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

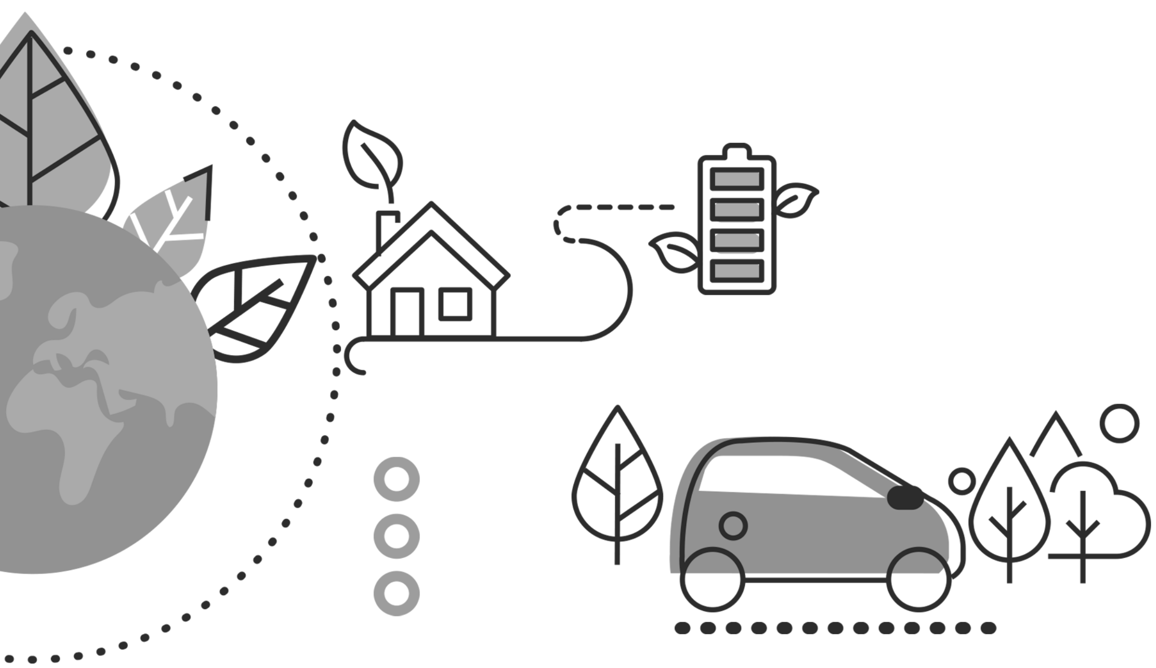
Incorporated in the Cayman Islands with members' limited liability
Stock Code : 2188

# 2020
# INTERIM REPORT

* For identification purpose only

# CONTENTS





# CORPORATE INFORMATION

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

# CORPORATE INFORMATION

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|---|---|
| Principal Place of Business and Address of Headquarters in the PRC | Titans Science and Technology Park<br>No. 60 Shihua Road West<br>Zhuhai<br>Guangdong Province<br>The PRC |
| Principal Place of Business in Hong Kong | Suite 2703, 27/F., Shui On Centre<br>Nos. 6-8 Harbour Road<br>Wanchai<br>Hong Kong |
| Principal Share Registrar and Transfer Office | SMP Partners (Cayman) Limited<br>Royal Bank House – 3rd Floor<br>24 Shedden Road<br>P.O. Box 1586, Grand Cayman<br>KY1-1110<br>Cayman Islands |
| Hong Kong Branch Share Registrar and Transfer Office | Computershare Hong Kong Investor Services Limited<br>Shops 1712–1716, 17th Floor<br>Hopewell Centre<br>183 Queen's Road East<br>Wanchai<br>Hong Kong |
| Legal Adviser *(as to Hong Kong law)* | Wan & Tang |
| Principal Banker | Bank of Communications |
| Stock Code | 2188 |
| Website | www.titans.com.cn |

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

For the six months ended 30 June 2020, China Titans Energy Technology Group Co., Limited (the "Company") and its subsidiaries (collectively, the "Group") recorded revenue of approximately RMB111,827,000, representing a decrease of approximately 12.91% over that of the corresponding period last year. Revenue was mainly derived from the Group's principal businesses including manufacturing and sales of direct current power system products ("DC Power System" or "electrical DC products"), charging equipment for electric vehicles and provision of charging services for electric vehicles. The table below shows the revenue of different series of products of the Group for the six months ended 30 June 2019 and 2020.

| | Six months ended 30 June | | | |
|---|---|---|---|---|
| | **2020** | | 2019 | |
| | **RMB'000** | **%** | RMB'000 | % |
| | **(Unaudited)** | | (Unaudited) | |
| Electrical DC products | **49,133** | **43.94** | 53,473 | 41.65 |
| Charging equipment for electric vehicles | **54,354** | **48.60** | 62,754 | 48.87 |
| Charging services for electric vehicles | **8,030** | **7.18** | 10,600 | 8.26 |
| Others | **310** | **0.28** | 1,572 | 1.22 |
| Total | **111,827** | **100** | 128,399 | 100 |

The Group recorded a loss for the period attributable to owners of the Company of approximately RMB16,581,000 for the six months ended 30 June 2020 (the "Reporting Period"), representing a decrease of approximately RMB19,936,000 over the profit of approximately RMB3,355,000 in the corresponding period last year. Due to the decrease in revenue of products such as electrical DC products and equipment for electric vehicles during the Reporting Period and other comprehensive factors, the Group's profit recorded a decrease in the period.

### Electrical DC products

During the six months ended 30 June 2020, sales of the electrical DC products was approximately RMB49,133,000 (for the six months ended 30 June 2019: approximately RMB53,473,000), representing a decrease of approximately 8.12%. The directors of the Company (the "Directors") believe that the sales of electrical DC products recorded a decrease as compared with the corresponding period last year, mainly due to the delay in customers' demand caused by the novel coronavirus epidemic during the Reporting Period.

### Charging equipment for electric vehicles

For the six months ended 30 June 2020, sales of the charging equipment for electric vehicles amounted to approximately RMB54,354,000 (for the six months ended 30 June 2019: approximately RMB62,754,000), representing a decrease of approximately 13.39%. The decrease in revenue during the Reporting Period was mainly due to the decrease in demand for charging infrastructure for electric vehicles caused by the novel coronavirus epidemic, resulting in a decline of shipment of charging equipment for electric vehicles.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Charging services for electric vehicles

For the six months ended 30 June 2020, the Group's sales of charging services for electric vehicles amounted to approximately RMB8,030,000 (for the six months ended 30 June 2019: approximately RMB10,600,000), representing a decrease of approximately 24.25%. The Directors believe that the decrease in income from charging services for electric vehicles was mainly due to the decrease in demand for charging of electric vehicles caused by the epidemic. With the improvement of the epidemic prevention and control and the good progress in resumption of work and production of the society in the second quarter, the revenue generated from charging services for electric vehicles would also resume to the normal level.

## Others

During the Reporting Period, the Group's revenue of other business amounted to approximately RMB310,000 (for the six months ended 30 June 2019: approximately RMB1,572,000), which represented the income from the leasing business in relation to electric vehicles, and a decrease of approximately 80.28%. Such business is not the principal business of the Group.

## Major operating activities in the first half of 2020:

In the first half of 2020, the outbreak of the novel coronavirus epidemic impacted the general economic market in the PRC, and negatively affected the production and operation of various industries to different extents. As the PRC government coordinated efforts to give impetus to various works of pandemic prevention and control as well as economic and social development, the pandemic prevention and control has gradually improved, and the economy has steadily recovered.

In the first half of the year, China clearly included seven sectors, such as 5G, artificial intelligence, charging piles of new energy vehicle, and extra-high voltage, into the scope of the new infrastructure construction, which means to propel the rapid development of the related new economy by providing infrastructure. It can be seen that the new infrastructure construction offers a huge investment scale and industrial synergies, which have a clear positive effect on the development of the electrical and new energy charging market.

According to the China Electricity Council, as of the end of June this year, the national overall power consumption was 3.35 trillion kWh, and the growth rate was first negative and then positive. After the economic turnaround in the second quarter, the growth rate of electricity consumption picked up significantly. With regard to electric power investment, the nationwide major power enterprises completed a total investment of RMB339.5 billion, representing a year-on-year increase of 21.6%. Among which, electric generation investment increased significantly by 51.5%. Driven by the new infrastructure construction and intensive national policies, electric power investment will continue to increase, and the market will continue its upturn.

