TITANS

China Titans Energy Technology Group Co., Limited

中國泰坦能源技術集團有限公司*

Incorporated in the Cayman Islands with members' limited liability

Stock Code : 2188

2021
ANNUAL REPORT

* For identification purpose only

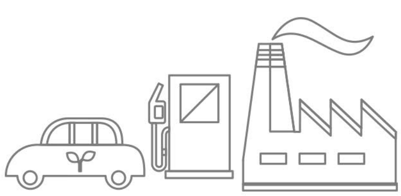
CONTENTS

CORPORATE INFORMATION

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

CORPORATE INFORMATION

Principal Place of Business and Address of Headquarters in the PRC	Titans Science and Technology Park No. 60 Shihua Road West Zhuhai Guangdong Province The People's Republic of China
Principal Place of Business in Hong Kong	Suite 2703, 27/F., Shui On Centre Nos. 6-8 Harbour Road Wanchai Hong Kong
Principal Share Registrar and Transfer Office	SMP Partners (Cayman) Limited Royal Bank House 3rd Floor 24 Shedden Road P.O. Box 1586 Grand Cayman KY1-1110 Cayman Islands
Hong Kong Branch Share Registrar and Transfer Office	Computershare Hong Kong Investor Services Limited 17M Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Legal Adviser	*As to Hong Kong law:* Wan & Tang 2408, World-Wide House 19 Des Voeux Road Central Central Hong Kong
Principal Banker	Bank of Communications Zhuhai Jida Sub-branch 1/F, Zhong Dian Tech Building Jida Jiuzhou Road The PRC
Stock Code	2188
Website	www.titans.com.cn



FINANCIAL HIGHLIGHTS

OPERATING FIGURES FOR THE PAST FIVE YEARS

For the year ended 31 December	**2021** **RMB'000**	2020 RMB'000	2019 RMB'000	2018 RMB'000	2017 RMB'000
Revenue	**337,344**	275,592	301,214	270,204	327,861
Gross profit	**114,421**	68,264	88,282	82,231	113,147
Profit (loss) for the year attributable to owners of the Company	**18,595**	(29,622)	(47,603)	(40,168)	163,706
Total comprehensive income (expense) for the year attributable to owners of the Company	**17,181**	(31,285)	(41,580)	(42,260)	54,626
Earnings (loss) per share					
Basic	**RMB0.020**	RMB(0.032)	RMB(0.052)	RMB(0.043)	RMB0.177
Diluted	**RMB0.020**	RMB(0.032)	RMB(0.052)	RMB(0.043)	RMB0.165

CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR THE PAST FIVE YEARS

As at 31 December	**2021** **RMB'000**	2020 RMB'000	2019 RMB'000	2018 RMB'000	2017 RMB'000
Total assets	**866,432**	826,440	878,764	983,542	1,061,898
Non-current assets	**255,425**	277,359	298,673	255,474	285,679
Current assets	**611,007**	549,081	580,091	728,068	776,219
Total liabilities	**343,513**	321,547	334,420	391,529	404,463
Current liabilities	**282,155**	254,706	246,083	279,090	382,409
Net current assets	**328,852**	294,375	334,008	448,978	393,810
Net assets	**522,919**	504,893	544,344	592,013	657,435

FINANCIAL HIGHLIGHTS

FINANCIAL INDICATORS FOR THE PAST FIVE YEARS

For the year ended 31 December	**2021**	2020	2019	2018	2017
Inventory turnover (1) (days)	**194**	165	139	153	148
Trade and bills receivables turnover (2) (days)	**250**	302	271	333	267
Trade and bills payables turnover (3) (days)	**177**	182	151	155	120
Current ratio (4) (times)	**2.17**	2.16	2.36	2.61	2.03
Gearing ratio (5) (%)	**18.90**	20.43	20.96	28.00	20.90
Return on equity (6) (%)	**3.64**	(6.01)	(9.04)	(7.04)	25.96

Notes:

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

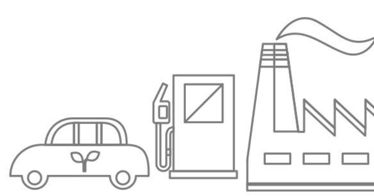
(2) Trade and bills receivables turnover equals the average of trade and bills receivables at the beginning and the ending of the year divided by revenue and 1+13% value added tax (as trade and bills receivables include the value added tax receivables from customers), and multiplied by 365.

(3) Trade and bills payable turnover equals the average of trade and bills payables at the beginning and ending of the year divided by cost of sales and 1+13% value added tax (as trade and bills payables include the value added tax payable to suppliers), and multiplied by 365.

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

(5) Gearing ratio equals bank and other borrowings divided by total assets, and multiplied by 100%.

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



CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of China Titans Energy Technology Group Co., Limited (中國泰坦能源技術集團有限公司*) (the "Company") and its subsidiaries (collectively the "Group"), I hereby present the annual report for 2021 of the Group.

2021 marked the beginning of China's 14th Five-Year Plan and launch of a framework for both "carbon neutrality" and "carbon peaking" as well. China explicitly raised a proposal on speeding up the establishment of a new power system that comprised new energy as the main component, vigorously developing the green and low-carbon industries, accelerating the development of the strategic emerging industries like new energy vehicles, and carrying out infrastructure construction such as charging piles and ancillary power grids in an orderly manner. As the Company was guided under these policies and carrying out relevant projects in various places, it benefited from these polices and projects in terms of its DC power products and chargers for electric vehicles related thereto.

By capitalizing on this market opportunity, the Group managed to post a turnover of approximately RMB337,344,000 during the Reporting Period, representing an increase of approximately 22.41% over the same period last year, which mainly contributed by a range of state-of-the-art intelligent products and comprehensive professional service empowerment. In 2021, the Group's profit attributable to owners of the Company amounted to approximately RMB18,595,000, which turned losses into profits.

The Group believes a team of outstanding talents is an important factor in sustaining its corporate development strategies and long-term plans are being executed. During the Reporting Period, a total of 37,980,000 share options were granted to approximately 100 eligible directors and employees as an incentive for their contributions to the Group.

Looking ahead to 2022, the power industry and the electric vehicle charging business in which the Group has a presence are both the important strategic industries under China's 14th Five-Year Plan, which offer a broad space for growth. However, the Group is fully aware that China is navigating the twists and turns of the pandemic and that political instability around the globe has a certain impact on the domestic economic development in China. In view of more uncontrollable factors, the Group believes it is particularly important for it to follow the trend in the current economic environment and to apply a development strategy that aims to seek progress while maintaining stability as its top priority. The Group will continue to be led by a customer demand-oriented approach, supported by technical R&D and assured by a comprehensive array of services, so as to raise its core competitiveness continuously and make itself grow steadily.

The Group has realised that battery swap has become one of the essential ways to making new energy vehicles more popular in all scenarios. It works as an effective additional method for electric vehicle charging. Both of these charging methods will boost an increased penetration rate of new energy vehicles. As the Group believes the market demand for battery swap products will further increase in the near future, it will scramble for a larger market share by capitalizing further on its own advantages to open up related businesses. Moreover, given power quality management and energy storage equipment are the major components of intelligent energy, the Group will reserve more technical staff and strive to expand markets in a bid to make these two tasks generate a new revenue source for the Group.

* *For identification purpose only*

CHAIRMAN'S STATEMENT

2022 marks the 30th anniversary of the incorporation of the Group. Looking back, we have gone through plenty of ups and downs over these 30 years; looking forward, we will forge ahead unswervingly on the endless journey.

Finally, on behalf of the Board, I would like to take this opportunity to sincerely thank all our shareholders and partners for their great support to our Group, and all my colleagues for their unwavering dedications and significant contributions to our Group.

Li Xin Qing
Chairman

Hong Kong, 25 March 2022

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the year ended 31 December 2021 (the "Reporting Period"), the Group recorded revenue of approximately RMB337,344,000, representing an increase of approximately 22.41% over that of last year. Revenue was mainly derived from the Group's principal businesses including various products such as direct current power system products (the "DC Power System products" or "electrical DC products"), charging equipment for electric vehicles and charging services for electric vehicles. The table below shows the revenue of different series of products of the Group for the years ended 31 December 2021 and 2020:

	For the year ended 31 December			
	2021		2020	
	RMB'000	**%**	RMB'000	%
Electrical DC products	**124,586**	**36.93**	115,788	42.01
Charging equipment for electric vehicles	**186,505**	**55.29**	138,547	50.27
Charging services for electric vehicles	**25,696**	**7.62**	18,836	6.83
Others	**557**	**0.16**	2,421	0.89
Total	**337,344**	**100**	275,592	100

In 2021, the Group recorded a profit attributable to owners of the Company and total comprehensive income attributable to owners of the Company of approximately RMB18,595,000 and RMB17,181,000, respectively, representing an increase of approximately RMB48,217,000 and an increase of approximately RMB48,466,000 over the loss of approximately RMB29,622,000 and the total comprehensive expense of approximately RMB31,285,000 of the corresponding period last year.

Compared with 2020, the Group recorded a turnaround from loss to profit, which was mainly due to (1) the increase in gross profit resulting from the increase in revenue for the year; and (2) the increase in income from the disposal of interests in associates of the Group.

Electrical DC products

During the Reporting Period, the Group's revenue of the electrical DC product was approximately RMB124,586,000, representing an increase of approximately 7.60% over 2020. The Directors consider that the main reason for the increase in revenue was that in the post-epidemic era, the market demand for electrical DC products grew, and that the production, manufacturing, and sales of this business have gradually returned to pre-epidemic levels.

Charging equipment for electric vehicles

During the Reporting Period, the Group's revenue of the charging equipment for electric vehicles amounted to approximately RMB186,505,000, representing an increase of approximately 34.61% over 2020. The Directors consider that during the Reporting Period, the overall domestic investment confidence rallied from last year, and that the demand for charging equipment projects across China continuously grew, resulting in an increase in the Group's revenue.

MANAGEMENT DISCUSSION AND ANALYSIS

Charging services for electric vehicles

During the Reporting Period, the Group recorded revenue from charging services fees for electric vehicles of approximately RMB25,696,000, representing an increase of approximately 36.42% as compared to that recorded in 2020. The Directors consider the increase in revenue from electric vehicle charging services was mainly due to: (1) the increase in the sales volume of new energy vehicles in China fueled the rapid growth of the demand for charging services; and (2) the franchisee cooperation model developed by the Group for charging operation enjoys an increasingly mature development.

Others

During the Reporting Period, the Group's revenue of other businesses amounted to approximately RMB557,000, being the income from the sales of power storage products and the leasing business in relation to electric vehicles, representing a decrease of approximately 76.99% as compared to that recorded in 2020.

The Group's major operating activities in 2021:

In 2021, China resolutely implemented the stability-based development strategy and coordinated epidemic prevention and control and economic and social development in a holistic way, enabling the domestic economy to operate within a reasonable range and maintaining a steady recovery. Particularly, the outline of development plan guided by the "carbon peak and neutrality" policy and the 14th Five-Year Plan has been communicated to all parts of the country and has become an important driving force for the vigorous development of the new energy industry.

As an integral part of the above development plan, the new energy vehicle industry made remarkable progress during the year. According to the data released by the China Association of Automobile Manufacturers, the production and sales volume of new energy vehicles in China increased year on year by 159.5% and 157.5% to 3,545,000 and 3,521,000, respectively, in 2021. Such data shows that the development of new energy vehicles has shifted from policy driven to market driven, demonstrating a good momentum with an improvement in both market scale and development quality. The charging infrastructure, which is inseparable from new energy vehicles, was also booming in the period. According to the data released by the China Electric Vehicle Charging Infrastructure Promotion Alliance, in 2021, China's charging infrastructure increased by 936,000 units, including 340,000 public charging piles, as the EV charging demand continues to grow rapidly.

The steady growth of China's economy relies on the strong support of the power industry. According to the data released by the China Electricity Council, China's total electricity consumption in 2021 was 8,312.8 billion kWh, a year-on-year increase of 10.3%. The construction of power systems brings great commercial prospects for the Company's electrical DC products.

