



**TITANS**

# INTERIM REPORT 2012

*Incorporated in the Cayman Islands with limited liability*

Stock Code: 2188

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

\*For identification purpose only

## CONTENTS

Corporate Information	2
Management Discussion and Analysis	5
Condensed Consolidated Financial Statements	
Condensed Consolidated Statement of Comprehensive Income	17
Condensed Consolidated Statement of Financial Position	18
Condensed Consolidated Statement of Changes in Equity	19
Condensed Consolidated Statement of Cash Flows	20
Notes to the Condensed Consolidated Financial Statements	21
Corporate Governance and Other Information	39

## 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

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Man Lok Building

93 Bonham Strand

Sheung Wan

Hong Kong

### Company Secretary

Wong Yiu Hung

*A member of Chartered Institute of Management Accountants of the United Kingdom, and*

*a member of the Hong Kong Institute of Certified Public Accountants*

### Auditor

SHINEWING (HK) CPA Limited

43/F., The Lee Gardens

33 Hysan Avenue

Causeway Bay, Hong Kong



Registered Office

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KY1-1111  
Cayman Islands

Principal Place of Business  
and Address of Headquarters in the PRC

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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  
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Hong Kong Share Registrar

Computershare Hong Kong Investor Services Limited  
Shops 1712-1716  
17th Floor  
Hopewell Centre  
183 Queen's Road East  
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Legal Adviser to the Company

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P. C. Woo & Co.  
12th Floor, Prince's Building  
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Stock Code

2188

Website

[www.titans.com.cn](http://www.titans.com.cn)

Principal Banker

Bank of Communications  
Zhuhai Jida sub-branch  
1/F, Zhong Dian Tech Building  
Jida Jiuzhou Road  
the PRC

## MANAGEMENT DISCUSSION AND ANALYSIS

The board (the "Board") of directors (the "Directors") of China Titans Energy Technology Group Co., Limited (the "Company") is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2012 together with the comparative figures for the corresponding period in 2011. These interim financial statements have not been audited, but have been reviewed by the audit committee of the Company.

### Business review

For the six months ended 30 June 2012, the Company and its subsidiaries (collectively, the "Group") recorded a turnover of approximately RMB98,673,000, representing a decrease of approximately 1.99% over that of the corresponding period last year. Turnover was mainly derived from the Group's principal business including electrical direct current ("DC") products, charging station equipment for electric vehicles and power grid monitoring and management products business. The table below shows the turnover of our different series of products for the six months ended 30 June 2011 and 2012.

	for the six months ended 30 June			
	2012		2011	
	RMB'000	%	RMB'000	%
Electrical DC products	<b>44,538</b>	<b>45.14</b>	46,852	46.54
Power grid monitoring and management products	<b>16,871</b>	<b>17.10</b>	15,445	15.34
Charging equipment for electric vehicles	<b>36,581</b>	<b>37.07</b>	37,198	36.95
Wind and solar power generation				
balancing control systems	–	–	–	–
High-power LED lighting products	–	–	–	–
PASS products	<b>683</b>	<b>0.69</b>	1,180	1.17
<b>Total</b>	<b>98,673</b>	<b>100.00</b>	100,675	100.00

The Group recorded a total profit attributable to owners of approximately RMB10,017,000 for the six months ended 30 June 2012, representing an increase of approximately RMB289,000 or approximately 2.97% over approximately RMB9,728,000 of the corresponding period in 2011.

### Electrical DC products

Our electrical DC products constitute our major line of products and one of the major sources of revenue. These products include high frequency switch DC power supply systems, high frequency switch communication power supply systems and uninterruptible power supply ("UPS") equipment. Our major electrical DC products are primarily supplied to power plants and transforming stations (including those owned by local governments and power companies) as well as enterprises from industries, such as railways, petrochemical plants, the coal and metallurgy sectors. For the six months ended 30 June 2012, turnover of electrical DC products amounted to approximately RMB44,538,000 (for the six months ended 30 June 2011: approximately RMB46,852,000), representing a decrease of approximately 4.94%. The directors of the Company (the "Directors") consider that as compared to the corresponding period of last year, the sales conditions of these products basically maintained steadily and sales of these products slightly decreased due to fluctuations of market demand. The Group remains its strong competitiveness in terms of this product.

### **Charging equipment for electric vehicles**

The Group supplied charging equipments for electric vehicles to major customers including power grid corporations, governmental and other commercial institutions. For the six months ended 30 June 2012, turnover of our charging equipments for electric vehicles amounted to approximately RMB36,581,000 (for the six months ended 30 June 2011: approximately RMB37,198,000), representing a decrease of approximately 1.66%. At present, although domestic policies continue to encourage the development of electric vehicles business, there is no significant increase in the construction projects commenced by the State in the first half of 2012 and market demand is not effectively amplified.

### **Power grid monitoring and management products**

For the six months ended 30 June 2012, our sales of power grid monitoring and management products amounted to approximately RMB16,871,000 (for the six months ended 30 June 2011: approximately RMB15,445,000), representing an increase of approximately 9.23%. The Directors consider that the business development of such products maintains steadily.

### **Wind and solar power generation balancing control products**

For the six months ended 30 June 2012, our wind and solar power generation balancing control products did not achieve any sales (for the six months ended 30 June 2011: RMB Nil). During the reporting period, the Group mainly emphasised on the further research and development of this product series and deployed fewer resources in its marketing. The Directors consider that the market of these products will be expanded along with the continuous improvement of our product technology and enhancement in market operation.

### **High-power light-emitting diode (“LED”) lighting products**

Owing to the relative lower gross profit margin of this product series, non-regulated market practice and intensifying competition, and customers in this segment in lack of synergy effect with the Group’s other long term and stable customers in other segments, the Group discontinued the operation of this business in the second half of 2011.

### **Plug and switch system (“PASS”) products**

For the six months ended 30 June 2012, the sales of plug and switch system (“PASS”) products amounted to approximately RMB683,000 (for the six months ended 30 June 2011: approximately RMB1,180,000), representing a decrease of approximately 42.12%. The Directors consider that this is not the Group’s main operating business. We will from time to time make adjustment on market strategies based on market demand and our available resources.

Below are some of our major operating activities in the first half year of 2012:

On 16 April 2012, the Group with three independent parties jointly contributed capital to establish Henan Hong Zheng Electric Technology Co., Ltd.\* (河南弘正電氣科技有限公司) (“Henan Hong Zheng”). The Group contributed RMB10,500,000, holding 35% of its equity interest, being the largest shareholder of Henan Hong Zheng and controls its board of directors and is responsible for its specific operation and management. Henan Hong Zheng is a subsidiary and under the control of the Group. The Group established Henan Hong Zheng for the purpose of better conducting the current power grid monitoring and managing the business of the Group. The Directors considered that it will provide strong support for power grid monitoring and managing the business and accelerates the development of this business by leverage on technologies and market resources from other independent third parties.

In January 2012, the Group began to implement the management model of business by segment. The Directors considered that it could help to expand products sales and control costs and expenses through business segment management according to product lines, and at the same time, it would help to optimize business control, process construction and talents development for the Group and help resources sharing among various product lines, and finally enhance the profitability of the Group.

In the first half of 2012, the Group continued to pay more efforts on the research, development and marketing of products, especially for certain new products. These include: the smooth marketing works of battery formation, capacity grading and testing equipment for the charging equipments of electric vehicles series, and improving product quality and establishing a complete product series according to market demand with further improvement on standard of products technology. The works of the National 863 Plan and the strategic emerging industries development projects in the Guangdong Province undertaken by the Group was running smoothly. Based on these projects, the Group completed the research and development of new products such as integrated charging and discharging equipments and high power photovoltaic and storage alternating current products and launched them into market one after another.

In the first half of 2012, under the leadership and management of the Board, the Group performed steadily its internal control works and conducted special internal control audits for procurement, inventory, fixed assets and research and development projects management. Based on the internal control audits, the Group improved and revised the respective systems and working procedures. In addition, the Group began to implement the Customer Relationship Management System, completed its implementation and commenced the online operation in 2011.

