TITANS

ANNUAL REPORT 2013

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

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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 Zhang Bo#
Audit Committee	Li Wan Jun *(Chairman)* Li Xiao Hui^ Yu Zhuo Ping Zhang Bo#
Remuneration Committee	Li Xiao Hui *(Chairman)*^ Zhang Bo *(Chairman)*## Yu Zhuo Ping Li Wan Jun
Nomination Committee	Li Xin Qing *(Chairman)* Yu Zhuo Ping Li Xiao Hui^ Zhang Bo#
Authorised Representatives (for the purpose of the rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited)	Li Xin Qing Room 201, No. 9 Xiang Zhou Hai Cheng Road Xiang Zhou District Zhuhai Guangdong Province the PRC Wong Yiu Hung Flat A, 15/F, Block 2 29 Lyttelton Road Mid-level, 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*

^ Ms. Li Xiao Hui had retired from the office on 22 May 2013

Mr. Zhang Bo was appointed for the office on 15 April 2013

Mr. Zhang Bo was appointed as a member of the remuneration committee on 15 April 2013 and as the chairman of that committee on 22 May 2013

CORPORATE INFORMATION

Auditor	SHINEWING (HK) CPA Limited 43/F., The Lee Gardens 33 Hysan Avenue Causeway Bay, Hong Kong
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	Royal Bank of Canada Trust Company (Cayman) Limited 4th Floor, Royal Bank House 24 Shedden Road, George Town Grand Cayman KY1-1110 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
Stock Code	2188
Website	www.titans.com.cn
Principal Banker	Bank of Communications Zhuhai Jida sub-branch 1/F, Zhong Dian Tech Building Jida Jiuzhou Road the PRC

FINANCIAL HIGHLIGHTS

OPERATING FIGURES FOR THE PAST FIVE YEARS

For the year ended 31 December	**2013 RMB'000**	2012 RMB'000	2011 RMB'000	2010 RMB'000	2009 RMB'000
Turnover	**175,933**	238,670	268,660	287,403*	216,452
Gross profit	**48,036**	98,862	121,953	155,243*	101,627
(Loss) Profit for the year attributable to owners of the Company	**(33,811)**	11,795	33,872	60,253	54,106
Total comprehensive (expense) income for the year attributable to owners of the Company	**(33,136)**	10,054	33,872	60,253	54,106
(Loss) Earnings per share					
Basic	**RMB(0.041)**	RMB0.014	RMB0.041	RMB0.083	RMB0.093
Diluted	**RMB(0.041)**	RMB0.014	RMB0.041	RMB0.082	RMB0.090

* From continuing operations

CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR THE PAST FIVE YEARS

As at 31 December	**2013 RMB'000**	2012 RMB'000	2011 RMB'000	2010 RMB'000	2009 RMB'000
Total assets	**666,922**	802,769	714,862	633,280	306,690
Non-current assets	**103,311**	93,822	81,860	44,788	15,437
Current assets	**563,611**	708,947	633,002	588,492	291,253
Total liabilities	**218,537**	301,320	241,161	179,260	160,301
Current liabilities	**209,155**	290,308	229,657	179,260	160,301
Net current assets	**354,456**	418,639	403,343	409,232	130,952
Net assets	**448,385**	501,449	473,701	454,020	146,389

FINANCIAL HIGHLIGHTS

FINANCIAL INDICATORS FOR THE PAST FIVE YEARS

For the year ended 31 December	**2013**	2012	2011	2010	2009
Inventory turnover (1) (days)	**164**	144	120	65	50
Trade and bills receivables turnover (2) (days)	**503**	367	304	258	259
Trade and bills payables turnover (3) (days)	**208**	207	164	143	132
Current ratio (4) (times)	**2.69**	2.44	2.76	3.28	1.82
Gearing ratio (5) (%)	**14.92**	11.21	7.66	6.32	13.55
Return on equity (6) (%)	**(7.54)**	2.45	7.19	13.45	37.56

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

CHAIRMAN'S STATEMENT

Dear Shareholders,

In 2013, 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 a total operating revenue of approximately RMB175,933,000, representing a decrease of 26.29% over that of 2012. Loss attributable to the owners of the Company for the year was approximately RMB33,811,000.

In 2013, the decrease in revenue of the principal business of the Group was mainly due to the significant decrease in sales of charging equipment for electric vehicles, being the new source of profit growth of the Group, as a result of a drop in new construction projects in the PRC. Looking back into 2013, although there was no change in the government's macro supporting policies for promotion of new energy vehicles, the specific subsidy policies for vehicle and promotion plan for new energy vehicles in major cities were not launched in time. This caused the market demand for charging equipment for electric vehicle to be far lower than the volume as expected by the management of the Group.

Despite the sales of the Group's charging equipment for electric vehicle being far lower than expected, the Group did not slowdown its continuous research and development and marketing investment for such product. The market competitiveness of the Group for such product, including market reputation, the completeness of product series, advanced and stable product technology and capability in designing for charging facility construction proposals, is still in a relatively strong position among the industry in the PRC. At the same time, we realized that the facilitation progress for new energy vehicles in the PRC had accelerated since the fourth quarter of 2013, which is mainly reflected as follows: 1) the promotion for new energy vehicles has been upgraded by the Chinese government to become a key segment in China's energy policy and environmental protection policy, hence the acceleration of promoting the new energy vehicles is imperative; 2) the Chinese government has launched a new subsidy policy for new energy vehicles; 3) unlike those policies before 2013, it is very clear that various local governments are very positive in participating in and dominating the facilitation of new energy vehicles, and the implementation of specific promotion plans in some major cities is certain; 4) relevant core technologies relating to the new energy vehicles industry chain are becoming more matured.

Based on the aforementioned policies and changes in market environment, the board of directors of the Group believes that the door for the rapid promotion of new energy vehicle is already opened in the PRC. This is a valuable development opportunity for the Group. Through years of dedication, the Group is well equipped with technology reserve, product reserve and market reserve for respective products. The board of directors believes that through our continuous efforts, the Group will no doubt seize the historical opportunity to achieve a rapid results growth in 2014, thus making our contributions in promotion new energy vehicles in the PRC.

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.

Li Xin Qing
Chairman

21 March 2014

* *For identification purpose only*

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the year ended 31 December 2013, the Group recorded a turnover of RMB175,933,000, representing a decrease of 26.29% when compared to the same period last year. Turnover was mainly derived from the Group's principal businesses, including electrical direct current products, charging equipment for electric vehicles and power grid monitoring and management products business. The table below shows the turnover of different series of products of the Group for the years ended 31 December 2012 and 2013.

	For the year ended 31 December			
	2013		2012	
	RMB'000	**%**	RMB'000	%
Electrical direct current products	**148,525**	**84.42**	109,629	45.94
Charging equipment for electric vehicles	**11,429**	**6.50**	109,759	45.99
Power grid monitoring and management products	**12,603**	**7.16**	14,890	6.23
Wind and solar power generation balancing control systems	**–**	**–**	–	–
Plug and switch system products	**3,376**	**1.92**	4,392	1.84
Total	**175,933**	**100.00**	238,670	100.00

The Group recorded the aggregate loss attributable to owners of the Company and total comprehensive expense of RMB33,811,000 and RMB33,621,000 respectively in 2013, representing a decrease of RMB45,606,000 and RMB43,632,000 respectively as compared with the profit and total comprehensive income for the year of RMB11,795,000 and RMB10,011,000 for the corresponding period of last year.

The Group recorded a significant decrease in profit and total comprehensive income when compared with its performance from 2012. This was mainly due to the significant decrease in revenue from sales of charging equipment for electric vehicles, being the new source of profit growth of the Group as a result of a drop in new construction projects in the PRC. Looking back into 2013, although there was no change in the government's macro support policies for new energy vehicles facilitation, the specific subsidy policies for vehicle and promotion plan for new energy vehicles in key cities were not launched in time. This caused the market demand for charging equipment for electric vehicle to drop far lower than the volume as expected by the management of the Group. Furthermore, despite the sales of certain products being lower than expected, the Group did not reduce its investment in research and development and marketing in order to maintain and continuously increase the market competitiveness of related products. This was also one of reasons that the Group had recorded a substantial loss in 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

ELECTRICAL DIRECT CURRENT ("DC") PRODUCTS

During this reporting period, turnover of the Group's electrical DC products was RMB148,525,000, representing an increase of 35.48% as compared with that of 2012. The Directors consider that such products maintain a relatively strong competitiveness. As the market for such products becomes relatively matured, the Directors believe that the market trend for such products will remain stable.

CHARGING EQUIPMENT FOR ELECTRIC VEHICLE

During this reporting period, turnover of the Group's charging equipment for electric vehicle was RMB11,429,000, representing a decrease of 89.59% as compared with that of 2012. In 2013, although there was no change in the government's macro support policies for promotion of new energy vehicles, the specific subsidy policies for vehicle and promotion plan for new energy vehicles in major cities were not launched in time. This caused the market demand for charging equipment for electric vehicle to drop far lower than the volume as expected by the board of directors of the Group.

Despite the sales of the Group's charging equipment for electric vehicle being far lower than expected, the Group did not slowdown its continuous research and development and marketing investment for such product. After years of development, the Group has a relatively strong core competitiveness in such product, which is mainly reflected as follows:

1) The Group participated in the construction of various key or major charging stations for electric vehicle in the PRC – including Beijing Olympic Games, Shanghai World Expo, Guangzhou Asian Games, and many projects in Jiaozhuang in Linyi of Shandong, Xuejiadao in Qingdao of Shandong and Gaoantun in Beijing, covering most regions in North-western, South-western, Central, Eastern, Southern China and Hong Kong. The brand "Titans" has established a better industry awareness.

2) Meanwhile, by participation in the building-up of various projects, the Group has a relatively strong capability in the design and creation of charging facility for electric vehicle, for which it is able to provide the most suitable proposal according to the needs of different customers. Meanwhile the Group had also accumulated extensive experiences in the operation of service system for electric vehicle.

3) As a result of the continuous investment in research and development over the years, the Group has a complete product series in charging and discharging equipment for electric vehicle, consisting of alternating current charging pile, DC charging pile, split charging system, vehicle charging system, high power quick-charging system, bidirectional converter, energy storage system, micro-grid system, and operation and service system for new energy vehicle. Meanwhile, with its advanced technology standard and stability of the Group's products, the Group undertook or participated in three research and development projects of electric vehicle charging related technology of National "863 Program".

Based on analysis from the board of directors of the Company, the electric vehicle market will set off a new round of upsurge in 2014. Up until now, the Group won the bids for the State Grid's Mashan Charging Station in Yantai, Shandong, Southern Power Grid's Integrated DC charging device and integrated charging and discharging device projects. As such, it is expected that the Group's business in charging and discharging equipments for electric vehicle will achieve a rapid development in 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

POWER GRID MONITORING AND MANAGEMENT PRODUCTS

During this reporting period, sales of power grid monitoring and management products of the Group was RMB12,603,000, representing a decrease of approximately 15.36% as compared with that of 2012. The Directors consider that the sales of such products accounted for a relatively small proportion of the total sales of the Group and the slight decrease of sales was due to the fluctuation of market demand.

WIND AND SOLAR POWER GENERATION BALANCING CONTROL SYSTEMS

During this reporting period, the wind and solar power generation balancing control products of the Group did not achieve any sales. During the reporting period, the Group mainly emphasized on the further research and development of such product and deployed fewer resources in its marketing. The Directors consider that in 2013, under the weak sentiment of the overall domestic investment, investing more resources and manpower into other major products of the Group with competitive advantages and development potential was of better interest to the Group as a whole.

PLUG AND SWITCH SYSTEM ("PASS") PRODUCTS

During this reporting period, sales of the Group's PASS products was RMB3,376,000, representing a decrease of approximately 23.13% as compared with that of 2012. The Directors consider that, although it is not the principal business of the Group, the Group will still adjust appropriately the corresponding market strategies according to market demand and the conditions of its own resources.

MAJOR OPERATING ACTIVITIES OF THE GROUP IN 2013

The disposal of the Company's entire 93.55% equity interest in Jiangyin Titans High Voltage Electric Co., Ltd.*（江陰泰坦高壓電氣有限公司）("Jiangyin Titans") pursuant to the shares transfer agreements entered into between the Company and two independent third parties on 7 December 2012 was completed in January 2013, upon which Jiangyin Titans ceased to be a subsidiary of the Group. Details of the disposal were set out in the announcement of the Company dated 7 December 2012.

In September 2013, the Group acquired the 65% equity interest in Henan Hongzheng Electric Technology Co. Ltd.*（河南弘正電力科技有限公司）("Henan Hongzheng"), a subsidiary of the Group, from other three non-controlling shareholders of the company at a consideration of RMB19,500,000. Upon the completion of the acquisition, the Group owns the entire equity interest in Henan Hongzheng. Details of the acquisition were set out in the announcement of the Group dated 19 August 2013. The aforesaid acquisition was completed during this reporting period.

On 25 December 2013, the Group entered into a shares transfer agreement with an independent third party to sell the Group's 6% shares interest in New Clear New Energy Technology Co., Ltd.*（優科新能源科技有限公司）("New Clear New Energy", formerly known as Beijing New Clear Energy Equipment Co., Ltd.*（北京優科利爾能源設備有限公司）), which is classified as available-for-sale financial assets. The consideration for the shares transfer was RMB7,500,000. The aforesaid disposal was completed during this reporting period. As at the date of this report, the Group still holds the 6% equity interest in New Clear New Energy.

MANAGEMENT DISCUSSION AND ANALYSIS

2013 was the second year in which the Group has implemented its management approach in its business division. The Directors consider that management of business division in accordance with the respective product lines can expand the sales of its products and enable the Company to have a better control in its costs and expenses, while providing advantages to the Group's control in its business, optimization of procedures and development in human resources, which can eventually enhance the profitability of the Group. As at the end of 2013, the Group was consisted of the Power Business Division (which is mainly engaged in DC power business), New Energy Business Division (which is mainly engaged in charging and discharging equipment for electric vehicle related business), Formation Business Division (which is mainly engaged in battery formation, capacity grading business). At the same time, the power energy quality monitoring equipment business of the Group is mainly managed by Henan Hongzheng, a wholly-owned subsidiary of the Group.

In 2013, one of the key focuses of the Group's internal management was "enhancing efficiency through downsizing". The Group optimized its human resources through departmental adjustment, functional consolidation and staff multi-tasking. The Directors believe that the above measures can effectively control the Group's management cost and improve management efficiency.

BUSINESS PROSPECT AND PLANNING

In 2014, the focus operation and related plans of the Group are as follows:

In 2014, the door for the rapid promotion of new energy vehicle is already opened in the PRC. This is a valuable development opportunity for the Group. To grasp such opportunity, the board of directors of the Group has decided that in 2014, the main work focus of the Group will be to construct the charging and discharging station and supply of equipment for electric vehicle:

First of all, we shall integrate the internal resources of the Group and deploy more advantageous resources into the development of charging equipment for electric vehicle. (1) As the target market for power energy quality monitoring products basically coincides with the target market for electric DC power, and at the same time, the development of power energy quality monitoring products is generally stable with less follow-up research and development works, hence the merging of power energy quality monitoring products into the power business division will achieve the sharing of same personnel in marketing, engineering and design for developing both products. After the incorporation, the Group will deploy the core personnel in marketing and engineering to focus on developing the charging equipment for electric vehicle. (2) The Group will gradually reduce the investment in battery formation products. In 2014, the main work in relation to such product line is to ensure the continuous performance of its existing projects and speed up the recovery of accounts receivable for such product line. (3) The main work of the core personnel of the research and development centre and the corporate development centre of the Group will be on the development of charging equipment for electric vehicle, so as to ensure the satisfaction of management needs for such product in respect of research and development, operation, project management and supply chain in 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

Secondly, as mentioned previously, although the Group enjoys relatively strong competitiveness in the electric vehicle charging business, in order to accommodate the market in a timely manner and also maintain and enhance its competitiveness, the Group will seek external advanced technology and products through merger and acquisition so that the Group can enjoy a first-mover advantage in such business sector.

Furthermore, for charging equipment for electric vehicle, the principal business objective of the Group is to maintain its market presence as one of the major domestic equipment suppliers, and gradually expand its market share. On this basis, the Group will explore the businesses in the construction and operation service for charging and discharging facilities for electric vehicle as and when appropriate to establish the core position of the Group in the new energy vehicle industry and enrich the profit model of the Group to enhance the overall profitability level of the Group.

Finally, for traditional DC power business, the main work focus of the Group in 2014 is to ensure that on the basis of having stable sales for its products in the traditional power system market, it will develop the market in railway and nuclear power industries to ensure a steady improvement in both sales and market share of its products.

The Directors of the Group believe that under the abovementioned measures, with the joint efforts of all staff of the Group, the Group will achieve good operating results in 2014, and lay a solid foundation for the development of the Group in the coming years.

FINANCIAL REVIEW

Turnover

Our turnover decreased from RMB238,670,000 for the year ended 31 December 2012 to RMB175,933,000 for the year ended 31 December 2013, representing a decrease of 26.29%. The decrease in turnover of the Group was mainly due to the descending tendency and slow down in the scale of investments in relevant industries and change in sales amount of products in the PRC as compared with the year 2012. As affected by this, the Company's overall operating results were below the expected target.

Cost of sales

Our cost of sales, which mainly included raw material costs, direct labour costs and manufacturing expenses, decreased by 8.52% from RMB139,808,000 for the year ended 31 December 2012 to RMB127,897,000 for the year ended 31 December 2013. This was primarily attributable to the impact of many factors such as increase in materials and labour costs. Raw material costs were the principal component of our cost of sales.