During the Reporting Period, the overall performance of domestic new energy vehicles and charging infrastructure was poor. The overall production and sales of new energy vehicles dropped significantly year-on-year. According to the statistics from China Association of Automobile Manufacturers ("CAAM"), the production and sales of new energy vehicles were 397,000 units and 393,000 units respectively, representing a year-on-year decrease of 36.5% and 37.4% respectively. Among which, the production and sales of pure electric vehicles were 301,000 units and 304,000 units respectively, representing a year-on-year decrease of 40.3% and 39.2% respectively. As for the charging infrastructure market, the overall growth rate was slow. The number of domestic charging infrastructure has increased compared with the corresponding period last year, but its growth rate has dropped significantly. According to the statistics from the China Electric Vehicle Charging Infrastructure Promotion Alliance (the "Alliance"), as of the end of June 2020, there were 103,000 units of charging infrastructure newly installed, of which 42,000 units were public charging infrastructure, representing a year-on-year decrease of 47.1% and 47.7% respectively.

# MANAGEMENT DISCUSSION AND ANALYSIS

Facing the outbreak of the novel coronavirus epidemic, the Group actively implemented precautionary measures, carried out various tasks in an orderly and stable manner, and strived to overcome the adverse effects of the epidemic. As the epidemic eased, the operation has gradually improved. Immediately afterwards, the Group quickly optimized internal resources, strengthened external cooperation, and continued to focus on the "manufacture + operations" two-wheeled driven development strategy so as to vigorously resume the production. With respect to the three major businesses of the Group, namely electrical DC products, the manufacture of charging equipment, and the investment and operation of charging facilities, by years of building up its technical competencies and business layout, the Group achieved a balanced development in all respects and maintained its sustainable competitiveness. During the Reporting Period, the highlights of the operating results of the Group were as follows:

## 1. Electrical DC products

During the Reporting Period, electrical DC products recorded revenue of approximately RMB49,133,000, representing a decrease of 8.12% as compared to the corresponding period last year. The supply and production of electrical DC products were affected by the global epidemic at the beginning of the year, resulting in limited shipment. However, benefiting from the refined management and the optimization of the sales models, the research and development as well as marketing of the business performed well and improved revenue from the business. In terms of marketing, the Group actively participated in relevant bidding works, and the number of bids, the total amount of bids and the participating areas have all made significant progress compared with the previous year. The Group successfully won the bids for projects of provincial and municipal companies, such as State Grid Jiangxi, Chongqing, Hebei, Sichuan, Tianjin, Fujian, Hunan, Shaanxi, Zhejiang and Henan. On the basis of stabilizing the original customer base, it further successfully expanded customer channels and gained market share.

In order to meet the needs of the market and customers, research and development on products and technology has always been of utmost importance to the Group. In the first half of 2020, the Group's newly upgraded battery monitoring system and power supply system products were tested by relevant departments and put into use in its projects. At the level of product application, some of the visualization products have introduced capacitive touch screens to enhance the experience of human-machine interaction and level of convenience of related products.

## 2. Charging equipment for electric vehicles

In the first quarter of the year, due to the impact of the novel coronavirus epidemic, many industries had been at a standstill. As a result, the related projects of charging equipment for electric vehicles of the Group did not operate as scheduled, and the shipment declined significantly. During the Reporting Period, the revenue of charging equipment for electric vehicles amounted to approximately RMB54,354,000, representing a decrease of 13.39% as compared to the corresponding period last year. Following the effective control of the epidemic, the Group adopted a more proactive market strategy in a timely manner to get the business back on track.

The Group used its best endeavors to strengthen its market expansion and won bids for charging projects in Beijing, Guangdong and Sichuan in the first half of the year, which once again demonstrated the market's affirmation of the development capability and product quality of the Group. On the other hand, the Group launched the exploration of active service models, and formulated active service methods and content for key customers so as to respond to customers' needs and create new product highlights.

# MANAGEMENT DISCUSSION AND ANALYSIS

In recent years, with the further promotion and deepening of battery swapping business market, split charging piles under charging equipment segment was well received by the market. Split charging piles are characterized by its high efficiency, wide compatibility and easy expansion. It is very suitable for charging electric vehicles with single-battery pack at battery swapping stations. With the development of technology applications such as new energy vehicles, rechargeable batteries and charging piles, the market demand for battery swapping equipment has increased year by year, and may become the main areas of electric vehicle charging in the future.

## 3. Construction and operation of charging piles

During the Reporting Period, the charging service charges amounted to approximately RMB8,030,000, representing a year-on-year decrease of approximately 24.25%. During the epidemic, the suspension of public transportation and the control of the movement of people led to a sharp drop in charging service charges during the Reporting Period. After the epidemic has stably become under control, and under the premise of strict implementation of precautionary measures, the Group carried out the operation of each charging station in an orderly manner. So far, the operation of charging networks of the Group have become stable, and the accumulated charging capacity of each charging station has gradually returned to the level before the epidemic.

As of 30 June 2020, the centralized charging stations and public charging networks invested by the Group in Zhuhai, Guangzhou, Shaoguan, Foshan, Beijing, Baoding, Zhangjiakou and Qingdao, were safe, efficient and stable. The application sites included bus stations, highways, schools, airports and underground garages, etc.

During the Reporting Period, the Group continued to adopt a prudent and stable investment strategy, focusing on efficient management of existing charging stations in operation, and upgrading the whole series of products to the module standard "Three Unifications", that is, the unity of the external dimensions, the unity of the interface of connectors, and the unity of the network protocol between modules and piles. While reducing subsequent maintenance costs for customers, the products possess the capabilities of remote operation and maintenance and monitoring so as to improve reaction efficiency of operation and maintenance.

## 4. Fundamental management

1. Optimized the management principles of receivables and scientifically managed the collection of receivables. During the Reporting Period, the Group adjusted the management measures for receivables so as to improve the management level of receivables. The Group believes that an effective credit management mechanism is an important part of corporate development and risk control.

2. Strengthened the internal quality management of the Group and carried out corresponding reforms to the quality centre of the Group. The department of quality management centre is an important department of the Group to ensure the quality of all aspects of production factors. After discussion among the management, a series of reform measures have been taken for the department to ensure the independence of the quality centre and the authority of quality control.

# MANAGEMENT DISCUSSION AND ANALYSIS

3. Further improved the efficiency of the supply chain. On the one hand, the Group has carried out standardized management of its products and services to reduce changes in production and design so as to maximize the benefits of production and design; on the other hand, it has shortened the length of the supply chain to achieve faster delivery of products and services than some of its competitors.

4. Implemented a hierarchical management mechanism for customers and projects. Priority is given to customers with capabilities of strong and fast payment to expand its sales scale. At the same time, it lowered the priority of some projects that require large amounts of funds and long time for making returns and have an insignificant profitability, which reduced the liquidity risk of the Group.

## Results analysis

### Revenue

| | **Six months ended 30 June** | |
|---|---|---|
| | **2020** | 2019 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| Electrical DC products | **49,133** | 53,473 |
| Charging equipment for electric vehicles | **54,354** | 62,754 |
| Charging services for electric vehicles | **8,030** | 10,600 |
| Others | **310** | 1,572 |
| Total | **111,827** | 128,399 |

For the six months ended 30 June 2020, the Group recorded revenue of approximately RMB111,827,000, representing a decrease of approximately 12.91% as compared to approximately RMB128,399,000 for the corresponding period in 2019. The negative impacts of the epidemic resulted in a decrease in revenue.

## Cost of sales

The Group's cost of sales mainly included raw material costs, direct labour costs and manufacturing expenses. The cost of sales decreased from approximately RMB81,573,000 for the six months ended 30 June 2019 to approximately RMB79,357,000 for the six months ended 30 June 2020, which was mainly attributable to the decrease in revenue during the Reporting Period.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Gross profit and gross profit margin

The Group's gross profit decreased by approximately RMB14,356,000 to approximately RMB32,470,000 for the six months ended 30 June 2020 from approximately RMB46,826,000 for the corresponding period in 2019. For the six months ended 30 June 2020, sales of electrical DC products contributed approximately RMB13,047,000 to our gross profit whereas sales of charging equipment for electric vehicles contributed approximately RMB18,051,000 to our gross profit, charging services for electric vehicles contributed approximately RMB1,366,000 to our gross profit and sales and lease of electric vehicles contributed approximately RMB6,000 to our gross profit. Currently, as the prevention and control situation continues to improve, the production and living orders are recovering at an accelerated pace, the Group will strive to enhance the profitability of its products.