Though China's economic data is growing, the lingering COVID-19 pandemic and intensifying market competition are challenges that the industry has to face. In the face of these challenges, the Group meticulously built a solid business foundation in terms of products, markets, customers, operations and management; in the light of opportunities, the Group took the initiative to expand its business into new areas and seek breakthroughs. During the Reporting Period, the revenue from the Group's principal business was approximately RMB337,344,000, a year-on-year increase of approximately 22.41%.

MANAGEMENT DISCUSSION AND ANALYSIS

The specific principal business activities are as follow:

I. Equipment Research and Development, Manufacturing and Sales

1. *Electrical DC products*

During the Reporting Period, the revenue from electrical DC products was approximately RMB124,586,000, a year-on-year increase of approximately 7.60%.

The Group actively participated in bidding activities related to the business under the "agency and direct sales" model to provide customers with high-standard customizable products. The geographical areas where the Group won bids were expanded during the year, making it the year with the largest number of bid-winning geographical areas in the past five years. In addition, the Group won the bid for a nuclear power equipment project in Changjiang, Hainan during the Reporting Period, making a successful entry into the nuclear power sector.

Back-end business development, which is an important part of the Group's operations, mainly covers R&D and project delivery. During the Reporting Period, the research and development of electrical DC products went well, with all the R&D and upgrade projects for the year progressing as expected by the Group. In addition to this, the R&D team applied for four invention and utility model patents as scheduled. For project delivery, the business team achieved an on-time delivery rate of 100% for dozens of engineering orders during the year, reflecting that the Group's production process efficiency has been improved significantly which was contributed by its internal optimization efforts.

2. *Charging equipment for electric vehicles*

During the Reporting Period, the revenue from charging equipment for electric vehicles was approximately RMB186,505,000, a year-on-year increase of approximately 34.61%.

In order to enhance the strength of the electric vehicle charging equipment business, the Group primarily focuses on two aspects. On the one hand, the Group sought breakthroughs at the industry level by partnering with strong and renowned OEMs. The Group participated in the operation and maintenance projects of State Grid and China Southern Power Grid in Guangxi, Hainan and Fujian and added premium customers, thus achieving breakthroughs in geographical areas of business and customers. On the other hand, the Group further controlled costs and expenses and continued to carry out improvement measures. The front-line business personnel were trained with the sales strategy of "individual and team combination" to better meet the market and customer needs and control the pre-sales costs. In addition, the Group reduced the costs of order execution, BOM(Bill of materials) and after-sales service through measures such as "business-finance integration" and intensified quantitative cost analysis.

3. *New products and new technologies*

Heavy trucks, as a major polluter, are a key target for energy conservation and emission reduction. Under environmental pressure, the new energy conversion of heavy trucks is accelerating. With the accelerated launch of battery-swap heavy trucks, the construction of heavy truck battery swap stations is speeding up. As early as in 2011, the Group provided battery replacement products for Qingdao Xuejiadao Battery Swap Station, the largest battery swap station at that time, but the case is very different from the current demand for heavy truck battery replacement. In response to the changes in demand, the Group continuously upgraded its battery replacement equipment products and introduced new products suitable for heavy truck battery replacement.

During the Reporting Period, the Group optimized the operation platform of electric vehicle charging service in a targeted manner based on the market information and user feedback. This time, the Group mainly optimized system performance, improved user experience and strengthened cooperation to promote product R&D. By enhancing the performance of key gateways and back-office services, the Group made the charging network more stable and smooth, and enabled timer setting for charging piles to allow cost-effective charging of vehicles during low electricity tariff periods. The Group also realized the interconnection of charging services with China's renowned operators and automakers, and collaborated with third-party technology companies to conduct power battery performance evaluation, so as to provide reliable safety guarantee for charging car owners' vehicles.

II. Investment, Construction and Operation

During the Reporting Period, the revenue from the Group's charging services for electric vehicles was approximately RMB25,696,000, a year-on-year increase of approximately 36.42%.

The development of the Group's charging station operation platform – "Yi Charging Platform" was in line with the Group's expectations. According to its overall strategic planning, the Group had no investment in self-operated charging stations during the Reporting Period, but strengthened the expansion of and cooperation with franchisees.

During the Reporting Period, the Group improved its operation and maintenance services by refining operations and management, increasing the services of directing flow to its system platform, and improving user experience. Based on the monitoring and management of the intelligent operation platform, the Group can better meet the charging needs of users with professional services and improve the utilization rate of charging stations to ensure the long-term performance of the charging business.

MANAGEMENT DISCUSSION AND ANALYSIS

III. Fundamental Management

1. Advancing digital transformation

During the Reporting Period, the Group successfully completed a digital transformation plan, which has three positive effects: first, the transformation will improve the efficiency of Group's customer relationship management (CRM) and enable it to interconnect with multiple ERP system at the data level; second, it will realize digital barcode tracking to enable the control and tracking of products in all aspects; third, it will strengthen the "business-finance integration" function and further improve the control of data integrity and accuracy.

2. Controlling quality to avoid potential hazards

During the Reporting Period, the Group implemented the policy of handling special cases with special methods, and particularly strengthened quality control. Relevant responsible teams of the Group held special quality meetings to discuss how to improve quality step by step in the R&D, design, production and commercialization stages. As a result, the batch passing rates of voltage electrical appliances, standard structural parts and DC cabinet systems were higher than the targets, and the potential problems were solved in products such as power modules, three-way switches and transformers.

The Group's Business Focuses and Related Plans for 2022:

The New Energy Vehicle Industry Development Plan (2021-2035) issued by the General Office of the State Council explicitly proposes to improve the industry development environment, promote the high-quality and sustainable development of China's new energy vehicle industry, and accelerate the construction of an automobile power. By 2025, the sales volume of new energy vehicles is expected to account for approximately 20% of the total sales volume of vehicles. By 2035, battery electric vehicles will become the mainstream of auto sales, and vehicles in the public sector will be fully electrified. It can be seen that electric vehicles will continue to grow rapidly.

In January 2022, the National Development and Reform Commission and other ministries and commissions jointly issued the Implementation Opinions on Further Improving the Service Capacity of Electric Vehicle Charging Infrastructure (NDRC Energy Regulation [2022] No. 53). The document clearly states that by the end of the 14th Five-Year Plan period, China's electric vehicle charging capacity should be further improved to form a moderately advanced, balanced, intelligent and efficient charging infrastructure system that can meet the charging needs of more than 20 million electric vehicles. It shows that the demand for charging infrastructure will continue to grow.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's business development plan is as follows:

1. Targeted market expansion

First, we will further expand customer channels and develop new customers. In terms of electrical DC products, on the basis of consolidating the traditional sales channels such as State Grid and China Southern Power Grid, we will further develop new customers such as new energy power generation companies, environmental protection companies, large project contractors, and related manufacturers. In terms of electric vehicle charging products, on the basis of consolidating the traditional sales channels such as State Grid, China Southern Power Grid and local government investment platforms, we will focus on developing new market channels including automobile manufacturers and real estate companies. Second, we will explore new market segments: In terms of electrical DC products, we will grasp the opportunity of the construction of a new model power system, under which the Group will develop new markets for electrical DC products based on traditional auxiliary power supply equipment, remote monitoring of DC power status, and charging and discharging systems. In terms of electric vehicle charging products, the battery swap mode has recently become one of the important ways to promote the popularization of new energy vehicles in all scenarios. It serves as an effective supplement to the electric vehicle charging mode. Both products drive the penetration of new energy vehicles. While strengthening the sales of charging facilities, the EV charging product team will increase the sales contribution of battery replacement products. In addition to traditional battery replacement products, the Group will also explore the heavy truck battery replacement market. Meanwhile, the Group will actively equip itself with technology for new products such as power quality management and energy storage equipment, and strive to expand the market share, with an aim to develop these two business segments into new revenue sources of the Group.

2. Improving product quality

The Group always attaches great importance to product quality and believes that there is no best, only better. In 2022, the Group will develop precise and detailed standards for product quality assessment and obtain more quantifiable data on product quality. The responsible team will start with the product modules to formulate a pilot program for module reliability improvement, develop relevant standards and methods, and then scale them up. In terms of electrical DC products, the Group will improve the series of smart power supply, distribution network power supply and maintenance products, and upgrade the existing products to better meet the needs of different customer groups. In terms of electric vehicle charging equipment, the Group will focus on improving product stability and creating advanced products.

3. Further optimizing internal management

In order to deepen the digital transformation and build a life cycle management system, the Group will carry out data collection with new standards. Specifically, the Group will implement the next stage of information management upgrade for "business-finance integration" to ensure that business data is well-managed; and strengthen the promotion of a data-backed performance assessment mechanism underpinned by KPIs and OKRs to help the company identify strategic priorities and adapt to the rapid changes in the market environment.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

Our revenue increased from RMB275,592,000 for the year ended 31 December 2020 to RMB337,344,000 for the year ended 31 December 2021, representing an increase of approximately 22.41%. The main reason for the increase in the Group's revenue is that during the Reporting Period, as the the novel coronavirus epidemic was effectively controlled, the economic order in China is gradually restored, industry development returned to normal, and market demand increased. In view of the changes in the market environment, the Group adjusted the sales policy, incentivized the sales personnel, and provided reliable products and professional integrated services that were widely recognized by the market and customers, resulting in an increase in the revenue of the Group compared with last year. Among which, electrical DC products increased by approximately 7.60%, charging equipment for electric vehicle increased by approximately 34.61%, charging services for electric vehicles increased by approximately 36.42% and others decreased by approximately 76.99%.

Cost of sales

Our cost of sales, which mainly included raw material costs, direct labour costs and manufacturing expenses, increased by approximately 7.52% from RMB207,328,000 for the year ended 31 December 2020 to RMB222,923,000 for the year ended 31 December 2021. The increase in cost of sales was mainly attributable to the increase in turnover during the Reporting Period.

Gross Profit (Loss)

The table below sets out our gross profit (loss) and gross profit (loss) margin for the years ended 31 December 2021 and 2020:

	For the year ended 31 December 2021			For the year ended 31 December 2020		
	Gross Profit RMB'000	**Percentage of total gross profit %**	**Gross profit margin %**	Gross Profit (loss) RMB'000	Percentage of total gross profit (loss) %	Gross profit (loss) margin %
Electrical DC products	**37,167**	**32.48**	**29.83**	25,382	37.18	21.92
Charging equipment for electric vehicles	**73,958**	**64.64**	**39.65**	44,040	64.51	31.79
Charging services for electric vehicles	**3,054**	**2.67**	**11.89**	(2,196)	(3.22)	(11.66)
Others	**242**	**0.21**	**43.45**	1,038	1.53	42.87
Total/average	**114,421**	**100**	**33.92**	68,264	100	24.77

MANAGEMENT DISCUSSION AND ANALYSIS

Our gross profit increased by approximately 67.62% from RMB68,264,000 for the year ended 31 December 2020 to RMB114,421,000 for the year ended 31 December 2021. Our gross profit margin increased from approximately 24.77% for the year ended 31 December 2020 to approximately 33.92% for the year ended 31 December 2021. The increase in gross profit margin as compared to that of the corresponding period of last year was primarily due to the increase in income from sales of charging equipment for electric vehicles with higher gross profit margin during the Reporting Period.

Other revenue and income

Our other revenue, which mainly included VAT refunds, government grants and bank interest income, decreased by approximately 13.22% from RMB13,070,000 for the year ended 31 December 2020 to RMB11,342,000 for the year ended 31 December 2021.

The decrease in other revenue of the Group was mainly attributable to the combined effect of factors such as the decrease in government grants of approximately RMB2,270,000, and decrease in interest income from loan receivables of approximately RMB354,000 during the year.