MANAGEMENT DISCUSSION AND ANALYSIS

Gross Profit

The table below sets out our gross profit and gross profit margin for the years ended 31 December 2012 and 2013:

	For the year ended 31 December 2013			For the year ended 31 December 2012		
	Gross profit RMB'000	Percentage of total gross profit %	Gross profit margin %	Gross profit RMB'000	Percentage of total gross profit %	Gross profit margin %
Electrical DC products	**35,995**	**74.93**	**24.23**	40,238	40.70	36.70
Charging equipment for electric vehicles	**5,138**	**10.70**	**44.96**	49,587	50.16	45.18
Power grid monitoring and management products	**6,029**	**12.55**	**47.84**	7,933	8.02	53.28
Wind and solar power generation balancing control systems	**–**	**–**	**–**	–	–	–
PASS products	**874**	**1.82**	**25.89**	1,104	1.12	25.14
Total/Average	**48,036**	**100.00**	**27.30**	98,862	100.00	41.42

Our gross profit decreased by 51.41% from RMB98,862,000 for the year ended 31 December 2012 to RMB48,036,000 for the year ended 31 December 2013. Our gross profit margin decreased from 41.42% for the year ended 31 December 2012 to 27.30% for the year ended 31 December 2013. The decrease in gross profit margin was mainly due to the combination of the significant decrease in sales volume of products with higher gross profit margin during the period and the decrease in selling price to accommodate market competition and the increase in labour costs in the reporting period.

Other revenue

Our other revenue, which mainly included VAT refund, government subsidies and interest income, increased by 114.32% from RMB13,750,000 for the year ended 31 December 2012 to RMB29,469,000 for the year ended 31 December 2013.

The increase in other revenue of the Group during the reporting period was mainly attributable to the government subsidies that were received from The Ministry of Science and Technology of the People's Republic of China（中華人民共和國科學技術部）, Department of Finance of Guangdong Province（廣東省財政廳）and Zhuhai Finance Bureau（珠海市財政局）respectively. During the reporting period, the subsidy income that can be recognised by the nature of government subsidies RMB3,371,000 increased by RMB814,000 when compared to RMB2,557,000 in 2012, an increase in refund of value added tax RMB2,029,000, an increase in gain on disposal of a subsidiary of RMB4,446,000 and an increase in gains on sales of available-for-sale financial assets RMB4,490,000.

MANAGEMENT DISCUSSION AND ANALYSIS

Selling and distribution expenses

Our selling and distribution expenses, which mainly comprised the relevant expenses in sales and after-sales services, salaries of sales personnel, benefits and travelling expenses, and office expenses, entertainment expenses and other expenses, increased by 4.99% from RMB32,318,000 for the year ended 31 December 2012 to RMB33,932,000 for the year ended 31 December 2013. Our selling and distribution expenses as a percentage of turnover increased from 13.54% for the year ended 31 December 2012 to 19.29% for the year ended 31 December 2013. The increase in selling and distribution expenses was mainly due to: (1) an increase in transportation and traveling expenses relating to sales and after-sales services of RMB1,483,000; (2) an increase in installation testing and tender service expenses relating to sales of RMB1,601,000; (3) a decrease in the sales-related expenses such as salaries and wages, benefits, social security expenditure of RMB1,009,000; (4) a decrease in office and entertainment expenses relating to sales of RMB493,000; and (5) a decrease in insurance, advertisement, low value consumables, repairs and miscellaneous expenses relating to sales of RMB345,000.

Administrative and other expenses

Our administrative and other expenses, which mainly comprised, inter alia, management and back office staff costs, research and development expenses, travelling expenses and entertainment expenses, and foreign exchange gain and loss etc., decreased by 0.83% from RMB57,392,000 for the year ended 31 December 2012 to RMB56,916,000 for the year ended 31 December 2013. Our administrative and other expenses as a percentage of turnover increased from 24.05% for the year ended 31 December 2012 to 32.35% for the year ended 31 December 2013. The decrease in our administrative and other expenses during the reporting period was mainly due to: (1) a decrease in wages and benefits, traveling, entertainment and office expenses relating to management of RMB2,564,000; (2) a decrease in equity settled share-based payments of RMB2,888,000 in respect of the share options granted pursuant to the share option scheme of the Company adopted on 8 May 2010 (the "Share Option Scheme") and the new share options granted on 17 February 2011; (3) a decrease in professional fees for lawyers, exchange loss and banking expenses of RMB955,000; (4) a decrease in repairing expenses and rental of RMB2,341,000; (5) no corresponding losses on disposal of assets and equity interests in associates of RMB1,057,000 recorded in last year; (6) a decrease in miscellaneous expenses of RMB3,721,000; while (7) an increase in research and development expenses of RMB8,149,000 during the reporting period; (8) an increase in depreciation and transportation expenses of RMB2,255,000; (9) an increase in material consumables of RMB2,646,000.

Impairment loss recognised in respect of trade receivables

For the year ended 31 December 2013, individually impaired trade receivables of RMB21,724,000 (2012: RMB3,347,000) was included in provision for trade receivables, the increase in provision for trade receivables of RMB18,377,000 was mainly due to an increase in trade receivables with collection period longer than normal, for which provision should be made due to impairment risk according to prudence accounting principles.

MANAGEMENT DISCUSSION AND ANALYSIS

Gain on disposal of interest in a subsidiary

On 5 January 2013, the Group transferred its entire 93.55% equity interest held by it in Jiangyin Titans, a subsidiary of the Group, to two independent third parties, and recorded a gain of RMB4,446,000. Details of the disposal were set out in the Company's announcement dated 7 December 2012. As described in the announcement, the reasons for the disposal of the subsidiary were to further optimise and rationalise the operation management of the Group, and at the same time, to enable the Group to focus its resources on its main operating business.

Share of results of an associate

As at 31 December 2013, the Group owned 35% equity 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）. This company was accounted for as the Group's associate company, and the Group's attributable profit from this company for the year ended 31 December 2013 was RMB7,469,000, representing an increase of RMB1,101,000 over the profit of approximately RMB6,368,000 of the same period last year.

Finance costs

Our finance costs increased by 12.25% from RMB9,411,000 for the year ended 31 December 2012 to RMB10,564,000 for the year ended 31 December 2013. Our finance costs as a percentage of turnover increased from 3.94% for the year ended 31 December 2012 to 6.00% for the year ended 31 December 2013. The increase in our finance costs was mainly due to increase in the average amount of bank borrowings and increase in the borrowing interest rates during the reporting period.

Income tax credit (expense)

Our income tax credit was RMB3,866,000 for the year ended 31 December 2013 whereas income tax expense was RMB4,760,000 for the year ended 31 December 2012. The effective tax rate (being the ratio of our tax expenses to our profit before tax) for the year ended 31 December 2012 was 28.83% (2013: N/A).

Loss attributable to non-controlling interests

For the year ended 31 December 2013, loss attributable to non-controlling interests of our non-wholly owned subsidiaries was RMB485,000, as compared with a loss of RMB43,000 for the year ended 31 December 2012. This amount represents the attributable loss in our non-wholly owned subsidiaries.

MANAGEMENT DISCUSSION AND ANALYSIS

(Loss) Profit and total comprehensive (expense) income attributable to owners of the Company

Loss for the year attributable to owners of the Company for the year ended 31 December 2013 was RMB33,811,000 whilst profit for the year ended 31 December 2012 was RMB11,795,000. Net profit margin with respect to profit for the year 2012 was 4.94% (2013: N/A).

For the year ended 31 December 2013, the Group recorded a loss attributable to the owners of the Company as compared with a profit for the corresponding period of 2012, which was due to the fact that certain products of the Group was unable to achieve the sales performance as expected, as a result of the decrease and slowdown in industry investment scale during the reporting period, while at the same time being affected by factors like increasing labour costs, increase in sales and distribution expenses and provision for trade receivables.

Total comprehensive expense for the year attributable to owners of the Company for the year ended 31 December 2013 was RMB33,136,000 whilst total comprehensive income for the year ended 31 December 2012 was RMB10,054,000. Net profit margin with respect to total comprehensive income for the year 2012 was 4.21% (2013: N/A).

INVENTORY ANALYSIS

The table below sets out the information on our inventory for the years ended 31 December 2012 and 2013:

	Year ended 31 December			
	2013		2012	
	RMB'000	**%**	RMB'000	%
Materials	**24,518**	**36.83**	24,072	49.51
Work-in-progress	**12,108**	**18.19**	4,222	8.69
Finished goods	**29,943**	**44.98**	20,323	41.80
	66,569	**100.00**	48,617	100.00

Our Group's inventory balances increased from RMB48,617,000 as at 31 December 2012 to RMB66,569,000 as at 31 December 2013.

Our average inventory turnover days increased from approximately 144 days for the year ended 31 December 2012 to approximately 164 days for the year ended 31 December 2013, which was due to requirements to increase raw materials reserve associated with expectation of the Company on improvement on market environment in 2014.

The Group has not made any general or special provision for the inventory as at 31 December 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

ANALYSIS ON TRADE AND BILLS RECEIVABLES

As at 31 December 2012 and 2013, our trade and bills receivables (net of allowance) amounted to RMB292,980,000 (comprising trade receivables of RMB288,672,000 and bills receivables of RMB4,308,000) and RMB270,961,000 (comprising trade receivables of RMB266,036,000 and bills receivables of RMB4,925,000) respectively. The decrease in trade and bills receivables was mainly due to decrease in sales amount in the period.

The table below sets forth the ageing analysis of our trade receivables as of 31 December 2012 and 2013:

	Year ended 31 December 2013				Year ended 31 December 2012			
	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	**81,811**	**–**	**81,811**	**30.75**	103,671	–	103,671	35.91
91 days to 180 days	**26,387**	**–**	**26,387**	**9.92**	6,578	–	6,578	2.28
181 days to 365 days	**46,067**	**–**	**46,067**	**17.31**	48,443	–	48,443	16.78
Over 1 year to 2 years	**83,940**	**6,000**	**77,940**	**29.30**	114,071	9,740	104,331	36.14
Over 2 years to 3 years	**48,105**	**15,419**	**32,686**	**12.29**	24,604	5,020	19,584	6.78
Over 3 years	**18,228**	**17,083**	**1,145**	**0.43**	8,083	2,018	6,065	2.10
Total	**304,538**	**38,502**	**266,036**	**100.00**	305,450	16,778	288,672	100.00

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

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 timing difference between the payment terms under our sales contracts and our accounting revenue recognition policy is the major reason for our relatively longer trade and bills receivables turnover days.

MANAGEMENT DISCUSSION AND ANALYSIS

We consider that the longer turnover days for trade receivables and bills receivables and the higher proportion of overdue trade and bills receivables were mainly due to (1) the timing difference between our accounting policy to recognise the full sales amount and trade receivables amount upon delivery of product until the due dates of trade receivables; (2) the fact that some of our customers in the power generation or transmission sectors settle the amounts payable to their suppliers, including us, after the completion of the construction of their whole power generation units or transforming stations; and (3) the delay in the schedule of some of the customers' projects.

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

For the year end 31 December 2013, we made a specific provision for trade receivables as allowance for doubtful trade receivables of RMB21,724,000 (2012: RMB3,347,000). Up to 20 March 2014, about 19.08% of the trade and bill receivables that were outstanding as at 31 December 2013 have been settled.

ANALYSIS ON TRADE AND BILLS PAYABLES

As at 31 December 2012 and 2013, our trade and bills payables amounted to RMB94,646,000 (comprising trade payables of RMB88,795,000 and bills payables of RMB5,851,000) and RMB75,672,000 (comprising trade payables of RMB61,951,000 and bills payables of RMB13,721,000) respectively. The decrease in trade and bills payables was mainly due to decrease in sales amount during the reporting period. For the two years ended 31 December 2012 and 2013, our trade and bills payable turnover days were approximately 207 days and approximately 208 days respectively.

The table below sets out the ageing analysis of our trade payables as of 31 December 2012 and 2013:

	Year ended 31 December	
	2013	2013
	RMB'000	RMB'000
Within 90 days	**49,227**	50,529
91 days to 180 days	**7,077**	6,807
181 days to 365 days	**1,163**	27,961
Over 1 year to 2 years	**3,075**	2,267
Over 2 years to 3 years	**1,409**	1,231
	61,951	88,795

MANAGEMENT DISCUSSION AND ANALYSIS

DEBTS

All our debts are classified as short-term liabilities which are payable within 12 months from the respective balance sheet dates. The following table sets out our indebtedness as at 31 December 2012 and 2013. All our indebtedness were denominated in Renminbi.

	For the year ended 31 December 2013		For the year ended 31 December 2012	
	RMB'000	**Applicable/ effective interest rates**	RMB'000	Applicable/ effective interest rates
Bank borrowings	**99,500**	**5.88% to 7.80%**	90,001	5.60% to 7.87%
	99,500		90,001	

As at 31 December 2013, total bank borrowings amounted to RMB99,500,000 (as at 31 December 2012: RMB90,001,000), of which secured loans amounted to RMB15,600,000 (as at 31 December 2012: RMB13,000,000), and unsecured borrowings amounted to RMB83,900,000 (as at 31 December 2012: RMB77,001,000). Bank loans as at 31 December 2013 were subject to variable interest rates ranging from 5.88% to 7.80% per annum (as at 31 December 2012: ranging from 5.60% to 7.87% per annum).

As at 31 December 2013, the Group's gearing ratio (total indebtedness divided by total assets) was 14.92% (as at 31 December 2012: 11.21%).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2013, the total equity of the Group amounted to RMB450,935,000 (as at 31 December 2012: RMB501,449,000), the Group's current assets were RMB566,611,000 (as at 31 December 2012: RMB708,947,000) and current liabilities were RMB209,155,000 (as at 31 December 2012: RMB290,308,000). As at 31 December 2013, the Group had short-term bank deposits, bank balances and cash of RMB114,338,000 (as at 31 December 2012: RMB184,331,000), excluding restricted bank balances of RMB4,381,000 (as at 31 December 2012: RMB4,263,000). Our total assets less our total liabilities equals to our net assets, which was RMB450,935,000 as at 31 December 2013 (as at 31 December 2012: RMB501,449,000).

The Group finances its operations with internally generated cash flow and bank borrowings. As at 31 December 2013, the Group had outstanding bank borrowings of RMB99,500,000 (as at 31 December 2012: RMB90,001,000).

MANAGEMENT DISCUSSION AND ANALYSIS

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATES

Disposal of subsidiary

On 7 December 2012, the Group entered into share transfer agreements with two independent third parties to dispose of its entire 93.55% equity interests in Jiangyin Titans. The completion of the disposal took place on 5 January 2013. Details of the disposal were set out in the announcement of the Company dated 7 December 2012. The reasons for the disposal of the subsidiary were to further optimise and rationalise the operation management of the Group, and at the same time, to enable the Group to focus its resources on its main operating business.

Acquisition of subsidiary

On 16 April 2012, the Group established Henan Hongzheng in Zhengzhou, Henan Province jointly with three independent third parties. The Group contributed RMB10,500,000 for the 35% equity interests in Henan Hongzheng. The Group is the largest shareholder of Henan Hongzheng and controls the board of directors and operation decisions of Henan Hongzheng. Henan Hongzheng is a subsidiary under the effective control of the Group.

On 16 August 2013, the Group entered into share transfer agreements with each of the three independent third parties to acquire the remaining 65% of equity interest in Henan Hongzheng at a total consideration of RMB19,500,000. Details of the acquisition were set out in the announcement of the Company dated 19 August 2013. The acquisition was completed on 10 September 2013. After the acquisition, Henan Hongzheng became a wholly-owned subsidiary of the Company.

Save as disclosed above, the Group had no other material acquisition or disposal of its subsidiaries and associates during the year ended 31 December 2013.

SALES OF AVAILABLE-FOR-SALE FINANCIAL ASSETS

On 25 December 2013, the Group entered into a shares transfer agreement with an independent third party to sell the Group's 6% interest in New Clear New Energy which is classified as available-for-sale financial assets. The consideration for the shares transfer was RMB7,500,000 and the corresponding cost of the shares was RMB3,010,000. The gain on the sale of the shares was recognised in other revenue in the current period.

CONTINGENT LIABILITIES

As at 31 December 2013 and at the date of this report, the Group had no material contingent liability.

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL COMMITMENTS

As at 31 December 2013, the Group had capital expenditure contracted for but not provided in the consolidated financial statements in respect of investment, factory renovation and purchase of equipment of RMB8,572,000 (as at 31 December 2012: RMB11,863,000).

As at 31 December 2013, the Group had capital expenditure authorised but not contracted for in respect of investment, factory renovation and purchase of equipment of RMB911,000 (as at 31 December 2012: Nil).

Save as disclosed above, as at 31 December 2013 and at the date of this Report, the Group does not have other capital expenditure authorised but not contracted for in respect of investment, factory renovation and purchase of equipment.

PLEDGE OF ASSETS

The Group's leasehold land and buildings of carrying amount of approximately RMB5,235,000 as at 31 December 2013 (as at 31 December 2012: RMB6,049,000) were pledged to secure the bank borrowings and facilities.

EMPLOYEES AND REMUNERATION

As at 31 December 2013, the Group had approximately 395 employees. The remuneration paid to our employees and Directors is determined according to each of their experiences, responsibility, workload and the time devoted to the Group.

The Group participates in various employees' benefit plans such as retirement benefit scheme and medical insurance. The Group also makes contributions to the retirement fund in compliance with all material aspects of 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 the percentages stipulated by relevant PRC laws.

The Group and its employee(s) 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 the relevant requirements.

MANAGEMENT DISCUSSION AND ANALYSIS

FOREIGN EXCHANGE

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

During the reporting period, the Group recorded an exchange gain of RMB85,000 (2012: loss of RMB102,000). Such foreign exchange gain or loss arose as a result of the difference between the exchange rate on the date of transaction and the exchange rate as at 31 December 2013. As at 31 December 2013, the Group did not have significant foreign exchange hedging.

