TITANS

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

Incorporated in the Cayman Islands with members' limited liability
Stock Code : 2188

2019
ANNUAL REPORT

* For identification purpose only

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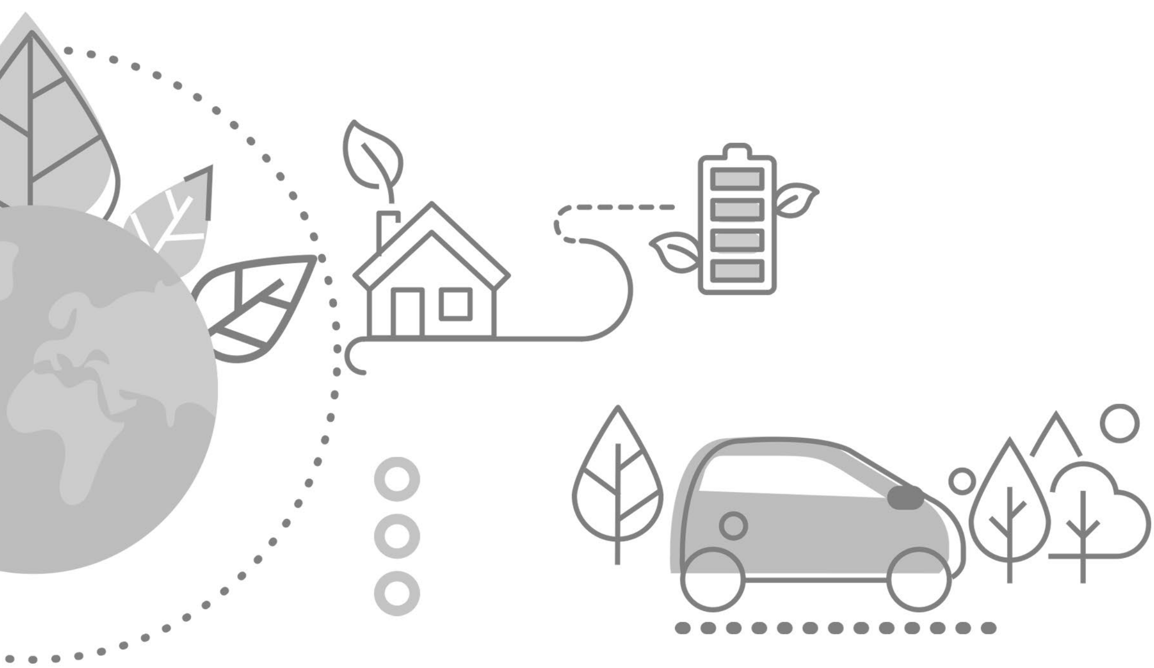
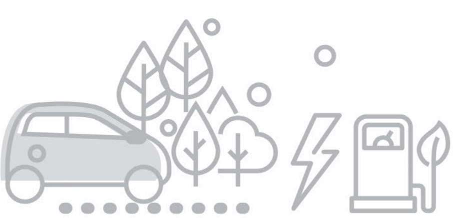


CORPORATE INFORMATION

Directors	Executive Directors Mr. Li Xin Qing *(Chairman)* Mr. An Wei *(Chief Executive Officer)* Independent non-executive Directors Mr. Li Wan Jun Mr. Zhang Bo Mr. Pang Zhan
Audit Committee	Mr. Li Wan Jun *(Committee Chairman)* Mr. Zhang Bo Mr. Pang Zhan
Remuneration Committee	Mr. Zhang Bo *(Committee Chairman)* Mr. Li Wan Jun Mr. Pang Zhan
Nomination Committee	Mr. Li Xin Qing *(Committee Chairman)* Mr. Zhang Bo Mr. Pang Zhan
Authorised Representatives	Mr. Li Xin Qing Ms. Ho Wing Yan
Company Secretary	Ms. Ho Wing Yan
Auditor	SHINEWING (HK) CPA Limited
Registered Office	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands



CORPORATE INFORMATION

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 People's Republic of China
Principal Place of Business in Hong Kong	Units 3306-12, 33/F., Shui On Centre Nos. 6-8 Harbour Road Wanchai Hong Kong
Principal Share Registrar and Transfer Office	SMP Partners (Cayman) Limited Royal Bank House 3rd Floor 24 Shedden Road P.O. Box 1586 Grand Cayman KY1-1110 Cayman Islands
Hong Kong Branch Share Registrar and Transfer Office	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Legal Adviser	*As to Hong Kong law:* Wan & Tang 23/F, Somptueux Central 52 Wellington Street Central Hong Kong
Principal Banker	Bank of Communications Zhuhai Jida Sub-branch 1/F, Zhong Dian Tech Building Jida Jiuzhou Road The PRC
Stock Code	2188
Website	www.titans.com.cn

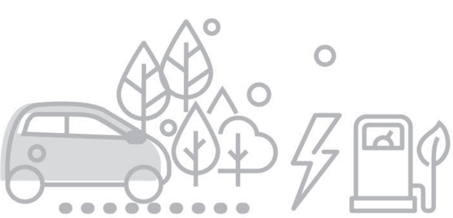
FINANCIAL HIGHLIGHTS

OPERATING FIGURES FOR THE PAST FIVE YEARS

For the year ended 31 December	**2019 RMB'000**	2018 RMB'000	2017 RMB'000	2016 RMB'000	2015 RMB'000
Revenue	**301,214**	270,204	327,861	289,298	195,902
Gross profit	**212,932**	82,231	113,147	94,675	71,785
(Loss) Profit for the year attributable to owners of the Company	**(47,603)**	(40,168)	163,706	7,279	(26,061)
Total comprehensive (expense) income for the year attributable to owners of the Company	**(41,580)**	(42,260)	54,626	109,409	(25,205)
(Loss) Earnings per share					
Basic	**RMB(0.052)**	RMB(0.043)	RMB0.177	RMB0.008	RMB(0.030)
Diluted	**RMB(0.052)**	RMB(0.043)	RMB0.165	RMB0.008	RMB(0.030)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR THE PAST FIVE YEARS

As at 31 December	**2019 RMB'000**	2018 RMB'000	2017 RMB'000	2016 RMB'000	2015 RMB'000
Total assets	**878,764**	983,542	1,061,898	966,908	731,576
Non-current assets	**298,673**	255,474	285,679	109,562	57,038
Current assets	**580,091**	728,068	776,219	857,346	674,538
Total liabilities	**334,420**	391,529	404,463	381,866	253,789
Current liabilities	**246,083**	279,090	382,409	263,517	244,470
Net current assets	**334,008**	448,978	393,810	593,829	430,068
Net assets	**544,344**	592,013	657,435	585,042	477,787



FINANCIAL HIGHLIGHTS

FINANCIAL INDICATORS FOR THE PAST FIVE YEARS

For the year ended 31 December	**2019**	2018	2017	2016	2015
Inventory turnover (1) (days)	**139**	153	148	176	228
Trade and bills receivables turnover (2) (days)	**271**	333	267	302	483
Trade and bills payables turnover (3) (days)	**151**	155	120	122	208
Current ratio (4) (times)	**2.36**	2.61	2.03	3.25	2.76
Gearing ratio (5) (%)	**20.96**	28.00	20.90	23.30	17.32
Return on equity (6) (%)	**(9.04)**	(7.04)	25.96	1.26	(5.58)

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 revenue and 1+16% 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+16% 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 bank and other borrowings divided by total assets, and multiplied by 100%.

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

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of China Titans Energy Technology Group Co., Limited (中國泰坦能源技術集團有限公司*) (the "Company") and its subsidiaries (collectively the "Group"), I hereby present the annual report for 2019 of the Group.

In 2019, the new energy vehicle market has been experiencing the adjustment period inevitably caused by the shift from policy-oriented to demand-oriented and encountered greater pressure. As the grants for new energy vehicles recorded a substantial decrease, there was an obvious decline of the production and sales of new energy vehicles of the PRC since July, resulting in the first negative growth of annual production and sales on record. According to the statistics published by China Association of Automobile Manufacturers, the production and sales of new energy vehicles were 1,242,000 units and 1,206,000 units in 2019, representing a year-on-year decrease of 2.3% and 4.0%, respectively. According to the statistics from the China Electric Vehicle Charging Infrastructure Promotion Alliance, there were 128,000 public charging facilities newly installed nationwide, the number of which reached 516,000 units. Among which, 301,000 were AC charging piles and 215,000 were DC charging piles.

2019 was an extremely hard year for substantially most of the domestic enterprises in the PRC, especially those private enterprises. The Group broadened revenue sources and reduced expenditures proactively, and we expanded channels and opened up markets on one hand, while we streamlined and enhanced our efficiency on the hand. During the Reporting Period, the Group recorded revenue of approximately RMB301,214,000, representing a year-on-year increase of approximately 11.48%. Despite the increase in revenue, being affected by the impairment loss of loan receivables and the loss from the fair value change of financial asset at fair value through profit or loss held, the loss attributable to owners of the Company was RMB47,603,000. Except the strategic scale-down of the construction business under BOT arrangements, the Group's other businesses, such as power DC power supply products, charging equipment for electric vehicles and charging services for electric vehicles, has recorded growth to different extents. Through the vigorous development of the dual model of "direct sales + agency", power DC power supply products has recorded sales growth for fourth consecutive years.

In 2020, the Group has promoted the annual operating strategy of "change actively, manage refinedly". First of all, we need to change proactively. While facing profound changes in economic condition, market environment and competitive landscape, we shall embark on making changes to adapt to the new environments and conditions and secure new development opportunities. At the same time, we optimize our design, improve our quality, control our costs and enhance the enterprise's core competitiveness through refined management. In 2019, the Group has implemented a series of measures and achieved considerable results. In addition, the Group optimized our production processes which is effective to increase the average productivity per person of the Group; we carried out intelligent upgrades to our operating platforms which enabled our products to better suit customers' needs; we integrated or streamlined those adjustable business processes and organizational departments which could reduce our management fees while enhancing the Group's operational efficiency. In 2020, the Group would continue to commence refined management and treat continuous improvements as a long-term work.

* *For identification purpose only*

CHAIRMAN'S STATEMENT

In the beginning of 2020, China was greatly tested by the epidemic of Novel Coronavirus. The Group prioritizes the health of our staff on one hand, while endeavoring to resume work and production. In March 2020, the state has enlisted seven sectors, such as charging piles of new energy vehicles, 5G base station developments, artificial intelligence and industrial networks, in the new infrastructure construction that should speed up the development. The business of charging poles for electric vehicles and the "Titan OS Artificial Intelligence (AI) System Platform" invested and developed by the Group will benefit from this policy. In the new year, Titans will continue to show our features of "conscience, responsibility, aggressive, shared mission and harmony" and overcome obstacles and suffer. At the same time, with the enterprise's philosophy of "making electricity more valuable" in mind, we will be cooperative and strive for excellence, so as to create a new situation in the Group's development!

The partners, suppliers and customers as well as the collective efforts of all our staff are indispensable to the development of our Group. On behalf of the Board, I would like to take this opportunity to extend my respect and heartfelt thanks to all Shareholders, business partners, valuable customers and colleagues of our Group! I look forward to walk with all of you together!

Li Xin Qing
Chairman

Hong Kong, 27 March 2020

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the year ended 31 December 2019 (the "Reporting Period"), the Group recorded revenue of approximately RMB301,214,000, representing an increase of approximately 11.48% over that of last year. Revenue was mainly derived from the Group's principal businesses including various products such as direct current power system products (the "DC Power System products" or "electrical DC products"), charging equipment for electric vehicles and charging services for electric vehicles. The table below shows the revenue of different series of products of the Group for the years ended 31 December 2018 and 2019:

	For the year ended 31 December			
	2019		2018	
	RMB'000	**%**	RMB'000	%
Electrical DC products	**133,064**	**44.18**	120,687	44.67
Charging equipment for electric vehicles	**144,915**	**48.11**	112,380	41.59
Construction under BOT arrangements	**1,292**	**0.43**	16,874	6.24
Charging services for electric vehicles	**18,200**	**6.04**	17,793	6.59
Others	**3,743**	**1.24**	2,470	0.91
Total	**301,214**	**100**	270,204	100

In 2019, the Group recorded the loss attributable to owners of the Company and total comprehensive expense attributable to owners of the Company of approximately RMB47,603,000 and RMB41,580,000, respectively, representing an increase of approximately RMB7,435,000 and a decrease of approximately RMB680,000 over the loss of approximately RMB40,168,000 and RMB42,260,000 of the corresponding period last year.

Compared with 2018, the increase in the loss of the Group was mainly due to: (1) the loss from the fair value change of financial asset at fair value through profit or loss held during the year; and (2) impairment losses on loan receivables.

Electrical DC products

During the Reporting Period, the Group's revenue of the electrical DC products was approximately RMB133,064,000, representing an increase of approximately 10.26% over 2018. The Directors consider that the main reason for the increase in revenue during the Reporting Period was that, the power products, based on their original customers, the Company has developed markets in the photovoltaic, wind power and pumped-storage fields and achieved good sales performance. At the same time, the increase is also benefitted from the optimization of the Group's sales model and the continuous improvement of product performance.

MANAGEMENT DISCUSSION AND ANALYSIS

Charging equipment for electric vehicles

During the Reporting Period, the Group's revenue of the charging equipment for electric vehicles amounted to approximately RMB144,915,000, representing an increase of approximately 28.95% over 2018. The Directors consider that the sales results of charging equipment for electric vehicles exceeded our expectations during the Reporting Period. Benefitting from the further improvement of the Group's sales policies and the active arrangement of sales staff, the original customer market has been expanded and achieved good results. Also, the more comprehensive customer service program and excellent product quality has provided strong support for the sales growth of such products.

Construction under BOT arrangements

During the Reporting Period, the Group has recorded revenue of approximately RMB1,292,000 from construction under BOT arrangements. The Group has adopted more prudent investment and operation strategies, resulting in a substantial decrease as compared to the revenue of approximately RMB16,874,000 from construction under BOT arrangements in the previous year.

Charging services for electric vehicles

During the Reporting Period, the Group recorded revenue from charging services fees for electric vehicles of approximately RMB18,200,000 (2018: approximately RMB17,793,000). The Directors are of the view that the charging services fees for electric vehicles had a growth of 2.29% during the Reporting Period, which met the expectation of the Group, while indicating that the Group's operating charging facilities have entered stable profit cycles.

Others

During the Reporting Period, the Group's revenue of other businesses amounted to approximately RMB3,743,000 (2018: approximately RMB2,470,000), being the income from the sales of power storage products and the leasing business in relation to electric vehicles, representing an increase of approximately 51.54%.

The Group's major operating activities in 2019:

In 2019, the downward pressure on the overall economy in the PRC was still immense and the financial market was tightened. The electrical and new energy vehicle market where the Group operates underwent stable development in overall and the investment in charging of new energy vehicles grew relatively rapidly. Despite the overall demands in the industry rose, as the market competitions were fierce and the market was disorderly, the overall operating environment of the Group in 2019 remained critical.

MANAGEMENT DISCUSSION AND ANALYSIS

In the face of the abovementioned environment, the Group adjusted sales strategies and product structures on one hand and carried out refined management to enhance management efficiency on the other hand, thus the Group's sales income has achieved stable growth in 2019. During the Reporting Period, the incomes of the Group's principal businesses amounted to approximately RMB301,214,000, representing a year-on-year growth of 11.48%. Among which, power DC power supply, charging equipment and charging operation recorded growth to different extents. The principal operating activities are as follows:

I. In terms of equipment research and development, manufacturing and sales

1. *Electrical DC products*

During the Reporting Period, the electrical DC products recorded revenue of approximately RMB133,064,000, representing an increase of 10.26% as compared to the corresponding period last year. Such products have recorded sales growth for four consecutive years. This was mainly benefitted from the optimization of sales models, expansion of new market sectors as well as the continuous improvements of product quality and functions.

During the Reporting Period, leveraging on the foundation of stable agency sales, the Group further put more efforts in direct sales, thus the proportion of sales amounts of such model was gradually increasing. This indicated that the model of "direct sales + agency" of such products has been increasingly stable and achieved fruitful results.

During the Reporting Period, based on the stable foundation of original customers, the Group further expanded new markets in photovoltaic, wind power and pumped-storage fields which have achieved favorable sales results. These new sectors could help maintain the tendency of stable growth of electrical DC products in the coming years.

2. *Charging equipment for electric vehicles*

During the Reporting Period, the revenue of such products amounted to approximately RMB144,915,000, representing an increase of 28.95% as compared to the corresponding period last year. When compared with 2018, not only did the sales of charging equipment for electric vehicles of the Group halted the downward trend, but also achieved growth to a relatively considerable extent. This situation was mainly benefitted from the following aspects:

(1) While stabilizing the sales channels of original grid companies (principally was national grid companies) and public transport companies, we strived to expand the market of charging operators in different types. The further expansion of sales channels contributed to the increase in the sales of charging equipment for electric vehicles.

(2) Further established and optimised a complete business chain covering "planning, design, construction, equipment supply and intelligent services", so as to provide equipment and integrated service solutions which are multi-faceted, accurate and high cost performance.

(3) Developed and standardized "blockbuster products", so as to enhance the brand value of "Titans" while driving the sales of other products.

(4) Improved sales strategies, enhanced sales rewards and increased in the motivation of frontline sales staff facilitates the rise of sales.

MANAGEMENT DISCUSSION AND ANALYSIS

II. In terms of investment, construction and operation

During the Reporting Period, the revenue from charging service fees went up by 2.29% year-on-year to RMB18,200,000 thus becoming a stable and sustained source of income for the Group. In 2019, under the influence of capital, the amounts of new investments in charging stations from the Group was relatively small. Nevertheless, the Group still managed to achieve a relatively large growth in charging service fees, the main reason of which was the Group's refined management of the operation of charging stations, mainly demonstrated by the following aspects:

1. The standard for the refined management of charging stations, namely "dual core for doubling efficiency", which the Group has been adhering played an important role. Such standard optimizes power utilization efficiency with the least input, the fastest service provision and the lowest consumption to achieve the leading power utilization efficiency in terms of equipment and enhance the facility utilization efficiency in terms of users by virtue of enhancing vehicle and user adhesiveness to better improve the utilization efficiency of charging facilities;

2. Through improving the management platforms and marketing activities, we were able to get closer to users in the "operation of and experience in platform terminals", thus the customers can enjoy a more convenient and relaxed experience. The brand value of "Yilian" – professional equipment and convenient service, is further built;

3. We will leverage on the expansion edge of current operating platforms to introduce franchisee proactively and increase the number of charging equipment of the operating platforms. At the same time, appropriate franchise fees will be charged to expand the source of operating incomes. Despite the current amounts of franchise income are still relatively low, the Group believes such income will gradually become a major component of the Group's income from charging operation.

III. Fundamental management

1. The construction of the Group's manufacturing base in Zhuhai Hi-tech Zone was completed and has put into use in 2019. The new base will provide the Group with a more reliable and safe workplace for research, development, production and operation, where the R&D function and manufacturing function are placed together in an attempt to achieve higher efficiency and support sustainable development.

2. In the beginning of 2019, the Group carried out business integration with regards to the product lines of charging products. The originally separated "investment and operation" and "sales of equipment" sectors have been combined to reduce business components and improve operating efficiency. After operating for one year, the new business structure has facilitated the increase of sales income while reducing the management fees substantially.

3. During the Reporting Period, the Group has commenced works in "reducing headcounts and heightening efficiency". By means of streamlining business processes and adjustment of organizational agencies, certain staff and management fees have been reduced. Such measure protected the enhancement of the Company's profitability.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's Business Focuses and Related Plans for 2020

As of the date of this report, the sudden epidemic of Novel Coronavirus is not over yet. Such epidemic has brought greater uncertainties to the economic development in China. With respect to the Group, the impacts are set out as follows:

I. *Normal operating activities will be delayed*

As of now, being affected by the external environment, some of the project progress borne by the Company will be delayed; some new tender and bidding activities will be postponed. Despite a majority of employees of the Group have returned to work, the supply capability of some suppliers have not been restored and the delivery of industrial products nationwide has not yet fully recovered. In addition, some customers who have signed orders has postponed the delivery requirement.

II. *New investment demands will be delayed*

According to the information currently available, there is no clear message about whether adjustments of the purchase of direct current from the major customers of the Group's electrical DC products are necessary. However, it can be sure that the overall demands will be delayed. At the same time, the demand for the charging infrastructures of electric vehicles will be delayed in the first half of the year.

III. *The Group's working capital will be affected to a certain extent*

Being affected by the two reasons above, the Group's working capital will be affected to a certain extent:

1. The possible decline of shipment during the first half of the year will affect the inflow of new capital; and

2. If the overall economic conditions remained sluggish, it may result in the deterioration of the operation and credit profile of some enterprises and lead to the increase in the credit risks of some customers which may affect the customers' ability to make payments, thus enhance the recovery risk on the Group's receivables.

Despite the Novel Coronavirus has brought the above-mentioned negative impacts to the Group, the Group noticed that, after the outbreak of Novel Coronavirus, the State has enlisted seven sectors, such as charging piles of new energy vehicles, 5G base station developments, artificial intelligence and industrial networks, in the new infrastructure construction that should speed up development, with an aim to boosting economic development. The business of charging poles for electric vehicles and the "Titan OS Artificial Intelligence (AI) system platform" invested and developed by the Group will benefit from this policy. This indicates that the difficulties the Group is facing are temporary and the Group will still enjoy a broad market prospect and growth potential in the long run.

As a result of the foregoing, the main management idea of the Group in 2020 is "the refined management and control as the main operating means and strives to achieve operating profits", while at the same time, the Company will continue to keep abreast of the market and adjust operating strategies timely, so as to achieve stable operation. Particular measures are set out as follows:

MANAGEMENT DISCUSSION AND ANALYSIS

I. Streamlines existing customers and implements hierarchical management. Ensures and endeavors to enhance the sales volume of customers who have strong payment ability and make fast payments, while forgoing some of the operating projects which takes a long time to recover funds and with insignificant profitability, which specifically includes large EPC projects and projects which need to advance larger purchase amounts.

II. Actively expands sales channels and cultivates sales team according to the State's new infrastructure initiatives, so as to endeavor to expand market shares in such sector.

III. Adopts more prudent investment and operating strategies for the investments in new electric vehicle charging station business.

IV. Based on the works commenced in 2019, continues to integrate business chains, optimizes business management procedures, optimizes organizational structures and further decreases the management fee expenses.

V. Based on the works commenced in 2019, will further optimize the supply chain management, the particular measures include (1) standardizing products and services and reduction of the changes in design; and (2) shortening the supply chain and enhancing the delivery efficiency of products and services to achieve a faster and better delivery than competitors.

VI. In order to ensure the sustainability of the long-term development of the Company, in spite of being affected in aspects like working capital in 2020, the Group will continue to invest in research and development and be unswerving in the development as a leading technology enterprise. The research and development investments mainly include two aspects: (1) the research and development in water-cooled charging modules; and (2) the technological improvement and marketing of the system that integrates power storage and photovoltaic power, storage and charging.

FINANCIAL REVIEW

Revenue

Our revenue increased from RMB270,204,000 for the year ended 31 December 2018 to RMB301,214,000 for the year ended 31 December 2019, representing an increase of approximately 11.48%. The increase in the Group's revenue is mainly attributable to the influence of the adjustments of the Group's sales policies to the major products of the Group, as well as arranging our sales staff to the largest extent. While trustworthy product quality and excellent product services are well recognized by our customers and markets, thus the revenue of the Group has recorded an increase as compared to last year. Among which, electrical DC products increased by 10.26%, electric vehicle equipment increased by 28.95%, charging services for electric vehicles increased by 2.29% and others increased by 51.54%.

Cost of sales

Our cost of sales, which mainly included raw material costs, direct labour costs and manufacturing expenses, increased by approximately 13.28% from RMB187,973,000 for the year ended 31 December 2018 to RMB212,932,000 for the year ended 31 December 2019. The increase in cost of sales was main attributable to the increase in turnover during the Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS

Gross Profit

The table below sets out our gross profit and gross profit margin for the years ended 31 December 2018 and 2019:

	For the year ended 31 December 2019			For the year ended 31 December 2018		
	Gross Profit	**Percentage of total gross profit**	**Gross profit margin**	Gross Profit	Percentage of total gross profit	Gross profit margin
	RMB'000	**%**	**%**	RMB'000	%	%
Electrical DC products	**33,515**	**37.96**	**25.19**	30,218	36.75	25.04
Charging equipment for electric vehicles	**49,916**	**56.54**	**34.45**	41,135	50.02	36.60
Construction under BOT arrangements	**351**	**0.40**	**27.17**	5,976	7.27	35.41
Charging services for electric vehicles	**4,235**	**4.80**	**23.27**	4,737	5.76	26.62
Others	**265**	**0.30**	**7.08**	165	0.20	6.69
Total/average	**88,282**	**100**	**29.31**	82,231	100	30.43

Our gross profit increased by approximately 7.36% from RMB82,231,000 for the year ended 31 December 2018 to RMB88,282,000 for the year ended 31 December 2019. Our gross profit margin decreased from approximately 30.43% for the year ended 31 December 2018 to approximately 29.31% for the year ended 31 December 2019. The decrease in gross profit margin as compared to that of the corresponding period of last year was primarily due to the intensified market competition in respect of the sales of charging equipment for electric vehicles, resulting in the adjustment of the product pricing by the Company during the Reporting Period.

Other revenue and income

Our other revenue, which mainly included VAT refunds, government grants and bank interest income, decreased by approximately 31.55% from RMB30,416,000 for the year ended 31 December 2018 to RMB20,821,000 for the year ended 31 December 2019.

The decrease in other revenue of the Group was mainly attributable to the combined effect of factors such as the decrease in government grants of approximately RMB9,513,000 during the year.

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, decreased by approximately 7.73% from RMB50,814,000 for the year ended 31 December 2018 to RMB46,885,000 for the year ended 31 December 2019. Our selling and distribution expenses as a percentage of revenue decreased from approximately 18.81% for the year ended 31 December 2018 to approximately 15.57% for the year ended 31 December 2019. The decrease in the Group's selling and distribution expenses was mainly due to the following integrated factors during the Reporting Period: (1) sales-related expenses such as salaries, travelling and entertainment expenses decreased by approximately RMB5,620,000; (2) sales-related expenses such as office and advertising expenses increased by approximately RMB205,000; (3) sales-related fees such as bid-winning services fees increased by approximately RMB148,000; (4) sales-related expenses such as transportation, installing and testing expenses increased by approximately RMB1,385,000; and (5) sales-related expenses such as amortization, depreciation and other miscellaneous expenses decreased by approximately RMB47,000.

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 approximately 21.98% from RMB78,879,000 for the year ended 31 December 2018 to RMB61,544,000 for the year ended 31 December 2019. Our administrative and other expenses as a percentage of revenue decreased from approximately 29.19% for the year ended 31 December 2018 to approximately 20.43% for the year ended 31 December 2019. The decrease of approximately RMB17,335,000 in our administrative and other expenses during the Reporting Period was mainly due to the following integrated factors: (1) expenses such as benefits, travelling and entertainment expenses relating to management decreased by approximately RMB656,000; (2) bank charges and payment to lawyers and professional individuals decreased by approximately RMB5,959,000; (3) rental, transportation and other taxes decreased by approximately RMB143,000; (4) expenses such as office, maintenance, consumables, subscription and utility expenses relating to management decreased by approximately RMB596,000; (5) asset handling fees increased by approximately RMB2,922,000; (6) expenses such as salaries, research and development and depreciation expenses relating to management decreased by approximately RMB8,210,000; (7) amortization and other sundry expenses increased by approximately RMB583,000; and (8) exchange losses decreased by approximately RMB5,276,000.

Allowance for impairment losses recognised in respect of financial assets

As at 31 December 2019, the credit impairment losses of the current year was RMB47,258,000, among which, the impaired receivables included in trade receivables amounted approximately RMB1,107,000 (2018: RMB1,803,000). The decrease of approximately RMB696,000 in the impairment loss of trade receivables was mainly due to the effectiveness of the establishment of the trade receivables collection department. Impaired loan receivables and interest receivables of approximately RMB46,151,000 (2018: RMB1,133,000) was included in the provision for loan receivables. The increase of approximately RMB45,018,000 in the allowance for impairment loss of loan receivables and interest receivables was mainly due to the loan receivables and interest receivables are overdue and cannot be recovered on time.

MANAGEMENT DISCUSSION AND ANALYSIS

Share of results of associates

As at 31 December 2019, the Group owned 35% (as at 31 December 2018: 35%) equity interest in Beijing Pangda Yilian New-energy Technology Co., Limited* (北京龐大驛聯新能源科技有限公司) ("Pangda Yilian"). Pangda Yilian was accounted for as the Group's associate, and the Group's share of loss from Pangda Yilian for the Reporting Period was approximately RMB812,000.

As at 31 December 2019, the Group owned 20% (as at 31 December 2018: 20%) equity interests in Beijing Aimeisen Information Technology Co., Ltd* (北京埃梅森資訊技術有限公司) ("Beijing Aimeisen"), which principally engaged in the construction of charging equipment network for electric vehicles business. Beijing Aimeisen was accounted for as the Group's associate, and the Group's share of loss from Beijing Aimeisen for the Reporting Period was approximately RMB3,000.

As at 31 December 2019, the Group owned 49% (as at 31 December 2018: 49%) equity interests in Qingdao Jiaoyun Titans New Energy Vehicle Leasing Service Co., Ltd* (青島交運泰坦新能源汽車租賃服務有限公司) ("Jiaoyun Titans"). Jiaoyun Titans is mainly engaged in the construction of charging equipment network for electric vehicles and lease business for electric vehicles. Jiaoyun Titans was accounted for as the Group's associate, and the Group's share of loss from Jiaoyun Titans during the Reporting Period was approximately RMB54,000.

As at 31 December 2019, the Group owned 20% (as at 31 December 2018: 20%) equity interests in Qingdao Titans Yilian New Energy Technology Co., Limited* (青島泰坦驛聯新能源科技有限公司) ("Qingdao Titans"). Qingdao Titans is engaged in the construction of charging network for electric vehicles, as well as the sale, lease and maintenance business of electric vehicles. Qingdao Titans was accounted for as the Group's associate, and the Group's share of profit from Qingdao Titans during the Reporting Period was approximately RMB76,000.

As at 31 December 2019, the Group owned 36% (as at 31 December 2018: 36%) equity interests in Guangdong Titans Intelligent Power Co., Ltd* (廣東泰坦智能動力有限公司) ("Guangdong Titans"). Guangdong Titans is principally engaged in the research and development, sales and manufacturing of charging equipment for Automated Guided Vehicles ("AGV"). Guangdong Titans was accounted for as the Group's associate, and the Group's share of profit from Guangdong Titans during the Reporting Period was approximately RMB950,000.

As at 31 December 2019, the Group owned 11% (as at 31 December 2018: 11%) equity interests in Zhuhai Huada Taineng Smart Energy Co., Ltd* (珠海華大泰能智慧能源有限公司) ("Huada Taineng"). Huada Taineng is principally engaged in the research and development, manufacturing and sales of photovoltaic power and microgrid equipment. Huada Taineng was accounted for as the Group's associate, and the Group's share of loss from Guangdong Titans during the Reporting Period was approximately RMB8,000.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 December 2019, the Group owned 20% equity interests in Wuhan Titans Smart Technology Co,. Limited* (武漢泰坦智慧科技有限公司) ("Wuhan Titans"). Wuhan Titans is primarily engaged in the technology development, technology transfer and technology consultancy of computer software and hardware; computer system integration; development and subcontracting of computer software and sales of computer equipment. Wuhan Titans is accounted for as an associate of the Company and the Group's share of loss from Wuhan Titans during the Reporting Period amounted to approximately RMB613,000.

