management of our cash flow. Cash is mainly deposited in banks in Renminbi for our working capital purposes. We did not have any material holding in financial securities or foreign exchange (except for business purposes) during the year ended 31 December 2010. Our accounts department projects monthly cash receipts and plans for cash payments based on the information provided by our marketing management and support team regarding the progress on the customers' projects and relevant payment plans. Our accounts department then plans for cash payments based on the projections.

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

MAJOR LITIGATION AND ARBITRATION PROCEEDINGS

The Group has no major litigation or arbitration during the year ended 31 December 2010.

MANAGEMENT DISCUSSION AND ANALYSIS

USE OF PROCEEDS

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

Proposed use of proceeds	**Proposed amount to be used**	**Actual amount used up to 31 December 2010**
	RMB'000	RMB'000
Support and enhance manufacturing capacity and acquire new production facility	66,737	183
Further establish and consolidate the Group's position in the market	80,470	9,380
Support and strengthen the Group's product research and development capability	19,742	1,314
Support and enhance the Group's marketing ability	28,755	140
Working capital	18,884	18,884
	214,588	29,901

The unused balance of approximately RMB185 million was kept as bank deposits in the PRC.

Shares of the Company were listed on the Stock Exchange on 28 May 2010 (the "Listing Date") raising net proceeds of approximately HK$243.6 million (approximately RMB215 million). However, such proceeds were only transferred to the Group's account in the PRC and become available for use in September 2010 due to the PRC foreign exchange approval process. We will prudently use the proceeds in accordance with our plan with a view to fueling our growth momentum and enhancing our competitive strength.

As set out in our prospectus dated 18 May 2010, we propose to spend part of our proceeds to acquire a piece of land in the Hengqin Economic Development Zone, Zhuhai and build a new factory there. As the planning work in respect of the development of the Hengqin Economic Development Zone by the relevant government authority is still ongoing, we are still discussing with the relevant authority regarding details of the proposed acquisition. We have therefore not yet acquired land in the Hengqin Economic Development Zone. To cope with our current expansion, we have rented a factory with an additional area of 3,600 square metres nearby our production base at Titans Science and Technology Park. We have also entered into an agreement to lease premises of 9,110 square metres which can be put into use in May 2011. If we do not acquire land in the Hengqin Economic Development Zone, we will identify another suitable place for the expansion of our production facilities.

CORPORATE GOVERNANCE REPORT

We are committed to ensuring high standards of corporate governance at all times and in all areas of its operations. The Board believes that good corporate governance is an essential element in enhancing the confidence of current and potential shareholders, investors, employees, business partners and the community as a whole.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Board regularly reviews the Group's corporate governance guidelines and developments. In the opinion of the Directors, the Company has complied with the code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") throughout the year ended 31 December 2010 except where stated and explained in this Corporate Governance Report.

THE BOARD

Members attendance of Board and Committee meetings for the year 2010 are as follows:

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

As of the date of this report, the Board comprises two executive Directors and three independent non-executive Directors. Detailed biographies outlining each Director's range of specialist experience can be found on pages 33 to 37.

CORPORATE GOVERNANCE REPORT

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Li Xin Qing has been the Chairman of the Board and no individual was appointed as a chief executive officer during the year ended 31 December 2010. The executive Directors with the assistance of the Group's senior management team oversaw and managed the Group's business. There was no segregation of the role of chairman and chief executive officer as set out in the Code provision A.2.1 during the year ended 31 December 2010. In order to further improve the Group's internal management accountability, on 28 March 2011, the Board has resolved to appoint Mr. An Wei, one of the executive Directors, as our chief executive officer. Mr. Li Xin Qing, will continue to be the Chairman of the Board. With the appointment of Mr. An Wei as the chief executive officer, we comply with the relevant code provision of the Code. Mr. Li Xin Qing and Mr. An Wei each holds 50% shareholding in Rich Talent Management Limited, which holds 7,985,418 Shares in the Company.

BOARD MEETINGS

The Company was listed on the Stock Exchange on 28 May 2010. Before the Listing, three physical Board meetings were held in respect of various listing matters and another Board decision was also made by written resolution. In connection with the preparation of the Listing, the Board delegated power to two executive Directors to form a committee of the Board to deal with matters and issues arising with respect to the Listing, where 7 meetings were held to consider and approve transactions contemplated under the Listing. After the Listing, the Board held one meeting in August 2010 for, among other things, discussing and approval the interim results of the Group for the six months ended 30 June 2010. Going forward, the Company will endeavour to comply with the Code that Board meetings should be held around quarterly.

The Board also ensures that its members are supplied, in a timely manner, all necessary information in a form and of a quality appropriate to enable the Board to discharge its duties. All Board meetings adhere to a formal agenda in which a schedule of matters is specifically addressed to the Board for its decision. Specific topics discussed at Board meetings may include overall strategy, major acquisitions and disposals, annual budgets, interim and annual results, recommendations on Directors' appointment(s) or reappointment(s), approval of major capital projects, dividend policies, and other significant operational and financial matters. During the intervals between Board meetings, individual Directors are kept appraised of all major changes that may affect the Group's businesses.

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

CORPORATE GOVERNANCE REPORT

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

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

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

ROLES OF THE BOARD

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

BOARD COMMITTEES

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

CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE, REMUNERATION COMMITTEE AND NOMINATION COMMITTEE

Audit Committee

Our Company has established an audit committee (the "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, the interim reports and financial statements 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/or the auditors of our Company. The Audit Committee will also consider whether there are any material or general matters which are, or may be, necessary to be reflected in such reports and financial statements, and will consider matters raised by our auditors. Members of the Audit Committee are also responsible for reviewing the financial reporting process and internal control systems of our Company.

The Audit Committee comprises our three independent non-executive Directors, namely Ms. Li Xiao Hui, Mr. Yu Zhuo Ping and Mr. Li Wan Jun and is chaired by Mr. Li Wan Jun.

The Audit Committee held one meeting in 2010 to review the interim results of the Group for the six months ended 30 June 2010 and all members of the Audit Committee, namely Ms. Li Xiao Hui, Mr. Yu Zhuo Ping and Mr. Li Wan Jun, attended the said meeting.

The Audit Committee has reviewed with the management and the Group's external auditors, SHINEWING (HK) CPA Limited ("SHINEWING"), the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters.

Apart from considering the issues arisen from the audit process, the Audit Committee also discussed matters raised by the external auditors. The Audit Committee reviewed with the management on the Group's financial controls, internal control systems, risk management system, and the accounting principles and practices adopted by the Group. All issues reported by the external auditors are monitored closely by the Group's senior management.

During the year under review, the fee paid to the Group's external auditors SHINEWING were as follows:

	2010 **HK$'000**
Audit fees	**840**
Non-audit service fees (service fee for reviewing the Group's financial statements for the six months ended 30 June 2010)	**300**

The Audit Committee has concluded that it is satisfied with the findings of its review of the audit and non-audit service fees, process and effectiveness, and independence and objectivity of SHINEWING. The Audit Committee will therefore recommend to the Board that SHINEWING be re-appointed as the Group's external auditors at the annual general meeting in 2011.

CORPORATE GOVERNANCE REPORT

Remuneration Committee

We have established a remuneration committee (the "Remuneration Committee") which is responsible for considering and recommending our Board the remuneration and other benefits paid by us to our Directors and senior management. The remuneration of all our Directors and senior management is subject to regular monitoring by the Remuneration Committee to ensure that levels of their remuneration and compensation are appropriate. The Remuneration Committee comprises three independent non-executive Directors namely, Ms. Li Xiao Hui, Mr. Yu Zhuo Ping and Mr. Li Wan Jun and is chaired by Ms. Li Xiao Hui.

The Remuneration Committee did not convene any meeting in 2010. The Company was listed in May 2010 and no adjustment was made to the remuneration paid to our Directors and senior management in 2010 after Listing. On 28 March 2011, the Remuneration Committee met to review and approve the bonus payment to the Directors. Details of each executive Director's salary are set out in note 14 of the "Notes to the Consolidated Financial Statements".

The primary objective of the Group's remuneration policy is to retain and motivate executive Directors by linking their compensation to the Group's performance and evaluating their compensation against corporate goals, so that the interests of the executive Directors and the senior management team are aligned with those of our shareholders. No Director can, however, approve his or her own remuneration.

The Remuneration Committee is also entrusted with approving all grants of share options under the Group's approved share options scheme for executive Directors. Such share options are granted based on each employee's performance and the achievement of certain goals that are consistent with the Group's objective of maximising long-term value for its shareholders. On 17 February 2011, the Remuneration Committee approved the grant of 19,430,000 share options by the Company carrying rights to subscribe for 19,430,000 new Shares at an exercise price of HK$1.1 per share to certain employees and a substantial shareholder (who is also an employee) of the Company. Details of the options granted were set out in the Company's announcement dated 17 February 2011. Details of the share options granted to executive Directors and the management team to date are also published on pages 46 to 47 of the "Report of the Directors".

Nomination Committee

We have established a nomination committee (the "Nomination Committee") which is responsible for considering and recommending to the Board on appointment of Directors and management of the succession of the Board. The Nomination Committee comprises three members namely Mr. Li Xin Qing, Mr. Yu Zhuo Ping and Ms. Li Xiao Hui and is chaired by Mr. Li Xin Qing.

The main roles and responsibilities of the Nomination Committee are set out by the Board with clearly defined written terms of reference. The Nomination Committee reports to the Board and makes recommendations regarding the appointment of Directors, its evaluation of the Board's composition, and the management of Board succession with references endorsed by the Board itself.

The Nomination Committee did not convene any meeting in 2010 as there was no change to the composition of the Board after Listing on 28 May 2010.

CORPORATE GOVERNANCE REPORT

INTERNAL CONTROL, INTERNAL AUDIT AND FINANCIAL REPORTING

The Board is entrusted with the overall responsibility for establishing and maintaining the Group's internal control systems and reviewing their effectiveness. During 2010, in connection with the Listing, the Company engaged a professional firm to conduct a review on the effectiveness of the Group's internal control system. The Directors have reviewed the results of the internal control review. To follow up the review results on among other things, financial operational and compliance controls and risk management functions, the Board resolved to set up an internal audit function on 28 March 2011. The role of the Group's management is to implement all Board policies on risk and control.

The Group's internal control systems are designed to provide reasonable protection of the Group's assets, and to safeguard these assets against unauthorised use or disposition by ensuring that all such transactions are executed in accordance with management's authorisation. The systems also ensure that accounting records are sufficiently accurate for the preparation of financial information used for operational and reporting purposes. The Group has adopted comprehensive procedures with duly assigned levels of authority in areas of financial, operational and compliance controls, and risk management to ensure that its assets and resources remain secure at all times.

The role of the Audit Committee is, through discussion with management and other consultants, and the use of the internal audit function, to review the effectiveness of the internal control systems, including financial, operational and compliance controls, and risk management functions, and to report to the Board any significant risks and issues. In the meeting in August 2010, the Audit Committee recommended to the Board areas of further improvement on accounting and trade receivable management.

The Directors acknowledged their responsibility for preparation of financial statements which give a true and fair view of the Group's state of affairs of the results and cash flow for the year. Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The external auditors of the Company, SHINEWING, has the responsibility to express an opinion on the Group's consolidated financial statements based on its audit and to report its opinion solely to the Company. SHINEWING conducted its audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that SHINEWING comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the Group's consolidated financial statements are free from material misstatement.