The Group adopted a conservative approach to manage its treasury policies. Our treasury function mainly involves the management of our cash 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 2013.

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

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

MATERIAL LITIGATION AND ARBITRATION PROCEEDINGS

The Group has no material litigation or arbitration during the year ended 31 December 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

USE OF PROCEEDS

The net proceeds raised from the listing of the shares of the Company (the "Shares") on the Main Board of The Stock Exchange of Hong Kong Limited ("the Stock Exchange") on 28 May 2010 (the "Listing") were approximately HK$243,600,000 (equivalent to approximately RMB214,588,000).

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

Proposed use of proceeds	**Intended amount to be used** RMB'000	**Actual amount used up to 31 December 2013** RMB'000
Support and enhance manufacturing capacity and acquire new production facility	66,737	38,018
Further establish and consolidate the Group's position in the market	80,470	78,341
Support and strengthen the Group's product research and development capability	19,742	29,859
Support and enhance the Group's marketing ability	28,755	11,370
Working capital	18,884	21,000
	214,588	178,589

The unused balance of approximately RMB35,999,000 was kept as bank deposits in the PRC.

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

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

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

The Company has adopted the code provisions set out in the Corporate Governance Code and Corporate Governance Report (the "Code Provisions") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The Board regularly reviews the Group's corporate governance guidelines and developments. Save as disclosed in the paragraph below, in the opinion of the Directors, the Company has complied with the Code Provisions throughout the year ended 31 December 2013. This report further illustrates in detail as to how the Code Provisions had been applied.

Under the code provision A.6.7, independent non-executive directors and non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. An independent non-executive Director Ms. Li Xiao Hui retired from the office on the same date of the annual general meeting held on 22 May 2013 and was unable to arrange her work itineraries to attend that annual general meeting. The Company will continue to maintain its planning process by giving all Directors sufficient time to arrange their work in advance and provide any necessary support for their presence and participation in the meeting, so as to facilitate all Directors to attend the Company's future general meetings.

THE BOARD

During the reporting period, the Board comprises two executive Directors and four independent non-executive Directors. Detailed biographies outlining each Director's scope of specialist experience are set out on pages 35 to 38 of this annual report.

CORPORATE GOVERNANCE REPORT

The composition of the Board and members' attendance of the Board meetings and committees meetings for the year 2013 are as follows:

	Number of meetings attended/held			
	Board	Audit Committee	Remuneration Committee	Nomination Committee
Executive Directors				
Mr. Li Xin Qing *(Chairman)*	7/7	N/A	N/A	2/2
Mr. An Wei *(Chief Executive Officer)*	7/7	N/A	N/A	N/A
Independent Non-executive Directors				
Mr. Li Wan Jun	7/7	3/3	2/2	N/A
Ms. Li Xiao Hui^	3/7	1/3	1/2	1/2
Mr. Yu Zhuo Ping	7/7	3/3	2/2	2/2
Mr. Zhang Bo#	5/7	2/3	1/2	1/2

^ Ms. Li Xiao Hui had retired from the office on 22 May 2013

Mr. Zhang Bo was appointed for the office on 15 April 2013

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

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

During the reporting period, Mr. Li Xin Qing, an executive Director, and Mr. An Wei, another executive Director, respectively continues to be the Chairman and the Chief Executive Officer of the Company. The roles and duties of the Chairman and Chief Executive Officer of the Company have been separately undertaken by different officers.

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

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

CORPORATE GOVERNANCE REPORT

The day-to-day operations of the Company are delegated to the management with department heads being responsible for different aspects of the business and functions. The independent non-executive Directors serve the relevant functions of making independent judgment on the development, performance and risk management of the Group through their contributions in Board meetings. In particular, the independent non-executive Directors bring an impartial view on issues related to the Company's strategy and internal control. All independent non-executive Directors possess extensive academic, professional and industry expertise and management experience and have provided their professional advice to the Board. All of the independent non-executive Directors are appointed for a term of three years and are subject to retirement by rotation and re-election in accordance with the Company's articles of association.

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

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

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

BOARD MEETINGS

Seven Board meetings were held during the year 2013. Attendance of the Board members in the meetings is listed out on page 25. Regular Board meetings were held about once every quarter.

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

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

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

The shareholders of the Company in general meeting, or the Board upon recommendation of the nomination committee (the "Nomination Committee") of the Company, can appoint any person as a director of the Company anytime. Directors who are appointed to fill a casual vacancy, if any, are subject to election by shareholders at the first general meeting after their appointment and such election is separate from the normal retirement of Directors by rotation. In accordance with the Company's articles of association, at each annual general meeting, one-third of the Directors for the time being, or, if their number is not a multiple of three, then the number nearest to but not less than one third, shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. Mr. Li Xin Qing and Mr. Zhang Bo were re-elected to be relevant Director in the annual general meeting held on 22 May 2013.

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 of the Company. Specific tasks that the Board delegates to the Group's management include preparing annual and interim financial statements for the Board's approval, implementing strategies approved by the Board, monitoring the operating budgets, implementing internal controls procedures, and ensuring compliance with relevant statutory requirements and other rules and regulations.

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

CORPORATE GOVERNANCE REPORT

TRAINING AND SUPPORT FOR DIRECTORS

All Directors must keep abreast of their collective responsibilities. Any newly appointed Director would receive an induction package covering the statutory and regulatory obligations of a director of a listed company. The Group also provides briefings and other training to develop and refresh the Directors' knowledge and skills.

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

	Update on corporate governance, ordinance, regulation and provision	Accounting, finance, management and other professional technique	
	Reading publications	**Reading publications**	**Attending seminar and/or briefing section**
Executive Directors			
Mr. Li Xin Qing	✓	✓	✓
Mr. An Wei	✓	✓	✓
Independent Non-executive Directors			
Mr. Li Wan Jun	✓	✓	✓
Ms. Li Xiao Hui	✓	✓	✓
Mr. Yu Zhuo Ping	✓	✓	✓
Mr. Zhang Bo	✓	✓	✓

BOARD COMMITTEES

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

CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE, REMUNERATION COMMITTEE AND NOMINATION COMMITTEE

Audit Committee

The primary duties of the audit committee of the Company (the "Audit Committee") are to review and supervise the preparation of annual reports, the interim reports and financial statements of the Company and to provide advice and recommendations to the Board. In doing so, members of the Audit Committee will communicate with the Board, the senior management, the reporting accountants and/or the 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. Following the resignation of Ms. Li Xiao Hui as an independent non-executive Director and Audit Committee member on 22 May 2013, the Audit Committee comprises three independent non-executive Directors, namely Mr. Yu Zhuo Ping, Mr. Li Wan Jun and Mr. Zhang Bo and is chaired by Mr. Li Wan Jun. The main roles and responsibilities of the Audit Committee are set out by the Board with clearly defined written terms of reference which are available on the website of the Stock Exchange and the Company. The Audit Committee held three meetings in 2013 to review the 2012 annual results of the Group for the twelve months ended 31 December 2012 and the 2013 interim results of the Group for the six months ended 30 June 2013, and to conduct other affairs. The Audit Committee has reviewed with the management and the Group's external auditor, SHINEWING (HK) CPA Limited ("SHINEWING"), the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters. Apart from considering the issues arisen from the audit process, the Audit Committee also discussed matters raised by the external auditor. The Audit Committee reviewed with the management on the 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 auditor are monitored closely by the Group's senior management. During the year under review, the fees paid to the Group's external auditor, SHINEWING, were as follows:

	2013 **HK$'000**
Audit fees	**800**
Non-audit service fees (service fee for reviewing the Group's financial statements for the six months ended 30 June 2013)	**200**

The Audit Committee has concluded that it is satisfied with the findings of its review of the audit and non-audit service fees, process and effectiveness, and independence and objectivity of SHINEWING. The Audit Committee will therefore recommend to the Board that SHINEWING be re-appointed as the Group's external auditor at the annual general meeting in 2014.

CORPORATE GOVERNANCE REPORT

Remuneration Committee

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

Following the resignation of Ms. Li Xiao Hui as an independent non-executive Director and the chairperson of the Remuneration Committee on 22 May 2013, the Remuneration Committee comprises three independent non-executive Directors, namely Mr. Yu Zhuo Ping, Mr. Li Wan Jun and Mr. Zhang Bo, and is chaired by Mr. Zhang Bo. The main roles and responsibilities of the Remuneration Committee are set out by the Board with clearly defined written terms of reference which are available on the website of the Stock Exchange and the Company.

Two Remuneration Committee meetings were held in 2013.

Details of each Director's emoluments are set out in note 13 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. The remuneration policy of the Directors is decided by the Remuneration Committee, having regard to the Company's operating results, individual's duties and responsibilities with the Group and comparable market practice. No Director can, however, approve his or her own remuneration.

For the year ended 31 December 2013, the annual salary of the senior management of the Company ranges from RMB120,000 to RMB300,000.

During the reporting period, the Remuneration Committee had performed duties generally as follows:

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

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

3. Reviewing and making recommendation to the Board to approve changes in scope and authority of the Remuneration Committee.

CORPORATE GOVERNANCE REPORT

Nomination Committee

We have established a nomination committee (the "Nomination Committee") which is responsible for considering and recommending to the Board on appointment of Directors and management of the succession of the Board. Following the resignation of Ms. Li Xiao Hui as an independent non-executive Director and Nomination Committee member on 22 May 2013, the Nomination Committee comprises three members, namely Mr. Li Xin Qing, Mr. Yu Zhuo Ping and Mr. Zhang Bo, and is chaired by Mr. Li Xin Qing. The main roles and responsibilities of the Nomination Committee are set out by the Board with clearly defined written terms of reference which are available on the website of the Stock Exchange and the Company. The Nomination Committee reports to the Board and makes recommendations regarding the appointment of Directors, its evaluation of the Board's composition, and the management of Board succession with references endorsed by the Board itself.

Two Nomination Committee meeting was held in 2013.

During the reporting period, the Nomination Committee had performed duties generally as follows:-

1. Reviewing the structure, size and composition of the Board (including technique, knowledge, experience and year of service of Directors) and making recommendation on changes of the Board to accomodate with the corporate strategy.

2. Reviewing and making recommendation to the Board to approve changes in scope and authority of the Nomination Committee.

CHANGES TO INFORMATION IN RESPECT OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes of information of the Directors are as follows:

– Mr. Zhang Bo was appointed as an independent non-executive Director as well as a respective member of the Audit Committee, the Nomination Committee and the Remuneration Committee with effect from 15 April 2013 and he was also appointed as the chairman of the Remuneration Committee with effect from 22 May 2013; and

– Ms. Li Xiao Hui ceased to be an independent non-executive Director, chairperson of the Remuneration Committee and the committee member of each of the Audit Committee and the Nomination Committee, with effect from 22 May 2013.

Other than the above disclosures, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

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. The Company had established the Internal Audit Department in 2011, in which its responsibility is to review the internal control system of the Group under the leadership of the Board and the Audit Committee. The Directors have approved the review results of the internal control system. It is the responsibility of the management of the Group to implement all the policies of the Board on risks and regulations and control. The Group's internal control system was designed to provide reasonable protection to the Group's assets, and to safe guard these assets against unauthorised use or disposition by ensuring that all such transactions are executed in accordance with management's authorisation. It 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 ensures that its assets and resources remain secure at all times. The role of the Audit Committee is, through discussion with management and other consultants, and the use of the internal audit function, to review the effectiveness of the internal control systems, including financial, operational and compliance controls, and risk management functions, and to report to the Board any significant risks and issues. The Audit Committee raised their advices and suggestions to the Board regarding the building up of customers' relation reinforcement management system and customers' urging settlement system in the meeting that was held on 31 December 2013. The Directors acknowledged their responsibility for preparation of the consolidated financial statements, which give a true and fair view of the Group's consolidated financial position, consolidated comprehensive income, consolidated changes in equity and consolidated cash flows for the year. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. The external auditor of the Company, SHINEWING, has the responsibility to express an opinion on the Group's consolidated financial statements according to the results of its audit and report its opinion solely to the Company. SHINEWING conducted its audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that SHINEWING comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the Group's consolidated financial statements are free from material misstatement. The Independent Auditor's Report on pages 35 and 40 of this annual report also sets out the responsibilities of SHINEWING.

CORPORATE GOVERNANCE REPORT

CODE OF CONDUCT AND BUSINESS ETHICS

Each Director has a duty and responsibility to act honestly and with due diligence and care when carrying out his/her duties on behalf of the Company. Each Director would attend relevant 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.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules regarding securities transactions by Directors. Specific enquiries have been made with all Directors and all Directors confirm that they have complied with the provisions of the Model Code for the year ended 31 December 2013.

DIRECTORS' INTERESTS

Full details of individual Director's interests in the shares and share options of the Company are set out on pages 51 to 53 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 contact with investors. Interim and annual results are announced as early as possible to keep shareholders informed of the Company performance and operations in a timely manner. The publication of the Group's financial results on a half-yearly basis enhances transparency regarding its performance and ensures that details of new developments affecting the Group are made available in a timely manner. An annual general meeting will be held in each year, and all shareholders are encouraged to attend the annual general meeting to discuss the progress of the Group's businesses.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS

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

VOTING RIGHTS

All Shares in the Company are ordinary shares. The total number of outstanding Shares issued at the date of this report is 834,820,000. In accordance with the Listing Rules, any votes of shareholders at the Company's general meetings must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural of administrative matter to be voted on by a show of hands. The results of shareholders' meetings are reported to the public via announcements submitted to the Stock Exchange's website and the Company's website. Shareholders who wish to exercise their rights to vote by proxy may do so upon presentation of a written and dated instrument appointing their proxy. The notice convening each shareholders' meeting includes a proxy form which appoints the Board as proxy for each specific proposal. All shareholders are welcome to ask questions or present proposals for discussion at these meetings.

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. Enquiries, comments and suggestions are welcome and can be addressed to Investor Relations Department of the Company by mail to the Group's principal place of business in the PRC or by email to the Company at IR@titans.com.cn. Enquiries, comments and suggestions raised in either or both of these manners are then subject to the attention, review and/or reply by the Board or the relevant department(s), wherever such a need is felt.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Li Xin Qing, aged 56, is the Chairman, an executive Director and the chairman of the Nomination Committee of our Company and he is one of the substantial shareholders of the Company. Mr. Li is responsible for the corporate strategies. Mr. Li obtained a bachelor of engineering degree from Tong Ji University (同濟大學) in January 1982, majoring in mechanical engineering. He also obtained a second bachelor degree in industrial management and engineering from Tong Ji University in June 1992, majoring in industrial management and engineering. He joined our Group in September 1992. He has worked in Zhuhai Titans Technology Co., Ltd* (珠海泰坦科技股份有限公司) ("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, Grace Technology Development Limited and Titans Holdings Co., Limited and is an executive director and the legal representative of Titans Technology, Zhuhai Titans Power Electronics Company Limited* (珠海泰坦電子電力集團有限公司) (formerly known as Zhuhai Titans Automatic Technology Limited* (珠海泰坦自動化技術有限公司)) ("Titans Power") and Zhuhai Titans New Energy System Co., Ltd.* (珠海泰坦新能源系統有限公司), the above of which are subsidiaries of the Company. Mr. Li and Mr. An Wei, another executive Director of the Company, each holds 50% shareholding in Rich Talent Management Limited, which in turn holds 7,985,418 Shares. Save as disclosed, he has no relationship with any other Directors, senior management, substantial shareholders or controlling shareholders (as defined in the Listing Rules) of our Company. Mr. Li does not hold any directorships in any public listed companies, the securities of which are listed on any securities market in Hong Kong or overseas in the past three years preceding the date of this report. Please refer to the section headed "Directors' Report" in this report for details of Mr. Li's shareholding interests in the Company. Mr. Li has entered into a service contract with the Company for a term of three years commencing on 28 May 2013.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

Mr. An Wei, aged 57, is an executive Director and the Chief Executive Officer of our Company and he is one of the substantial shareholders of the Company. Mr. An is responsible for the overall operation and management of our Group. Mr. An graduated from the post-graduate class of management engineering department in Tong Ji University（同濟大學）in July 1986 and obtained his doctorate degree in science management and engineering from Tong Ji University in November 2005. Mr. An was also accredited as a senior economist（高級經濟師）by the Title Reform Leading Group Office of Hebei Province in the PRC in August 1997. With his doctorate degree majoring in management and over 10 years of experience in the Group, Mr. An has acquired a variety of skills and extensive experiences in management. Mr. An joined the Group in September 1992 as a director of Titans Technology. He has been the general manager of Titans Technology since July 1998. He is the current vice chairman of Guangdong Province Private Enterprises Association（廣東省私營企業協會副會長）. Mr. An was appointed an executive Director on 16 November 2007. At present, Mr. An is also a director of Titans BVI Limited, Grace Technology Development Limited, Titans Holdings Co., Limited, Titans Power and Titans Technology and a director and legal representative of Auhui Titans Liancheng Energy Technology Co., Ltd.*（安徽泰坦聯成能源技術有限公司）, the above of which are subsidiaries of the Company. Mr. An and Mr. Li Xin Qing, another executive Director of the Company, each holds 50% shareholding in Rich Talent Management Limited, which in turn holds 7,985,418 Shares. Save as disclosed, he has no relationship with any other Directors, senior management, substantial shareholders 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. Please refer to the section headed "Directors' Report" in this report for details of Mr. An's shareholding interests in the Company. Mr. An has entered into a service contract with the Company for a term of three years commencing on 28 May 2013.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Li Wan Jun, aged 45, is an independent non-executive Director, a member of the Remuneration Committee and the chairman of the Audit Committee. Mr. Li was appointed an independent non-executive Director on 17 December 2007. Mr. Li has over 10 years of experience in accounting and auditing. He obtained a bachelor degree of economics from the University of Wuhan（武漢大學）in 1990. Mr. Li is a non-practising member of the Zhuhai Institute of Certified Public Accountants（珠海市註冊會計師協會）and was admitted as a member of the Association of Chartered Certified Accountants in June 2007. Mr. Li has not held any other positions with any member of our Group. From 1996 to 2000, Mr. Li worked in the finance department of Zhu Kuan Group Co. Ltd. of Macau*（澳門珠光集團有限公司）. From 2001 to 2007, Mr. Li worked as vice manager in the finance department and audit department of Zhu Kuan Group Holdings Co. Ltd. of Zhuhai City*（珠海市珠光集團控股有限公司）("Zhu Kuan Group"). Since 2008, Mr. Li has been a financial controller of subsidiaries of the same company. Zhu Kuan Group through its subsidiaries, was the parent company of Zhu Kuan Development Co. Ltd. ("ZKD") (stock code 908) (currently known as Zhuhai Holdings Investment Group Limited) when the shares of ZKD were listed on the Main Board of the Stock Exchange in 1999 and ceased to be the parent company of ZKD in December 2004. During such period, Mr. Li was involved in, among other things, internal control and internal audit of Zhu Kuan Group and its subsidiaries (including ZKD and its subsidiaries prior to Zhu Kuan Group). Mr. Li has not been a director of any public companies, the securities of which are listed on any securities market in Hong Kong and overseas during the last three years preceding the date of this report. Mr. Li has entered into an appointment letter with the Company for a term of three years commencing on 28 May 2013. Mr. Li has given an annual confirmation of independence to the Company pursuant to Rule 3.13 of the Listing Rules and is considered by the Board to be independent. Save as disclosed, he has no relationship with any other Directors, senior management, substantial shareholders or controlling shareholders (as defined in the Listing Rules) of our Company.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