## Percentage of gross profit margin of respective reportable segments

| | Six months ended 30 June | |
|---|---|---|
| | **2020** | 2019 |
| | **(Unaudited)** | (Unaudited) |
| **Segment** | | |
| Electrical DC products | **26.56%** | 29.36% |
| Charging equipment for electric vehicles | **33.21%** | 44.49% |
| Charging services for electric vehicles | **17.01%** | 29.85% |
| Others | **2.04%** | 2.86% |

The Group's overall gross profit margin decreased to approximately 29.04% for the six months ended 30 June 2020 from approximately 36.47% for the corresponding period in 2019, and decreased by approximately 0.27% as compared to approximately 29.31% for the year ended 31 December 2019.

The gross profit margin of our electrical DC products for the six months ended 30 June 2020 decreased by approximately 2.80% as compared to that of the corresponding period in 2019, and increased by approximately 1.37% as compared to approximately 25.19% for the year ended 31 December 2019.

The gross profit margin of our charging equipment for electric vehicles for the six months ended 30 June 2020 decreased by approximately 11.28% as compared to that of the corresponding period in 2019, and decreased by approximately 1.24% as compared to approximately 34.45% for the year ended 31 December 2019.

The gross profit margin of our charging services for electric vehicles for the six months ended 30 June 2020 decreased by approximately 12.84% as compared to that of the corresponding period in 2019, and decreased by approximately 6.26% as compared to approximately 23.27% for the year ended 31 December 2019.

# MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30 June 2020, the gross profit margin of sales and lease of electric vehicles decreased by approximately 0.82% as compared to that of the corresponding period in 2019, and decreased by approximately 5.04% as compared to approximately 7.08% for the year ended 31 December 2019. The gross profit margin of sales and lease business decreased as compared to the corresponding period last year.

During the Reporting Period, the epidemic has put a greater cost pressure on the Group. Such pressure came from losses caused by many work suspensions and delays due to the epidemic, resulting in a downward trend in the Group's overall gross profit margin as compared with the corresponding period last year. However, as China's overall prevention and control situation improves, through the PRC government's precise policies and the Group's self-adjustment, the Group will strive to strengthen and enhance the products technologies and management level to maximize the competitiveness.

## Other revenue

Other revenue of the Group, which mainly included value added tax refunds and government grants, decreased by approximately 47.54% from approximately RMB10,808,000 for the six months ended 30 June 2019 to approximately RMB5,670,000 for the six months ended 30 June 2020.

## Selling and distribution expenses

Selling and distribution expenses decreased by approximately RMB713,000, or approximately 3.41%, from approximately RMB20,926,000 for the six months ended 30 June 2019 to approximately RMB20,213,000 for the six months ended 30 June 2020. The decrease in selling and distribution expenses was primarily due to the effects of the following reasons: (1) sales-related fees including entertainment, transportation and advertising expenses increased by approximately RMB169,000; (2) sales-related depreciation charges increased by approximately RMB124,000; (3) expenses such as sales-related remuneration and benefits increased by approximately RMB76,000; (4) sales-related fees including travelling, office and other sundry expenses decreased by approximately RMB1,106,000; and (5) sales-related expenses including installation and testing, tendering and amortisation expenses increased by approximately RMB24,000.

## Administrative and other expenses

Administrative expenses decreased by approximately RMB86,000, or approximately 0.33%, from approximately RMB26,192,000 for the six months ended 30 June 2019 to approximately RMB26,106,000 for the six months ended 30 June 2020. The decrease in the administrative expenses of the Group during the Reporting Period was primarily due to the combined effects of the following reasons: (1) expenses such as salaries and benefits relating to management staff increased by approximately RMB410,000; (2) rental, transportation and other sundry expenses decreased by approximately RMB951,000; (3) travelling fee relating to management staff and maintenance fees increased by approximately RMB66,000; (4) depreciation charges and research and development cost increased by approximately RMB7,955,000; (5) office and entertainment expenses increased by approximately RMB647,000; (6) bank charges and payment to lawyers and professional individuals decreased by approximately RMB8,584,000; and (7) losses on disposal of assets increased by approximately RMB371,000.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Share of results of associates

During the Reporting Period, the Group owned 20% (as at 31 December 2019: 20%) equity interest in Beijing Aimeisen Information Technology Co., Ltd* (北京埃梅森信息技術有限公司) ("Beijing Aimeisen"). Beijing Aimeisen is mainly 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 during the Reporting Period was approximately RMB2,000.

During the Reporting Period, the Group owned 49% (as at 31 December 2019: 49%) equity interest 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 RMB16,000.

During the Reporting Period, the Group owned 20% (as at 31 December 2019: 20%) equity interest 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 loss from Qingdao Titans during the Reporting Period was approximately RMB17,000.

During the Reporting Period, the Group owned 36% (as at 31 December 2019: 36%) equity interest 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 RMB507,000.

During the Reporting Period, the Group owned 11% (as at 31 December 2019: 11%) equity interest 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 Huada Taineng during the Reporting Period was approximately RMB4,000.

During the Reporting Period, the Group owned 20% (as at 31 December 2019: 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 and network engineering; development and subcontracting of computer software and sales of computer equipment. Wuhan Titans is accounted for as the Group's associate and the Group's share of loss from Wuhan Titans during the Reporting Period amounted to approximately RMB196,000.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Finance costs

Finance costs of the Group increased by approximately 0.42% from approximately RMB3,295,000 for the six months ended 30 June 2019 to approximately RMB3,309,000 for the six months ended 30 June 2020. Finance costs of the Group as a percentage of the Group's revenue increased from 2.57% for the six months ended 30 June 2019 to 2.96% for the six months ended 30 June 2020. The increase in finance costs of the Group was attributable to the increase in the balance of borrowings and average borrowing costs during the Reporting Period.

## Loss attributable to non-controlling interests

For the six months ended 30 June 2020, loss attributable to the non-controlling interests of the Group's non-wholly-owned subsidiaries was RMB563,000, representing an increase in loss of approximately RMB210,000 as compared to an attributable loss of RMB353,000 in the corresponding period last year.

## Loss attributable to owners of the Company

The Group recorded loss attributable to owners of the Company of approximately RMB16,581,000 for the six months ended 30 June 2020, representing a decrease in profit for the period of approximately RMB19,936,000 as compared to a profit of approximately RMB3,355,000 for the corresponding period in 2019.

The loss recorded in the Reporting Period was mainly due to the following reasons: (1) the decrease in revenue and gross profit affected by the epidemic; and (2) impairment losses on financial assets held.

## Loss per share

For the six months ended 30 June 2020, basic and diluted loss per share of the Company ("Share(s)") were both RMB1.79 cent whilst the basic and diluted earnings per share for the corresponding period in 2019 were both RMB0.36 cent. The basic and diluted earnings per share turned into loss were attributable to the recorded loss during the Reporting Period.

## Employees and remuneration

As at 30 June 2020, the Group had 400 employees (as at 30 June 2019: 452) in total. During the six months ended 30 June 2020, total employees' remuneration amounted to approximately RMB20,507,000 (for the six months ended 30 June 2019: approximately RMB23,112,000). The remuneration paid to our employees and the Directors is based on their experience, responsibility, workload and the time devoted to the Group.

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

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.

# MANAGEMENT DISCUSSION AND ANALYSIS

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. The Share Option Scheme was terminated on 7 May 2020.

## Liquidity, financial resources and capital structure

There has been no change in the capital structure of the Group during the six months ended 30 June 2020. The capital of the Group only comprises ordinary shares.

The Group generally finances its operation through internal resources, bank and other borrowings. As at 30 June 2020, the Group had short-term bank deposits, bank balances and cash of approximately RMB66,480,000 (as at 31 December 2019: approximately RMB100,152,000), excluding restricted bank balances of approximately RMB20,412,000 (as at 31 December 2019: approximately RMB19,393,000).

The net current assets of the Group as at 30 June 2020 were approximately RMB318,409,000 (as at 31 December 2019: approximately RMB334,008,000).

## Significant investments

The Group did not hold any significant investment during the six months ended 30 June 2020.

## Material Acquisition and Disposal of Subsidiaries, Associates and Joint Ventures

During the six months ended 30 June 2020, the Group had no material acquisitions or disposals of subsidiaries, associates or joint ventures.