As at 10 July 2019, the Group no longer held (as at 31 December 2018: 10%) equity interest in Tongren City Green Travelling New Energy Transportation Operation Co., Limited* (銅仁市綠色出行新能源交通營運有限公司) ("Tongren Green Travelling"). Tongren Green Travelling is principally engaged in the construction of charging network for electric vehicles and lease business for electric vehicles. Tongren Green Travelling was accounted for as the Group's associate, and the Group's share of loss from Tongren Green Travelling during the Reporting Period was approximately RMB46,000.

Finance costs

Our finance costs decreased by approximately 12.81% from RMB11,074,000 for the year ended 31 December 2018 to RMB9,655,000 for the year ended 31 December 2019. Our finance costs as a percentage of revenue decreased from approximately 4.10% for the year ended 31 December 2018 to approximately 3.21% for the year ended 31 December 2019. The decrease in our finance costs was mainly due to the decrease in effective interest expense on the convertible notes.

Income tax credit (expense)

Our income tax credit was RMB1,043,000 for the year ended 31 December 2019 whereas income tax expense was RMB1,601,000 for the year ended 31 December 2018. The effective tax rate (being the ratio of our tax expense to our loss/profit before tax) for the year ended 31 December 2019 was -2.1% (2018: 3.8%).

Loss attributable to non-controlling interests

For the year ended 31 December 2019, loss attributable to non-controlling interests of the Group's non-wholly owned subsidiaries was approximately RMB1,189,000, as compared with a loss of approximately RMB3,536,000 for the year ended 31 December 2018. This amount represents the loss of the Company's non-wholly owned subsidiaries.

Loss attributable to owners of the Company

Loss attributable to owners of the Company for the year ended 31 December 2019 was RMB47,603,000 whilst loss for the year ended 31 December 2018 was RMB40,168,000, representing an increase of RMB7,435,000.

MANAGEMENT DISCUSSION AND ANALYSIS

The significant increase in loss attributable to owners of the Company was mainly due to: (1) the loss from the value change of available-for-sale financial assets at fair value through profit or loss held during the year; and (2) impairment losses on loan receivables.

Total comprehensive expense attributable to owners of the Company for the year ended 31 December 2019 was approximately RMB41,580,000 whilst total comprehensive income for the year ended 31 December 2018 was approximately RMB42,260,000, representing a decrease of approximately RMB680,000.

Inventory Analysis

The table below sets out the information on our inventory for the years ended 31 December 2018 and 2019:

	Year ended 31 December			
	2019		2018	
	RMB'000	**%**	RMB'000	%
Raw materials	**14,243**	**17.62**	8,985	11.12
Work-in-progress	**9,407**	**11.64**	11,709	14.49
Finished goods	**57,186**	**70.74**	60,120	74.39
	80,836	**100.00**	80,814	100.00

The Group's inventory balances increased from RMB80,814,000 as at 31 December 2018 to RMB80,836,000 as at 31 December 2019.

Our average inventory turnover days decreased from approximately 153 days for the year ended 31 December 2018 to approximately 139 days for the year ended 31 December 2019. The decrease was due to the higher increase in the revenue of electrical DC products and charging facilities for electric vehicles during the Reporting Period.

The Group has not made any general or special provision for inventories as at 31 December 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

Analysis on Trade and Bills Receivables

As at 31 December 2018 and 2019, our trade and bills receivables (net of allowance) amounted to RMB238,024,000 (comprising trade receivables of RMB236,454,000 and bills receivables of RMB1,570,000) and RMB266,922,000 (comprising trade receivables of RMB258,756,000 and bills receivables of RMB8,166,000) respectively. The increase in trade and bills receivables was mainly due to the increase in turnover during the Reporting Period.

The table below sets forth the ageing analysis of our trade receivables by due date as of 31 December 2018 and 2019:

	Year ended 31 December 2019 Net amount RMB'000	**%**	Year ended 31 December 2018 Net amount RMB'000	%
0 to 90 days	**131,302**	**50.74**	87,901	37.17
91 days to 180 days	**23,425**	**9.05**	18,884	7.99
181 days to 365 days	**57,180**	**22.10**	56,748	24.00
Over 1 year to 2 years	**24,809**	**9.59**	62,682	26.51
Over 2 years to 3 years	**22,040**	**8.52**	9,857	4.17
Over 3 years	**–**	**–**	382	0.16
Total	**258,756**	**100.00**	236,454	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 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 in the contract 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 for the equipment.

We may grant an average credit period of 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 believe that the longer trade and bills receivables turnover days and the high proportion of overdue trade and bills receivables were mainly due to (1) 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 (2) the delay in the schedule of some of the customers' projects.

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

MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended 31 December 2019, we made an impairment loss on trade receivables of approximately RMB1,107,000 (2018: approximately RMB1,803,000).

Analysis on Trade and Bills Payables

As at 31 December 2018 and 2019, our trade and bills payables amounted to approximately RMB83,490,000 (comprising trade payables of approximately RMB72,453,000 and bills payables of approximately RMB11,037,000) and approximately RMB116,106,000 (comprising trade payables of approximately RMB88,010,000 and bills payables of approximately RMB28,096,000) respectively. The increase in trade and bills payables was mainly due to the relatively significant increase in revenue and the corresponding increase in purchase amounts in 2019. For the years ended 31 December 2018 and 2019, our trade and bills payable turnover days were approximately 155 days and approximately 151 days respectively.

The table below sets out the ageing analysis of our trade payables as of 31 December 2018 and 2019:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Within 90 days	**72,126**	55,367
91 days to 180 days	**21,743**	9,552
181 days to 365 days	**13,314**	12,918
1 year to 2 years	**4,430**	2,978
Over 2 years	**4,493**	2,675
	116,106	83,490

MANAGEMENT DISCUSSION AND ANALYSIS

Indebtedness

The following table sets out our indebtedness as at 31 December 2018 and 2019.

	For the year ended 31 December 2019		For the year ended 31 December 2018	
	RMB'000	**Interest rates**	RMB'000	Interest rates
Current				
Bank borrowings	**79,001**	**5.66% to 6.53%**	85,000	0.4% to 6.96%
Other borrowings	**28,890**	**7% to 14.44%**	95,944	5% to 10%
Non-current				
Bank borrowings	**64,238**	**5.88% to 6.64%**	66,953	6.64%
Other borrowings	**12,055**	**7% to 14.44%**	27,527	7% to 14.44%
	184,184		275,424	

As at 31 December 2019, total bank borrowings and other borrowings amounted to RMB184,184,000 (as at 31 December 2018: RMB275,424,000), among which RMB184,184,000 were secured loans (as at 31 December 2018: RMB179,481,000) and none of them were unsecured loans (as at 31 December 2018: RMB95,944,000). Bank borrowings as at 31 December 2019 were subject to the floating interest rates ranging from 5.66% to 6.64% per annum (as at 31 December 2018: from 0.4% to 6.96% per annum).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

There has been no change in the capital structure of the Group during the year ended 31 December 2019. The capital of the Group only comprises ordinary shares.

As at 31 December 2019, the total equity of the Group amounted to RMB544,344,000 (as at 31 December 2018: RMB592,013,000), the Group's current assets were RMB580,091,000 (as at 31 December 2018: RMB728,068,000) and current liabilities were RMB246,083,000 (as at 31 December 2018: RMB279,090,000). As at 31 December 2019, the Group had short-term bank deposits, bank balances and cash of RMB100,152,000 (as at 31 December 2018: RMB83,955,000), excluding restricted bank balances of RMB19,393,000 (as at 31 December 2018: RMB38,451,000). Our total assets less our total liabilities equals to our net assets, which was RMB544,344,000 as at 31 December 2019 (as at 31 December 2018: RMB592,013,000).

MANAGEMENT DISCUSSION AND ANALYSIS

The Group finances its operations with internally generated cash flow and bank borrowings. As at 31 December 2019, the Group had aggregate amount of outstanding bank borrowings and other borrowings of RMB184,184,000 (as at 31 December 2018: RMB275,424,000).

The gearing ratio (i.e. borrowings divided by total assets x 100%) was 20.96% as at 31 December 2019.

SIGNIFICANT INVESTMENTS

The Group did not hold any significant investment during the year ended 31 December 2019.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the year ended 31 December 2019, the Group had no material acquisitions or disposals of subsidiaries, associates or joint ventures.

CONTINGENT LIABILITIES

As at 31 December 2019 and the date of this report, the Group had no material contingent liability.

CAPITAL COMMITMENTS

As at 31 December 2019, the Group had capital expenditure contracted for but not provided in the consolidated financial statements of approximately RMB16,930,000 (as at 31 December 2018: approximately RMB75,620,000) in respect of investment, factory renovation and purchase of equipment.

Save as disclosed above, as at 31 December 2019 and the date of this report, the Group did 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 with carrying amounts of approximately RMB156,887,000 as at 31 December 2019 (as at 31 December 2018: approximately RMB1,761,000) were pledged to secure the bank borrowings and other facilities.

EMPLOYEES AND REMUNERATION

As at 31 December 2019, the Group had 438 employees in total (as at 31 December 2018: 523 employees). The remuneration paid to our employees and Directors is based on experience, responsibility, workload and the time devoted to the Group.

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

SHARE OPTION SCHEME

The Company adopted the share option scheme on 8 May 2010 (the "Share Option Scheme"). The purpose of the Share Option Scheme is to provide incentives to the eligible persons (including but not limited to employees, officers, agents, consultants or representatives of any members of the Group (including the executive or non-executive directors of any members of the Group)) for their contributions to the Company and to enable the Company to recruit and retain high-calibre employees and attract and retain human resources that are valuable to the Group.

Details of the Share Option Scheme is set out in the section headed "Share Option Scheme" in the annual report of the Company.

FOREIGN EXCHANGE

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

During the Reporting Period, the Group recorded an exchange gain of RMB2,987,000 (2018: exchange loss of RMB5,276,000). Such foreign exchange gain arose as a result of the difference between the exchange rate for accounting purpose on the date of transaction and the exchange rate as at 31 December 2019. As at 31 December 2019, the Group did not have significant foreign exchange hedging.

The Group adopted a prudent approach toward its treasury policies. Our treasury function mainly involves the management of our cash flows. Cash is mainly deposited in banks in Renminbi for 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 2019.

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

The Group strives to reduce exposure to credit risk by performing on-going credit assessments on the financial conditions 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.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Li Xin Qing, born in May 1957, is the Chairman, an executive Director, the chairman of the nomination committee of our Company and one of the substantial shareholders of the Company. Mr. Li was appointed an executive Director on 16 November 2007. Mr. Li is responsible for the overall direction and strategic planning of our Group. Mr. Li obtained a bachelor of engineering degree from Tongji 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 Tongji University in June 1992, majoring in industrial management and engineering. He joined our Group in September 1992. He has worked in Titans Technology where he served as vice chairman, general manager and chairman. Mr. Li received the Guangdong Province Scientific and Technological Progress Award (Class 1) for Electric Power Industry (廣東省電子工業科學技術進步一等獎) from Guangdong Province Electric Engineering Industry Department (廣東省電子機械工業廳), a department established by the local government of Guangdong Province and Zhuhai Municipality Scientific and Technological Progress Award (Class 1) (珠海市科學技術進步獎一等獎) from Zhuhai Municipality Scientific and Technological Progress Qualification Committee (珠海市科學技術進步獎評審委員會) established by the local government of Zhuhai Municipality (珠海市政府) for his participation in the research and development of the "high frequency switch power source for communications SMP-R1022FC" (通訊用高頻開關電源項目SMP-R1022FC) project in 1998. The Scientific and Technological Award was awarded on the basis that the invention or development in science and technology was considered creative and contributing to the development and improvement of the current science and technology and thus generating economic and social value. Since the Group's establishment, Mr. Li has played an active role in the Group's development, including research and development of our products and formulating the business strategies of our Group and has accumulated his knowledge and experience with the development of our Group. At present, Mr. Li is also a director of Titans BVI Limited, Grace Technology Development Limited and Titans Holdings Co., Limited, the president of Titans Technology and Titans Power Electronics and an executive director and the legal representative of Zhuhai Titans New Energy System Co., Ltd.* (珠海泰坦新能源系統有限公司), the above of which are all subsidiaries of the Company.

Mr. An Wei, born in October 1956, is an executive Director, the chief executive officer of our Company and one of the substantial shareholders of the Company. Mr. An was appointed as an executive Director on 16 November 2007. 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 Tongji University (同濟大學) in July 1986 and obtained his doctorate degree in science management and engineering from Tongji 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), and a director of China EV100. At present, Mr. An is also a director of Titans BVI Limited, Grace Technology Development Limited, Titans Holdings Co., Limited, Titans Power Electronics and Titans Technology, the above of which are all subsidiaries of the Company.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Li Wan Jun, born in September 1968, is an independent non-executive Director, a member of the remuneration committee and the chairman of the audit committee of the Company. Mr. Li was appointed as 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. 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. Zhang Bo, born in October 1962, is an independent non-executive Director, the chairman of the remuneration committee and a member of each of the audit committee and the nomination committee of the Company. Mr. Zhang was appointed as an independent non-executive Director on 15 April 2013. 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 and a PhD supervisor in the School of Electric Power of South China University of Technology (華南理工大學電力學院). In October 2016, Mr. Zhang was appointed as an independent non-executive director of Shenzhen Megmeet Electronic Co. Ltd ("Megmeet"). Megmeet was listed on Shenzhen Stock Exchange on 6 March 2017 (Stock code: 002851). In March 2019, Mr. Zhang was appointed as an independent non-executive director of Guangzhou Efficient Technology Corp ("Efficient"). Efficient was listed on the National Equities Exchange and Quotations System in December 2017 (Stock code: 872457). 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).

Mr. Pang Zhan, born in October 1978, is an independent non-executive Director and a member of each of the audit committee, remuneration committee and nomination committee of the Company. Mr. Pang was appointed as an independent non-executive Director on 16 April 2015. Mr. Pang graduated from Nanjing University (南京大學) with a bachelor of science degree in mathematics in June 2001. He further obtained his master degree in science from Nanjing University in June 2004. In December 2007, he obtained his PhD in systems engineering and engineering management from the Chinese University of Hong Kong (香港中文大學). After graduation, Mr. Pang was engaged in scientific research and teaching in various universities including University of Calgary, Canada (加拿大卡爾加里大學), University of Cambridge, UK (英國劍橋大學), University of Toronto, Canada (加拿大多倫多大學), Lancaster University, UK (英國蘭卡斯特大學), and City University of Hong Kong (香港城市大學). He has been a tenured professor (under the academic title of associate professor) of Purdue University Krannert School of Management since September 2018. Mr. Pang's major research areas include supply chain and operations management, risk management, pricing and revenue management, big data and business analytics and optimization, etc. He has also conducted research on the renewable energy and energy storage system design and modelling in smart grid environments, and business models of electric vehicles. Mr. Pang has published multiple papers in leading international journals in the field of operations management and operations research, and has served as the senior editor of "Production and Operation Management" Magazine.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. Li Xiao Bin, born in January 1962, 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, and he is currently a director of Titans Holdings Co., Limited, Titans Power Electronics 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 is interested in the 40% issued share capital of Honor Boom, a company which holds approximately 8.91% of the issued share capital of our Company.

Ms. Ou Yang Fen, born in December 1965, is an accountant, certified tax agent and vice president of the Group, responsible for the financial affairs of our Group. Ms. Ou Yang Fen graduated from Guangdong Radio & TV University (廣東廣播電視大學) in 1998 majoring 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, a company which holds approximately 8.91% of the issued share capital of our Company.

Mr. Chen Xiang Jun, born in September 1968, 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 obtained an Executive Master of Business Administration degree from Tongji University (同濟大學) in 2016. Mr. Chen joined Titans Technology in March 2001. Mr. Chen is currently the president of Titans Power Electronics, a wholly-owned subsidiary of our Company and the chairman of Zhuhai Yilian, a subsidiary of our Company. Mr. Chen is mainly responsible for the operation management and capital operation related matters.

Mr. Fu Yulong, born in January 1964, holds a master degree in business administration. Mr. Fu graduated from Zhengzhou University (鄭州大學) in 1994 and obtained a master degree of business administration from The 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 the legal representative and executive director of Zhuhai Titans Energy Storage Technology Co., Ltd.* (珠海泰坦儲能科技有限公司), a wholly-owned subsidiary of our Company.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

Ms. Liu Shan Hong, born in May 1975, graduated from Wuhan University of Technology (武漢理工大學) and obtained her bachelor's degree of economics in 1998, and graduated from South China University of Technology (華南理工大學) and obtained her Executive Master of Business Administration degree in 2018. Ms. Liu held management positions such as Chief Operating Officer and General Manager in Landis+Gyr Meters & Systems (Zhuhai) Co. Ltd. (蘭吉爾儀表系統(珠海)有限公司), Zhuhai Yado Monitoring Technology Co., Ltd. (珠海一多監測科技有限公司) and Sensor Tech (Zhuhai) Ltd. (珠海德信科電子有限公司) from 1998 to 2014. Ms. Liu joined our Group in 2015 and she is currently the General Manager of Titans Technology, a wholly owned subsidiary of the Company. Ms. Liu has many years of experience in the power industry as well as extensive experience in corporate management and operation.

Mr. Liu Jun, born in December 1979, graduated from North China University of Water Resources and Electric Power (華北水利水電學院) and obtained his bachelor degree in engineering in 2003, and graduated from Beijing Jiaotong University (北京交通大學) and obtained his master degree in engineering in 2015. Shortly after his graduation, Mr. Liu joined our Group and served as sales manager and project manager. From October 2007, he served as standing deputy general manager of Ruckus New Energy Technology Co., Ltd.* (優科新能源科技有限公司). After years of working in new energy vehicle charging sector, he has rich experience in sales and management. Mr. Liu currently works as director and general manager of Zhuhai Yilian, a subsidiary of our Company.

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 strives to adhere to the principles of corporate governance and adopt sound corporate governance 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 (the "Code Provisions") set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 to the Listing Rules. The Board regularly reviews the Company's corporate governance guidelines and developments. Under the code provision A.6.7 of the CG Code, independent non-executive directors ("INED") should attend general meetings to develop a balanced understanding of the views of shareholders. During the year, not all INEDs attended general meetings of the Company due to other business engagements, which have deviated from the code provision A.6.7 of the CG Code.

Throughout the Reporting Period, the Company has applied the principles in the CG Code which are applicable to the Company and, in the opinion of the Directors, save for the deviation of the code provision A.6.7 as described above, the Company has complied with all applicable code provisions set out in the CG Code.

The Board will continually review and monitor its corporate governance practices to ensure compliance with the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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 directors' securities transactions. Having made specific enquiry of all the Directors, all the Directors confirm that they have complied with the required standard of the Model Code during the year ended 31 December 2019.

THE BOARD

During the Reporting Period, the Board comprises two executive Directors and three independent non-executive Directors. Detailed biographies outlining each Director's scope of specialist experience are set out on pages 24 to 27 of this annual report. The biographies of the Directors are set out in the section headed "Biography of Directors and Senior Management" of this annual report. Save as disclosed in the biographies of the Directors as set out under the section headed "Biography of Directors and Senior Management" of this annual report, none of the Directors has any personal relationship (including financial, business, family or other material/relevant relationship), with any other Director.

Four Board meetings were held during the year 2019. Regular Board meetings were held at least 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 the Board meetings adhere to a formal agenda in which a schedule of matters is specifically addressed to the Board for its decision.

CORPORATE GOVERNANCE REPORT

The minutes of the 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 the Board meetings are kept and available for inspection by all Directors at the Group's office.

Directors' Attendance at Board and Committee Meetings

The composition of the Board and members' attendance of the Board meetings and the Board committees' meetings for the year 2019 were as follows:

	Number of meetings attended/held			
	Board	Audit Committee	Remuneration Committee	Nomination Committee
Executive Directors				
Mr. Li Xin Qing *(Chairman)*	4/4	N/A	N/A	1/1
Mr. An Wei *(Chief Executive Officer)*	4/4	N/A	N/A	N/A
Independent Non-executive Directors				
Mr. Li Wan Jun	4/4	2/2	2/2	N/A
Mr. Zhang Bo	4/4	2/2	2/2	1/1
Mr. Pang Zhan	4/4	2/2	2/2	1/1

General Meetings

During the year 2019, the Company held one annual general meeting on 24 May 2019, being the 2018 annual general meeting of the Company.

	Number of meetings attended/held
Executive Directors	
Mr. Li Xin Qing *(Chairman)*	1/1
Mr. An Wei *(Chief Executive Officer)*	1/1
Independent Non-executive Directors	
Mr. Li Wan Jun	1/1
Mr. Zhang Bo	0/1
Mr. Pang Zhan	1/1

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

During the Reporting Period, the Directors had devoted sufficient time to perform their duties on relevant matters under each of his respective responsibilities.

CORPORATE GOVERNANCE REPORT

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

During the Reporting Period, Mr. Li Xin Qing, an executive director of the Company, and Mr. An Wei, another executive director of the Company, respectively continue to be the Chairman and the chief executive officer of the Company ("Chief Executive Officer"). During the Reporting Period, the roles and duties of the Chairman and Chief Executive Officer 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 the Shareholders, and overseeing the Group's overall direction and strategic planning. In addition, the Chairman also plays a key role in encouraging all the 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 Group, 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.

ROLES OF THE BOARD

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

At 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.

The day-to-day operations of the Group are delegated to the management with department heads being responsible for different aspects of the business and functions.

CORPORATE GOVERNANCE REPORT

INDEPENDENT NON-EXECUTIVE DIRECTORS

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 Group's strategy and internal control. All the independent non-executive Directors possess extensive academic, professional and industry expertise and management experience and have provided their professional advice to the Board.

The Board considers that each of independent non-executive Director is independent in his role and judgment, and has no financial or other interest in the businesses of the Group or connection with the Company's connected persons (as defined in the Listing Rules). The Company has received from each of the independent non-executive Directors 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. All of them meet the independence criteria set out in Rule 3.13 of the Listing Rules. Thus, the Board considers that they are independent.

DIRECTORS' INSURANCE

The Company has maintained appropriate insurance coverage for the Directors' and executive officers' liabilities arising from the Group's business. The coverage is reviewed by the management on an annual basis.

CORPORATE GOVERNANCE FUNCTIONS

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 the 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.

TRAINING AND SUPPORT FOR DIRECTORS

All the 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. In addition, during the year, the Company provided all members of the Board with monthly updates on the Company's performance, financial position and prospects.

CORPORATE GOVERNANCE REPORT

During the Reporting Period, the 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 session
Executive Directors			
Mr. Li Xin Qing *(Chairman)*	✓	✓	✓
Mr. An Wei *(Chief Executive Officer)*	✓	✓	✓
Independent Non-executive Directors			
Mr. Li Wan Jun	✓	✓	✓
Mr. Zhang Bo	✓	✓	✓
Mr. Pang Zhan	✓	✓	✓

NON-EXECUTIVE DIRECTORS

The independent non-executive Directors of the Company are Mr. Zhang Bo, Mr. Li Wan Jun and Mr. Pang Zhan. Mr. Zhang Bo has signed a letter of appointment for a term of three years commencing from 15 April 2019 with the Company, Mr. Li Wan Jun has signed a letter of appointment for a term of three years commencing from 28 May 2019 with the Company and Mr. Pang Zhan has signed a letter of appointment for a term of three years commencing from 16 April 2018. 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.

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

The Shareholders in general meeting, or the Board upon recommendation of the Nomination Committee, can appoint any person as the Director 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 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.

CORPORATE GOVERNANCE REPORT

COMPANY SECRETARY

The Company has engaged Ms. Ho Wing Yan ("Ms. Ho") as the company secretary of the Company. The primary corporate contact person at the Company is Mr. Chen Xiang Jun, the vice president of the corporate development centre of the Group.

In compliance with Rule 3.29 of the Listing Rules, Ms. Ho has undertaken not less than 15 hours of relevant professional training during the year ended 31 December 2019.

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

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 auditor 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 auditor. Members of the Audit Committee are also responsible for reviewing the financial reporting process and internal control systems of the Group.

The Audit Committee comprises three independent non-executive Directors, namely Mr. Li Wan Jun, Mr. Zhang Bo and Mr. Pang Zhan 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 websites of the Stock Exchange and the Company. The Audit Committee held two meetings in 2019 to review the final results of the Group for the year ended 31 December 2018 and the interim results of the Group for the six months ended 30 June 2019, 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 Company'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 by the Company to SHINEWING and its affiliated companies were as follows:

	HK$'000
Audit fees	1,020
Non-audit service fees	355

Non-audit service fees include (1) fees for reviewing interim financial report of HK$260,000 and (2) service fees related to ESG report of HK$95,000.

CORPORATE GOVERNANCE REPORT

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 of the Company in 2019.

Remuneration Committee

The Company has established the remuneration committee of the Company (the "Remuneration Committee") which is responsible for, among other things, considering and making recommendations to the Board on the remuneration packages of the 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 the Shareholders.

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.

The Remuneration Committee comprises three independent non-executive Directors, namely Mr. Li Wan Jun, Mr. Zhang Bo and Mr. Pang Zhan, 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 websites of the Stock Exchange and the Company. The Remuneration Committee held two meetings in 2019.

During the Reporting Period, the Remuneration Committee had performed duties 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 scope and authority of the Remuneration Committee.

Details of each Director's emoluments are set out in note 12 to the consolidated financial statements in this annual report. The primary objective of the Group's remuneration policy is to retain and motivate executive Directors by linking their compensation to the Company'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 own remuneration.

CORPORATE GOVERNANCE REPORT

For the year ended 31 December 2019, the annual salary of the senior management of the Company falls within the following bands.

Remuneration bands (RMB)	Number of senior management
Nil to 540,000	4
540,001 to 690,000	2

Nomination Committee

The Company have established the Nomination Committee of the Company (the "Nomination Committee") which is responsible for considering and recommending to the Board on appointment of Directors and management of the succession of the Board. The Nomination Committee comprises three members, namely Mr. Li Xin Qing, Mr. Zhang Bo and Mr. Pang Zhan, 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 websites 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. The Nomination Committee held one meeting in 2019.

Nomination Policy

The Board has adopted the nomination policy (the "Nomination Policy") on 31 December 2018 which sets out the nomination criteria and procedures for the Company to select candidate(s) for possible inclusion in the Board. The Nomination Policy could assist the Company to achieve board diversity in the Company and enhance the effectiveness of the Board and its corporate governance standard.

When assessing the suitability of a candidate, factors such as the qualifications, skills, integrity and experience will be taken into consideration as a whole. In the case of independent non-executive Directors, they must further satisfy the independence criteria set out within Rule 3.13 of the Listing Rules. Since the selection of candidates should ensure that diversity remains a central feature of the Board, a range of diverse perspectives, including but not limited to gender, age, cultural and educational background, or professional experience would be considered.

The process to identify potential candidates for the Board would be as follows:

1. identifying potential candidates, including recommendations from the Board members, professional search firms and the shareholders of the Company;

2. evaluating the candidates based on the approved selection criteria through methods such as reviewing the resume and conducting the background checks;

3. reviewing the profiles of the shortlisted candidates and interview them; and

4. making recommendations to the Board on the selected candidates.

CORPORATE GOVERNANCE REPORT

The Nomination Policy also includes the Board succession plan to assess whether vacancies on the Board would be created or expected due to the Directors' resignation, retirement, death and other circumstances and to identify candidates in advance if necessary. The Nomination Policy will be reviewed on a regular basis.

Board Diversity Policy

To enhance the efficiency of the Board and corporate governance standard of the Company, the Board maintains a balanced mix of the executive Directors and the independent non-executive Directors so that the Board is highly independent and is able to make independent judgements efficiently. In selecting candidates, a diversified perspective, including but not limited to the age, cultural and education background, professional and industry experience, skills, knowledge, race and other qualifications that are essential to the business of the Company, will be applied so that the candidate can bring advantage and make contribution to the Board. The Nomination Committee will review such measurable on a regular basis and discuss any revisions that may be required, and recommended any such revisions to the Board for consideration and approval.

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 assessing the independence of independent non-executive directors.

2. Reviewing scope and authority of the Nomination Committee.

FINANCIAL REPORTING

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 Group, 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 74 to 82 of this annual report also sets out the responsibilities of SHINEWING.

CODE OF CONDUCT AND BUSINESS ETHICS

Each Director has a duty and responsibility to act honestly and with due diligence and care when carrying out his duties on behalf of the Company. Each Director shall attend regular training session regarding the various requirements in the Listing Rules and other usual laws and requirements applicable to companies listed in Hong Kong.

CORPORATE GOVERNANCE REPORT

OPEN COMMUNICATION

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

COMMUNICATION WITH SHAREHOLDERS

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

SHAREHOLDERS' RIGHTS

The Articles of Association states 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 Company'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

In accordance with the Listing Rules, any votes of the 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.

DIVIDEND POLICY

The Board has adopted the dividend policy (the "Dividend Policy") on 31 December 2018 which sets out the appropriate procedure on declaring and recommending the dividend payment of the Company. The Company takes priority to distributing dividends in cash and shares its profits with the shareholders of the Company. The dividend distribution decision of the Company will depend on, among others, the financial results, the current and future operations, liquidity and capital requirements, financial condition and other factors as the Board may deem relevant. The Board may also declare special dividends from time to time. The Dividend Policy will be reviewed on a regular basis.

CORPORATE GOVERNANCE REPORT

INVESTOR RELATIONS

During the year ended 31 December 2019, there has been no significant change in the constitutional documents of the Company.

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).

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibility for the risk management and internal control systems of the Group and reviews the effectiveness of such systems through the Audit Committee. The risk management and internal control systems are designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material adverse changes or losses.

The Audit Committee assists the Board in fulfilling its oversight and corporate governance roles. The Management establishes risk management policies and internal control procedures to be implemented by each business unit so as to identify, evaluate and manage risks. The internal audit department of the Company reviews significant internal control scopes of the Group, including operation, compliance, risk management and internal control, etc. and reports such results to the Audit Committee annually.

In the year of 2019, the internal audit team of the Company commenced the internal control and assessment of the Group in the second quarter, which mainly covered the audit and assessment of whether the relevant terms of purchase and sales contracts entered by the Group's subsidiaries are exposed to risks, principally including contract price, settlement method, contract terms, payments, variation order of contracts, performance risk and other fees. Such assessment process covers the actual issues encountered during the execution of contracts, background check of customers, credit check of customers, investigations during contract execution, analysis and confirmation of whether the signing of contracts is exposed to flaws and risks as well as the effectiveness of the implementation of internal control. Such internal audit documents information ranging from the key elements of assessment to the adoption of necessary prevention and control measures, relevant information and assessment findings in a detailed way.

The internal audit team of the Company has submitted an audit report on internal controls to the Audit Committee to report its audit results and make recommendation on the improvement of insufficiency and omission it discovered. The Board, through the Audit Committee, has made an annual review in relation to the effectiveness of the Group's risk management and internal control systems, covering aspects of finance, operation, compliance, risk management and internal controls of the Company. During the Reporting Period, the Board didn't identify any material internal control defect and consider the Group's risk management and internal control systems effective and adequate. The Board believes the risk management and internal control management to be an on-going process of monitoring and improvement.

The Company has established policies on disclosure of inside information. The Company regularly reminds its directors and employees to properly comply relevant procedures of handling and dissemination of inside information, and implements internal controls over it.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

China Titans Energy Technology Group Co., Ltd. (the "Company") and its subsidiaries (collectively the "Group" or "We") are pleased to announce the 2019 Environmental, Social and Governance ("ESG") Report. The Group is fully committed to the philosophy of sustainable development in all its businesses and operations to promote social prosperity and stability and enhance sustainable development. We attach great importance to social responsibility and integrity, and always take stakeholders' needs into our first consideration. The ESG report specifies the works of the Group in adherence to the principles of sustainable development in 2019 and its performance in social governance. For corporate governance, please refer to the Corporate Governance Report on pages 39 to 59 of the annual report.

Scope of the Report

The ESG report covers the environmental and social policies as well as key performance indicators of the Group's principal subsidiaries in the People's Republic of China (the "PRC"), including Zhuhai Titans Power Electronics Group Co., Ltd., Zhuhai Yilian New Energy Motors Co., Ltd. ("Zhuhai Yilian") and Zhuhai Titans Technology Co., Ltd. ("Titans Technology"). The Group will continue to review our environmental and social performance and consider including more business in the ESG report in the coming year.