In the opinion of the Directors, in the first half of 2012, owing to the impact of the austerity control and international economic situation, the State’s investments in power and the investments in new energy, energy-saving and environment protection have not been effectively released. This, to a certain extent, has affected the market demand related to the Group’s products and the operation condition of the Group in the first half of 2012. In targeting the second half of 2012, the Directors consider that the State’s policies relating to improving new energy, energy-saving and environment protection development will not change, while the investment demand in key infrastructure like power and railway will remain. Therefore, there will still be vast market opportunities for various kinds of products of the Group.

\* For identification purpose only



In the second half of 2012, the Group will still continue to emphasise its efforts in technological improvement and marketing of new products, which includes (among others): (1) improving the design of total solutions of charging and discharging equipment for electric vehicles and supply capability of charging and discharging products continuously, strengthening the promotion of core technological level of charging and discharging equipment; (2) accelerating the improvement of a series of products of battery formation, capacity grading and testing equipments and enhancing the capability of products system integration and solutions; (3) further improving the high-power photovoltaic and battery storage alternating current products and directing the market rapidly.

In the second half of 2012, the Group will focus its internal management works on the stringent control of product costs and various expenses to eventually improve its profitability. The main methods include: (1) securing a foothold in cost reduction and accelerating the technological upgrade of existing matured products; (2) continuing to work on the request of the Board to speed up the implementation of internal control and audit and control the unreasonable cost increase and unnecessary expenses through systems and processes improvements; (3) implementing stringently the budget management system; (4) optimization of human resources structure and promotion of human resources management by taking performance as the main content.

## Result analysis

### Turnover

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Turnover		
Electrical DC products	<b>44,538</b>	46,852
Power grid monitoring and management products	<b>16,871</b>	15,445
Charging equipment for electric vehicles	<b>36,581</b>	37,198
Wind and solar power generation balancing control products	–	–
PASS products	<b>683</b>	1,180
Total	<b>98,673</b>	100,675

For the six months ended 30 June 2012, the Group recorded a consolidated turnover of approximately RMB98,673,000, representing a decrease of approximately 1.99% as compared to approximately RMB100,675,000 for the corresponding period in 2011. Such decrease was mainly due to the changes in the sales of our products as described above.

## Gross profit and gross profit margin

The Group's gross profit decreased by approximately RMB4,535,000 for the six months ended 30 June 2012 to approximately RMB47,050,000 from approximately RMB51,585,000 for the corresponding period in 2011. Sales of our electrical DC products contributed approximately RMB19,717,000 to our gross profit, whereas, sales of charging equipment for electric vehicles, power grid monitoring and management products contributed gross profit of approximately RMB17,247,000 and RMB9,856,000 respectively for the six months ended 30 June 2012. Gross profit from our sales of PASS products amounted to approximately RMB230,000 for the six months ended 30 June 2012. We will endeavour to enhance and improve the technology of our products in order to maintain our competitiveness and gross profit margin.

## Gross profit margin of respective reportable segments

Segment	Six months ended 30 June	
	2012	2011
Electrical DC products	<b>44.27%</b>	45.11%
Power grid monitoring and management products	<b>58.42%</b>	53.75%
Charging equipment for electric vehicles	<b>47.15%</b>	58.72%
Wind and solar power generation balancing control products	—	—
PASS products	<b>33.62%</b>	25.87%

The Group's overall gross profit margin decreased to approximately 47.68% for the six months ended 30 June 2012 from approximately 51.24% for the corresponding period in 2011, but increased by approximately 2.29% as compared to approximately 45.39% for the year ended 31 December 2011.

The gross profit margin of our electrical DC products for the six months ended 30 June 2012 decreased marginally by approximately 0.84% as compared to that of the corresponding period in 2011 which basically maintained at the level in the corresponding period in 2011.

The gross profit margin of our power grid monitoring and management products for the six months ended 30 June 2012 increased by approximately 4.67% as compared to that of the corresponding period in 2011. This was attributable to the fact that the Group properly increased products selling price according to various customers' demand in the market.

The gross profit margin of our charging equipment for electric vehicles for the six months ended 30 June 2012 decreased by approximately 11.57% as compared to that of the corresponding period in 2011, which was mainly attributable to this product becoming mature gradually in the market while the market competition of this product intensifying.

The gross profit margin of distribution of plug and switch system products for the six months ended 30 June 2012 increased by approximately 7.75% as compared to that of the corresponding period in 2011. The Directors considered that fluctuation of gross profit margin was under control due to relatively less turnover from distribution of PASS products.

## Other revenue

Other revenue of the Group, which mainly included value added tax refunds, government subsidy and interest income, increased by approximately 68.48% from approximately RMB3,141,000 for the six months ended 30 June 2011 to approximately RMB5,292,000 for the six months ended 30 June 2012.

## Selling and distribution expenses

Selling and distribution expenses decreased by approximately RMB1,994,000, or approximately 12.75% from approximately RMB15,642,000 for the six months ended 30 June 2011 to approximately RMB13,648,000 for the six months ended 30 June 2012. The decrease was primarily due to the following reasons: (1) a decrease in material consumed, transportation charge, installation testing and maintenance fee relating to sales and after-sales services of approximately RMB3,172,000; (2) a decrease in office and entertainment expenses and other expenses of approximately RMB1,370,000; (3) an increase in sales-related expenses such as salaries and wages, benefit, social security expenditure and traveling expenses of approximately RMB2,550,000.

## Administrative expenses

Administrative expenses increased by approximately RMB501,000, or approximately 2.31%, from approximately RMB21,675,000 for the six months ended 30 June 2011 to approximately RMB22,176,000 for the six months ended 30 June 2012. The increase in the administrative expenses of the Group was primarily resulted from (1) an increase in related salaries and wages and retirement benefit contributions of approximately RMB1,589,000 due to an increase in administration and research and development staff and their salaries and wages during the reporting period; (2) an increase in the expenses such as office expenses, leasing, depreciation, material consumption and utilities of approximately RMB2,572,000; (3) an increase in sundry expenses and other expenditures of approximately RMB855,000; (4) a decrease in equity settled share-based payments of approximately RMB1,214,000 in respect of the share options granted pursuant to the pre-IPO share option scheme of the Company adopted on 8 May 2010 (the "Pre-IPO Share Option Scheme") and the new share options granted on 17 February 2011 pursuant to the share option scheme of the Company adopted on 8 May 2010 (the "Share Option Scheme"); (5) a decrease in expenses such as entertainment, consultation and professional services of approximately RMB1,396,000; (6) a decrease in research and development expenses of approximately RMB895,000; and (7) a decrease in other expense such as sundry expenses of approximately RMB1,010,000.

## Loss attributable to non-controlling interests

For the six months ended 30 June 2012, loss attributable to non-controlling interests of our non-wholly owned subsidiaries was approximately RMB486,000, compared to a loss of approximately RMB1,058,000 in the corresponding period of last year. This amount represents their share of loss in our non-wholly owned subsidiaries.

## Profit attributable to owners of the Company

The Group recorded a profit attributable to owners of the Company of approximately RMB10,017,000 for the six months ended 30 June 2012 as compared to approximately RMB9,728,000 for the corresponding period in 2011 with a year-on-year increase of approximately 2.97%.

For the six months ended 30 June 2012, the Group's profit attributable to the owners of the Company did not achieve a substantial increase over the corresponding period of 2011. This was mainly because of the impact of the austerity control and international economic situation, the government's investments in power and the investments in new energy, energy-saving and environment protection have not been effectively released. This to a certain extent has affected the market demand related to the Group's products.

Basic earnings per share of the Company (the "Share") and diluted earnings per Share for the period were RMB1.21 cents and RMB1.21 cents respectively whilst the basic and diluted earnings per Share for the corresponding period in 2011 were RMB1.17 cents and RMB1.16 cents respectively. The slight increase in the basic earnings per Share and diluted earnings per Share over the corresponding period of last year was due to the slight increase in profit attributable to owners of the Company as compared to that in the corresponding period of 2011.

### Employees and remuneration

As at 30 June 2012, the Group had 525 employees (as at 30 June 2011: 515). The remuneration paid to our employees and Directors is based on their 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 funds in compliance in all material respects with the requirements of the laws and regulations of the jurisdictions where it operates.