Selling and distribution expenses

Our selling and distribution expenses, which mainly comprised the relevant expenses in sales and after-sales services, salaries of sales personnel, benefits and travelling expenses, and office expenses, entertainment expenses and other expenses, decreased by approximately 4.62% from RMB48,946,000 for the year ended 31 December 2020 to RMB46,685,000 for the year ended 31 December 2021. Our selling and distribution expenses as a percentage of revenue decreased from approximately 17.76% for the year ended 31 December 2020 to approximately 13.84% for the year ended 31 December 2021. The decrease in the Group's selling and distribution expenses was mainly due to the following integrated factors during the Reporting Period: (1) sales-related expenses such as salaries, travelling and entertainment expenses decreased by approximately RMB1,968,000; (2) sales-related expenses such as office and advertising expenses decreased by approximately RMB43,000; (3) sales-related expenses such as transportation, installing and testing expenses decreased by approximately RMB488,000; (4) sales-related fees such as bid-winning services fees increased by approximately RMB148,000; and (5) sales-related expenses such as amortization, depreciation and other miscellaneous expenses increased by approximately RMB90,000.

Administrative and other expenses

Our administrative and other expenses, which mainly comprised, inter alia, management and back office staff costs, research and development expenses, travelling expenses and entertainment expenses, and foreign exchange gain and loss etc., increased by approximately 15.39% from RMB59,029,000 for the year ended 31 December 2020 to RMB68,114,000 for the year ended 31 December 2021. Our administrative and other expenses as a percentage of revenue decreased from approximately 21.42% for the year ended 31 December 2020 to approximately 20.19% for the year ended 31 December 2021. The increase of approximately RMB9,085,000 in our administrative and other expenses during the Reporting Period was mainly due to the following integrated factors: (1) expenses such as salaries, research and development and depreciation expenses relating to management increased by approximately RMB8,369,000; (2) bank charges and payment to lawyers and professionals increased by approximately RMB1,073,000; (3) expenses such as office, maintenance, consumables, subscription and utility expenses relating to management increased by approximately RMB361,000; (4) expenses such as benefits, travelling and entertainment expenses relating to management decreased by approximately RMB102,000; (5) rental, transportation and other taxes decreased by approximately RMB567,000; and (6) amortization and other sundry expenses decreased by approximately RMB49,000.

MANAGEMENT DISCUSSION AND ANALYSIS

Share of results of associates

As at 31 December 2021, the Group owned 20% (as at 31 December 2020: 20%) equity interests in Beijing Aimeisen Information Technology Co., Ltd* (北京埃梅森資訊技術有限公司) ("Beijing Aimeisen"), which principally engaged in the construction of charging equipment network for electric vehicles business. Beijing Aimeisen was accounted for as the Group's associate, and the Group's share of loss from Beijing Aimeisen for the Reporting Period was approximately RMB1,000.

As at 31 December 2021, the Group owned 49% (as at 31 December 2020: 49%) equity interests in Qingdao Jiaoyun Titans New Energy Vehicle Leasing Service Co., Ltd* (青島交運泰坦新能源汽車租賃服務有限公司) ("Jiaoyun Titans"). Jiaoyun Titans is mainly engaged in the construction of charging equipment network for electric vehicles and lease business for electric vehicles. Jiaoyun Titans was accounted for as the Group's associate, and the Group's share of loss from Jiaoyun Titans during the Reporting Period was approximately RMB40,000.

As at 31 December 2021, the Group owned 20% (as at 31 December 2020: 20%) equity interests in Qingdao Titans Yilian New Energy Technology Co., Limited* (青島泰坦驛聯新能源科技有限公司) ("Qingdao Titans"). Qingdao Titans is engaged in the construction of charging network for electric vehicles, as well as the sale, lease and maintenance business of electric vehicles. Qingdao Titans was accounted for as the Group's associate, and the Group's share of profit from Qingdao Titans during the Reporting Period was approximately RMB14,000.

As at 31 December 2021, the Group owned 20% (as at 31 December 2020: 30.96%) equity interests in Guangdong Titans Intelligent Power Co., Ltd* (廣東泰坦智能動力有限公司) ("Guangdong Titans"). Guangdong Titans is principally engaged in the research and development, sales and manufacturing of charging equipment for Automated Guided Vehicles ("AGV"). Guangdong Titans was accounted for as the Group's associate, and the Group's share of profit from Guangdong Titans during the Reporting Period was approximately RMB4,265,000.

As at 31 December 2021, the Group owned 17% (as at 31 December 2020: 20%) equity interests in Jiangsu Titans Smart Technology Co,. Limited* (江蘇泰坦智慧科技有限公司) (formally known as Wuhan Titans Smart Technology Co., Limited (武漢泰坦智慧科技有限公司)) ("Jiangsu Titans"). Jiangsu Titans is primarily engaged in the technology development, technology transfer and technology consultancy of computer software and hardware; computer system integration and networking; development and subcontracting of computer software and sales of computer equipment. Jiangsu Titans is accounted for as an associate of the Group and the Group's share of loss from Jiangsu Titans during the Reporting Period amounted to approximately RMB4,000.

Finance costs

Our finance costs decreased by approximately 8.61% from RMB11,226,000 for the year ended 31 December 2020 to RMB10,260,000 for the year ended 31 December 2021. Our finance costs as a percentage of revenue decreased from approximately 4.07% for the year ended 31 December 2020 to approximately 3.04% for the year ended 31 December 2021. The decrease in our finance costs was mainly due to the decrease in the average borrowing costs of other borrowings.

* *for identification purpose only*

MANAGEMENT DISCUSSION AND ANALYSIS

Income tax (expense) credit

Our income tax expense was RMB4,141,000 for the year ended 31 December 2021 whereas income tax credit was RMB1,069,000 for the year ended 31 December 2020. The effective tax rate (being the ratio of our tax credit to our profit before tax) for the year ended 31 December 2021 was 19.29% (2020: -3.4%).

Loss attributable to non-controlling interests

For the year ended 31 December 2021, loss attributable to non-controlling interests of the Group's non-wholly owned subsidiaries was approximately RMB1,267,000, as compared with a loss of approximately RMB589,000 for the year ended 31 December 2020. This amount represents the loss of the Company's non-wholly owned subsidiaries.

Profit/loss attributable to owners of the Company

Profit attributable to owners of the Company for the year ended 31 December 2021 was approximately RMB18,595,000 whilst loss for the year ended 31 December 2020 was approximately RMB29,622,000, representing an increase of approximately RMB48,217,000.

The significant increase in profit attributable to owners of the Company was mainly due to: (1) increase in gross profit arising from growth in revenue during the Reporting Period; and (2) proceeds from disposal of equity interest in associates.

Total comprehensive income attributable to owners of the Company for the year ended 31 December 2021 was approximately RMB17,181,000 whilst total comprehensive expense for the year ended 31 December 2020 was approximately RMB31,285,000, representing an increase of approximately RMB48,466,000.

Inventory Analysis

The table below sets out the information on our inventory for the years ended 31 December 2021 and 2020:

	Year ended 31 December			
	2021		2020	
	RMB'000	**%**	RMB'000	%
Raw materials	**8,790**	**6.74**	11,285	10.56
Work-in-progress	**11,299**	**8.66**	9,040	8.46
Finished goods	**110,341**	**84.60**	86,553	80.98
	130,430	**100.00**	106,878	100.00

The Group's inventory balances increased from approximately RMB106,878,000 as at 31 December 2020 to approximately RMB130,430,000 as at 31 December 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

Our average inventory turnover days increased from approximately 165 days for the year ended 31 December 2020 to approximately 194 days for the year ended 31 December 2021. The increase was due to the increase in sales of major products during the Reporting Period.

The Group has not made any general or special provision for inventories as at 31 December 2021.

Analysis on Trade and Bills Receivables

As at 31 December 2020 and 2021, our trade and bills receivables (net of allowance) amounted to approximately RMB248,509,000 (comprising trade receivables of approximately RMB247,503,000 and bills receivables of approximately RMB1,006,000) and approximately RMB274,405,000 (comprising trade receivables of approximately RMB274,405,000 and bills receivables of RMB nil) respectively. The increase in trade and bills receivables was mainly due to the increase in turnover during the Reporting Period.

The table below sets forth the ageing analysis of our trade receivables by date of delivery of goods as of 31 December 2021 and 2020:

	Year ended 31 December 2021		Year ended 31 December 2020	
	Net amount RMB'000	**%**	Net amount RMB'000	%
0 to 90 days	**172,665**	**62.93**	137,812	55.69
91 days to 180 days	**21,854**	**7.96**	24,719	9.99
181 days to 365 days	**53,703**	**19.57**	49,164	19.86
Over 1 year to 2 years	**20,085**	**7.32**	23,050	9.31
Over 2 years to 3 years	**6,098**	**2.22**	12,758	5.15
Total	**274,405**	**100**	247,503	100%

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

MANAGEMENT DISCUSSION AND ANALYSIS

We may grant an average credit period of 90 days from the above installment payment due dates (including the payments of deposit, the payments due after testing and the payments of retention money).

We believe that the longer trade and bills receivables turnover days and the high proportion of overdue trade and bills receivables were mainly due to (1) the fact that some of our customers in the power generation or transmission sectors settle the amounts payable to their suppliers, including us, after the completion of the construction of their whole power generation units or transforming stations; and (2) the impact of the epidemic, causing delay in several customer's project schedule.

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

For the year ended 31 December 2021, we made an impairment loss on trade receivables of approximately RMB150,000 (2020: approximately RMB3,995,000).

Analysis on Trade and Bills Payables

As at 31 December 2020 and 2021, our trade and bills payables amounted to approximately RMB117,605,000 (comprising trade payables of approximately RMB79,355,000 and bills payables of approximately RMB38,250,000) and approximately RMB127,000,000 (comprising trade payables of approximately RMB91,524,000 and bills payables of approximately RMB35,476,000 respectively. Trade and bills payables slightly increased. For the years ended 31 December 2020 and 2021, our trade and bills payable turnover days were approximately 182 days and approximately 177 days respectively.

The table below sets out the ageing analysis of our trade payables as of 31 December 2021 and 2020:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Within 90 days	**76,686**	70,041
91 days to 180 days	**41,066**	34,776
181 days to 365 days	**4,489**	4,719
1 year to 2 years	**2,803**	4,612
Over 2 years	**1,956**	3,457
	127,000	117,605

MANAGEMENT DISCUSSION AND ANALYSIS

Indebtedness

The following table sets out our indebtedness as at 31 December 2021 and 2020.

	For the year ended 31 December 2021		For the year ended 31 December 2020	
	RMB'000	**Interest rates**	RMB'000	Interest rates
Current				
Bank borrowings	**108,669**	**4.35% to 4.85%**	90,660	4.79% to 4.85%
Other borrowings	**7,325**	**10% to 12%**	22,555	7% to 14.44%
Non-current				
Bank borrowings	**47,784**	**5.88%**	52,624	5.88%
Other borrowings	**–**	**–**	3,000	7%
	163,778		168,839	

As at 31 December 2021, total bank borrowings and other borrowings amounted to approximately RMB163,778,000 (as at 31 December 2020: approximately RMB168,839,000), among which approximately RMB160,778,000 were secured loans (as at 31 December 2020: approximately RMB168,839,000) and approximately RMB3,000,000 of them were unsecured loans (as at 31 December 2020: Nil). Bank borrowings as at 31 December 2021 were subject to the floating interest rates ranging from 4.35% to 5.88% per annum (as at 31 December 2020: from 4.79% to 5.88% per annum).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

There has been no change in the capital structure of the Group during the year ended 31 December 2021. The capital of the Group only comprises ordinary shares.

As at 31 December 2021, the total equity of the Group amounted to approximately RMB522,919,000 (as at 31 December 2020: approximately RMB504,893,000), the Group's current assets were approximately RMB611,007,000 (as at 31 December 2020: approximately RMB549,081,000) and current liabilities were approximately RMB282,155,000 (as at 31 December 2020: approximately RMB254,706,000). As at 31 December 2021, the Group had short-term bank deposits, bank balances and cash in aggregate of approximately RMB78,988,000 (as at 31 December 2020: approximately RMB72,803,000), excluding restricted bank balances of approximately RMB18,257,000 (as at 31 December 2020: approximately RMB19,224,000). Our total assets less our total liabilities equals to our net assets, which was approximately RMB522,919,000 as at 31 December 2021 (as at 31 December 2020: approximately RMB504,893,000).

The Group finances its operations with internally generated cash flow and bank borrowings. As at 31 December 2021, the Group had aggregate amount of outstanding bank borrowings and other borrowings of approximately RMB163,778,000 (as at 31 December 2020: approximately RMB168,839,000).