The ESG report covers the same period as the financial report of the Group, i.e. from 1 January 2019 to 31 December 2019.

Reporting Guidelines

The ESG report is prepared in accordance with the Environmental, Social and Governance Reporting Guide in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

ESG Governance

The Group believes that sound ESG governance will increase the Group's investment value and generate long-term returns to stakeholders, thus the Group has been proactively executing various tasks for sustainable development. To establish an effective ESG management and internal control system, the Board of Directors of the Company bears the responsibility of establishing ESG strategies and monitoring the reporting procedures, identifying and managing ESG-related risks, while the management is responsible for the implementation of ESG policies in the course of business operation. By the independent internal investigation mechanism, the Board is able to assess the execution of ESG strategies and improve ESG performance proactively, so as to fulfill the expectations and requirements of our stakeholders.

Stakeholder Engagement

The preparation of the ESG report depends upon the joint participation of the Group's management and colleagues from different departments, as a result, the Group clearly understands the current development and performance in the environmental and social sectors. By collecting opinions from the management and staff, we become aware of the major ESG issues so far as our internal stakeholders are concerned. The collected opinions and information enable us to carry out comprehensive materiality assessments in the future, and lays down a solid foundation for improving our ESG performance as well as developing short- and long-term sustainable development strategies.

Stakeholders' opinions are conducive to the formulation of our sustainable development strategies, hence we attach great importance to the communication with stakeholders. We strive to communicate with stakeholders through a wide range of channels to understand and respond to their expectations and concerns, thereby improving our management and ESG performance. In the future, the Group will strive to enhance stakeholder engagement to collect their valuable and constructive comments and suggestions.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In 2019, we communicated with stakeholders through the following channels, so as to understand and respond to their expectations and concerns:

Stakeholder	Expectation and Concern	Means of Communication and Response
Government and regulators	• Compliance with national policies, laws and regulations • Promoting local economic development • Promoting local employment • Timely tax payment • Production safety	• Regular reporting • Regular communication with regulators • Dedicated reports • Inspection and supervision
Shareholders	• Revenue and return • Operational compliance • Enhancement of corporate value • Information transparency and efficient communication	• General meeting • Company announcement • Email, phone calls and company website • Dedicated reports
Partners	• Operation integrity • Fair competition • Contract performance according to laws • Mutual benefits	• Review and appraisal meetings • Business communication • Exchange of views and discussion • Negotiation for cooperation
Customers	• Quality products and services • Health and safety • Contract performance according to laws • Operation integrity	• Customer service center and hotline • Customer survey • Customer meeting
Environment	• Compliance with emission standards • Energy conservation and emission reduction • Ecosystem protection	• Communication with local environmental authorities • Submission of reports
Industry	• Formulation of industrial standards • Promoting industrial development	• Participation in industry forum • Reciprocal visit
Employees	• Protection of interests and rights • Occupational health and safety • Remuneration and benefits • Career development • Care for employees	• Staff meeting • Internal publication and intranet • Employee mailbox • Training and workshops • Employee activities
Community and public	• Improvement of community environment • Participation in public welfare • Open and transparent information	• Company website • Company announcements

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Information and Feedback

For details of the Group's environmental, social and corporate governance, please refer to our official website (http://www.titans.com.cn) and the annual report. The Group values your opinion on this report. If you have any comments or suggestions, please send us an email to IR@titans.com.cn.

SUSTAINABLE DEVELOPMENT PHILOSOPHIES

The Group was established in 1992 and listed on the Main Board of the Hong Kong Stock Exchange in 2010 (stock code: 2188). The Group's principal businesses include the supply of power electric products and equipment, the provision of charging services for electric vehicles and the provision of construction services of charging poles for electric vehicles in the PRC. Leveraging our extensive project experience, sound technical background and comprehensive operation and maintenance services, the Group maintains its leading position in the industry. The Group not only provides high-quality, reliable and multi-variety of charging, discharging and storage products, power quality monitoring and optimization systems and power battery maintenance management products and technologies to our customers, but also provides users with a variety of integrated solutions for power electronic products and technology, so as to meet the demands for high quality, efficient and diversified applications of electric energy.

The Group firmly believes that effective management is our key to success, and the establishment of corporate culture can help maximizing our resource efficiency. Our corporate philosophy is "nurturing a culture, develop management, maintain high quality, reap the fruits, become a successful enterprise", we have never stopped exploring and implementing the corporate culture. We have determined "culture-driven management, culture development through management" as our corporate culture development principle, so as to create a healthy, harmonic and outstanding corporate culture combining the adherence to sustainable development strategies and effective utilization of resources.

In order to make electricity more valuable, we dedicate to expanding electricity uses, improve energy applications, broaden energy sources and optimize power quality. We regard integrity, orderliness, high quality, efficiency and innovation as our business philosophy. We believe that integrity wins support, orderliness creates harmony, high quality establishes a brand, efficiency creates value and innovation opens the future. In line with our business philosophy, we take "customer-oriented, product first, innovation-based and integrity-first" as our management policy, and regards four "T" (Talent – talent-oriented, Trust – trustworthy, Team – team spirit and Technology – technology innovation) as the cornerstone of our culture. Through high-caliber workforce and outstanding management, so as to provide quality products and services, create value and efficiency, maintain the leading position in the industry, and continue create value for the enterprise, employees, customers, partners and society as well as becoming an excellent power electronics company.

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ENVIRONMENTAL PROTECTION INDUSTRY

As an environmentally-friendly company, the Group is committed to enhancing the value and efficiency of power consumption and resolving global environmental problems with society to work towards the goal of "sustainable development". We have spared no efforts in promoting the development of electric vehicles so as to improve air quality on roads and reduce the emissions of greenhouse gas. Over the years, the Group has been implementing the "customer-oriented and product first" management policy throughout the entire production process, product sales and after-sales service. Meeting customers' needs is our top most priority and customer satisfaction reflects the outcome and value of our hard work. Thus, we attach great importance to customers' opinions and needs while offering high-quality and safe products in the pursuit of mutual benefits. In the course of business operation, the Group maintains strict compliance with those industry-related laws and regulations, including but not limited to the Advertising Law of the PRC, the Patent Law of the PRC and the Trademark Law of the PRC.

Green Products

Air pollution problem can cause discomfort and damage health in serious cases. Major source of air pollutants includes fuel combustion in conventional vehicles. As compared to fuel vehicles, electric vehicles do not cause emission of exhaust gas as they are powered by electric motor without fuel combustion or traditional internal combustion engine and fuel tank configuration. Replacing fuel vehicles with electric vehicles alleviates air pollution and effectively reduces greenhouse gas emission. Apart from being environmentally friendly, electric vehicles are also highly efficient. While fuel vehicles can only convert approximately 20% of the chemical energy in petroleum into power, electric vehicles can achieve a conversion rate of over 75% of power battery. In view of the growing problems of air pollution and global warming, we take action and replace some of the company cars with electric vehicles, thereby reducing exhaust gas and greenhouse gas from the use of fuel vehicles.

Over the years, the Group has intensively developed the electric vehicle charging business while continuously expanding and improving the electric vehicle charging network to support the development of electric vehicles. The Group is also actively involved in China EV100 to promote the growth of the entire electric vehicle industry. Our offering of stable charging system and equipment is not only crucial for the long-term and orderly operation of charging stations, but also plays an important part in preventing resources wastage and provides convenient access to power charging for electric vehicles owners. As of 2019, we have over 1,200 planned and constructed charging stations. Leveraging our extensive experience in planning and forward-looking vision, we implement reasonable strategies for different scenarios and work with the government for the overall planning of urban charging stations.

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Establish Electric Vehicle Charging Network

In addition to actively developing diversified charging equipment to cater to the needs of different operating models, the Group is also committed to reducing citizens' concerns about the use of electric vehicles. Currently, the main obstacles to large-scale application of electric vehicles in cities include the lack of supporting charging facilities, the incompatibility of charging facilities and different models of cars, difficulties in the management of scattered charging stations, as well as the uneven allocation of resources. In light of these, Zhuhai Yilian has developed tailored charging solutions that can improve charging management and greatly boost the utilisation efficiency of charging equipment, thereby creating convenient and efficient charging experience, overcoming the obstacles to the development of electric vehicles, and easing the concerns of electric vehicle users. The Group has built highly efficient and intelligent public charging network and centralized dedicated charging network in Zhuhai, Shaoguan, Foshan, Hefei, Shanghai, Beijing and other places in the PRC to actively provide users with convenient and high-quality charging services. We will continue to participate in the planning and construction of charging infrastructure to support the development of electric vehicles. In 2019, we participated in the following major projects to promote the development of electric vehicles:

- Hefei Charging Network Construction Project (合肥市充電網絡建設項目)
- Canton Tower Charging Station Phase 1 Project (廣州塔充電站一期項目)
- Shenzhen Airport Flight Zone Charging Station Phase 1 Project (深圳機場飛行區充電站一期項目)
- Maoming Station South Plaza Charging Station Project (茂名火車站南廣場充電站項目)
- Zhuhai Urban Construction's Meixi Charging Station Project (珠海城建梅溪充電站項目)

Diversified Charging Equipment

In order to promote electric vehicles, the Group conducts ongoing research and development of various types of charging equipment for different vehicle types and operational needs. In 2019, we achieved breakthrough by continuously expanding the application of intelligent charging island, which capitalizes on the intelligent charging power distribution technology and flexible charging technology to adjust output current in a dynamic and precise manner based on the actual needs of electric vehicles, so as to facilitate charging at optimal current and voltage. The design also maximizes the utilization rate of core charging equipment, achieving intelligent distribution, high efficiency and energy saving. Similar to filling stations, the intelligent charging island provides safe, convenient and efficient charging services to electric vehicles and leads the development of the new generation of centralized charging stations in the industry. In addition to the intelligent charging island, the integrated photovoltaics power storage and charging station constructed in Maoming combined electric vehicle charging equipment with photovoltaic power and power storage functions so as to facilitate more environmentally friendly charging process.

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The charging equipment developed by us can be used for electric private cars, electric buses, as well as other specific vehicles, such as logistics vehicles, commuters and so on. We also provide diversified charging equipment for different operational needs. For example, for the construction of charging stations on expressways, we offer charging equipment with short charging time and high power that supports various car models based on the needs of electric vehicles served by the expressway charging stations. Furthermore, for the construction of public bus charging stations, we offer multi-purpose charging equipment for fast charging and slow one-to-many bus charging that are highly popular, safe and stable, so as to provide fast charging service for single bus during the day and regular charging for multiple buses during the night.

Establish an Online Platform

In addition to city-level charging planning service, we understand that the lack of a complete charging station information platform will reduce the public's desire to buy electric vehicles. Therefore, we provide the mobile phone application "EV Link" for information relating to charging services to promote the usage of electric vehicles. "EV Link" not only features online inquiry service and automatic navigation to specific charging station, but also allows users to make reservation of the charging equipment, saving their waiting time. Besides, "EV Link" can show the vehicle charging level on a real-time basis, and remind the user to charge the car, so that the vehicle will not run out of power or be overcharged. Through the services of the Group, we have eased the concerns of the public about using electric vehicles, thereby boosting public confidence with the convenience of electric vehicles.

Dedication to Research and Development of New Products

Ongoing product research and development (R&D) and enhancement is the key to our success and our leading position in the industry. As of 2019, the Group had over 30 patents and will strive to develop various technologies to overcome the shortcomings of existing technology and provide more high-quality products. Leveraging more than 20 years of extensive experience in R&D, manufacture and application of power and electrics products, as well as our proven track record in the electric vehicle charging business, Titans Technology continued to carry out the product lifecycle management and design and R&D management system project in 2019, so as to enhance our R&D capability after the system goes online and moves towards standardized, modularized and intelligent product R&D. The project is designed to facilitate R&D, innovation and service upgrade, shorten R&D and manufacturing cycle, and cater to more complicated and customized needs from customers in the future. Looking forward, the Group will put more efforts in product R&D and improvement while optimizing customer experience by offering simpler and more convenient charging services.

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Product Quality and Safety

In order to ensure that the quality of our products meets customers' needs, we strictly monitor and measure the features of raw materials, process products and final products. We require all process operators to carry out inspection, separation of products with different inspection and test results, and labeling of products on his own, and control the self-inspection pass rate. The management has also conducted inspections in the production process and recorded the results, and the quality inspection department tests and labels semi-finished products. Only semi-finished products that passed the tests and are labeled as passed will be used in the next production stage. We will conduct final product testing to products assembled with qualified raw materials and semi-finished products. In addition to routine inspections and tests, we carry out inspections in accordance with customers' specific requirements at the time the order is placed. Compliance labels are affixed on products before shipment to ensure product quality, safety and traceability. Apart from the tests in production process, we also implement strict control over product labeling, transportation, storage, packaging, protection and delivery, so as to ensure product quality are in line with the requirements. Meanwhile, we set out safety management standards and conduct regular inspection for charging stations to guarantee safe charging process. Titans Technology has obtained the GB/T19001-2016/ISO9001:2015 Quality Management System certification, reflecting our excellent product quality. Titans Technology is also one of the national high-tech enterprises, a member of the China Power Supply Society and a member of the council of the China Electricity Technology Market Association. We are selected as a "National Enterprise of Observing Contract and Valuing Credit" for 16 consecutive years and recognized by the state.

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Communication with Customers

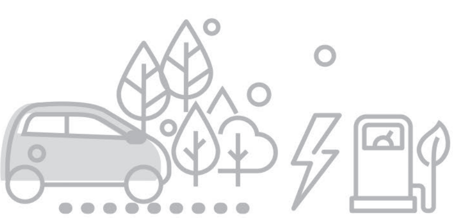
Customers are the foundation of our sustainable development and the driving force of product innovation. Thus, we attach importance to the views of customers, and has established different channels to communicate with them, such as electronic communication platforms, message board and 24-hour hotline. We adhere to the customer-oriented approach and continuously improve products and services, with the interests of customers as the starting point. We serve customers according to four principles. Firstly, the principle of prevention: our employees should have the working attitude to be dedicated to the Group and customers, sincerely help customers to solve problems, put themselves in customers' positions to understand and meet customers' real needs, and develop corrective and preventive measures to address product quality problems. Secondly, the principle of timeliness: all departments should work together to quickly respond to problems, and strive to solve problems in the shortest possible time to give a timely and satisfactory answer to customers. Thirdly, the principle of responsibility: we will determine the responsible department that leads to customer complaints, and require it to propose solutions. Fourthly, the principle of record: we will keep detailed records of each customer's comments, and sum up the experience of complaints handling to provide valuable raw information for strengthening the management of customer services. By implementing the above four principles and established procedures for customer services, we provide clients with comprehensive services to improve product quality and customer satisfaction. We are always committed to meeting and exceeding customers' expectation by offering products with reliable quality, advanced technology, reasonable price and attentive services in a precise and accurate manner. Therefore, we strive to provide clear and correct information to safeguard customers' rights, explain clearly to customers about product details and specifications, require all sales materials to provide true and correct information and forbid false, misleading or untrue statements in all means of communication.

ENERGY-SAVING AND EMISSION REDUCING PRODUCTION MODE

In the face of the challenges of global climate change and changing ecological environment, the Group has strictly abided by the laws and regulations of the local government on emission, including but not limited to the Atmospheric Pollution Prevention and Control Law of the PRC and Water Pollution Prevention and Control Law of the PRC, and actively promoted and participated in the implementation of environmental protection policies in response to the call of the government. In addition to promoting the environmental protection industry, we are actively taking different energy-saving measures and integrating green design in the construction of new plants to reduce energy consumption. The Group sets a good example in resources conservation and promotes the culture of treasuring the Earth's resources. Titans Technology has obtained the ISO14001:2015 Environmental Management System certification and formulated environmental protection management guidelines which are required to be strictly implemented by all business units.

Treasure Resources

As the Earth's resources are limited, we, being social citizens, have the responsibility to make good use of resources and should take different measures to manage and conserve resources. Over the years, we spared no effort to cut energy use and reviewed the effectiveness of our energy conservation work from time to time to improve on the inadequacies. In addition, we keep pace with times to change the corporate operating model and advance into a paperless office. In order to advocate the importance of saving resources, we start small by applying 3R principles into the entire work process to make the best use of resources.



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Saving Resources

As an environmentally friendly company, we are committed to reducing energy consumption for our business processes while introducing different green products. We have adjusted the temperature of air conditioners to 26 degrees Celsius in summer in response to the government's call to reduce electricity consumption. In addition, we re-examined the design and actual needs of different working environments with a view to reducing unnecessary energy consumption. For example, we switch off the lights in daytime for toilets with sufficient daylight and adopted fans to reduce the use of air conditioners in rooms with high ceiling height and good ventilation. In our business process, product testing consumes a lot of power. In order to save energy, we have completed the development of the "Power Control System". The "Power Control System" can automatically control power charging and discharging, where energy can flow in both directions, so that energy consumption and recharging take place at the same time in product testing and energy can be re-used for next test. As the Group expands, our demand for servers has increased significantly. The increase in the number of servers will increase the demand for cabinets and the air conditioning system. Due to the large amount of heat generated by servers, in order to keep the temperature of the data center stable, we need to install extra air conditioning chillers. To reduce the use of servers, Zhuhai Yilian has adopted a hybrid cloud system to reduce pressure on air conditioning and achieve the purpose of saving energy. In addition to enhancing energy saving technology, we require employees to turn off all computers, air-conditioners, fans and lights, etc. before leaving the office area to save electricity. We also advocate saving water and encourage employees to use water as needed when washing hands and turn off the faucet tightly.

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Paperless Office

In view of the increasing use of modern and information technology in infrastructure and constructions, the Group is shifting to electronic operation. We encourage employees to use computer information system for internal or external communication. We use Office Automation (OA) system for internal communication, training applications, holiday applications and other administrative procedures to achieve the goal of paperless office. Besides providing the platform for executing different administrative procedures, the OA system comprises more than 20,000 processes, enabling relevant staff to understand the work flow anytime, anywhere, and reduces paper used for internal communication and approval process. In terms of business, we use the Enterprise Resource Planning system for the entire business process. From procurement request to completion of transactions with customers, documents regardless of purchase orders or sales orders are electronic documents instead of paper documents, which significantly reduces the use of paper. At the same time, in order to fully utilize paper, we encourage using both sides of paper. We have established recycling points for single-sided waste papers to encourage employees to use single-sided waste paper for note taking.

Practice of 3R Principles

The Group strives to promote the sustainable development of the environment by practicing the environmental concept of "3R" – "Reduce", "Recycle" and "Reuse" in business operations. In terms of "Reduce", we minimize the use of packaging materials, and pursue practical packaging rather than extravagance. Our main non-hazardous waste is domestic waste, so we encourage employees to reduce the use of disposable items. Dormitory wastes are now disposed of by employees themselves but not cleaned by cleaners regularly everyday anymore, with a view to reducing the use of garbage bags. In terms of "Recycle", we are actively implementing different recycling plans to facilitate the redevelopment and use of underutilized resources. We reuse certain packaging materials such as wooden pallets and cartons and require employees to concentrate reusable waste materials in one location to avoid discarding as scraps. In 2019, we recycled a total of over 8 tonnes of metal and 5 tonnes of waste packaging materials. With regard to the hazardous wastes generated by the Group, including waste cloth, waste tin slag, waste bucket and waste lamp, we have transferred these wastes to qualified recycling companies for subsequent treatment. We also carry out publicity and education to employees, practise waste separation and storage, separate and label recyclable goods and waste, and strictly prohibit discarding recyclable goods together with wastes or directly as wastes. In terms of "Reuse", we will require suppliers to purchase customized pallets according to customers' requirements, and reuse the same pallets for the entire workflow to save a lot of pallets.

Green Building

The construction of the new plant commenced in 2017 and completed and put into service in 2019. During the two-year construction period, we require the construction unit to properly control the hazardous and non-hazardous wastes, noises, air pollution and water pollution generated during the construction of the new plant by implementing various green measures during the construction period in accordance with ISO14001 Environmental Management System Standards. Construction unit promised to protect the surrounding environment, implement pollution prevention and control measures, and reasonably arrange construction time. In the course of construction, we install guarding facilities such as fence for dust control and will properly process construction wastewater and construction waste to reduce the impact on the surrounding environment. We implemented various sewage discharge measures in accordance with the relevant requirements for domestic sewage set by the drainage management authority in Zhuhai City. For solid wastes such as domestic waste, they are collected and passed to local environmental authority for disposal. We also require the construction units to use low-noise and low-vibration machinery and equipment, and adopt effective sound insulation, noise elimination, noise reduction and vibration attenuation measures to meet the standards set out in the Emission Standard of Environment Noise for Boundary of Construction Site (GB12523-2011). In the future, we will continue to implement green construction concepts, so as to contribute to our environment.

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CREATE VALUE FOR EMPLOYEES

Employees serve as an important pillar of the Group. We are committed to creating value for our employees and building a career platform that helps them exert their expertise and maintain work-life balance. We are actively shaping employees' characteristics such as conscience, responsibility, entrepreneurial spirit, harmony and shared mission, as well as noble professionalism and superb professional ability, so that they are dedicated and diligent to the people and business of the Group. In addition, we expect employees to pursue continuous learning, strive for improvement, make continuous progress, and interact and help each other with a cooperative and tolerant attitude, and that the Group can operate orderly under system and process for cooperative, loyal, harmonious and win-win situation. The Group strictly complies with laws and regulations relating to workers, including but not limited to Labour Law of the PRC and Labour Contract Law of the PRC. We not only provide matching remuneration and benefits, but also build a sound development path for employees, so as to pay attention to their safety and health.

Remuneration and Welfares

People-oriented culture is an integral part of the Group. We believe in "making the best possible use of people and accomplishing success with people" and our success relies on the joint efforts of employees. Thus, based on market norm, we have established a sound remuneration and welfare system to share the fruits of the Group's development with employees. In addition to remuneration and welfares, we also care for all aspects of employees' lives, and organize many cultural events to enhance their sense of belongingness, which manifest another cultural foundation of us, namely team spirit.

Remuneration and Bonus

The Group provides employees with competitive remuneration package, our remuneration system is based on job value, job competence requirements and job performance. Job value is assessed according to six factors, including influence, problem solving skill, leadership, communication skills, knowledge and skills and scope of work of staff. In addition to adjusting the remuneration of all staff, the Group will also adjust the remuneration of individual employees based on the results of individual performance appraisal. Furthermore, in order to recognise the Group's outstanding individuals and team, foster a sense of collective honor and a sense of mission, encourage the enthusiasm and creativity of all staff, enhance corporate solidarity and cohesion, set up benchmark and examples for our staff, and create a positive and courageous atmosphere, we have established the annual evaluation program to provide cash rewards to teams or employees having outstanding performance in different aspects. Moreover, we have also distributed red pockets at the end of the year to encourage all employees of the Group to make further contributions to the Group's development. Departing employees are required to hand over on their last working day and will be paid with their remaining salary as scheduled.

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Staff Benefits

The Group implements five-day working (eight hours a day) system and provides a variety of paid holidays, including statutory holidays, annual leave, marriage leave, antenatal care leave, maternity leave, nursing leave, breastfeeding leave, compassionate leave and work-related injury leave. Except for contributions to housing provident fund and the purchase of five social insurances including: pension, medical care, work-related injury, unemployment and birth insurance according to statutory requirements, we also provide other allowances by purchasing commercial insurance and providing high temperature subsidies for special posts. The labor union of the Group also provide marriage and birth benefits, medical care and funeral consolation money to employees, we will also distribute shopping cards to employees on festivals like New Year's Day, Lunar New Year, Dragon Boat Festival and Mid-Autumn Festival, and give cake coupons to employees in their birth months. The Group also arranges annual health check for all staff. To care for the families of our staff who have suffered significant misfortunes, we utilize the care and mutual aid funds to show our warmth and love to them.

Cultural Activities

We believe that strengthening the corporate culture is beneficial to enhance the corporate strength and competitiveness and ultimately facilitate the strategic objective of sustainable development. Corporate cultural activity is an important way for employees to comprehend corporate spirit and philosophy. Through the spread of corporate culture concept, we give correct guidance in such aspects as staff's mindset, behaviour and values, and link the growth of employees closely with the development of the enterprise to achieve a win-win situation for the Company and employees. Over the years, we have been insisting on carrying out a variety of cultural and sports activities, training staff on their sense of belonging and responsibility to the Group, so as to create a warm and harmonious corporate culture. We organize paid-travel for excellent staff and teams every year to thank our annual outstanding employees for their of dedication and contribution, so that they are more passionate about life and work. In 2019, we organized a trip to Yunnan for high-caliber employees, a Lunar New Year Party and a spring outing. In order to improve the technical skills and team work of our first-tier production staff and enhance the sense of pride of our employees, Titans Technology organized the "Titans Skill Competition" for our staff during the year. Through this skill competition, our staff can learn from each other, exchange with each other and improve their work skills, so as to nurture more technical experts for front line posts.

Recruitment and Development Path

In order to practice one of the cultural foundations of the Group – "innovation-based", we not only have a comprehensive recruitment mechanism, but also a clear and sustainable career development path for our employees. The recruitment process of the Group ensures the fair and impartial recruitment of talent, and protects the rights and interests of job applicants and internal staff. In addition, we are convinced that a complete career path is the greatest guarantee for employees, so different measures have been implemented to offer the career path that fits them best.

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Recruitment

In order to standardize recruitment activities, improve the efficiency of recruitment, meet the talent needs of the enterprise and promote the implementation of the corporate business strategy, the Group has set up a sound recruitment management system. We carry out recruitment according to five principles: (1) the principle of fair competition, ensuring that candidates will not be discriminated because of race, gender or religious beliefs; (2) limit of age which means that we will only hire those who meet the statutory work age and avoid recruitment of child labour by strictly checking their identity cards; (3) recruiting with priority given to internal employees, which means that, when there is a vacancy, we will hire both internally and externally, but internal employee will be given priority under same conditions; (4) the principle of open merit-based recruitment, which means that we will focus on open recruitment, supplemented by internal staff recommendation; (5) the principle of unified management, which means that we will develop annual recruitment plan according to annual development plan, staffing situation and manpower demand plan of various departments, and carry out recruitment through on-site job fairs, online recruitment, internal recommendation, campus recruitment, etc. All candidates are subject to the initial test. For professional departments, the candidates have to go through the testing and professional re-test of relevant professional quality, development potential, comprehensive ability and other capabilities to ensure the quality and efficiency of recruitment. In order to prevent child labour, we require job applicants to present identification documents at the time of recruitment. Prior to commencement of employment, the Group sets forth important information in the labour contract, such as job duties, location and working hours of the position, thereby preventing forced labour.

Career Development Path

The Group has established clear career development path for employees in a bid to building a high-performing team while encouraging self-motivation, self-discipline and self-management of employees to support our rapid growth. We also promote internal mobility to open up more opportunities for employees' career advancement. Employees can be promoted along a career path, or adjust their promotion channels based on the changes in development direction. Employees can follow three paths of development, including technology, marketing and management, each of which can be subdivided into more specific professional development aspects. For employees to have a better and mature career planning, we have established career development files for each employee, covering career development planning form, training needs, annual assessment records and training records, as a basis for career planning. In order to encourage communication between employees and the management on career support, we have arranged the department heads and mentors as career development counselors for staff of various departments, who communicate with staff regularly about their individual work performance and direction of future development, so as to determine the next goal and direction. Counselors will also communicate with new staff, and make comprehensive consideration of their career development directions according to their personal circumstances, such as career interests, qualifications, professional skills, personal experience and background analysis. In addition to establishing a communication system, we carry out personal expertise and skills assessment of our staff based on different aspects, including staff's knowledge, skills, qualification and certificates, career interests and so on, with a view to understanding their needs and development. The Group will also review the training and promotion opportunities offered to staff in the past year, and the annual assessment results and promotion of individual employees, so as to put forward the recommendations for staff development at next stage.

Staff Training

The Group attaches importance to talent nurturing, and strives to achieve the goal of "learning in Titans, succeeding in the future; advancing with the times, action without delay". The Group has established a sound training system, internal lecturer system and mentor management system, etc., to encourage employees to make progress through independent learning, while actively providing support for staff training, including vocational skills and qualification awards, training incentives, lecturer allowance, support for further studies, etc. We offer the following four types of training courses for our employees.

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Types of training courses	Examples of training programs
• General courses	• Production plan management • Development of new energy industry • Production safety and occupational health
• Skill and technique courses	• Skills on construction operation and maintenance • Charger debugging process and technical details • Testing and inspection methods for direct current power sources system
• Business courses	• Results requirement prescribed in tender documents of different provinces
• Management courses	• Product planning and management • 6S management

In order to meet the development needs of the Group and staff, we will conduct an annual staff training needs survey, and adjust the annual training plan based on the survey and analysis on each employee's current job responsibilities, qualification requirements, personal career development planning, as well as the actual situation.

Employee Safety and Health

As a responsible employer, the Group always prioritizes and regards the safety and health of employees as an integral part of our business operation. We maintain strict compliance with relevant national laws, regulations, rules and standards on prevention and control of occupational disease and hazards, including but not limited to the Production Safety Law of the PRC, Law of the PRC on the Prevention and Treatment of Occupational Diseases, and Provisions on the Supervision and Administration of Occupational Health at Work Sites promulgated by the State Administration of Work Safety, while implementing labour protection approach and policy. The Group is committed to the work of labour protection and safety management, and firmly adheres to the idea of "safety first" to attain the goal of "safe production by everyone's participation; safe production by prevention first". We uphold the bottom line of "Never Put Production Before Safety". We not only have a sound system to ensure that all employees can do a good job of occupational disease prevention and control, but also continue to pursue progress to improve staff's working environment and conditions by incorporating health and safety consideration in different aspects of operation. The complementary support and continuous testing of protective facilities is an important part of safety management and the publicity and education for the promotion of occupational health and safety cannot be overlooked. In order to further strengthen the Group's safety management, we have established a system of production safety incentives and penalties. In addition to the safety management of daily production, we have also established relevant system related to occupational hazards and fire safety. The safety management system of Titans Technology has obtained the GB/T28001-2011/OHSAS 18001:2007 Occupational Health and Safety Management System certification.

Production Safety Management

For future business operation, we strive to establish safety development mindset, fulfil production safety responsibilities, enhance prevention and risk control at the sources of production safety risks, organize safety training on all fronts, push forward special treatment of occupational disease and hazards and further strengthen emergency response and rescue.

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In order to clarify the responsibilities of supervisors at all levels, functional departments, production departments and employees in the prevention and control of occupational diseases, as well as specify duties for all levels and positions to ensure diligent performance, the Group has formulated the safety production responsibility system which sets out the safety responsibilities of employees at all levels, including the establishment of measures, the implementation of measures, regular inspections and other duties. Moreover, in order to analyze the status of production safety on a regular basis and to solve safety production issues in a timely manner, the Group has set up a safety production committee, comprising the management, safety inspectors and employees in specialised fields. At the same time, we formed an occupational health leadership team and held regular meetings to study and formulate occupational disease prevention and control plans and schemes, improved and revised the occupational health management system, and set out and arranged for the performance of the duties and responsibilities of all employees according to the division of labour. In addition to the comprehensive framework for production safety and prevention of occupational disease, we organized regular inspection on the prevention and control of occupational disease and hazards to work on problems identified promptly, formulate improvement measures and designate specific departments to timely resolve the problems, in order to eliminate hidden risks of occupational diseases.

Employees' feedback is the cornerstone for reviewing the existing occupational safety and health system. In view of such, we hold the annual staff meeting for briefings on planning and implementation of occupational hazard prevention and control initiatives at the department level. We actively listen to employees' view on the occupational health initiatives at their departments and instruct the relevant departments to address and put reasonable suggestions and opinions into practice swiftly. Moreover, our occupational disease and hazard prevention and control working group holds regular meeting for updates on occupational health by different departments, which allows it to take timely and corresponding measures.