The Independent Auditor's Report on pages 51 to 52 of this annual report also sets out the responsibilities of SHINEWING.

CODE OF CONDUCT AND BUSINESS ETHICS

Each Director has a duty and responsibility to act honestly and with due diligence and care when carrying out his/her duties on behalf of the Company. All Directors have attended a training session organized by the Company's legal advisers in Hong Kong regarding the various requirements in the Listing Rules and other usual laws and requirements applicable to companies listed in Hong Kong.

CORPORATE GOVERNANCE REPORT

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules regarding securities transactions by Directors on terms no less exacting than the required standards set out in the Model Code. Having made specific enquiries with all Directors, all the Directors confirm that they have complied with the provisions of the Model Code and the Company's code of conduct regarding Directors' securities transactions for the year ended 31 December 2010.

DIRECTORS' INTERESTS

Full details of individual Director's interests in the shares and share options of the Company are set out on pages 46 to 47 of the "Directors' Report".

OPEN COMMUNICATION

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

COMMUNICATION WITH SHAREHOLDERS

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

SHAREHOLDERS' RIGHTS

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

CORPORATE GOVERNANCE REPORT

VOTING RIGHTS

All Shares in the Company are ordinary shares. The total number of outstanding Shares issued at the date of this report is 830,000,000. In accordance with the Listing Rules, any votes of shareholders at the Company's general meetings are taken by poll. Results of shareholders' meetings are reported to the public via announcements submitted to the Stock Exchange's website and the Company's website.

Shareholders who wish to exercise their rights to vote by proxy may do so upon presentation of a written and dated instrument appointing their proxy. The notice convening each shareholders' meeting includes a proxy form which appoints the Board as proxy for each specific proposal. All shareholders are welcome to ask questions or present proposals for discussion at these meetings.

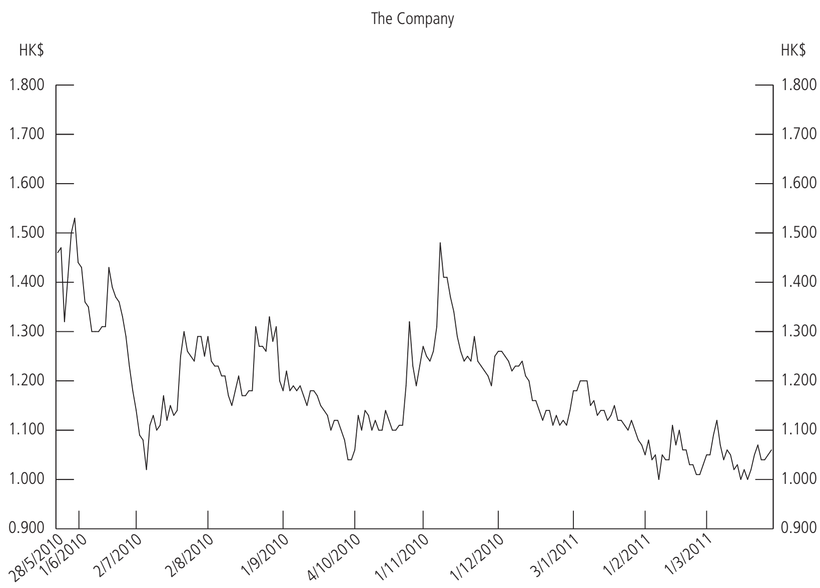
INVESTOR RELATIONS

The Group regards open communication with both existing and potential investors as being vital to its sustained success. To this end, the Group insists on full, honest, equal and timely disclosure of all essential information regarding its business to the investment community. The Group is committed to transparent communication and is determined to maintain close ties with the investment community.

The Group's corporate website also provides an effective communication platform where the public and investor community have fast and easy access to up-to-date information regarding the Group.

SHARE PRICE PERFORMANCE

The chart below illustrates the daily closing prices of the Shares from 28 May 2010, the first dealing day of the Shares on the Stock Exchange to 28 March 2011, the date of this report:



BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

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 Zhuhai Municipality Scientific and Technological Progress Qualification Committee (珠海市科學技術進步獎評審委員會) established by the local government of Zhuhai Municipality (珠海市政府) for his participation in the research and development of the "high frequency switch power source for communications SMP-R1022FC" (通訊用高頻開關電源項目SMP-R1022FC) project in 1998. The Scientific and Technological Award was awarded on the basis that the invention or development in science and technology was considered creative and contributing to the development and improvement of the current science and technology and thus generating economic and social value. Since the Group's establishment, Mr. Li has played an active role in the Group's development, including research and development of our products and formulating the business strategies of our Group and has accumulated his knowledge and experience with the development of our Group. Mr. Li was appointed an executive Director on 16 November 2007. At present, Mr. Li is also a director of Titans BVI Limited ("Titans BVI") and Titans Holdings Co., Limited ("Titans HK") and is an executive director and the legal representative of Titans Technology, Zhuhai Titans Automatic Technology Company Limited* (珠海泰坦自動化技術有限公司) ("Titans Automatic") and Zhuhai Titans New Energy System Co., Ltd.* (珠海泰坦新能源系統有限公司). Save as disclosed, he has no relationship with any other Directors, senior management, or substantial or controlling shareholders (as defined in the Listing Rules) of our Company. Mr. Li does not hold any directorships in any public listed companies, the securities of which are listed on any securities market in Hong Kong or overseas in the past three years preceding the date of this report.

* *For identification purpose only*

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

Mr. An Wei, aged 54, is the general manager, chief executive officer and an executive Director of our Company and he is one of the largest shareholders of the Company. Mr. An is responsible for the overall operation and management of our Group. Mr. An graduated from the post-graduate class of management engineering department in Tong Ji University (同濟大學) in July 1986 and obtained his doctorate degree in science management and engineering from Tong Ji University in November 2005. Mr. An was the vice chairman of Private Enterprises Association of Zhuhai (珠海市私營企業協會副會長). Mr. An was also accredited as a senior economist (高級經濟師) by the Title Reform Leading Group Office of Hebei Province in China in August 1997. With his doctorate degree majoring in management and over 10 years experience in the Group, Mr. An has acquired a variety of skills and extensive experience in management. He has been the general manager of Titans Technology since July 1998. 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 High Voltage Electric Co., Ltd.* (江陰泰坦高壓電氣有限公司) and the executive director and the legal representative of Beijing New Clear and Shijiazhuang Titans. Save as disclosed, he has no relationship with any Directors, senior management, substantial or controlling shareholders (as defined in the Listing Rules) of our Company. Mr. An does not hold any directorships in any public listed companies, the securities of which are listed on any securities market in Hong Kong or overseas in the past three years preceding the date of this report.

Independent Non-executive Directors

Mr. Li Wan Jun, aged 43, 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 (as defined in the Listing Rules) 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 listed companies the securities of which are listed on any securities market in Hong Kong and overseas during the past three years preceding the date of this report. Mr. Li Wan Jun did not hold any shareholding interest in our Company. Save as disclosed, he has no relationship with any other Directors, senior management, or substantial or controlling shareholders (as defined in the Listing Rules) of our Company.

* *For identification purpose only*

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

Ms. Li Xiao Hui, aged 44, 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 listed companies the securities of which are listed on any securities market in Hong Kong and overseas during the past three years preceding the date of this report. Ms. Li Xiao Hui did not hold any shareholding interest in our Company. Save as disclosed, she has no relationship with any other Directors, senior management, or substantial or controlling shareholders (as defined in the Listing Rules) of our Company.

Mr. Yu Zhuo Ping, aged 51, was appointed an independent non-executive Director on 20 November 2009. He is a member of the Audit Committee, the Remuneration Committee and the Nomination Committee. Mr. Yu 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 listed companies the securities of which are listed on any securities market in Hong Kong or overseas during the past three years preceding the date of this report. Mr. Yu Zhuo Ping did not hold any shareholding interest in our Company. Save as disclosed, he has no relationship with any other Directors, senior management, or substantial or controlling shareholders (as defined in the Listing Rules) of our Company.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. Li Xiao Bin, aged 49, 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）. As at the date of this report, Mr. Li was interested in 40% issued share capital of Honor Boom Investments Limited which held 82,458,117 Shares of the Company, representing approximately 9.93% of the issued share capital of the Company, and he was also granted with an aggregate of 1,400,000 share options to subscribe for 1,400,000 Shares of the Company. Other than that, Mr. Li did not have any other shareholding interest in our Company as at the date of this report. Save as disclosed, he has no other relationship with the Directors, senior management and substantial or controlling shareholders (as defined in the Listing Rules) of our Company.

Ms. Ou Yang Fen, aged 45, 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, deputy general manager successively. She is currently deputy general manager and the financial officer of Titans Technology, mainly responsible for the financial management of Titans Technology. As at the date of this report, Ms. Ou was interested in 30% issued share capital of Honor Boom Investments Limited which held 82,458,117 Shares of the Company, representing approximately 9.93% of the issued share capital of the Company, and she was also granted with an aggregate of 1,400,000 share options to subscribe for 1,400,000 Shares of the Company. Other than that, Ms. Ou, did not have any other shareholding interest in our Company as at the date of this report. Save as disclosed, she has no other relationship with the Directors, senior management and other substantial or controlling shareholders (as defined in the Listing Rules) of our Company.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Chen Xiang Jun, aged 42, 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 a deputy general manager, the secretary to the Board and the manager of internal audit department 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. As at the date of this report, Mr. Chen was granted with an aggregate of 3,400,000 share options to subscribe for 3,400,000 Shares of the Company. Other than that, Mr. Chen did not have any other shareholding interest in our Company as at the date of this report. Save as disclosed, he has no relationship with any other Directors, senior management, or substantial or controlling shareholders (as defined in the Listing Rules) of our Company.

Mr. Pan Jingyi, aged 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. As at the date of this report, Mr. Pan was granted with an aggregate of 1,400,000 share options to subscribe for 1,400,000 Shares of the Company. Other than that, Mr. Pan did not have any other shareholding interest in our Company as at the date of this report. Save as disclosed, he has no relationship with any other Directors, senior management, or substantial or controlling shareholders (as defined in the Listing Rules) of our Company.

Mr. Fu Yulong, aged 47, 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. As at the date of this report, Mr. Fu was granted with an aggregate of 1,400,000 share options to subscribe for 1,400,000 Shares of the Company. Other than that, Mr. Fu did not have any other shareholding interest in our Company as at the date of this report. Save as disclosed, he has no relationship with any other Directors, senior management, or substantial or controlling shareholders (as defined in the Listing Rules) of our Company.

Mr. Li Zhen Hua, aged 53, 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. As at the date of this report, Mr. Li was granted with an aggregate of 760,000 share options to subscribe for 760,000 Shares of the Company. Other than that, Mr. Li did not have any other shareholding interest in our Company as at the date of this report. Save as disclosed, he has no relationship with any other Directors, senior management, or substantial or controlling shareholders (as defined in the Listing Rules) of our Company.

DIRECTORS' REPORT

The Directors of the Company submit their report together with the audited consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2010.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The Company is an investment holding company. The Group is principally engaged in the supply of power electronic product and equipment. The principal activities of each of the subsidiaries of the Company are set out in note 44 to the accompanying financial statements.

Business segments

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

Geographical segments

The Group operates in Mainland China.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2010 are set out in the consolidated statement of comprehensive income on page 53 of this annual report.