## Bank and other borrowings

As at 30 June 2020, total bank and other borrowings of the Group amounted to RMB177,300,000 (among which RMB177,300,000 are secured loans) (as at 31 December 2019: RMB184,184,000 among which RMB184,184,000 were secured loans). Secured bank loans as at 30 June 2020 were subject to the floating interest rates ranging from 5.66% to 5.88% per annum. As at 30 June 2020, the total bank borrowings recorded by the Group decreased by RMB6,884,000 as compared with those as at 31 December 2019.

As at 30 June 2020, the Group's current ratio (i.e. current assets divided by current liabilities) was 2.11 as compared with 2.36 as at 31 December 2019, and the gearing ratio (i.e. borrowings divided by total assets x 100%) was 19.82% as compared with 20.96% as at 31 December 2019.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Trade and bills receivables

As at 30 June 2020, the Group recorded trade and bills receivables (net of allowance) of approximately RMB282,050,000 (as at 31 December 2019: approximately RMB266,922,000). The Group did not make additional allowance for impairment loss in respect of trade and bills receivables during the six months ended 30 June 2020 (for the six months ended 30 June 2019: nil). The allowances for impairment of trade receivables as at 30 June 2020 and 31 December 2019 were RMB70,882,000 and RMB63,842,000 respectively.

The increase in trade and bills receivables of the Group for the six months ended 30 June 2020 as mainly due to the delay in the schedule of payments of goods of certain customers' projects under the impact of the epidemic during the Reporting Period.

The table below sets out the ageing analysis of trade receivables (net of allowance for impairment loss of trade receivables) of the Group as at 31 December 2019 and 30 June 2020.

| | **30 June 2020 RMB'000 (Unaudited)** | 31 December 2019 RMB'000 (Audited) |
|---|---|---|
| Within 90 days | **62,416** | 131,302 |
| 91 days to 180 days | **16,573** | 23,425 |
| 181 days to 365 days | **100,308** | 57,180 |
| Over 1 year to 2 years | **74,934** | 24,809 |
| Over 2 years to 3 years | **19,774** | 22,040 |
| | **274,005** | 258,756 |

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

# MANAGEMENT DISCUSSION AND ANALYSIS

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

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

## Pledge of assets

As at 30 June 2020, the Group's leasehold land and buildings with carrying amounts of approximately RMB152,945,000 (as at 31 December 2019: RMB156,887,000) were pledged to secure bank borrowings and other facilities granted to the Group.

## Capital commitments and contingent liabilities

As at 30 June 2020, the Group had capital expenditure contracted for but not provided in the consolidated financial information of approximately RMB16,930,000 (as at 31 December 2019: approximately RMB16,930,000).

As at 30 June 2020 and the date of this report, the Group had no significant contingent liabilities.

## 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 information is expressed in Renminbi, whereas dividends on Shares, if any, will be paid in Hong Kong dollars. Thus, any fluctuation of Renminbi could affect the value of Shares.

During the Reporting Period, the Group recorded no exchange loss (corresponding period in 2019: loss of approximately RMB32,000). As at 30 June 2020, the Group had no hedging arrangement in place with respect to foreign currency exchange.

The Group adopted a prudent approach towards its treasury policies. Our treasury function mainly involves the management of our cash flow. Cash is mainly deposited in banks in Renminbi for our working capital purposes. We did not have any material holding in foreign exchange (except for business purposes) during the six months ended 30 June 2020.

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. Thereafter, our accounts department plans for cash payments based on the projections.

# MANAGEMENT DISCUSSION AND ANALYSIS

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

## Future business prospect and plans

As of the date of this report, the epidemic in China has been under effective control, and the negative impact it brought has been receding. Upon the full resumption of work and production, the domestic economy has shown signs of recovery, and market demand will soon return to the level before the outbreak of novel coronavirus epidemic. In particular, the power industry and the new energy vehicle industry are undergoing gradual transformation and expansion with the momentum gathered by relevant technology and national policies. Motivated by technologies such as power storage, extra-high voltage, and artificial intelligence, the development of power industry and new energy vehicle industry could be rapid, with a promising development outlook.

Networking and digitizing will be fundamental to the development of charging piles of new energy vehicle as a new infrastructure project. In order to implement specific tasks, the Ministry of Transport recently issued the "Guiding Opinions on Promoting the Construction of New Infrastructure in the Field of Transportation" (the "Guiding Opinions"), which pointed out that starting from the second half of the year, the PRC government should guide key expressway service zones to build ultra-fast and high-power charging equipment for electric vehicles, and encourage rational layout of photovoltaic power generation equipment along the highways and power connection and supply with the mains supply. The launching of the Guiding Opinion has not only made specific the PRC government's development direction on charging piles of new energy vehicles, but has also highlighted the importance of charging piles on driving traffic to carry a territory new-style infrastructure.

The Group is of the view that, having gone through the temporary recession in the first half of the year, competitors in the industry will be well positioned to pursue market share, where market competition will further intensify. As a result, during the second half of the year, the Group will adopt a three-pronged approach in the preparation for the three principal business segments, and cope with market changes with the vision of "change actively, manage refinedly". Specific measures are as follows:

### 1. Diversify client base, and increase efficiency of product delivery

Benefited by a good sales model and excellent product quality, a solid foundation was laid down for electrical DC products. In the second half of the year, building on the existing sound development, such business will continue to seek high-quality partnerships in various regions, to leverage the current sales model of high efficiency, and further expand the market. Meanwhile, the Group will strengthen the synergy between human resources and the product supply chain, focusing on fulfilling the core demands of delivery volume to provide sufficient tangible guarantee for improving the efficiency of delivery.

# MANAGEMENT DISCUSSION AND ANALYSIS

**2. Upgrade operational capabilities of charging network**

The Group is well prepared for the operation of the charging network in the second half of the year. In addition to the maintenance of equipment at each charging station, the Group has also developed the mobile phone application "EV Link". Such application will soon be updated to increase the number of devices that can be connected to the platform, which enhances its value. From hardware to software, such initiative will comprehensively improve the operating efficiency of the charging station.

In addition, Titans Technology, a subsidiary of the Group, has officially become a certified charging facilities company under the "State Grid Electric Social Pile Open Platform Project" in the first half of the year. The participation in such project can not only strengthen the cooperative diversion among various charging pile manufacturers and operators, but also increase the sales of charging facilities, platform traffic, and the revenue of charging operators. In the second half of the year, leveraging the opportunity of joining the project, we will further dig into the high-quality resources of the charging network and explore new profit models of charging operations.

**3. Improve product development processes, and ensure products are kept up to date**

For integrated power storage systems, the Group will consolidate internal technology and product resources, plan out products that are in line with power storage projects of the Group, and accumulate relevant ancillary resources. In the second half of the year, the Group will promote product development from various aspects such as DC bus technology, application scenarios and control logic.

In respect of electrical DC products, the Group will focus on the research and development of product-related measurement and control collection units, such as power modules, communication storage modules, power boards, having them more adaptable to market and customer demands.

**4. Keep abreast of market and customer demands, and implement marketing initiatives**

The Group will follow up the tendering work of the "two networks" and operators at all levels, and strive to stabilize the existing market share; meanwhile, we will take into account the development of battery replacement, public transportation and derivative charging market. We will maintain good relationship with customers, seek business partners of various models of cooperation, and develop relevant agents to achieve sales.

**5. Strengthen team management, and cultivate a team of talents**

We will optimize the assessment methods of key departments and roles, implement new quantitative assessments, and combine sequential management to form reasonable and orderly career development paths. We will also strengthen personnel training and development, and ensure the efficient operation of key departments within the Group.

# MANAGEMENT DISCUSSION AND ANALYSIS

## INTERIM DIVIDEND

The Board did not declare an interim dividend for the six months ended 30 June 2020 (for the six months ended 30 June 2019: nil).

## COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has complied with all applicable code provisions (the "Code Provisions") of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules during the six months ended 30 June 2020 and there has been no material deviation from the Code Provisions.

## COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its model code regarding directors securities transactions. Having made specific enquiry of all Directors, all Directors confirmed that they had complied with the required standards of the Model Code during the six months ended 30 June 2020.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2020.

## MAJOR LITIGATION AND ARBITRATION PROCEEDINGS

The Group had no major litigation or arbitration during the six months ended 30 June 2020.

## REVIEW BY AUDIT COMMITTEE

The audit committee of the Company has reviewed and discussed with the management the accounting principles and practices adopted by the Group and the Group's risk management, internal control systems and financial reporting matters, including the review of the unaudited consolidated interim results of the Group for the six months ended 30 June 2020.