Prevention of Occupational Disease and Safety Protection

In strict compliance with the requirements of the Technical Specifications for Occupational Health Surveillance, the Group offers annual occupational health check to employees exposed to occupational risk factors and provides preinduction occupational health examination to new employees who are exposed to occupational risk factors, so as to ensure that their health conditions are able to adapt in the working environment. Safety protective equipment plays an important role in the prevention of occupational diseases and work-related accidents, since safety management only stays on the paper if there is no protective equipment. The Group has, therefore, set up safety protective facilities in the plant. In order to ensure that the protective facilities can effectively protect the staff, we have developed the inspection and maintenance plans and schemes for occupational disease protective facilities and regularly organized training on the proper use and maintenance of occupational disease protective facilities. We also require production units to check the operation of protective facilities weekly and workers to record the daily operation of such facilities. The management regularly checks the daily inspection, maintenance and overhaul of protective facilities. We provide personal protective gear based on the job nature of individual employees and forbid the use of substandard or expired protective equipment. The Group not only provides staff with safety protective equipment and personal protective gear, but also arranges third-party agencies to perform inspection and assessment on workplace's hazards and implements their recommendations based on the actual needs.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Publicity and Education

In addition to providing safety protection facilities, the Group actively carries out publicity and safety training for employees to enhance their safety awareness and ability of self-protection. Occupational diseases and hazard bulletin boards are set up in plants to promote knowledge of precautions and national laws and regulations relating to occupational disease and hazard on a regular basis. We also timely announce inspection and assessment results of occupational disease and hazard factors, along with the progress in commencement and improvement of occupational health initiatives of business units. We have also set up warning signs to remind employees of the types of occupational hazards, consequences, prevention and emergency response measures and so on. In addition to occupational safety publicity, we also carry out pre-employment safety training and regular on-the-Job safety training to enhance staff's occupational safety knowledge. The training covers occupational health-related laws, regulations and standards, basic occupational health knowledge, occupational health management system and operating procedures, proper use of occupational disease protection equipment and personal protective equipment, emergency rescue measures and basic skills in the event of an accident, and cases of occupational hazards. Workers are required to attend safety training and obtain work permits after passing the exam. The Group organizes the 6S (Seiri, Seiton, Seiso, Seiketsu, Shitsuke and Safety) training and encourages employees to develop self-discipline, so as to create a safe workplace free of accident. To promote safety awareness and prevention of occupational disease and hazard, as well as enhance the sense of safety responsibility, the Group organizes regular safety training for our staff. The Group invites professional technicians to provide specialized safety and technical training for operators of new equipment. Our staff must pass the examination before commencement of work.

Safe Production Rewards and Punishment System

Publicity and education enhances the production safety awareness of staff. However, to further enhance the driving force for employees to implement safe production, strengthen production safety management, and prevent and reduce safety accidents, the Group has developed a safe production rewards and punishment system. The Group rewards, in mental or material form, employees or departments that properly implement the safety management policies and systems of the Group, carry out safety management work, abide by laws and discipline and avoid accidents. In addition, we will punish the leaders and staff of relevant departments who are responsible for the accidents, delayed rectification and violation of discipline, according to the principles of "the person-in-charge shall bear responsibility, and the culprit shall be held accountable". We expect to work with our employees to improve production safety management through the production safety rewards and punishment system, thereby enhancing the production safety management of the Group.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Accident Handling Scheme

In order to avoid chaos after an accident and timely and effectively control and handle occupational hazards, the Group has formulated a set of well-defined accident handling procedures in accordance with the Law of the PRC on the Prevention and Treatment of Occupational Diseases, Provisions on the Supervision and Administration of Occupational Health at Work Sites, Measures for the Investigation and Treatment of Occupational Diseases Hazards and Accidents and other laws and regulations, and strives to control the scene as soon as possible to prevent aggravating the situation and minimize the hazards of accidents. In addition to clear sign of evacuation route and the emergency meeting point in the event of an accident, we have set up warning sign at where we store the emergency rescue facility to ensure that employees know the method to use it properly. With regard to the effectiveness of emergency rescue facilities and occupational hazard prevention facilities, we will regularly carry out inspection and maintenance to ensure the safety and effectiveness of the facilities. Regular drill of the occupational hazard rescue scheme also plays an indispensable role. In addition to getting our staff familiar with post-accident handling scheme, the drill also allows managers to review the existing accident handling procedure so as to improve the emergency response scheme. Besides, if an accident occurs, we will form an occupational hazard investigation team to collect evidence, analyze the responsibility of the accident, punish the responsible person, and take measures to prevent the accident from happening again.

Fire Safety Management

Apart from occupational hazards, the Group concerns about fire safety management, and has developed fire safety management system in accordance with the Provisions on the Administration of Fire Control Safety of State Organs, Organizations, Enterprises and Institutions. The Group will also hold regular meetings of person-in-charge of key units, and carefully check and implement various fire prevention systems and safety measures. We will also conduct regular fire inspections and make continuous improvement to eliminate fire hazards. In order to ensure the effectiveness of fire equipment, we will regularly check, purchase and repair fire equipment, to ensure all equipment is intact and in good conditions. We commission the units with relevant qualification to carry out a comprehensive inspection and test of fire extinguishers and automatic fire facilities in the buildings every year. In addition to regular inspections, publicity and education is also a major approach for our fire safety management. We set up fire safety promotion facilities at fixed locations such as the fire prevention column and billboards to improve staff's fire safety awareness and skills. We will not only provide pre-service training for newly recruited staff, but also carry out fire drills to enhance their ability of response in case of emergency. Moreover, after fire drills, we will review their performance in order to identify existing issues and propose improvement measures.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

CREATE VALUE FOR PARTNERS AND SOCIETY

The Group implements its management policy of "innovation-based, integrity-first" consistently along the supply chain. Innovation is the cornerstone of our survival and the power of our development. We will not follow the old rules blindly and rest on our laurels as that means giving up. We closely cooperate with our suppliers and expect to share opportunities with them. Integrity is also our operational principle. If we lack integrity and sense of responsibility, we will accomplish nothing, so data privacy is a major area of our focus. As a good corporate citizen, the Group not only attaches importance to the common development with the partners, but also makes more efforts to contribute to the community, in order to strive for outstanding business performance and promote social civilization, prosperity and harmony at the same time. Corruption is criticized most by people, so we are committed to combating corruption, and we have developed and implemented measures on multiple levels to achieve zero corruption. Apart from strict compliance with labour laws and regulations, we have established the equality programme for the employment needs of people with disabilities, so as to promote social inclusion.

Cooperation with Suppliers

The development of the Group depends on the raw materials provided by many suppliers which support our business operations and enable our every step of innovation. In order to develop and evolve with our suppliers, we have established stringent standards to assess the conduct of suppliers and developed transparent and fair procurement procedures and supplier contractual arrangements. We have set up clear new supplier selection policy that requires suppliers to make self-assessment first, so that they will understand our requirements and we can promote responsible business ethics to them. We will conduct on-site audit of prospective suppliers to examine whether they can provide products in line with quality requirements using the reliable production processes and the key equipment that complies with production requirements. We will check whether suppliers have passed the third party accreditation related to environmental and safety management practice. In addition to on-site audits, we will test prospective suppliers' samples to ensure product quality. We will continue to monitor qualified suppliers. In order to ensure the high-quality of products is maintained, the Group conduct quality checks on suppliers' products every month, review suppliers regularly according to the quality of products, the timeliness of delivery, coordination and price, and review suppliers' supply qualification. In 2019, most of our major suppliers have set up factories in Guangdong Province, which can reduce carbon emissions during transport.

Maintaining Business Ethics

The Group has always respected the rights of personal privacy and intellectual property conferred by law and strictly protected customers' personal information and our intellectual property. We have developed different policies to comply with the laws and regulations relating to personal privacy and intellectual property, including but not limited to the Trademark Law of the PRC, the Patent Law of the PRC and the Copyright Law of the PRC. We own the intellectual property rights associated with the technological achievements developed by our employees during the course of their employment. Apart from various patents, Titans Technology also obtained the Intellectual Property Right Management System Certification. We have developed stringent standards for the proper use of patent number and trademark, which can only be applied to authorized products, and forbidden exaggerated statements for promotion. At the same time, we spare no efforts in combating counterfeit goods and protecting our trademark. For instance, we conduct market survey from time to time and cooperate with law enforcement agencies in investigation and processing once we identify unauthorized use of trademarks and intellectual property rights. Furthermore, we established systems in relation to intellectual property and signed confidentiality agreements with employees, suppliers and customers to strengthen the protection of business secrets and safeguard the legal rights and interests of all parties. In particular, Zhuhai Yilian has set up protection for in-app data during the designing process of the program, which encrypts customer data acquired from the application and set up automatic backup and recovery for the virtual server to ensure data security.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Anti-Corruption

In order to create a culture of integrity, the Group strictly follows the Criminal Law of the PRC, Anti-Corruption and Anti-Money Laundering Law of the PRC and other relevant laws and regulations, and prevent corruption through a multipronged approach. Internally, the Group has established relevant systems to severely punish employees who abuse their power, illegally possess or falsely claim corporate property or commit fraud, malpractice, commercial bribery, illegal misuse, disclosure of secrets and embezzlement of corporate funds. In addition, we have set up specific financial positions according to the principle of division of incompatible responsibilities, implemented the system of one person for multi roles and regular rotation management and clarified each employee's authority carefully, to eliminate the opportunity for employees to receive benefits. Externally, most of our transactions are handled through the e-commerce platform, and all transaction payments are clearly recorded to avoid corruption. In addition to choosing suppliers in an open and transparent manner, we will also select reputable suppliers to reduce the risk of money laundering and thus maintain corporate reputation. At sales level, we strictly enforce the regulation, prohibit inflated prices, and avoid the signing of false contracts. We will also enter into an Integrity and Law-abiding Agreement with contractors in the process of bidding for a project and enter into an Integrity Agreement with clients to enhance the ability of both parties to operate free of corruption in accordance with the law, improve their self-constraint and self-discipline, and create a compliant, honest, clean and efficient working environment to prevent illegal acts. In 2019, there was no non-compliance relating to corruption or money-laundering.

Promote Social Communion

The Group believes that sharing the fruit of success with society is the foundation of sustainable business growth. Thus, while pursuing corporate development, we give back to society and bring warmth to the public. We will adhere to the core value of "creating value for the enterprise, employees, customers, partners and the society" and forge ahead to contribute to a harmonious society.

We are also committed to building a communion society and encourage our employees to serve the community with enthusiasm, and we have also established equal programmes that allow everyone to enjoy equality and respect. The Group implements the gender equal pay policy internally, and based on external market benchmark, we have achieved fair pay as compared to the external markets. Based on the evaluation of job value, we have achieved fairness in relative job value. Based on the qualification assessment, we have also achieved fairness for individual employees. We also implement equal promotion opportunities for male and female employees, with promotion decisions based on personal work performance, personal development potential and recognition of the core values of the enterprise, and treat employees equally regardless of their gender. The Group strictly implements fair benefit policy to male and female employees, and takes into account the protection policy for female employees. In addition to gender equality, we also agree that people with disabilities should be treated fairly. Therefore, we have given employment opportunities to people with disabilities in order to help them integrate into the community. Through the above measures, the Group expects to establish a society of equality, communion and justice.

During 2019, in order to contribute to constructing the community, Titans Technology participated in the poverty alleviation activity organized by the poverty alleviation and relief team of 珠海高新區科技產業局 (Technology and Industry Bureau of Zhuhai Hi-Tech Industrial Park*), with an aim to solve the urgent need for the livelihood of the poor living in 高坡村 (Gaopo Village*) through providing them with donations.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Major Key Performance Indicators

Environmental indicators	2019	2018
Emissions		
Nitrogen oxide emissions (kg)	**9**	7
Sulphur dioxide emissions (kg)	**0.19**	0.12
Particulate emissions (kg)	**1**	1
Total emissions of nitrogen oxide avoided by the use of electric vehicles (kg)	**1**	3
Total emissions of sulphur dioxide avoided by the use of electric vehicles (kg)	**0.02**	0.05
Total emissions of particulate avoided by the use of electric vehicles (kg)	**0.08**	0.22
Greenhouse gases		
Total emissions of greenhouse gases (tonnes of CO_2 equivalent)[1]	**934**	771
Scope 1: Direct emissions (tonnes of CO_2 equivalent)	**39**	65
Scope 2: Energy indirect emissions (tonnes of CO_2 equivalent)	**735**	601
Scope 3: Other indirect emissions (tonnes of CO_2 equivalent)	**160**	105
Emissions of greenhouse gases per production equipment (tonnes of CO_2 equivalent)	**23**	19
Total emissions of greenhouse gases avoided by the use of electric vehicles (tonnes of CO_2 equivalent)	**2**	4
Wastes		
Total disposal of non-hazardous wastes (tonnes)	**102**	47
Production of non-hazardous wastes per production equipment (tonnes/equipment)	**2.56**	1.18
Total production of hazardous wastes (kg)	**82**	332
Production of hazardous wastes per production equipment (kg/equipment)	**2.05**	8.29
Use of resources		
Total energy consumption (MWh)	**1,550**	1,254
Non-renewable fuel consumption (MWh)	**153**	107
Energy consumption from purchased electricity (MWh)	**1,397**	1,147
Energy consumption per production equipment (MWh/device)	**39**	31
Total water usage (m^3)	**10,860**	7,854
Water usage per production equipment (m^3/equipment)	**272**	196
Paper-based packaging material usage (tonnes)	**15**	14
Paper-based packaging material usage per product (kg/product)	**5.27**	5.27
Plastic-based packaging material usage (tonnes)	**0.59**	0.55
Plastic-based packaging material usage per product (kg/product)	**0.23**	0.23
Wood-based packaging material usage (tonnes)	**7**	7
Wood-based packaging material usage per product (kg/product)	**1.94**	1.94

[1] According to Appendix 27 "Environmental, Social and Governance Reporting Guide" of the Rules Governing the Listing of Securities, Scope 1 covers the greenhouse gases emissions from stationary combustion sources and mobile combustion sources; Scope 2 covers the energy indirect greenhouse gases emissions resulting from the generation of purchased or acquired electricity consumed within the Group; and Scope 3 covers the indirect greenhouse gases emissions resulting from waste paper disposal, water consumption and business air travel.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Employment Indicator	2019	2018
Number of employees	**438**	528
By gender		
Male	**321**	383
Female	**117**	145
By age		
Over 50 years old	**32**	32
30 to 50 years old	**322**	371
Below 30 years old	**84**	125
Average hours of training per employee (hour) and percentage of employees who received training (%)		
By gender		
Male	**11(98)**	20(80)
Female	**11(99)**	15(88)
By employee category		
Senior	**11(91)**	15(84)
Middle-level	**11(100)**	31(100)
Junior	**11(98)**	30(80)

Community investment indicators	2019	2018
Corporate charitable donations (RMB)	**15,000**	30,000
Number of employees participating in volunteer services	**1**	12
Number of volunteer hours of employees	**6**	38

DIRECTORS' REPORT

The Directors submit the directors' report together with the consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The Company is an investment holding company. The Group is principally engaged in (i) the supply of power electric products and equipment; (ii) the sales and leases of electric vehicles; (iii) provision of charging services for electric vehicles; and (iv) construction services of charging poles for electric vehicles under BOT arrangements. The principal activities of each of the subsidiaries of the Company are set out in note 48 to the consolidated financial statements.

Business segments

The Group is principally engaged in (i) the supply of power electric products and equipment; (ii) the sales and leases of electric vehicles; (iii) provision of charging services for electric vehicles; and (iv) construction services of charging poles for electric vehicles under BOT arrangements. Business analysis of sales, segment results, total assets and capital expenditures are set out in note 5 to the consolidated 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 2019 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 83 to 84 of this annual report.

The Board does not recommend the payment of any dividend for the year ended 31 December 2019 (2018: Nil).

CLOSURE OF REGISTER OF MEMBERS

In order to ascertain the entitlement to attend and vote at the annual general meeting (the "AGM") of the Company, which is proposed to be held on Friday, 19 June 2020, the register of members of the Company will be closed from Monday, 15 June 2020 to Friday, 19 June 2020, both days inclusive, during which period no transfer of shares will be registered. In order to be entitled to attend and vote at the AGM, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on Friday, 12 June 2020.

DIRECTORS' REPORT

BUSINESS REVIEW

Overview

A fair review of the business and outlook of the Company as well as a discussion and analysis of the Group's performance during the year ended 31 December 2019 and the material factors underlying its results and financial position can be found in the Chairman's Statement on pages 6 to 7 and the Management Discussion and Analysis on pages 8 to 28 of this annual report. An analysis using financial key performance indicators can be found in the Financial Highlights on pages 4 to 5 of this annual report. These discussions and financial highlights form part of this Directors' Report.

Principal Risks and Uncertainties

1. The Risk of Industry Policies

The Company's products are mainly applied in new energy electric vehicles and power industry. The growth of industry where the Company current operates rests in actual demands of the PRC economy, and is also susceptible to national policies. Recently, the central and local governments have introduced various support policies to encourage and guide the development of new energy electric vehicles and other strategic emerging industries. However, due to the rapid development of the emerging industry, there are uncertainties of the direction of development and achievements, so the national policy may also appear corresponding adjustments. If the macroeconomic operating situations in major markets or the relevant government support or subsidies policy have significant changes, the development of the industry and the Company's profit level will be affected to some extent. In addition, as investment and operation of electric vehicles charging network is an emerging business and national standards and industrial standards are yet to be perfected, there still exist uncertainties in the profit mode for investment in public charging network.

The Group will further strengthen its research on the development policies of national new energy industry and power industry and timely adjust its technological research and development strategy and production and operation strategy based on the Group's judgement on the changes of the industrial policies.

2. Technology Risk

With increased competitive market, technology replacement cycle is becoming shorter and shorter, and products performance and service standards for customer have become increasingly demanding. Application of new technologies and new product development is one of the key points to ensure the Group's core competitiveness. If we cannot reasonably and continuously increase the technical inputs and accurately grasp the technology, products and market trends, fail to timely develop products with high-quality, high technical standards, and keep in line with market expectations in the future, it will be difficult to maintain the core competitiveness of the Group and have impact on the Group's profitability in the future. Only by maintaining a strong competitive advantage, the Group can maintain its market position. The Group attaches great importance to technology research and development and the introduction of technical personnel, and it has a dynamic and experienced R&D team. In 2015, the Group's postdoctoral research station was approved and the establishment of the station will further enhance the Group's R&D strength. To this end, the Group will fully analyze the future direction of technology, continue to enrich the product line, optimize product mix, improve product and service content, so as to provide customers with a more comprehensive product solutions and services. At the same time, the Group will strengthen supply chain management, shorten the length of the supply chain through the allocation of resources to ensure the supply of products and services.

DIRECTORS' REPORT

3. Risk of decrease in gross profit margin

The new energy vehicle industry has been developing rapidly, together with the lead of national supportive policies, a number of enterprises has entered such industry, resulting in vigorous competitive landscape. The manufacture and sales of charging equipment for electric vehicles as well as the investment and operation of charging infrastructures, which is the principal business of the Company, will be affected. In a certain period of time, under aggravated competition, the high gross profit margin of the Company won by its first mover advantage cannot be maintained for a long term, and the price reduction caused by competition will become a trend. If the cost of products cannot be lowered effectively, the Company may expose to the significant decrease in gross profit margin. Therefore, the Company strives to research and develop the core technologies, actively shorten the supply chain management, complete the upgrade of products and launch products which meet market demands, so as to maintain the gross profit margin of the Company at a reasonable level.

4. Recovery Risk on Accounts Receivables

During the reporting period, the Group's accounts receivables balances recorded an increase, making recovery risk on accounts receivables within our control. The customers of the Group's products are power grid companies, power generation plants and large public institutions. Therefore, security level of accounts receivables is high and the overall recovery risk is remote. However, with the expansion of the scale of operation, the Group's accounts receivable is expected to remain at a high level as a result of the characteristics of the industry, longer customer payback periods and other factors. If the Group cannot manage the accounts receivable collection progress effectively, the Group's operating funds pressure will further increase, which would have possible adverse effects on the Group's business. In this regard, the Group will further strengthen the accounts receivable handling and collection, strengthen the customer relationship management (CRM), and minimize the risk of accounts receivable from the market development, the signing and the execution of the contract, and so on.

Important Event after the Reporting Period

Details of the important events after the Reporting Period are set out in note 50 to the consolidated financial statements in this annual report.

DIRECTORS' REPORT

Environmental Policies and Performance

The Group shall strictly comply with the relevant environmental protection laws and regulations of the People's Republic of China in the process of production and management. As of the end of the Reporting Period, there is no environmental incident, and the Group was not suffered any significant environmental claims or litigations. A discussion and analysis of the Group's environmental policies can be found in the Environmental, Social and Governance Report on pages 44 to 63 of this annual report.

Compliance with Laws And Regulations

The Company complies with the requirements under the Companies Ordinance, the Listing Rules and the Securities and Future Ordinance (the "SFO") for, among other things, the disclosure of information and corporate governance.

The PRC subsidiaries are governed by the laws and regulations relating to taxation, foreign exchange, product quality, trademarks, environmental protection, labor and social insurance. Any non-compliance will impose fines or other serious penalty actions against the PRC subsidiaries. We have implemented various measures to ensure compliance with such laws and regulations, including but not limited to consulting our PRC legal adviser and tax professional.

During the year ended 31 December 2019, there was no material breach of or non-compliance with the applicable laws and regulations by the Group that have a significant impact on the Group's business.

Relationships with Employees

Employees are regarded as the Group's most valuable asset. The Group's remuneration policy is determined based on the employee's experience, responsibility, workload and the time spending for the Group. The Group offers a competitive remuneration to employees, typically including basic salary, performance bonus, allowances and subsidies. On 8 May 2010, the Group also adopted a share option scheme based on a written resolution of shareholders with a purpose to granted share options to valuable employees and other qualified persons of the Group. The Group emphasizes on workplace safety, and arranges regular annual medical examination for staff.

The Group provides feedback to their performance through performance appraisal and provides recruits and in-service training for employees. The Group will continue to provide in-service training, which covers technology, quality management and mandatory training required by laws and regulations. The Group also provides management training for managers or potential managers.

The Group believes that direct and effective communication is essential for the establishment of good relations between the management and employees. We have set up unions, as the representatives of the employees, which is one of the main channels of communication. The Group receives comments and suggestions from employee every year through internal networks and the suggestion box, and adopts and analyzes related comments and suggestions, and rewards those providing recommendations.

DIRECTORS' REPORT

Relationships with Customers and Suppliers

The Group's major customers include power grid companies, power plants, public transportation systems, government departments, etc. The years of business relationship with the Group ranged from 1 to 3 years and the credit terms granted to the major customers ranged from 30 to 180 days. Details of the trade and bills receivables of the Group as at 31 December 2019 are set out in note 25 to the consolidated financial statements. Up to the date of this report, 17.95% of the trade and bills receivables from the major customers has been settled. The Group aims to provide customers with good quality products and services in order to strive for continued growth of sale revenue and profitability. The Group has strengthened communications between the customers and the Group by strengthening information management, so as to provide superior quality products and services.

In order to alleviate quality risks for products, the Group require that each process operator must carry out self-inspection, self-division of the products under different inspection and test states, self-marking of products, and control of self-inspection pass rate. The management has also conducted inspections in the production process and made relevant records. The Group also set up quality inspection department to test semi-finished products, and carry out tracking in accordance with the marking by process operators, so as to mark semi-finished products as qualified. Products assembled with qualified raw materials and semi-finished products will be tested at last.

During the Reporting Period, the Group did not have any material disputes with our major customers.

The Group maintains a good relation with suppliers, at the same time, conducts regular assessment and management on suppliers, integrates suppliers resources, controls procurement costs and secures the effectiveness of the supply chain based on product quality, price, ability to deliver products on time, after-sale service and other factors. The Group's main suppliers are raw material suppliers, and had business relationship with the Group for over 3 years on average. The credit terms granted to the major suppliers ranged from 30 to 180 days. Details of the trade and bills payables of the Group as at 31 December 2019 are set out in note 31 to the consolidated financial statements. Up to the date of this report, 39.29% of the trade and bills payables to the major suppliers has been settled. For the procurement of bulk commodities or services, the Group has set bidding program with strict implementation.

In order to alleviate risks for conduct of suppliers, the Group has set up clear new supplier selection policy that requires suppliers to make self-assessment first. We will also conduct on-site audit of suppliers and continue to monitor qualified suppliers.

During the Reporting Period, the Group did not have any significant disputes with our major suppliers.

MAJOR CUSTOMERS AND SUPPLIERS

During the Reporting Period, sales to the Group's five largest customers accounted for less than 30% of the total sales for the year.

During the Reporting Period, purchases from the single largest supplier of the Group and the five largest suppliers of the Group in aggregate accounted for approximately 8.77% and 32.20% of the total sales of the year, respectively.

None of the Directors, their close 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.

DIRECTORS' REPORT

RESERVES

Details of movements in the reserves of the Group and of the Company during the year ended 31 December 2019 are set out in the accompanying consolidated statement of changes in equity and note 47(b) to the consolidated financial statements.

PROPERTIES, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year ended 31 December 2019 are set out in note 16 to the accompanying consolidated financial statements.

CHARITABLE DONATIONS

Charitable donations made by the Group during the year amounted to RMB15,000 (2018: RMB30,000).

In 2019, the Group participated in the poverty alleviation activity organized by 珠海高新區科技產業局 (Technology and Industry Bureau of Zhuhai Hi-Tech Industrial Park*) and donated to the poor living in 高坡村 (Gaopo Village*) in Nawu Town, Fazhou, Guangdong Province, so as to solve the living difficulties of the poor living in 高坡村 (Gaopo Village*).

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 37 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2019, the reserves of the Company available for distribution to shareholders of the Company amounted to approximately RMB276.7 million (2018: RMB280.1 million).

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association (the "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 included in financial highlights on pages 4 to 5 of this annual report.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2019.

EQUITY-LINKED AGREEMENTS

Save as the Share Option Scheme of the Company disclosed below, no equity-linked agreements were entered into by the Company during the year.

SHARE OPTION SCHEME

The Company has adopted the Share Option Scheme pursuant to a written resolution passed by the shareholders of the Company on 8 May 2010 (the "Adoption Date").

The purpose of the Share Option Scheme is to enable the Group to grant share options to selected participants as incentives or rewards for their contributions to the Group. All officers, employees, agents, consultants or representatives of any member of the Group, (including any executive or non-executive Director) who the Board may determine in its absolute discretion, have made valuable contributions to the business of the Group based on their performance and/or years of service, or are regarded to be valuable human resources 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. The remaining life of Share Option Scheme is 1 year.

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

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

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

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

DIRECTORS' REPORT

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 the 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.

No options were granted, exercised, lapsed or cancelled by the Company under the Share Option Scheme during the year ended 31 December 2019. There were no outstanding options under the Share Option Scheme at the beginning and at the end of the year ended 31 December 2019.

As at the date of this report, the total number of shares available for issue under the Share Option Scheme was 60,570,000 Shares, representing 6.55% of the issued Shares of the Company.

DIRECTORS

The Directors during the year and up to the date of this annual report are:

Mr. Li Xin Qing
Mr. An Wei
Mr. Li Wan Jun*
Mr. Zhang Bo*
Mr. Pang Zhan*

* Independent non-executive Directors

DIRECTORS' SERVICE CONTRACTS

Pursuant to article 84(1) and 84(2) of the Articles, 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. Accordingly, Mr. An Wei and Mr. Li Wan Jun, shall retire by rotation, at the AGM and being eligible, will offer themselves for re-election as Directors at the AGM.

None of our Directors, including those proposed for re-election at the AGM, has entered or has proposed to enter into any service agreement with us or any other members of the Group, which is not expired or not determinable by us or any member of the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' REPORT

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 existed during the year ended 31 December 2019.

REMUNERATION OF DIRECTORS

Details of remuneration of the directors are set out in note 12 to the consolidated financial statements in this annual report.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

PERMITTED INDEMNITY PROVISION

During this financial year and up to the date of this report, the Company has in force indemnity provisions as permitted under the relevant statutes for the benefit of the Directors of the Company or its associated companies. The permitted indemnity provisions are provided for in the Articles of Association in respect of potential liability and costs associated with legal proceedings that may be brought against such Directors.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENT OR CONTRACTS

No transactions, arrangements and 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 or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

EXECUTIVE DIRECTORS' INTEREST IN COMPETING BUSINESS

As at 31 December 2019, none of the executive Directors or their respective associates had engaged in or had any interest in any business which, directly or indirectly, competes or may compete with the businesses of the Group.

DIRECTORS' REPORT

NON-COMPETITION DEED BY CONTROLLING SHAREHOLDERS

The Company has entered into the non-competition deed dated 8 May 2010 (the "Non-competition Deed") in favour of the Company with Genius Mind Enterprises Limited and its beneficial owner Mr. Li Xin Qing, Great Passion International Limited and its beneficial owner An Wei, Rich Talent Management Limited and Honor Boom Investments Limited and its beneficial owner Mr. Li Xiao Bin, Ms. Ou Yang Fen and Mr. Cui Jian (the "Controlling Shareholders").

Each of the Controlling Shareholders has made an annual declaration in respect of their compliance with the terms of Non-competition Deed.

Details of the Non-competition Deed was set forth under "Non-Competition Deed" in the section headed "Relationship with our Controlling Shareholders" of the initial public offering prospectus of the Company dated 18 May 2010.

The independent non-executive Directors had reviewed and confirmed that the Controlling Shareholders have complied with the Non-competition Deed during the year ended 31 December 2019.

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 12 to the consolidated financial statements. Details of the five highest paid individuals during the year under review are set out in note 13 to the consolidated financial statements.

RETIREMENT BENEFIT SCHEMES

Particulars of the Group's retirement benefit schemes are set out in note 44 to the consolidated financial statements.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of the Directors and senior management as at the date of this annual report are set out on pages 24 to 27 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 OTHER ASSOCIATED CORPORATION

As at 31 December 2019, 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 SFO) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (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	Approximate percentage of existing issued share capital of the Company
Mr. Li Xin Qing	Interest of controlled corporations	205,709,875 *(Note 2)*	22.24%
	Beneficial owner	200,000	0.02%
Mr. An Wei	Interest of controlled corporations	195,869,875 *(Note 3)*	21.17%
	Beneficial owner	400,000	0.04%

Notes:

1. All interests in Shares were long positions.

2. The entire issued share capital of Genius Mind Enterprises Limited ("Genius Mind") is beneficially owned by Mr. Li Xin Qing ("Mr. Li") who is deemed to be interested in 197,724,457 Shares held by Genius Mind by virtue of the SFO. Among 197,724,457 Shares, a total of 40,000,000 Shares were provided as security to a person other than a qualified lender. In addition, by virtue of the SFO, Mr. Li 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.

3. The entire issued share capital of Great Passion International Limited ("Great Passion") is beneficially owned by Mr. An Wei ("Mr. An") who is deemed to be interested in 187,884,457 Shares held by Great Passion by virtue of the SFO. Among 187,884,457 Shares, a total of 20,000,000 Shares were provided as security to a person other than a qualified lender. In addition, by virtue of the SFO, Mr. An 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.