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

The Company adopted the Pre-IPO Share Option Scheme on 8 May 2010 and options carrying rights to subscribe for a total of 23,920,000 shares were granted to 53 employees of the Group on 8 May 2010, including two executive Directors, under the Pre-IPO Share Option Scheme. The purpose of the Pre-IPO Share Option Scheme is to recognise the contribution of and to provide incentives to eligible persons (including employees, officers, agents, consultants or representatives and sales partners of the Group) who have contributed or will contribute to the Group. As at 30 June 2012, under the Pre-IPO Option Scheme, options to subscribe for 600,000 shares lapsed as a result of the departure of some employees and options to subscribe for 5,830,000 shares lapsed as a result of the share options past due and the employees did not exercise such share options vested to them during the period. As at the date of this report, share options carrying rights to subscribe for a total of 17,490,000 Shares remained outstanding under the Pre-IPO Share Option Scheme.

The Company also adopted the Share Option Scheme on 8 May 2010. The purpose of the Share Option Scheme is to provide incentives to the eligible persons (including, inter alia, employees, officers, agents, consultants or representatives of any members 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 and attract and retain human resources that are valuable to the Group. On 17 February 2011, the Company published an announcement relating to the grant of share options where options to subscribe for 19,430,000 shares were granted to 61 employees of the Group on the same day under the Share Option Scheme. As at 30 June 2012, options to subscribe for 780,000 shares lapsed as a result of the departure of some employees, pursuant to the Share Option Scheme. As at the date of this report, share options carrying rights to subscribe for a total of 18,650,000 Shares remained outstanding under the Share Option Scheme.

### Liquidity, financial resources and capital structure

The Group generally finances its operation through internal resources and bank loans. As at 30 June 2012, the Group had cash and cash equivalents of approximately RMB134,935,000 (as at 31 December 2011: approximately RMB163,761,000).

The net current assets as at 30 June 2012 were approximately RMB416,939,000 (as at 31 December 2011: approximately RMB403,334,000).

The Group did not hold any significant financial investment during the six months ended 30 June 2012 save for currency held.

### Bank loans

As at 30 June 2012, the total bank loans amounted to approximately RMB79,773,000 (as at 31 December 2011: approximately RMB54,773,000), of which RMB45,000,000 were secured loans (as at 31 December 2011: approximately RMB35,000,000), and the remaining RMB34,773,000 were unsecured loans (as at 31 December 2011: approximately RMB19,773,000). Secured bank loans as at 30 June 2012 were subject to floating interest rates ranging from 5.06% to 6.80% per annum. The Group recorded an increase of approximately RMB25,000,000 in total bank loans for the six months ended 30 June 2012. This increase was mainly due to the Company increasing its liquidity.

As at 30 June 2012, the Group's current ratio (current assets divided by current liabilities) was 2.60 as compared with 2.76 as at 31 December 2011, and the gearing ratio (borrowings divided by total assets x 100%) was 10.36% as compared with 7.66% as at 31 December 2011.

### Trade and bills receivables

As at 30 June 2012, the Group recorded trade and bills receivables (net of allowance) of approximately RMB342,600,000 (as at 31 December 2011: approximately RMB268,089,000). The Group has not made additional specific doubtful debts provision for trade and bills receivables during the first six months of 2012 (for the six months ended 30 June 2011: approximately RMB520,000; for the year ended 31 December 2011: RMB Nil). As at 30 June 2012, the amount of allowance made against trade receivables amounted to approximately RMB13,431,000.

The increase in trade receivables for the six months ended 30 June 2012 was mainly because of certain projects of the Company are undergoing equipment for life run adjustment and testing after delivery, conditions for collection have not been met at the relevant time.

The table below sets out the ageing analysis of the trade and bills receivables (net of allowance for doubtful debts) as at 30 June 2012.

	<b>30 June 2012 RMB'000</b>	31 December 2011 RMB'000
Trade receivables		
Within 90 days	<b>80,255</b>	101,099
91 days to 180 days	<b>11,302</b>	20,145
181 days to 365 days	<b>104,324</b>	53,787
Over 1 year to 2 years	<b>97,850</b>	76,426
Over 2 years to 3 years	<b>48,869</b>	11,732
Over 3 years	–	3,150
	<b>342,600</b>	266,339
Bills receivables	–	1,750
	<b>342,600</b>	268,089

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 within 12 to 18 months after the on-site installation and testing.

We consider that longer trade and bills receivables turnover days and the high proportion of overdue trade and bills receivables were mainly due to (1) the time lag between our accounting policy to recognise the full sales amount and trade receivables amount upon delivery of product until the due dates of the trade receivables; and (2) some of our customers in the power generation or transmission sectors settle the amounts payable to their suppliers, including us, after completion of the construction of their whole power generation units or transforming stations.

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

### **Pledge of assets of the Group**

As at 30 June 2012, the Group's leasehold land and buildings with carrying values of approximately RMB6,456,000 (31 December 2011: RMB6,863,000) were pledged to secure bank borrowings and other facilities.

Pursuant to an agreement, Zhuhai Titans Technology Co., Ltd. ("Titans Technology"), a subsidiary of the Company, pledged trade receivables of approximately RMB Nil (2011: RMB50,000,000) for credit facilities of RMB Nil (2011: RMB50,000,000) granted to Titans Technology from a bank.

### **Capital commitments and contingent liabilities**

As at 30 June 2012, 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 approximately RMB14,369,000 (31 December 2011: approximately RMB27,406,000). Apart from that, the Company had no capital expenditure authorised but not contracted for in respect of the acquisition of property, plant and equipment.

As at 30 June 2012, the Group had no contingent liabilities.

## Non-controlling interests

	<b>30 June 2012 RMB'000 (Unaudited)</b>	31 December 2011 RMB'000 (Audited)
Equity attributable to owners of the Company	<b>477,551</b>	471,386
Non-controlling interests	<b>21,329</b>	2,315
Total equity	<b>498,880</b>	473,701

For the six months ended 30 June 2012, the non-controlling interests of the Group were increased by approximately RMB19,014,000 as compared to the year ended 31 December 2011. The increase was mainly because of the Group with three independent third parties registering a subsidiary company, namely Henan Hong Zheng in Zhengzhou, Henan Province on 16 April 2012. The Group contributed RMB10,500,000 as capital and held 35% of its equity interests. The Group also controls its board of directors and operation decisions. Henan Hong Zheng is a subsidiary and under the control of the Group.

## Foreign exchange

The Group conducts its business primarily in the PRC with substantially all of its transactions denominated and settled in Renminbi. The Group's consolidated financial statements are expressed in Renminbi, whereas 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 RMB125,000 (the corresponding period in 2011: loss of approximately RMB176,000). Such foreign exchange book loss arose as a result of differences of the recording exchange rate. As at 30 June 2012, the Group had no hedging arrangement in place with respect to foreign currency exchange.

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 six months ended 30 June 2012.

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.



## Future business prospect and plans

Currently, despite the uncertain international and domestic economic situations, the Directors still believe that the State's policies of increasing the development in new energy, energy saving and environmental protection will remain unchanged, and the existing products of the Group are in line with the direction of the relevant industry policies and development focuses of the State, in which the market has extensive demand for our products. Based on such condition, the Group has formulated major plans for future development as follows.

With respect to the products of the Group, the Group will adhere to the enterprise's vision of building up its brand as a "supplier of power electronic products and technology integration". On one hand, we will continuously increase the core technology standard of the Group's products by way of various research and development and on the other hand, we will provide customers the capacity in power electronic design and system integration according to customers' requirements. In the short run, the Group will concentrate on the following aspects: firstly, continuing to improve the overall solution design and supply capacity in charging and discharging equipments for electric vehicles, promoting application of integrated charging and discharging equipments, and enhancing core technology standard for charging and discharging equipments; secondly, accelerating the improvement of a series of products for the formation and capacity grading of power battery and testing equipments, and strengthening the technology integration for our products; and thirdly, further improving high-power photovoltaic and energy storage inverter products and launch into the market rapidly.