The gearing ratio (i.e. borrowings divided by total assets x 100%) was approximately 18.90% as at 31 December 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

SIGNIFICANT INVESTMENTS

The Group did not hold any significant investment during the year ended 31 December 2021

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

On 27 December 2021, Zhuhai Titans Power Electronics Group Co., Ltd., a wholly-owned subsidiary of the Group, disposed of approximately 10.96% equity interests in Guangdong Titans to an independent third party, with a recognized gain of approximately RMB6,343,000. Guangdong Titans is primarily engaged in the R&D, production and sales of charging equipment for automated guided vehicles (AGV).

CONTINGENT LIABILITIES

As at 31 December 2021 and the date of this report, the Group had no material contingent liability.

CAPITAL COMMITMENTS

As at 31 December 2021, the Group had capital expenditure contracted for but not provided in the consolidated financial statements of approximately RMB11,132,000 (as at 31 December 2020: approximately RMB26,921,000) in respect of investment, factory renovation and purchase of equipment.

Save as disclosed above, as at 31 December 2021 and the date of this report, the Group did not have other capital expenditure authorised but not contracted for in respect of investment, factory renovation and purchase of equipment.

PLEDGE OF ASSETS

The Group's leasehold land and buildings with carrying amounts of approximately RMB142,575,000 as at 31 December 2021 (as at 31 December 2020: approximately RMB149,705,000) were pledged to secure the bank borrowings and other facilities.

EMPLOYEES AND REMUNERATION

As at 31 December 2021, the Group had 400 employees in total (as at 31 December 2020: 410 employees). The remuneration paid to our employees and Directors is based on experience, responsibility, workload and the time devoted to the Group.

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

All PRC-based employees are entitled to participate in a defined contribution basic pension insurance plan 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. The only obligation of the Group in the PRC with respect to the retirement scheme is the required contributions under the retirement scheme. The Group has no other legal constructive obligations to pay further contributions.

MANAGEMENT DISCUSSION AND ANALYSIS

During the years ended 31 December 2020 and 2021, there were no contributions forfeited by the Group on behalf of its employees who leave the plan prior to vesting fully in such contribution, nor had there been any utilization of such forfeited contributions to reduce future contributions. As at 31 December 2020 and 2021, no forfeited contributions were available for utilization by the Group to reduce the existing level of contributions as described in paragraph 26(2) of Appendix 16 to the Listing Rules.

SHARE OPTION SCHEME

The Company adopted the share option scheme on 8 May 2010 (the "2010 Share Option Scheme") and it has lapsed on 7 May 2020. On 18 December 2020, the Company adopted the 2020 Share Option Scheme (the "2020 Share Option Scheme", together with the 2010 Share Option Scheme, the "Share Option Schemes"). The purpose of the Share Option Schemes is to provide incentives to the eligible persons (including but not limited to employees, officers, agents, consultants or representatives of any members of the Group (including the executive or non-executive directors of any members of the Group)) for their contributions to the Company and to enable the Company to recruit and retain high-calibre employees and attract and retain human resources that are valuable to the Group.

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

FOREIGN EXCHANGE

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

During the Reporting Period, the Group recorded an exchange loss of approximately RMB225,000 (2020: exchange loss of approximately RMB484,000). Such foreign exchange loss arose as a result of the difference between the exchange rate for accounting purpose on the date of transaction and the exchange rate as at 31 December 2021. As at 31 December 2021, the Group did not have significant foreign exchange hedging.

The Group adopted a prudent approach toward its treasury policies. Our treasury function mainly involves the management of our cash flows. Cash is mainly deposited in banks in Renminbi for working capital purposes. We did not have any material holding in financial securities or foreign exchange (except for business purposes) during the year ended 31 December 2021.

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

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

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Li Xin Qing, born in May 1957, is the Chairman, an executive Director, the chairman of the nomination committee of our Company and one of the substantial shareholders of the Company. Mr. Li was appointed an executive Director on 16 November 2007. Mr. Li is responsible for the overall direction and strategic planning of our Group. Mr. Li obtained a bachelor of engineering degree from Tongji University (同濟大學) in January 1982, majoring in mechanical engineering. He also obtained a second bachelor degree in industrial management and engineering from Tongji University in June 1992, majoring in industrial management and engineering. He joined our Group in September 1992. He has worked in Titans Technology where he served as vice chairman, general manager and chairman. Mr. Li received the Guangdong Province Scientific and Technological Progress Award (Class 1) for Electric Power Industry (廣東省電子工業科學技術進步一等獎) from Guangdong Province Electric Engineering Industry Department (廣東省電子機械工業廳), a department established by the local government of Guangdong Province and Zhuhai Municipality Scientific and Technological Progress Award (Class 1) (珠海市科學技術進步獎一等獎) from Zhuhai Municipality Scientific and Technological Progress Qualification Committee (珠海市科學技術進步獎評審委員會) established by the local government of Zhuhai Municipality (珠海市政府) for his participation in the research and development of the "high frequency switch power source for communications SMP-R1022FC" (通訊用高頻開關電源項目SMP-R1022FC) project in 1998. The Scientific and Technological Award was awarded on the basis that the invention or development in science and technology was considered creative and contributing to the development and improvement of the current science and technology and thus generating economic and social value. Since the Group's establishment, Mr. Li has played an active role in the Group's development, including research and development of our products and formulating the business strategies of our Group and has accumulated his knowledge and experience with the development of our Group. At present, Mr. Li is also a director of Titans BVI Limited, Grace Technology Development Limited and Titans Holdings Co., Limited, the president of Titans Technology and Titans Power Electronics and an executive director and the legal representative of Zhuhai Titans New Energy System Co., Ltd.* (珠海泰坦新能源系統有限公司), the above of which are all subsidiaries of the Company.

Mr. An Wei, born in October 1956, is an executive Director, the chief executive officer of our Company and one of the substantial shareholders of the Company. Mr. An was appointed as an executive Director on 16 November 2007. Mr. An is responsible for the overall operation and management of our Group. Mr. An graduated from the post-graduate class of management engineering department in Tongji University (同濟大學) in July 1986 and obtained his doctorate degree in science management and engineering from Tongji University in November 2005. Mr. An was also accredited as a senior economist (高級經濟師) by the Title Reform Leading Group Office of Hebei Province in the PRC in August 1997. With his doctorate degree majoring in management and over 20 years of experience in the Group, Mr. An has acquired a variety of skills and extensive experiences in management. Mr. An joined the Group in September 1992 as a director of Titans Technology. He has been the general manager of Titans Technology since July 1998. He is the current vice chairman of Guangdong Province Private Enterprises Association (廣東省私營企業協會副會長), and a director of China EV100. At present, Mr. An is also a director of Titans BVI Limited, Grace Technology Development Limited, Titans Holdings Co., Limited, Titans Power Electronics and Titans Technology, the above of which are all subsidiaries of the Company.

* *for identification purpose only*

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Li Wan Jun, born in September 1968, is an independent non-executive Director, a member of the remuneration committee and the chairman of the audit committee of the Company. Mr. Li was appointed as an independent non-executive Director on 17 December 2007. Mr. Li has over 10 years of experience in accounting and auditing. He obtained a bachelor degree of economics from the University of Wuhan (武漢大學) in 1990. Mr. Li is a non-practising member of the Zhuhai Institute of Certified Public Accountants (珠海市註冊會計師協會) and was admitted as a member of the Association of Chartered Certified Accountants in June 2007. From 1996 to 2000, Mr. Li worked in the finance department of Zhu Kuan Group Co. Ltd. of Macau* (澳門珠光集團有限公司). From 2001 to 2007, Mr. Li worked as vice manager in the finance department and audit department of Zhu Kuan Group Holdings Co. Ltd. of Zhuhai City* (珠海市珠光集團控股有限公司) ("Zhu Kuan Group"). Since 2008, Mr. Li has been a financial controller of subsidiaries of the same company. Zhu Kuan Group through its subsidiaries, was the parent company of Zhu Kuan Development Co. Ltd. ("ZKD") (stock code: 908) (currently known as Zhuhai Holdings Investment Group Limited) when the shares of ZKD were listed on the Main Board of the Stock Exchange in 1999 and ceased to be the parent company of ZKD in December 2004. During such period, Mr. Li was involved in, among other things, internal control and internal audit of Zhu Kuan Group and its subsidiaries (including ZKD and its subsidiaries prior to Zhu Kuan Group).

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

Mr. Li Xiang Feng, born in November 1967, is an independent non-executive Director and the chairman of the remuneration committee and a member of each of the audit committee and the nomination committee of the Company. He was appointed as an independent non-executive Director on 15 July 2021. Mr. Li is a senior engineer. He graduated from Xi'an Jiaotong University with a bachelor's degree in chemical machinery and automation in July 1989. He further obtained his master's degree in electrical system and automation from Huazhong University of Science and Technology in June 1992. Mr. Li has been a member of the eighth session of the council committee of the Electromagnetic Measurement and Information Processing Instrument Branch of China Instrument and Control Society since August 2018. Mr. Li has more than 29 years of experience in field of power and electronic technology. From July 1992 to April 2002, he served as an engineer of Guangdong Power Grid Co., Ltd. Zhuhai Power Supply Bureau. Mr. Li worked as a chief engineer in various companies from the period of April 2002 to July 2015, including Landis+Gyr Meters & Systems (Zhuhai) Co., Ltd., Zhejiang Chint Instrument & Meter Co., Ltd. and Shenzhen Star Instrument Co., Ltd. From July 2015, he has been serving as a chief engineer of Hangzhou Hexing Electrical Co., Ltd., a multi-national company offering variety of electrical equipment and relevant solution to global power utilities. Mr. Li has been named as an inventor of more than 10 awarded PRC patents that relate to the technical field of electronic transmissions and various types and forms of electric energy meters. Mr. Li's major research areas include development and innovation of intelligent power system products, AMI systems, automation of electric power systems, microgrid technology, power transmission and distribution technologies. Mr. Li has recently authored and published three EI (The Engineering Index) level papers. He has also participated in compiling numerous systems pertaining to electricity metering equipment that meet the PRC national standards issued by the Standardization Administration of China.

* *for identification purpose only*

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. Li Xiao Bin, born in January 1962, is a senior engineer. He obtained a bachelor degree from Hefei United University (合肥聯合大學) in 1984 and a master degree from Institute of Plasma Physics of Chinese Academy of Sciences in 1990. Mr. Li Xiao Bin worked as an engineer for three years with the Plasma Physics Laboratory of the Chinese Academy of Sciences from 1990 to 1993. Mr. Li Xiao Bin joined our Group in 1993, and he is currently a director of Titans Holdings Co., Limited, Titans Power Electronics and Titans Technology. Mr. Li Xiao Bin received the "Certificate for Outstanding Technology Improvement* (科學技術進步獎)" from the Chinese Academy of Sciences (中國科學院). Mr. Li Xiao Bin is interested in the 40% issued share capital of Honor Boom, a company which holds approximately 8.91% of the issued share capital of our Company.

Ms. Ou Yang Fen, born in December 1965, is an accountant, certified tax agent and vice president of the Group, responsible for the financial affairs of our Group. Ms. Ou Yang Fen graduated from Guangdong Radio & TV University (廣東廣播電視大學) in 1998 majoring in finance. Ms. Ou Yang obtained the accounting qualification from the Ministry of Finance (財政部) in 1997. She has been working in the field of accounting and held positions as accountant in various companies. Since the establishment of Titans Technology in September 1992, she served as our company accountant, finance manager, deputy general manager successively. She is currently general manager of the financial centre of the Group. Ms. Ou Yang is interested in the 30% issued share capital of Honor Boom, a company which holds approximately 8.91% of the issued share capital of our Company.

Mr. Chen Xiang Jun, born in September 1968, holds a master degree in business administration. He obtained a bachelor degree of mathematics from Nankai University (南開大學) in 1990. Mr. Chen obtained an Executive Master of Business Administration degree from Tongji University (同濟大學) in 2016. Mr. Chen joined Titans Technology in March 2001. Mr. Chen is currently the president of Titans Power Electronics, a wholly-owned subsidiary of our Company and a director of Zhuhai Yilian, a subsidiary of our Company. Mr. Chen is mainly responsible for the operation management and capital operation related matters.