Ms. Li Xiao Hui, aged 46, was appointed as 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 has not held any other positions with any member of our Group. Ms. Li graduated from Yangzhou Normal University（揚州師範大學）now known as Yangzhou University（揚州大學）with a bachelor degree of economics in 1989. Ms. Li then obtained a master degree in economics in 1993 from the Renmin University of China（中國人民大學）. In 2001, Ms. Li obtained a doctoral degree in economics from Central University of Finance and Economics（中央財經大學）. From 2003 to present, Ms. Li has been teaching in and is appointed as the deputy dean of the faculty of accounting in Central University of Finance and Economics, primarily responsible for managing the teaching of the faculty and participating in research and development in corporate internal control, risk management and auditing of risk management. From 1995 to 2008, Ms. Li wrote books and other publications in relation to auditing, accounting and risk management. Ms. Li has not been a director of any public listed companies, the securities of which are listed on any securities market in Hong Kong and overseas during the past three years preceding the date of this report. Ms. Li has entered into an appointment letter with the Company for a term of three years commencing on 28 May 2010. Ms. Li has retired from the office of independent non-executive Director on 22 May 2013. Accordingly, Ms. Li ceased to be the chairperson of the Remuneration Committee and the committee member of each of the Audit Committee and Nomination Committee. Ms. Li has given an annual confirmation of independence to the Company pursuant to Rule 3.13 of the Listing Rules and is considered by the Board to be independent. Save as disclosed, she has no relationship with any other Directors, senior management, substantial shareholders or controlling shareholders (as defined in the Listing Rules) of our Company.

Mr. Yu Zhuo Ping, aged 54, was appointed an independent non-executive Director on 20 November 2009. He is a member of the Audit Committee, the Remuneration Committee and the Nomination Committee. Mr. Yu has not held any other positions with any member of our Group. Mr. Yu graduated from Tong Ji University（同濟大學）with a bachelor degree specialised in machinery in 1982 and a master degree specialised in construction machinery in 1985. In 1996, Mr. Yu obtained a doctoral degree specialised in motor vehicle design and manufacturing industrial science from Tsing Hua University（清華大學）. Prior to joining our Group, Mr. Yu joined Braunschweig Automotive Research Institute in Germany, the automotive institute of Technical University Darmstadt, and the research and development department of Volkswagen Automotive Company engaging in research duties. Since 2002, Mr. Yu has been the dean of the Faculty of Automotive in Tong Ji University and the assistant to the president of Tong Ji University primarily responsible for the teaching in and management of the Faculty of Automotive. In 2002, Mr. Yu was awarded with the Shanghai Municipality Scientific and Technological Progress Award (class 2)（上海市科學技術二等獎）from the Shanghai Municipality Government（上海市人民政府）for his research in "Construction and testing analysis of wind tunnel for automotive". In 2007, Mr. Yu was awarded with the Shanghai Municipality Scientific and Technological Progress Award (class 1)（上海市科學技術進步一等獎）from the Shanghai Municipality Government. In 2008, Mr. Yu was further awarded with the National Scientific and Technological Progress Award (class 2)（國家科學技術進步二等獎）by the Ministry of Science and Technology of the PRC（中國科技部）. Mr. Yu is also the independent non-executive director of 上海航天汽車機電股份有限公司(Shanghai Aerospace Automobile Electromechanical Co., Ltd) (stock code: 600151), a company listed on the Shanghai Stock Exchange. Save as disclosed, Mr. Yu has not been a director of any public companies, the securities of which are listed on any securities market in Hong Kong or overseas during the last three years preceding the date of this report. Mr. Yu has entered into an appointment letter with the Company for a term of three years commencing on 28 May 2013. Mr. Yu has given an annual confirmation of independence to the Company pursuant to Rule 3.13 of the Listing Rules and is considered by the Board to be independent. Save as disclosed, he has no relationship with any other Directors, senior management, substantial shareholders or controlling shareholders (as defined in the Listing Rules) of our Company.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Zhang Bo, aged 50, was appointed as an independent non-executive Director on 15 April 2013. Mr. Zhang is a respective member of the Audit Committee, the Nomination Committee and the Remuneration Committee of the Board. Mr. Zhang has not held any other positions with any member of our Group. Mr. Zhang graduated from Zhejiang University (浙江大學) with a bachelor degree in Electro-mechanics (電機專業) in 1982. Mr. Zhang then obtained a master degree in Mechanical Engineering in 1988(機械工程) from Southwest Jiaotong University (西南交通大學) and a doctoral degree in Electric Power and Electronic Technique (電力電子技術) in 1994 from Nanjing University of Aeronautics and Astronautics (南京航空航天大學). From 2000 to present, Mr. Zhang has served as a professor in the School of Electric Power of South China University of Technology (華南理工大學電力學院) and is currently the deputy dean of the said School, responsible for research and laboratory management. In 2011, Mr. Zhang was awarded an Award Class II of Science and Technology in the Technical Invention Group (科學技術獎技術發明類二等獎) by the China Power Supply Society (中國電源學會) for his "Method and Application of Topological Structuring based on the Theory of TRIZ in Switch-mode Power Converters"(基於TRIZ理論的開關電源變換器拓撲構造方法及應用). In 2012, he was further awarded an Award Class II of the Guangdong Provincial Science and Technology (廣東省科學技術進步獎) for his "High Performance Power Supply Switching Soft Technique and Application"(高性能開關電源的柔性技術及應用). Save as disclosed above, Mr. Zhang did not hold any directorships in any publicly 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. Zhang has entered into a letter of appointment with the Company for a term of three years commencing on 15 April 2013. Mr. Zhang has given an annual confirmation of independence to the Company pursuant to Rule 3.13 of the Listing Rules and is considered by the Board to be independent. Save as disclosed, Mr. Zhang did not have any relationship with any other Directors, senior management, substantial shareholders or controlling shareholders (as defined in the Listing Rules) of our Company.

SENIOR MANAGEMENT

Mr. Li Xiao Bin, aged 52, is a senior engineer. He obtained a bachelor degree from Hefei United University (合肥聯合大學) in 1984 and a master degree from Institute of Plasma Physics of Chinese Academy of Sciences in 1990. Mr. Li Xiao Bin worked as an engineer for three years with the Plasma Physics Laboratory of the Chinese Academy of Sciences from 1990 to 1993. Mr. Li Xiao Bin joined our Group in 1993, he is currently the general manager of the electric power source department and the general manager of the research and development centre of our Group and is responsible for the sales and development of our principal product, electrical DC product series. Mr. Li Xiao Bin is also a director of Titans Holdings Co., Limited, Titans Power and Titans Technology. Mr. Li Xiao Bin received the "Certificate for Outstanding Technology Improvement* (科學技術進步獎)" from the Chinese Academy of Sciences (中國科學院). Mr. Li Xiao Bin, one of the substantial shareholders of our Group, is interested in the 40% issued share capital of Honor Boom Investments Limited, a company which holds approximately 9.93% of the issued share capital of our Company. Save as disclosed, he has no other relationship with any other Directors, senior management, substantial shareholders or controlling shareholders (as defined in the Listing Rules) of our Company.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

Ms. Ou Yang Fen, aged 49, is an accountant, certified tax agent and deputy general manager. Ms. Ou Yang Fen is responsible for the management affairs of the financial centre of our Group. Ms. Ou Yang Fen graduated from Guangdong Radio & TV University (廣東廣播電視大學) in 1998 majored in finance. Ms. Ou Yang obtained the accounting qualification from the Ministry of Finance (財政部) in 1997. She has been working in the field of accounting and held positions as accountant in various companies. Since the establishment of Titans Technology in September 1992, she served as our Company accountant, finance manager, deputy general manager successively. She is currently general manager of the financial centre of the Group. Ms. Ou is interested in the 30% issued share capital of Honor Boom Investments Limited, a company which holds approximately 9.93% of the issued share capital of our Company. Save as disclosed, she has no other relationship with any other Directors, senior management, substantial shareholders or controlling shareholders (as defined in the Listing Rules) of our Company.

Mr. Chen Xiang Jun, aged 46, holds a master degree in business administration. He obtained a bachelor degree of Mathematics from Nankai University (南開大學) in 1990. Mr. Chen Xiang Jun obtained a master degree of Business Administration in Executive Management from Royal Roads University in 2007. Mr. Chen Xiang Jun joined Titans Technology in March 2001. Mr. Chen is currently general manager of the corporate development centre of the Group and the secretary to the board of directors of Titans Technology. Mr. Chen is mainly responsible for the operation management and capital operation related matters. Save as disclosed, he has no relationship with any other Directors, senior management, substantial shareholders or controlling shareholders (as defined in the Listing Rules) of our Company.

Mr. Fu Yulong, aged 50, holds a master degree in business administration. Mr. Fu Yulong graduated from Zhengzhou University (鄭州大學) in 1994 and obtained a Master Degree of Business Administration from Hong Kong Polytechnic University in 2007. Previously, he worked with a steel company in Wu Yang for more than 10 years. He joined our Group in May 2003. He is currently general manager of the marketing center of our Group, and is fully responsible for the sales of the Group's products. Save as disclosed, he has no relationship with any other Directors, senior management, substantial shareholders or controlling shareholders (as defined in the Listing Rules) of our Company.

Mr. Li Zhen Hua, aged 56, obtained a bachelor degree in Economics from Xiamen University in 1983 and registered as an accountant in the PRC in 1992. Mr. Li Zhen Hua joined our Group in September 2009 as our Financial Controller. Mr. Li is experienced in financial and organisation management. Before he joined our Group, Mr. Li Zhen Hua was the finance manager of Hua Fu Hong Kong Company (華福香港公司), a subsidiary of Fujian Investment & Enterprise Holdings Corporation (福建投資企業集團公司) in Hong Kong from 1983 to 1996, and was the general manager of Yunnan Long Chuan Xian Hong Shui Dian Company Limited* (雲南隴川縣閩宏水電有限責任公司) from 2005 to 2008. Save as disclosed, he has no relationship with any other Directors, senior management, substantial shareholders or controlling shareholders (as defined in the Listing Rules) of our Company.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Pan Jingyi, aged 63, is a senior engineer. He graduated from Shaanxi Radio and TV University（陜西省廣播電視大學）in the automation of the electric power system speciality in 1987. Mr. Pan has been working in the field of electrical engineering from 1985 to 2005, Mr. Pan worked in a power plant in Xian and was head of electric station and chief engineer of an electric company, a subsidiary Company of the said power plant. Mr. Pan joined Titans Technology in February 2005 and is currently a chief engineer of the Group, committee member of the SAC/TC60 National Committee on Power Electronics of Standardisation Administration of China and secretary-general and committee member of the GD/TC60 Guangdong Technical Committee on Equipment and System of Power Electronics of Standardisation Administration of China. Save as disclosed, he has no relationship with any other Directors, senior management, substantial shareholders or controlling shareholders (as defined in the Listing Rules) of our Company.

DIRECTORS' REPORT

The Directors submit their report together with the audited consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2013.

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 43 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 8 to the accompanying financial statements.

Geographical segments

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

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2013 are set out in the consolidated statement of profit or loss and other comprehensive income on page 59 of this annual report.

The Board does not recommend the payment of any dividend for the year ended 31 December 2013.

CLOSURE OF REGISTER OF MEMBERS

In order to ascertain the entitlement to attend and vote at the annual general meeting of the Company (the "Annual General Meeting"), which is proposed to be held on Monday, 26 May 2014, the register of members of the Company will be closed from Thursday, 22 May 2014 to Monday, 26 May 2014, both days inclusive, during which period no transfer of shares will be registered. In order to be entitled to attend and vote at the Annual General Meeting, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 21 May 2014.

DIRECTORS' REPORT

RESERVES

Details of movements in the reserves of the Group and of the Company during the year ended 31 December 2013 are set out in note 42 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 2013 are set out in note 17 to the accompanying financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 30 to the accompanying financial statements.

DISTRIBUTABLE RESERVES

Details of the Company's distributable reserves as at 31 December 2013 is set out in note 42 to the accompanying financial statements.

PRE-EMPTIVE RIGHTS

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

TAX RELIEF

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

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on pages 5 and 6 of this annual report.

DIRECTORS' REPORT

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

The Company and its subsidiaries did not purchase, sell or redeem any of the Company's listed securities during the year ended 31 December 2013.

PRE-IPO SHARE OPTION SCHEME

A Pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") was adopted pursuant to a written resolution of the shareholders of the Company 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 on the Listing Date;

(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.

On 8 May 2010, options carrying rights to subscribe for a total of 23,920,000 Shares at an exercise price of HK$0.59 per Share were granted to certain employees of the Group, including the two executive Directors. All options were conditionally granted to the grantees.

DIRECTORS' REPORT

During the year ended 31 December 2013, share options carrying rights to subscribe for a total of 6,050,000 Shares have lapsed in accordance with the terms of the Pre-IPO Share Option Scheme. As at 31 December 2013, share options carrying rights to subscribe for 11,140,000 Shares in aggregate (representing approximately 1.34% 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 31 December 2013:

		Number of share options					
Name of participant	**Date of share options granted**	**Outstanding as at 1 January 2013**	**Exercised during the period**	**Lapsed during the period**	**Cancelled during the period**	**Outstanding as at 31 December 2013**	**Approximate percentage of issued share capital of the Company**
Li Xin Qing *(Note 1)*	8 May 2010	600,000	–	200,000	–	400,000	0.05%
An Wei *(Note 1)*	8 May 2010	600,000	–	200,000	–	400,000	0.05%
Li Xiao Bin *(Note 2)*	8 May 2010	600,000	–	200,000	–	400,000	0.05%
Other employees of the Group	8 May 2010	15,390,000	–	5,450,000	–	9,940,000	1.19%
Total for scheme		17,190,000	–	6,050,000	–	11,140,000	1.34%

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.

During the period from after the year ended 31 December 2013 to the date of this report, 4,820,000 shares options under the Pre-IPO Share Option Scheme have been exercised and no share options have lapsed. As at the date of this report, share options carrying rights to subscribe for a total of 6,320,000 Shares under the Pre-IPO Share Option Scheme remained outstanding.

DIRECTORS' REPORT

SHARE OPTION SCHEME

A share option scheme (the "Share Option Scheme") was adopted pursuant to a written resolution of the 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 them 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 9.58% 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$1.00 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.

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.

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, 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

During the year ended 31 December 2013, share options carrying rights to subscribe for a total of 6,396,666 Shares have lapsed in accordance with the terms of the Share Option Scheme. As at 31 December 2013, share options carrying rights to subscribe for 11,893,334 Shares in aggregate (representing approximately 1.43% 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 31 December 2013:

		Number of share options						
Name of participant	Date of share options granted	Outstanding as at 1 January 2013	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	Outstanding as at 31 December 2013	Approximate percentage of issued share capital of the Company
Li Xiao Bin *(Note)*	17 February 2011	600,000	–	–	200,000	–	400,000	0.05%
Other employees of the Group	17 February 2011	17,690,000	–	–	6,196,666	–	11,493,334	1.38%
Total for scheme		18,290,000	–	–	6,396,666	–	11,893,334	1.43%

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

During the period from after the year ended 31 December 2013 to the date of this report, 5,946,667 share options have lapsed. As at the date of this report, share options carrying rights to subscribe for a total of 5,946,667 Shares remained outstanding under the Share Option Scheme.

DIRECTORS

The Directors during the year were:

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

* Independent non-executive Directors
^ Ms. Li Xiao Hui had retired from the office on 22 May 2013
# Mr. Zhang Bo was appointed for the office on 15 April 2013

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

DIRECTORS' REPORT

DIRECTORS' SERVICE CONTRACTS

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

(i) Each service agreement is for a term of three years commencing from 28 May 2013 (the "Commencement Date"). 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 Commencement Date.

(ii) For the first year from the Commencement Date, the monthly basic 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 Commencement 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.