With respect to the overall market, the Group will continue to improve its own sales management system based on the changes of main customer group's tender methods. The Group will focus on the following aspects: firstly, further increasing the market competition advantages and profitability for its products through the capacity enhancement in the customer solution design and product integration; secondly, reducing its product costs to enhance the market profitability through products technology upgrade; thirdly, implementing the brand strategy to improve the recognition and reputation of the Group's products in the markets; and lastly, further optimizing our sales team and enhancing business training of sales staff to reduce sales expenses.

With respect to the overall management of the Group, according to the requests of the Board, we will continue to enhance its internal control management and reduce the operation costs of the Company to further improve the overall profitability of the Group. The Group will focus on the following aspects: firstly, continuously and efficiently conducting internal control; secondly, continuously developing the system construction and process optimization; thirdly, continuously improving the budget management system; and lastly, continuously implementing the information management practices to further increase the operation efficiency of the Group.

## INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2012.

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012

	NOTES	Six months ended 30 June	
		2012 RMB'000 (unaudited)	2011 RMB'000 (unaudited)
<b>CONTINUING OPERATIONS</b>			
Turnover	(4)	98,673	100,675
Cost of sales		(51,623)	(49,090)
Gross profit		47,050	51,585
Other revenue		5,292	3,141
Selling and distribution expenses		(13,648)	(15,642)
Administrative expenses		(22,176)	(21,675)
Share of results of associates		1,178	(2,006)
Finance costs		(3,781)	(866)
Profit before taxation		13,915	14,537
Income tax expense	(5)	(4,384)	(5,867)
Profit for the period from continuing operations		9,531	8,670
<b>DISCONTINUED OPERATION</b>			
Profit for the period from discontinued operation	(6)	–	–
Profit and total comprehensive income for the period	(7)	9,531	8,670
Profit and total comprehensive income for the period attributable to:			
Owners of the Company		10,017	9,728
Non-controlling interests		(486)	(1,058)
		9,531	8,670
<b>Earnings per share</b>			
	(9)		
<b>From continuing and discontinued operations</b>			
– Basic (RMB)		1.21 cents	1.17 cents
– Diluted (RMB)		1.21 cents	1.16 cents
<b>From continuing operations</b>			
– Basic (RMB)		1.21 cents	1.17 cents
– Diluted (RMB)		1.21 cents	1.16 cents

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2012

	NOTES	30 June 2012 RMB'000 (unaudited)	31 December 2011 RMB'000 (audited)
<b>Non-current assets</b>			
Property, plant and equipment	(10)	28,824	21,681
Deposits for acquisition of plant and equipment		26,226	23,216
Prepaid lease payments	(10)	12,674	12,817
Intangible assets		1,136	1,324
Interest in an associate	(11)	15,802	14,624
Available-for-sale financial assets		8,198	8,198
		<b>92,860</b>	81,860
<b>Current assets</b>			
Inventories		76,886	61,471
Trade and bills receivables	(12)	342,600	268,089
Prepayments, deposits and other receivables		52,928	37,439
Prepaid lease payments	(10)	285	288
Amount due from an associate	(13)	66,272	91,873
Restricted bank balances		3,034	10,081
Short-term bank deposits		92,000	101,000
Bank balances and cash		42,935	62,761
		<b>676,940</b>	633,002
<b>Current liabilities</b>			
Trade and bills payables	(14)	101,890	90,941
Receipts in advance		10,445	6,990
Accruals and other payables		50,466	56,478
Tax payable		17,427	20,477
Bank loans	(15)	79,773	54,773
		<b>260,001</b>	229,659
<b>Net current assets</b>		<b>416,939</b>	403,343
<b>Total assets less current liabilities</b>		<b>509,799</b>	485,203
<b>Non-current liabilities</b>			
Deferred income		1,352	1,308
Deferred tax liabilities		9,567	10,194
		<b>10,919</b>	11,502
<b>Net assets</b>		<b>498,880</b>	473,701
<b>Capital and reserves</b>			
Share capital	(16)	7,311	7,311
Reserves		470,240	464,075
<b>Equity attributable to owners of the Company</b>		<b>477,551</b>	471,386
Non-controlling interests		21,329	2,315
<b>Total equity</b>		<b>498,880</b>	473,701

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2012

	Attributable to owners of the Company										Non-controlling interests	Total equity
	Share capital	Share premium	Share Option reserve	Merger reserve	Exchange translation reserve	Capital reserve	Statutory reserve fund	Other reserves	Retained earnings	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2011 (audited)	7,311	232,139	4,244	8,640	504	(1,539)	31,202	-	165,470	447,971	6,049	454,020
Total comprehensive income for the period	-	-	-	-	-	-	-	-	9,728	9,728	(1,058)	8,670
Appropriation to reserves	-	-	-	-	-	-	(11)	-	11	-	-	-
Contribution of additional equity interest in a subsidiary (note 18)	-	-	-	-	-	-	-	(530)	-	(530)	530	-
Recognition of share-based payments (note 20)	-	-	4,125	-	-	-	-	-	-	4,125	-	4,125
Forfeiture of share options	-	-	(36)	-	-	-	-	-	36	-	-	-
At 30 June 2011 (unaudited)	7,311	232,139	8,333	8,640	504	(1,539)	31,191	(530)	175,245	461,294	5,521	466,815
At 1 January 2012 (audited)	7,311	232,139	11,840	8,640	504	(1,539)	38,717	2,334	171,440	471,386	2,315	473,701
Total comprehensive income for the period	-	-	-	-	-	-	-	-	10,017	10,017	(486)	9,531
Appropriation to reserves	-	-	-	-	-	-	23	-	(23)	-	-	-
Capital contribution from non-controlling interests of a subsidiary	-	-	-	-	-	-	-	-	-	-	19,500	19,500
Recognition of share-based payments (note 20)	-	-	2,911	-	-	-	-	-	-	2,911	-	2,911
Lapsed of share options	-	-	(2,898)	-	-	-	-	-	2,898	-	-	-
Forfeiture of share options	-	-	(235)	-	-	-	-	-	235	-	-	-
Dividend paid (note 8)	-	-	-	-	-	-	-	-	(6,763)	(6,763)	-	(6,763)
At 30 June 2012 (unaudited)	7,311	232,139	11,618	8,640	504	(1,539)	38,740	2,334	177,804	477,551	21,329	498,880

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2012

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
	(unaudited)	(unaudited)
NET CASH USED IN OPERATING ACTIVITIES	<b>(58,923)</b>	(92,159)
INVESTING ACTIVITIES		
Decrease in short-term bank deposits	<b>9,000</b>	65,000
Decrease in restricted bank balances	<b>7,047</b>	6,583
Interest received	<b>158</b>	602
Proceeds on disposal of property, plant and equipment	<b>37</b>	533
Purchase of property, plant and equipment	<b>(9,311)</b>	(2,851)
Deposits paid for acquisition of plant and equipment	<b>(3,010)</b>	(985)
Purchase of prepaid lease payments	<b>–</b>	(13,316)
NET CASH FROM INVESTING ACTIVITIES	<b>3,921</b>	55,566
FINANCING ACTIVITIES		
New bank loans raised	<b>25,000</b>	16,800
Capital contribution from non-controlling interests of a subsidiary	<b>19,500</b>	–
Net cash inflow from a government grant	<b>1,220</b>	–
Dividends paid	<b>(6,763)</b>	–
Interest paid	<b>(3,781)</b>	(866)
Repayment of bank loans	<b>–</b>	(40,000)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	<b>35,176</b>	(24,066)
NET DECREASE IN CASH AND CASH EQUIVALENTS	<b>(19,826)</b>	(60,659)
CASH AND CASH EQUIVALENTS AT BEINGING OF THE PERIOD	<b>62,761</b>	151,615
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, represented by bank balances and cash	<b>42,935</b>	90,956

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

### 1. GENERAL INFORMATION

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 condensed consolidated interim financial statement 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.