Save as disclosed above, as at 31 December 2019, 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, its specified undertakings or any of its other 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 and the Hong Kong Companies Ordinance (Cap.622), to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

DIRECTORS' REPORT

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

As at 31 December 2019, 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	Approximate percentage of existing issued share capital of the Company
Ms. Zeng Zhen *(Note 2)*	Interests of spouse	205,909,875	22.26%
Genius Mind *(Note 3)*	Beneficial owner	197,724,457	21.37%
Ms. Yan Kai *(Note 4)*	Interests of spouse	196,269,875	21.22%
Great Passion *(Note 5)*	Beneficial owner	187,884,457	20.31%
Honor Boom Investments Limited *(Note 6)*	Beneficial owner	82,458,117	8.91%
Mr. Li Xiao Bin *(Note 6)*	Interest of controlled corporations	82,458,117	8.91%
Ms. Zhang Lina *(Note 7)*	Interests of spouse	82,458,117	8.91%
Mr. Thomas Karl Amade Pilscheur	Beneficial owner	66,244,818	7.16%
Ms. Feng Yanlin *(Note 8)*	Interests of spouse	66,244,818	7.16%
Broad-Ocean Motor (Hong Kong) Co. Limited *(Note 9)*	Beneficial owner	84,096,000	9.09%
Zhongshan Broad-Ocean Motor Co., Ltd. *(Note 9)*	Interest of controlled corporations	84,096,000	9.09%
Mr. Lu Chuping *(Note 9)*	Interest of controlled corporations	84,096,000	9.09%

DIRECTORS' REPORT

Notes:

1. All interests in Shares were long positions.

2. Ms. Zeng Zhen is the spouse of Mr. Li Xin Qing. Therefore, Ms. Zeng Zhen is deemed to be interested in the Shares in which Mr. Li Xin Qing is interested by virtue of the SFO.

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

4. Ms. Yan Kai is the spouse of Mr. An Wei. Therefore, Ms. Yan Kai is deemed to be interested in the Shares in which Mr. An Wei is interested by virtue of the SFO.

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

6. The issued share capital of Honor Boom Investments Limited is owned as to 40% by Mr. Li Xiao Bin, 30% by Ms. Ou Yang Fen and 30% by Mr. Cui Jian respectively. Therefore, Mr. Li Xiao Bin is deemed to be interested in the 82,458,117 Shares held by Honor Boom Investments Limited by virtue of the SFO.

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

8. Ms. Feng Yanlin is the spouse of Mr. Thomas Karl Amade Pilscheur. Therefore, Ms. Feng Yanlin is deemed to be interested in the Shares in which Mr. Thomas Karl Amade Pilscheur is interested by virtue of the SFO.

9. The entire issued share capital of Broad-Ocean Motor (Hong Kong) Co. Limited is owned by Zhongshan Broad-Ocean Motor Co. Ltd, which is in turn 43.82% of its interest was beneficially owned by Mr. Lu Chuping.

Save as disclosed above, as at 31 December 2019, 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.

ARRANGEMENT FOR DIRECTORS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed herein, at no time during the year were rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any Director of the Company or their respective spouses or minor children, or were such rights exercised by them, or was the Company, its holding company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of Shares in, or debt securities (including debentures) of the Company or any other body corporate.

DIRECTORS' REPORT

RELATED PARTY TRANSACTIONS

The related party transactions set out in note 46 to the consolidated financial statements did not fall within the definition of "discloseable 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 year ended 31 December 2019.

CORPORATE GOVERNANCE

The Company's corporate governance principles and practices are set out in the Corporate Governance Report on pages 28 to 38 of this annual report.

AUDITOR

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

AGM

The Company proposed that the AGM will be held on Friday, 19 June 2020. 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 AGM 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, 27 March 2020

INDEPENDENT AUDITOR'S REPORT

信永中和 ShineWing

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

TO THE MEMBERS OF CHINA TITANS ENERGY TECHNOLOGY GROUP CO., LIMITED
中國泰坦能源技術集團有限公司
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of China Titans Energy Technology Group Co., Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages 83 to 196, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code") and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of inventories

Refer to note 24 to the consolidated financial statements and the accounting policies on page 111.

The key audit matter	How the matter was addressed in our audit
As at 31 December 2019, the carrying amount of the inventories was approximately RMB80,836,000. We have identified the carrying amount of the inventories as a key audit matter since the carrying amount of inventories was significant to the consolidated financial statements and the assessment on the allowance for inventories involves significant judgements and estimates made by the management.	Our procedures in relation to the carrying amount of inventories were designed to review the judgements and estimates made by the management on the assessment of the allowance for inventories as at 31 December 2019. We have discussed with the management for the long-aged inventories identified at 31 December 2019 and challenged their judgements and estimates on whether allowance need to be made. We have reviewed the utilisation of inventories and sales contracts entered into between the Group and the customers on the long-aged inventories. We have also compared the latest selling price with carrying amount of the inventories to consider whether the inventories were stated at lower of their costs or net realisable values.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (Continued)

Valuation and impairment of trade receivables

Refer to note 25 to the consolidated financial statements and the accounting policies on pages 111 to 117.

The key audit matter	How the matter was addressed in our audit
As at 31 December 2019, the carrying amount of trade receivables, net of loss allowance for expected credit loss ("ECL"), was approximately RMB258,756,000. Loss allowance for ECL in respect of trade receivables of approximately RMB1,107,000 has been recognised and approximately RMB7,227,000 has been reversed for the year ended 31 December 2019. The ECL on trade receivables are estimated by the management using a provision matrix based on the Group's historical credit loss experience, and forward looking information at the end of the reporting period. Independent valuer was engaged by the management for the ECL estimations of trade receivables as at 31 December 2019. We have identified the recoverability and impairment of the trade receivables as a key audit matter in view of the significance of the carrying amount of trade receivables and the ECL estimation performed by the management involved significant judgements and estimates.	Our audit procedures were designed to assess the management estimation on ECL of trade receivables and challenge the reasonableness of the significant judgements and estimates, including use of significant unobservable inputs adopted in the ECL estimation by the management and the independent valuer. We have also assessed the appropriateness of the methodology and reviewed the inputs data used with reference to the latest available general economic data and the repayment records against the Group's historical trends and credit loss experience.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (Continued)

Valuation of the investments in unlisted equity securities included in financial assets at fair value through other comprehensive income

Refer to note 22 to the consolidated financial statements and the accounting policies on page 113.

The key audit matter	How the matter was addressed in our audit
As at 31 December 2019, included in the financial assets at fair value through other comprehensive income are investments in unlisted equity securities of approximately RMB27,905,000. Independent valuer was engaged by the management for the fair value measurement of each of the unlisted equity securities as at 31 December 2019. We have identified the valuation of the investments in unlisted equity securities included in financial assets at fair value through other comprehensive income as a key audit matter since significant judgements and estimates, including use of significant unobservable inputs, have been used in fair value measurement.	Our procedures were designed to challenge the reasonableness of judgements and estimates, including use of significant unobservable inputs adopted in the fair value estimations by the management and the independent valuer. We have also evaluated the appropriateness of the valuation methodology and the reasonableness of the inputs data used by the independent valuer with reference to the latest available market data.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (Continued)

Charging services concession rights

Refer to notes 20 and 36 to the consolidated financial statements and the accounting policies on page 110.

The key audit matter

The impairment assessment on the carrying amount of charging services concession rights of approximately RMB38,769,000 as at 31 December 2019 performed by the management included the identification of objective evidence of impairment and calculation of recoverable amount, based on value-in-use calculations, of charging services concession rights. This assessment is dependent upon significant judgements and estimates made by the management in the calculation of value-in-use, derived from profit forecasts and cash flows projections.

We have identified the impairment of charging services concession rights under intangible assets as a key audit matter in view of the significance and the involvement of significant judgements and estimates made by the management in the underlying data and assumptions used in the profit forecasts and cash flows projections, which may be subject to management bias.

How the matter was addressed in our audit

Our procedures were designed to review the judgements and estimates made by the management on the impairment assessment on the charging service concession rights at the end of the reporting period.

We have discussed the indication of possible impairment with the management. We compared the profit forecasts approved by the management with actual results available up to the report date. We also challenged the appropriateness of the management judgements and estimates used in the profit forecasts and cash flows projection, including the revenue growth rates and gross profit margins, against latest market expectations.

We also challenged the discount rates adopted in the calculation of the recoverable amounts by reviewing its basis of calculations and comparing the input data to market sources.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (Continued)

Valuation and impairment of loan receivables

Refer to note 27 to the consolidated financial statements and the accounting policies on pages 111 to 117.

The key audit matter	How the matter was addressed in our audit
The carrying amount of loan receivables, net of loss allowance for ECL, was approximately RMB1,160,000. Loss allowance for ECL in respect of loan receivables of approximately RMB37,035,000 has been recognised for the year ended 31 December 2019. Independent valuer was engaged by the management for the ECL estimations of loan receivables as at 31 December 2019. We have identified the recoverability and impairment of loan receivables as a key audit matter in view of the significance of the gross carrying amount of loan receivables and the ECL estimation performed by the management involved significant judgements and estimates.	Our audit procedures were designed to assess the application of the Group's impairment policies on loan receivables and the management estimations or judgements on the recoverability on the outstanding balances. We challenged the impairment assessment conducted by the management including instance of default and indicators of possible impairment. We also reassessed the assumptions and critical judgements used by the management and the independent valuer in the impairment assessment with reference to the aging of the debts, repayment history, and the creditworthiness or financial abilities of the borrowers as well as market economic data. We have also checked the settlement records of loan receivables during and after the end of the reporting period.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS OF THE COMPANY AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.

- Conclude on the appropriateness of the Company's directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Wong Hon Kei, Anthony.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Wong Hon Kei, Anthony
Practising Certificate Number: P05591

Hong Kong
27 March 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
Revenue	5	**301,214**	270,204
Cost of revenue		**(212,932)**	(187,973)
Gross profit		**88,282**	82,231
Other revenue and income	7	**20,821**	30,416
Selling and distribution expenses		**(46,885)**	(50,814)
Administrative and other expenses		**(61,544)**	(78,879)
Other gains and losses	8	**(1,989)**	(8,387)
Impairment loss of goodwill		**–**	(449)
Impairment losses of financial assets	11	**(38,355)**	(170)
Share of results of associates		**(510)**	(4,977)
Finance costs	9	**(9,655)**	(11,074)
Loss before tax		**(49,835)**	(42,103)
Income tax credit (expenses)	10	**1,043**	(1,601)
Loss for the year	11	**(48,792)**	(43,704)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Note	2019 RMB'000	2018 RMB'000
Other comprehensive income (expense)			
Items that will not be reclassified subsequently to profit or loss:			
Net fair value gain (loss) on financial assets at fair value through other comprehensive income		**5,256**	(1,960)
Income tax relating to items that will not be reclassified subsequently to profit or loss		**767**	(132)
		6,023	(2,092)
Other comprehensive income (expense) for the year, net of income tax		**6,023**	(2,092)
Total comprehensive expense for the year		**(42,769)**	(45,796)
Loss for the year attributable to:			
– Owners of the Company		**(47,603)**	(40,168)
– Non-controlling interests		**(1,189)**	(3,536)
		(48,792)	(43,704)
Total comprehensive expense for the year attributable to:			
– Owners of the Company		**(41,580)**	(42,260)
– Non-controlling interests		**(1,189)**	(3,536)
		(42,769)	(45,796)
LOSS PER SHARE	*15*		
Basic (RMB)		**(5.15 cents)**	(4.34 cents)
Diluted (RMB)		**(5.15 cents)**	(4.34 cents)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
Non-current assets			
Property, plant and equipment	16	**186,929**	125,951
Right-of-use assets	17	**8,238**	–
Prepaid lease payments	18	**–**	7,989
Goodwill	19	**–**	–
Prepayment for the construction of property, plant and equipment		**–**	23,533
Intangible assets	20	**38,769**	41,712
Interests in associates	21	**14,386**	6,290
Financial assets at fair value through other comprehensive income	22	**27,905**	22,649
Financial asset at fair value through profit or loss	22	**12,449**	17,242
Finance lease receivable	23	**492**	615
Deferred tax assets	35	**9,505**	9,493
		298,673	255,474
Current assets			
Inventories	24	**80,836**	80,814
Trade and bills receivables	25	**266,922**	238,024
Contract assets	26	**39,628**	42,817
Loan receivables	27	**1,160**	150,228
Prepayments, deposits and other receivables	28	**67,541**	92,128
Prepaid lease payments	18	**–**	312
Amounts due from associates	29	**1,275**	1,232
Finance lease receivable	23	**123**	107
Tax recoverable		**3,061**	–
Restricted bank balances	30	**19,393**	38,451
Short-term bank deposits	30	**64,400**	24,000
Bank balances and cash	30	**35,752**	59,955
		580,091	728,068
Current liabilities			
Trade and bills payables	31	**116,106**	83,490
Contract liabilities	26	**7,469**	7,691
Accruals and other payables	31	**12,982**	5,757
Lease liabilities	17	**204**	–
Amounts due to associates	32	**222**	698
Tax payable		**1,209**	510
Bank and other borrowings	33	**107,891**	180,944
		246,083	279,090
Net current assets		**334,008**	448,978
Total assets less current liabilities		**632,681**	704,452

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
Non-current liabilities			
Lease liabilities	17	**55**	–
Deferred tax liabilities	35	**11,989**	17,959
Bank and other borrowings	33	**76,293**	94,480
		88,337	112,439
Net assets		**544,344**	592,013
Capital and reserves			
Share capital	37	**8,087**	8,087
Share premium and reserves		**518,314**	562,775
Equity attributable to owners of the Company		**526,401**	570,862
Non-controlling interests		**17,943**	21,151
Total equity		**544,344**	592,013

The consolidated financial statements on pages 83 to 196 were approved and authorised for issue by the board of directors on 27 March 2020 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 2019

	Attributable to owners of the Company										
	Share capital RMB'000	Share premium RMB'000	Merger reserve RMB'000 *(note (a))*	Exchange translation reserve RMB'000	Investments revaluation reserve RMB'000	Capital reserve RMB'000 *(note (b))*	Statutory reserve fund RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As at 1 January 2018	8,087	325,141	8,640	504	–	527	62,209	208,014	613,122	26,749	639,871
Loss for the year	–	–	–	–	–	–	–	(40,168)	(40,168)	(3,536)	(43,704)
Other comprehensive expense for the year:											
Net fair value loss on financial asset at fair value through other comprehensive income	–	–	–	–	(1,960)	–	–	–	(1,960)	–	(1,960)
Income tax relating to items that will not be reclassified subsequently	–	–	–	–	(132)	–	–	–	(132)	–	(132)
Total comprehensive expense for the year	–	–	–	–	(2,092)	–	–	(40,168)	(42,260)	(3,536)	(45,796)
Transfer	–	–	–	–	–	–	1,207	(1,207)	–	–	–
Deemed disposal of a subsidiary *(note 40)*	–	–	–	–	–	–	–	–	–	(2,062)	(2,062)
At 31 December 2018	8,087	325,141	8,640	504	(2,092)	527	63,416	166,639	570,862	21,151	592,013
Loss for the year	–	–	–	–	–	–	–	(47,603)	(47,603)	(1,189)	(48,792)
Other comprehensive income for the year:											
Net fair value loss on financial asset at fair value through other comprehensive income	–	–	–	–	5,256	–	–	–	5,256	–	5,256
Income tax relating to items that will not be reclassified subsequently	–	–	–	–	767	–	–	–	767	–	767
Total comprehensive expense for the year	–	–	–	–	6,023	–	–	(47,603)	(41,580)	(1,189)	(42,769)
Acquisition of additional interest in a subsidiary *(note 49)*	–	–	–	–	–	(2,881)	–	–	(2,881)	(2,019)	(4,900)
At 31 December 2019	8,087	325,141	8,640	504	3,931	(2,354)	63,416	119,036	526,401	17,943	544,344

Notes:

(a) Merger reserve represents the amount of consideration paid to Zhuhai Titans Group Company Limited, in excess of the net book value of the subsidiary acquired from Zhuhai Titans Technology Co., Ltd.* 珠海泰坦科技股份有限公司 ("Titans Technology") in previous years.

(b) Capital reserve represents the difference between the consideration paid for the acquisition of additional equity interests in subsidiaries and the carrying value of the additional equity interests of the subsidiaries acquired.

* *English name is for identification purpose only*

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	2019 RMB'000	2018 RMB'000
OPERATING ACTIVITIES		
Loss before tax	**(49,835)**	(42,103)
Adjustments for:		
Impairment loss of goodwill	**–**	449
Amortisation of intangible assets	**4,235**	4,299
Amortisation of prepaid lease payments	**–**	312
Depreciation of right-of-use assets	**538**	–
Depreciation of property, plant and equipment	**7,689**	9,220
Bank interest income	**(814)**	(1,051)
Interest income on loan receivables	**(5,259)**	(5,858)
Interest income on amounts due from directors	**–**	(328)
Interest income on finance lease receivables	**(110)**	–
Finance costs	**9,655**	11,074
Gain on partial disposal of an associate	**–**	(1,869)
Gain on disposal of an associate	**(106)**	–
(Gain) loss on disposal of property, plant and equipment	**(27)**	61
Loss on write-off of property, plant and equipment	**316**	–
Fair value loss on financial asset at fair value through profit or loss	**4,793**	10,919
Government grants	**(4,565)**	(14,078)
Impairment losses of financial assets	**38,355**	170
Gain on deemed disposal of a subsidiary	**–**	(651)
Share of results of associates	**510**	4,977
Fair value change on derivative components and gain on redemption of convertible notes	**–**	(12)
Profit from construction under Build-Operate-Transfer ("BOT") arrangement	**(352)**	(5,975)
Unrealised exchange (gain) loss	**(2,987)**	4,507
Operating cash flows before movements in working capital	**2,036**	(25,937)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	2019 RMB'000	2018 RMB'000
OPERATING ACTIVITIES (Continued)		
Increase in inventories	**(22)**	(4,196)
(Increase) decrease in trade and bills receivables	**(22,778)**	38,148
Decrease (increase) in contract assets	**4,865**	(7,919)
Decrease in prepayments, deposits and other receivables	**20,730**	48,433
(Increase) decrease in amounts due from associates	**(43)**	2,905
Disposal of financial asset at fair value through profit or loss	**–**	9,248
Increase (decrease) in trade and bills payables	**32,616**	(17,551)
(Decrease) increase in contract liabilities	**(222)**	900
Decrease in accruals and other payables	**(292)**	(9,833)
(Decrease) increase in amounts due to associates	**(476)**	513
Cash generated from operations	**36,414**	34,711
Income tax paid	**(6,534)**	(25,590)
NET CASH FROM OPERATING ACTIVITIES	**29,880**	9,121

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Note	2019 RMB'000	2018 RMB'000
INVESTING ACTIVITIES			
Repayment of loan receivables		**112,033**	880
Withdrawal of restricted bank balance		**27,486**	61,839
Withdrawal of short-term bank deposits		**24,000**	71,000
Proceeds on disposal of an associate		**1,500**	–
Bank interest received		**814**	1,051
Proceeds on disposal of property, plant and equipment		**157**	201
Interest received from finance lease receivable		**110**	–
Decrease (increase) in finance lease receivable		**107**	(722)
Placement of short-term bank deposits		**(64,400)**	(22,000)
Purchase of property, plant and equipment		**(33,115)**	(56,335)
Acquisition of an associate		**(10,000)**	–
Placement of restricted bank balance		**(8,428)**	(38,857)
Acquisition of additional equity interest in a subsidiary		**(4,900)**	–
Additions to charging services concession rights under intangible assets		**(940)**	(10,899)
Repayment from directors		**–**	4,354
Loan interest income received		**–**	1,622
Advance to loan receivables		**–**	(130,390)
Prepayment for the construction of property, plant and equipment		**–**	(30,000)
Advance to directors		**–**	(4,354)
Capital contribution to associates		**–**	(2,040)
Advance to an associate		**–**	(2,000)
Net cash outflow from deemed disposal of a subsidiary	40	**–**	(549)
Proceeds on disposal of financial assets at fair value through profit or loss		**–**	106,382
Proceeds on partial disposal of an associate		**–**	3,000
Dividend received from financial assets at fair value through profit or loss		**–**	841
NET CASH FROM (USED IN) INVESTING ACTIVITIES		**44,424**	(46,976)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	2019 RMB'000	2018 RMB'000
FINANCING ACTIVITIES		
Repayment of bank and other borrowings	**(219,039)**	(123,976)
Interest paid	**(14,603)**	(12,512)
Repayment of lease liabilities	**(216)**	–
New bank and other borrowings raised	**130,786**	263,005
Receipts from government grants	**4,565**	14,078
Advance from directors	**–**	12,052
Redemption of the convertible notes	**–**	(87,918)
Repayment to an independent third party	**–**	(15,000)
Repayment to directors	**–**	(12,052)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	**(98,507)**	37,677
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(24,203)**	(178)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**59,955**	60,133
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, REPRESENTED BY BANK BALANCES AND CASH	**35,752**	59,955

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

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 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 principal activities of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") are (i) supply of power electric products and equipment; (ii) the sales and leases of electric vehicles; (iii) provision of charging services for electric vehicles; and (iv) construction services of charging poles for electric vehicles under Build-Operate-Transfer ("BOT") arrangements. The Company's principal activity is investment holding. The principal activities of the subsidiaries are set out in note 48.

The consolidated financial statements of the Group are presented in Renminbi ("RMB"), which is also the functional currency of the Company.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS(s)")

In the current year, the Group has applied, for its first time, the following new and amendments to HKFRSs, which include HKFRSs, Hong Kong Accounting Standards ("HKAS(s)") and amendments, issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

The adoption of HKFRS 16 *Leases* resulted in changes in the Group's accounting policies and adjustments to the amounts recognised in the consolidated financial statements as set out below. The directors of the Company consider that, the application of other new and revised HKFRSs in the current year has had no material effect on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS(s)") (Continued)

2.1 Impacts on adoption of HKFRS 16 Leases

HKFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating lease and finance lease and requiring the recognition of right-of-use asset and a lease liability for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new accounting policies are described in note 3. The Group has applied HKFRS 16 retrospectively with the cumulative effect of initial application as an adjustment to the opening balance of equity, where appropriate, at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17 *Leases*.

On transition to HKFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which arrangements are, or contain, leases. It applied HKFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-4 *Determining whether an Arrangement contains a Lease* were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

The Group as lessee

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 (except for lease of low value assets and lease with remaining lease term of 12 months or less). These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rates applied to the lease liabilities on 1 January 2019 were ranging from 8.06% to 9.46% per annum.

The Group recognises right-of-use assets and measures them at an amount equal to the lease liability.

The Group as lessor

The Group leases some of the machineries. The accounting policies applicable to the Group as lessor are not different from those under HKAS 17.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS(s)") (Continued)

2.1 Impacts on adoption of HKFRS 16 Leases (Continued)

The following table summarises the impact of transition to HKFRS 16 at 1 January 2019. Line items that were not affected by the adjustments have not been included.

	Notes	Carrying amount previously reported at 31 December 2018 RMB'000	Impact on adoption of HKFRS 16 RMB'000	Carrying amount as restated at 1 January 2019 RMB'000
Right-of-use assets	*(a) & (b)*	–	8,776	8,776
Prepaid lease payments	*(b)*	8,301	(8,301)	–
Lease liabilities	*(a)*	–	475	475

Notes:

(a) As at 1 January 2019, right-of-use assets were measured at an amount equal to the lease liabilities of approximately RMB475,000.

(b) Prepaid lease payments of approximately RMB8,301,000 which represent the upfront payments for leasehold lands in the People's Republic of China ("PRC") were reclassified to right-of-use assets.

In the consolidated statement of cash flows, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. The total cash flows are unaffected.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS(s)") (Continued)

2.1 Impacts on adoption of HKFRS 16 Leases (Continued)

Differences between operating lease commitments as at 31 December 2018, the date immediately preceding the date of initial application, discounted using the incremental borrowing rate, and the lease liabilities recognised as at 1 January 2019 are as follow:

	RMB'000
Operating lease commitment disclosed as at 31 December 2018	2,096
Less: Short-term leases and other leases with remaining lease term ended on or before 31 December 2019	(1,571)
	525
Less: Total future interest expenses	(50)
Discounted using the incremental borrowing rate and lease liabilities recognised as at 1 January 2019	475
Analysed as:	
Current portion	246
Non-current portion	229
	475

Practical expedients applied

On the date of initial application of HKFRS 16, the Group has also used one of the practical expedients permitted by the standard to account for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS(s)") (Continued)

2.1 Impacts on adoption of HKFRS 16 Leases (Continued)

New and revised HKFRSs issued but not yet effective

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

HKFRS 17	Insurance Contracts[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKAS 1 and HKAS 8	Definition of Material[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[1]
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting[1]

1 Effective for annual periods beginning on or after 1 January 2020.
2 Effective for annual periods beginning on or after 1 January 2021.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for business combinations and assets acquisition for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

The directors of the Company anticipate that the application of the new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

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 and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair values at the end of each reporting period.

Historical cost is generally based on the fair value of the consideration given in exchange for goods or services.

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 in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. Details of fair value measurement are explained in the accounting policies set out below.

The principal accounting policies are set out below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

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. If a subsidiary prepares its financial statements using accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to that subsidiary's financial statements in preparing the consolidated financial statements to ensure conformity with the Group's accounting policies.

Control is achieved where the Group has (i) power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) ability to use its power over the investee to affect the amount of the Group's return. When the Group has less than a majority of the voting rights of an investee, power over the investee may be obtained through (i) a contractual arrangement with other vote holders; (ii) rights arising from other contractual arrangements; (iii) the Group's voting rights and potential voting rights; or (iv) a combination of the above, based on all relevant facts and circumstances.

The Company reassesses whether 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 of the subsidiary and cease when the Group loses control of the subsidiary.

Income and expenses of subsidiaries are included in the consolidated statement of profit or loss and other comprehensive income from the date of 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Changes in the Group's ownership interests in existing subsidiaries

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognised as a gain or loss in profit or loss attributable to the Group. When assets and liabilities of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets and liabilities (i.e. reclassified to profit or loss or transferred directly to retained profits as specified by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 *Financial Instruments* or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

Businesses combinations are accounted for by applying the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs incurred to effect a business combination are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

– deferred tax assets or liabilities arising from the assets acquired and liabilities assumed in the business combination are recognised and measured in accordance with HKAS 12 *Income Taxes*;

– assets or liabilities related to the acquiree's employee benefit arrangements are recognised and measured in accordance with HKAS 19 *Employee Benefits*;

– liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of the acquiree's share-based payment transactions with the share-based payment transactions of the Group are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below);

– assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard; and

– lease liabilities are measured at the present value of the remaining lease payments as if the acquired lease was a new lease at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are measured at an amount equal to the lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations (Continued)

Goodwill is measured as the excess of the aggregate of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the Group's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the aggregate of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a gain on bargain purchase.

Non-controlling interests, unless as required by another standards, are measured at acquisition-date fair value except for non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured either at fair value or at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets on a transaction-by-transaction basis.

Goodwill

Goodwill arising from a business combination is carried at cost less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the cash-generating unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

The Group's policy for goodwill relating to an associate that included in the carrying amount of the investment is set out in "investments in associates" below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates

An associate is any entity over which the Group has significant influence. 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 Group's investments in associates are accounted for in the consolidated financial statements using the equity method. Under the equity method, investments in associates are initially recognised at cost. The Group's share of the profit or loss and changes in other comprehensive income of the associates are recognised in profit or loss and other comprehensive income respectively after the date of acquisition. If the Group's share of losses of an associate equals or exceeds its interest in the associate, which determined using the equity method together with 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 provided for, and a liability is recognised, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

If an associate uses accounting policies other than those of the Group for like transactions and events in similar circumstances, adjustments are made to make the associate's accounting policies conform to those of the Group when the associate's financial statements are used by the Group in applying the equity method.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment, any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of the associate is recognised as goodwill and is included in which the investment is acquired.

After the application of the equity method, including recognising the associate's losses, the Group determines whether there is an objective evidence that the net investment in the associate is impaired. Goodwill that forms part of the carrying amount of the investment is not separately recognised. The entire carrying amount of an investment in an associate (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount (higher of value-in-use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the net investment in the associate. Any reversal of that impairment is recognised to the extent that the recoverable amount of the investment subsequently increases.

When the investment ceases to be an associate upon the Group losing significant influence over the associate, the Group discontinues to apply equity method and any retained interest is measured at fair value at that date which is regarded as its fair value on initial recognition as a financial asset in accordance with the applicable standard. Any difference between the fair value of any retained interest and any proceeds from disposing of the relevant interest in the associate and the carrying amount of the investment at the date the equity method was discontinued is recognised in profit or loss.

Gains and losses resulting from transactions between the Group and its associate are recognised in the consolidated financial statements only to the extent of unrelated investors' interests in the associate. The Group's share in the associate's gains or losses resulting from these transactions is eliminated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

Revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Group uses a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

The Group recognised revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to customers.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- The Group' performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct goods or service.

Revenue is measured based on the consideration specified in a contract with a customer, excludes discounts and sales related taxes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Contract assets and contract liabilities

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration from the customer.

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

The Group recognised revenue from the following major sources:

- Sales of electric products
- Construction revenue under BOT arrangements
- Provision of charging services for electric vehicles
- Sales of electric vehicles

Sales of goods

Revenue from sale of electric products and electric vehicles is recognised at the point when the control of the goods is transferred to the customers (generally on delivery of equipment and acceptance by the customer).

Construction revenue from BOT arrangements

The Group provides construction services under BOT arrangements. Revenue from the construction services is estimated on a cost-plus basis with reference to a prevailing market rate of gross margin at the date of the agreement applicable to similar construction services rendered and recognised over time as the Group's performance creates or enhances an asset or work in progress that the customer controls as the asset is created or enhanced. Thus, the Group satisfies a performance obligation over time, by reference to the construction costs of the related infrastructure incurred as a percentage of the total estimated construction costs for each contract.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Provision of charging services for electric vehicles

For the provision of charging services for electric vehicles, revenue is recognised based on the electricity transmitted.

Warranties

If a customer does not have the option to purchase a warranty separately, the Group accounts for the warranty in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* unless the warranty provides the customer with a service in addition to the assurance that the product complies with agreed-upon specifications (i.e. service-type warranties).

Provisions for the expected cost of warranty obligations are recognised at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Group's obligation.

Leasing (Accounting Policy applicable on or after 1 January 2019)

Definition of a lease

Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing (Accounting Policy applicable on or after 1 January 2019) (Continued)

Definition of a lease (Continued)

The Group as lessee (Continued)

Lease liabilities

At the commencement date, the Group measures lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted by using the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

The lease liability is presented as a separate line in the condensed consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

Lease liability is remeasured (and with a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing (Accounting Policy applicable on or after 1 January 2019) (Continued)

Definition of a lease (Continued)

The Group as lessee (Continued)

Right-of-use assets

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs, less lease incentives received. Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, provision is recognised and measured under HKAS 37. The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses. They are depreciated over the shorter period of lease term and useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Group applies HKAS *Impairment of Assets* 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

The Group as lessor

The Group enters into lease agreements as a lessor with respect to some of its machineries and part of its building. Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Leasing (Accounting Policy applicable prior to 1 January 2019)

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

Amounts due from lessees under finance lease are recognised as receivables at the amount of the Group's net investment in the lease. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the lease.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing (Accounting Policy applicable prior to 1 January 2019) (Continued)

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

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.

Foreign currencies

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

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

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) 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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

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

Government grants

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

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. 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.

Retirement benefit costs

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

Short-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "loss 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 bases 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 deferred tax assets and liabilities are not recognised if the temporary difference arises 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.

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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority on either (i) the same taxable entity; or (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 *Income Taxes* requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

Current and deferred income tax are recognised in profit or loss, except when they relate 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.

Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Ownership interests in leasehold land and buildings

For payments of ownership interest of properties which includes both leasehold land and building elements, the entire property is presented as property, plant and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements.

Depreciation is recognised so as to allocate the cost of items of property, plant and equipment (other than construction in progress) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Service Concession arrangements

Consideration given by the grantor

An intangible asset (charging services concession rights) is recognised to the extent that the Group receives a right to charge users of the public service, which is not an unconditional right to receive cash because the amounts are contingent on the extent that the public uses the service. The intangible asset (charging services concession rights) is accounted for in accordance with the policy set out for "intangible assets" below.

Consideration received or receivable by the Group for the construction services rendered under service concession arrangement is recognised initially at its fair value as an intangible asset.