## EVENT AFTER THE REPORTING PERIOD

There was no significant events after the Reporting Period.

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the six months ended 30 June 2020*

| | | Six months ended 30 June | |
|---|---|---|---|
| | | **2020** | 2019 |
| | *Notes* | **RMB'000** | RMB'000 |
| | | **(Unaudited)** | (Unaudited) |
| Revenue | *5* | **111,827** | 128,399 |
| Cost of revenue | | **(79,357)** | (81,573) |
| Gross profit | | **32,470** | 46,826 |
| Other revenue | | **5,670** | 10,808 |
| Selling and distribution expenses | | **(20,213)** | (20,926) |
| Administrative and other expenses | | **(26,106)** | (26,192) |
| (Impairment losses) reversal of impairment loss recognised in respect of financial assets | *7* | **(5,233)** | 5,289 |
| Gain on disposal of an associate | *11* | **4,550** | – |
| Fair value loss on financial asset at fair value through profit or loss | | **(7,442)** | – |
| Other gains and losses | | **–** | (68) |
| Share of results of associates | | **272** | (862) |
| Finance costs | | **(3,309)** | (3,295) |
| (Loss) profit before taxation | | **(19,341)** | 11,580 |
| Income tax credit (expense) | *6* | **2,197** | (8,578) |
| (Loss) profit for the period | *7* | **(17,144)** | 3,002 |
| **Other comprehensive (expense) income for the period** | | | |
| Items that will not be reclassified subsequently to profit or loss: | | | |
| Net fair value (loss) gain on financial assets at fair value through other comprehensive income | | **(761)** | 1,327 |
| Income tax relating to item that will not be reclassified subsequently to profit or loss | | **95** | (199) |
| Other comprehensive (expense) income for the period, net of tax | | **(666)** | 1,128 |
| Total comprehensive (expense) income for the period | | **(17,810)** | 4,130 |

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the six months ended 30 June 2020*

| | Note | Six months ended 30 June | |
|---|---|---|---|
| | | **2020** | 2019 |
| | | **RMB'000** | RMB'000 |
| | | **(Unaudited)** | (Unaudited) |
| (Loss) profit for the period attributable to: | | | |
| – Owners of the Company | | **(16,581)** | 3,355 |
| – Non-controlling interests | | **(563)** | (353) |
| | | **(17,144)** | 3,002 |
| Total comprehensive (expense) income for the period attribute to: | | | |
| – Owners of the Company | | **(17,247)** | 4,483 |
| – Non-controlling interests | | **(563)** | (353) |
| | | **(17,810)** | 4,130 |
| **(Loss) earnings per share** | 9 | | |
| Basic and diluted (RMB cent) | | **(1.79)** | 0.36 |

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 June 2020*

| | *Notes* | **30 June 2020 RMB'000 (Unaudited)** | 31 December 2019 RMB'000 (Audited) |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | *10* | **185,037** | 186,929 |
| Right-of-use assets | | **7,969** | 8,238 |
| Goodwill | | **–** | – |
| Intangible assets | | **36,758** | 38,769 |
| Interests in associates | *11* | **14,658** | 14,386 |
| Financial assets at fair value through other comprehensive income | *12* | **27,144** | 27,905 |
| Financial asset at fair value through profit or loss | *12* | **5,007** | 12,449 |
| Finance lease receivable | | **258** | 492 |
| Deferred tax assets | | **11,868** | 9,505 |
| | | **288,699** | 298,673 |
| **Current assets** | | | |
| Inventories | | **111,345** | 80,836 |
| Trade and bills receivables | *13* | **282,050** | 266,922 |
| Contract assets | | **32,866** | 39,628 |
| Loan receivables | | **500** | 1,160 |
| Prepayments, deposits and other receivables | | **90,458** | 67,541 |
| Amounts due from associates | | **1,740** | 1,275 |
| Finance lease receivable | | **123** | 123 |
| Tax recoverable | | **–** | 3,061 |
| Restricted bank balances | | **20,412** | 19,393 |
| Short-term bank deposits | | **400** | 64,400 |
| Bank balances and cash | | **66,080** | 35,752 |
| | | **605,974** | 580,091 |

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 June 2020*

| | Notes | 30 June 2020 RMB'000 (Unaudited) | 31 December 2019 RMB'000 (Audited) |
|---|---|---|---|
| **Current liabilities** | | | |
| Trade and bills payables | 14 | **140,971** | 116,106 |
| Contract liabilities | | **24,169** | 7,469 |
| Accruals and other payables | | **12,924** | 12,982 |
| Lease liabilities | | **164** | 204 |
| Amounts due to associates | | **120** | 222 |
| Tax payable | | **770** | 1,209 |
| Bank and other borrowings | 15 | **108,447** | 107,891 |
| | | **287,565** | 246,083 |
| **Net current assets** | | **318,409** | 334,008 |
| **Total assets less current liabilities** | | **607,108** | 632,681 |
| **Non-current liabilities** | | | |
| Lease liabilities | | **–** | 55 |
| Deferred tax liabilities | | **11,721** | 11,989 |
| Bank and other borrowings | 15 | **68,853** | 76,293 |
| | | **80,574** | 88,337 |
| **Net assets** | | **526,534** | 544,344 |
| **Capital and reserves** | | | |
| Share capital | | **8,087** | 8,087 |
| Share premium and reserves | | **501,067** | 518,314 |
| **Equity attributable to owners of the Company** | | **509,154** | 526,401 |
| Non-controlling interests | | **17,380** | 17,943 |
| **Total equity** | | **526,534** | 544,344 |

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the six months ended 30 June 2020*

| | Attributable to Owner 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 |
| At 1 January 2019 (audited) | 8,087 | 325,141 | 8,640 | 504 | (2,092) | 527 | 63,416 | 166,639 | 570,862 | 21,151 | 592,013 |
| Profit (loss) for the period | – | – | – | – | – | – | – | 3,355 | 3,355 | (353) | 3,002 |
| Other comprehensive income (expense) for the period: | | | | | | | | | | | |
| Net fair value gain on financial assets at other comprehensive income | – | – | – | – | 1,327 | – | – | – | 1,327 | – | 1,327 |
| Income tax relating to items that will not be reclassified subsequently | – | – | – | – | (199) | – | – | – | (199) | – | (199) |
| Total comprehensive income (expense) for the period | – | – | – | – | 1,128 | – | – | 3,355 | 4,483 | (353) | 4,130 |
| At 30 June 2019 (unaudited) | 8,087 | 325,141 | 8,640 | 504 | (964) | 527 | 63,416 | 169,994 | 575,345 | 20,798 | 596,143 |
| **At 1 January 2020 (audited)** | **8,087** | **325,141** | **8,640** | **504** | **3,931** | **(2,354)** | **63,416** | **119,036** | **526,401** | **17,943** | **544,344** |
| Loss for the period | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **(16,581)** | **(16,581)** | **(563)** | **(17,144)** |
| Other comprehensive (expense) income for the period: | | | | | | | | | | | |
| Net fair value loss on financial assets at other comprehensive income | **–** | **–** | **–** | **–** | **(761)** | **–** | **–** | **–** | **(761)** | **–** | **(761)** |
| Income tax relating to items that will not be reclassified subsequently | **–** | **–** | **–** | **–** | **95** | **–** | **–** | **–** | **95** | **–** | **95** |
| Total comprehensive expense for the period | **–** | **–** | **–** | **–** | **(666)** | **–** | **–** | **(16,581)** | **(17,247)** | **(563)** | **(17,810)** |
| At 30 June 2020 (unaudited) | **8,087** | **325,141** | **8,640** | **504** | **3,265** | **(2,354)** | **63,416** | **102,455** | **509,154** | **17,380** | **526,534** |