### 2. BASIS OF PREPARATION

The condensed consolidated interim financial statement has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and with Hong Kong Accounting Standard ("HKAS") 34, Interim Financial Reporting, issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

### 3. SIGNIFICANT ACCOUNTING POLICIES

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant to its operations and effective for its accounting period beginning on 1 January 2012. HKFRSs comprise HKFRS and HKAS and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current period and prior years.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

#### 4. TURNOVER AND SEGMENT INFORMATION

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

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

During the six months ended 30 June 2012, the Group organises its operations into five reportable segments (six months ended 30 June 2011: six) as follows:

Direct current power system ("DC Power System")	–	Sales of DC Power System products
Plug and switch system ("PASS") products	–	Distribution of PASS products
Power Monitoring Charging Equipment	–	Sales of power monitoring and management equipment Sales of charging equipment for electric vehicles
Wind and Solar Power	–	Sales of wind and solar power generating balancing control products
High power light-emitting diode ("LED") products	–	Sales of high power LED lighting products

The operation of LED products was discontinued with effect from 1 November 2011.

#### 4. TURNOVER AND SEGMENT INFORMATION (continued)

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

##### Six months ended 30 June 2012

	Continuing operations					Discontinued operation	Total RMB'000 (unaudited)
	DC Power System RMB'000 (unaudited)	PASS products RMB'000 (unaudited)	Power Monitoring RMB'000 (unaudited)	Charging Equipment RMB'000 (unaudited)	Wind and Solar Power RMB'000 (unaudited)	LED products RMB'000 (unaudited)	
Segment revenue	44,538	683	16,871	36,581	-	-	98,673
Segment results	16,782	136	7,522	12,673	-	-	37,113
Unallocated other revenue							1,581
Share of results of associates							1,178
Unallocated head office and corporate expenses							(22,176)
Finance costs							(3,781)
Profit before taxation							13,915

##### Six months ended 30 June 2011

	Continuing operations					Discontinued operation	Total RMB'000 (unaudited)
	DC Power System RMB'000 (unaudited)	PASS products RMB'000 (unaudited)	Power Monitoring RMB'000 (unaudited)	Charging Equipment RMB'000 (unaudited)	Wind and Solar Power RMB'000 (unaudited)	LED products RMB'000 (unaudited)	
Segment revenue	46,852	1,180	15,445	37,198	-	-	100,675
Segment results	16,016	122	5,902	16,062	-	-	38,102
Unallocated other revenue							982
Share of results of associates							(2,006)
Unallocated head office and corporate expenses							(21,675)
Finance costs							(866)
Profit before taxation							14,537

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



#### 4. TURNOVER AND SEGMENT INFORMATION (continued)

Segment results represent the profit earned by each segment without allocation of certain unallocated other revenue, central administrative cost, share of results of associates and finance costs. This is the measure reported to the executive directors for the purpose of resource allocation and performance assessment.

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

	<b>30 June 2012 RMB'000 (unaudited)</b>	31 December 2011 RMB'000 (audited)
Continuing operations:		
DC Power System	<b>145,618</b>	173,929
PASS products	<b>30,602</b>	33,830
Power Monitoring	<b>82,976</b>	33,034
Charging Equipment	<b>233,816</b>	146,059
Wind and Solar Power	-	-
<b>Total segment assets</b>	<b>493,012</b>	386,852

#### 5. INCOME TAX EXPENSE

	<b>Six months ended 30 June 2012 RMB'000 (unaudited)</b>	30 June 2011 RMB'000 (unaudited)
<b>Continuing operations</b>		
Current tax:		
People's Republic of China (the "PRC")		
Enterprise Income Tax (the "EIT")	<b>3,234</b>	3,692
Withholding tax at 5% on the paid dividends from the Group's PRC subsidiary	<b>1,150</b>	2,175
	<b>4,384</b>	5,867

## 5. INCOME TAX EXPENSE (continued)

No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from, Hong Kong for the six months ended 30 June 2012 and 2011.

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

Save as mentioned at below, the relevant tax rate for the Group's subsidiaries in the PRC was 25% for the six months ended 30 June 2012 and 2011.

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 six months ended 30 June 2012 and 2011.

Starting from May 2008, Titans Automatic in the PRC is exempted from the PRC income tax for two years starting from their first profit-making year, followed by a 50% reduction for the next three years. Provision for PRC income tax has been made as Titans Automatic was 50% reduction for the six months ended 30 June 2012 and 2011.

## 6. DISCONTINUED OPERATION

Pursuant to a resolution passed on 1 November 2011, the directors decided to cease the operation of LED products with immediate effect.

During the six months ended 30 June 2012 and 2011, the discontinued operation did not contribute any effect to the Group's turnover, profit for the period and net operating cash flows.

## 7. PROFIT FOR THE PERIOD

Profit for the period from continuing operations have been arrived at after charging (crediting) the following items:

	<b>Six months ended</b>	
	<b>30 June 2012 RMB'000 (unaudited)</b>	30 June 2011 RMB'000 (unaudited)
Depreciation of property, plant and equipment	<b>2,105</b>	1,379
Amortisation of prepaid lease payments	<b>146</b>	–
Amortisation of intangible assets	<b>188</b>	188
Loss on disposal of property, plant and equipment	<b>26</b>	388
Total staff costs	<b>16,352</b>	17,960
Operating lease rentals in respect of rented premises	<b>627</b>	412
Gain on deemed disposal of interest in an associate ( <i>note 17</i> )	–	(114)
Allowance for doubtful debts (included in administrative expenses)	–	520
Interest income	<b>(158)</b>	(602)
Value added tax refunds ( <i>Note</i> )	<b>(3,711)</b>	(2,159)

*Note:*

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

## 8. DIVIDENDS

During the six months ended 30 June 2012, a final dividend of HK1 cent per share in respect of the year ended 31 December 2011 was declared and paid to the owners of the Company. The aggregate amount of the final dividend declared and paid in the current interim period amounts to approximately HK\$6,763,000.

The final dividend of HK1 cent per share was proposed in the board meeting held on 28 March 2012. The directors do not recommend the payment of any interim dividend for the six months ended 30 June 2012.

## 9. EARNINGS PER SHARE

### From continuing and discontinued operations

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

	<b>Six months ended</b>	
	<b>30 June 2012 RMB'000 (unaudited)</b>	30 June 2011 RMB'000 (unaudited)
<b>Earnings</b>		
Earnings for the purpose of basic and diluted earnings per share		
Profit for the period attributable to owners of the Company	<b>10,017</b>	9,728
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>830,000,000</b>	830,000,000
Effect of dilutive potential ordinary shares:		
Share options	–	5,910,513
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b>830,000,000</b>	835,910,513

## 9. EARNINGS PER SHARE (continued)

### From continuing operations

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

	<b>Six months ended</b>	
	<b>30 June</b>	30 June
	<b>2012</b>	2011
	<b>RMB'000</b>	RMB'000
	<b>(unaudited)</b>	(unaudited)
<b>Earnings figures are calculated as follow:</b>		
Profit for the period attributable to owners of the Company	<b>10,017</b>	9,728
Less: Profit for the period from discontinued operation	-	-
	<b>10,017</b>	9,728

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

The computation of diluted earnings per share does not assume the exercise of the Company's options because the exercise price of those options was higher than the average market price for shares for the six months ended 30 June 2012.

## 10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND PREPAID LEASE PAYMENTS

During the six months ended 30 June 2012, the Group disposed of certain furniture, fixtures and equipment, motor vehicles and machinery with an aggregate carrying amount of approximately RMB63,000 (six months ended 30 June 2011: RMB921,000), resulting in a loss on disposal of approximately RMB26,000 (six months ended 30 June 2011: loss of approximately RMB388,000).

During the six months ended 30 June 2012, the Group acquired property, plant and equipment with a cost of approximately RMB9,311,000 (six months ended 30 June 2011: RMB2,851,000) and had no acquisition of prepaid lease payments (six months ended 30 June 2011: RMB13,316,000).