In respect of the non-executive Directors, Mr. Zhang Bo has signed a letter of appointment for a term of three years commencing from 15 April 2013 with the Company and each of Mr. Li Wan Jun and Mr. Yu Zhuo Ping has signed a letter of appointment for a term of three years while commencing from the Commencement Date with the Company. Under the letters of appointment, they agreed to act as independent non-executive Director for a period of three years unless terminated in accordance with the terms of the letter of appointment. Under the said appointment letters, either party may terminate the agreement at any time by giving to the other not less than three months' prior written notice. The monthly director's fee for an independent non-executive Director is HK$10,000.

Save as disclosed, 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 agreement with us or any other members of our Group, which is not determinable by us or any member of our Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' REPORT

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 13 to the accompanying financial statements.

Details of the five highest paid individuals during the year under review are set out in note 14 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 38 to the accompanying financial statements.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of Directors and senior management as at the date of this annual report are set out on pages 35 to 40 of this annual report.

DIRECTORS' REPORT

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

As at 31 December 2013, the interests and short positions of the Directors and the chief executive of the Company and their associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance ("SFO")) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code set out in Appendix 10 to the Listing Rules were as follows:–

Name of Director	Nature of interest	Number of Shares or underlying Shares of the Company	Approximate percentage of existing issued share capital of the Company
Li Xin Qing	Interest of controlled corporations	205,709,875 (L) *(Note 2)*	24.78%
	Beneficial owner	400,000 (L) *(Note 3)*	0.05%
An Wei	Interest of controlled corporations	205,869,875 (L) *(Note 4)*	24.80%
	Beneficial owner	400,000 (L) *(Note 5)*	0.05%

Notes:

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

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

3. The interest in 400,000 Shares represents the outstanding share options granted to Li Xin Qing pursuant to the Pre-IPO Share Option Scheme.

4. The entire issued share capital of Great Passion International Limited ("Great Passion") is beneficially owned by An Wei who is deemed to be interested in 197,884,457 Shares held by Great Passion by virtue of the SFO. In addition, An Wei is also deemed to be interested in 7,985,418 Shares held by Rich Talent, a company, which shareholding is owned as to 50% by him, by virtue of the SFO.

5. The interest in 400,000 Shares represents the outstanding 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 2013, 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 2013, as far as known to the Directors, the following persons or entities (not being a Director or a chief executive of the Company) who had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:–

Name of shareholder	**Nature of interest**	**Number of Shares or underlying Shares of the Company**	**Approximate percentage of existing issued share capital of the Company**
Zeng Zhen *(Note 2)*	Interests of spouse	206,109,875 (L)	24.83%
Genius Mind *(Note 3)*	Beneficial owner	197,724,457 (L)	23.82%
Yan Kai *(Note 4)*	Interests of spouse	206,269,875 (L)	24.85%
Great Passion *(Note 5)*	Beneficial owner	197,884,457 (L)	23.84%
Honor Boom Investments Limited *(Note 6)*	Beneficial owner	82,458,117 (L)	9.93%

DIRECTORS' REPORT

Name of shareholder	Nature of interest	Number of Shares or underlying Shares of the Company	Approximate percentage of existing issued share capital of the Company
Li Xiao Bin *(Note 6)*	Interest of controlled corporations	82,458,117 (L)	9.93%
	Beneficial owner	800,000 (L)	0.10%
Zhang Lina *(Note 7)*	Interests of spouse	83,258,117 (L)	10.03%
Thomas Pilscheur	Beneficial owner	66,244,818 (L)	7.98%
Feng Yanlin *(Note 8)*	Interests of spouse	66,244,818 (L)	7.98%

Notes:

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

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

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

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

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

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

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

Save as disclosed above, as at 31 December 2013, 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 ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the sections headed "Pre-IPO Share Option Scheme" and "Share Option Scheme" above, at no time during or at the end of the year 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, debentures of, the Company or any other body corporate.

MANAGEMENT CONTRACTS

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

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

MAJOR CUSTOMERS AND SUPPLIERS

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

Purchases	
– the largest supplier	17.51%
– five largest suppliers	50.67%

Sales

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

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 39 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 2013.

DIRECTORS' REPORT

AUDIT COMMITTEE

The Company has established the Audit Committee on 8 May 2010 with written terms of reference in compliance with the Listing Rules. Following the resignation of Ms. Li Xiao Hui as an independent non-executive Director and Audit Committee member of the Company on 22 May 2013, the Audit Committee comprises three independent non-executive Directors, namely Mr. Li Wan Jun, Mr. Yu Zhuo Ping and Mr. Zhang Bo. Mr. Li Wan Jun is the chairman of the Audit Committee. The rights and duties of the Audit Committee have complied with the Code. 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 2013.

REMUNERATION COMMITTEE

Following the resignation of Ms. Li Xiao Hui as an independent non-executive Director and the chairperson of the Remuneration Committee on 22 May 2013, the Remuneration Committee comprises three independent non-executive Directors, namely Mr. Yu Zhuo Ping, Mr. Li Wan Jun and Mr. Zhang Bo. Mr. Zhang Bo was appointed as the chairperson of the Remuneration Committee with effect from 22 May 2013. The Remuneration Committee has rights and duties consistent with those set out in the Code. 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.

DIRECTORS' REPORT

ANNUAL GENERAL MEETING

The Company proposed that the Annual General Meeting will be held on Monday, 26 May 2014. 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 the shareholders of the Company and will be made available on the websites of the Company and the Stock Exchange in due course.

On behalf of the Board

Li Xin Qing
Chairman

Hong Kong, 21 March 2014

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 59 to 136, which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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 about 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 2013 and of the Group's loss 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
21 March 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2013

	NOTES	2013 RMB'000	2012 RMB'000
Turnover	(7)	**175,933**	238,670
Cost of sales		**(127,897)**	(139,808)
Gross profit		**48,036**	98,862
Other revenue	(9)	**29,469**	13,750
Selling and distribution expenses		**(33,932)**	(32,318)
Administrative and other expenses		**(56,916)**	(57,392)
Impairment loss recognised in respect of trade receivables	(22)	**(21,724)**	(3,347)
Share of result of an associate		**7,469**	6,368
Finance costs	(10)	**(10,564)**	(9,411)
(Loss) profit before taxation		**(38,162)**	16,512
Income tax credit (expense)	(11)	**3,866**	(4,760)
(Loss) profit for the year	(12)	**(34,296)**	11,752
Other comprehensive income (expense)			
Items that may be reclassified subsequently to profit or loss:			
Reserve released on disposal of available-for-sale financial assets		**770**	–
Fair value loss on available-for-sale financial assets		**(124)**	(2,080)
Income tax relating to the component of other comprehensive expense		**29**	339
Other comprehensive income (expense) for the year, net of income tax		**675**	(1,741)
Total comprehensive (expense) income for the year		**(33,621)**	10,011
(Loss) profit for the year attributable to:			
Owners of the Company		**(33,811)**	11,795
Non-controlling interests		**(485)**	(43)
		(34,296)	11,752
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(33,136)**	10,054
Non-controlling interests		**(485)**	(43)
		(33,621)	10,011
(Loss) earnings per share	(16)		
Basic (RMB)		**(4.07) cents**	1.42 cents
Diluted (RMB)		**(4.07) cents**	1.42 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	NOTES	2013 RMB'000	2012 RMB'000
Non-current assets			
Property, plant and equipment	(17)	**33,317**	32,085
Deposits for acquisition of plant and equipment		**29,237**	28,377
Intangible assets	(18)	**570**	947
Interest in an associate	(19)	**33,522**	26,053
Available-for-sale financial assets	(20)	**3,794**	6,021
Deferred tax assets	(34)	**2,871**	339
		103,311	93,822
Current assets			
Inventories	(21)	**66,569**	48,617
Trade and bills receivables	(22)	**270,961**	292,980
Prepayments, deposits and other receivables	(23)	**65,904**	69,927
Amount due from an associate	(24)	**41,458**	80,120
Amount due from a non-controlling shareholder of a subsidiary	(25)	**–**	89
Restricted bank balances	(26)	**4,381**	4,263
Short-term bank deposits	(26)	**58,000**	126,000
Bank balances and cash	(26)	**56,338**	58,331
		563,611	680,327
Assets classified as held for sale	(27)	**–**	28,620
		563,611	708,947
Current liabilities			
Trade and bills payables	(28)	**75,672**	94,646
Receipts in advance		**5,701**	11,464
Accruals and other payables		**25,671**	70,599
Tax payable		**2,611**	17,372
Bank borrowings	(29)	**99,500**	90,001
		209,155	284,082
Liabilities classified as held for sale	(27)	**–**	6,226
		209,155	290,308
Net current assets		**354,456**	418,639
Total assets less current liabilities		**457,767**	512,461

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	NOTES	2013 RMB'000	2012 RMB'000
Non-current liabilities			
Deferred income	(40)	**633**	1,037
Deferred tax liabilities	(34)	**8,749**	9,975
		9,382	11,012
Net assets		**448,385**	501,449
Capital and reserves			
Share capital	(30)	**7,311**	7,311
Reserves		**441,074**	472,366
Equity attributable to owners of the Company		**448,385**	479,677
Non-controlling interests		**–**	21,772
Total equity		**448,385**	501,449

The consolidated financial statements on pages 59 to 136 were approved and authorised for issue by the board of directors on 21 March 2014 and are signed on its behalf by:

An Wei
Director

Li Xin Qing
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

	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	Available-for-sale financial assets revaluation reserve RMB'000	Capital reserve RMB'000	Statutory reserve fund RMB'000	Other reserve RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2012	7,311	232,139	11,840	8,640	504	–	(1,539)	38,717	2,334	171,440	471,386	2,315	473,701
Profit for the year	–	–	–	–	–	–	–	–	–	11,795	11,795	(43)	11,752
Other comprehensive expense for the year:													
Change in fair value of available-for-sale financial assets, net of tax	–	–	–	–	–	(1,741)	–	–	–	–	(1,741)	–	(1,741)
Total comprehensive (expense) income for the year	–	–	–	–	–	(1,741)	–	–	–	11,795	10,054	(43)	10,011
Appropriation to reserves	–	–	–	–	–	–	–	23	–	(23)	–	–	–
Capital contribution from non-controlling interests of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	19,500	19,500
Recognition of share-based payments *(note 41)*	–	–	5,000	–	–	–	–	–	–	–	5,000	–	5,000
Lapse of share options	–	–	(2,897)	–	–	–	–	–	–	2,897	–	–	–
Forfeiture of share options	–	–	(529)	–	–	–	–	–	–	529	–	–	–
Dividends recognised as distribution *(note 15)*	–	–	–	–	–	–	–	–	–	(6,763)	(6,763)	–	(6,763)
At 31 December 2012	7,311	232,139	13,414	8,640	504	(1,741)	(1,539)	38,740	2,334	179,875	479,677	21,772	501,449
Profit for the year	–	–	–	–	–	–	–	–	–	(33,811)	(33,811)	(485)	(34,296)
Other comprehensive expense for the year:													
Reserve released on disposal of available-for-sale financial assets	–	–	–	–	–	770	–	–	–	–	770	–	770
Change in fair value of available-for-sale financial assets, net of tax	–	–	–	–	–	(124)	–	–	–	–	(124)	–	(124)
Income tax relating to the component of other comprehensive expense	–	–	–	–	–	29	–	–	–	–	29	–	29
Total comprehensive (expenses) income for the year	–	–	–	–	–	675	–	–	–	(33,811)	(33,136)	(485)	(33,621)
Acquisition of additional equity interest in a subsidiary from non-controlling interests	–	–	–	–	–	–	–	–	(268)	–	(268)	(19,232)	(19,500)
Disposal of a subsidiary	–	–	–	–	–	–	–	(107)	–	107	–	(2,055)	(2,055)
Recognition of share-based payments *(note 41)*	–	–	2,112	–	–	–	–	–	–	–	2,112	–	2,112
Lapse of share options	–	–	(4,339)	–	–	–	–	–	–	4,339	–	–	–
Forfeiture of share options	–	–	(323)	–	–	–	–	–	–	323	–	–	–
At 31 December 2013	7,311	232,139	10,864	8,640	504	(1,066)	(1,539)	38,633	2,066	150,833	448,385	–	448,385

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

	2013 RMB'000	2012 RMB'000
OPERATING ACTIVITIES		
(Loss) profit before taxation:	**(38,162)**	16,512
Adjustments for:		
Allowance for trade receivables	**21,724**	3,347
Amortisation of intangible assets	**377**	377
Amortisation of prepaid lease payments	**–**	291
Depreciation of property, plant and equipment	**7,365**	5,128
Finance costs	**10,564**	9,411
Gain on disposal of a subsidiary *(note 32)*	**(4,446)**	–
Gain on disposal of available-for-sale financial assets	**(4,490)**	(3)
Loss (gain) on disposal of property, plant and equipment	**32**	(42)
Government grants income	**(3,371)**	(2,557)
Interest income	**(6,429)**	(657)
Loss on deemed disposal of partial interest in associates *(note 33)*	**–**	1,089
Share-based payments	**2,112**	5,000
Share of result of an associate	**(7,469)**	(6,368)
Operating cash flows before movements in working capital	**(22,193)**	31,528
(Increase) decrease in inventories	**(18,790)**	11,449
Decrease (increase) in trade and bills receivables	**6,861**	(40,170)
Decrease (increase) in prepayments, deposits and other receivables	**4,751**	(33,918)
Decrease in amount due from an associate	**38,662**	11,753
Decrease (increase) in amount due from a non-controlling shareholder of a subsidiary	**89**	(89)
(Decrease) increase in trade and bills payables	**(18,909)**	3,904
(Decrease) increase in receipts in advance	**(6,315)**	5,026
(Decrease) increase in accruals and other payables	**(45,111)**	19,596
Cash (used in) from operations	**(60,955)**	9,079
PRC income tax paid	**(14,761)**	(8,084)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	**(75,716)**	995

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

	2013 RMB'000	2012 RMB'000
INVESTING ACTIVITIES		
Withdrawal of short-term bank deposits	**68,000**	10,000
Net cash inflow on disposal of a subsidiary *(note 32)*	**18,170**	–
Proceeds on disposal of available-for-sale financial assets	**7,500**	100
Interest received	**6,429**	657
Proceeds on disposal of property, plant and equipment	**70**	246
Withdrawal of restricted bank balances	**32,213**	10,081
Acquisition of additional equity interest in a subsidiary	**(19,500)**	–
Purchase of property, plant and equipment	**(8,696)**	(15,949)
Deposits paid for acquisition of plant and equipment	**(860)**	(5,161)
Placement of restricted bank balances	**(32,331)**	(4,263)
Placement of short-term bank deposits	**–**	(35,000)
Addition to investment in an associate	**–**	(6,150)
NET CASH FROM (USED IN) INVESTING ACTIVITIES	**70,995**	(45,439)
FINANCING ACTIVITIES		
New bank borrowings raised	**109,500**	120,000
Net cash inflow from government grants	**2,967**	2,286
Repayment of bank borrowings	**(100,001)**	(84,772)
Interest paid	**(10,564)**	(9,411)
Capital contribution from non-controlling interests of a subsidiary	**–**	19,500
Dividend paid	**–**	(6,763)
NET CASH FROM FINANCING ACTIVITIES	**1,902**	40,840
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(2,819)**	(3,604)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**59,157**	62,761
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**56,338**	59,157
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS AT END OF THE YEAR		
Bank balances and cash	**56,338**	58,331
Bank balances and cash classified as assets held for sale	**–**	826
	56,338	59,157

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

1. GENERAL

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

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

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

The Company's principal activity is investment holding. The principal activities of the subsidiaries are set out in note 43.

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

The Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") for the first time in the current year.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
HK (IFRIC) * – Interpretation ("Int") 20	Stripping Costs in the Production Phase of a Surface Mine

* *IFRIC represents the International Financial Reporting Interpretation Committee.*

Except as described below, the application of the new and revised HKFRSs in current year has had no material impact on the Group's financial performance and position for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

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

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

In the current year, the Group has applied for the first time the package of five standards on consolidation, joint arrangements, associates and disclosures comprising HKFRS 10 Consolidated Financial Statements, HKFRS 11 Joint Arrangements, HKFRS 12 Disclosure of Interests in Other Entities, HKAS 27 (as revised in 2011) Separate Financial Statements and HKAS 28 (as revised in 2011) Investments in Associates and Joint Ventures, together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding transitional guidance.

HKAS 27 (as revised in 2011) is not applicable to the Group as it deals only with separate financial statements.

The impact of the application of these standards is set out below.

Impact of the application of HKFRS 10

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and HK (SIC)-Int 12 Consolidation – Special Purpose Entities. HKFRS 10 changes the definition of control such that an investor controls an investee when (a) it has power over an investee, (b) it is exposed, or has rights, to variable returns from its involvement with the investee and (c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee.

Impact of the application of HKFRS 12

HKFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, associates and/or unconsolidated structured entities. In general, the application of HKFRS 12 has resulted in more extensive disclosures in the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

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

HKFRS 13 Fair Value Measurement

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements. The scope of HKFRS 13 is broad: the fair value measurement requirements of HKFRS 13 apply to both financial instrument items and nonfinancial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of HKFRS 2 Share-based Payment, leasing transactions that are within the scope of HKAS 17 Leases, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

HKFRS 13 requires prospective application. In accordance with the transitional provisions of HKFRS 13, the Group has not made any new disclosures required by HKFRS 13 for the 2012 comparative period. Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements. (Where the application of HKFRS 13 has impacted the fair value measurements of the Group's assets and/or liabilities, engagement teams should disclose the impact.)