*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*

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

*For the six months ended 30 June 2020*

| | Six months ended 30 June | |
|---|---|---|
| | **2020** | 2019 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| NET CASH USED IN OPERATING ACTIVITIES | **(25,916)** | (45,549) |
| INVESTING ACTIVITIES | | |
| Withdrawal of short-term bank deposits | **64,000** | 14,000 |
| Proceed on disposal of an associate | **4,550** | – |
| Repayment of loan receivables | **2,360** | 103,542 |
| Purchase of property, plant and equipment | **(6,000)** | (1,073) |
| Withdrawal of restricted bank balances | **–** | 28,620 |
| Proceeds from disposal of property, plant and equipment | **–** | 76 |
| Other cash flows arising from investing activities | **(1,057)** | 1,560 |
| NET CASH FROM INVESTING ACTIVITIES | **63,853** | 146,725 |
| FINANCING ACTIVITIES | | |
| Repayment of bank and other borrowings | **(36,767)** | (105,344) |
| Interest paid | **(1,818)** | – |
| Repayment to associates | **(102)** | – |
| Payment of lease liabilities | **(95)** | (241) |
| Bank and other borrowings raised | **29,883** | 13,200 |
| Receipts from government grants | **1,290** | – |
| NET CASH USED IN FINANCING ACTIVITIES | **(7,609)** | (92,385) |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | **30,328** | 8,791 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD | **35,752** | 59,955 |
| CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, representing bank balances and cash | **66,080** | 68,746 |

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

*For the six months ended 30 June 2020*

## 1. GENERAL INFORMATION

China Titans Energy Technology Group Co., Limited (the "Company") was incorporated and registered as an exempted company in the Cayman Islands with limited liability. The address of the registered office is Cricket Square, P.O. Box 2681, Grand Cayman, KY1-1111, the Cayman Islands. The address of the principal place of business and headquarters in the People's Republic of China (the "PRC") is Titans Science and Technology Park, No. 60 Shihua Road West, Zhuhai, Guangdong Province, the PRC. The address of the principal place of business in Hong Kong is Suite 2703, 27/F., Shui On Centre, Nos. 6-8 Harbour Road, Wanchai, Hong Kong.

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

## 2. BASIS OF PREPARATION

The condensed consolidated interim financial information of the Group for the six months ended 30 June 2020 have been prepared in accordance with the applicable disclosure provisions requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Hong Kong Accounting Standard ("HKAS") 34 Interim Financial Reporting, issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

## 3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial information have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019 except as described below.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

*For the six months ended 30 June 2020*

## 3. PRINCIPAL ACCOUNTING POLICIES (continued)

In the current interim period, the Group has applied, for the first time, the Amendments to References to the Conceptual Framework in Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA which are effective for the Group's financial year beginning 1 January 2020:

| | |
|---|---|
| Amendments to HKAS 1 and HKAS 8 | Definition of Material |
| Amendments to HKFRS 3 | Definition of a Business |
| Amendments to HKFRS 9, HKAS 39 and HKFRS 7 | Interest Rate Benchmark Reform |

The directors of the Company consider that, the application of new and revised HKFRSs in the current interim period 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 condensed consolidated financial statements.

## 4. SIGNIFICANT EVENT

Since early 2020, COVID-19 pandemic has brought about additional uncertainties in the Group's operating environment and has impacted the group's operations and financial position. The Group has experienced significant disruption to its operations in the following respects:

(i) The supply and production of electrical DC products were affected by the global epidemic at the beginning of the year, resulting in limited shipment.

(ii) In the first quarter of the year, due to the impact of the novel coronavirus epidemic, many industries had been at a standstill. As a result, the related projects of electric vehicle charging equipment of the Group did not operate as scheduled, and the shipment declined significantly.

(iii) During the epidemic, the suspension of public transportation and the control of the movement of people led to a sharp drop in charging service charges during the six months ended 30 June 2020. After the epidemic has stably become under control, and under the premise of strict implementation of precautionary measures, the Group carried out the operation of each charging station in an orderly manner. So far, the operation of charging networks of the Group have become stable, and the accumulated charging capacity of each charging station has gradually returned to the level before the epidemic.

However, the central and local governmental authorities have issued a number of policies and measures to support enterprises affected by the epidemic from various aspects so as to reduce the burden on enterprises, and help the market to recover. Benefiting from the implementation of the policies, the Group's operating pressure and risks caused by the external environment should be gradually reduced.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

*For the six months ended 30 June 2020*

## 5. REVENUE AND SEGMENT INFORMATION

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

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 CODM has chosen to organise the Group around differences in products and services.

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 Monitoring – sales of power monitoring and management equipment; and (ii) Electric Vehicles – sales and leases of electric vehicles |

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

*For the six months ended 30 June 2020*

## 5. REVENUE AND SEGMENT INFORMATION (continued)

Charging Services and Construction which do not meet any of the quantitative thresholds under HKFRS 8, is considered as individual reporting segment and separately disclosed as the CODM concludes that segment information is useful to users of the financial information as the nature of products and services of Charging Services and Construction is distinct to other reporting segments.

Operating segments of Power Monitoring and Electric Vehicles are combined as one reporting segment namely as "Others" since they do not meet the quantitative thresholds under HKFRS 8 and the CODM considers that the segment information is not useful to users of the financial information as the business is insignificant when compared to other operating segments.

### Segment revenue and results

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

**For the six months ended 30 June 2020**

| | DC Power System RMB'000 (Unaudited) | Charging Equipment RMB'000 (Unaudited) | Charging Services and Construction RMB'000 (Unaudited) | Others RMB'000 (Unaudited) | Total RMB'000 (Unaudited) |
|---|---|---|---|---|---|
| Segment revenue | **49,133** | **54,354** | **8,030** | **310** | **111,827** |
| Segment results | **13,047** | **18,051** | **1,366** | **6** | **32,470** |
| Other revenue | | | | | **5,670** |
| Gain on disposal of an associate | | | | | **4,550** |
| Fair value loss on financial asset at fair value through profit or loss ("FVTPL") | | | | | **(7,442)** |
| Share of results of associates | | | | | **272** |
| Finance costs | | | | | **(3,309)** |
| Unallocated head office and corporate expenses | | | | | **(51,552)** |
| Loss before taxation | | | | | **(19,341)** |

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

*For the six months ended 30 June 2020*

## 5. REVENUE AND SEGMENT INFORMATION (continued)

### **Segment revenue and results** (continued)

The following is an analysis of the Group's revenue and the results by reportable and operating segments: (continued)

For the six months ended 30 June 2019

| | DC Power System RMB'000 (Unaudited) | Charging Equipment RMB'000 (Unaudited) | Charging Services and Construction RMB'000 (Unaudited) | Others RMB'000 (Unaudited) | Total RMB'000 (Unaudited) |
|---|---|---|---|---|---|
| Segment revenue | 53,473 | 62,754 | 10,600 | 1,572 | 128,399 |
| Segment results | 15,699 | 27,918 | 3,164 | 45 | 46,826 |
| Other revenue | | | | | 10,808 |
| Other gains and losses | | | | | (68) |
| Share of results of associates | | | | | (862) |
| Finance costs | | | | | (3,295) |
| Unallocated head office and corporate expenses | | | | | (41,829) |
| Profit before taxation | | | | | 11,580 |

*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. Segment results represent the profit earned from each segment without allocation of other revenue, certain other gains and losses, share of results of associates, finance costs and unallocated head office and corporate expenses. This is the measure reported to the CODMs for the purposes of resource allocation and performance assessment.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

*For the six months ended 30 June 2020*

## 5. REVENUE AND SEGMENT INFORMATION (continued)

### Segment assets and liabilities

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

| Segment assets | **30 June 2020 RMB'000 (Unaudited)** | 31 December 2019 RMB'000 (Audited) |
|---|---|---|
| DC Power System | **283,595** | 297,277 |
| Charging Equipment | **313,735** | 310,774 |
| Charging Services and Construction | **83,110** | 76,650 |
| Others | **1,790** | 5,369 |
| Total segment assets | **682,230** | 690,070 |
| Unallocated | **212,443** | 188,694 |
| Consolidated assets | **894,673** | 878,764 |

| Segment liabilities | **30 June 2020 RMB'000 (Unaudited)** | 31 December 2019 RMB'000 (Audited) |
|---|---|---|
| DC Power System | **72,556** | 58,438 |
| Charging Equipment | **80,267** | 59,714 |
| Charging Services and Construction | **11,859** | 3,902 |
| Others | **458** | 2,002 |
| Total segment liabilities | **165,140** | 124,056 |
| Unallocated | **202,999** | 210,364 |
| Consolidated liabilities | **368,139** | 334,420 |

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

*For the six months ended 30 June 2020*

## 5. REVENUE AND SEGMENT INFORMATION (continued)

### **Segment assets and liabilities** (continued)

For the purpose of monitoring segment performance and allocating resource between reporting 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 fair value through other comprehensive income ("FVTOCI"), financial assets 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.