The Board does not propose to declare a final dividend for the year ended 31 December 2010. The Board considers that it would be in the better interests of the Company and its shareholders for the Group to retain more cash for its growing business. The Company may consider paying dividend after the six months period ending 30 June 2011 or other financial periods thereafter subject to the then business environment and financial performance and position of the Group.

RESERVES

Details of movements in the reserves of the Group and of the Company during the year ended 31 December 2010 are set out in note 43 to the accompanying financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group and of the Company during the year ended 31 December 2010 are set out in note 18 to the accompanying financial statements.

SHARE CAPITAL

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

DIRECTORS' REPORT

DISTRIBUTABLE RESERVES

The Company's distributable reserves as at 31 December 2010 is set out in note 43 to the accompanying financial statements.

PRE-EMPTIVE RIGHTS

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

TAX RELIEF

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

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last four financial years is set out on page 5 of this annual report.

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

The Listing took place on 28 May 2010. The Company has issued 230,000,000 new Shares in connection with its Listing. In connection with our Listing, the Company has also issued 1,600,000 Shares to OSK Capital Hong Kong Limited, as sponsor to our Company, as part of its remuneration. Save for the above and the Shares issued by us under the corporate reorganisation and capitalisation issue for the Listing, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2010.

PRE-IPO SHARE OPTION SCHEME

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 (as described below) except , among other terms, that:

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

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

DIRECTORS' REPORT

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

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

As at 31 December 2010, there were outstanding options to subscribe for 23,920,000 Shares in aggregate (representing about approximately 2.88% of the issued share capital of the Company) as at 31 December 2010. Set out below is further information on the outstanding options granted under the Pre-IPO Share Option Scheme as at 31 December 2010:

	Number of share options					
Name of participant	**Granted at 8 May 2010**	**Exercised during the period**	**Lapsed during the period**	**Cancelled during the period**	**Outstanding at 31 December 2010**	**Approximate percentage of issued share capital of the Company**
Li Xin Qing (Note)	800,000	–	–	–	800,000	0.096%
An Wei (Note)	800,000	–	–	–	800,000	0.096%
Other employees of the Group	22,320,000	–	–	–	22,320,000	2.69%
Total for scheme	23,920,000	–	–	–	23,920,000	2.88%

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

Subsequent to the year ended 31 December 2010, options carrying rights to subscribe for a total of 200,000 Shares have lapsed. As at the date of this report, there are outstanding options carrying rights to subscribe for a total of 23,720,000 Shares under the Pre-IPO Share Option Scheme.

DIRECTORS' REPORT

SHARE OPTION SCHEME

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

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

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

When the Share Option Scheme has approved by the shareholders, it was also approved that the total number of Shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme adopted by the Group must not in aggregate exceed 10% of the Shares of the Company in issue on the date of listing of shares of the Company on the Stock Exchange, i.e. 80,000,000 Shares ("Scheme Mandate Limit") which represented approximately 9.64% of the Shares in issue as at the date of annual report. The Company may renew the Scheme Mandate Limit with shareholders' approval provided that each such renewal may not exceed 10% of the Shares in the Company in issue as at the date of the shareholders' approval.

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

DIRECTORS' REPORT

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

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

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

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

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

As at 31 December 2010, no options were granted and outstanding under the Share Option Scheme.

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

Date of grant	:	17 February 2011
Exercise price of Share Options granted	:	HK$1.10 per Share
Number of Share Options granted	:	19,430,000 share options (each share option shall entitle the holder of the share option to subscribe for one Share)
Closing price of the Share on the Date of Grant	:	HK$1.10 per Share

DIRECTORS' REPORT

Validity period of the Share Options	:	4 years commencing from 17 February 2011 and expiring on 16 February 2015 (both days inclusive), to be exercised in the following manner:

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

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

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

DIRECTORS' REPORT

DIRECTORS

The Directors during the year were:

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

* *Independent non-executive Directors*

In accordance with article 84(1) of the Company's articles of association, Mr. Li Xin Qing and Mr. An Wei shall retire from office by rotation and, being eligible, offer themselves for reelection at the forthcoming annual general meeting.

DIRECTORS' SERVICE CONTRACTS

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

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

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

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

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

DIRECTORS' REPORT

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

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

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

DIRECTORS' INTERESTS IN CONTRACTS

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

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors on a named basis during the year under review are set out in note 14 to the accompanying financial statements.

Details of the five highest paid individuals during the year under review are set out in note 15 to the accompanying financial statements.

REMUNERATION POLICY

Remuneration policy of the Group is reviewed regularly, making reference to legal framework, market condition and performance of the Group and individual staff (including the Directors). The remuneration policy and remuneration packages of the executive Directors and member of the senior management of the Group are reviewed by the Remuneration Committee, which are detailed in the paragraph headed "Remuneration Committee" under the section headed "Corporate Governance Report" of this report.

RETIREMENT BENEFIT SCHEMES

Particulars of the Group's retirement benefit schemes are set out in note 40 to the accompanying financial statements.

DIRECTORS' REPORT

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of Directors and senior management as at the date of this annual report are set out on pages 33 to 37 of this annual report.

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

As at 31 December 2010, the interests and short positions of the Directors and the chief executive of the Company and their associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance ("SFO")) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code set out in Appendix 10 to the Listing Rules were as follows:–

Name of Director	Nature of interest	Number of Shares or underlying Shares of the Company	Approximate percentage of existing issued share capital of the Company
Li Xin Qing	Interest of controlled corporations	198,159,875 (L) *(Note 2)*	23.87%
	Beneficial owner	800,000 (L) *(Note 3)*	0.096%
An Wei	Interest of controlled corporations	198,159,875 (L) *(Note 4)*	23.87%
	Beneficial owner	800,000 (L) *(Note 5)*	0.096%

Notes:

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

2. The entire issued share capital of Genius Mind Enterprises Limited ("Genius Mind") is beneficially owned by Li Xin Qing who is deemed to be interested in 190,174,457 Shares held by Genius Mind by virtue of the SFO. In addition, Li Xin Qing is also deemed to be interested in 7,985,418 Shares held by Rich Talent Management Limited ("Rich Talent"), a company which shareholding is owned as to 50% by him.

DIRECTORS' REPORT

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

4. The entire issued share capital of Great Passion International Limited ("Great Passion") is beneficially owned by An Wei who is deemed to be interested in 190,174,457 Shares held by Great Passion by virtue of the SFO. In addition, An Wei is also deemed to be interested in 7,985,418 Shares held by Rich Talent, a company which shareholding is owned as to 50% by him.

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

Save as disclosed above, as at 31 December 2010, none of the Directors or chief executive of the Company nor their associates had any interest or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

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

As at 31 December 2010, as far as known to the Directors, the following persons or entities (not being a Director or a chief executive of the Company) who had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:–

Name of shareholder	**Nature of interest**	**Number of Shares or underlying Shares of the Company**	**Approximate percentage of existing issued share capital of the Company**
Zeng Zhen *(Note 2)*	Interests of spouse	198,959,875 (L)	23.97%
Genius Mind *(Note 3)*	Beneficial owner	190,174,457 (L)	22.91%
Yan Kai *(Note 4)*	Interests of spouse	198,959,875 (L)	23.97%
Great Passion *(Note 5)*	Beneficial owner	190,174,457 (L)	22.91%
Honor Boom Investments Limited *(Note 6)*	Beneficial owner	82,458,117 (L)	9.93%

DIRECTORS' REPORT

Name of shareholder	Nature of interest	Number of Shares or underlying Shares of the Company	Approximate percentage of existing issued share capital of the Company
Li Xiao Bin *(Note 6)*	Interest of controlled corporations	82,458,117 (L)	9.93%
	Beneficial owner	800,000 (L)	0.096%
Zhang Lina *(Note 7)*	Interests of spouse	83,258,117 (L)	10.03%
Thomas Pilscheur	Beneficial owner	67,232,818 (L)	8.10%
Feng Yanlin *(Note 8)*	Interests of spouse	67,232,818 (L)	8.10%

Notes:

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

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

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

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

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

6. The issued share capital of Honor Boom Investments Limited ("Honor Boom") is owned as to 40% by Li Xiao Bin, 30% by Ou Yang Fen and 30% by Cui Jian respectively. Li Xiao Bin is deemed to be interested in the 82,458,117 Shares held by Honor Boom. The interest in 800,000 Shares represents the share options granted to Li Xiao Bin under the Pre-IPO Share Option Scheme.

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

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

Save as disclosed above, as at 31 December 2010, the Company has not been notified by any person (other than Directors or the chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' REPORT

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed under the sections headed "Pre-IPO Share Option Scheme" and "Share Option Scheme" above, at no time during the 12 months ended 31 December 2010 was the Company, its holding company or its subsidiaries a party to any arrangements which enabled the Directors (including their spouses or children under 18 years of age), to acquire benefits by means of acquisition of Shares in or debenture of the Company or any other body corporate.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or subsisted during the year under review.

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

MAJOR CUSTOMERS AND SUPPLIERS

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

Purchases	
– the largest supplier	9%
– five largest suppliers combined	27%
Sales	
– the largest customer	12%
– five largest customers combined	36%

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

RELATED PARTY TRANSACTIONS

The related party transactions set out in note 41 to the financial statements did not fall within the definition of "connected transaction" or "continuing connected transaction" in Chapter 14A of the Listing Rules.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors at the latest practicable date prior to the issue of this annual report, there was a sufficient prescribed public float of the issued shares of the Company under the Listing Rules at any time during the financial year ended 31 December 2010.

DIRECTORS' REPORT

AUDIT COMMITTEE

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

The Audit Committee had reviewed the audited results of the Group for the financial year ended 31 December 2010.

REMUNERATION COMMITTEE

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

LITIGATION

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

AUDITOR

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

ANNUAL GENERAL MEETING

It is proposed that the annual general meeting of the Company will be held on 25 May 2011. This annual report is published on the Company's website (http://www.titans.com.cn) and the Stock Exchange's website (http://www.hkexnews.hk). The notice of the annual general meeting will be despatched to shareholders of the Company and will be made available on the websites of the Company and the Stock Exchange in due course.