Mr. Liu Jun, born in December 1979, graduated from North China University of Water Resources and Electric Power (華北水利水電學院) and obtained his bachelor degree in engineering in 2003, obtained his master degree in electric engineering from Beijing Jiaotong University (北京交通大學) in 2015 and obtained master of business administration from Sun Yat-sen University (中山大學) in 2021. Mr. Liu joined our Group in 2003 and served as sales manager, project manager, and general manager of a subsidiary. After years of working in new energy vehicle charging sector, he has rich experience in sales and management. Mr. Liu currently works as chief executive officer and general manager of electric vehicle charging product lines of Titans Power Electronics and a director of Zhuhai Yilian.

* *for identification purpose only*

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

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

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 throughout the year ended 31 December 2021 and there have been no material deviations from the Code Provision.

Throughout the Reporting Period, the Company has complied with all applicable Code Provisions.

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its model code regarding directors' securities transactions. Having made specific enquiry of all Directors, all the Directors confirm that they had complied with the required standards of the Model Code during the year ended 31 December 2021.

THE BOARD

During the Reporting Period, the Board comprises two executive Directors and three independent non-executive Directors. Detailed biographies outlining each Director's scope of specialist experience are set out on pages 23 to 25 of this annual report. The biographies of the Directors are set out in the section headed "Biography of Directors and Senior Management" of this annual report. Save as disclosed in the biographies of the Directors as set out under the section headed "Biography of Directors and Senior Management" of this annual report, none of the Directors has any personal relationship (including financial, business, family or other material/relevant relationship), with any other Director.

5 Board meetings were held during the year 2021. Regular Board meetings were held at least once every quarter.

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

CORPORATE GOVERNANCE REPORT

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

Directors' Attendance at Board and Committee Meetings

The composition of the Board and members' attendance of the Board meetings and the Board committees' meetings for the year 2021 were as follows:

	Number of meetings attended/held			
	Board	Audit Committee	Remuneration Committee	Nomination Committee
Executive Directors				
Mr. Li Xin Qing *(Chairman)*	5/5	N/A	N/A	1/1
Mr. An Wei *(Chief Executive Officer)*	5/5	N/A	N/A	N/A
Independent Non-executive Directors				
Mr. Li Wan Jun	5/5	2/2	1/1	N/A
Mr. Pang Zhan	5/5	2/2	1/1	1/1
Mr. Li Xiang Feng *(Note 1)*	3/3	1/1	0/0	0/0
Mr. Zhang Guo Rong *(Note 2)*	1/1	0/0	0/0	0/0
Mr. Zhang Bo *(Note 3)*	1/1	1/1	1/1	1/1

General Meetings

During the year 2021, the Company held one general meeting, being the annual general meeting held on 18 June 2021.

	Number of meetings attended/held
Executive Directors	
Mr. Li Xin Qing *(Chairman)*	1/1
Mr. An Wei *(Chief Executive Officer)*	1/1
Independent Non-executive Directors	
Mr. Li Wan Jun	1/1
Mr. Pang Zhan	1/1
Mr. Li Xiang Feng *(Note 1)*	0/0
Mr. Zhang Guo Rong *(Note 2)*	1/1
Mr. Zhang Bo *(Note 3)*	0/0

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

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

(Note 1) Mr. Li Xiang Feng was appointed on 15 July 2021.

(Note 2) Mr. Zhang Guo Rong was appointed on 15 April 2021 and resigned on 15 July 2021.

(Note 3) Mr. Zhang Bo resigned on 15 April 2021.

CORPORATE GOVERNANCE REPORT

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

During the Reporting Period, Mr. Li Xin Qing, an executive director of the Company, and Mr. An Wei, another executive director of the Company, respectively continue to be the Chairman and the chief executive officer of the Company ("Chief Executive Officer"). During the Reporting Period, the roles and duties of the Chairman and Chief Executive Officer have been separately undertaken by different officers.

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

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

ROLES OF THE BOARD

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

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

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

The independent non-executive Directors serve the relevant functions of making independent judgment on the development, performance and risk management of the Group through their contributions in Board meetings. In particular, the independent non-executive Directors bring an impartial view on issues related to the Group's strategy and internal control. All the independent non-executive Directors possess extensive academic, professional and industry expertise and management experience and have provided their professional advice to the Board.

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

The independent non-executive Directors of the Company are Mr. Li Wan Jun, Mr. Pang Zhan and Mr. Li Xiang Feng. Mr. Li Wan Jun has signed a letter of appointment for a term of three years commencing from 28 May 2022 with the Company, Mr. Pang Zhan has signed a letter of appointment for a term of three years commencing from 16 April 2021 and Mr. Li Xiang Feng has signed a letter of appointment for a term of three years commencing from 15 July 2021 with the Company. Under the letters of appointment, they agreed to act as independent non-executive Director for a period of three years unless terminated in accordance with the terms of the letter of appointment. Under the said appointment letters, either party may terminate the agreement at any time by giving to the other not less than three months' prior written notice.

DIRECTORS' INSURANCE

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

CORPORATE GOVERNANCE FUNCTIONS

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

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

TRAINING AND SUPPORT FOR DIRECTORS

All the Directors must keep abreast of their collective responsibilities. Any newly appointed Director would receive an induction package covering the statutory and regulatory obligations of a director of a listed company. The Group also provides briefings and other training to develop and refresh the Directors' knowledge and skills. In addition, during the year, the Company provided all members of the Board with monthly updates on the Company's performance, financial position and prospects.

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

	Update on corporate governance, ordinance, regulation and provision	**Accounting, finance, management and other professional technique**	
	Reading publications	**Reading publications**	**Attending seminar and/or briefing session**
Executive Directors			
Mr. Li Xin Qing *(Chairman)*	✓	✓	✓
Mr. An Wei *(Chief Executive Officer)*	✓	✓	✓
Independent Non-executive Directors			
Mr. Li Wan Jun	✓	✓	✓
Mr. Pang Zhan	✓	✓	✓
Mr. Li Xiang Feng (appointed on 15 July 2021)	✓	✓	✓
Mr. Zhang Guo Rong (appointed on 15 April 2021 and resigned on 15 July 2021)	✓	✓	✓
Mr. Zhang Bo (resigned on 15 April 2021)	✓	✓	✓

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

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

CORPORATE GOVERNANCE REPORT

COMPANY SECRETARY

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

In compliance with Rule 3.29 of the Listing Rules, Ms. Ho has undertaken not less than 15 hours of relevant professional training during the year ended 31 December 2021.

BOARD COMMITTEES

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

Audit Committee

The primary duties of the audit committee of the Company (the "Audit Committee") are to review and supervise the preparation of annual reports, the interim reports and financial statements of the Company and to provide advice and recommendations to the Board. In doing so, members of the Audit Committee will communicate with the Board, the senior management, the reporting accountants and/or the auditor of our Company. The Audit Committee will also consider whether there are any material or general matters which are, or may be, necessary to be reflected in such reports and financial statements, and will consider matters raised by our auditor. Members of the Audit Committee are also responsible for reviewing the financial reporting process and internal control systems of the Group.

The Audit Committee comprises three independent non-executive Directors, namely Mr. Li Wan Jun, Mr. Li Xiang Feng (Mr. Zhang Bo was an independent non-executive Director and a member of the Audit Committee. He resigned on 15 April 2021 and Mr. Zhang Guo Rong was appointed to the same position on 15 April 2021. Mr. Zhang Guo Rong resigned on 15 July 2021 and Mr. Li Xiang Feng was appointed to the same position on 15 July 2021) and Mr. Pang Zhan and is chaired by Mr. Li Wan Jun. The main roles and responsibilities of the Audit Committee are set out by the Board with clearly defined written terms of reference which are available on the websites of the Stock Exchange and the Company. The Audit Committee held two meetings in 2021 to review the final results of the Group for the year ended 31 December 2020 and the interim results of the Group for the six months ended 30 June 2021, and to conduct other affairs.

The Audit Committee has reviewed with the management and the Group's external auditor, SHINEWING (HK) CPA Limited ("SHINEWING"), the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters. Apart from considering the issues arisen from the audit process, the Audit Committee also discussed matters raised by the external auditor. The Audit Committee reviewed with the management on the Company's financial controls, internal control systems, risk management system, and the accounting principles and practices adopted by the Group. All issues reported by the external auditor are monitored closely by the Group's senior management. During the year under review, the fees paid by the Company to SHINEWING were as follows:

	HK$'000
Audit fees	1,000
Non-audit service fees	240

Non-audit service fees were fees for reviewing interim financial report of HK$240,000.

CORPORATE GOVERNANCE REPORT

The Audit Committee has concluded that it is satisfied with the findings of its review of the audit and non-audit service fees, process and effectiveness, and independence and objectivity of SHINEWING. The Audit Committee will therefore recommend to the Board that SHINEWING be re-appointed as the Group's external auditor at the annual general meeting of the Company in 2022.

Remuneration Committee

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

Remuneration Policy

Remuneration policy of the Group is reviewed regularly, making reference to legal framework, market condition and performance of the Group and individual staff (including the Directors). The remuneration policy and remuneration packages of the executive Directors and member of the senior management of the Group are reviewed by the Remuneration Committee.

The Remuneration Committee comprises three independent non-executive Directors, namely Mr. Li Wan Jun, Mr. Pang Zhan and Mr. Li Xiang Feng, and is chaired by Mr. Li Xiang Feng (Mr. Zhang Bo was an independent non-executive Director and the chairman of the Remuneration Committee. He resigned on 15 April 2021 and Mr. Zhang Guo Rong was appointed to the same position on 15 April 2021. Mr. Zhang Guo Rong resigned on 15 July 2021 and Mr. Li Xiang Feng was appointed to the same position on 15 July 2021). The main roles and responsibilities of the Remuneration Committee are set out by the Board with clearly defined written terms of reference which are available on the websites of the Stock Exchange and the Company. The Remuneration Committee held one meeting in 2021.

During the Reporting Period, the Remuneration Committee had performed duties as follows:

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

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

3. Reviewing scope and authority of the Remuneration Committee.

Details of each Director's emoluments are set out in note 12 to the consolidated financial statements in this annual report. The primary objective of the Group's remuneration policy is to retain and motivate executive Directors by linking their compensation to the Company's performance and evaluating their compensation against corporate goals, so that the interests of the executive Directors and the senior management team are aligned with those of our shareholders. The remuneration policy of the Directors is decided by the Remuneration Committee, having regard to the Company's operating results, individual's duties and responsibilities with the Group and comparable market practice. No Director can, however, approve his own remuneration.

CORPORATE GOVERNANCE REPORT

For the year ended 31 December 2021, the annual salary of the senior management of the Company falls within the following bands.

Remuneration bands (RMB)	Number of senior management
Nil to 600,000	2
600,001 to 640,000	3

Nomination Committee

The Company have established the Nomination Committee of the Company (the "Nomination Committee") which is responsible for considering and recommending to the Board on appointment of Directors and management of the succession of the Board. The Nomination Committee comprises three members, namely Mr. Li Xin Qing, Mr. Pang Zhan and Mr. Li Xiang Feng Mr. Li Xiang Feng (Mr. Zhang Bo was an independent non-executive Director and a member of the Nomination Committee. He resigned on 15 April 2021 and Mr. Zhang Guo Rong was appointed to the same position in replace of Mr. Zhang Bo on 15 April 2021. Mr. Zhang Guo Rong resigned on 15 July 2021 and Mr. Li Xiang Feng was appointed to the same position on 15 July 2021 in replace of Mr. Zhang Guo Rong), and is chaired by Mr. Li Xin Qing. The main roles and responsibilities of the Nomination Committee are set out by the Board with clearly defined written terms of reference which are available on the websites of the Stock Exchange and the Company. The Nomination Committee reports to the Board and makes recommendations regarding the appointment of Directors, its evaluation of the Board's composition, and the management of Board succession with references endorsed by the Board itself. The Nomination Committee held one meeting in 2021.