## 6. INCOME TAX CREDIT (EXPENSE)

| | **For the six months ended 30 June** | |
|---|---|---|
| | **2020** | 2019 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| PRC Enterprise Income Tax ("EIT"): | | |
| – Current period | **(339)** | (7,786) |
| Deferred tax | **2,536** | (792) |
| | **2,197** | (8,578) |

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the six months ended 30 June 2020 and 2019. No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor was derived from, Hong Kong for the six months ended 30 June 2020 and 2019.

Under the Law of the PRC on EIT (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries, other than Zhuhai Titans Technology Co., Limited (珠海泰坦科技股份有限公司) ("Titans Technology"), is 25% from 1 January 2008 onwards.

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 2018 to 2020.

## 7. LOSS (PROFIT) FOR THE PERIOD

(Loss) profit for the period has been arrived at after charging (crediting):

| | Six months ended 30 June | |
|---|---|---|
| | **2020** | 2019 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| Impairment losses on financial assets: | | |
| – trade receivables | **7,040** | – |
| – other receivables | **–** | 1,800 |
| – loan receivables | **–** | 1,414 |
| Reversal of impairment losses on financial assets: | | |
| – loan receivables | **(1,700)** | – |
| – trade receivables | **–** | (8,203) |
| – contract assets | **(107)** | (300) |
| Total impairment losses (reversal of impairment losses) on financial assets | **5,233** | (5,289) |
| Depreciation of property, plant and equipment | **7,892** | 7,818 |
| Depreciation of right-of-use assets | **269** | 398 |
| Amortisation of intangible assets | **2,011** | 1,606 |
| Total depreciation and amortisation | **10,172** | 9,822 |
| Exchange loss, net | **–** | 32 |
| Gain on disposal of property, plant and equipment | **–** | (18) |
| Bank interest income | **(193)** | (305) |
| Value added tax ("VAT") refunds *(note (i))* | **(4,187)** | (6,013) |
| Government grants *(note (ii))* | **(1,290)** | (620) |
| Research and development expenses (included in administrative and other expenses) *(note (iii))* | **11,582** | 12,221 |

*Notes:*

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

(ii) Included in government grants are subsidies of approximately RMB1,290,000 (2019: RMB620,000) 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 PRC ("中華人民共和國科學技術部") regarding the research and development on technology innovation of which there are no unfulfilled conditions or contingencies relating to those subsidies and recognised upon receipts during the six months ended 30 June 2020 and 2019.

(iii) 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 CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

*For the six months ended 30 June 2020*

## 8. DIVIDENDS

No dividend has been paid or proposed by the Company for the six months ended 30 June 2020 and 2019 nor has any dividend been proposed since the end of reporting period.

## 9. (LOSS) EARNINGS PER SHARE

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

| | Six months ended 30 June | |
|---|---|---|
| | **2020** | 2019 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| **(Loss) earnings** | | |
| (Loss) earnings for the purpose of basic and diluted (loss) earnings per share | **(16,581)** | 3,355 |

| | Six months ended 30 June | |
|---|---|---|
| | **2020** | 2019 |
| | **'000** | '000 |
| **Number of shares** | | |
| Weighted average number of ordinary shares for the purpose of basic and diluted (loss) earnings per share | **925,056** | 925,056 |

The dilutive (loss) earnings per share is equal to the basic (loss) earnings per share as there were no dilutive potential ordinary shares outstanding during the six months ended 30 June 2020 and 2019.

## 10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2019, the Group disposed of certain property, plant and equipment with an aggregate carrying amount of approximately RMB58,000 (six months ended 30 June 2020: nil), resulting in a gain on disposal of approximately RMB18,000 (six months ended 30 June 2020: nil).

During the six months ended 30 June 2020, the Group acquired of property, plant and equipment with a cost of approximately RMB6,000,000 (six months ended 30 June 2019: RMB22,555,000).

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

*For the six months ended 30 June 2020*

## 11. INTERESTS IN ASSOCIATES

| | **30 June 2020 RMB'000 (Unaudited)** | 31 December 2019 RMB'000 (Audited) |
|---|---|---|
| Cost of investment in unlisted associates | **20,046** | 24,646 |
| Share of post acquisition results, net of dividend received | **(5,388)** | (10,260) |
| | **14,658** | 14,386 |

As at 30 June 2020 and 31 December 2019, the Group had interests in the following 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 |
|---|---|---|---|---|---|---|---|---|
| | | | | **30/6/2020** | 31/12/2019 | **30/6/2020** | 31/12/2019 | |
| Wuhan Titans Smart Technology Co., Ltd* (武漢泰坦智慧科技有限公司) | Registered | The PRC | Contributed capital | **20%** | 20% | **20%** | 20% | Research and development of computer software |
| Guangdong Titans Intelligent Power Co., Ltd.* (廣東泰坦智能動力有限公司) | Registered | The PRC | Contributed capital | **36%** | 36% | **36%** | 36% | Research and development, sales and manufacturing of automated guided vehicles |

During the six months ended 30 June 2020, subsidiary of the Company which 80% equity interest was held by the Company, entered into an agreement with an independent third party, for the disposal of 23% equity interest of Changsha Xiandao Technology Development Co. Ltd.* (長沙先導快線科技發展有限公司) ("Changsha Xiandao") with carrying amount of nil for a cash consideration of RMB4,550,000. After the completion of the disposal, the Group's effective equity interest in Changsha Xiandao had been decreased from 18.4% to 0%. Gain on disposal of an associate of approximately RMB4,550,000 has been recognised for the six months ended 30 June 2020.

* *English name is for identification purpose only.*

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

*For the six months ended 30 June 2020*

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

| | *Notes* | **30 June 2020 RMB'000 (Unaudited)** | 31 December 2019 RMB'000 (Audited) |
|---|---|---|---|
| **Financial asset at FVTPL comprises:** | | | |
| – Equity security listed in the PRC | *(a)* | **5,007** | 12,449 |
| **Financial assets at FVTOCI comprises:** | | | |
| – Unlisted equity securities | *(b)* | **27,144** | 27,905 |

*Notes:*

(a) As at 30 June 2020, 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 RMB5,007,000 (31 December 2019: RMB12,449,000). Fair value loss on financial asset at FVTPL of approximately RMB7,442,000 (2019: nil) has been recognised during the six months ended 30 June 2020.

(b) As at 30 June 2020, 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 RMB17,953,000 and approximately US$1,300,000 (equivalent to approximately RMB9,191,000) (31 December 2019: RMB18,138,000 and approximately US$1,400,000 (equivalent to approximately RMB9,767,000)) respectively.

* *English name is for identification purpose only.*

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

*For the six months ended 30 June 2020*

## 13. TRADE AND BILLS RECEIVABLES

| | **30 June 2020 RMB'000 (Unaudited)** | 31 December 2019 RMB'000 (Audited) |
|---|---|---|
| Trade receivables | **344,887** | 322,598 |
| Less: allowance for impairment loss of trade receivables | **(70,882)** | (63,842) |
| | **274,005** | 258,756 |
| Bills receivables | **8,045** | 8,166 |
| Total trade and bills receivables | **282,050** | 266,922 |

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

| | **30 June 2020 RMB'000 (Unaudited)** | 31 December 2019 RMB'000 (Audited) |
|---|---|---|
| 0 – 90 days | **62,416** | 131,302 |
| 91 – 180 days | **16,573** | 23,425 |
| 181 – 365 days | **100,308** | 57,180 |
| 1 – 2 years | **74,934** | 24,809 |
| 2 – 3 years | **19,774** | 22,040 |
| | **274,005** | 258,756 |

The Group allows an average credit period of 90 days (31 December 2019: 90 days) to its trade customers or 90 days (31 December 2019: 90 days) counted from the due date of each of their installment payments pursuant to the sales contracts. Installment payments are separated into initial deposit payment which due upon signing of sales contracts, the payment after installation and testing and retention money which due from the end of the product quality assurance period.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

*For the six months ended 30 June 2020*

## 14. TRADE AND BILLS PAYABLES

| | **30 June 2020 RMB'000 (Unaudited)** | 31 December 2019 RMB'000 (Audited) |
|---|---|---|
| Trade payables | **100,849** | 88,010 |
| Bills payables | **40,122** | 28,096 |
| | **140,971** | 116,106 |

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

| | **30 June 2020 RMB'000 (Unaudited)** | 31 December 2019 RMB'000 (Audited) |
|---|---|---|
| 0 – 90 days | **89,405** | 72,126 |
| 91 – 180 days | **34,553** | 21,743 |
| 181 – 365 days | **7,791** | 13,314 |
| 1 – 2 years | **5,434** | 4,430 |
| Over 2 years | **3,788** | 4,493 |
| | **140,971** | 116,106 |

The average credit period on purchases of goods is 90 days (31 December 2019: 90 days).