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The Group has applied the amendments to HKAS 1 Presentation of Items of Other Comprehensive Income. Upon the adoption of the amendments to HKAS 1, the Group's "statement of comprehensive income" is renamed as the "statement of profit or loss and other comprehensive income". Furthermore, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

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

New and revised HKFRSs issued but not yet effective

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

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle[2]
HKFRS 9	Financial Instruments[3]
HKFRS 14	Regulatory Deferral Accounts[4]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[1]
Amendments to HKAS 19	Defined Benefit Plans – Employee Contributions[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets[1]
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
HK(IFRIC) – Int 21	Levies[1]

[1] *Effective for annual periods beginning on or after 1 January 2014, with earlier application permitted.*

[2] *Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.*

[3] *HKFRS 9, as amended in December 2013, amended the mandatory effective date of HKFRS 9. The mandatory effective date is not specified in HKFRS 9 but will be determined when the outstanding phases are finalised. However, application of HKFRS 9 is permitted.*

[4] *Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.*

Annual Improvements to HKFRSs 2010-2012 Cycle

The Annual Improvements to HKFRSs 2010-2012 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 2 (i) change the definitions of "vesting condition" and "market condition"; and (ii) add definitions for "performance condition" and "service condition" which were previously included within the definition of "vesting condition". The amendments to HKFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

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

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

Annual Improvements to HKFRSs 2010-2012 Cycle (continued)

The amendments to HKFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of HKFRS 9 or HKAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss. The amendments to HKFRS 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

The amendments to HKFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of HKFRS 13 clarify that the issue of HKFRS 13 and consequential amendments to HKAS 39 and HKFRS 9 did not remove the ability to measure short– term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial.

The amendments to HKAS 16 and HKAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to HAKS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The directors of the Company do not anticipate that the application of the amendments included in the Annual Improvements to HKFRSs 2010-2012 Cycle will have a material effect on the Group's consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

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

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

Annual Improvements to HKFRSs 2011-2013 Cycle

The Annual Improvements to HKFRSs 2011-2013 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to HKFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, HKAS 39 or HKFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within HKAS 32.

The amendments to HKAS 40 clarify that HKAS 40 and HKFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

(a) the property meets the definition of investment property in terms of HKAS 40; and

(b) the transaction meets the definition of a business combination under HKFRS 3.

The directors of the Company do not anticipate that the application of the amendments included in the Annual Improvements to HKFRSs 2011-2013 Cycle will have a material effect on the Group's consolidated financial statements.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

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

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

HKFRS 9 Financial Instruments (continued)

Key requirements of HKFRS 9 are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are 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 reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the Company anticipate that the adoption of HKFRS 9 in the future will not have significant impact on amounts currently reported in respect of the Group's financial assets and financial liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

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

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 Investment Entities

The amendments to HKFRS 10 introduce an exception to consolidating subsidiaries for an investment entity, except where the subsidiaries provide services that relate to the investment entity's investment activities. Under the amendments to HKFRS 10, an investment entity is required to measure its interests in subsidiaries at fair value through profit or loss.

To qualify as an investment entity, certain criteria have to be met. Specifically, an entity is required to:

- obtain funds from one or more investors for the purpose of providing them with professional investment management services;
- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments to HKFRS 12 and HKAS 27 have been made to introduce new disclosure requirements for investment entities.

The amendments to HKFRS 10, HKFRS 12 and HKAS 27 are effective for annual periods beginning on or after 1 January 2014, with early application permitted.

The directors of the Company anticipate that the application of the amendments will have no effect on the Group as the Company is not an investment entity.

The directors of the Company anticipated that the application of other new and revised standards, amendments or interpretation would 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 2013

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements has been prepared on the historical cost basis, except for certain financial instruments that 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 goods.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income/consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

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

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

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

Investment in a subsidiary

Investment in a subsidiary is 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

3. 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 in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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

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

Intangible assets

Intangible assets acquired separately

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

Research and development expenditure

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

Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates

An associate is any entity over which the Group 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 exceeds the Group's 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.

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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

3. 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 with finite useful life to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. 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. An impairment loss is recognised as an expense immediately in profit or loss.

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

Where an 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 an impairment loss is recognised as income immediately in profit or loss.

Inventories

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets

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

Effective interest method

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

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

Loans and receivables

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Available-for-sale financial assets

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

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

Impairment loss on financial assets

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Impairment loss on financial assets (continued)

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

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

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

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

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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments

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

Equity instruments

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Financial liabilities

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the assets expire, or when it transfers the financial assets and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continue to recognise the asset to the extent of its continuing involvement and recognises an associated liability. 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 and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are 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 date of grant 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

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

Cash and cash equivalents

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

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

3. 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 returns and sales related taxes.

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

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

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

– the amount of revenue can be measured reliably;

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

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

The Group's accounting policy for the recognition of revenue from operating leases is described in the accounting policy for leasing below.

Service income is recognised when services are provided.

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

Commission income is recognised in the accounting period in which the services are rendered and the Group's entitlement to commission income becomes unconditional or irrevocable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing

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

The Group as lessor

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

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

Leasehold land and buildings

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

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

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

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

Government grants

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Retirement benefit costs

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

Borrowing costs

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

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

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

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

Current and deferred income tax are recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Depreciation of property, plant and equipment

The Group's management determines the estimated useful lives, residual values, and related depreciation charges for the property, plant and equipment with reference to the estimated periods that the Group intends to derive future economic benefits from the use of these assets. Management will revise the depreciation charge where useful lives are different to previously estimated, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Periodic review could result in a change in depreciable lives and residual lives and therefore depreciation expenses in the future periods. As at 31 December 2013, the carrying amount of property, plant and equipment is approximately RMB33,317,000 (2012: RMB32,085,000).

Amortisation on intangible assets

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

Estimated impairment of intangible assets

Determining whether intangible assets 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 intangible assets has been recognised for each of the reporting periods. As at 31 December 2013, the carrying amount of intangible assets is approximately RMB570,000 (2012: RMB947,000).

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 2013, the carrying amount of trade receivables is approximately RMB266,036,000 (net of allowance for doubtful debts of approximately RMB38,502,000) (2012: carrying amount of approximately RMB288,672,000, net of allowance for doubtful debts of approximately RMB16,778,000), and the carrying amount of other receivables is approximately RMB13,002,000 (no impairment loss was recognised) (2012: carrying amount of approximately RMB11,647,000, net of allowance for doubtful debts of approximately RMB169,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Allowance for inventories

The Group does not have a general allowance policy on inventory based on ageing given the nature of inventories that are not subject to frequent wear and tear and frequent technological changes. However, operational procedures have been in place to monitor this risk as majority of working capital is devoted to inventories. The Group's sales and marketing managers review the inventory aged listing on a periodical basis for those aged inventories. This involves comparison of carrying value of the aged inventory items with the respective net realisable value. The purpose is to ascertain whether allowance is required to be made in the consolidated financial statements for any obsolete and slow-moving items. In addition, physical count on all inventories is carried out on a periodical basis in order to determine whether allowance need to be made in respect of any obsolete and defective inventories identified. In this regard, the directors of the Company are satisfied that this risk is minimal. As at 31 December 2013, the carrying amount of inventories is approximately RMB68,364,000 (2012: RMB48,617,000). No impairment loss was recognised during the years ended 31 December 2013 and 2012.

Share-based payment

The Group granted shares options to the employees as a common feature of employee remuneration. HKFRS 2 requires recognition of an expense for those share options at the fair value on the grant date (equity-settled plans). For share options granted to the employees, in case market prices are not available because the options granted are subject to terms and conditions that do not apply to traded options. If this is the case, the Group estimates the fair value of the equity instruments granted using a valuation technique, which is consistent with generally accepted valuation methodologies. For the year ended 31 December 2013, share-based payment expenses amount to approximately RMB2,112,000 (2012: RMB5,000,000).

5. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debt, which includes bank borrowings disclosed in note 29, net of restricted bank balances, short-term bank deposits and bank balances and cash disclosed in note 26 and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure periodically. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through the payment of dividends and the issue of new debt or the redemption of existing debt.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2013 RMB'000	2012 RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**444,140**	586,250
Available-for-sale financial assets	**3,820**	6,021
	447,960	592,271
Financial liabilities		
Amortised cost	**184,247**	217,365

(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 an associate and a non-controlling shareholder of subsidiary, restricted bank balances, short-term bank deposits, bank balances and cash, trade and bills payables, accruals and other payables and bank borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

The Group mainly operates in the PRC. A significant portion of the Group's sales and purchases is denominated in the functional currency of the Group (i.e. RMB).

Certain cash on hand are denominated in Hong Kong Dollars ("HK$"), which expose the Group to foreign currency risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

6. FINANCIAL INSTRUMENTS (continued)

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

Market risk (continued)

(i) Currency risk (continued)

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

	Assets	
	2013	2012
	RMB'000	RMB'000
HK$	**124**	156

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

Sensitivity analysis

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

The following table details the Group's sensitivity to a 5% (2012: 5%) increase or decrease in RMB against HK$. 5% (2012: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2012: 5%) change in foreign currency rates. A negative number below indicates a increase in post-tax loss (2012: decrease in post-tax profit) where RMB strengthen 5% (2012: 5%) against HK$. For a 5% (2012: 5%) weakening of RMB against HK$, there would be an equal and opposite impact on the loss (2012: profit) and the balances below would be negative.

	HK$ impact	
	2013	2012
	RMB'000	RMB'000
Profit or loss	**(5)**	(7)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

6. FINANCIAL INSTRUMENTS (continued)

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

Market risk (continued)

(i) Currency risk (continued)

The analysis is prepared by using certain assumptions on a hypothetical situation. In reality, market exchange rates would not change in isolation. In management's opinion, the analysis is used for reference purpose and should not be considered a projection of the future profit or loss.

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank borrowings disclosed in note 29, restricted bank balances, short-term bank deposits and bank balances as detailed in note 26. It is the Group's policy to keep its bank 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 bank borrowings.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for variable rate bank borrowings, restricted bank balances, short-term bank deposits and bank balances. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. At the end of the reporting period, a 50 (2012: 50) basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

At the end of the reporting period, if interest rates had been 50 (2012: 50) basis points higher or lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2013 would decrease/increase by approximately RMB354,000 (2012: RMB153,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

6. FINANCIAL INSTRUMENTS (continued)

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

Credit risk

As at 31 December 2013, 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 concentration of credit risk as 5.94% and 25.51% (2012: 26.17% and 52.57%) of the trade receivables was due from the Group's largest and top five customers respectively as at 31 December 2013.

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 2013, the Group has available unutilised overdraft and short-term bank loan facilities of approximately RM67,770,000 (2012: RMB17,149,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

6. FINANCIAL INSTRUMENTS (continued)

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

Liquidity risk (continued)

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

Liquidity table

2013	Within 1 year or on demand RMB'000	Total undiscounted cash flows RMB'000	Carrying Amount RMB'000
Financial liabilities			
Trade and bills payables	**75,672**	**75,672**	**75,672**
Accruals and other payables	**9,075**	**9,075**	**9,075**
Bank borrowings			
– variable rate	**105,856**	**105,856**	**99,500**
	190,603	**190,603**	**184,247**

2012	Within 1 year or on demand RMB'000	Total undiscounted cash flows RMB'000	Carrying Amount RMB'000
Financial liabilities			
Trade and bills payables	94,646	94,646	94,646
Accruals and other payables	32,718	32,718	32,718
Bank borrowings			
– variable rate	92,792	92,792	90,001
	220,156	220,156	217,365

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

6. FINANCIAL INSTRUMENTS (continued)

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

Fair value measurements of financial instruments

This note provides information about how the Group determines fair values of financial instruments.

Some of the Group's financial assets are measured at fair value at the end of each reporting period on a recurring basis. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique	Key inputs
	31/12/2013	31/12/2012			
	RMB'000	RMB'000			
Private equity investments classified as available-for-sale investment on the consolidated statement of financial position	**3,820**	6,021	Level 3	Adjusted net asset method	1. Property, plant and equipment which is based on the current market price of similar assets with consideration of the estimated useful life and the current status of those assets; 2. Inventories is based on the current market price of similar assets; and 3. Bank balances and cash, receivables and payables are based on the cost approach with adjustments on the default risk factors.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

6. FINANCIAL INSTRUMENTS (continued)

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

Reconciliation of Level 3 fair value measurements of financial assets

	Unlisted entity securities RMB'000
At 1 January 2012	8,198
Disposal	(97)
Fair value loss on available-for-sale financial assets recognised in the other comprehensive expense	(2,080)
At 31 December 2012	6,021
Fair value loss on available-for-sale financial assets recognised in the other comprehensive income	(98)
Disposal	(2,103)
At 31 December 2013	3,820

Included in other comprehensive expense is an amount of approximately RMB98,000 loss relate to unlisted equity securities held at the end of the reporting period and is reported as change in "available-for-sale financial assets revaluation reserve" (2012: RMB2,080,000).

7. TURNOVER

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

8. SEGMENT INFORMATION

The Group determines its operating segments based on the internal reports reviewed by the chief operating decision maker (i.e. executive directors of the Company) that are used to make strategic decisions.

The Group currently organises its operations into six operating and reportable segments, namely direct current power system ("DC Power System"), plug and switch system products ("PASS Products"), power monitoring and management equipment ("Power Monitoring"), charging equipment for electric vehicles ("Charging Equipment"), wind and solar power generating balancing control products ("Wind and Solar Power ") 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 operating and 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

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

Year ended 31 December 2013

	DC Power System RMB'000	PASS products RMB'000	Power Monitoring RMB'000	Charging Equipment RMB'000	Wind and Solar Power RMB'000	Total RMB'000
Segment revenue	**148,525**	**3,376**	**12,603**	**11,429**	**–**	**175,933**
Segment results	**20,269**	**529**	**1,974**	**1,821**	**(30)**	**24,563**
Unallocated other revenue						**20,533**
Share of result of an associate						**7,469**
Gain on disposal of subsidiary						**4,446**
Gain on disposal of available-for-sale financial assets						**4,490**
Unallocated head office and corporate expenses						**(89,099)**
Finance costs						**(10,564)**
Loss before taxation						**(38,162)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

8. SEGMENT INFORMATION (continued)

Year ended 31 December 2012

	DC Power System RMB'000	PASS products RMB'000	Power Monitoring RMB'000	Charging Equipment RMB'000	Wind and Solar Power RMB'000	Total RMB'000
Segment revenue	109,629	4,392	14,890	109,759	–	238,670
Segment results	33,753	457	5,877	37,358	(58)	77,387
Unallocated other revenue						5,503
Share of result of an associate						6,368
Loss on deemed disposal of interests in associates						(1,089)
Gain on disposal of available-for-sale financial assets						3
Unallocated head office and corporate expenses						(62,249)
Finance costs						(9,411)
Profit before taxation						16,512

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 result of an associate, gain or loss on deemed disposal of interests in associates, certain other revenue, interest income and finance costs. This is the measure reported to the chief executive officer for the purpose of resource allocation and performance assessment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

8. SEGMENT INFORMATION (continued)

Segment assets and liabilities

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

Segment assets	2013 RMB'000	2012 RMB'000
DC Power System	184,150	216,278
PASS Products	27,447	31,719
Power Monitoring	41,218	47,633
Charging Equipment	212,962	246,108
Wind and Solar Power	–	–
Total segment assets	465,777	541,738
Unallocated	201,145	261,031
Consolidated assets	666,922	802,769

Segment liabilities	2013 RMB'000	2012 RMB'000
DC Power System	35,254	48,739
PASS Products	5,916	8,179
Power Monitoring	4,788	6,620
Charging Equipment	36,048	49,835
Wind and Solar Power	–	–
Total segment liabilities	82,006	113,373
Unallocated	136,531	187,947
Consolidated liabilities	218,537	301,320

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

8. SEGMENT INFORMATION (continued)

Segment assets and liabilities (continued)

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

- all assets are allocated to reportable segments other than deposits for acquisition of plant and equipment, interest in an associate, available-for-sale financial assets, deferred tax assets, other receivables, restricted bank balances, short-term bank deposits and bank balances and cash.

- all liabilities are allocated to reportable segments other than accruals and other payables, tax payable, bank borrowings and deferred tax liabilities.

Other segment information

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

For the year ended 31 December 2013

	DC Power System RMB'000	PASS products RMB'000	Power Monitoring RMB'000	Charging Equipment RMB'000	Wind and Solar Power RMB'000	Unallocated RMB'000	Total RMB'000
Amounts included in the measure of segment profit or loss or segment assets:							
Additions to non-current assets *(note)*	3,994	160	543	3,999	–	–	8,696
Allowance for trade receivables	18,984	359	1,341	1,040	–	–	21,724
Loss on disposal of property, plant and equipment	–	–	–	32	–	–	32
Depreciation and amortisation	3,556	143	495	3,548	–	–	7,742
Amounts regularly provided to the chief operating decision marker but not included in the measure of segment profit or loss or segment assets:							
Interest in an associate	–	–	–	–	–	33,522	33,522
Share of result of an associate	–	–	–	–	–	7,469	7,469
Interest income	–	–	–	–	–	6,429	6,429
Finance costs	–	–	–	–	–	10,564	10,564
Income tax credit	–	–	–	–	–	3,416	3,416

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

8. SEGMENT INFORMATION (continued)

Other segment information (continued)

For the year ended 31 December 2012

	DC Power System RMB'000	PASS products RMB'000	Power Monitoring RMB'000	Charging Equipment RMB'000	Wind and Solar Power RMB'000	Unallocated RMB'000	Total RMB'000
Amounts included in the measure of segment profit or loss or segment assets:							
Additions to non-current assets *(note)*	7,326	293	995	7,335	–	–	15,949
Allowance for trade receivables	952	–	770	1,625	–	–	3,347
Gain on disposal of property, plant and equipment	42	–	–	–	–	–	42
Depreciation and amortisation	2,662	107	362	2,665	–	–	5,796
Amounts regularly provided to the chief operating decision marker but not included in the measure of segment profit or loss or segment assets:							
Interest in an associate	–	–	–	–	–	26,053	26,053
Share of result of an associate	–	–	–	–	–	6,368	6,368
Interest income	–	–	–	–	–	657	657
Finance costs	–	–	–	–	–	9,411	9,411
Income tax expense	–	–	–	–	–	4,760	4,760

Note:

Non-current assets excluded deposits for acquisition of plant and equipment, interest in an associate, available-for-sale financial assets and deferred tax assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

8. SEGMENT INFORMATION (continued)

Geographical information

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

Major customers

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

	2013	2012
	RMB'000	RMB'000
Customer A[1]	**N/A**[2]	32,025

[1] *Revenue mainly from Charging Equipment*
[2] *The corresponding revenue did not contribute over 10% of the total sales of the Group in the respective year*

During the year ended 31 December 2013, the Group had no single customer that contributed 10% or more of the Group's revenue. Therefore, there was no significant concentration of source of income from a particular customer.