On behalf of the Board

Li Xin Qing
Chairman

Hong Kong, 28 March 2011

INDEPENDENT AUDITOR'S REPORT

信永中和
ShineWing

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

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

We have audited the consolidated financial statements of China Titans Energy Technology Group Co., Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 53 to 126, which comprise the consolidated statement of financial position as at 31 December 2010, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the consolidated financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

INDEPENDENT AUDITOR'S REPORT

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2010 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

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

Hong Kong
28 March 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	NOTES	2010 RMB'000	2009 RMB'000
Turnover	(8)	**288,448**	216,452
Cost of sales		**(132,980)**	(114,825)
Gross profit		**155,468**	101,627
Other revenue	(10)	**8,295**	7,582
Fair value change on convertible loan note		**(3,956)**	179
Negative goodwill		**–**	830
Selling and distribution expenses		**(21,490)**	(22,614)
Administrative and other expenses		**(39,694)**	(23,824)
Share of results of associates		**(770)**	–
Other expenses		**(13,844)**	(2,739)
Finance costs	(11)	**(5,312)**	(1,386)
Profit before taxation		**78,697**	59,655
Income tax expense	(12)	**(14,621)**	(6,431)
Profit for the year and total comprehensive income for the year	(13)	**64,076**	53,224
Profit for the year and total comprehensive income attributable to:			
Owners of the Company		**60,253**	54,106
Non-controlling interests		**3,823**	(882)
		64,076	53,224
Earnings per Share	(17)		
Basic (RMB)		**8.3 cents**	9.3 cents
Diluted (RMB)		**8.2 cents**	9.0 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2010

	NOTES	2010 RMB'000	2009 RMB'000
Non-current assets			
Property, plant and equipment	(18)	**15,260**	13,358
Deposits for acquisition of plant and equipment		**6,843**	–
Intangible assets	(19)	**1,702**	2,079
Interests in associates	(20)	**20,983**	–
		44,788	15,437
Current assets			
Inventories	(21)	**35,354**	11,921
Trade and bills receivables	(22)	**254,946**	221,938
Prepayments, deposits and other receivables	(23)	**21,310**	14,444
Amount due from a shareholder	(24)	**–**	202
Amounts due from associates	(25)	**48,826**	–
Restricted bank balances	(26)	**11,441**	15,667
Short-term bank deposits	(26)	**65,000**	–
Bank balances and cash	(26)	**151,615**	27,081
		588,492	291,253
Current liabilities			
Trade and bills payables	(27)	**63,270**	58,868
Receipts in advance		**4,600**	2,561
Accruals and other payables		**51,195**	43,136
Dividend payables		**142**	2,942
Amount due to a shareholder	(28)	**–**	1,519
Amounts due to directors	(29)	**–**	7,447
Tax payable		**20,053**	11,247
Bank and other borrowings	(30)	**40,000**	24,000
Convertible loan note	(31)	**–**	8,581
		179,260	160,301
Net current assets		**409,232**	130,952
Net assets		**454,020**	146,389
Capital and reserves			
Share capital	(32)	**7,311**	2
Reserves		**440,660**	144,023
Equity attributable to owners of the Company		**447,971**	144,025
Non-controlling interests		**6,049**	2,364
Total equity		**454,020**	146,389

The consolidated financial statements on pages 53 to 126 were approved and authorised for issue by the board of directors on 28 March 2011 and are signed on its behalf by:

An Wei	**Li Xin Qing**
Director	*Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2010

	Attributable to owners of the Company										
	Share capital RMB'000	Share premium RMB'000	Share Option reserve RMB'000	Merger reserve RMB'000	Exchange translation reserve RMB'000	Capital reserve RMB'000	Statutory reserve fund RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2009	2	–	–	8,639	504	(1,539)	16,698	87,597	111,901	2,026	113,927
Total comprehensive income (expense) for the year	–	–	–	–	–	–	–	54,106	54,106	(882)	53,224
Capital Contribution from non-controlling interests of a subsidiary	–	–	–	–	–	–	–	–	–	2,450	2,450
Acquisition of additional interest 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
Total comprehensive income for the year	–	–	–	–	–	–	–	60,253	60,253	3,823	64,076
Corporate reorganisation	(1)	–	–	1	–	–	–	–	–	–	–
Capitalisation issue of shares	5,269	(5,269)	–	–	–	–	–	–	–	–	–
Issue of new shares	2,041	237,035	–	–	–	–	–	–	239,076	–	239,076
Conversion of convertible loan note	–	12,537	–	–	–	–	–	–	12,537	–	12,537
Cost of issue of new shares	–	(12,164)	–	–	–	–	–	–	(12,164)	–	(12,164)
Recognition of share-based payments *(Note 42)*	–	–	4,244	–	–	–	–	–	4,244	–	4,244
Deemed disposal of a subsidiary	–	–	–	–	–	–	–	–	–	(138)	(138)
Appropriation to reserves	–	–	–	–	–	–	6,226	(6,226)	–	–	–
At 31 December 2010	7,311	232,139	4,244	8,640	504	(1,539)	31,202	165,470	447,971	6,049	454,020

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2010

	2010 RMB'000	2009 RMB'000
OPERATING ACTIVITIES		
Profit before taxation	**78,697**	59,655
Adjustments for:		
Interest income	**(1,559)**	(132)
Finance costs	**5,312**	1,386
Share-based payments	**4,244**	–
Fair value change on convertible loan note	**3,956**	(179)
Allowance for trade receivables	**2,961**	2,939
Depreciation of property, plant and equipment	**2,199**	1,850
Share of results of associates	**770**	–
Amortisation of intangible assets	**377**	377
Loss on disposal of property, plant and equipment	**70**	2
Gain on deemed disposal of partial interest in an associate *(Note 35)*	**(77)**	–
Reversal of allowance for inventories	**(128)**	–
Gain on deemed disposal of a subsidiary	**(509)**	–
Negative goodwill *(Note 33)*	**–**	(830)
(Reversal of) allowance for other receivables	**(87)**	57
Operating cash flows before movements in working capital	**96,226**	65,125
(Increase) decrease in inventories	**(24,419)**	7,358
Increase in trade and bills receivables	**(37,845)**	(87,876)
(Increase) decrease in prepayments, deposits and other receivables	**(20,635)**	241
Increase in amounts due from associates	**(39,326)**	–
Increase in trade and bills payables	**5,655**	20,323
Increase (decrease) in receipts in advance	**2,039**	(8,204)
Increase in accruals and other payables	**13,375**	16,760
Cash (used in) generated from operations	**(4,930)**	13,727
PRC income tax paid	**(5,815)**	(3,395)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	**(10,745)**	10,332
INVESTING ACTIVITIES		
Increase in short-term bank deposits	**(65,000)**	–
Investments in associates	**(21,000)**	–
Deposits paid for acquisition of plant and equipment	**(6,843)**	–
Purchase of property, plant and equipment	**(4,949)**	(2,736)
Advance to associates	**(9,500)**	–
Deemed disposal of a subsidiary *(Note 34)*	**(126)**	–
Decrease (increase) in restricted bank balances	**4,226**	(2,151)
Interest received	**1,559**	132
Repayment from (advance to) shareholders	**202**	(12)
Proceeds on disposal of property, plant and equipment	**146**	42
NET CASH USED IN INVESTING ACTIVITIES	**(101,285)**	(4,725)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2010

	2010 RMB'000	2009 RMB'000
FINANCING ACTIVITIES		
Proceeds from issue of shares	**239,076**	–
New bank and other borrowings raised	**118,415**	26,000
Repayment of bank and other borrowings	**(94,440)**	(18,868)
Payment of transaction costs attributable to issue of new shares	**(12,164)**	–
Interest paid	**(2,557)**	(1,386)
Dividend paid	**(2,800)**	(19,190)
(Repayment to) advance from directors	**(7,447)**	4,374
(Repayment to) advance from shareholders	**(1,519)**	1,519
Repayment to non-controlling interests of a subsidiary	**–**	(900)
Capital contribution from non-controlling interests of a subsidiary	**–**	2,450
NET CASH FROM (USED IN) FINANCING ACTIVITIES	**236,564**	(6,001)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**124,534**	(394)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**27,081**	27,475
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	**151,615**	27,081

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

1. GENERAL

China Titans Energy Technology Group Co., Limited (the "Company") was incorporated and registered as an exempted company in the Cayman Islands with limited liability. The address of the registered office is P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Island. The address of the principal place of business and headquarters in the PRC is Titans Science and Technology Park, No. 60 Shihua Road West, Zhuhai Guangdong Province, the PRC. The address of the principal place of business in Hong Kong is Room 09-10, 41/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.

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

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

The Company's principal activity was investment holding. The principal activities of the subsidiaries are set out in note 44.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

The consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group for the year ended 31 December 2009 have been prepared on the basis as if the Company had always been the holding company of the companies now comprising the Group throughout the year ended 31 December 2009, or since the respective dates of incorporation of the relevant entity, where there is a shorter period.

The consolidated statement of financial position of the Group as at 31 December 2009 has been prepared to present the assets and liabilities of the companies now comprising the Group as at 31 December 2009 as if the current group structure had been in existence at that date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

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

In the current year, the Group has applied, the following new and revised standards, amendments and interpretations ("new and revised HKFRS") issued by the HKICPA.

HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 (Amendment)	Eligible Hedge Items
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards
HKFRS 1 (Amendment)	Additional Exemptions from First-time Adopters
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HK – Int 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause
HK (IFRIC) – Int 17	Distribution of Non-cash Assets to Owners

Except as described below, the application of these new and revised HKFRS had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

HKAS 27 (Revised) Consolidated and Separate Financial Statements

The application of HKAS 27 (Revised) has resulted in changes in the Group's accounting policies regarding increases or decreases in ownership interests in subsidiaries of the Group. In prior years, in the absence of specific requirements in HKFRSs, increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised where appropriate. The impact of decreases in interests in subsidiaries that did not involve loss of control (being the difference between the consideration received and the carrying amount of the share of net assets disposed of) was recognised in profit or loss. Under HKAS 27 (Revised), all increases or decreases in such interests are dealt with in equity, with no impact on goodwill or profit or loss.

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the revised standard requires that the Group derecognises all assets, liabilities and non-controlling interests at their carrying amount. Any retained interest in the former subsidiary is recognised at its fair value at the date the control is lost. A gain or loss on loss of control is recognised in profit or loss as the difference between the proceeds, if any, and these adjustments.

In respect of the deemed disposal of a subsidiary during the year, after reviewing the carrying value of the disposed subsidiary, the directors of the Company concluded that the carrying value of the assets and liabilities of the disposal subsidiary approximate the fair value. Therefore the change in accounting policy did not have material effect on the consolidated financial statements of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

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

HK – Int 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

HK – Int 5 clarifies that term loans that include a clause that gives the lender the unconditional right to call the loans at any time ("repayment on demand clauses") should be classified by the borrower as current liabilities. The Group has applied HK – Int 5 for the first time in the current year. HK – Int 5 requires retrospective application.

After reviewing the terms of the Group's term loans, the directors of the Company concluded that no reclassification was necessary as the Group's bank and other borrowings did not include such repayment on demand clauses.

The Group has not early applied the following new or revised standards, amendments or interpretations that have been issued but are not yet effective:

HKFRSs (Amendments)	Improvements to HKFRSs 2010 except for the amendments to HKFRS 3 (Revised in 2008), HKFRS 7, HKAS 1 and HKAS 28[1]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[3]
HKFRS 1 (Amendment)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[5]
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[5]
HKFRS 9	Financial Instruments[7]
HKAS 12 (Amendment)	Deferred Tax: Recovery of Underlying Assets[6]
HKAS 24 (Revised)	Related Party Disclosures[4]
HKAS 32 (Amendment)	Classification of Rights Issues[2]
HK(IFRIC) – Int 14 (Amendment)	Prepayment of a Minimum Funding Requirement[4]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[3]

[1] *Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.*
[2] *Effective for annual periods beginning on or after 1 February 2010.*
[3] *Effective for annual periods beginning on or after 1 July 2010.*
[4] *Effective for annual periods beginning on or after 1 January 2011.*
[5] *Effective for annual periods beginning on or after 1 July 2011.*
[6] *Effective for annual periods beginning on or after 1 January 2012.*
[7] *Effective for annual periods beginning on or after 1 January 2013.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

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

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

- HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

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

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that HKFRS 9 that will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new standard will have a significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

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

The directors do not anticipate that these amendments to HKFRS 7 will have a significant effect on the Group's disclosures regarding transfers of trade receivables previously effected. However, if the Group enters into other types of transfers of financial assets in the future, disclosures regarding those transfers may be affected.

HKAS 24 Related Party Disclosures (as revised in 2009) modifies the definition of a related party and simplifies disclosures for government-related entities.