Operating services

Revenue and costs relating to operating services are accounted for in accordance with the policy for "revenue recognition" above.

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, if any. 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 effect of any changes in estimate being accounted for on a prospective basis.

When the Group has a right to charge for usage of concession infrastructure (as a consideration for providing construction service in a service concession arrangement), it recognises an intangible asset at fair value upon initial recognition. The intangible asset is carried at cost less accumulated amortisation and accumulated impairment losses, if any. Amortisation is provided on the straight-line basis over the respective periods of the operating concessions granted to the Group of 8 or 10 years.

Research and development expenditure

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 bank balances and cash as defined above.

Investment in a subsidiary

Investment in a subsidiary is stated on the statement of financial position of the Company at cost less accumulated impairment loss, if any.

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, except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. 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.

Financial assets

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.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets. Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income ("FVTOCI"), and fair value through profit or loss ("FVTPL").

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Financial assets at amortised cost (debt instruments)

The Group measures financial assets subsequently at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment.

(i) Amortised cost and 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.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (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) excluding expected credit losses ("ECL"), through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Equity instruments designated as at FVTOCI

On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investment revaluation reserve. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the 'other revenue and income' line item in profit or loss.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.

- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Group has not designated any debt instruments as at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the other gains and losses line item. Fair value is determined in the manner described in note 39(c).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Financial assets at FVTPL (Continued)

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition, it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Impairment of financial assets

The Group always recognises lifetime ECL for trade and bills receivables, contract assets and lease receivable. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial assets measured at amortised cost, the Group measures the loss allowance equal to 12-month ECL, unless when there has a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

Significant increase in credit risk (Continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term, and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

The Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter into bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the expected credit losses is consistent with the cash flows used in measuring the lease receivable in accordance with HKFRS 16 (on or after 1 January 2019) or HKAS 17 (prior to 1 January 2019).

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained profits.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments

Classification as debt or equity

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 an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (1) contingent consideration of an acquirer in a business combination to which HKFRS 3 applies, (2) held for trading, or (3) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Equity instruments (Continued)

Financial liabilities at FVTPL (Continued)

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKFRS 9 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liabilities and is included in profit or loss.

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not (1) contingent consideration of an acquirer in a business combination, (2) held-for-trading, or (3) designated as at FVTPL, are subsequently measured at amortised cost using the 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 amortised cost of a financial liability.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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

Impairment losses on tangible and intangible assets (other than impairment of goodwill set out in accounting policy in respect of goodwill above)

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives 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. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating unit, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal 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 (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or the cash-generating unit) 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 (or the cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value measurement

When measuring fair value, except for the Group's leasing transactions and net realisable value of inventories, 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.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Specifically, the Group categorised the fair value measurements into three levels, based on the characteristics of inputs, as follows:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

At the end of the reporting period, the Group determines whether transfer occur between levels of the fair value hierarchy for assets and liabilities which are measured at fair value on recurring basis by reviewing their respective fair value measurement.

4. CRITICAL ACCOUNTING JUDGEMENT AND 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 judgements, estimates and assumptions about the amounts of assets, liabilities, revenue and expenses reported and disclosures made in the consolidated financial statements. 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 on-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.

Critical judgement in applying accounting policies

The following is the critical judgement, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised and disclosures made in the consolidated financial statements.

Control over a subsidiary

As disclosed in note 48, Shandong Huidian New Energy Technology Co., Ltd.* (山東匯電新能源科技有限公司) ("Shandong Huidian") is considered a subsidiary of the Group, in which only 45% equity interest in Shandong Huidian was held by the Group, since the Group has 51% of the voting rights in the shareholders' meeting of Shandong Huidian. The Group also has the power to appoint three out of the five directors of that company under the provisions stated in the Article of Association of Shandong Huidian.

The directors of the Company assessed the Group's control over Shandong Huidian on the basis of its practical ability to direct the relevant activities unilaterally. In making their judgement, the directors of the Company consider the Group holds more than half of the voting rights in the shareholders' meeting so the Group has the control over Shandong Huidian.

* English name is for identification purpose only.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty

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

Impairment of intangible assets

At the end of the reporting period, the directors of the Company review the carrying amounts of its intangible assets with finite useful lives of approximately RMB38,769,000 (2018: RMB41,712,000) and identify if there is any indication that those assets may suffer an impairment loss. Accordingly, the recoverable amounts of the assets are estimated in order to determine the extent of the impairment loss. The recoverable amounts of the assets is based on value in use calculation which require the use of estimations such as profit forecasts, cash flow projections and discount rates. For any instance where this evaluation process indicates impairment, the relevant intangible asset's carrying amount is written down to the recoverable amount and the amount of the write-down is recognised in the consolidated statement of profit or loss and other comprehensive income. Based on the estimated recoverable amounts, no impairment loss has been recognised for the years ended 31 December 2019 and 2018. Where the actual cashflows are less than expected, or change in facts and circumstances which results in downward revision of future cashflow, a material impairment loss may arise.

Income taxes

As at 31 December 2019, a deferred tax asset of approximately RMB9,139,000 (2018: RMB9,493,000) in relation to deductible temporary difference of allowance for impairment loss of trade receivables, contract assets, deposits and other receivables and loan receivables in aggregate of approximately RMB60,927,000 (2018: RMB63,293,000) has been recognised in the Group's consolidated statement of financial position. No deferred tax asset has been recognised on the remaining deductible temporary difference of (i) allowance for impairment loss of trade receivables, contract assets, deposits and other receivables and loan receivables of approximately RMB52,759,000 (2018: RMB12,038,000); and (ii) un-used tax losses amounting to approximately RMB92,122,000 (2018: RMB88,775,000) due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal takes place.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Impairment of trade and bills receivables, contract assets, deposits and other receivables and loan receivables

The impairment provisions for trade and bills receivables, contract assets, deposits and other receivables and loan receivables are based on assumptions about ECL. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, bases on the number of days that an individual receivable is outstanding as well as the Group's historical experience and forward-looking information at the end of the reporting period. Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional impairment charge to the consolidated statement of profit or loss and other comprehensive income. At 31 December 2019, the aggregate amount of carrying amount and accumulated impairment loss of trade and bills receivables, contract assets, deposits and other receivables and loan receivables are approximately RMB349,778,000 (2018: RMB486,121,000) and RMB113,686,000 (2018: RMB75,331,000), respectively.

Impairment of prepayments to suppliers

At the end of the reporting period, the directors of the Company review the carrying amount of the prepayments to suppliers of approximately RMB24,505,000 (2018: RMB34,086,000) and identify if there is impairment indication for the prepayments to suppliers. Accordingly, the recoverable amounts of the prepayments to suppliers are estimated in order to determine the extent of the impairment loss. The estimates of the recoverable amount of the prepayments to suppliers require the use of assumptions such as utilisation rate of the prepayments to suppliers subsequently to the end of the reporting period or refund from the suppliers subsequently as a result of the inability of filling up of the purchase orders by the suppliers.

Impairment of property, plant and equipment and right-of-use assets

At the end of the reporting period, the directors of the Company review the carrying amount of the property, plant and equipment and right-of-use assets of approximately RMB186,929,000 (2018: RMB125,951,000) and RMB8,238,000 (1/1/2019: RMB8,301,000) respectively and identified if there is any indication for possible impairment of property, plant and equipment and right-of-use assets. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. In assessing whether there is any indication that the property, plant and equipment and right-of-use assets may be impaired, the Group has considered the existence of external and internal source of information including but not limited to economic performance of each cash-generating unit of the Group. The directors of the Company consider that they were not aware of any impairment indication at 31 December 2019 and 2018, which the recoverable amounts of property, plant and equipment and right-of-use assets were subject to impairment testing. No impairment loss has been recognised in respect of the property, plant and equipment and right-of-use assets for both years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Allowance for inventories

The management review the inventory ageing analysis on a periodical basis in order to determine whether allowance need to be made in respect of any obsolete and defective inventories identified, and estimate the net realisable value based primarily on the latest sales unit prices and current market conditions. As at 31 December 2019, the carrying amount of inventories is approximately RMB80,836,000 (2018: RMB80,814,000). No allowance for inventories was recognised for both years.

Fair value measurement and valuation process of unlisted equity investments

The Group's unlisted equity investments are measured at fair value at the end of each reporting period.

In estimating the fair value of the unlisted equity investments of approximately RMB27,905,000 (2018: RMB22,649,000) as at 31 December 2019, the Group uses market-observable data to the extent it is available.

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of unlisted equity investments. Note 39(c) provides detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of the unlisted equity investments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

5. REVENUE

Revenue represents the amounts arising on (i) sales of electric products including direct current power system, power storage equipment and charging equipment for electric vehicles; (ii) construction revenue under BOT arrangements; (iii) provision of charging services for electric vehicles; (iv) sales of electric vehicles; and (v) rental income from the operating leases of electric vehicles.

An analysis of the Group's revenue for the year is as follows:

	2019	2018
	RMB'000	RMB'000
Revenue from contract with customers within the scope of HKFRS 15		
Disaggregated by major products or services lines		
Sales of electric products	**279,185**	233,067
Construction revenue under BOT arrangements	**1,292**	16,874
Provision of charging services for electric vehicles	**18,200**	17,793
Sales of electric vehicles	**–**	53
	298,677	267,787
Revenue from other source		
Rental income from operating leases of electric vehicles		
– Fixed lease payments	**2,537**	2,417
	301,214	270,204

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

5. REVENUE (Continued)

Set out below is the reconciliation of revenue from contracts with customers with the amounts disclosed in the segment information.

For the year ended 31 December 2019

	Segments				
	DC Power System RMB'000	**Charging Equipment RMB'000**	**Charging Services and Construction RMB'000**	**Others RMB'000**	**Total RMB'000**
Types of goods or service					
Sales of electric products	**133,064**	**144,915**	**–**	**1,206**	**279,185**
Construction revenue under BOT arrangements	**–**	**–**	**1,292**	**–**	**1,292**
Provision of charging services for electric vehicles	**–**	**–**	**18,200**	**–**	**18,200**
Revenue from contracts with customers	**133,064**	**144,915**	**19,492**	**1,206**	**298,677**
Lease of electric vehicles	**–**	**–**	**–**	**2,537**	**2,537**
Total	**133,064**	**144,915**	**19,492**	**3,743**	**301,214**

For the year ended 31 December 2018

	Segments				
	DC Power System RMB'000	Charging Equipment RMB'000	Charging Services and Construction RMB'000	Others RMB'000	Total RMB'000
Types of goods or service					
Sales of electric products	120,687	112,380	–	–	233,067
Construction revenue under BOT arrangements	–	–	16,874	–	16,874
Provision of charging services for electric vehicles	–	–	17,793	–	17,793
Sales of electric vehicles	–	–	–	53	53
Revenue from contracts with customers	120,687	112,380	34,667	53	267,787
Lease of electric vehicles	–	–	–	2,417	2,417
Total	120,687	112,380	34,667	2,470	270,204

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

5. REVENUE (Continued)

Disaggregation of revenue by timing of recognition

	2019 RMB'000	2018 RMB'000
Timing of revenue recognition		
At a point in time	**297,385**	250,913
Over time	**1,292**	16,874
Total revenue from contracts with customers	**298,677**	267,787

Transaction price allocated to the remaining performance obligations

As at 31 December 2019, the aggregate amount of transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) is approximately RMB25,949,000 (2018: RMB32,184,000). The amount represents revenue expected to be recognised in the future from construction contract.

The Group recognises this revenue as the construction is completed during the years ended 31 December 2019 and 2018.

6. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision maker (the "CODM"), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. The executive directors of the Company have chosen to organise the Group around differences in products and service lines.

The Group's reporting segments under HKFRS 8 are as follows:

(i) DC Power System — Manufacturing and sales of direct current power system

(ii) Charging Equipment — Manufacturing and sales of charging equipment for electric vehicles

(iii) Charging Services and Construction — Provision of charging services for electric vehicles and construction services of charging poles for electric vehicles under BOT arrangements

(iv) Others — Including two operating segments namely (i) Power Storage Equipment; and (ii) Electric Vehicles – sales and leases of electric vehicles

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

6. SEGMENT INFORMATION (Continued)

Segment revenues and results

The following is an analysis of the Group's revenue and the results by reportable and operating segments.

Year ended 31 December 2019

	DC Power System RMB'000	Charging Equipment RMB'000	Charging Services and Construction RMB'000	Others RMB'000	Total RMB'000
Segment revenue	133,064	144,915	19,492	3,743	301,214
Segment profit	40,057	48,426	4,546	257	93,286
Unallocated other revenue					20,821
Other gains and losses					(2,016)
Share of results of associates					(510)
Unallocated expenses					(151,791)
Finance costs					(9,625)
Loss before tax					(49,835)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

6. SEGMENT INFORMATION (Continued)

Segment revenues and results (Continued)

Year ended 31 December 2018

	DC Power System RMB'000	Charging Equipment RMB'000	Charging Services and Construction RMB'000	Others RMB'000	Total RMB'000
Segment revenue	120,687	112,380	34,667	2,470	270,204
Segment profit (loss)	28,695	39,194	10,103	(578)	77,414
Unallocated other revenue					30,416
Other gains and losses					(9,520)
Share of results of associates					(4,977)
Unallocated expenses					(124,362)
Finance costs					(11,074)
Loss before tax					(42,103)

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

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit (loss) represents the profit earned by/(loss) from each segment without allocation of certain other revenue, certain other gains and losses, share of results of associates, central selling and distribution and administrative cost, impairment loss on loan receivables, impairment loss on certain deposits and other receivables, directors' emoluments and certain finance cost. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

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

Segment assets

	2019 RMB'000	2018 RMB'000
DC Power System	**297,277**	204,569
Charging Equipment	**310,774**	345,960
Charging Services and Construction	**76,650**	74,482
Others	**5,369**	5,782
Total segment assets	**690,070**	630,793
Unallocated	**188,694**	352,749
Consolidated assets	**878,764**	983,542

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

6. SEGMENT INFORMATION (Continued)

Segment assets and liabilities (Continued)

Segment liabilities

	2019	2018
	RMB'000	RMB'000
DC Power System	**58,438**	27,174
Charging Equipment	**59,714**	59,384
Charging Services and Construction	**3,902**	4,812
Others	**2,002**	509
Total segment liabilities	**124,056**	91,879
Unallocated	**210,364**	299,650
Consolidated liabilities	**334,420**	391,529

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

- all assets are allocated to operating segments other than prepayment for the construction of property, plant and equipment, interests in associates, financial assets at FVTOCI, financial asset at FVTPL, finance lease receivable, deferred tax assets, loan receivables, certain deposits and other receivables, tax recoverable, restricted bank balances, short-term bank deposits and bank balances and cash; and

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

6. SEGMENT INFORMATION (Continued)

Other segment information

For the year ended 31 December 2019

	DC Power System RMB'000	Charging Equipment RMB'000	Charging Services and Construction RMB'000	Others 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)*	34,077	34,551	1,727	50	–	70,405
Allowance for impairment loss recognised in respect of trade receivables	1,107	–	–	–	–	1,107
Reversal of impairment loss recognised in respect of trade receivables	(7,227)	–	–	–	–	(7,227)
Reversal of impairment loss recognised in respect of contract assets	(1,676)	–	–	–	–	(1,676)
Gain on disposal of plant and equipment	(27)	–	–	–	–	(27)
Finance costs	10	20	–	–	9,625	9,655
Depreciation and amortisation	3,812	3,898	4,656	96	–	12,462
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss or segment assets:						
Interests in associates	–	–	–	–	14,386	14,386
Financial assets at FVTOCI	–	–	–	–	27,905	27,905
Financial asset at FVTPL	–	–	–	–	12,449	12,449
Allowance for impairment loss recognised in respect of loan receivables	–	–	–	–	37,035	37,035
Allowance for impairment loss recognised in respect of other receivables	–	–	–	–	9,116	9,116
Share of results of associates	–	–	–	–	510	510
Bank interest income	–	–	–	–	(814)	(814)
Loan interest income	–	–	–	–	(5,259)	(5,259)
Interest income on finance lease receivable	–	–	–	–	(110)	(110)
Government grants	–	–	–	–	(4,565)	(4,565)
Income tax credit	–	–	–	–	(1,043)	(1,043)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

6. SEGMENT INFORMATION (Continued)

Other segment information (Continued)

For the year ended 31 December 2018

	DC Power System RMB'000	Charging Equipment RMB'000	Charging Services and Construction RMB'000	Others 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)*	29,930	46,959	17,512	1,193	10,533	106,127
Allowance for impairment loss recognised in respect of trade receivables	1,803	–	–	–	–	1,803
Allowance for impairment loss recognised in respect of contract assets	2,772	–	–	–	–	2,772
Impairment on goodwill	–	449	–	–	–	449
Reversal of impairment loss recognised in respect of trade receivables	(5,062)	(476)	–	–	–	(5,538)
Loss on disposal of property, plant and equipment	61	–	–	–	–	61
Depreciation and amortisation	2,628	6,620	4,103	168	–	13,519
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss or segment assets:						
Prepayment for the construction of property, plant and equipment	–	–	–	–	23,533	23,533
Interests in associates	–	–	–	–	6,290	6,290
Financial assets at FVTOCI	–	–	–	–	22,649	22,649
Financial asset at FVTPL	–	–	–	–	17,242	17,242
Share of results of associates	–	–	–	–	4,977	4,977
Bank interest income	–	–	–	–	(1,051)	(1,051)
Loan interest income	–	–	–	–	(5,858)	(5,858)
Government grants	–	–	–	–	(14,078)	(14,078)
Finance costs	–	–	–	–	11,074	11,074
Income tax expenses	–	–	–	–	1,601	1,601

Note: Non-current assets excluded goodwill, interests in associates, financial assets at FVTOCI, financial asset at FVTPL, finance lease receivable and deferred tax assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

6. SEGMENT INFORMATION (Continued)

Geographical information

All revenue from external customers of the Group is derived from and all non-current assets of the Group are located in the PRC.

Information about major customers

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

	2019	2018
	RMB'000	RMB'000
Customer A[1]	**38,581**	N/A[2]
Customer B[1]	**N/A[2]**	40,267

1 Revenue from Charging Equipment

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

7. OTHER REVENUE AND INCOME

	2019 RMB'000	2018 RMB'000
Value added tax ("VAT") refunds *(note (a))*	**10,073**	9,066
Interest income on loan receivables	**5,259**	5,858
Interest income on amounts due from directors	**–**	328
Interest income on finance lease receivable	**110**	–
Bank interest income	**814**	1,051
Government grants *(note (b))*	**4,565**	14,078
Rental income	**–**	35
	20,821	30,416

Notes:

(a) VAT refunds represent the refund of VAT in respect of qualified sales of electric products by the PRC tax bureau.

(b) The government grants are 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 and promotion of electric vehicles. There are no unfulfilled conditions or contingencies relating to those subsidies and they are recognised upon receipt during the years ended 31 December 2019 and 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

8. OTHER GAINS AND LOSSES

	2019 RMB'000	2018 RMB'000
Loss on write-off of property, plant and equipment	**(316)**	–
Fair value loss on financial assets at FVTPL *(note 22)*	**(4,793)**	(10,919)
Net exchange gain	**2,987**	–
Gain on disposal of plant and equipment	**27**	–
Gain on disposal of an associate *(note 21)*	**106**	–
Gain on partial disposal of an associate *(note 21)*	**–**	1,869
Gain on deemed disposal of a subsidiary *(note 40)*	**–**	651
Fair value change on derivative components and gain on redemption of convertible notes *(note 34)*	**–**	12
	(1,989)	(8,387)

9. FINANCE COSTS

	2019 RMB'000	2018 RMB'000
Effective interest expense on the convertible notes *(note 34)*	**–**	3,870
Interest on:		
Bank borrowings	**8,559**	4,526
Other borrowings	**4,380**	5,263
Lease liabilities	**30**	–
Amounts due to directors	**–**	333
	12,969	13,992
Less: amounts capitalised *(note)*	**(3,314)**	(2,918)
	9,655	11,074

Note: Borrowing costs capitalised during the year ended 31 December 2019 arose as general borrowing pool and are calculated by applying a capitalisation rate of 5.88% (2018: 6.22%) per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

10. INCOME TAX (CREDIT) EXPENSES

	2019	2018
	RMB'000	RMB'000
Current tax:		
PRC Enterprise Income Tax ("EIT")	**4,172**	510
Deferred tax *(note 35)*	**(5,215)**	1,091
	(1,043)	1,601

For the years ended 31 December 2019 and 2018, Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit. 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.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the applicable tax rate of certain PRC subsidiaries is 25% (2018: 25%).

Zhuhai Titans Technology Co., Ltd.* 珠海泰坦科技股份有限公司 ("Titans Technology") was recognised as an approved high technology enterprise and therefore is entitled to a tax concession period of reduction in EIT rate of 15% from 2017 to 2019.

* English name is for identification purpose only.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

10. INCOME TAX (CREDIT) EXPENSES (Continued)

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

	2019	2018
	RMB'000	RMB'000
Loss before tax	**(49,835)**	(42,103)
Tax at the applicable income tax rate of 15% (2018: 15%) *(note (i))*	**(7,475)**	(6,315)
Tax effect of expenses not deductible for tax purpose	**4,870**	1,175
Tax effect of income not taxable for tax purpose	**(1,081)**	(1,114)
Tax effect of share of results of associates	**127**	1,244
Tax effect of tax losses not recognised	**1,788**	13,210
Tax effect on withholding tax arising on undistributed profits of the PRC subsidiaries	**(4,372)**	(1,442)
Tax effect of deductible temporary difference not recognised	**7,328**	–
Utilisation of deductible temporary difference previously not recognised	**–**	(119)
Utilisation of tax losses previously not recognised	**(164)**	(1,208)
Effect of tax concession granted to a PRC subsidiary *(note (ii))*	**(454)**	–
Effect of different tax rates of subsidiaries operating in other jurisdictions or subsidiaries subject to statutory tax rate	**(1,610)**	(3,830)
Income tax (credit) expenses	**(1,043)**	1,601

Note:

(i) The PRC EIT of 15% applicable to Titans Technology is used as it is the domestic tax rate where the result and operation of the Group is substantially derived from.

(ii) On 18 January 2019, the Ministry of Finance in PRC issued notice no. 13 of on the Implementation of Inclusive Tax Reduction Policies for Small and Micro Enterprises. Corporations with annual taxable income of less than RMB3 million are qualified for this tax concession. From 1 January 2019 to 31 December 2021, the first RMB1 million of annual taxable income of the qualifying corporation will be taxed at 5%, and further RMB2 million annual taxable income will be taxed at 10%. 韶關市驛聯新能源汽車運營服務有限公司, a wholly-owned subsidiary of the Group, is entitled to this tax concession during the year ended 31 December 2019.

Details of deferred taxation are set out in note 35.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

11. LOSS FOR THE YEAR

	2019 RMB'000	2018 RMB'000
Loss for the year have been arrived at after charging (crediting):		
Staff costs		
Directors' emoluments *(note 12)*	**1,613**	1,243
Other staff:		
– salaries and other allowances	**44,891**	55,010
– retirement benefits scheme contributions (excluding directors)	**4,160**	5,281
Total staff costs	**50,664**	61,534
Impairment losses on financial assets:		
– trade receivables	**1,107**	1,803
– contract assets	**–**	2,772
– deposits and other receivables	**9,116**	–
– loan receivables	**37,035**	1,133
	47,258	5,708
Reversal of impairment loss recognised in respect of contract assets	**(1,676)**	–
Reversal of impairment loss recognised in respect of trade receivables	**(7,227)**	(5,538)
Total impairment losses on financial assets	**38,355**	170
Amortisation of intangible assets	**4,235**	4,299
Amortisation of prepaid lease payments	**–**	312
Depreciation of property, plant and equipment	**7,689**	9,220
Depreciation of right-of-use assets	**538**	–
Total depreciation and amortisation	**12,462**	13,831
Auditors' remuneration	**1,145**	1,345
Net exchange loss	**–**	5,276
Cost of inventories recognised as an expense	**179,661**	161,013
Loss on disposal of property, plant and equipment	**–**	61
Minimum lease payment paid under operating lease rentals in respect of rented premises *(note (i))*	**–**	3,792
Research and development expenses (included in administrative and other expenses) *(note (ii))*	**25,818**	24,557

Notes:

(i) Operating lease rentals in respect of premises for the year ended 31 December 2018 represent payments made and accounted for under HKAS 17. Details of the lease payments made for the year ended 31 December 2019 are set out in note 17.

(ii) Research and development expenses included staff costs 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 2019

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the five (2018: five) directors and the chief executive were as follows:

For the year ended 31 December 2019

	Executive directors		**Independent non-executive directors**			
	Li Xin Qing RMB'000	**An Wei RMB'000**	**Li Wan Jun RMB'000**	**Zhang Bo RMB'000**	**Pang Zhan RMB'000**	**Total RMB'000**
Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking:						
Fees	**–**	**–**	**103**	**103**	**103**	**309**
Salaries	**690**	**614**	**–**	**–**	**–**	**1,304**
Total emoluments	**690**	**614**	**103**	**103**	**103**	**1,613**

For the year ended 31 December 2018

	Executive directors		Independent non-executive directors			
	Li Xin Qing RMB'000	An Wei RMB'000	Li Wan Jun RMB'000	Zhang Bo RMB'000	Pang Zhan RMB'000	Total RMB'000
Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking:						
Fees	–	–	103	103	103	309
Salaries	467	467	–	–	–	934
Total emoluments	467	467	103	103	103	1,243

Mr. An Wei is chief executive of the Company and Mr. Li Xin Qing are chairman of the Company and their emoluments disclosed above include those for services rendered by them as the chief executive and chairman.

No directors waived or agreed to waive any of their emoluments during the years ended 31 December 2019 and 2018.

No emoluments were paid by the Group to any directors or any chief executives of the Group as an inducement to join or upon joining the Group, or as compensation for loss of office for the years ended 31 December 2019 and 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

13. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (2018: two) were directors and the chief executives of the Company whose emoluments are included in the disclosures in note 12 above. The emoluments of the remaining three (2018: three) individuals were as follows:

	2019 RMB'000	2018 RMB'000
Salaries and other allowances	**1,376**	858
Discretionary bonus *(note)*	**206**	–
Contributions to retirement benefits scheme	**68**	37
	1,650	895

Note: Discretionary bonus was determined with the Group's operating results, individual performance and comparable market statistics.

The emoluments of the above remaining three individuals are within the band of nil to Hong Kong dollars ("HK$") 1,000,000 (equivalent to approximately RMB895,000 (2018: nil to HK$1,000,000 (equivalent to RMB856,000)).

14. DIVIDENDS

No dividend was paid or proposed during the year ended 31 December 2019 (2018: nil), nor has any dividend been proposed since the end of the reporting period.

15. LOSS PER SHARE

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

	2019 RMB'000	2018 RMB'000
Loss for the purpose of basic and diluted loss per share	**(47,603)**	(40,168)

Number of shares

	2019 '000	2018 '000
Number of ordinary shares for the purpose of basic and diluted loss per share	**925,056**	925,056

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

16. PROPERTY, PLANT AND EQUIPMENT

	Ownership interests in land and buildings RMB'000	Leasehold improvements RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Plant and machinery RMB'000	Construction in progress RMB'000	Total RMB'000
COST							
At 1 January 2018	15,683	14,340	15,870	15,368	30,740	26,604	118,605
Additions	–	–	2,583	1,533	10,409	64,195	78,720
Disposals	–	–	(538)	(477)	(9)	–	(1,024)
Deemed disposal of a subsidiary *(note 40)*	–	–	(130)	–	(105)	–	(235)
At 31 December 2018	15,683	14,340	17,785	16,424	41,035	90,799	196,066
Additions	–	69	998	–	3,526	64,520	69,113
Disposals	–	–	–	(368)	–	–	(368)
Write-off	–	–	(2,752)	–	(157)	–	(2,909)
Transfer	155,319	–	–	–	–	(155,319)	–
At 31 December 2019	171,002	14,409	16,031	16,056	44,404	–	261,902
ACCUMULATED DEPRECIATION							
At 1 January 2018	13,474	13,709	12,391	7,305	14,889	–	61,768
Provided for the year	448	184	1,980	1,960	4,648	–	9,220
Eliminated on disposals	–	–	(509)	(244)	(9)	–	(762)
Deemed disposals of a subsidiary *(note 40)*	–	–	(79)	–	(32)	–	(111)
At 31 December 2018 and 1 January 2019	13,922	13,893	13,783	9,021	19,496	–	70,115
Provided for the year	193	149	1,752	1,507	4,088	–	7,689
Eliminated on disposals	–	–	–	(238)	–	–	(238)
Eliminated on write-off	–	–	(2,544)	–	(49)	–	(2,593)
At 31 December 2019	14,115	14,042	12,991	10,290	23,535	–	74,973
CARRYING VALUES							
31 December 2019	156,887	367	3,040	5,766	20,869	–	186,929
31 December 2018	1,761	447	4,002	7,403	21,539	90,799	125,951

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

The Group's ownership interests in land and buildings are located in the PRC.

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

Ownership interests in land and buildings	4.5%
Leasehold improvements	over the shorter of the term of the lease, or 5 years
Furniture, fixtures and equipment	18–19%
Motor vehicles	18–19%
Plant and machinery	18–19%

As at 31 December 2019, the Group has pledged its ownership interests in land and buildings, motor vehicles and plant and machinery with carrying values of approximately RMB156,887,000 (2018: RMB1,761,000), RMB1,634,000 (2018: RMB2,411,000) and RMB1,759,000 (2018: RMB1,975,000) respectively to secure banking facilities and other borrowings granted to the Group. Details of bank and other borrowings are set out in note 33.

17. LEASES

(i) Right-of-use assets

	31/12/2019	1/1/2019
	RMB'000	RMB'000
Land	**7,989**	8,301
Buildings	**249**	475
	8,238	8,776

As at 31 December 2019, right-of-use assets of approximately RMB7,989,000 represent land use rights located in the PRC.

The Group has lease arrangements for buildings. The lease terms are generally ranged from two to three years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

17. LEASES (Continued)

(ii) Lease liabilities

	31/12/2019 RMB'000	1/1/2019 RMB'000
Non-current	**55**	246
Current	**204**	229
	259	475

Amounts payable under lease liabilities

	31/12/2019 RMB'000
Within one year	**204**
After one year but within two years	**55**
	259
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(204)**
Amount due for settlement after 12 months	**55**

(iii) Amounts recognised in profit or loss

	Year ended 31/12/2019 RMB'000
Depreciation expense on right-of-use assets	
– Land	**312**
– Buildings	**226**
	538
Interest expense on lease liabilities	**30**
Expense relating to short-term leases	**1,571**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

17. LEASES (Continued)

(iv) Others

During the year ended 31 December 2019, the total cash outflow for leases amount to approximately RMB1,817,000.

As at 31 December 2019, the Group has pledged its land use right to secure banking facilities granted to the Group. Details of bank and other borrowings are set out in note 33.

18. PREPAID LEASE PAYMENTS

	2018
	RMB'000
Leasehold land held in the PRC and are analysed for reporting purposes as follows:	
Current assets	312
Non-current assets	7,989
	8,301

Upon adoption of HKFRS 16 on 1 January 2019, the carrying amount of prepaid lease payments of approximately RMB8,301,000 was reclassified to right-of-use assets.

As at 31 December 2018, the Group pledged its land use right to secure banking facilities granted to the Group. Details of bank and other borrowings are set out in note 33.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

19. GOODWILL

	RMB'000
COST	
At 1 January 2018, 31 December 2018 and 2019	449
IMPAIRMENT	
At 1 January 2018	–
Impairment loss recognised during the year	449
At 31 December 2018 and 2019	449
CARRYING AMOUNT	
At 31 December 2019	–
At 31 December 2018	–

The goodwill had been recognised upon acquisition of subsidiary – Shandong Huidian during the year ended 31 December 2017.