9. OTHER REVENUE

	2013	2012
	RMB'000	RMB'000
Value added tax ("VAT") refunds *(note a)*	**10,273**	8,244
Bank interest income	**6,429**	657
Gain on disposal of a subsidiary	**4,446**	–
Consultancy service income	**–**	1,765
Government grants *(note b)*	**3,371**	2,557
Gain on disposal of property, plant and equipment	**–**	42
Gain on disposal of available-for-sale financial assets	**4,490**	3
Rental income *(note c)*	**22**	27
Repairs and maintenance services provided	**–**	44
Exchange gain	**85**	–
Commission income	**–**	168
Other income	**353**	243
	29,469	13,750

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

9. OTHER REVENUE (continued)

Notes:

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

(b) Government grants represent the subsidies received from Zhuhai Finance Bureau ("珠海市財政局"), Department of Finance of Guangdong Province ("廣東省財政廳") and The Ministry of Science and Technology of the People's Republic of China ("中華人民共和國科學技術部") regarding the research and development on technology innovation of which there are no unfulfilled conditions or contingencies relating to those subsidies during the years ended 31 December 2012 and 2013.

(c) There was no outgoings for rental income in 2013 and 2012.

10. FINANCE COSTS

	2013	2012
	RMB'000	RMB'000
Interest on:		
Bank borrowings wholly repayable within five years	**4,531**	3,991
Factoring cost on trade receivables	**6,033**	5,420
	10,564	9,411

11. INCOME TAX (CREDIT) EXPENSE

	2013	2012
	RMB'000	RMB'000
Current tax:		
PRC Corporate Income Tax	**–**	3,829
Withholding tax for dividend from PRC subsidiaries	**–**	1,150
	–	4,979
Deferred tax *(note 34)*:		
– Provision on withholding tax from undistributed profit form PRC subsidiaries	**–**	931
– Impairment loss recognised in respect of trade receivables	**(2,640)**	–
– Reversal on withholding tax from distribution on dividend from PRC subsidiaries	**(1,226)**	(1,150)
– Current year	**(3,866)**	(219)
	(3,866)	4,760

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

11. INCOME TAX (CREDIT) EXPENSE (continued)

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

Zhuhai Titans Technology Co., Ltd. ("Titans Technology") was established in Zhuhai, the special economic zone, and the income tax rates applicable to them was 15% pursuant to the relevant PRC laws in 2007, Titans Technology was recognised as High and New Technology Enterprises by Department of Science and Technology of Guangdong Province in 2008 and the income tax rate applicable to them is 15% for the years ended 31 December 2013 and 2012.

Starting from May 2008, Zhuhai Titans Power Electronics Co., Ltd. ("Titans Power") in the PRC is exempted from the PRC income tax for two years starting from their first profit-making year, followed by a 50% reduction for the next three years. Provision for PRC income tax has been made based on 50% reduction in Titans Power for the year ended 31 December 2012. Titans Power adopt tax rate of 25% for the year ended 31 December 2013.

Saved as stated above, the relevant tax rate for the Group's subsidiaries in the PRC other than Titans Technology and Titans Automatic was 25% for the years ended 31 December 2013 and 2012.

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

	2013	2012
	RMB'000	RMB'000
(Loss) profit before taxation	**(38,162)**	16,512
Tax at the applicable income tax rate of 15%	**(5,724)**	2,477
Tax effect of expenses not deductible for tax purpose	**8,969**	3,254
Tax effect of income not taxable for tax purpose	**(2,118)**	(2,098)
Tax effect of share of result of an associate	**(1,867)**	(1,592)
Tax effect of tax losses not recognised	**307**	2,494
Tax effect on withholding tax arising on undistributed profits of the PRC subsidiaries	**(1,226)**	931
Tax effect of temporary difference not recognised	**1,177**	837
Utilisation of tax losses previously not recognised	**(143)**	(182)
Effect of difference tax rates of subsidiaries	**(3,241)**	(1,361)
Income tax (credit) expense	**(3,866)**	4,760

Details of deferred taxation are set out in note 34.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

12. (LOSS) PROFIT FOR THE YEAR

	2013 RMB'000	2012 RMB'000
(Loss) profit for the year have been arrived at after charging:		
Staff costs		
Directors' emoluments *(note 13)*	**1,526**	1,526
Other staff		
– share-based payments for other staff	**1,840**	4,716
– salaries and other allowances	**19,101**	23,279
– retirement benefits scheme contributions (excluding directors)	**2,332**	4,759
Total staff costs	**24,799**	34,280
Amortisation of intangible assets	**377**	377
Amortisation of prepaid lease payments	**–**	291
Auditor's remuneration	**804**	704
Cost of inventories recognised as an expense	**126,659**	139,808
Depreciation of property, plant and equipment	**7,365**	5,128
Exchange Loss	**–**	102
Loss on deemed disposal of partial interests in associates	**–**	1,089
Loss on disposal of property, plant and equipment	**32**	–
Operating lease rentals in respect of rented premises	**835**	1,955
Research and development costs (included in administrative and other expenses) *(Note)*	**28,546**	20,397

Note:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the six (2012: five) directors and the chief executive were as follows:

For the year ended 31 December 2013

		Other emoluments			
	Fees RMB'000	Salaries and other benefits RMB'000	Share based payments RMB'000	Retirement benefits scheme contributions RMB'000	Total emoluments RMB'000
Executive directors:					
Li Xin Qing	–	462	136	15	613
An Wei	–	462	136	15	613
Independent non-executive directors:					
Li Wan Jun	96	–	–	–	96
Li Xiao Hui (Retired on 22 May 2013)	48	–	–	–	48
Yu Zhou Ping	96	–	–	–	96
Zhang Bo (Appointed on 15 April 2013)	60	–	–	–	60
Total	300	924	272	30	1,526

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (continued)

For the year ended 31 December 2012

		Other emoluments			
	Fees RMB'000	Salaries and other benefits RMB'000	Share based payments RMB'000	Retirement benefits scheme contributions RMB'000	Total emoluments RMB'000
Executive directors:					
Li Xin Qing	–	463	142	14	619
An Wei	–	463	142	14	619
Independent non-executive directors:					
Li Wan Jun	96	–	–	–	96
Li Xiao Hui	96	–	–	–	96
Yu Zhou Ping	96	–	–	–	96
Total	288	926	284	28	1,526

Mr. An Wei is the Chief Executive of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive.

During the year, no emoluments were paid by the Group to the directors or any of the 5 highest paid individuals set out in note 14 as an inducement to join or upon joining the Group or as compensation for loss of office.

No directors waived or agreed to waive any of their emoluments in respect of the years ended 31 December 2013 and 2012.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

14. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (2012: two) were directors of the Company whose emoluments are included in the disclosures in note 13 above. The emoluments of the remaining individual are as follows:

	2013	2012
	RMB'000	RMB'000
Salaries and other benefits	**902**	639
Share-based payments	**198**	274
Retirement benefits scheme contributions	**24**	12
	1,124	925

The emoluments of the two individuals are within the band of nil to HK$1,000,000 (equivalent to RMB802,246) (2012: nil to HK$1,000,000 (equivalent to RMB828,000)).

15. DIVIDENDS

	2013	2012
	RMB'000	RMB'000
Dividends recognised as distribution during the year:		
– Final dividend in respect of the previous financial year, approved and paid of HK$1 cent per share	**–**	6,763

No dividend has been declared by the Company for the years ended 31 December 2013 and 2012 nor has any dividend been proposed since the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

16. (LOSS) EARNINGS PER SHARE

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

	2013	2012
	RMB'000	RMB'000
(Loss) earnings		
(Loss) earnings for the purpose of basic and diluted earnings per share		
(Loss) profit for the year attributable to owners of the Company	**(33,811)**	11,795
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted (loss) earnings per share	**830,000,000**	830,000,000

The computation of diluted (loss) 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 years ended 31 December 2013 and 2012.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

17. 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 2012	16,171	1,206	9,912	4,248	5,992	37,529
Additions	–	5,090	3,951	552	6,356	15,949
Disposals	–	–	(706)	(95)	(270)	(1,071)
Transfer to assets held for sale	(27)	–	(145)	(332)	(174)	(678)
At 31 December 2012	16,144	6,296	13,012	4,373	11,904	51,729
Additions	–	6,935	811	265	685	8,696
Disposals	–	–	(75)	(335)	(34)	(444)
At 31 December 2013	16,144	13,231	13,748	4,303	12,555	59,981
ACCUMULATED DEPRECIATION						
At 1 January 2012	9,071	685	2,854	1,504	1,734	15,848
Provided for the year	856	778	1,651	766	1,077	5,128
Eliminated on disposals	–	–	(538)	(78)	(251)	(867)
Transfer to assets held for sale	(4)	–	(106)	(276)	(79)	(465)
At 31 December 2012	9,923	1,463	3,861	1,916	2,481	19,644
Provided for the year	855	1,888	1,723	786	2,113	7,365
Eliminated on disposals	–	–	(33)	(306)	(6)	(345)
At 31 December 2013	**10,778**	**3,351**	**5,551**	**2,396**	**4,588**	**26,664**
CARRYING VALUES						
31 December 2013	**5,366**	**9,880**	**8,197**	**1,907**	**7,967**	**33,317**
31 December 2012	6,221	4,833	9,151	2,457	9,423	32,085

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

17. 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	over the shorter of the term of the lease, or 5 years
Furniture, fixtures and equipment	18%
Motor vehicles	18%
Plant and machinery	18%

As at 31 December 2013, the Group has pledged its leasehold land and buildings with carrying values of approximately RMB5,235,000 (2012: RMB6,049,000) to secure banking facilities granted to the Group.

18. INTANGIBLE ASSETS

	Technical know-how RMB'000
COST	
At 1 January 2012, 31 December 2012 and 31 December 2013	3,000
AMORTISATION	
At 1 January 2012	1,676
Charge for the year	377
At 31 December 2012	2,053
Charge for the year	377
At 31 December 2013	2,430
CARRYING VALUES	
At 31 December 2013	**570**
At 31 December 2012	947

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

19. INTEREST IN AN ASSOCIATE

	2013	2012
	RMB'000	RMB'000
Cost of investment in an unlisted associate	**18,561**	19,650
Loss on deemed disposal of partial interests in associates *(note 33)*	**–**	(1,089)
Share of post acquisition results	**14,961**	7,492
	33,522	26,053

Summarised financial information in respect of each of the Group's material associates is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with HKFRSs.

The associate is accounted for using the equity method in the consolidated financial statements.

	31/12/2013	31/12/2012
	RMB'000	RMB'000
Current assets	**200,010**	130,851
Non-current assets	**17,503**	6,781
Current liabilities	**(121,736)**	(63,196)

	Year ended	Year ended
	31/12/2013	31/12/2012
	RMB'000	RMB'000
Revenue	**146,122**	132,063
Profit and total comprehensive income for the year	**21,341**	15,789

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19. INTEREST IN AN ASSOCIATE (continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	31/12/2013 RMB'000	31/12/2012 RMB'000
Net assets of the associate	**95,777**	74,436
Proportion of the Group's ownership interest in the associate	**35%**	35%
Carrying amount of the Group's interest in the associate	**33,522**	26,053

Details of the Group's associate at the end of the reporting period are as follow:

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 2013	2012	Proportion of voting power held 2013	2012	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	The PRC	Capital contribution	**35%**	35%	**35%**	35%	Promotion and sales of charging equipment for electric vehicles

* *For identification only.*

20. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2013 RMB'000	2012 RMB'000
Available-for-sale financial assets comprise:		
Unlisted investments:		
– equity securities	**3,794**	6,021

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

In December 2013, the Group disposed of 6% equity interest in 北京優科利爾新能源裝備有限公司with a consideration of RMB7,500,000, which had been carried at approximately RMB3,000,000. A gain on disposal has been recognised in profit or loss for the current year.

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21. INVENTORIES

	2013	2012
	RMB'000	RMB'000
Raw materials	**24,518**	24,072
Work-in-progress	**12,108**	4,222
Finished goods	**29,943**	20,323
	66,569	48,617

22. TRADE AND BILLS RECEIVABLES

	2013	2012
	RMB'000	RMB'000
Trade receivables	**304,538**	305,450
Less: allowance for trade receivables	**(38,502)**	(16,778)
	266,036	288,672
Bills receivables	**4,925**	4,308
Total trade and bills receivables	**270,961**	292,980

Included in the balances of trade receivables as at 31 December 2013 were retention receivables of approximately RMB36,737,000 (2012: RMB47,130,000).

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22. TRADE AND BILLS RECEIVABLES (continued)

The following is an aged analysis of trade receivables based on the dates of recognition of the sales and net of allowance for trade receivables at the end of the reporting period:

	2013	2012
	RMB'000	RMB'000
0 – 90 days	**81,811**	103,671
91 – 180 days	**26,387**	6,578
181 – 365 days	**46,067**	48,443
1 – 2 years	**77,940**	104,331
2 – 3 years	**32,686**	19,584
Over 3 years	**1,145**	6,065
	266,036	288,672

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

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

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

At the end of the reporting period, the Group's trade receivables are individually assessed for impairment. 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.

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22. TRADE AND BILLS RECEIVABLES (continued)

As at 31 December 2013, included in the Group's trade receivable balances were receivables with aggregate carrying amounts of approximately RMB184,225,000 (2012: RMB185,001,000) 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.

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

	2013	2012
	RMB'000	RMB'000
Duration of past due		
0 – 90 days	**26,387**	6,578
91 – 180 days	**11,517**	12,111
181 – 365 days	**54,035**	62,415
1 – 2 years	**67,126**	83,144
2 – 3 years	**24,551**	16,204
Over 3 years	**609**	4,549
	184,225	185,001
Neither past due nor impaired	**81,811**	103,671
	266,036	288,672

Movement in the allowance for trade receivables:

	2013	2012
	RMB'000	RMB'000
Balance at beginning of the year	**16,778**	13,431
Allowance for trade receivables	**21,724**	3,347
Balance at end of the year	**38,502**	16,778

As at 31 December 2013, included in the allowance for trade receivables are individually impaired trade receivables with aggregate balances of approximately RMB38,502,000 (2012: RMB16,778,000) which have been placed in severe financial difficulties.

The Group does not hold any collateral over these balances.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2013 **RMB'000**	2012 RMB'000
Other receivables	**13,002**	11,816
Less: allowance for other receivables	**–**	(169)
	13,002	11,647
Prepayments to suppliers	**52,145**	58,093
Prepayments	**757**	187
	65,904	69,927

Movement in the allowance for other receivables:

	2013 **RMB'000**	2012 RMB'000
At 1 January	**169**	169
Written off during the year	**(169)**	–
At 31 December	**–**	169

As at 31 December 2012, included in the allowance for other receivables were individually impaired trade receivables with aggregate balances of approximately RMB169,000 (2013: Nil) which had been assessed as highly probable from non-repayment.

24. AMOUNT DUE FROM AN ASSOCIATE

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

The following is an aged analysis of amount due from an associate based on the dates of recognition of the sales at the end of the reporting period:

	2013 **RMB'000**	2012 RMB'000
0 – 90 days	**10,022**	19,301
91 – 180 days	**18**	34
181 – 365 days	**11**	–
1 – 2 years	**27,294**	52,747
Over 2 years	**4,113**	8,038
	41,458	80,120

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For the year ended 31 December 2013

24. AMOUNT DUE FROM AN ASSOCIATE (continued)

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.

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

25. AMOUNT DUE FROM A NON-CONTROLLING SHAREHOLDER OF A SUBSIDIARY

The amount was 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 subsidiary for balances are trading in nature.

The age of amount due from a non-controlling shareholder of a subsidiary as at 31 December 2012 was less than 90 days and it was neither past due nor impaired. The amount had been repaid during the year ended 31 December 2013.

26. RESTRICTED BANK BALANCES/SHORT-TERM BANK DEPOSITS/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 2013, the balances carried interest at average market rates of 0.35% (2012: 0.35%) per annum and will be released upon the completion of the respective transactions.

Short-term bank deposits represent the fixed bank deposits at rates ranging from 2.60% to 4.75% (2012: 2.60% to 4.75%) of which the days of maturity are over 3 months.

Bank balances carried interest at market rates ranging from 0.001% to 0.50% (2012: 0.001% to 0.50%) per annum for the year ended 31 December 2013.

At 31 December 2013, bank balances of approximately RMB1,000 (2012: RMB1,000) and RMB124,000 (2012: RMB156,000) were denominated in US$ and HK$ respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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27. ASSETS/LIABILITIES CLASSIFIED AS HELD FOR SALE

On 7 December 2012, the Group entered into disposal agreements with Best Able Limited and Jiangyin City Siteersi Trading Co., Ltd., independent third parties, in respect of the disposal of 90.04% equity interests in Jiangyin Titans High Voltage Electric Co., Ltd. ("Jiangyin Titans") at a consideration of approximately RMB21,573,000. The principal activity of the Jiangyin Titans High Voltage Electric Co., Ltd. is marketing and sale of PASS products and the provision of engineering services. The assets and liabilities attributable to those businesses, which are expected to be sold within twelve months, have been classified as a disposal group held for sale and are presented separately in the consolidated statement of financial position accordingly.