The disclosure exemptions introduced in HKAS 24 (as revised in 2009) do not affect the Group because the Group is not a government-related entity. However, disclosures regarding related party transactions and balances in these consolidated financial statements may be affected when the revised version of the standard is applied in future accounting periods.

The amendments to HKAS 32 titled Classification of Rights Issues address the classification of certain rights issues denominated in a foreign currency as either an equity instrument or as a financial liability. To date, the Group has not entered into any arrangements that would fall within the scope of the amendments. However, if the Group does enter into any rights issues within the scope of the amendments in future accounting periods, the amendments to HKAS 32 will have an impact on the classification of those rights issues.

HK(IFRIC) – Int 19 provides guidance regarding the accounting for the extinguishment of a financial liability by the issue of equity instruments. To date, the Group has not entered into transactions of this nature. However, if the Group does enter into any such transactions in the future, HK(IFRIC) – Int 19 will affect the required accounting. In particular, under HK(IFRIC) – Int 19, equity instruments issued under such arrangements will be measured at their fair value, and any difference between the carrying amount of the financial liability extinguished and the fair value of equity instruments issued will be recognised in profit or loss.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

4. SIGNIFICANT ACCOUNTING POLICIES

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

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

Basis of consolidation

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Prior to 1 January 2010, losses applicable to the non-controlling interests in excess of the non-controlling interests in the subsidiary's equity were allocated against the interests of the Group except to the extent that the non-controlling interests had a binding obligation and were able to make an additional investment to cover the losses.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries on or after 1 January 2010

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

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Changes in the Group's ownership interests in existing subsidiaries (continued)

Changes in the Group's ownership interests in existing subsidiaries prior to 1 January 2010

Increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised directly in the capital reserve and the profit or loss immediately respectively where appropriate. For decreases in interests in subsidiaries, regardless of whether the disposals would result in the Group losing control over the subsidiaries, the difference between the consideration received and the adjustment to the non-controlling interests was recognised in profit or loss.

Merger accounting for business combination involving entities under common control

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

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

Revenue from sales of goods is recognised when the goods are delivered and title has passed.

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.

Investments in associates

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates (continued)

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

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

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

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

Investment in subsidiaries

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

Leasing

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

The Group as lessor

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

The Group as lessee

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing (continued)

Leasehold land for own use

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis.

Foreign currencies

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs

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

Government grants

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

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Other government grants are recognised as revenue over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefit costs

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation

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

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

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liabilities is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised to profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

Property, plant and equipment including leasehold land and buildings held for use in the production or supply of goods or services, or for administrative purposes, 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 over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the profit or loss in the period in which the item is derecognised.

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.

Research and development expenditure

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment losses on tangible and intangible assets

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

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

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

Cash and cash equivalents

Bank balances and cash in the consolidated statement of financial position comprise cash at banks and on hand and short-term bank deposits with a maturity of three months or less. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term bank deposits as defined above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transactions 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Loans and receivables

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

Impairment of financial assets

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

For the Group's financial assets, objective evidence of impairment could include:

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

For financial assets carried at amortised cost, impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

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

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

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Other financial liabilities

Other financial liabilities including trade and bills payables, accruals and other payables, dividend payables, amount due to a shareholder, amounts due to directors and bank and other borrowings are subsequently measured at amortised cost, using the effective interest method.

Convertible loan note

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

Equity instruments

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received. On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

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

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Remuneration shares

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

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

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Key sources of estimation uncertainty

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

Depreciation of property, plant and equipment

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

Amortisation on technical know-how

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

5. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty (continued)

Estimated impairment of technical know-how

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

Allowance for trade and other receivables

The Group performs ongoing credit evaluation of its customers and adjusts credit limits based on payment history and the customer's current credit-worthiness, as determined by a review of their current credit information. The Group continuously monitors collections and payments from its customers and maintain a provision for estimated credit losses based upon its historical experience and any specific customer collection issues that it has identified. As at 31 December 2010, the carrying amount of trade receivable is RMB251,646,000 (net of allowance for doubtful debts of RMB13,431,000) (31 December 2009: carrying amount of RMB220,938,000, net of allowance for doubtful debts of RMB11,150,000).

Allowance for inventories

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

5. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty (continued)

Share-based payment

The Group granted shares options to the employees as a common feature of employee remuneration. HKFRS 2 requires recognition of an expense for those share options at the fair value on the grant date (equity-settled plans). For share options granted to the employees, in many cases market prices are not available because the options granted are subject to terms and conditions that do not apply to traded options. If this is the case, the Group estimates the fair value of the equity instruments granted using a valuation technique, which is consistent with generally accepted valuation methodologies.

6. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which includes bank and other borrowings disclosed in note 30, cash and cash equivalents disclosed in note 26 and equity attributable to owners of the Company, comprising issued share capital as disclosed in note 32 and reserves as disclosed in the consolidated statement of changes in equity.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

7. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2010	2009
	RMB'000	RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**542,032**	271,073
Financial liabilities		
Amortised cost	**154,607**	137,912
Designated as at fair value through profit or loss (FVTPL)	**–**	8,581

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and bills receivables, deposits and other receivables, amounts due from associates/ a shareholder, restricted bank balances, short-term bank deposits, bank balances and cash, trade and bills payables, accruals and other payables, dividend payables, amount due to a shareholder, amounts due to directors and bank and other borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

7. FINANCIAL INSTRUMENTS (continued)

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

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.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Assets	
	2010	2009
	RMB'000	RMB'000
HK$	**26,447**	5
USD	**67**	28

The Group currently does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

7. FINANCIAL INSTRUMENTS (continued)

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

Market risk (continued)

(i) Currency risk (continued)

Sensitivity analysis

The Group is mainly exposed to foreign currency risk of USD and HK$.

The following table details the Group's sensitivity to a 5% (2009: 5%) increase or decrease in RMB against the relevant foreign currencies. 5% (2009: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2009: 5%) change in foreign currency rates. A positive number below indicates an increase in post-tax profit where RMB strengthen 5% (2009: 5%) against the relevant currencies. For a 5% (2009: 5%) weakening of RMB against the relevant currencies, there would be an equal and opposite impact on the profit and the balances below would be negative.

	USD impact		**HKD impact**	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Profit or loss	**(3)**	(1)	**(1,323)**	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

7. FINANCIAL INSTRUMENTS (continued)

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

Market risk (continued)

(i) Currency risk (continued)

Sensitivity analysis (continued)

The Group's sensitivity to foreign currencies has increased during the respective years mainly due to the increase in bank balances denominated in foreign currencies as at 31 December 2010.

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

The Group is also exposed to cash flow interest rate risk in relation to variable-rate borrowings, restricted bank balances, short-term bank deposits and bank balances as detailed in notes 30 and 26 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

7. FINANCIAL INSTRUMENTS (continued)

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

Market risk (continued)

(ii) Interest rate risk (continued)

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for variable rate restricted bank balances, bank balances, and bank and other borrowings. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. At the end of the reporting period, a 50 (2009: 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.

At the end of the reporting period, if interest rates had been 50 (2009: 100) basis points higher or lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2010 would decrease/ increase by approximately RMB863,000 (2009: RMB533,000).

(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 31.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

7. FINANCIAL INSTRUMENTS (continued)

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

Credit risk

As at 31 December 2010, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

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

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

The Group has a concentration of credit risk as 8.5% and 43.8% (2009: 19.0% and 44.8%) of the trade receivables was due from the Group's largest and top five customers respectively as at 31 December 2010.

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring and maintains a level of cash and cash equivalents deemed adequate by the management to finance operations and litigate the effects of fluctuations in cash flows. As at 31 December 2010, the Group has available unutilised overdraft and short-term bank loan facilities of approximately RMB104,917,000 (2009: RMB35,394,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

7. FINANCIAL INSTRUMENTS (continued)

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

Liquidity risk (continued)

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.

Liquidity table

2010	Within 1 year or on demand RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
Non-derivative financial liabilities			
Trade and bills payables	**63,270**	**63,270**	**63,270**
Accruals and other payables			
– non-interest bearing	**51,195**	**51,195**	**51,195**
Dividend payables	**142**	**142**	**142**
Bank and other borrowings			
– fixed rate	**9,505**	**9,505**	**9,000**
– variable rate	**32,727**	**32,727**	**31,000**
	156,839	**156,839**	**154,607**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

7. FINANCIAL INSTRUMENTS (continued)

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

Liquidity risk (continued)

Liquidity table (continued)

2009	Within 1 year or on demand RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
Non-derivative financial liabilities			
Trade and bills payables	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
Amounts due to directors	7,447	7,447	7,447
Amount due to a shareholder	1,519	1,519	1,519
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
	148,896	148,896	146,493

Fair value

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

- The fair value of financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis; and

- The fair value of the option of convertible loan note is estimated using option pricing model.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

7. FINANCIAL INSTRUMENTS (continued)

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

Fair value (continued)

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

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

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

As at 31 December 2010 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.

	Convertible loan note	
	2010	2009
	RMB'000	RMB'000
At 1 January	**8,581**	8,760
Total gains or losses:		
– in profit or loss	**3,956**	(179)
Conversion	**(12,537)**	–
At 31 December	**–**	8,581

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

8. TURNOVER

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

9. SEGMENT INFORMATION

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

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

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

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

Year ended 31 December 2010

	DC Power System RMB'000	PASS products RMB'000	Power Monitoring RMB'000	Charging Equipment RMB'000	Wind and Solar Power RMB'000	LED products RMB'000	Total RMB'000
Segment revenue	129,030	9,797	26,960	83,727	37,889	1,045	288,448
Segment results	46,217	1,646	13,855	38,720	19,721	97	120,256
Other revenue							8,295
Share of results of associates							(770)
Fair value change on convertible loan note							(3,956)
Unallocated head office and corporate expenses							(45,128)
Profit before taxation							78,697

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

9. SEGMENT INFORMATION (continued)

Year ended 31 December 2009

	DC Power System RMB'000	PASS products RMB'000	Power Monitoring RMB'000	Charging Equipment RMB'000	Wind and Solar Power RMB'000	LED products RMB'000	Total RMB'000
Segment revenue	130,840	45,466	16,231	15,157	–	8,758	216,452
Segment results	48,826	11,611	9,182	7,776	–	1,613	79,008
Other revenue							7,582
Fair value change on convertible loan note							179
Unallocated head office and corporate expenses							(27,114)
Profit before taxation							59,655

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

9. SEGMENT INFORMATION (continued)

Segment assets and liabilities

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

Segment assets	**2010**	2009
	RMB'000	RMB'000
DC Power System	**139,969**	166,031
PASS products	**19,648**	47,937
Power Monitoring	**27,512**	15,495
Charging Equipment	**91,300**	14,469
Wind and Solar Power	**32,934**	–
LED products	**3,427**	8,361
Total segment assets	**314,790**	252,293
Unallocated	**318,490**	54,397
Consolidated assets	**633,280**	306,690

Segment liabilities	**2010**	2009
	RMB'000	RMB'000
DC Power System	**20,939**	43,975
PASS products	**474**	961
Power Monitoring	**6,139**	3,187
Charging Equipment	**39,599**	7,703
Wind and Solar Power	**6,139**	–
LED products	**–**	6,906
Total segment liabilities	**73,290**	62,732
Unallocated	**105,970**	97,569
Consolidated liabilities	**179,260**	160,301

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

9. SEGMENT INFORMATION (continued)

Segment assets and liabilities (continued)

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

- all assets are allocated to reportable segments other than property, plant and equipment, interests in associates, prepayments, deposit and other receivables, amount due from a shareholder, restricted bank balance, short-term bank deposits and bank balances and cash. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments; and

- all liabilities are allocated to reportable segments other than dividend payables, amounts due to directors, tax payable, bank and other borrowings and convertible loan note. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

Other segment information

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

For the year ended 31 December 2010

	DC Power System RMB'000	PASS products RMB'000	Power Monitoring RMB'000	Charging Equipment RMB'000	Wind and Solar Power RMB'000	LED products RMB'000	Total RMB'000
Additions to non-current assets	**1,420**	**95**	**58**	**1,530**	**1,753**	**93**	**4,949**
Amortisation	**257**	**120**	**–**	**–**	**–**	**–**	**377**
Allowance for trade receivables	**1,325**	**490**	**859**	**277**	**–**	**11**	**2,961**

For the year ended 31 December 2009

	DC Power System RMB'000	PASS products RMB'000	Power Monitoring RMB'000	Charging Equipment RMB'000	Wind and Solar Power RMB'000	LED products RMB'000	Total RMB'000
Additions to non-current assets	1,003	443	985	284	–	21	2,736
Amortisation	257	120	–	–	–	–	377
Allowance for trade receivables	1,134	20	615	680	–	490	2,939

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

9. SEGMENT INFORMATION (continued)

Geographical information

All revenues from external customers and property, plant and equipment are derived from the PRC.