## 11. INTEREST IN AN ASSOCIATE

	<b>30 June 2012 RMB'000 (unaudited)</b>	31 December 2011 RMB'000 (audited)
Cost of investments in an unlisted associate	<b>13,500</b>	13,500
Share of post acquisition results	<b>2,302</b>	1,124
	<b>15,802</b>	14,624
	<b>30 June 2012 RMB'000 (unaudited)</b>	31 December 2011 RMB'000 (audited)
Total assets	<b>167,180</b>	92,932
Total liabilities	<b>(132,064)</b>	(60,434)
Net assets	<b>35,116</b>	32,498
Group's share of net assets of an associate	<b>15,802</b>	14,624
Revenue	<b>86,518</b>	100,493
Profit for the period/year	<b>2,617</b>	3,879
Group's share of results of associates for the period/year	<b>1,178</b>	1,740

As at 30 June 2012 and 31 December 2011, the Group had interests in the following associate:

Name of entity	Form of business structure	Place of incorporation/ operation	Class of share held	Proportion of nominal value of registered capital held		Proportion of voting power held		Principal activities
				by the Group 2012	2011	2012	2011	
Beijing Hua Shang Clear New Energy Technology Co., Ltd.* (北京華商三優新能源科技有限公司) ("Beijing HuaShang")	Registered	The PRC	Capital contribution	45%	45%	45%	45%	Promotion and sale of charging equipment for electric vehicles

\* For identification purpose only

## 12. TRADE AND BILLS RECEIVABLES

The following is an aged analysis of trade receivables presented based on the invoice date net of allowance for doubtful debts at the end of the reporting period:

	<b>30 June 2012 RMB'000 (unaudited)</b>	31 December 2011 RMB'000 (audited)
0 – 90 days	<b>80,255</b>	101,099
91 – 180 days	<b>11,302</b>	20,145
181 – 365 days	<b>104,324</b>	53,787
1 – 2 years	<b>97,850</b>	76,426
2 – 3 years	<b>48,869</b>	11,732
Over 3 years	–	3,150
	<b>342,600</b>	266,339
Bills receivables	–	1,750
	<b>342,600</b>	268,089

All of the bills receivables are aged within 90 days.

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 fall due upon signing of sales contracts, the payment after installation and testing and retention money which fall due from the end of the product quality assurance period which is twelve to eighteen months after the installation and testing.

At 31 December 2011, Titans Technology pledged trade receivables of approximately RMB50,000,000 for credit facilities of RMB50,000,000 granted to Titans Technology from a bank. The pledge of trade receivables has been released during the six months ended 30 June 2012.

## 13. AMOUNT DUE FROM AN ASSOCIATE

The amount due from an associate is unsecured, interest-free and trading in nature.

The Group allows an average credit period of 90 days counted from the due date of each of its installment payments pursuant to the sales contracts to its associate for balances are trading in nature.

The Group's amount due from an associate mainly represents the sales made to Beijing HuaShang.

## 14. TRADE AND BILLS PAYABLES

The following is an aged analysis of trade and bills payables, presented based on the invoice date at the end of the reporting period:

	<b>30 June 2012 RMB'000 (unaudited)</b>	31 December 2011 RMB'000 (audited)
0 – 90 days	<b>44,335</b>	57,043
91 – 180 days	<b>7,215</b>	4,511
181 – 365 days	<b>44,998</b>	7,022
1 – 2 years	<b>1,886</b>	952
Over 2 years	<b>17</b>	698
	<b>98,451</b>	70,226
Bills payables	<b>3,439</b>	20,715
	<b>101,890</b>	90,941

The average credit period on purchases of goods is 90 days.

## 15. BANK LOANS

	<b>30 June 2012 RMB'000 (unaudited)</b>	31 December 2011 RMB'000 (audited)
Bank loans, secured	<b>45,000</b>	35,000
Bank loans, unsecured	<b>34,773</b>	19,773
	<b>79,773</b>	54,773
Carrying amounts repayable:		
Within one year, shown under current liabilities	<b>79,773</b>	54,773

During the six months ended 30 June 2012, the Group obtained a new bank loan amounting to RMB25,000,000 (for the year ended 31 December 2011: RMB71,573,000). The proceeds were used as the Group's working capital.



## 15. BANK LOANS (continued)

The effective interest rates (which also equal to contracted interest rates) on the Group's bank loans ranges from 5.06% to 6.80% per annum for the six months ended 30 June 2012 (for the year ended 31 December 2011: 4.86% to 7.87% per annum).

At 30 June 2012 and 31 December 2011, the secured bank loans are collateralised by pledging of the Group's leasehold land and buildings and trade receivables as set out in note 19.

At 30 June 2012 and 31 December 2011, the unsecured bank loans were guaranteed by the directors of the Group, detail of the guarantees is set out at note 23.

## 16. SHARE CAPITAL

	Number of shares	Share capital HKD'000
<i>Authorised:</i>		
Ordinary shares of HK\$0.01 each		
At 1 January 2011, 31 December 2011 and 30 June 2012	10,000,000,000	100,000
		RMB'000
<i>Issued and fully paid:</i>		
At 1 January 2011, 31 December 2011 and 30 June 2012	830,000,000	7,311

## 17. DEEMED DISPOSAL OF INTERESTS IN ASSOCIATES

On 4 May 2011, an independent third party had injected RMB15,000,000 into the Group's associate, Henan Longyuan New Energy Equipment Co., Ltd ("Henan Longyuan"), as equity investment. On 22 December 2011, an independent third party had injected RMB20 million into the Group's associate, Beijing New Clear Energy Equipment Co., Ltd ("Beijing New Clear"), as equity investment. As a result, the Group's equity interest in Henan Longyuan and Beijing New Clear, was diluted from 26% to 10.4% and from 20.00% to 12.00% respectively. Henan Longyuan and Beijing New Clear became available-for-sale financial assets of the Group.

Gain arising from this deemed disposal of interest in Henan Longyuan amounted to approximately RMB114,000. The loss arising from the deemed disposal of interest in Beijing New Clear amounted to approximately RMB15,000.

## 18. CONTRIBUTION OF ADDITIONAL INTEREST IN A SUBSIDIARY

During the six months ended 30 June 2011, Jiangyin Titans High Voltage Electric Co., Ltd. (“Jiangyin Titans”), a subsidiary of the Group, increased the registered share capital from the contribution of the Group by approximately RMB19,573,000. The Group’s equity interest in Jiangyin Titans increased from 51.00% to 90.03%. The difference on additional interest with a carrying amount of approximately RMB530,000 has been recognised in other reserves within equity.

## 19. PLEDGE OF ASSETS

At 30 June 2012, the Group’s leasehold land and buildings with carrying values of approximately RMB6,456,000 (31 December 2011: RMB6,863,000) were pledged to secure bank loans and other facilities.

Pursuant to an agreement, Titans Technology, a subsidiary of the Group, pledged trade receivables of approximately RMB50,000,000 (six months ended 30 June 2012: nil) for credit facilities of RMB50,000,000 (six months ended 30 June 2012: nil) granted to Titans Technology from a bank for the year ended 31 December 2011. The pledge of trade receivables has been released during the six months ended 30 June 2012.

## 20. 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 installments 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.

## 20. SHARE-BASED PAYMENTS (continued)

### Share option scheme

Pursuant to the resolution in writing of shareholders of the Company on 8 May 2010, the Company has adopted a new share option scheme (the "Share Option Scheme") for a period of 10 years commencing on 8 May 2010, the board of directors of the Company may, at its discretion, grant share options to any individual being an employee, officer, agent, consultant or representative of any member of the Group (including any executive or non-executive director of any member of the Group) for at a consideration of HK\$1 on acceptance of the option offer. The subscription of shares in the Company is subject to the terms and conditions as stipulated in the Share Option Scheme. 19,430,000 share options were granted during the six months ended 30 June 2011 since adoption. No share option were granted during the six months ended 30 June 2012.