The major classes of assets and liabilities classified as held for sale at 31 December 2012, which have been presented separately in the consolidated statement of financial position, are as follows:

	RMB'000
Property, plant and equipment	213
Prepaid lease payments	12,814
Inventories	1,405
Trade and bills receivables	11,932
Prepayments, deposits and other receivables	1,430
Bank balances and cash	826
Assets classified as held for sale	28,620
Trade payables	199
Receipts in advance	552
Accruals and other payables	5,475
Liabilities classified as held for sale	6,226

The net proceeds of disposal are expected to exceed the net carrying amount of the relevant assets and liabilities and accordingly, no impairment loss has been recognised.

The disposal has been completed during the year ended 31 December 2013 *(note 32)*.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

28. TRADE AND BILLS PAYABLES

	2013 RMB'000	2012 RMB'000
Trade payables	**61,951**	88,795
Bills payables	**13,721**	5,851
Total trade and bills payables	**75,672**	94,646

The following is an aged analysis of trade payables based on the dates of receipt of goods purchased at the end of the reporting period:

	2013 RMB'000	2012 RMB'000
0 – 90 days	**49,227**	50,529
91 – 180 days	**7,077**	6,807
181 – 365 days	**1,163**	27,961
1 – 2 years	**3,075**	2,267
Over 2 years	**1,409**	1,231
	61,951	88,795

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.

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For the year ended 31 December 2013

29. BANK BORROWINGS

	2013	2012
	RMB'000	RMB'000
Bank borrowings, secured	**15,600**	50,000
Bank borrowings, unsecured	**83,900**	40,001
	99,500	90,001
Carrying amounts repayable:		
Within one year, shown under current liabilities	**99,500**	90,001

All bank borrowings are arranged at floating rates. The effective interest rates (which also equal to contracted interest rates) on the Group's bank borrowings ranges from 5.88% to 7.80% (2012: 5.60% to 6.00%) per annum for the year ended 31 December 2013.

During the year, the Group obtained new loans in the amount of RMB109,500,000 (2012: RMB120,000,000). 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.

As at 31 December 2013 and 2012, certain of the borrowings were guaranteed by the Company and the directors of the Company, detail of the guarantees by the directors are set out at note 39.

As set out in note 37, the Group's leasehold land and buildings of carrying values of approximately RMB5,235,000 (2012: RMB6,049,000) as at 31 December 2013 were pledged to secure bank borrowings and facilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

30. SHARE CAPITAL

	Number of shares	Share capital
		HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January 2012, 31 December 2012 and 31 December 2013	10,000,000,000	100,000
		RMB'000
Issued and fully paid:		
At 1 January 2012, 31 December 2012 and 31 December 2013	830,000,000	7,311

31. ACQUISITION OF ADDITIONAL INTEREST IN A SUBSIDIARY

On 10 September 2013, Zhuhai Titans Power Electronics Co. Ltd has acquired the remaining 65% equity interest in a subsidiary named 河南弘正電力科技有限公司 ("河南弘正") from three non-controlling interests of 河南弘正 at a consideration of RMB19,500,000. The consideration is close to the net assets value of 河南弘正 as at the completion date. The difference of approximately RMB268,000 between the consideration and the carrying value of the equity interests acquired has been recognised in other reserve within equity. After the acquisition, 河南弘正 become a wholly-owned subsidiary of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

32. DISPOSAL OF A SUBSIDIARY

The Group entered into an agreement to dispose of its entire equity interest in Jiangyin Titans to independent third parties. The completion of the disposal took place in January 2013, upon which Jiangyin Titans ceased to be a subsidiary of the Group.

The net assets of Jiangyin Titans at the date of disposal were as follows:

	RMB'000
Net assets disposed of	
Property, plant and equipment	210
Prepaid lease payments	12,814
Inventories	4,886
Trade and bills receivables	5,366
Prepayments, deposits and other receivables	702
Bank balances and cash	760
Trade payables	(264)
Accruals and other payables	(5,292)
	19,182
Gain on disposal of subsidiary	4,446
Non-controlling interests	(2,055)
Total consideration, satisfied by cash	21,573
Net cash inflow arising on disposal:	
Cash consideration received	21,573
Bank balances and cash disposed of	(3,403)
	18,170

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

33. DEEMED DISPOSAL OF PARTIAL INTERESTS IN ASSOCIATES

On 19 October 2012, the Group had entered into a capital contribution agreement with the substantial shareholder of Beijing Hua Shang according to which the contributed capital of Beijing Hua Shang would be increased by approximately RMB26,150,000. According to the agreement, the Group had contributed approximately RMB6,150,000 of the additional contributed capital and the rest of approximately RMB20,000,000 had been contributed by the substantial shareholder of Beijing Hua Shang. As a result, the interest in this associate of the Group was diluted from 45% to 35%. As the number of representative in the board of directors remained 2 seats out of total 5 seats, Beijing Hua Shang, is classified as an associate of the Group as before. The loss arising from the deemed disposal of the interest in Beijing Hua Shang amounted to approximately RMB1,089,000.

34. DEFERRED TAXATION

The followings are the major deferred tax asset (liability) recognised and movement thereon for the current and prior years:

	Impairment loss recognised in respect of trade receivables RMB'000	**Available-for-sale financial assets** RMB'000	**Undistributable profits of subsidiaries** RMB'000	**Total** RMB'000
At 1 January 2012	–	–	(10,194)	(10,194)
Charged to profit or loss	–	–	(931)	(931)
Credited to profit or loss *(note 1)*	–	–	1,150	1,150
Credited to available-for-sale financial assets revaluation reserve	–	339	–	339
At 31 December 2012	–	339	(9,975)	(9,636)
Credited to profit or loss	2,640	–	1,226	3,866
Disposal of available-for-sale financial assets	–	(137)	–	(137)
Credited to available-for-sale financial assets revaluation reserve	–	29	–	29
At 31 December 2013	2,640	231	(8,749)	(5,878)

Note 1: The amount from withholding tax credit of approximately RMB1,150,000 represents deferred tax liability reversed on withholding tax charged on PRC's subsidiaries for the year ended 31 December 2012.

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34. DEFERRED TAXATION (continued)

The following is the analysis of the deferred tax balances for financial reporting purpose:

	2013	2012
	RMB'000	RMB'000
Deferred tax assets	**2,871**	339
Deferred tax liabilities	**(8,749)**	(9,975)
At 31 December 2013	**(5,878)**	(9,636)

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has been provided for in the consolidated financial statements for the year ended 31 December 2013 in respect of temporary difference attributable to accumulated profits of the PRC subsidiaries amounting to approximately RMB174,986,000 (2012: RMB199,499,000) as the Group considered the temporary differences will reverse during the year and in the foreseeable future.

The Group had unused tax losses of approximately RMB15,414,000 (2012: RMB13,938,000) as at 31 December 2013, 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 tax losses of approximately RMB615,000, RMB5,021,000 and RMB2,533,000 as at 31 December 2013 will expire in 2015, 2016 and 2017 respectively (2012: RMB615,000 and RMB5,021,000 will expire in 2015 and 2016 respectively). Other losses may be carried forward indefinitely.

The Group had deductible temporary differences of approximately RMB20,899,000 (2012: RMB16,946,000) in respect of allowance for trade and other receivables as at 31 December 2013. No deferred tax asset has been recognised due to the unpredictability of future profit streams will be available against which the deductible temporary differences can be utilised.

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35. OPERATING LEASE COMMITMENTS

The Group as a lessee

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

	2013	2012
	RMB'000	RMB'000
Within one year	**1,614**	1,053
In the second to fifth year inclusive	**1,009**	538
	2,623	1,591

Operating lease payments represent rentals payable by the Group for certain of its offices and workshops. Leases are negotiated for an average of two (2012: two) years and rentals are fixed for one (2012: one) year for the year ended 31 December 2013.

36. CAPITAL COMMITMENTS

	2013	2012
	RMB'000	RMB'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**8,572**	11,863
Capital expenditure in respect of the acquisition of property, plant and equipment authorised but not contracted for	**911**	–

37. PLEDGE OF ASSETS

At 31 December 2013, the Group's leasehold land and buildings of carrying values of approximately RMB5,235,000 (2012: RMB6,049,000) were pledged to secure bank borrowings and facilities.

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38. 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. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the scheme registered under the MPF Ordinance. The employer's contributions vested fully with the employees when contributed into the scheme. The only obligation of the Group with respect to the scheme is to make the specified contributions.

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

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

39. RELATED PARTY TRANSACTIONS

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

	NOTES	**2013** **RMB'000**	2012 RMB'000
Rental income	*(i)*	**14**	27
Sales to a non-controlling shareholder of a subsidiary	*(ii)*	**–**	89
Sales to an associate	*(iii)*	**3,581**	29,474

Notes:

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

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

(ii) Sales of power equipment to Henan Zhongfen Instrument Co., Ltd on terms mutually agreed with the parties, which were reference to prevailing market prices under the sales agreement.

(iii) Sales of charging equipment for electric vehicles to Beijing Hua Shang for the years ended 31 December 2013 and 2012 on terms mutually agreed with the parties, which were reference to prevailing market prices under the sales agreement.

* *For identification purpose only*

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For the year ended 31 December 2013

39. RELATED PARTY TRANSACTIONS (continued)

b) Compensation to key management personnel

The directors of the Company consider that they are the only key management personnel of the Company. The remuneration of directors during the year was as follows:

	2013 RMB'000	2012 RMB'000
Short-term benefits	**923**	926
Share-based payments	**272**	284
Post-employment benefits	**30**	28
	1,225	1,238

The remuneration of key management personnel is determined by the remuneration committee having regard to the performance of individuals and market trends.

c) Guarantees from directors

At 31 December 2013 and 2012, certain banking facilities of the Group were guaranteed by Mr. Li Xin Qing and Mr. An Wei, directors of the Company:

	2013 RMB'000	2012 RMB'000
To the extent of	**210,000**	130,000

Details of the borrowings of the Group are set out in note 29.

40. DEFERRED INCOME

During the year ended 31 December 2013, the Group received government grants of RMB1,385,000 (2012: RMB2,100,000) related to research and development on technology innovation on charging equipment for motor vehicles. The amounts are recognised as income according to the research and development expenses incurred and recognised in the profit and loss during the year over the forecasted research and development cost. This policy has resulted in a credit to income in the current year of RMB1,786,000 (2012: RMB2,371,000). As at 31 December 2013, an amount of RMB633,000 (2012: RMB1,037,000) remains to be amortised.

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For the year ended 31 December 2013

41. 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.

Share option scheme

Pursuant to the resolution in writing of shareholders of the Company on 8 May 2010, the Company has adopted a new share option scheme (the "Share Option Scheme") for a period of 10 years commencing on 8 May 2010, the board of directors of the Company may, at its discretion, grant share options to any individual being an employee, officer, agent, consultant or representative of any member of the Group (including any executive or non-executive director of any member of the Group) for at a consideration of HK$1 on acceptance of the option offer. The subscription of shares in the Company is subject to the terms and conditions as stipulated in the Share Option Scheme. 19,430,000 share options were first granted during the year ended 31 December 2012 since adoption. No share options are granted during the year ended 31 December 2013.

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.

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41. SHARE-BASED PAYMENTS (continued)

Share option scheme (continued)

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

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

Detail of the new share options granted on 17 February 2012 is as follows:

Date of grant	Vesting proportion	Exercisable period	Exercise price	Fair value at grant date
			HK$	HK$
17 February 2012	33%	17.2.2012-16.2.2013	1.10	0.29
	33%	17.2.2013-16.2.2014	1.10	0.39
	33%	17.2.2014-16.2.2015	1.10	0.46

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

	2013 Number ('000)	2012 Number ('000)
Outstanding at 1 January 2013	**36,140**	42,970
Lapsed during the year	**(11,667)**	(5,830)
Forfeited during the year	**(780)**	(1,000)
Outstanding at 31 December 2013	**23,693**	36,140

Share options were granted on 8 May 2010 and 17 February 2012. The aggregate fair value of the options determined at the date of grant using the Binomial model was approximately HK$15,741,000 and HK$7,365,000 (equivalent to approximately RMB13,760,000 and RMB6,178,000) respectively based on the valuation report issued by an independence valuer, Avista Valuation Advisory.

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41. SHARE-BASED PAYMENTS (continued)

Equity-settled share-based payment of approximately RMB2,112,000 (2012: RMB5,000,000) was recognised in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2013.

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

	Pre-IPO share option granted on 8 May 2010	**Share options granted on 17 February 2012**
Grant date share price (HK$)	1.05 – 1.2	1.06 – 1.12
Exercise price (HK$)	0.525 – 0.6	1.1
Expected life (years)	2.058 – 5.058	4
Expected volatility	54.59% – 57.84%	46.50% – 52.70%
Dividend yield	1.17%	0%
Risk-free interest rate	0.58% – 1.82%	0.72% – 1.63%

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

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42. STATEMENT OF FINANCIAL POSITION FOR COMPANY LEVEL

	2013	2012
	RMB'000	RMB'000
Non-current asset		
Investment in a subsidiary	**1**	1
Current assets		
Dividend receivable	**25,665**	25,665
Amount due from a subsidiary *(note a)*	**200,378**	202,656
Bank balances and cash	**108**	112
	226,151	228,433
Current liability		
Accruals and other payable	**758**	715
Net current assets	**225,393**	227,718
	225,394	227,719
Capital and reserves		
Share capital *(note 30)*	**7,311**	7,311
Reserves *(note b)*	**218,083**	220,408
	225,394	227,719

Notes:

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

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

Notes: (continued)

(b) Reserves

	Share premium RMB'000	**Share option reserve** RMB'000	**Accumulated losses** RMB'000	**Total** RMB'000
At 1 January 2012	232,139	11,840	(14,715)	229,264
Loss for the year and total comprehensive expense for the year	–	–	(7,093)	(7,093)
Dividends paid	–	–	(6,763)	(6,763)
Recognition of share-based payments *(note 41)*	–	5,000	–	5,000
Lapsed of share options	–	(2,897)	2,897	–
Forfeiture of share options	–	(529)	529	–
At 31 December 2012	232,139	13,414	(25,145)	220,408
Loss for the year and total comprehensive expense for the year	–	–	(4,437)	(4,437)
Recognition of share-based payments *(note 41)*	–	2,112	–	2,112
Lapsed of share options	–	(4,339)	4,339	–
Forfeiture of share options	–	(323)	323	–
At 31 December 2013	232,139	10,864	(24,920)	218,083

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43. 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 2013 and 2012:

Name of subsidiary	Place of incorporation/ establishment and operation	Class of shares held	Issued and fully paid share capital/registered capital 2013	2012	Attributable equity interest held by the Company 2013	2012	Principal activities
Titans (BVI) Limited#	British Virgin Islands	Ordinary	**US$200**	US$200	**100.00%**	100.00%	Investment holding
Titans Holdings Co., Limited 泰坦控股有限公司	Hong Kong	Ordinary	**HK$10,000**	HK$10,000	**100.00%**	100.00%	Investment holding
Grace Technology Development Limited 嘉能科技發展有限公司	Hong Kong	Ordinary	**HK$1**	HK$1	**100.00%**	100.00%	Investment holding
Zhuhai Titans Power Electronics Co., Ltd.* 珠海泰坦電力電子集團有限公司	The PRC	Contributed capital	**RMB232,000,000**	RMB232,000,000	**100.00%**	100.00%	Research, development, manufacture and sales of wind and solar power generation balancing control products, charging equipment for electrical vehicles and power grid monitoring and management products
Zhuhai Titans Technology Co., Ltd.* 珠海泰坦科技股份有限公司	The PRC	Contributed capital	**RMB200,000,000**	RMB200,000,000	**100.00%**	100.00%	Research, development, manufacture and sales of electrical direct current products
Zhuhai Titans New Energy Systems Co., Ltd.* 珠海泰坦新能源系統有限公司	The PRC	Contributed capital	**RMB3,000,000**	RMB3,000,000	**100.00%**	100.00%	Research, development, manufacture and sales of electrical power generation balancing control and other products
Jiangyin Titans High Voltage Electric Co., Ltd.* 江陰泰坦高壓電氣有限公司	The PRC	Contributed capital	**RMB24,573,400**	RMB24,573,400	**–**	90.04%	Marketing and sales of plug and switch system products
Anhui Titans Liancheng Energy Technology Co., Ltd.* 安徽泰坦聯成能源技術有限公司	The PRC	Contributed capital	**RMB30,000,000**	RMB30,000,000	**100.00%**	100.00%	Research, development, manufacture and sales of electrical direct current products
Henan Hong Zheng Electric Technology Co., Ltd.* *(Note 1)* 河南弘正電氣科技有限公司*	The PRC	Contributed capital	**RMB30,000,000**	RMB30,000,000	**100.00%**	35%^	Research, development, manufacture and sales of electrical direct current products

* *For identification purpose only*

\# *Directly held by the Company*

^ *Incorporated on 14 March 2012*

Note 1: The Group had consolidated the results of Henan Hong Zheng Electric Technology Co., Ltd. as the Group can control the financial and operating policies of Henan Hong Zheng Electric Technology Co., Ltd. for the year ended 31 December 2012.

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44. EVENT AFTER THE REPORTING PERIOD

As at 25 February 2014, the Group entered into a sale and purchase agreement with the substantial shareholder of Henan Longyuan New Energy Equipment Co. Ltd.*（河南龍源新能源裝備有限公司）("Henan Longyuan"), to dispose of 10% equity interest in Henan Longyuan at a consideration of approximately RMB2,238,000. The carrying amount of the respective 10% equity interest is approximately RMB2,165,000. The transaction was not yet completed by the reporting date.