Major customers

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

	2010	2009
	RMB'000	RMB'000
Customer A[1]	**N/A**[4]	39,018
Customer B[2]	**N/A**[4]	27,082
Customer C[3]	**34,682**	N/A[4]

1 *Revenue mainly from PASS Products*

2 *Revenue mainly from DC Power System*

3 *Revenue mainly from Charging Equipment*

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

10. OTHER REVENUE

	2010	2009
	RMB'000	RMB'000
Value added tax ("VAT") refunds *(note a)*	**5,739**	5,749
Interest income	**1,559**	132
Gain on deemed disposal of a subsidiary	**509**	–
Gain on deemed disposal of partial interest in an associate	**77**	–
Consultancy service income	**109**	747
Government grants *(note b)*	**103**	893
Reversal of allowance for other receivables	**87**	–
Rental income *(note c)*	**50**	32
Repairs and maintenance services provided	**35**	6
Other income	**27**	10
Net proceeds from sales of raw materials	**–**	13
	8,295	7,582

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

10. OTHER REVENUE (continued)

Notes:

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

(b) Government grants represent the subsidy received from Zhuhai People's Government (「珠海市人民政府」) regarding Titans Technology was one of the top ten civil enterprises of Zhuhai City (「珠海市十大民營企業」) during the year. For the year ended 31 December 2009, the subsidies received from Zhuhai City Science and Technology Bureau and Zhuhai City Department of Finance for the research and development work performed by Titans Technology in the improvement of the power grid electricity quality. There was no further condition needed to be fulfilled by the Group to entitle the government grants.

(c) Rental income is net of outgoings of RMB22,000 for the year ended 31 December 2010 (2009: RMB14,000).

11. FINANCE COSTS

	2010	2009
	RMB'000	RMB'000
Interest on:		
Bank and other borrowings wholly repayable within five years	**2,551**	1,260
Advance from staff	**6**	56
Amount due to a shareholder	**–**	28
Factoring cost on trade receivables	**2,755**	–
Discounted bills	**–**	42
	5,312	1,386

12. INCOME TAX EXPENSE

	2010	2009
	RMB'000	RMB'000
Current tax:		
PRC Corporate Income Tax	**14,621**	6,431

No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from, Hong Kong for both years.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The relevant tax rate for the Group's subsidiaries in the PRC was 25% for the year ended 31 December 2010 (2009: 25%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

12. INCOME TAX EXPENSE (continued)

Zhuhai Titans Automatic Technology Company Limited ("Titans Automatic"), Zhuhai Titans Technology Co., Ltd. ("Titans Technology") and Zhuhai Titans New Energy Systems Co., Ltd. ("Zhuhai Clear") were established in Zhuhai, the special economic zone, the income tax rates applicable to them was 15% pursuant to the relevant PRC laws in 2007, Titans Technology and Zhuhai Clear were recognised as High and New Technology Enterprises by Department of Science and Technology of Guangdong Province in 2008 and the income tax rate applicable to them is 15% for the year ended 31 December 2010 (2009: 15%).

Starting from May 2008, Titans Automatic in the PRC is exempted from the PRC income tax for two years starting from their first profit-making year, followed by a 50% reduction for the next three years. No provision for PRC income tax has been made in the consolidated statement of financial position as the PRC subsidiary was exempted from PRC income tax during the year ended 31 December 2009 and 50% reduction for the year ended 31 December 2010.

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

	2010 **RMB'000**	2009 RMB'000
Profit before taxation	**78,697**	59,655
Tax at the applicable income tax rate of 15%	**11,804**	8,948
Tax effect of expenses not deductible for tax purpose	**4,272**	1,075
Tax effect of income not taxable for tax purpose	**(861)**	(987)
Tax effect of share of results of associates	**115**	–
Tax effect of tax losses not recognised	**150**	226
Effect of tax exemption granted	**(274)**	(3,432)
Other temporary differences not recognised	**(120)**	449
Tax effect of different tax rates of subsidiaries	**–**	152
Utilisation of tax losses previously not recognised	**(465)**	–
Taxation for the year	**14,621**	6,431

Details of deferred taxation are set out in note 36.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

13. PROFIT FOR THE YEAR

	2010	2009
	RMB'000	RMB'000
Profit for the year has been arrived at after charging:		
Staff costs		
Directors' emoluments *(Note 14)*	**2,091**	466
Other staff		
– share based payments for other staff	**3,960**	–
– salaries and other allowances	**16,097**	11,388
– retirement benefits scheme contributions (excluding directors)	**1,182**	670
Total staff costs	**23,330**	12,524
Depreciation of property, plant and equipment	**2,199**	1,850
Amortisation of intangible assets	**377**	377
Auditor's remuneration	**717**	746
Research and development costs	**13,362**	9,156
Operating lease rentals in respect of rented premises	**1,486**	278
Loss on disposal of property, plant and equipment	**–**	2
Allowance for trade receivables (included in administrative expenses)	**2,961**	2,939
Allowance for other receivables (included in administrative expenses)	**–**	57
Reversal of allowance for inventories (included in cost of sales)	**(128)**	–
Cost of inventories recognised as an expense	**133,108**	114,825

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

14. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the five (2009: seven) directors were as follows:

For the year ended 31 December 2010

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

14. DIRECTORS' EMOLUMENTS (continued)

For the year ended 31 December 2009

		Other emoluments		
	Fees RMB'000	Salaries and other benefits RMB'000	Retirement benefits scheme contributions RMB'000	Total emoluments RMB'000
Executive directors:				
Li Xin Qing	–	226	15	241
An Wei	–	211	14	225
Independent non-executive directors:				
Li Wan Jun	–	–	–	–
Li Xiao Hui	–	–	–	–
Yu Zhuo Ping	–	–	–	–
Wang Guang Tian (resigned on 17 September 2009)	–	–	–	–
Jiang Jiu Chun (resigned on 17 September 2009)	–	–	–	–
Total	–	437	29	466

No emolument was paid by the Group to the directors as an inducement to joint or upon joining the Group or as compensation for loss of office for the year ended 31 December 2010 (2009: nil). None of the directors have waived any emoluments for the year ended 31 December 2010 (2009: nil).

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

15. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (2009: two) were directors of the Company whose emoluments are included in the disclosures in Note 14 above. The emoluments of the remaining individual are as follows:

	2010 RMB'000	2009 RMB'000
Salaries and other benefits	**725**	455
Retirement benefits scheme contributions	**18**	44
	743	499

The emoluments of the remaining three individual is within the band of nil to HK$1,000,000 (equivalent to nil to RMB851,000) (2009: nil to HK$1,000,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

16. DIVIDENDS

No dividend has been paid or declared by the Company for the year ended 31 December 2010 (2009: nil).

17. EARNINGS PER SHARE

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

	2010	2009
	RMB'000	RMB'000
Earnings		
Earnings for the purpose of basic earnings per share		
Profit for the year attributable to owners of the Company	**60,253**	54,106
Effect of dilutive potential ordinary shares:		
Fair value change on convertible loan note	**–**	(179)
Earnings for the purpose of diluted earnings per share	**60,253**	53,927
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**729,082,959**	580,240,000
Effect of dilutive potential ordinary shares:		
Convertible loan note	**–**	19,760,000
Share options	**2,289,268**	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**731,372,227**	600,000,000

For the year ended 31 December 2009, the weighted average number of ordinary shares for calculation of basic earnings per share had been determined after taking into consideration of 580,240,000 shares issued pursuant to the corporate reorganisation and the capitalisation issue of the Company as detailed in Appendix V to the Prospectus of the Company dated 18 May 2010 but excluding any share to be issued pursuant to the public offering and adjusted for the effect of shares to be issued upon conversion of convertible loan note.

The computation of diluted earnings per share for the year ended 31 December 2010 does not include the effect of the convertible loan note since it would result in an increase in earnings per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

18. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings RMB'000	Leasehold improvements RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Plant and machinery RMB'000	Total RMB'000
COST						
At 1 January 2009	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
Additions	–	105	691	3,130	1,023	4,949
Disposals	–	–	(104)	(1,645)	(48)	(1,797)
Deemed disposal of a subsidiary	–	–	(375)	(457)	–	(832)
At 31 December 2010	16,171	499	3,407	4,823	3,221	28,121
ACCUMULATED DEPRECIATION						
At 1 January 2009	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
Provided for the year	857	58	360	527	397	2,199
Eliminated on disposals	–	–	(78)	(1,481)	(22)	(1,581)
Deemed disposal of a subsidiary	–	–	(49)	(151)	–	(200)
At 31 December 2010	**8,214**	**156**	**2,097**	**960**	**1,434**	**12,861**
CARRYING VALUES						
31 December 2010	**7,957**	**343**	**1,310**	**3,863**	**1,787**	**15,260**
31 December 2009	8,814	296	1,331	1,730	1,187	13,358

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

18. PROPERTY, PLANT AND EQUIPMENT (continued)

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

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

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

As at 31 December 2010, the Group has pledged its leasehold land and buildings with carrying values of approximately RMB7,676,000 (2009: RMB8,489,000) to secure general banking facilities granted to the Group.

19. INTANGIBLE ASSETS

	Technical know-how *RMB'000*
COST	
At 1 January 2009, 31 December 2009 and 31 December 2010	3,000
AMORTISATION	
At 1 January 2009	544
Charge for the year	377
At 31 December 2009	921
Charge for the year	377
At 31 December 2010	1,298
CARRYING VALUES	
At 31 December 2010	**1,702**
At 31 December 2009	2,079

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

19. INTANGIBLE ASSETS (continued)

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

The recoverable amount of the technical know-how has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a period of three to six years (2009: seven to ten years), and a discount rate of 4.94% (2009: 7.47%) for the year ended 31 December 2010. 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.