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 granted on 8 May 2010 are as follows:

Date of grant	Vesting proportion	Vesting period	Exercisable period	Exercise price	Fair value
				HK\$	at grant date HK\$
8 May 2010	25%	28.5.2010 – 27.5.2011	28.5.2011 – 27.5.2012	0.59	0.61
	25%	28.5.2010 – 27.5.2012	28.5.2012 – 27.5.2013	0.59	0.65
	25%	28.5.2010 – 27.5.2013	28.5.2013 – 27.5.2014	0.59	0.68
	25%	28.5.2010 – 27.5.2014	28.5.2014 – 27.5.2015	0.59	0.69

Details of the new share option granted on 17 February 2011 are as follows:

Date of grant	Vesting proportion	Vesting period	Exercisable period	Exercise price	Fair value
				HK\$	at grant date HK\$
17 February 2011	33%	17.2.2011 – 16.2.2012	17.2.2012 – 16.2.2013	1.10	0.29
	33%	17.2.2011 – 16.2.2013	17.2.2013 – 16.2.2014	1.10	0.39
	33%	17.2.2011 – 16.2.2014	17.2.2014 – 16.2.2015	1.10	0.46

## 20. SHARE-BASED PAYMENTS (continued)

The Company has share option scheme for directors and eligible employees. Details of the share options outstanding during the periods are as follow:

	<b>Number of share options</b>
Outstanding at 1 January 2011	23,920,000
Granted during the period	19,430,000
Forfeited during the period	(380,000)
	<hr/>
Outstanding at 30 June 2011	42,970,000
	<hr/>
Outstanding at 1 January 2012	42,970,000
Lapsed during the period	(5,830,000)
Forfeited during the period	(1,000,000)
	<hr/>
Outstanding at 30 June 2012	36,140,000
	<hr/>

Share options were granted on 8 May 2010 and 17 February 2011. The aggregate fair values of the options determined at the dates of grant using the binomial model were approximately HKD15,741,000 and HK\$7,365,000 (equivalent to approximately RMB13,760,000 and RMB6,178,000) respectively, based on the valuation report issued by an independence valuer, Avista Valuation Advisory.

Equity-settled share-based payments of approximately RMB2,911,000 (30 June 2011: RMB4,125,000) were recognised in the condensed consolidated statement of comprehensive income for the six months ended 30 June 2012.

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

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

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

## 21. OPERATING LEASE COMMITMENTS

### The Group as a lessor

Property sub-letting income earned during six months ended 30 June 2012 and 2011 were approximately RMB26,000 and RMB24,000 respectively.

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

	<b>30 June 2012 RMB'000 (unaudited)</b>	31 December 2011 RMB'000 (audited)
Within one year	<b>4</b>	88

### 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 follow:

	<b>30 June 2012 RMB'000 (unaudited)</b>	31 December 2011 RMB'000 (audited)
Within one year	<b>689</b>	996
In the second to fifth year inclusive	<b>839</b>	1,177
	<b>1,528</b>	2,173

Operating lease payments represent rentals payable by the Group for certain of its offices and workshops. Leases are negotiated for an average of two (31 December 2011: two) years and rentals are fixed for one (31 December 2011: one) year for the six months ended 30 June 2012.

## 22. CAPITAL COMMITMENTS

	<b>30 June 2012 RMB'000 (unaudited)</b>	31 December 2011 RMB'000 (audited)
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	<b>14,369</b>	27,406

## 23. RELATED PARTY TRANSACTIONS

- (a) During the six months ended 30 June 2012 and 2011, the Group had entered into the following transaction with related parties.

	<b>Six months ended</b>	
	<b>30 June 2012 RMB'000 (unaudited)</b>	30 June 2011 RMB'000 (unaudited)
Sales to an associate	<b>1,704</b>	282
Rental income from a company in which a director of a subsidiary has beneficial interest	<b>26</b>	24

- (b) Balances with the related parties are set out on the condensed consolidated statement of financial position and the respective terms are set out in note 13.

## 23. RELATED PARTY TRANSACTIONS (continued)

### (c) Compensation to key management personnel

The remuneration of directors and key executives during the six months ended 30 June 2012 and 2011 was as follows:

	<b>Six months ended</b>	
	<b>30 June 2012 RMB'000 (unaudited)</b>	30 June 2011 RMB'000 (unaudited)
Short-term benefits	<b>1,438</b>	1,691
Post-employment benefits	<b>67</b>	67
	<b>1,505</b>	1,758

The remuneration of the directors and key executives is determined by the remuneration committee of the Company having regard to the performance of individuals and market trends.

### (d) Guarantees from directors

At 30 June 2012 and 31 December 2011, certain banking facilities of the Group were guaranteed by Mr. Li Xin Qing and Mr. An Wei:

	<b>30 June 2012 RMB'000 (unaudited)</b>	31 December 2011 RMB'000 (audited)
To the extent of	<b>30,000</b>	30,000

## CORPORATE GOVERNANCE

The Company has adopted all the code provisions in the Corporate Governance Code and Corporate Governance Report (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") as its own code on corporate governance practices. During the six months ended 30 June 2012, the Company has complied with the code provisions as set out in the Code and there have been no material deviations from the Code.

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

As at 30 June 2012, 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 for Securities Transactions by Directors of Listed Issuer (the "Model Code") as set out in Appendix 10 to the Listing Rules were as follows:–

<b>Name of Director</b>	<b>Nature of interest</b>	<b>Number of Shares or underlying Shares of the Company</b>	<b>Approximate percentage of existing issued share capital of the Company</b>
Li Xin Qing	Interest of controlled corporations	205,709,875 (L) <i>(Note 2)</i>	24.78%
	Beneficial owner	600,000 (L) <i>(Note 3)</i>	0.07%
An Wei	Interest of controlled corporations	205,869,875 (L) <i>(Note 4)</i>	24.80%
	Beneficial owner	600,000 (L) <i>(Note 5)</i>	0.07%



*Notes:*

1. The letter “L” stands for long position and the letter “S” stands for short position (both within the meaning stated in the form for notification specified pursuant to the SFO).
2. The entire issued share capital of Genius Mind Enterprises Limited (“Genius Mind”) is beneficially owned by Li Xin Qing who is deemed to be interested in 197,724,457 Shares held by Genius Mind by virtue of the SFO. In addition, Li Xin Qing is also deemed to be interested in 7,985,418 Shares held by Rich Talent Management Limited (“Rich Talent”) by virtue of the SFO, a company which shareholding is owned as to 50% by him.
3. The interest in 600,000 Shares represents the share options granted to Li Xin Qing pursuant to the Pre-IPO Share Option Scheme.
4. The entire issued share capital of Great Passion International Limited (“Great Passion”) is beneficially owned by An Wei who is deemed to be interested in 197,884,457 Shares held by Great Passion by virtue of the SFO. In addition, An Wei is also deemed to be interested in 7,985,418 Shares held by Rich Talent by virtue of the SFO, a company which shareholding is owned as to 50% by him.
5. The interest in 600,000 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 30 June 2012, none of the Directors or chief executive of the Company nor their associates had any interests 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.

## DIRECTORS’ RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than the Pre-IPO Share Option Scheme and Share Option Scheme detailed in note 20 to the unaudited interim financial statements, at no time during the six months ended 30 June 2012 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate and none of the Directors, their spouses or children under 18 years of age, had any rights to subscribe for securities of the Company, or had exercised any such rights.