Nomination Policy

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

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

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

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

Board Diversity Policy

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

During the Reporting Period, the Nomination Committee had performed duties generally as follows:

1. Reviewing the structure, size and composition of the Board (including technique, knowledge, experience and year of service of Directors) and assessing the independence of independent non-executive directors.

2. Reviewing scope and authority of the Nomination Committee.

FINANCIAL REPORTING

The Directors acknowledged their responsibility for preparation of the consolidated financial statements, which give a true and fair view of the Group's consolidated financial position, consolidated comprehensive income, consolidated changes in equity and consolidated cash flows for the year. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. The external auditor of the Group, SHINEWING, has the responsibility to express an opinion on the Group's consolidated financial statements according to the results of its audit and report its opinion solely to the Company. SHINEWING conducted its audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that SHINEWING complies with the ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the Group's consolidated financial statements are free from material misstatement. The Independent Auditor's Report on pages 80 to 86 of this annual report also sets out the responsibilities of SHINEWING.

CODE OF CONDUCT AND BUSINESS ETHICS

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

CORPORATE GOVERNANCE REPORT

OPEN COMMUNICATION

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

COMMUNICATION WITH SHAREHOLDERS

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

SHAREHOLDERS' RIGHTS

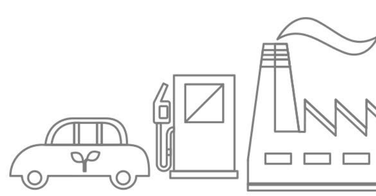
The Articles of Association states that Shareholders holding not less than one-tenth of the Group's paid-up capital carrying voting rights shall at all times have the right to requisition an extraordinary general meeting to discuss specified business transactions. To request the convening of a meeting,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

VOTING RIGHTS

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

DIVIDEND POLICY

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



CORPORATE GOVERNANCE REPORT

INVESTOR RELATIONS

During the year ended 31 December 2021, there has been no significant change in the constitutional documents of the Company.

The Group regards open communication with both existing and potential investors as being vital to its sustained success. To this end, the Group insists on full, honest, equal and timely disclosure of all essential information regarding its business to the investment community. The Group is committed to transparent communication and is determined to maintain close ties with the investment community. The Group's corporate website also provides an effective communication platform where the public and investor community have fast and easy access to up-to-date information regarding the Group. Enquiries, comments and suggestions are welcome and can be addressed to Investor Relations Department of the Company by mail to the Group's principal place of business in the PRC or by email to the Company at IR@titans.com.cn. Enquiries, comments and suggestions raised in either or both of these manners are then subject to the attention, review and/or reply by the Board or the relevant department(s).

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

In 2021, to address the impacts of changes in the external market and internal management on the Group, the internal audit team of the Group commenced and implemented the internal control and assessment of the Group. The inspections carried out mainly covered: whether the management system was sound, operable, and had been officially launched, implemented, and regularly monitored; whether there were controls in place in relation to external transactions and disclosure of financial information (such as review and approval processes); whether information systems were effectively used to collect and process business and financial information; and whether an official authorization mechanism had been established to sufficiently separate duties and responsibilities of key positions. For the internal control and accounting of relatively innovative and complex business models, key elements of assessment have been recorded in detail under the internal audit, and necessary prevention and control measures have been taken.

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

We are pleased to announce the 2021 Environmental, Social and Governance Report (the “Report”). The Group understands the concern of various sectors of society about sustainability. As a leading energy equipment manufacturer, we commit to perform our daily operations and management in a responsible manner towards environment, society and the economy, and leaping forward to sustainability with the world through the enterprise itself and its impact on social development.

This Report explains the work and effort of the Group in 2021 in regards to sustainability on environmental and social aspects. For details of corporate governance, please refer to the Corporate Governance Report on pages 26 to 36 of the annual report.

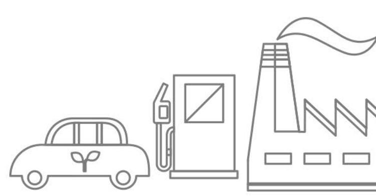
Scope of the Report

This Report has the same scope as last year’s report. The Report covers the environmental and social policies as well as key performance indicators of our three principal subsidiaries in the People’s Republic of China (the “PRC”), including Zhuhai Titans Power Electronics Group Co., Ltd. (“Zhuhai Titans”), Zhuhai Yilian New Energy Motors Co., Ltd. (“Zhuhai Yilian”) and Zhuhai Titans Technology Co., Ltd. (“Titans Technology”). The Group will continue to review our environmental and social performance and consider including more business in the Report in the coming year.

Unless otherwise stated, the Report covers the same period as the financial report of the Group, i.e. from 1 January 2021 to 31 December 2021 (the “Reporting Period” or the “Year”).

Reporting Guidelines

The Report is prepared in accordance with the Environmental, Social and Governance Reporting Guide (the “Guide”) in Appendix 27 to the Rules Governing the Listing of Securities on Main Board of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”). In the case of any inconsistencies, the Chinese version will prevail.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Reporting Principles

The contents of the Report is prepared based on four reporting principles, namely “materiality”, “quantitative”, “balance”, and “consistency”.

Reporting Principles	Feedback of the Group
Materiality	We communicate with different stakeholders regularly, and conduct online questionnaire surveys to understand their concerns towards various sustainability issues of the Group. Meanwhile, through internal assessment of the management, we identify the level of impact towards the sustainability of the Group, and include the matters identified from various aspects in our strategic development plan, and explain in details the performance of the Group on relevant issues in this Report.
Quantitative	The Group refers to the Guide in developing quantified key performance indicators, to assist stakeholders in the effective comparison, assessment and verification of the policies and results of the Group in environmental, social and governance aspects.
Balance	This Report makes objective and fair disclosures, reports to stakeholders our performance and challenges on sustainability in a candid manner, and provides to stakeholders the information necessary for making investment decisions.
Consistency	Unless otherwise specified, we adopt methods and framework of reporting consistent with the internal records of the Group in collecting data in relation to environmental and social key performance indicators, and strives to enhance the comparability across reporting years.

Feedback

For details of the Group’s environmental, social and corporate governance, please refer to the official website of the Group (http://www.titans.com.cn/) and the annual report. If you have any comments or suggestions regarding the contents or presentation of this Report, please contact us by email at IR@titans.com.cn.

ABOUT US

The Group was established in 1992 and listed on the Main Board of the Stock Exchange in 2010 (Stock code: 2188). We focus on the supply of power electric products and equipment, sales and leases of electric vehicles, provision of charging services for electric vehicles and construction services of charging poles for electric vehicles in the PRC. Through our professional and high-calibre workforce and research and development expertise, the Group maintains a leading position in the industry. Our projects cover over 100 cities across the PRC, Hong Kong and Taiwan, which include the construction of over 800 charging stations with comprehensive supporting facilities.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group provides high-quality, reliable and multi-variety of charging, discharging and storage products, power quality monitoring and optimization systems and power battery maintenance management products and technologies to our customers. It also provides users with a variety of integrated solutions for power electronic products and technology, so as to meet the demands for high quality, efficient and diversified applications of electric energy. We make consistent efforts to keep pace with market development of low-carbon economy, energy conservation and emission reduction, use of new energy and smart grid construction.

As an outstanding power and electrics enterprise, the Group upholds the corporate philosophy of "nurturing a culture, develop management, maintain high quality, reap the fruits, become a successful enterprise", and actively leverage the efficiency of corporate resources through effective management and healthy corporate culture. In line with various other enterprises bearing social responsibilities, we have an explicit corporate culture development principle "culture-driven management, culture development through management", for the construction of a set of positive and open values and beliefs. We bear the mission of "making electricity more valuable", aim to expand electricity uses, improve energy applications, broaden energy sources and optimize power quality, and strive to build an outstanding enterprise that customers, the society, employees and shareholders can be proud of. We take "customer-oriented, product first, innovation-based and integrity-first" as our management policy, and regards four "T" (Talent – talent-oriented, Trust – trustworthy, Team – team spirit and Technology – technology innovation) as the cornerstone of our culture.

Time of Award	Achievement/Award	Awarding Institution
January 2021	Director Unit	Guangdong Charging Facilities Association
July 2021	2021 Top 10 Brands of Charging and Battery Swap Industry in China	The 7th Global Conference for Electric Vehicles Charging and Battery Swap Industry
July 2021	2021 Top 50 Companies of Charging and Battery Swap Industry in China	The 7th Global Conference for Electric Vehicles Charging and Battery Swap Industry
July 2021	Professional Cooperative Unit	Expert Working Committee on EPTC DC Power Supply System

OUR SUSTAINABILITY STRATEGIES AND GOVERNANCE

Strategies and Governance

The Group is committed to its corporate social responsibility by maintaining high corporate governance standards and adopting an operating approach featuring environmental protection, community services and social inclusion. Aiming to be the first choice of customers, investors and employees, the Group strives to integrate components of sustainability into its daily operations, in order to create value for the communities.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

To strike a balance between the environmental, social and economic issues, we implement sustainability approaches and strategies from four aspects: (i) environmental protection, (ii) social responsibility and supplier management, (iii) product responsibility, and (iv) employment relationship, and extend relevant policies into our daily operations, in order to ensure the consistency of sustainability strategy throughout the Company. The scope involved in the above-mentioned themes are summarized below:

01 Environmentally-friendly

Environmental compliance and management, impact on the environment, control of production resources

02 Social responsibility and supplier management

Management of suppliers, performance of social services, business ethics

03 Product responsibility

Management of intellectual properties, quality control, monitoring of after-sales services

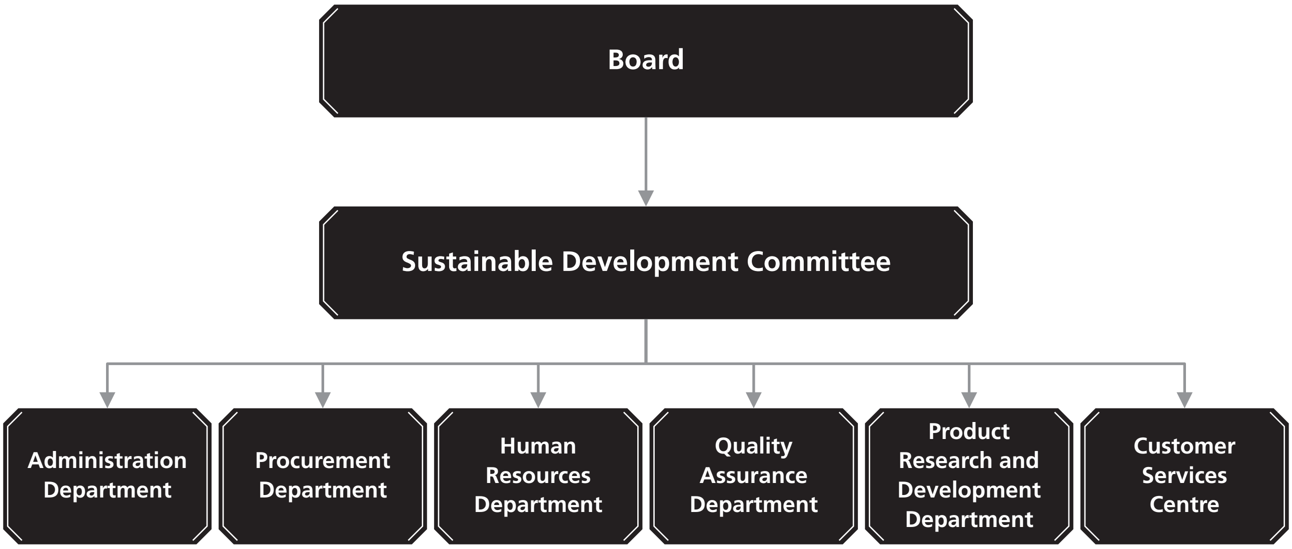
04 Employment relationship

Health and safety of employees, employee training, safe production management

Each theme has relevant policy guidelines and implementation measures. Through the implementation of various policy guidelines and measures, employees can understand the importance of sustainability more clearly, and the management of the Group can also identify and assess important matters relevant to the four themes stated above.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Environmental, Social and Governance Structure and Risk Management



Having reviewed the overall environmental, social and corporate governance structure during the Reporting Period, the Group has merged the environmental, social and governance committee, which was planned to be established last year, with the risk and opportunity assessment committee that is relevant to the theme of risk to form sustainability committee (referred to as the "Committee"), which will be responsible for various matters in relation to sustainability. Members of the Committee include managing personnel of the Administration Department, Procurement Department, Human Resources Department, Quality Assurance Department, Product Research and Development Department and Customer Services Centre. The Committee members will capitalize on their expertises and work experience to identify environmental, social and governance ("ESG") risks relevant to the Group, and advance and review the implementation of sustainability policies in a timely manner. According to the scope of duties of the Committee, it ensures the operation and practices in the daily operations of all departments are carried out in line with the strategies. After gathering information about ESG risk management from all departments, the Committee will directly report to the Board on ESG data collection, policy implementation and adjustment and raise relevant recommendations, and assist the Board in monitoring and reviewing ESG matters in a more timely and effective manner, in order to further refine the sustainability strategies and policies.