20. INTERESTS IN ASSOCIATES

	2010
	RMB'000
Cost of investments in unlisted associates	**21,676**
Deemed disposal of partial interest in an associate *(note 35)*	**77**
Share of post acquisition results	**(770)**
	20,983

	2010
	RMB'000
Total assets	**124,097**
Total liabilities	**(62,556)**
Net assets	**61,541**
Group's share of net assets of associates	**20,983**
Revenue	**62,402**
Loss for the year	**(2,258)**
Group's share of results of associates for the year	**(770)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

20. INTERESTS IN ASSOCIATES (continued)

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

* *For identification only*

21. INVENTORIES

	2010 RMB'000	2009 RMB'000
At cost		
Raw materials	**13,752**	3,704
Work-in-progress	**12,183**	3,360
Finished goods	**9,419**	4,857
	35,354	11,921

During the year, raw materials were used in the production. As a result, a reversal of write-down of raw materials of approximately RMB128,000 (2009: nil) has been recognised and included in cost of sales.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

22. TRADE AND BILLS RECEIVABLES

	2010	2009
	RMB'000	RMB'000
Trade receivables	**265,077**	232,088
Less: allowance for trade receivables	**(13,431)**	(11,150)
	251,646	220,938
Discounted bills receivables	**–**	1,000
Bills receivables	**3,300**	–
Total trade and bills receivables	**254,946**	221,938

Included in the balances of trade receivables as at 31 December 2010 were retention receivables of approximately RMB37,757,000 (2009: RMB25,877,000).

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

	2010	2009
	RMB'000	RMB'000
0 – 90 days	**128,489**	116,558
91 – 180 days	**17,234**	39,883
181 – 365 days	**55,876**	45,661
1 – 2 years	**39,081**	15,716
2 – 3 years	**10,966**	2,635
Over 3 years	**–**	485
	251,646	220,938

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

22. TRADE AND BILLS RECEIVABLES (continued)

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

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

As at 31 December 2010, included in the Group's trade receivable balances were receivables with aggregate carrying amounts of approximately RMB123,157,000 (2009: RMB81,243,000) which are past due as at the end of the reporting period for which the Group has not provided for impairment loss as these balances were either subsequently settled or there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

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

	2010	2009
	RMB'000	RMB'000
Duration of past due		
0 – 90 days	**17,234**	21,703
91 – 180 days	**13,969**	15,632
181 – 365 days	**51,677**	26,538
1 – 2 years	**32,052**	13,881
2 – 3 years	**8,225**	3,004
Over 3 years	**–**	485
	123,157	81,243
Neither past due nor impaired	**128,489**	139,695
	251,646	220,938

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

22. TRADE AND BILLS RECEIVABLES (continued)

Movement in the allowance for trade receivables:

	2010	2009
	RMB'000	RMB'000
Balance at beginning of the year	**11,150**	8,211
Deemed disposal of a subsidiary	**(680)**	–
Allowance for trade receivables	**2,961**	2,939
Balance at end of the year	**13,431**	11,150

As at 31 December 2010, included in the allowance for trade receivables are individually impaired trade receivables with aggregate balances of approximately RMB13,431,000 (2009: RMB11,150,000) which have been placed in severe financial difficulties. The Group does not hold any collateral over these balances.

During the year, the Group has factored approximately RMB49,546,000 accounts receivables (2009: discounted bills with recourse of RMB1,000,000) to a bank.

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2010	2009
	RMB'000	RMB'000
Other receivables	**9,873**	4,086
Less: allowance for other receivables	**(169)**	(256)
	9,704	3,830
Prepayments to suppliers	**11,005**	2,570
Deposits	**500**	2,355
Prepayments	**101**	5,689
	21,310	14,444

As at 31 December 2010, included in the deposits, RMB500,000 (2009: RMB2,300,000) were pledged to an independent party as the security for the guarantee given by the third party to a bank for credit facilities granted to the Group. Details of the pledge of assets are set out in note 39.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (continued)

Movement in the allowance for other receivables:

	2010	2009
	RMB'000	RMB'000
Balance at beginning of the year	**256**	199
Allowance for other receivables	**–**	57
Reversal of allowance for other receivables	**(87)**	–
Balance at end of the year	**169**	256

As at 31 December 2010, included in the allowance for other receivables are individually impaired trade receivables with aggregate balances of approximately RMB169,000 (2009: RMB256,000) which have been assessed as highly probable for non-repayment.

24. AMOUNT DUE FROM A SHAREHOLDER

The amount mainly represented an amount due from Mr. Li Xiao Bin arising from purchase of motor vehicle for the year ended 31 December 2009.

The amount was unsecured, interest-free and repayable on demand.

The amount was fully repaid during the year ended 31 December 2010.

25. AMOUNTS DUE FROM ASSOCIATES

The amounts due from associates of approximately RMB9,500,000 (2009: nil) are unsecured, interest-free and repayment on demand. The remaining amounts are unsecured, interest-free and trading in nature.

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

26. RESTRICTED BANK BALANCES, SHORT-TERM BANK DEPOSITS AND BANK BALANCES AND CASH

Restricted bank balances represent deposits required and restricted by banks in respect of the issue of letter of credit to certain customers and suppliers and therefore are classified as current assets. For the year ended 31 December 2010, the balances carried interest at average market rates of 0.36% (2009: 0.36%) per annum and will be released upon the completion of the respective transactions.

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

Bank balances carried interest at market rates of 0.36% (2009: 0.36%) per annum for the year ended 31 December 2010.

At 31 December 2010, bank balances of approximately RMB67,000 (2009: RMB17,000) and RMB26,447,000 (2009: RMB2,000) were denominated in USD and HKD respectively.

27. TRADE AND BILLS PAYABLES

	2010	2009
	RMB'000	RMB'000
Trade payables	**51,941**	29,355
Bills payables	**11,329**	29,513
Total trade and bills payables	**63,270**	58,868

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

	2010	2009
	RMB'000	RMB'000
0 – 90 days	**47,537**	25,064
91 – 180 days	**2,344**	746
181 – 365 days	**452**	2,719
1 – 2 years	**1,608**	751
Over 2 years	**–**	75
	51,941	29,355

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

28. AMOUNT DUE TO A SHAREHOLDER

The amount was unsecured, charged interest at 2.5% per annum and repayable on demand.

The amount was fully repaid during the year ended 31 December 2010.

29. AMOUNTS DUE TO DIRECTORS

The amounts were unsecured, interest-free and repayable on demand.

The amounts were fully repaid during the year ended 31 December 2010.

30. BANK AND OTHER BORROWINGS

	2010	2009
	RMB'000	RMB'000
Bank loans, secured	**10,000**	8,000
Bank loans, unsecured	**30,000**	13,000
Other borrowing, unsecured	**–**	3,000
	40,000	24,000
Carrying amounts repayable:		
Within one year, shown under current liabilities	**40,000**	24,000

Bank loans are arranged at fixed rates as well as floating rates. The effective interest rates (which also equal to contracted interest rates) on the Group's bank loans ranges from 4.52% to 7% (2009: 5.83% to 7.34%) per annum for the year ended 31 December 2010.

During the year ended 31 December 2009, the Group entered into entrustment loan agreement with Zhuhai Titans Energy Electronics Technology Company Limited ("Titans Energy"). Pursuant to the loan agreement, Titans Energy agreed to provide principal amounts of RMB3,000,000 at fixed interest rate 7% per annum as at 31 December 2009, to Titans Technology.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

30. BANK AND OTHER BORROWINGS (continued)

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

	2010	2009
	RMB'000	RMB'000
Fixed rate borrowings	**9,000**	4,000
Variable rate borrowings	**31,000**	20,000
	40,000	24,000

During the year, the Group obtained new loans in the amount of RMB118,415,000 (2009: RMB26,000,000). The proceeds were used as the Group's working capital. The above bank and other borrowings are all denominated in RMB and hence no foreign currency risk exposure.

31. CONVERTIBLE LOAN NOTE

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

31. CONVERTIBLE LOAN NOTE (continued)

The convertible loan note was fairly valued by the directors of the Company with reference to a valuation report issued by BMI Appraisals Limited, independent and recognised business valuers, on the date of conversion, 28 May 2010. The change in fair value of the convertible loan note of approximately RMB3,956,000 loss (2009: a gain of RMB179,000) has been recognised in the consolidated statement of comprehensive income for the year ended 31 December 2010.

The assumptions adopted for the valuation of the convertible loan note are as follow:

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

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

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

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

	28 May 2010 RMB'000	31 December 2009 RMB'000
Expected value of the shares on the valuation date	**16,178**	2,572
Price-to-earning ratio	**15**	15
Risk-free rate	**0.29%**	0.16%

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

	2010 RMB'000	2009 RMB'000
Carrying amount at the beginning of the year	**8,581**	8,760
Fair value change in profit and loss	**3,956**	(179)
Conversion to shares	**(12,537)**	–
Carrying amount at the end of the year	**–**	8,581

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

32. SHARE CAPITAL

The share capital at 1 January 2009 and 31 December 2009 represented the sum of share capital of Titans (BVI) Limited ("Titans BVI") and the Company.

	Notes	Number of shares	Share capital HK$'000
Authorised:			
Ordinary shares of HK$0.01 each			
Balance at 1 January 2009, 31 December 2009 and 1 January 2010		**38,000,000**	380
Increase during the year	*(c)(i)*	**9,962,000,000**	99,620
At 31 December 2010		**10,000,000,000**	100,000
			RMB'000
Issued and fully paid:			
Balance at 1 January 2009, 31 December 2009 and 1 January 2010		**100,000**	1
Issued in consideration for the acquisition of a subsidiary pursuant to the Corporate Reorganisation	*(a)*	**100,000**	1
Conversion of convertible loan note	*(b)*	**6,825**	–
Capitalisation issue of shares	*(c)(iii)*	**598,193,175**	5,269
Issue of new shares upon listing of the Company's shares on the Stock Exchange	*(c)(ii)*	**200,000,000**	1,762
Issue of remuneration shares	*(c)(iv)*	**1,600,000**	14
Issue of new shares upon exercise of the over-allotment option	*(d)*	**30,000,000**	264
At 31 December 2010		**830,000,000**	7,311

Notes:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

32. SHARE CAPITAL (continued)

Notes: (continued)

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

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

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

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

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

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

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

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

33. ACQUISITION OF ADDITIONAL INTERESTS IN SUBSIDIARIES

Pursuant to the share transfer agreement entered into between Shijiazhuang Guotu Titans New Energy Co., Ltd. ("Shijiazhuang Titans") and non-contolling interests 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 consolidated statement of comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

34. DEEMED DISPOSAL OF A SUBSIDIARY

On 11 October 2010, there were capital enlargement and injection of capital to Beijing New Clear, then subsidiary of the Group. The Group's equity interest in Beijing New Clear was diluted from 55% to 25%. This transaction is regarded as a deemed disposal of a subsidiary and Beijing New Clear becomes an associate of the Group. (for details please refer to Note 20).

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

35. DEEMED DISPOSAL OF PARTIAL INTEREST IN AN ASSOCIATE

On 27 December 2010, six independent third parties in aggregate and the Group had injected RMB11.2 million and RMB2 million respectively into the Group's associate, Beijing New Clear, as equity investment. As a result, the Group's equity interest in Beijing New Clear was diluted from 25% to 20%.

Gain arising from this deemed disposal of partial interest in Beijing New Clear amounted to approximately RMB77,000.