For the purpose of impairment testing, goodwill has been allocated to the cash-generating unit – manufacturing and sales of charging equipment in Shandong. The recoverable amount of this cash-generating unit has been determined based on value-in-use calculation. The calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period and discount rate of 14.05% as at 31 December 2018. The cash flows beyond the 5-year period are extrapolated using zero growth rate. Other key assumptions for the value-in-use calculation relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the operating performance of the other subsidiaries of the Group performing similar business. Based on the value-in-use calculations, an impairment loss of approximately RMB449,000 (2019: nil). was recognised in profit or loss during the year ended 31 December 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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20. INTANGIBLE ASSETS

	Technical know-how RMB'000 *(note (i))*	**Charging services concession rights** RMB'000 *(note (ii))*	**Total** RMB'000
COST			
At 1 January 2018	6,370	33,527	39,897
Additions	–	16,874	16,874
Deemed disposal of a subsidiary *(note 40)*	(3,370)	–	(3,370)
At 31 December 2018	3,000	50,401	53,401
Additions	–	1,292	1,292
At 31 December 2019	3,000	51,693	54,693
AMORTISATION			
At 1 January 2018	3,169	4,643	7,812
Charge for the year	253	4,046	4,299
Deemed disposal of a subsidiary *(note 40)*	(422)	–	(422)
At 31 December 2018	3,000	8,689	11,689
Charge for the year	–	4,235	4,235
At 31 December 2019	3,000	12,924	15,924
CARRYING VALUES			
At 31 December 2019	**–**	**38,769**	**38,769**
At 31 December 2018	–	41,712	41,712

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

20. INTANGIBLE ASSETS (Continued)

Notes:

(i) The technical know-how acquired from independent third parties has finite useful life. It is amortised on the straight-line basis over the estimated useful lives of 7 or 10 years.

(ii) For the BOT arrangement in Shaoguan, the charging services concession right for an exclusive period of 8 years with initial cost of approximately RMB20,912,000 was recognised during the year ended 31 December 2016. During the year ended 31 December 2019, amortisation expense of approximately RMB2,613,000 (2018: RMB2,613,000) has been recognised.

For the BOT arrangement in Baoding, the charging services concession right for an exclusive period of 10 years with initial cost of approximately RMB5,780,000 was recognised during the year ended 31 December 2016. During the year ended 31 December 2019, amortisation expense of approximately RMB578,000 (2018: RMB578,000) has been recognised.

For the BOT arrangement in Foshan, the charging services concession right for an exclusive period of 8 years with initial cost of approximately RMB23,709,000 was recognised as at 31 December 2018. During the year ended 31 December 2019, additional cost of approximately RMB1,292,000 was recognised and amortisation expense of approximately RMB1,044,000 (2018: RMB855,000) was recognised.

21. INTERESTS IN ASSOCIATES

	2019 **RMB'000**	2018 RMB'000
Cost of investment in unlisted associates	**24,646**	16,146
Share of post-acquisition results, net of dividend received	**(10,260)**	(9,856)
	14,386	6,290

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

21. INTERESTS IN ASSOCIATES (Continued)

Notes:

(i) On 3 April 2019, a wholly-owned subsidiary of the Company entered into agreement with an independent third party to acquire 20% equity interest in Wuhan Titans Intelligent Technology Co., Limited* (武漢泰坦智慧科技有限公司) ("Wuhan Titans") at an agreed cash consideration of RMB10,000,000. The acquisition was completed on 9 July 2019.

(ii) On 10 July 2019, a wholly-owned subsidiary of the Company entered into agreement with an independent third party, for the disposal of its interest in Tongren City Green Travelling New Energy Transportation Operation Co., Ltd* (銅仁市綠色出行新能源交通營運有限公司) ("Tongren City") at an agreed cash consideration of RMB1,500,000. Gain on disposal of an associate of approximately RMB106,000 has been recognised for the year ended 31 December 2019.

(iii) Partial disposal of equity interest in Changsha Xiandao Technology Development Co. Ltd.* (長沙先導快線科技發展有限公司) ("Changsha Xiandao").

On 29 May 2018, a non-wholly owned subsidiary of the Company entered into an agreement with an independent third party, for the disposal of 10% equity interest of Changsha Xiandao with carrying amount of approximately RMB1,131,000 for a cash consideration of RMB3,000,000. After the completion of the disposal, the Group's effective equity interest in Changsha Xiandao had been decreased from 26.4% to 18.4%. Gain on partial disposal of an associate of approximately RMB1,869,000 had been recognised for the year ended 31 December 2018. The Group is able to exercise significant influence over Changsha Xiandao because it has the power to appoint two out of the five directors of that company under the provisions stated in the Article of Association of Changsha Xiandao.

As at 31 December 2019 and 2018, the Group had interests in the following material associates:

Name of entity	Form of entity	Place of establishment/ operation	Class of shares held	Proportion of ownership interests indirectly held by the Group		Proportion of voting power held		Principal activities
				2019	2018	**2019**	2018	
Wuhan Titans	Registered	The PRC	Contributed capital	**20%**	n/a	**20%**	n/a	Research and development of computer software
Guangdong Titans *(note 40)*	Registered	The PRC	Contributed capital	**36%**	36%	**36%**	36%	Research and development, sales and manufacturing of automated guided vehicles

* English name is for identification purpose only.

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For the year ended 31 December 2019

21. INTERESTS IN ASSOCIATES (Continued)

The summarised financial information in respect of each of the associates that is material to the Group and is accounted for using equity method is set out below.

Wuhan Titans

	2019 RMB'000
Cost of investment in Wuhan Titans	10,000

	2019 RMB'000
Current assets	449
Non-current assets	17,101
Current liabilities	4,775

	Period from 9 July 2019 to 31 December 2019 RMB'000
Revenue for the period	–
Loss and total comprehensive expense for the period	(3,065)

The reconciliation of the summarised financial information presented above to the carrying amount of the interest in Wuhan Titans is set out below:

	2019 RMB'000
Net assets of Wuhan Titans	12,775
Proportion of the Group's ownership interest in Wuhan Titans	20%
	2,555
Goodwill	6,832
Carrying amount of the Group's interest in Wuhan Titans	9,387

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21. INTERESTS IN ASSOCIATES (Continued)

Guangdong Titans

	2019 RMB'000	2018 RMB'000
Cost of investment in Guangdong Titans *(note 40)*	**2,026**	2,026

	2019 RMB'000	2018 RMB'000
Current assets	**19,510**	7,960
Non-current assets	**207**	1,184
Current liabilities	**11,759**	1,825
Non-current liabilities	**–**	2,000

	Year ended 31 December 2019 RMB'000	Period from 30 September 2018 to 31 December 2018 RMB'000
Revenue for the year/period	**28,682**	4,299
Profit (loss) and total comprehensive expense for the year/period	**2,639**	(310)

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21. INTERESTS IN ASSOCIATES (Continued)

Guangdong Titans (Continued)

The reconciliation of the summarised financial information presented above to the carrying amount of the interest in Guangdong Titans is set out below:

	2019	2018
	RMB'000	RMB'000
Net assets of Guangdong Titans	**7,958**	5,319
Proportion of the Group's ownership interest in Guangdong Titans	**36%**	36%
Carrying amount of the Group's interest in Guangdong Titans	**2,865**	1,915

The financial information and carrying amount, in aggregate, of the Group's interests in associates that are not individually material and are accounted for using the equity method are set out below:

	2019	2018
	RMB'000	RMB'000
The Group's share of loss	**(847)**	(4,866)

	31/12/2019	31/12/2018
	RMB'000	RMB'000
Carrying amount of the Group's interests in immaterial associates	**2,134**	4,375

The Group has stopped recognising its share of losses of certain associates when applying the equity method. The unrecognised share of those associates, both for the year and cumulatively, are set out below:

	2019	2018
	RMB'000	RMB'000
Unrecognised share of losses of associates for the year	**4,314**	729
Accumulated unrecognised share of losses of associates	**5,043**	729

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22. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME/FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	Notes	**2019** **RMB'000**	2018 RMB'000
Financial asset at FVTPL comprises:			
– Equity security listed in the PRC	*(a)*	**12,449**	17,242
Financial assets at FVTOCI comprises:			
– Unlisted equity securities	*(b)*	**27,905**	22,649

Notes:

(a) As at 31 December 2019, the investment in equity security of company listed in the PRC, represented Sichuan Haote Precision Equipment Limited* (四川豪特精工裝備股份有限公司) ("Haote Precision"), which carries at fair value of approximately RMB12,449,000 (2018: RMB17,242,000). Fair value loss on financial asset at FVTPL of approximately RMB4,793,000 (2018: fair value gain on financial asset at FVTPL of approximately RMB7,663,000) has been recognised during the year ended 31 December 2019.

During the year ended 31 December 2018, the Group has disposed of the equity investment in Wuxi Lead Intelligent Equipment Co., Ltd* (無錫先導智能裝備股份有限公司) with an aggregate consideration of approximately RMB106,382,000. Fair value loss on financial asset at FVTPL of approximately RMB18,582,000 had been recognised.

(b) As at 31 December 2019, the fair value of unlisted equity interests in Hong Kong and the United Sates, represented Juline (China) Energy Tech. Group Co., Ltd ("Juline (China)") and Aquion Energy LLC ("Aquion Energy"), amounting to approximately RMB18,138,000 and approximately US$1,400,000 (equivalent to approximately RMB9,767,000) (2018: RMB8,236,000 and approximately US$2,100,000 (equivalent to approximately RMB14,413,000)) respectively.

* English name is for identification purpose only

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

23. FINANCE LEASE RECEIVABLE

Certain machineries of the Group are leased out under finance lease. All interest rates inherent in the lease are fixed at the contract date over the lease terms.

	31/12/2019 RMB'000	31/12/2018 RMB'000
Analysed as:		
Current	**123**	107
Non-current	**492**	615
	615	722

	31/12/2019 RMB'000
Amounts receivable under finance lease:	
Within one year	**216**
After one year but within two years	**216**
After two years but within three years	**216**
After three years but within four years	**218**
Undiscounted lease payments and gross investment in leases	**866**
Less: unearned finance income	**(251)**
Present value of minimum lease payment receivable	**615**

The following table presents the amount included in profit or loss:

	2019 RMB'000
Finance income on the net investment in finance leases	**110**

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For the year ended 31 December 2019

23. FINANCE LEASE RECEIVABLE (Continued)

Disclosure required by HKAS 17

	Minimum lease payments 31/12/2018 RMB'000	Present value of minimum lease payments 31/12/2018 RMB'000
Finance lease receivable comprise:		
Within one year	216	107
After one year but within two years	216	123
After two years but within five years	650	492
	1,082	722
Less: unearned finance income	(360)	N/A
Present value of minimum lease payment receivable	722	722

As at 31 December 2018, effective interest rate of the above finance lease is 15.24% per annum.

Finance lease receivable that are denominated in currencies other the functional currencies of the relevant group entities are set out below:

	2019 RMB'000	2018 RMB'000
United States dollars ("US$")	**615**	722

As at 31 December 2019 and 2018, finance lease receivable is secured over the machinery leased.

The directors of the Company estimate the loss allowance on finance lease receivables at the end of the reporting period at an amount equal to lifetime ECL. None of the finance lease receivables at the end of the reporting period is past due, and taking into account the future prospect of the industry in which the lessee operate, together with the value of collateral held over the finance lease receivable, the directors of the Company consider that no allowance for credit loss is necessary.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for finance lease receivable.

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24. INVENTORIES

	2019 RMB'000	2018 RMB'000
Raw materials	**14,243**	8,985
Work-in-progress	**9,407**	11,709
Finished goods	**57,186**	60,120
	80,836	80,814

25. TRADE AND BILLS RECEIVABLES

	2019 RMB'000	2018 RMB'000
Trade receivables	**322,598**	306,416
Less: allowance for impairment loss	**(63,842)**	(69,962)
	258,756	236,454
Bills receivables	**8,166**	1,570
Total trade and bills receivables	**266,922**	238,024

The bills receivables as at 31 December 2019 were fallen within the aged group of 0-90 days and 91-180 days with approximately RMB8,166,000 (2018: RMB248,000) and nil (2018: RMB1,322,000) respectively, based on the dates of delivery of goods which approximately the respective revenue recognition dates.

At 31 December 2019, the carrying amount of the trade receivables which have been pledged as security for the borrowing, is approximately RMB85,431,000 (2018: RMB70,106,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

25. TRADE AND BILLS RECEIVABLES (Continued)

The following is an ageing analysis of trade receivables net of allowance for impairment of trade receivables presented based on the dates of delivery of goods, which approximates the respective revenue recognition dates, at the end of the reporting period.

	2019 RMB'000	2018 RMB'000
0 – 90 days	**131,302**	87,901
91 – 180 days	**23,425**	18,884
181 – 365 days	**57,180**	56,748
1 – 2 years	**24,809**	62,682
2 – 3 years	**22,040**	9,857
Over 3 years	**–**	382
	258,756	236,454

The Group allows an average credit period of 90 days (2018: 90 days) to its trade customers. For certain customers with installment payments, initial payments are requested and due upon signing of sales contracts, while remaining payments are fallen due after installation and testing. Retention money will be fallen due from the end of the product quality assurance period. For the trade receivables from the state-owned enterprises, they normally settle their outstanding balances upon the completion of their constructions in accordance with the industry practice in the PRC.

The Group measures the loss allowance for trade and bills receivables at an amount equal to lifetime ECL. The ECL on trade and bills receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The management considered that the ECL of bills receivables was minimal as these receivables has no recent history of default and to be low credit risk at the end of the reporting period.

There has been no change in the estimation techniques or significant assumptions made during both years.

As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the group's different customer bases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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25. TRADE AND BILLS RECEIVABLES (Continued)

For certain trade receivables of approximately RMB41,732,000 (2018: RMB48,959,000) for which the counterparty failed to make demanded repayments, the Group has made 100% provision. The Group recognised lifetime ECL for trade receivables based on individually significant customer or collectively for customers that are not individually significant as follows:

As at 31 December 2019	**Weighted average expected loss rate %**	**Gross carrying amount RMB'000**	**Loss allowance RMB'000**
Current (not past due)	**1.15%**	**133,255**	**1,529**
Less than 3 month past due	**2.06%**	**23,532**	**485**
More than 3 months but less than 6 months past due	**2.43%**	**11,986**	**291**
More than 6 months but less than 12 months past due	**2.80%**	**59,925**	**1,680**
More than 12 months but less than 24 months past due	**6.66%**	**16,415**	**1,094**
More than 24 months but less than 36 months past due	**26.55%**	**25,489**	**6,767**
More than 36 months past due	**100%**	**10,264**	**10,264**
Default receivable	**100%**	**41,732**	**41,732**
		322,598	**63,842**

As at 31 December 2018	Weighted average expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Current (not past due)	2.07%	89,759	1,858
Less than 3 month past due	3.58%	19,585	701
More than 3 months but less than 6 months past due	4.18%	14,879	622
More than 6 months but less than 12 months past due	4.81%	61,956	2,980
More than 12 months but less than 24 months past due	11.08%	56,033	6,208
More than 24 months but less than 36 months past due	49.10%	12,992	6,381
More than 36 months past due	100%	2,253	2,253
Default receivable	100%	48,959	48,959
		306,416	69,962

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

25. TRADE AND BILLS RECEIVABLES (Continued)

The movement in the allowance for impairment loss of trade receivables is set out below:

	2019	2018
	RMB'000	RMB'000
1 January	**69,962**	73,697
Allowance for impairment loss	**1,107**	1,803
Reversal of impairment loss	**(7,227)**	(5,538)
31 December	**63,842**	69,962

26. CONTRACT ASSETS/CONTRACT LIABILITIES

(a) Contract assets

	2019	2018
	RMB'000	RMB'000
Retention receivables	**42,135**	47,000
Less: allowance for impairment loss	**(2,507)**	(4,183)
	39,628	42,817

Retentions receivable, prior to expiration of retention period, are classified as contract assets, which usually ranges from one to two years from the date of the completion of the project. The relevant amount of contract assets is reclassified to trade receivable when the retention period expires. The retention period serves as an assurance that the electric products sold comply with agreed upon specifications and such assurance cannot be purchased separately.

At 31 December 2019, contract assets of approximately RMB14,832,000 (2018: RMB20,372,000) are expected to be recovered after one year from the end of reporting period.

The Group recognised lifetime ECL for contract assets with gross carrying amount of approximately RMB42,135,000 (2018: RMB47,000,000) as at 31 December 2019 collectively by applying expected credit loss rates ranging from 2.20% to 25.44% (2018: from 2.61% to 30.81%). Loss allowance of approximately RMB2,507,000 (2018: RMB4,183,000) is made as at 31 December 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

26. CONTRACT ASSETS/CONTRACT LIABILITIES (Continued)

(a) Contract assets (Continued)

The movements in the impairment allowance for the contract assets during the year are as follows:

	Lifetime ECL
	RMB'000
At 1 January 2018	1,411
Allowance for impairment loss	2,772
At 31 December 2018	4,183
Reversal of impairment loss	(1,676)
At 31 December 2019	2,507

(b) Contract liabilities

	2019	2018
	RMB'000	RMB'000
Receipt in advance	**7,469**	7,691

Contract liabilities include advances received to deliver electric products.

The Group receives range from 5% to 10% of the contract values as initial payments from certain customers when they sign the contracts for sales of electric products. The receipt in advance results in contract liabilities being recognised until the customers obtain control of the electric products.

Revenue recognised during the year ended 31 December 2019 that was included in the contract liabilities at the beginning of the year is approximately RMB7,691,000 (1/1/2018: RMB6,791,000). There was no revenue recognised in the current year that related to performance obligations that were satisfied in a prior year.

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For the year ended 31 December 2019

27. LOAN RECEIVABLES

	2019	2018
	RMB'000	RMB'000
Fixed-rate loan receivables	**34,381**	146,414
Variable-rate loan receivable	**5,000**	5,000
	39,381	151,414
Less: allowance for impairment loss	**(38,221)**	(1,186)
	1,160	150,228

Included in loan receivables, there was a loan to an associate of approximately RMB2,000,000 as at 31 December 2018, which was unsecured, bearing interest rate of 10% per annum.

As at 31 December 2019 and 2018, in determining the expected credit losses for these assets on an individual basis, the directors of the Company have taken into account the financial position of the counterparties, considering various external sources of actual and forecast economic information, as appropriate, in estimating the probability of default of each of these financial assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for loan receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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27. LOAN RECEIVABLES (Continued)

For certain loan receivables of approximately RMB38,221,000 (2018: nil) for which the counterparties failed to make demanded repayments on time and overdue, the Group treated these loan receivables as credit-impaired and recognised allowance for lifetime ECL of approximately RMB38,221,000. As at 31 December 2019, the Group measures the loss allowance for the remaining loan receivables of approximately RMB1,160,000 (2018: RMB151,414,000) at an amount equal to 12-month ECL and no impairment loss was recognised (2018: approximately RMB1,186,000).

The movements in the impairment allowance for the loans receivables during the year are as follows:

	12-month ECL RMB'000	Lifetime ECL-credit impaired RMB'000	Total RMB'000
At 1 January 2018	53	–	53
Allowance for impairment loss	1,133	–	1,133
At 31 December 2018	1,186	–	1,186
Transfer to lifetime ECL credit impaired	(1,186)	1,186	–
Allowance for impairment loss	–	37,035	37,035
At 31 December 2019	–	38,221	38,221

The ranges of effective interest rates which are equal to contractual interest rates on the Group's loan receivables are as follows:

	2019 **RMB'000**	2018 RMB'000
Effective interest rate:		
Fixed-rate loan receivables	**5% to 10%**	5% to 18%
Variable-rate loan receivable	**PRC base lending rate with increment by 30%**	PRC base lending rate with increment by 30%

The Group's loan receivables that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	At 31/12/2019 **RMB'000**	At 31/12/2018 RMB'000
US$	**–**	26,080
HKD	**–**	11,565

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

28. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2019 RMB'000	2018 RMB'000
Deposits and other receivables *(note (i))*	**51,184**	55,052
Less: allowance for impairment loss	**(9,116)**	–
	42,068	55,052
Prepayments to suppliers *(note (ii))*	**24,505**	34,086
Other prepayments	**968**	2,990
	67,541	92,128

Notes:

(i) Loan interest receivables included in other receivables of approximately RMB9,116,000 (2018: nil) for which the counterparties failed to make demanded repayments on time and overdue, the Group treated these loan interest receivables as credit-impaired and recognised allowance for lifetime ECL of approximately RMB9,116,000. The Group measures the loss allowance for the remaining deposits and other receivables at an amount equal to 12-month ECL.

The movement in the allowance for impairment loss of deposits and other receivables is set out below:

	2019 RMB'000	2018 RMB'000
1 January	**–**	–
Increase during the year	**9,116**	–
31 December	**9,116**	–

(ii) The prepayments of approximately RMB24,505,000 (2018: RMB34,086,000) were made to the other suppliers for the supplying of the raw materials and providing services to the Group.

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29. AMOUNTS DUE FROM ASSOCIATES

The amounts due from associates are unsecured, interest-free and trading in nature.

The following is an ageing analysis of the amounts due from associates based on the dates of delivery of goods, which approximates the respective revenue recognition dates, at the end of the reporting period:

	2019	2018
	RMB'000	RMB'000
0 – 90 days	**447**	135
91 – 180 days	**154**	226
181 – 365 days	**674**	871
	1,275	1,232

The Group allows an average credit period of 90 days (2018: 90 days) to its associates for balances which are trading in nature.

The Group measures the loss allowance for amounts due from associates at an amount equal to 12-month ECL. The management considered that the amounts due from associates to be low credit risk and no recent history of default, and thus no impairment losses recognised during the years ended 31 December 2019 and 2018.

30. RESTRICTED BANK BALANCES/SHORT-TERM BANK DEPOSITS/BANK BALANCES AND CASH

Restricted bank balances represented deposits required and restricted by banks in respect of (i) the issue of letter of credit to certain suppliers of approximately RMB15,341,000 (2018: RMB11,569,000); and (ii) the security with approximately RMB4,052,000 (2018: RMB26,882,000) of bank borrowings classified under current liabilities of nil (2018: RMB24,000,000) (note 33) and therefore are classified as current assets. As at 31 December 2019, the restricted bank balances carried interest at average market rates from 0.3% to 0.32% (2018: 0.3% to 0.32%) per annum and will be released upon the completion of the respective transactions.

Short-term bank deposits represented the fixed bank deposits carry interest ranging from 1.35% to 2.75% (2018: 1.1% to 3.2%) per annum as at 31 December 2019 with original maturity of more than 3 months but within 12 months.

Bank balances carried interest at market rates ranged from 0.001% to 0.3% (2018: 0.001% to 0.3%) per annum as at 31 December 2019.

At 31 December 2019, bank balances and cash of approximately RMB51,000 (2018: RMB47,000) and RMB5,256,000 (2018: RMB5,163,000) were denominated in US$ and HK$ respectively that are currencies other than the functional currencies of the respective group entities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

31. TRADE AND BILLS PAYABLES, ACCRUALS AND OTHER PAYABLES

	2019 RMB'000	2018 RMB'000
Trade payables	**88,010**	72,453
Bills payables	**28,096**	11,037
Trade and bills payables	**116,106**	83,490
Accruals and other payables:		
Construction fee payables	**9,151**	–
Accruals	**3,129**	3,527
Other payables	**702**	2,230
	12,982	5,757

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

	2019 RMB'000	2018 RMB'000
0 – 90 days	**72,126**	55,367
91 – 180 days	**21,743**	9,552
181 – 365 days	**13,314**	12,918
1 – 2 years	**4,430**	2,978
Over 2 years	**4,493**	2,675
	116,106	83,490

The average credit period on purchases of goods is 90 days (2018: 90 days). The Group has financial risk management policy in place to ensure that all payables are settled within the credit timeframe.

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For the year ended 31 December 2019

32. AMOUNTS DUE TO ASSOCIATES

The amounts due to associates are unsecured, non-interest bearing and repayable on demand.

33. BANK AND OTHER BORROWINGS

	2019	2018
	RMB'000	RMB'000
Bank borrowings, secured *(note (i))*	**143,239**	151,953
Other borrowings, secured *(note (ii))*	**40,945**	27,528
Other borrowings, unsecured *(note (iii))*	**–**	95,943
	184,184	275,424
Carrying amounts repayable (based on scheduled repayment dates set out in the borrowing agreements):		
Within one year	**107,891**	180,944
After one year but within two years	**9,055**	27,450
After two years but within five years	**3,000**	24,077
After five years	**64,238**	42,953
	184,184	275,424
Amounts shown under current liabilities	**107,891**	180,944
Amounts shown under non-current liabilities	**76,293**	94,480
	184,184	275,424

Notes:

(i) As at 31 December 2019, secured bank borrowings of the Group were secured by its ownership interests in land and buildings, right-of-use assets, certain trade receivables, restricted bank balances with carrying values of approximately RMB1,568,000, RMB7,989,000, RMB85,431,000 and RMB4,052,000 (2018: approximately RMB1,761,000, RMB8,301,000, RMB70,106,000 and RMB26,882,000) respectively.

As at 31 December 2019, secured bank borrowings of RMB43,000,000 (2018: RMB40,000,000) were guaranteed by the Company and the directors of the Company with guaranteed amount of approximately RMB180,000,000 (2018: RMB120,000,000). Details of the guarantees by the directors of the Company are set out in note 46(c).

(ii) As at 31 December 2019, other borrowings of approximately RMB1,228,000 (2018: RMB3,450,000) and RMB12,500,000 (2018: nil) are secured by motor vehicles with carrying amount of approximately RMB1,634,000 (2018: RMB2,411,000) and pledged with ownership interests in land and buildings of with carrying amount of approximately RMB151,593,000 respectively.

As at 31 December 2019, other borrowings of approximately RMB8,417,000 (2018: RMB13,410,000), RMB7,400,000 (2018: RMB10,668,000) and RMB11,400,000 (2018: nil) are secured by plant and machinery with carrying amount of approximately RMB1,759,000 (2018: RMB1,975,000) and operating income derived from new BOT in Foshan and Baoding, respectively.

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33. BANK BORROWINGS AND OTHER BORROWING (Continued)

Notes: (Continued)

(iii) As at 31 December 2018, other borrowings of HK$103,000,000 (equivalent to approximately RMB90,248,000) (2019: nil) were unsecured, and carry at fixed interest rate of 5% per annum. The proceed was used for the redemption of convertible notes.

As at 31 December 2018, other borrowings of HK$6,500,000 (equivalent to approximately RMB5,695,000) (2019: nil) were unsecured, carry interest at fixed rate of 10% per annum, for short-term financing needs.

The exposure of the Group's bank and other borrowings to interest rate changes are as follows:

	2019	2018
	RMB'000	RMB'000
Fixed rate borrowings	**83,945**	192,471
Variable-rate borrowings	**100,239**	82,953
	184,184	275,424

During the year ended 31 December 2019, the Group obtained new bank borrowings and other borrowings in the amount of approximately RMB130,786,000 (2018: RMB263,005,000) and repayment of bank and other borrowings of approximately RMB219,039,000 (2018: RMB123,976,000) respectively.

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	2019	2018
Fixed-rate borrowings	**7% to 14.40%**	0.32% to 14.40%
Variable-rate borrowings	**PRC base lending rate with increment by 15% and Loan Prime Rate ("LPR") with increment by 1.35% to 2.33%**	PRC base lending rate with increment by 15% to 60%

The Group's borrowings that are denominated in currencies other the functional currencies of the relevant group entities are set our below:

	2019	2018
	RMB'000	RMB'000
HK$	**–**	95,943

As at 31 December 2019, the Group has available un-utilised overdraft and short-term bank loan facilities of approximately RMB3,450,000 (2018: RMB2,344,000).

34. CONVERTIBLE NOTES

On 29 February 2016, the Company issued convertible notes (the "CNs") with aggregate principal amount of HK$100,000,000, equivalent to approximately RMB84,246,000, to a substantial shareholder of the Company with maturity date on 1 March 2018 (the "Maturity Date I"). The CNs is denominated in HK$. The CNs bear interest at the base lending interest rate offered to the institutions by the People's Bank of China per annum, payable semi-annually.

The principal terms of the CNs are as follows:

Conversion: The holder of the CNs is entitled to convert the CNs into ordinary shares of the Company at a conversion price of HK$1.19 per ordinary share.

The conversion rights are exercisable by the holder at any time during the period commencing from the date of issue of the CNs up to the Maturity Date.

Redemption: The Company may, by notice, redeem whole or part of the outstanding CNs at the face value of the principal amount of such CNs together with all interest accrued before or on the Maturity Date.

The holder of the CNs is not entitled to request for early redemption except for event of default occurred.

Unless previously converted or redeemed, the Company will redeem the CNs, in whole or in part, at the face value on the Maturity Date.

The CNs contain three components, including liability component, conversion option derivative and redemption option derivative, which were presented as "convertible notes", "conversion option derivative of the convertible notes" and "redemption option derivative of the convertible notes" in the consolidated statement of financial position. The effective interest rate of the liability component is 19% at the date of issue. The conversion option derivative and redemption option derivative are measured at fair value with changes in fair value recognised in consolidated statement of profit or loss and other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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34. CONVERTIBLE NOTES (Continued)

On 28 February 2018 (the "Extended Date I"), the Company and the substantial shareholder of the Company entered into a deed of variation, the maturity date of the CNs in the principal amount of HK$100,000,000 were extended from 1 March 2018 to 1 June 2018 (the "Maturity Date II"). The extended CNs was stated at fair value on the Extended Date I which amounted to approximately RMB80,143,000. On Maturity Date II, the Company and the substantial shareholder of the Company entered into another deed of variation, the maturity date of the CNs in the principal amount of HK$100,000,000 were extended from 1 June 2018 to 1 October 2018. The extended CNs was stated at fair value on the Maturity Date II which amounted to approximately RMB84,167,000.No other terms and conditions of the CNs have been amended. The extended CNs contain two components — liability component and derivative components. The fair value of the extended CNs as a whole, which composed liability component and derivative component, was determined based on the valuation carried out by APAC Asset Valuation and Consulting Limited, an independent professional valuer, by using Binomial valuation model. The fair value of the liability component and derivative component of the extended CNs was calculated using cash flows discounted at a rate based on an equivalent market interest rate for an equivalent non-convertible bond.

At Extended Date I and Maturity Date II, the interest rate of the CNs was 4.75%.

On 21 September 2018 (the "Early Redemption Date"), the Group early redeemed all CNs with a total consideration of approximately HK$102,639,000 (equivalent to approximately RMB90,157,000) (representing the principal amount of approximately RMB87,918,000 and accrued interest of approximately RMB2,239,000). The difference of approximately RMB137,000 between the redemption consideration paid and the carrying amount of the CNs is presented as "gain on redemption of convertible notes" which was included in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2018.

No conversion of the CNs had been made during the year ended 31 December 2018.