The Board of the Group bears the responsibility for guiding the Group's overall sustainability strategies, formulating sustainability missions and relevant reporting framework, and monitoring the implementation of relevant environmental, social and governance policies. The Group clearly understands the importance of internal control and risk management, as a sound internal control and risk management system is closely related to the sustainability of an enterprise. When environmental and social risks and opportunities arise or will arise, the Board will carry out identification of risks in operations, finance, compliance and environmental protection as well as assessment of work. Upon effective analysis, principles and approaches to tolerable risks will be implemented, and the Committee will be assigned to formulate detailed countermeasures against identified risks. Following the implementation of relevant ESG management by the Committee, the Board will regularly review and adjust the sustainability approaches and goals of the Group according to the feedback from the Committee and relevant indicators.

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In addition, the internal audit team of the Company conducts internal control and assessment of the Group annually. For details of the Group's risk management and internal control system, please refer to the section headed "Risk Management and Internal Control" under the "Corporate Governance Report" of the Group's 2021 annual report. We hope to constantly monitor and improve internal control and risk management system subject to the Group's sustainability policies, in order to achieve the sustainability vision of the Group.

STAKEHOLDER ENGAGEMENT

We attach great importance to the opinion and expectations of stakeholders, which is indispensable for formulating sustainability strategies, and helps defining prerequisites, maintaining a long-term trust with stakeholders and know better of the risks and opportunities existing in the market. Therefore, we strive to communicate with stakeholders through various channels, proactively understand and respond to their expectations and concerns, in order to improve the management and performance of the Group in respect of ESG. Our major stakeholders include shareholders, customers, governmental and regulatory institutions, suppliers, business partners, industry peers, employees, the community and the public. Through collecting opinions of the management and employees, we have a preliminary understanding of significant ESG issues for internal stakeholders. We also conduct business communications, seminars, and general meetings to contact external stakeholders. With the joint participation of the management of the Group, colleagues of various departments and other stakeholders, the preparation of this Report will allow the Group to understand clearly our current development and performance in environment and social aspects.

In 2021, we communicated with stakeholders through the following channels, so as to understand and respond to their expectations and concerns:

Stakeholders	Expectations and Concerns	Means of Communication and Response
Government and regulators	• Compliance with national policies, laws and regulations • Promoting local economic development • Promoting local employment • Timely tax payment • Production safety • Energy conservation and emission reduction	• Regular reporting • Regular communication with regulators • Dedicated reports • Inspection and supervision • Communication with local environmental authorities • Submission of reports
Shareholders	• Returns • Operational compliance • Enhancement of corporate value • Information transparency and efficient communication	• General meeting • Announcement of the Company • Email, phone calls and company website • Dedicated reports
Business partners	• Operation integrity • Fair competition • Contract performance according to laws • Mutual benefits	• Review and assessment • Business communication • Exchange of views and discussion • Negotiation for cooperation

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Stakeholders	Expectations and Concerns	Means of Communication and Response
Suppliers	• Fair operation • Fair competition	• Review and evaluation • Business communication
Customers	• High-quality products and services • Health and safety • Contract performance according to laws • Operation integrity	• Customer service center and hotline • Customer survey • Customer meeting • Social media platform
Industry peers	• Formulation of industrial standards • Promoting industrial development	• Participation in industry forum • Reciprocal visit
Employees	• Protection of interests and rights • Occupational health and safety • Remuneration and benefits • Career development • Care for employees	• Staff meeting • Internal publication and intranet • Employee mailbox • Training and workshops • Employee activities
Community and public	• Improvement of community environment • Participation in public welfare • Open and transparent information	• Company website • Announcements of the Company

Materiality assessment

In order to manage and disclose important issues for stakeholders and the Group's business more effectively, during the preparation of this report, we commissioned a third-party consulting company to assist in the materiality assessment, summarized the expectations of all stakeholders towards the Group's ESG, and reviewed the importance of various ESG issues. The results of the materiality assessment are summarized as follows:

Step 1: Identify With reference to the "Guide", peer benchmark companies and industry trends, a total of 29 ESG issues were identified in five major areas.

Step 2: Prioritize Invite all stakeholders to anonymously participate in online questionnaire to score and rank the 29 ESG issues that have been identified. The management has also been invited to rank the business importance of related matters.

Step 3: Analysis Compile the "Materiality Matrix" based on the scores of the questionnaire and compile a list of sustainable development issues based on materiality.

Step 4: Accreditation The management reviews and verifies the "Materiality Matrix" and the list of material issues.

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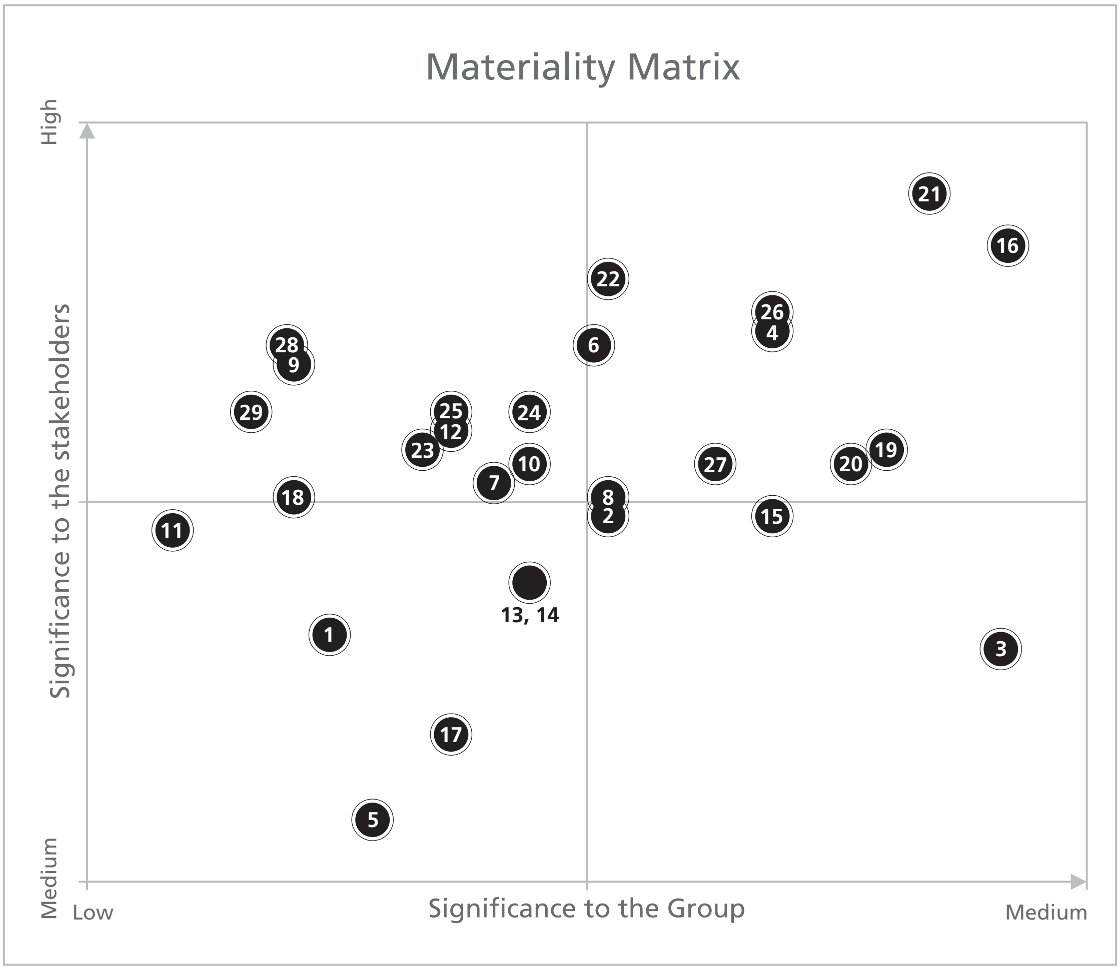

Workplace Quality	Environment Conservation and Green Operating	Operating Practices	Product and Service Responsibilities	Community Participation
1 Diversity and anti-discrimination 2 Employment relationship and communication	7 Greenhouse gas emissions 8 Air emissions	15 Supplier assessment and evaluation 16 Evaluation of suppliers' environmental and social performance	20 Product and service quality 21 Product safety	28 Participate in charitable activities 29 Charity donation
3 Occupational safety and health 4 Training and development	9 Electricity and water saving 10 Use of resource	17 Anti-corruption system policy 18 Anti-money laundering policy	22 Product development 23 Application of environmental protection technology	
5 Child labor and forced labor 6 Employee benefits	11 Sewage disposal 12 Waste disposal	19 Disaster response plan	24 Customer privacy protection 25 Customer complaint handling	
	13 Green procurement		26 Customer satisfaction level	
	14 Climate change policy		27 Intellectual property rights	

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List of material issues on sustainable development

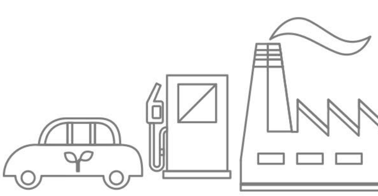
According to the assessment results, we summarized 11 material issues on sustainable development and listed them in the following table:

	Material issues on sustainable development	**Chapter**
	Workplace Quality	
3	Occupational Safety and Health	Occupational Safety and Health
4	Training and development	Cultivating talents
6	Employee benefits	Welfare and Salary
	Operating Practices	
15	Evaluation and management of suppliers	Cooperation with Suppliers
16	Evaluation of suppliers' environmental and social performance	Cooperation with Suppliers
	Product and Service Responsibilities	
19	Disaster response plan	Emergency Response Measures
20	Product and service quality	Quality Control
21	Product safety	Quality Control
22	Product Research and Development	Product Development Capability
26	Customer satisfaction level	Satisfaction of Customer Needs
27	Intellectual property rights	Protection of Privacy and Intellectual Property Rights

ELECTRICAL ENERGY CHANGES THE WORLD

Nowadays, the demand for and the stability of electricity continue to increase, and the use of new energy has become popular. The Group implements the "product first and customer-oriented" corporate management policy and strives for continuous innovation in technological development to further improve the value and benefits of electrical energy, fulfill the responsibility of environmental protection enterprises with best efforts, and work with the society to solve global environmental problems to move towards the goal of sustainable development.

The Group has been at the forefront to promote the development of electric vehicles and gradually shift our focus to charging equipment. On the one hand, we hope to increase our usage of clean energy to improve the overall air quality and reduce greenhouse gas emissions, on the other hand, making electricity more widely and wisely used and become more valuable and influential. In 2021, the Group continued to construct multiple electric vehicle charging stations and relevant equipment to facilitate the transformation towards clean energy of vehicles. In addition, we are committed to optimizing our traditional business. The Group has more than 20 years of experience in supplying electrical DC products, mainly providing electrical DC systems, power supply maintenance systems, and grid monitoring and management equipment to power grid companies that mainly focus on the State Grid. By tapping into various electrical energy businesses, we strive to transform from a single equipment supplier to a comprehensive service provider of charging facilities.