36. DEFERRED TAXATION

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

	Allowance for trade and other receivables RMB'000	**Tax losses** RMB'000	**Total** RMB'000
At 1 January 2009	1,261	220	1,481
Charged to profit or loss	449	226	675
At 31 December 2009	1,710	446	2,156
Charged to profit or loss	(120)	(315)	(435)
At 31 December 2010	1,590	131	1,721

The Group had unused tax losses of approximately RMB875,000 (2009: RMB2,973,000) as at 31 December 2010, available for offsetting against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. All of the tax losses will expire five years from the year of origination.

The Group had deductible temporary differences of approximately RMB10,603,000 (2009: RMB11,406,000) as at 31 December 2010. No deferred tax assets have been recognised due to the unpredictability of future profit streams will be available against which the deductible temporary differences can be utilised.

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to approximately RMB210,769,000 (2009: RMB126,893,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

37. OPERATING LEASE COMMITMENTS

The Group as a lessor

Property rental income earned during the year ended 31 December 2010 was RMB50,000 (2009: RMB32,000). All of the properties held have committed tenants for the next one year.

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

	2010	2009
	RMB'000	RMB'000
Within one year	**30**	39

The Group as a lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2010	2009
	RMB'000	RMB'000
Within one year	**1,490**	639
In the second to fifth year inclusive	**1,138**	793
	2,628	1,432

Operating lease payments represent rentals payable by the Group for certain of its offices and workshops. Leases are negotiated for an average of two (2009: two) years and rentals are fixed for one (2009: one) year for the year ended 31 December 2010.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

38. CAPITAL COMMITMENTS

	2010 RMB'000	2009 RMB'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**28,667**	–
Capital expenditure in respect of the acquisition of property, plant and equipment authorised but not contracted for	**12,800**	–

39. PLEDGE OF ASSETS

As detailed in note 18, the Group's leasehold land and buildings of carrying values of approximately RMB7,676,000 (2009: RMB8,489,000) as at 31 December 2010 were pledged to secure bank borrowings and other facilities.

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 3 September 2009, Titans Automatic pledged its 99% equity interest 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 value 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. The pledge of 99% equity interest in Titans Technology and the refundable deposit were lifted during the year ended 31 December 2010.

Pursuant to an agreement, Titans Technology pledged trade receivables of approximately RMB11,509,000 (2009:nil) for credit facilities of RMB38,400,000 (2009:nil) granted to Titans Technology from bank.

Pursuant to an agreement entered into between Titans Technology and 珠海市中小企業信用擔保有限公司 on 10 March 2010, Titans Technology pledged the remaining values of leasehold land and buildings and RMB500,000 (2009: RMB500,000) refundable deposits as securities for its guarantee given to 珠海市中小企業信用擔保有限公司 for credit facilities of RMB5,000,000 granted to Titans Technology.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

40. RETIREMENT BENEFITS SCHEMES

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

The employees of the PRC subsidiaries are members of the state-managed retirement benefits schemes (the "Schemes") operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their payroll to the Schemes to fund the benefits. The only obligation of the Group with respect to the Schemes is to make the required contributions under the Schemes.

The amount of contributions made by the Group in respect of the retirement benefits schemes during the years are set in note 13 and 14.

41. RELATED PARTY TRANSACTIONS

a) During the year ended 31 December 2010, the Group had entered into the following transactions with related parties.

	Notes	**2010** **RMB'000**	2009 RMB'000
Purchase of finished goods	*(i)*	**–**	3,306
Rental income	*(ii)*	**41**	46
Rental expenses	*(iii)*	**–**	90
Interest paid to a shareholder	*(iv)*	**–**	28
Sales to associates	*(v)*	**35,985**	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

41. RELATED PARTY TRANSACTIONS (continued)

a) (continued)

Notes:

(i) Components of finished goods such as cabinet cases were purchased from Titans Energy and Zhuhai Titans Software System Company Limited ("Titans Software"), a company with common directors until 11 September 2009, on terms mutually agreed between the parties, which were reference to prevailing market prices under the purchase agreement.

(ii) Pursuant to the lease agreements entered into between Titans Technology and Zhuhai Growth Technology Company Limited 珠海成長科技有限公司 ("Zhuhai Growth"), in which a director of Titans Technology has a beneficial interest, on 28 April 2006 and 6 November 2006 respectively, Titans Technology leased certain areas of its leasehold buildings to Zhuhai Growth for a period of one year. On 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 price.

(iii) Pursuant to the lease agreement entered into between Zhuhai Clear and Jinhuanyu on 20 August 2007, Zhuhai Clear leased a property from Jinhuanyu 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 a one year which was 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.

(iv) The interest was charged at 2.5% per annum on the amount due to Ms. Ou Yang Fen.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

41. RELATED PARTY TRANSACTIONS (continued)

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

c) Balances

Details of the balances with related parties are set out on the consolidated statement of financial position and notes 24, 25, 28 and 29 respectively.

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

d) Compensation to key management personnel

The remuneration of directors and key executives set out in Note 14 which is determined by the remuneration committee of the Company having regard to the performance of individuals and market trends.

e) Guarantees from directors

At 31 December 2010 and 2009, certain banking facilities of the Group were guaranteed by Mr. Li Xin Qing and Mr. An Wei:

	2010	2009
	RMB'000	RMB'000
To the extent of	**28,000**	44,000

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

42. SHARE-BASED PAYMENTS

Pre-IPO share option scheme

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

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

Share option scheme

Pursuant to the resolution in writing of shareholders of the Company on 8 May 2010, the Company has adopted a new share option scheme (the "Share Option Scheme") for a period of 10 years commencing on 8 May 2010, the board of directors of the Company may, at its discretion, grant share options to any individual being an employee, officer, agent, consultant or representative of any member of the Group (including any executive or non-executive director of any member of the Group) for at a consideration of HK$1 on acceptance of the option offer. The subscription of shares in the Company is subject to the terms and conditions as stipulated in the Share Option Scheme. No share options were granted during the year ended 31 December 2010 since adoption.

The limit on the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme, together with all outstanding options granted and yet to be exercised under the Pre-IPO Share Option Scheme, must not exceed 30% of the number of the issued shares from time to time.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

42. SHARE-BASED PAYMENTS (continued)

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

	Number of share options
Outstanding at 1 January 2010	–
Granted during the year	23,920,000
Outstanding at 31 December 2010	23,920,000

During the year ended 31 December 2010, share options were granted on 8 May 2010. The aggregate fair value of the options determined at the date of grant using the Binomial model was approximately HKD15,741,000 (equivalent to approximately RMB13,760,000) based on the valuation report issued by an independence valuer, Avista Valuation Advisory.

Equity-settled share-based payment of RMB4,244,000 (2009: nil) was recognised in the consolidated statement of comprehensive income for the year ended 31 December 2010.

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

Grant date share price (HKD)	1.05 – 1.2
Exercise price (HKD)	0.525 – 0.6
Expected life (years)	2.058 – 5.058
Expected volatility	54.59% – 57.84%
Dividend yield	1.17%
Risk-free interest rate	0.58% – 1.82%

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

43. STATEMENT OF FINANCIAL POSITION FOR COMPANY LEVEL

	2010	2009
	RMB'000	RMB'000
Non-current asset		
Investment in a subsidiary	**1**	–
Current assets		
Prepayments, deposits and other receivables	**–**	3,630
Amount due from a subsidiary *(Note)*	**216,630**	3,424
Bank balances and cash	**19**	–
	216,649	7,054
Current liabilities		
Accruals and other payable	**711**	1,441
Convertible loan note	**–**	8,581
	711	10,022
Net current assets (liabilities)	**215,938**	(2,968)
	215,939	(2,968)
Capital and reserves		
Share capital *(Note 32)*	**7,311**	1
Reserves *(Note a)*	**208,628**	(2,969)
	215,939	(2,968)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

43. STATEMENT OF FINANCIAL POSITION FOR COMPANY LEVEL (continued)

Note: The amounts are unsecured, interest-free and repayable on demand.

(a) reserves

	Share premium RMB'000	Share option reserve RMB'000	Retained Earnings (accumulated losses) RMB'000	Total RMB'000
At 1 January 2009	–	–	78	78
Loss for the year and total comprehensive expense for the year	–	–	(3,047)	(3,047)
At 31 December 2009	–	–	(2,969)	(2,969)
Loss for the year and total comprehensive expense for the year	–	–	(24,786)	(24,786)
Capitalisation issue of shares	(5,269)	–	–	(5,269)
Issue of new shares	237,035	–	–	237,035
Conversion of convertible loan note	12,537	–	–	12,537
Cost of issue of new shares	(12,164)	–	–	(12,164)
Recognition of share-based payments *(Note 42)*	–	4,244	–	4,244
At 31 December 2010	232,139	4,244	(27,755)	208,628

44. SUBSIDIARIES OF THE COMPANY

At the end of the reporting period, the Company has the following subsidiaries, all of which adopted a financial year end date of 31 December 2010 and 2009:

Name of subsidiary	Place of incorporation/ establishment and operation	Class of shares held	Issued and fully paid share capital/registered capital 2010	2009	Attributable equity interest held by the Company 2010	2009	Principal activities
Titans (BVI) Limited#	British Virgin Islands	Ordinary	**US$200**	US$200	**100%**	100%	Investment holding
Titans Holdings Co., Limited 泰坦控股有限公司	Hong Kong	Ordinary	**HK$10,000**	HK$10,000	**100%**	100%	Investment holding
Zhuhai Titans Automatic Technology Company Limited* 珠海泰坦自動化技術有限公司	The PRC wholly foreign-owned enterprise	Ordinary	**RMB189,779,960**	RMB42,000,000	**100%**	100%	Research, development, manufacture and sales of wind and solar power generation balancing control products, charging equipment for electrical vehicles and power grid monitoring and management products

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

44. SUBSIDIARIES OF THE COMPANY (continued)

Name of subsidiary	Place of incorporation/ establishment and operation	Class of shares held	Issued and fully paid share capital/registered capital		Attributable equity interest held by the Company		Principal activities
			2010	2009	**2010**	2009	
Zhuhai Titans Technology Co., Ltd.* 珠海泰坦科技股份有限公司	The PRC limited liability company	Ordinary	**RMB160,000,000**	RMB40,000,000	**100%**	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	The PRC limited liability company	Ordinary	**RMB3,000,000**	RMB3,000,000	**80%**	80%	Research, development, manufacture and sales of electrical power generation balancing control and other products
Shijiazhuang Guofu Titans New Energy Co., Ltd.* 石家莊國富泰坦新能源有限公司	The PRC limited liability company	Ordinary	**RMB1,000,000**	–	**100%**	–	Sales of wind and solar power generation balancing control products, power grid monitoring and management products and charging equipment
Jiangyin Titans High Voltage Electric Co., Ltd. * 江陰泰坦高壓電氣有限公司	The PRC limited liability company	Ordinary	**RMB5,000,000**	–	**51%**	–	Marketing and sales of plug and switch system products
Beijing New Clear	The PRC limited liability company	Ordinary	**–**	RMB1,000,000	**^**	55%	Sales of charging equipment

* *For identification purpose only.*

Directly held by the Company.

^ *Become an associate in 2010.*

45. EVENT AFTER THE REPORTING PERIOD

On 17 February 2011, the Company granted 19,430,000 share options to certain employees and a substantial shareholder (who is also an employee) of the Company under the Share Option Scheme adopted on 8 May 2010 to subscribe for a total of 19,430,000 ordinary shares of HK$0.01 each in the share capital of the Company at an exercise price of HK$1.10 per share. For more details, please refer to the Company's announcement dated 17 February 2011.