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

As at 30 June 2012, 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 pursuant to 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:–

<b>Name of shareholder</b>	<b>Nature of interest</b>	<b>Number of Shares or underlying Shares of the Company</b>	<b>Approximate percentage of existing issued share capital of the Company</b>
Zeng Zhen ( <i>Note 2</i> )	Interests of spouse	206,309,875 (L)	24.86%
Genius Mind ( <i>Note 3</i> )	Beneficial owner	197,724,457 (L)	23.82%
Yan Kai ( <i>Note 4</i> )	Interests of spouse	206,469,875 (L)	24.88%
Great Passion ( <i>Note 5</i> )	Beneficial owner	197,884,457 (L)	23.84%
Honor Boom Investments Limited ( <i>Note 6</i> )	Beneficial owner	82,458,117 (L)	9.93%
Li Xiao Bin ( <i>Note 6</i> )	Interest of controlled corporations	82,458,117 (L)	9.93%
	Beneficial owner	1,200,000 (L)	0.14%
Zhang Lina ( <i>Note 7</i> )	Interests of spouse	83,658,117 (L)	10.07%
Thomas Pilscheur	Beneficial owner	66,244,818 (L)	7.98%
Feng Yanlin ( <i>Note 8</i> )	Interests of spouse	66,244,818 (L)	7.98%

*Notes:*

1. The letter "L" stands for long position and the letter "S" stands for short position (both within the meaning stated in the form for notification specified pursuant to the SFO).
2. Zeng Zhen is the spouse of Li Xin Qing. Therefore, Zeng Zhen is deemed to be interested in the Shares in which Li Xin Qing is interested for the purposes of the SFO.
3. The entire issued share capital of Genius Mind is beneficially owned by Li Xin Qing who is deemed to be interested in the Shares held by Genius Mind by virtue of the SFO. Li Xin Qing is the sole director of Genius Mind.
4. Yan Kai is the spouse of An Wei. Therefore, Yan Kai is deemed to be interested in the Shares in which An Wei is interested for the purposes of the SFO.
5. The entire issued share capital of Great Passion is beneficially owned by An Wei who is deemed to be interested in the Shares held by Great Passion by virtue of the SFO. An Wei is the sole director of Great Passion.
6. The issued share capital of Honor Boom Investments Limited ("Honor Boom") is owned as to 40% by Li Xiao Bin, 30% by Ou Yang Fen and 30% by Cui Jian respectively. Therefore, Li Xiao Bin is deemed to be interested in the 82,458,117 Shares held by Honor Boom by virtue of the SFO. The interest in 1,200,000 Shares represents the 600,000 share options and 600,000 share options granted to Li Xiao Bin under the Pre-IPO Share Option Scheme and the Share Option Scheme respectively.
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 30 June 2012, 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 pursuant to 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.

## SHARE OPTION SCHEMES

### PRE-IPO SHARE OPTION SCHEME

The Company has adopted the Pre-IPO Share Option Scheme pursuant to a written resolution of the Company's shareholders on 8 May 2010. The purpose of the Pre-IPO Share Option Scheme is to recognise the contribution of, and to provide an incentive to, the employees, officers, agents, consultants, representatives and sales partners of the Group who has contributed or will contribute to the Group. The principal terms of the Pre-IPO Share Option Scheme 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 28 May 2010 (the "Listing Date") and save for the options which have been conditionally granted, no further options will be offered or granted or accepted under the Pre-IPO Share Option Scheme after the Listing Date;
- (b) the subscription price HK\$0.59 per Share has been determined by the Board at 50% discount to the final offer price of the listing of the Shares on the Stock Exchange;
- (c) the option period of each option granted is: (a) 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; and
- (d) if any of the grantees fails to exercise all or part of the 25% of the total number of options vested to him/her in each period, such 25% or remaining part of the 25% of the total number of options vested and exercisable during that period (as the case may be) shall lapse.

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

During the six months ended 30 June 2012, share options carrying rights to subscribe for a total of 6,230,000 Shares have lapsed in accordance with the terms of the Pre-IPO Share Option Scheme. As at 30 June 2012, share options carrying rights to subscribe for 17,490,000 Shares in aggregate (representing about approximately 2.86% of the issued share capital of the Company) remained outstanding. Set out below is further information on the outstanding share options granted under the Pre-IPO Share Option Scheme as at 30 June 2012:

Name of participant	Date of share options granted	Number of share options				Outstanding as at 30 June 2012	Approximate percentage of issued share capital of the Company
		Outstanding as at 1 January 2012	Exercised during the period	Lapsed during the period	Cancelled during the period		
Li Xin Qing (Note 1)	8 May 2010	800,000	–	200,000	–	600,000	0.07%
An Wei (Note 1)	8 May 2010	800,000	–	200,000	–	600,000	0.07%
Li Xiao Bin (Note 2)	8 May 2010	800,000	–	200,000	–	600,000	0.07%
Other employees of the Group	8 May 2010	21,320,000	–	5,630,000	–	15,690,000	1.89%
Total for scheme		23,720,000	–	6,230,000	–	17,490,000	2.10%

Note: 1. Li Xin Qin and An Wei are the executive Directors of the Company.

2. Li Xiao Bin is the substantial shareholder and senior management of the Company.

As at the date of this report, share options carrying rights to subscribe for a total of 17,490,000 Shares under the Pre-IPO Share Option Scheme remained outstanding.

## Share Option Scheme

The Company has adopted the Share Option Scheme pursuant to a written resolution of the shareholders of the Company on 8 May 2010.

The purpose of the Share Option Scheme is to enable the Group to grant share options to selected participants as incentives or rewards for their contributions to the Group. All officers, employees, agents, consultants or representatives of any member of the Group, (including any executive or non-executive Director) who the Board may determine in 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 8 May 2010.

When the Share Option Scheme was approved by the shareholders of the Company on 8 May 2010, it was also approved that the total number of Shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme adopted by the Group must not in aggregate exceed 10% of the Shares of the Company in issue on the Listing Date, i.e. 80,000,000 Shares ("Scheme Mandate Limit") which represented approximately 9.64% of the Shares in issue as at the date of interim report. The Company may renew the Scheme Mandate Limit with shareholders' approval provided that each such renewal may not exceed 10% of the Shares in the Company in issue as at the date of the shareholders' approval.

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

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

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

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

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

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

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.

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

<b>Portions of the share options exercisable</b>	<b>Period for exercise of the relevant portions of the share options</b>
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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 and exercisable during that period (as the case may be) shall lapse.

The closing price of the Shares immediately before 17 February 2011, the date of grant, was HK\$1.07. Among all the share options granted, share options were granted to Mr. Li Xiao Bin who is a substantial shareholder and senior management of the Company to subscribe for 600,000 Shares under the Share Option Scheme. Pursuant to Rule 17.04(1) of the Listing Rules and the terms of the Share Option Scheme, the grant of share options to Mr. Li Xiao Bin has been approved by the independent non-executive Directors of the Company.

During the six months ended 30 June 2012, share options carrying rights to subscribe for a total of 600,000 Shares have lapsed in accordance with the terms of the Share Option Scheme. As at 30 June 2012, share options carrying rights to subscribe for 18,650,000 Shares in aggregate (representing about approximately 2.24% of the issued share capital of the Company) remained outstanding. Set out below is further information on the outstanding share options granted under the Share Option Scheme as at 30 June 2012:

Name of participant	Date of share options granted	Number of share options					Outstanding as at 30 June 2012	Approximate percentage of issued share capital of the Company
		Outstanding as at 1 January 2012	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period		
Li Xiao Bin ( <i>Note</i> )	17 February 2011	600,000	-	-	-	-	600,000	0.07%
Other employees of the Group	17 February 2011	18,650,000	-	-	600,000	-	18,050,000	2.17%
Total for scheme		19,250,000	-	-	600,000	-	18,650,000	2.24%

*Note:* Li Xiao Bin is a substantial shareholder and senior management of the Company.

As at the date of this report, share options carrying rights to subscribe for a total of 18,650,000 Shares under the Share Option Scheme remained outstanding.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its code of conduct regarding director's securities transactions. Having made specific enquiry of all Directors, all Directors confirmed that they had complied with the required standards as set out in the Model Code during the six months ended 30 June 2012.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2012.



## MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

On 16 April 2012, the Group with three independent third parties registered a subsidiary company, Henan Hong Zheng, in Zhengzhou, Henan Province. The Group contributed RMB10,500,000 for 35% of the equity interests of Henan Hong Zheng. The Group also controls the board of directors and operation decisions of Henan Hong Zheng. Henan Hong Zheng is a subsidiary and under the control of the Group.

Save as disclosed above, the Group had no material acquisition or disposal of its subsidiaries and associated companies during the six months ended 30 June 2012.

## SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within knowledge of the Directors, as at the date of this interim report, the Company has maintained the prescribed public float under the Listing Rules.

## MAJOR LITIGATION AND ARBITRATION PROCEEDINGS

The Group had no major litigation or arbitration during the six months ended 30 June 2012.

## REVIEW BY AUDIT COMMITTEE

The audit committee of the Company has reviewed and discussed with the management regarding the Company's interim financial information and interim results for the six months ended 30 June 2012.

By Order of the Board

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

**Li Xin Qing**

*Chairman*

Hong Kong, 28 August 2012