The movement of the liability and derivative components of the CNs and the reconciliation of Level 3 fair value measurement during the reporting period were set out below:

	Liability component of the CNs	Financial asset – Redemption option derivative of the CNs	Financial liability – Conversion option derivative of the CNs	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2018	83,567	(165)	175	83,577
Effective interest expense for the period	3,870	–	–	3,870
Interest paid	(4,024)	–	–	(4,024)
Exchange loss (gain) recognised in profit or loss	4,505	94	(92)	4,507
Changes in fair value	–	(863)	988	125
Redemption	(87,918)	934	(1,071)	(88,055)
At 31 December 2018 and 2019	–	–	–	–

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34. CONVERTIBLE NOTES (Continued)

The liability components and fair values of the derivative components of the CNs at the dates listed in the table below and the end of each reporting period were valued by APAC Asset Valuation and Consulting Limited, an independent qualified professional valuer not connected to the Group, using the Binomial Option Pricing model. The net gain in fair value changes of the derivative components of the CNs of approximately RMB125,000 were recognised in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2018. The inputs into the model were as follows:

	At 21 September 2018 (Early Redemption Date)	**At 1 June 2018 (Maturity Date II)**	**At 28 February 2018 (Extended Date I)**	At 29 February 2016 (date of issue)
Share price	**HK$0.81**	**HK$0.96**	**HK$0.89**	HK$1.21
Conversion price	**HK$1.19**	**HK$1.19**	**HK$1.19**	HK$1.19
Expected volatility	**28%**	**31%**	**31%**	63%
Expected life	**0.03 years**	**0.33 years**	**0.25 years**	2 years
Risk-free rate	**1.76%**	**1.48%**	**0.75%**	0.59%
Expected dividend yield	**Nil**	**Nil**	**Nil**	Nil

35. DEFERRED TAXATION

The following is the analysis of the deferred tax assets (liabilities) for financial reporting purpose:

	2019 RMB'000	2018 RMB'000
Deferred tax assets	**9,505**	9,493
Deferred tax liabilities	**(11,989)**	(17,959)
At 31 December	**(2,484)**	(8,466)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

35. DEFERRED TAXATION (Continued)

The followings are the major deferred tax assets (liabilities) recognised and movement thereon during the current and prior years:

	Allowance for impairment loss of trade receivables, contract assets, deposits and other receivables and loan receivables	Revaluation of listed and unlisted investments in equity securities	Undistributable profits of subsidiaries	Intangible asset arising from acquisition of a subsidiary	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2018	9,397	1,226	(17,803)	(801)	(7,981)
(Debited) credited to profit or loss *(note 10)*	96	(2,692)	1,442	63	(1,091)
Debited to investment revaluation reserve	–	(132)	–	–	(132)
Deemed disposal of a subsidiary	–	–	–	738	738
At 31 December 2018	9,493	(1,598)	(16,361)	–	(8,466)
(Debited) credited to profit or loss *(note 10)*	(354)	1,197	4,372	–	5,215
Credited to investment revaluation reserve	–	767	–	–	767
At 31 December 2019	9,139	366	(11,989)	–	(2,484)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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35. DEFERRED TAXATION (Continued)

Under the EIT Law of the 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 in respect of temporary taxable difference attributable to accumulated profits of the PRC subsidiaries amounting to approximately RMB239,767,000 (2018: RMB327,210,000) as the Group considered the temporary differences will be reversed in the foreseeable future upon declaration of dividends of subsidiaries.

The Group had unused tax losses of approximately RMB92,122,000 (2018: RMB88,775,000) as at 31 December 2019, available for offsetting against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. Tax losses of approximately RMB1,677,000 (2018: RMB1,677,000) may be carried forward indefinitely. The remaining tax losses of approximately RMB90,445,000 (2018: RMB87,098,000) will expire five years from the year of origination. As at 31 December 2019, tax losses of approximately RMB8,827,000, RMB14,156,000, RMB60,251,000 and RMB7,211,000 will expire in 2020, 2021, 2022 and 2023 respectively (2018: RMB3,149,000, RMB8,864,000, RMB14,193,000 and RMB60,892,000 will expire in 2019, 2020, 2021 and 2022 respectively).

At 31 December 2019, the Group had temporary differences of approximately RMB113,686,000 (2018: RMB75,331,000) in respect of allowance for impairment of trade receivables, contract assets, deposits and other receivables and loan receivables. Deferred tax asset of RMB9,139,000 (2018: RMB9,493,000) had been recognised on temporary difference of approximately RMB60,927,000 (2018: RMB63,293,000). No deferred tax asset has been recognised on the remaining deductible temporary difference of approximately RMB52,759,000 (2018: RMB12,038,000) due to the unpredictability of future profit streams will be available against which the deductible temporary differences can be utilised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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36. SERVICE CONCESSION ARRANGEMENTS

The Group has entered into service concession arrangements with governmental authorities in the PRC on a BOT basis in respect of its charging services. Pursuant to the service concession arrangements, the Group has to design, construct, operate and manage charging equipments in the PRC over the service concession periods. The Group is generally entitled to use the charging equipments, however, the Group has the obligation to maintain the charging equipments in good condition and the charging equipments will be transferred to the governmental authorities without consideration upon expiry of the concession periods. The service concession arrangements do not contain renewal options. The BOT agreements do not grant any termination rights to any of the contracting parties.

As at 31 December 2019, the Group had 4 (2018: 4) service concession arrangements on charging equipments with governmental authorities in the PRC and a summary of the major terms of the principal service concession arrangements, is set out as follows:

Name of company as operator	Location	Name of grantor	Type of service concession arrangement	Designed processing capacity	Service concession period
Zhuhai Yilian New Energy Motor Company Ltd.* ("Zhuhai Yilian") 珠海驛聯新能源汽車有限公司	Baoding	Baoding Public Transport Corporation	BOT on charging equipments for electric vehicles	Provide charging services at RMB0.5kWh	10 years from October 2016 to September 2026
	Foshan	Foshan Chancheng District Public Transportation Management Company Limited * 佛山市禪城區公共交通管理有限公司	BOT on charging equipments for electric vehicles	Provide charging services at RMB0.6kWh	8 years from December 2017 to November 2025
	Foshan	Foshan Chancheng District Public Transportation Management Company Limited *	BOT on charging equipments for electric vehicles	Provide charging services at RMB0.6kWh	8 years from December 2019
Shaoguan Yilian	Shaoguan	Shaoguan Public Transportation Company Limited * 韶關市公共汽車有限公司	BOT on charging equipments for electric vehicles	Provide charging services to 110 electric vehicles of the grantor with average distance of 5,000 km per month	8 years from July 2016 to June 2024

* English name is for identification purpose only

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37. SHARE CAPITAL

	Number of shares	Share capital
		HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January 2018, 31 December 2018 and 31 December 2019	10,000,000,000	100,000
		RMB'000
Issued and fully paid:		
At 1 January 2018, 31 December 2018 and 31 December 2019	925,056,000	8,087

The holders of ordinary shares are entitled to receive dividends declared from time to time and are entitled to one vote per share at general meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

38. 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 33 and the CNs disclosed in note 34, net of restricted bank balances, short-term bank deposits and bank balances and cash disclosed in note 30 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 of the Company 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 new share issues, the issue of new debt or the redemption of existing debt.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

39. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2019	2018
	RMB'000	RMB'000
Financial assets		
Financial assets at amortised cost	**430,970**	567,270
Financial assets at FVTOCI	**27,905**	22,649
Financial asset at FVTPL	**12,449**	17,242
Financial liabilities		
Financial liabilities at amortised cost	**313,494**	365,369

(b) Financial risk management objectives and policies

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

Market risk

(i) Currency risk

The Group mainly operates in the PRC. All the Group's sales and purchases are denominated in the functional currency of the Group (i.e. RMB).

Certain financial assets at FVTOCI, certain bank balances and cash, finance lease receivable, loan receivable, and certain bank and other borrowings are denominated in HK$ and US$, which expose the Group to foreign currency risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

39. 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		Liabilities	
	2019	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000
HK$	**5,256**	17,077	**–**	95,943
US$	**10,433**	43,416	**–**	–

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 US$ and HK$.

The following table details the Group's sensitivity to a 5% (2018: 5%) increase and decrease in RMB against the relevant foreign currencies. 5% (2018: 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% (2018: 5%) change in foreign currency rates.

A positive (negative) number below indicates a decrease (an increase) in post-tax loss where RMB strengthen 5% (2018: 5%) against the relevant currency. For a 5% (2018: 5%) weakening of RMB against the relevant currency, there would be an equal and opposite impact on the loss.

	2019	2018
	RMB'000	RMB'000
Effect on post-tax loss		
HK$	**(219)**	3,292
US$	**(436)**	(1,813)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

39. FINANCIAL INSTRUMENTS (Continued)

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

Market risk (Continued)

(ii) Interest rate risk

As at 31 December 2019 and 2018, the Group is exposed to fair value interest rate risk in relation to loan receivables disclosed in note 27, short-term deposits and restricted bank balances disclosed in note 30, certain fixed-rate bank and other borrowings disclosed in note 33.

As at 31 December 2019 and 2018, the Group is exposed to cash flow interest rate risk in relation to certain variable-rate loan receivables disclosed in note 27, bank balances disclosed in note 30 and certain variable-rate bank borrowings disclosed in note 33. It is the Group's policy to keep its borrowings at floating rate of interest so as to minimise the fair value interest rate risk.

The Group's exposures to interest rates on 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 and LPR 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, loan receivables 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. A 50 (2018: 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.

If interest rates had been 50 (2018: 50) basis points higher or lower and all other variables were held constant, the Group's post-tax loss For the year ended 31 December 2019 would increase/decrease by approximately RMB291,000 (2018: post-tax loss would increase/decrease by approximately RMB85,000).

39. FINANCIAL INSTRUMENTS (Continued)

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

Market risk (Continued)

(iii) Other price risk

As at 31 December 2018, the Group was exposed to equity price risk through its investments in listed equity securities. The management managed this exposure by maintaining a portfolio of investments with different risks. The Group's equity price risk was mainly concentrated on equity instruments listed in the PRC stock market. In addition, the Group had appointed a special team to monitor the price risk and would consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analyses below had been determined based on the exposure to equity price risks at the end of the reporting period. For sensitivity analysis purpose, the sensitivity rate was increased to 10% in 2018 as a result of the volatile financial market.

For the year ended 31 December 2018, if the price of the respective equity instrument had been 10% higher/lower, loss for the year would decrease/increase by RMB1,293,000 while total equity would increase/decrease by approximately RMB1,293,000 as a result of the changes in fair value of financial asset at FVTPL.

Credit risk

As at 31 December 2019, 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.

Before accepting any new customer, the Group assesses the credit quality of the potential customers with reference to their financial strength and determines the credit terms and limits for them. The Group also regularly monitored the credit quality of the existing customers by established credit policies and procedures. The Group will adjust the credit limit to the existing customers with reference to the past repayment history and external credit source on the customers' financial strength.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

39. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk (Continued)

For trade and bills receivables, contract assets and lease receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL on an individual basis for customer with significant balances and/or collectively by using a provision matrix, estimated based on historical credit loss experience, as well as the general economic conditions of the industry in which the debtors operate. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced. In addition, the Group reviews the collectability of other receivables, loan receivables and amount due from an associate 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 banks with high credit ratings assigned by international credit-rating agencies.

The Group's concentration of credit risk by geographical locations is in the PRC, which accounted for all of the trade and bills receivables as at 31 December 2019 and 2018.

The Group has concentration of credit risk as 12% and 35% (2018: 16% and 43%) of the total trade and bills receivables before allowance for impairment loss of trade receivables was due from the Group's largest debtor and top five debtors respectively within the DC Power System and Charging Equipment segments as at 31 December 2019.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of short-term bank deposits and bank balances and cash deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities and lease liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities and lease liabilities based on the earliest date on which the Group can be required to pay. The maturity analysis for non-derivative financial liabilities is based on the scheduled repayment dates.

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.

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For the year ended 31 December 2019

39. FINANCIAL INSTRUMENTS (Continued)

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

Liquidity risk (Continued)

Liquidity table

	Within 1 year or on demand RMB'000	More than 1 year and within 2 years RMB'000	More than 2 years and within 5 years RMB'000	More than 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying Amount RMB'000
At 31 December 2019						
Non-derivative financial liabilities:						
Trade and bills payables	116,106	–	–	–	116,106	116,106
Accruals and other payables	12,982	–	–	–	12,982	12,982
Amounts due to associates	222	–	–	–	222	222
Bank borrowings						
– fixed rate	44,076	–	–	–	44,076	43,000
– variable rate	41,398	3,777	3,777	76,636	125,588	100,239
Other borrowing						
– fixed rate	31,314	9,576	3,008	–	43,898	40,945
	246,098	13,353	6,785	76,636	342,872	313,494
Lease liabilities	218	57	–	–	275	259

	Within 1 year or on demand RMB'000	More than 1 year and within 2 years RMB'000	More than 2 years and within 5 years RMB'000	More than 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying Amount RMB'000
At 31 December 2018						
Non-derivative financial liabilities:						
Trade and bills payables	83,490	–	–	–	83,490	83,490
Accruals and other payables	5,757	–	–	–	5,757	5,757
Amounts due to associates	698	–	–	–	698	698
Bank borrowings						
– fixed rate	46,734	24,089	–	–	70,823	69,000
– variable rate	43,980	2,850	2,850	55,157	104,837	82,953
Other borrowing						
– fixed rate	100,338	6,365	25,369	–	132,072	123,471
	280,997	33,304	28,219	55,157	397,677	365,369

The amounts included above for variable interest rate bank borrowings 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.

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39. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value of financial assets that are measured at fair value on a recurring basis

The following table provides an analysis of financial instruments that are measured at fair value at the end of each reporting period for recurring measurement, grouped into Level 1 to 3 based on degree to which the fair value is observable in accordance to the Group's accounting policy.

	31 December 2019	31 December 2018	
	Level 3	Level 1	Level 3
	RMB'000	RMB'000	RMB'000
Financial asset at FVTPL			
Listed equity security	**12,449**	17,242	–
Financial assets at FVTOCI			
Unlisted equity securities	**27,905**	–	22,649

As at 31 December 2019, the directors of the Company determine that, for the listed equity security, valuation under market approach to determine the fair value is considered as more appropriate method to reflect the movement on stock price of the listed equity security. Hence, there has been a change in level of fair value hierarchy from level 1 to level 3 in the current year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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39. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value of financial assets that are measured at fair value on a recurring basis (Continued)

The valuation techniques and inputs used in the fair value measurement of the financial assets on a recurring basis are set out below:

Financial instruments	Fair value as at 31/12/2019 RMB'000	Fair value as at 31/12/2018 RMB'000	Fair value hierarchy	Valuation technique and key inputs	Significant unobservable inputs	Relationship of key inputs and significant unobservable inputs to fair value
Listed equity security at FVTPL	**12,449**	17,242	Level 3 (2018: Level 1)	Market approach – by reference to the asset with identical or similar assets in the market (2018: Quoted bid prices in an active market)	(i) Price-to-earnings ratio of 7.63; and (ii) Enterprise value ("EV")-to-earnings before interest, taxation, depreciation and amortisation ("EBITDA") ratio of 5.56	(i) The higher the price-to-earnings ratio, the higher the fair value. (ii) The higher of EV-to-EBITDA ratio, the higher the fair value.
Unlisted equity securities at FVTOCI	**27,905**	22,649	Level 3	Market approach – by reference to the asset with identical or similar assets in the market	(i) Price-to-book ratio of 2.13 (2018: 2.14); (ii) Marketability discount of 35% (2018: 35%); and (iii) Specific business risk discount of 56% (2018: 56%)	(i) The higher the price-to-book ratio, the higher the fair value. (ii) The higher of marketability discount, the lower the fair value. (iii) The higher the specific business risk discount, the lower the fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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39. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value of financial assets that are measured at fair value on a recurring basis (Continued)

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to unobservable inputs at the end of the reporting period. For sensitivity analysis purpose, the sensitivity rate is increased to 10% (2018: 10%) in current year as a result of the volatile financial market.

For the year ended 31 December 2019, if the unobservable inputs of the listed equity instrument had been 10% (2018: 10%) higher/lower, loss for the year would decrease/increase by RMB1,456,000 while total equity would increase/decrease by approximately RMB1,456,000 as a result of the changes in fair value of financial asset at FVTPL.

For the year ended 31 December 2019, if the unobservable inputs of the respective unlisted equity instrument had been 10% (2018: 10%) higher/lower, loss for the year would decrease/increase by RMB5,280,000 (2018: RMB3,734,000) while total equity would increase/decrease by approximately RMB5,280,000 (2018: RMB3,734,000) as a result of the changes in fair value of financial assets at FVTOCI.

Reconciliation of Level 3 fair value measurements of financial assets and financial liabilities on recurring basis are as follows:

	Listed equity security RMB'000	Unlisted equity securities RMB'000	Financial asset – Redemption option derivative of the CNs RMB'000	Financial liability – Conversion option derivative of the CNs RMB'000
At 1 January 2018	–	24,609	165	(175)
Exchange (loss) gain recognised in profit or loss	–	–	(94)	92
Changes in fair value through profit or loss	–	–	863	(988)
Changes in fair value through other comprehensive income	–	(1,960)	–	–
Redemption of CNs	–	–	(934)	1,071
At 31 December 2018	–	22,649	–	–
Transfer into of level 3	17,242	–	–	–
Changes in fair value through profit or loss	(4,793)	–	–	–
Changes in fair value through other comprehensive income	–	5,256	–	–
At 31 December 2019	12,449	27,905	–	–

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40. DEEMED DISPOSAL OF A SUBSIDIARY

With the issuance of Guangdong Titans's share to a new shareholder on 30 September 2018, the Company's equity interest in Guangdong Titans had been diluted from 40% to 36%. The Group had lost the control over Guangdong Titans as the voting rights of the Group in the shareholders' meeting of Guangdong Titans had been decreased from 51% to 36% under the provisions stated in the Article of Association of Guangdong Titans. Accordingly, the investment in Guangdong Titans was reclassified as interest in an associate.

The assets and liabilities of Guangdong Titans were deconsolidated from the Group's consolidated statement of financial position and the interest in Guangdong Titans had been accounted for as an associate using equity method. The fair value of the 36% retained interest in Guangdong Titans at the date on which the control was lost is regarded as the cost on initial recognition of the investment in Guangdong Titans as an associate. The net assets of Guangdong Titans at the date of disposal on 30 September 2018 were as follows:

	RMB'000
Fair value of interest retained	2,026

Analysis of assets and liabilities over which control was lost:

	30 September 2018 RMB'000
Intangible asset	2,948
Property, plant and equipment	124
Inventories	99
Trade receivables	2,376
Prepayments, deposits and other receivables	910
Bank balances and cash	549
Trade payables	(152)
Accruals and other payables	(679)
Other borrowings	(2,000)
Deferred tax liability	(738)
Net assets disposed of	3,437

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40. DEEMED DISPOSAL OF A SUBSIDIARY (Continued)

Gain on deemed disposal of Guangdong Titans:

	30 September 2018 RMB'000
Net assets disposed of	(3,437)
Fair value of retained interest	2,026
Non-controlling interests	2,062
Gain on deemed disposal of Guangdong Titans	651

Net cash outflow arising on disposal

	30 September 2018 RMB'000
Cash and cash equivalents of Guangdong Titans deemed disposal of	549

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41. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the consolidated statement of cash flows as cash flows from financing activities.

			Non-cash changes		
	1 January 2019 RMB'000	**Financing cash flows RMB'000**	**Finance cost incurred RMB'000**	**Foreign exchange movements RMB'000**	**31 December 2019 RMB'000**
Bank and other borrowings	**275,424**	**(88,253)**	**–**	**(2,987)**	**184,184**
Lease liabilities *(Note 17)*	**475**	**(216)**	**–**	**–**	**259**
Interest payable included in accruals and other payable	**1,634**	**(14,603)**	**12,969**	**–**	**–**
	277,533	**(103,072)**	**12,969**	**(2,987)**	**184,443**

			Non-cash changes					
	1 January 2018 RMB'000	Financing cash flows RMB'000	Finance cost incurred RMB'000	Fair value changes RMB'000	Foreign exchange movements RMB'000	Redemption of CNs RMB'000	Deemed disposal of a subsidiary RMB'000	31 December 2018 RMB'000
Bank and other borrowings	138,395	139,029	–	–	–	–	(2,000)	275,424
CNs	83,567	(91,942)	3,870	–	4,505	–	–	
Redemption option derivative of CNs	(165)	–	–	(863)	94	934	–	–
Conversion option derivative of CNs	175	–	–	988	(92)	(1,071)	–	–
Advance from an independent third party included in accruals and other payables	15,000	(15,000)	–	–	–	–	–	–
Interest payable included in accruals and other payable	–	(8,488)	10,122	–	–	–	–	1,634
	236,972	23,599	13,992	125	4,507	(137)	(2,000)	277,058

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42. OPERATING LEASE COMMITMENTS

The Group as a lessee

As at 31 December 2018, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	31/12/2018 RMB'000
Within one year	1,817
In the second to fifth year inclusive	279
	2,096

As at 31 December 2018, operating lease payments represent rentals payable by the Group for certain of its offices. Leases are negotiated for an average of two to three years and rentals are fixed for two years.

The Group is the lessee in respect of a number of properties which the leases were previously classified as operating leases under HKAS 17. The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to these leases (see note 3). From 1 January 2019 onwards, future lease payments are recognised as lease liabilities in the consolidated statement of financial position in accordance with the policies set out in note 4, and the details regarding the Group's future lease payments are disclosed in note 17.

The Group as a lessor

The property held has committed tenants for the one year. While the contract periods for the operating lease of electric vehicles are one year.

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For the year ended 31 December 2019

42. OPERATING LEASE COMMITMENTS (Continued)

The Group as a lessor (Continued)

Undiscounted lease payments under non-cancellable operating leases in place at the reporting date will be receivable by the Group in future periods as follows:

	31/12/2019
	RMB'000
Within one year	**35**

As at 31 December 2018, the Group has contracted with tenants and lessees for the following future minimum lease payments:

	31/12/2018
	RMB'000
Within one year	412

43. CAPITAL COMMITMENTS

	2019	2018
	RMB'000	RMB'000
Capital expenditures contracted for but not provided in the consolidated financial statements in respect of:		
– Construction of property, plant and equipment	**–**	50,190
– Establishment of associates	**16,930**	25,430
	16,930	75,620

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44. RETIREMENT BENEFITS SCHEMES

The employees of the PRC subsidiaries are members of the state-managed retirement benefits schemes (the "Schemes") operated by the PRC government. The PRC subsidiaries are required to contribute certain amount of payroll costs 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 ended 31 December 2019 and 2018 are set in notes 11 and 13 respectively.

45. SHARE OPTIONS SCHEME

Share Option Scheme

Pursuant to a written resolution passed by the shareholders of the Company on 8 May 2010, the Company has adopted the Share Option Scheme for a period of 10 years commencing on 8 May 2010, the Board 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) 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.

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.

No share options were granted and outstanding during the years ended 31 December 2019 and 2018.

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46. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, the Group had the following material transactions with related parties:

(a) Transactions with related parties:

(i) During the year ended 31 December 2018, loan of RMB2,000,000 (2019: nil), which was provided to an associate, was unsecured, carried interest at 10% per annum and repayable within one year. Interest income of approximately RMB386,000 (2018: RMB200,000) has been recognised during the year ended 31 December 2019.

(ii) During the year ended 31 December 2018, loan of RMB5,000,000 (2019: nil), which was provided to the non-controlling shareholder of a PRC. The loan was unsecured, carried interest at PRC base lending rate with increment by 30% per annum and repayable within one year. Interest income of approximately RMB309,000 (2018: 309,000) has been recognised during the year ended 31 December 2019.

(iii) During the year ended 31 December 2018, loan of RMB26,080,000 (2019: nil) was provided to an investee, which the Group classified the investment at FVTOCI. The loan was secured by all of the investee's assets, carried interest at 10% per annum and repayable within one year.

(iv) During the year ended 31 December 2018, loans provided by the Group to the directors, Mr. Li Xin Qing and Mr. An Wei, of approximately RMB2,177,000 (2019: nil) and RMB2,177,000 (2019: nil) respectively, were unsecured, carry interest at 22% per annum and repayable on demand. During the year ended 31 December 2018, the amounts had been fully settled and interest income of approximately RMB328,000 (2019: nil) in aggregate was recognised. The maximum amounts outstanding during the year ended 31 December 2018 were approximately RMB2,177,000 (2019: nil) and RMB2,177,000 (2019: nil) for Mr. Li Xin Qing and Mr. An Wei respectively.

(v) During the year ended 31 December 2018, loans provided by the directors, Mr. Li Xin Qing and Mr. An Wei, to the Group of approximately RMB6,026,000 (2019: nil) and RMB6,026,000 (2019: nil) respectively, are unsecured, carry interest at 10% per annum and repayable on demand. During the year ended 31 December 2018, the amounts have been fully settled and interest expense of approximately RMB333,000 (2019: nil) in aggregate was recognised.

(vi) Sales of charging equipment for electric vehicles to the associates, of approximately RMB2,256,000 (2018: RMB1,391,000) for the year ended 31 December 2019, on terms mutually agreed with the parties, which were reference to prevailing market prices under the sales agreement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

46. RELATED PARTY TRANSACTIONS (Continued)

(b) Compensation to key management personnel

The remuneration of directors of the Company during the year was as follows:

	2019 RMB'000	2018 RMB'000
Short-term benefits	**1,613**	1,243
	1,613	1,243

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

(c) Guarantees from directors

Certain banking facilities of the Group were guaranteed by Mr. Li Xin Qing and Mr. An Wei, directors of the Company:

	2019 RMB'000	2018 RMB'000
To the extent of	**180,000**	120,000

Details of the borrowings of the Group are set out in note 33.

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For the year ended 31 December 2019

47. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	**2019** **RMB'000**	2018 RMB'000
Non-current asset			
Investment in a subsidiary		**1**	1
Current assets			
Amounts due from subsidiaries	*47(a)*	**285,498**	288,562
Bank balances and cash		**184**	184
		285,682	288,746
Current liabilities			
Accruals and other payable		**898**	597
		898	597
Net current assets		**284,784**	288,149
Net assets		**284,785**	288,150
Capital and reserves			
Share capital	*37*	**8,087**	8,087
Reserves	*47(b)*	**276,698**	280,063
		284,785	288,150

Notes:

(a) The amounts are unsecured, non-interesting bearing and repayable on demand.

(b) Reserves

	Share premium RMB'000	**Accumulated losses** RMB'000	**Total** RMB'000
At 1 January 2018	325,141	(35,177)	289,964
Loss and total comprehensive expense for the year	–	(9,901)	(9,901)
At 31 December 2018	325,141	(45,078)	280,063
Loss and total comprehensive expense for the year	–	(3,365)	(3,365)
At 31 December 2019	325,141	(48,443)	276,698

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48. PRINCIPAL SUBSIDIARIES OF THE COMPANY

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

Name of subsidiary	Place of establishment and operation	Class of shares held	Issued and fully paid share capital		Percentage of equity interest and voting power attributable to the Company				Principal activities
			2019	2018	**2019**		2018		
					Direct	**Indirect**	Direct	Indirect	
Titans Power Electronics *(note i)*	The PRC	Contributed	**RMB232,000,000**	RMB232,000,000	**–**	**100%**	–	100%	Research, development, manufacture and sales of wind and solar power generation balancing control products, charging equipment for electrical vehicles and power grid monitoring and management products
Zhuhai Titans New Energy Systems Co., Ltd.* 珠海泰坦新能源系統有限公司 *(note ii)*	The PRC	Contributed	**RMB3,000,000**	RMB3,000,000	**–**	**100%**	–	100%	Research, development, manufacture and sales of electrical power generation balancing control and other products
Zhuhai Yilian *(note ii)*	The PRC	Contributed	**RMB10,000,000**	RMB10,000,000	**–**	**100%**	–	100%	Sales and leases of electric vehicles and provision of charging services
Titans Technology* *(note ii)*	The PRC	Contributed	**RMB200,000,000**	RMB200,000,000	**–**	**100%**	–	100%	Research, development, manufacture and sales of electrical direct current products
Shaoguan Yilian *(note ii)*	The PRC	Contributed	**RMB10,000,000**	RMB10,000,000	**–**	**100%**	–	100%	Sales and leases of electric vehicles; and provision of charging services
Hebei Jidong Titans Technology Co., Ltd.* 河北冀东泰坦科技有限公司 *(note ii)*	The PRC	Contributed	**RMB10,000,000**	RMB10,000,000	**–**	**50%**	–	50%	Design, manufacture and sales of charging equipments for electric vehicles
Shandong Huidian *(note ii and iii)*	The PRC	Contributed	**RMB33,333,000**	RMB33,333,000	**–**	**45%**	–	45%	Design, manufacture and sales of charging equipments

Notes:

(i) This entity is wholly foreign owned entity.

(ii) These entities are domestic enterprises.

* English name is for identification purpose only

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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48. PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

Notes: (Continued)

(iii) The Group owns 45% equity interest in Shandong Huidian was held by the Group. However, the Group has the power to appoint three out of the five directors of that company under the provisions stated in the Article of Association of Shandong Huidian. The directors of the Company also assessed the Group's control over Shandong Huidian on the basis of its practical ability to direct the relevant activities unilaterally. In making their judgement, the directors of the Company consider the Group holds more than half of the voting rights in the shareholders' meeting so the Group has the control over Shandong Huidian. Therefore, the directors of the Company concluded that the Group has control over Shandong Huidian and Shandong Huidian is consolidated in the consolidated financial statements.

The above table lists the subsidiaries of the Group which, in the opinion of the directors of the Company, principally affected the results or assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excess length.

At the end of the reporting period, the Group has other subsidiaries that are not individually material to the Group. The principal activities of these subsidiaries are sales of charging equipment of electric vehicles and investment holding. A summary of these subsidiaries are set out as follows:

		Number of subsidiaries	
Principal activity	**Principal place of business**	**2019**	2018
Sales of charging equipment for electric vehicles	– The PRC	**2**	3
Sales and leases of electric vehicles and provision of charging services	– The PRC	**1**	1
Investment holding	– Hong Kong	**2**	2
	– BVI	**1**	1
	– The PRC	**1**	1
Inactive	– The PRC	**6**	6
		13	14

None of the subsidiaries had issued any debt securities subsisting at the end of both years or at any time during both years.

The table below shows details of non-wholly owned subsidiary of the Group that has non-controlling interests that are material to the Group:

Name of subsidiary	Place of incorporation/ establishment and principal place of business	Proportion of ownership interest held by non-controlling interests		Proportion of voting power held by non-controlling interests		Loss attributable to non-controlling interests		Accumulated non-controlling interests	
		2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
		%	%	**%**	%	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Shandong Huidian	The PRC	**55**	55	**49**	49	**(2,922)**	(2,076)	**11,426**	14,348

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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48. PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

	2019	2018
	RMB'000	RMB'000
Non-current assets	**4,227**	4,293
Current assets	**19,514**	23,345
Current liabilities	**(2,966)**	(1,551)
Equity attributable to owners of the Company	**9,349**	11,739
Non-controlling interests	**11,426**	14,348

	2019	2018
	RMB'000	RMB'000
Revenue	**415**	1,207
Expenses	**(5,727)**	(4,981)
Loss for the year	**(5,312)**	(3,774)
Loss attributable to owners of the Company	**(2,390)**	(1,698)
Loss attributable to non-controlling interests	**(2,922)**	(2,076)
Loss for the year	**(5,312)**	(3,774)
Net cash outflows from operating activities	**(269)**	(5,869)
Net cash inflows (outflows) from investing activities	**500**	(1,868)
Net cash inflows (outflows) from financing activities	**1,440**	(2,181)
Net cash inflows (outflows)	**1,671**	(9,918)

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49. CHANGE IN OWNERSHIP INTEREST IN A SUBSIDIARY

During the year ended 31 December 2019, the Group has the following change in its ownership interest in a subsidiary.

Acquisition of additional interest in a subsidiary

On 23 September 2019, Zhuhai Yilian acquired an additional 22.4% equity interest of Zhuhai Yilian New Energy Motor Operation Services Company Ltd.* ("Zhuhai Yilian Operation") 珠海驛聯新能源汽車運營服務有限公司, increasing its ownership interest to 100% at cash consideration of RMB4,900,000.

An amount of approximately RMB2,881,000 was recognised in capital reserve, which represents the difference between consideration paid for acquisition of additional interest in Zhuhai Yilian Operation of RMB4,900,000 and carrying amount of non-controlling interest acquired of approximately RMB2,019,000.

50. SUBSEQUENT EVENT

The wide spread of the novel Coronavirus ("COVID-19") in China since the beginning of 2020 is a fluid and challenging situation facing all the industries of the society. The Group has already assessed the overall impact for COVID-19 of the situation on the operation of the Group and taken all possible effective measures to limit and keep the impact in control. The Group will keep continuous attention on the change of situation of the COVID-19 and make timely response in the future. Up to the date of the report, the assessment is still in progress.

* English name is for identification purpose only