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

*For the six months ended 30 June 2020*

## 15. BANK AND OTHER BORROWINGS

During the six months ended 30 June 2020, the Group borrowed RMB29,883,000 (six months ended 30 June 2019: RMB13,200,000) from banks. The loans are unsecured and are repayable in full within one year. The loans bear interests of ranging from 4.79% to 6.53% per annum. During the six months ended 30 June 2020, the Group repaid approximately RMB36,767,000 (six months ended 30 June 2019: RMB105,344,000) of a secured bank and other borrowings bearing interest rates of ranging from 5.66% to 7% per annum.

## 16. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

### (a) Fair value of the Group's financial instruments that are measured at fair value on a recurring basis

The table analyses financial instruments carried at fair value, by valuation method. The different levels have been defined 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.

The following table provides the fair value measurement hierarchy of the Group's financial instruments as at 30 June 2020 and 31 December 2019:

| | Level 3 | |
|---|---|---|
| | **30 June 2020 RMB'000** | 31 December 2019 RMB'000 |
| **Financial asset at FVTPL** | | |
| Listed equity security | **5,007** | 12,449 |
| **Financial assets at FVTOCI** | | |
| Unlisted equity securities | **27,144** | 27,905 |

There were no transfers between levels of fair value hierarchy in the current and prior periods.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

*For the six months ended 30 June 2020*

## 16. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

### (a) Fair value of the Group's financial instruments 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 instruments on a recurring basis are set out below:

| Financial instruments | Fair value as at | | Fair value hierarchy | Valuation technique and key inputs | Significant unobservable inputs | Relationship of key inputs and significant unobservable inputs to fair value |
|---|---|---|---|---|---|---|
| | **30/6/2020 RMB'000** | 31/12/2019 RMB'000 | | | | |
| Listed equity security at FVTPL | **5,007** | 12,449 | Level 3 | Market approach – by reference to the asset with identical or similar assets in the market (2018: Quoted bid prices in an active market) | 30/6/2020:<br>(i) Price-to-book ("P/B") ratio of 1.17; and<br>(ii) Marketability discount of 20.60%<br>31/12/2019:<br>(i) Price-to-earnings ("P/E") ratio of 7.63; and<br>(ii) Enterprise value ("EV")-to-earnings before interest, taxation, depreciation and amortisation ("EBITDA") ratio of 5.56<br>(iii) Marketability discount of 20.60% | 30/6/2020:<br>(i) The higher the P/B ratio, the higher the fair value.<br>(ii) The higher of the marketability discount, the lower the fair value.<br>31/12/2019:<br>(i) The higher the P/E ratio, the higher the fair value.<br>(ii) The higher of EV to EBITDA ratio, the higher the fair value.<br>(iii) The higher of the marketability discount, the lower the fair value. |
| Unlisted equity securities at FVTOCI | **27,144** | 27,905 | Level 3 | Market approach – by reference to the asset with identical or similar assets in the market | (i) Price-to-book ratio of 2.14 (31/12/2019: 2.13);<br>(ii) Marketability discount of 35% (31/12/2019: 35%); and<br>(iii) Specific business risk discount of 56% (31/12/2019: 56%) | (i) The higher the price-to-book ratio, the higher the fair value.<br>(ii) The higher of marketability discount, the lower the fair value.<br>(iii) The higher the specific business risk discount, the lower the fair value. |

# 16. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

## (a) Fair value of the Group's financial instruments that are measured at fair value on a recurring basis (continued)

Reconciliation of Level 3 fair value measurement of financial instruments that are measured on a recurring basis are as follows:

| | **Listed equity security RMB'000** | **Unlisted equity securities** RMB'000 |
|---|---|---|
| At 1 January 2019 | – | 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 |
| Changes in fair value through profit or loss | (7,442) | – |
| Changes in fair value through other comprehensive income | – | (761) |
| At 30 June 2020 | 5,007 | 27,144 |

# 17. CAPITAL COMMITMENTS

| | **30 June 2020 RMB'000 (Unaudited)** | 31 December 2019 RMB'000 (Audited) |
|---|---|---|
| Capital expenditures contracted for but not provided in the consolidated financial statements in respect of establishment of associates | **16,930** | 16,930 |

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

*For the six months ended 30 June 2020*

## 18. RELATED PARTY TRANSACTIONS

During the six months ended 30 June 2020, the Group entered into the following transactions with related parties:

### (a) Income received

| | Six months ended 30 June | |
|---|---|---|
| | **2020** | 2019 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| Sales to associates *(Note)* | **–** | 1,495 |

*Note:* Sales of charging equipment for electric vehicles to the associates for the six months ended 30 June 2020 and 2019 were conducted on terms mutually agreed with the parties, which were by reference to prevailing market prices under the sales agreement.

### (b) Compensation to key management personnel

The directors of the Company consider that the executive directors are the only key management personnel of the Group. The remuneration of executive directors during the six months ended 30 June 2020 and 2019 was as follows:

| | Six months ended 30 June | |
|---|---|---|
| | **2020** | 2019 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| Short-term benefits | **638** | 521 |
| Post-employment benefits | **–** | – |
| | **638** | 521 |

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

### (c) Guarantees from directors

At 30 June 2020 and 31 December 2019, certain bank and other borrowings of the Group were guaranteed by Mr. Li Xin Qing and Mr. An Wei, directors of the Company:

| | **30 June** | 31 December |
|---|---|---|
| | **2020** | 2019 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Audited) |
| To the extent of | **180,000** | 180,000 |

# OTHER INFORMATION

## DIRECTORS' INTERESTS IN SHARES

As at 30 June 2020, the interests of the Directors and their associates in the Shares which have been notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (the "SFO"), or which were recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuer (the "Model Code") as set out in Appendix 10 to the Listing Rules were as follows:

| Name of Director | Nature of interest | Number of Shares | Approximate percentage of issued shares 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 the 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 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 is owned as to 50% by him.

Save as disclosed above, as at 30 June 2020, none of the Directors or chief executive of the Company nor their associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

# OTHER INFORMATION

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than the Share Option Scheme, at no time during the six months ended 30 June 2020 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate and none of the Directors, their spouses or children under 18 years of age, had any rights to subscribe for securities of the Company, or had exercised any such rights.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 30 June 2020, 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 in Shares which would fall to be disclosed to the Company pursuant to 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 | Approximate percentage of issued shares of the Company |
|---|---|---|---|
| Ms. Zeng Zhen *(Note 2)* | Interest of spouse | 205,909,875 | 22.26% |
| Genius Mind *(Note 3)* | Beneficial owner | 197,724,457 | 21.37% |
| Ms. Yan Kai *(Note 4)* | Interest 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 corporation | 82,458,117 | 8.91% |
| Ms. Zhang Lina *(Note 7)* | Interest of spouse | 82,458,117 | 8.91% |
| Mr. Thomas Karl Amade Pilscheur | Beneficial owner | 66,244,818 | 7.16% |
| Ms. Feng Yanlin *(Note 8)* | Interest 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 corporation | 84,096,000 | 9.09% |
| Mr. Lu Chuping *(Note 9)* | Interest of controlled corporation | 84,096,000 | 9.09% |

# OTHER INFORMATION

*Notes:*

1. All interests in the Shares were long positions.

2. Ms. Zeng Zhen is the spouse of Mr. Li Xin Qing. Therefore, Ms. Zeng 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. Mr. Li Xin Qing 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 ("Honor Boom") 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 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 was 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 30 June 2020, the Company has not been notified by any person (other than the Directors or the chief executive of the Company) who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company pursuant to the provision 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.

# OTHER INFORMATION

## 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.

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-months 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.

# OTHER INFORMATION

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.

The Share Option Scheme was terminated on 7 May 2020.

No options were granted, exercised, lapsed or cancelled by the Company under the Share Option Scheme during the six months ended 30 June 2020.

As at the date of this report, there were no outstanding options were available for issue under the Share Option Scheme.

## SUFFICIENCY OF PUBLIC FLOAT

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

By Order of the Board
**China Titans Energy Technology Group Co., Limited**
**Li Xin Qing**
*Chairman*

Hong Kong, 28 August 2020