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Product Development Capacity

As technological advances are leaping forward in a swift manner, in order to maintain its leading position in technology, the Group will continue to enhance its research and development capability for existing product portfolio and potential new products, invest in, among others, human resources, equipment, hardware and software for product development, as well as elevate the core technology, applicability and reliability of its products for meeting ever-changing market demands. As at 2021, the Group held over 50 patents, such large number of products has not altered us to maintain uncompromising quality control over each stage of production, including product design, pilot production and mass production. Pilot production of new products shall only be approved by specialists in research and development department after their assessment of manufacturing feasibility, practicality and reliability of product design, and qualified products will be put in mass production after passing functional testing by specialists and users. In addition, research and development department personnel is responsible for closely monitoring mass production of new products for one year upon their official launch and offering assistance in solving problems in the course of production. In the event of failure in testing, product design shall be modified over and over again for passing the test before production stage. Meanwhile, we are open to comments, and staff members are encouraged to give ideas or suggestions. We are committed to adopting their ideas or suggestions on design and functions into product development, creating a dynamic and innovative company.

Green Smart Energy Transformation

We have been pursuing innovations in product design to promote development of green smart energy in the society as well as to offer our customers customized charging solutions for satisfying application needs in various scenarios.

In recent years, society has been concerned about the impact of traditional fuel vehicles on the environment and health. Countries all over the world have proposed to gradually replace traditional fuel vehicles with electric vehicles to reduce air pollution. Compared to fuel vehicles, electric vehicles run solely on electricity without the need for fuel combustion or installation of conventional internal combustion engine and fuel tank configuration, bringing zero emission transport to reality. The use of electric vehicle, an alternative to petrol-powered one, plays a part in air pollution mitigation and effective reduction in greenhouse gas emission. In addition to the eco-friendly advantages, electric vehicle offers outstanding performance. In fact, petrol-powered vehicle only converts approximately 20% of chemical energy in petrol into kinetic energy, but electric vehicle can achieve a conversion rate of over 75% of power battery. However, electric vehicles are not yet widely used and the related supporting equipment is imperfect, resulting the difficulty of its wide application.

In view of this, the Group has seized the opportunity of market demand and product development for electric vehicles, and has been vigorously developing charging services for electric vehicles as well as expanding and improving charging network for electric vehicles for years, in order to bolster the development of electric vehicles. The Group has been eagerly participating in industry construction, such as China EV100, with an aim to understand and promote the development of electric vehicle industry and peer-to-peer information exchange. We aim to provide stable and efficient charging system and equipment, so that the charging stations can be operated in a long-term and orderly manner and effectively reduce the waste of resources. As at 2021, we had planned and built more than 1,300 charging stations. With its rich planning experience, the Group cooperates with the government to set up various supporting facilities for urban charging stations and assists in the overall planning of urban green smart energy transformation.

Expansion of Charging Network

Electric vehicles are still not widely used currently due to the lack of supporting charging facilities, the incompatibility of charging facilities and different models of cars, difficulties in the management of scattered charging stations, as well as the uneven allocation of resources. To accelerate the urban vision of popularizing electric vehicles, Zhuhai Yilian develops tailored charging solutions, adopting the methods of building sites, unified management, and platform interoperability, which greatly reduces the operating costs of operators or regulators, greatly boosts the utilisation efficiency of charging equipment, creates an intelligent electric vehicle charging network in the city, optimizes charging process which was time-consuming and had high defect rate, and reverses people's negative impression of electric vehicle charging. The Group has built highly efficient and intelligent public charging network and centralized dedicated charging network in Zhuhai, Shaoguan, Foshan, Hefei, Shanghai, Beijing and other places in the PRC to actively provide users with convenient and high-quality charging services. We will continue to participate in the planning and construction of charging infrastructure to support the development of electric vehicles. In 2021, we successfully won the bidding of 3 projects, namely, the electric vehicle charging equipment OEM supplier framework project of China Southern Power Grid, the electric vehicle charging station operation and maintenance service outsourcing project of Hunan Branch of State Grid, and the charging pile procurement project of Beijing Railway Hub Fengtai Station Reconstruction Project.

Charging Equipment Innovation

To meet the ever-changing market needs, immutable products will only be gradually eliminated by the market. In order to promote electric vehicles, the Group conducts ongoing research and development of various types of charging equipment and try to adapt diversified technologies to produce products that meet the needs and required specifications of users and operators. The application of intelligent charging island is still our key project, which capitalizes on the intelligent charging power distribution technology and flexible charging technology to adjust output power in a dynamic and precise manner based on the actual needs of electric vehicles, so as to facilitate charging at optimal current and voltage. The design also maximizes the utilization rate of core and achieves intelligent distribution, high efficiency and energy saving. Similar to filling stations, the intelligent charging island provides safe, convenient and efficient charging services to electric vehicles and leads the development of the new generation of centralized charging stations in the industry. In addition, we have also tried to add the application of cutting-edge technologies such as new energy power generation, energy storage power stations, and micro-grid power stations to charging stations, and incorporate various energy sources such as city power, wind power, and solar energy, effectively improving energy utilization. The integrated photovoltaics power storage and charging station constructed in Mowming City is one of the examples for the applications. The photovoltaic module system installed on the top of the canopy absorbs solar energy and converts it into electricity, making the charging process more environmentally friendly and giving full play to intelligent distribution, safety and reliability, high efficiency, energy saving, and investment saving.

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

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One-Stop Online Platform

As the Internet becomes increasingly mature, the Group realizes that a comprehensive charging station information platform will significantly change consumers' use ecology of electric vehicles. In order to fill the gap in existing technology supply and lead the industry development, we provide a one-stop mobile application "EV Link" to promote the use of electric vehicles. "EV Link" not only provides customers with station distribution, real-time station usage status and automatic navigation to the designated charging station location, but also provides charging equipment booking service, saving the time of waiting for equipment. "EV Link" can also display the real-time charging status of the car, provide charging reminder information, to avoid the situation of insufficient power or overcharging. With the cooperation of payment platform, "EV Link" can provide a full range of electric vehicle charging services. We aim to reduce the hardware and software configuration concerns of the public when they switch to electric vehicles. We hope to effectively help users to make a more complete travel planning, so as to help users save the extra miles they drive to find a charging station, and to avoid unnecessary fuel use and gas emissions. In 2021, the number of "EV Link" users exceeded 190,000.

Quality Control

In order to ensure the quality and safety requirement of the final products, we strictly monitor and measure the features of production process, raw materials, semi-finished products and final products. We require all operators to carry out inspection, separation of products with different inspection and test results, and labelling of products on his own, and control the self-inspection pass rate. Supervisors will monitor the production process and formulate quality records, to make sure that operators complete their work according to the work guidelines. The quality inspection department is responsible for quality control. Only semi-finished products that passed the tests and are labelled as passed will be used in the next production stage. We will conduct final product testing after products assembled with qualified raw materials and semi-finished products. In addition to routine inspections and tests, we carry out inspections in accordance with customers' specific requirements at the time the order is placed, to make sure that the products produced by the Group will meet customers' expectation. Before products are manufactured or shipped, we will encode raw materials, semi-finished products, purchased parts, finished products, to ensure the product quality, safety and traceability. If any problems are found, the relevant staff will promptly make corrections and corresponding countermeasures to ensure the stability of product quality. Therefore, improving employees' knowledge in quality control has become one of the Group's major goals. We organize training sessions in relation to various aspects of business to educate employees on managing quality work in different ways to improve product quality and optimize production process.

With more than 20 years of experience, the Group understands that in addition to satisfying customer needs, exceeding customer expectations is the key to the success of an enterprise. To maintain support from existing customers and build reputation in the industry to attract new customers, we strive for excellence in product quality. The quality management system adopted by the Group has been in compliance with the ISO 9001 international standard since 2005, which has formulated various quality management principles, including the focus of customer needs and senior management's governance goals, process methods and continuous improvement. In addition, the Group has obtained the "Qualification of Supplier of Charging Facilities for State Grid" (國網充電設備供應商資質) for 5 consecutive years since 2017, being one of the national high-tech enterprises, and our technology has been recognized by the state.

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Satisfying Customers' Needs

As our customers are regarded as our products' users as well as our cooperation partners and workmates for sustainable development towards the globe, we value their opinion and feedback through multi-communication channels, such as e-communication platform, message board and 24-hour service hotline. We are committed to adopting customer-oriented business strategy which focuses unceasingly on improvement of products and services for the benefits of customers. Opinions from and requirements of our customers are always our top priority, and customer satisfaction is even considered as the indicator of our quality target. We have developed various indicators by business segment. We also place emphasis on provision of the most comprehensive after-sales service to customers, including "24-hour services", "advance services", "all-inclusive services" and "lifecycle services", with an aim to cover each stage of a product lifecycle such as manufacturing, installing, commissioning and repairing. The Group has a 24-hour service hotline to respond to customers' complaints. We are able to provide them a maintenance solution within 1 hour after receipt of the complaints and on-site services within 24 hours in a designated area.

We provide clients with comprehensive services to improve product quality and customer satisfaction. We are always committed to meeting and exceeding customers' expectation by offering products with reliable quality, advanced technology, reasonable price and attentive services in a precise and accurate manner. Therefore, we strive to provide clear and correct information to safeguard customers' rights, explain clearly to customers about product details and specifications, require all marketing materials to provide true and correct information and forbid false, misleading or untrue statements in all means of communication. Thus, we have achieved win-win outcomes by providing quality and reliable products.

Protecting Privacy and Intellectual Property Rights

The Group is deeply aware of customers' personal privacy. Protection of users' personal information is one of our essential principles with adoption of appropriate measures for protecting users' personal information. Save for the requirements under relevant laws and regulations, we will not share or disclose users' personal information to a third party without prior consent of users, and all information is professionally encrypted before storage and delivery to safeguard the security of users' personal information. In addition, the Group, as an innovative enterprise, has been supporting protection of intellectual property by establishing an extensive management system for intellectual property. We are recognized as one of the Enterprises with Intellectual Property Advantages in Zhuhai City by Zhuhai Intellectual Property Office. The criteria of such recognition includes persons-in-charge of intellectual property and comprehensive intellectual property system being in place, having totally 30 or above valid patents with over 20 innovation-type and utility-model and, more importantly, no fake goods produced as well as no breach of intellectual property rights being identified through administrative and juridical procedure in recent years. The recognition represents our effort and commitment in this regard. Further, each user of the mobile application "EV Link" must agree not to transmit, disseminate, distribute and store any content which is in breach of others' legal rights, such as right to reputation, portrait rights, intellectual rights and trade secrets, for the purpose of building respect for intellectual property rights among users. Additionally, we enter into a confidentiality agreement with employees, suppliers and clients to enhance protection of trade secrets for securing legal interest of both parties.

During the Reporting Period, the Group was not aware of infringement of law and regulations in relation to personal privacy and intellectual property, including but not limited to the Advertising Law of the PRC, the Trademark Law of the PRC, the Patent Law of the PRC and the Copyright Law of the PRC, and the Civil Code of the PRC.

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ASSISTING THE DEVELOPMENT OF ENVIRONMENTAL PROTECTION

In light of the impacts and challenges brought about by global warming, we, as a producer of green energy facilities, are aware of our role and responsibility in promoting green development in the community by products development and innovative design as well as proactively adopting diverse energy saving measures in our own business operation, such as using eco-friendly design for construction of new factory and minimizing energy consumption. Our environmental protection management system has obtained ISO14001:2015 certification. We endeavor to protect the environment through our sound management system coupled with implementation of relevant policies. Our work on environmental protection generally falls into four key areas, namely compliance, energy conservation and emission reduction, employee participation and sustainable development.

Compliance

The Group adheres to the principle of "strict compliance with law and regulations and full compliance with emission standards". In other words, we strictly follow the law and regulations on emissions of the local governments under which we operate and perform the civic compliance obligations, including but not limited to the Environmental Protection Law of the PRC, the Air Pollution Prevention and Control Law of the PRC, the Solid Waste Pollution Prevention and Control Law of the PRC, the Water Pollution Prevention and Control Law of the PRC and the Energy Conservation Law of the PRC. We have "Management Measures for Identifying and Evaluating Environmental Factors and Sources of Danger" in place to acknowledge and control material environmental factors and sources of danger through identifying and evaluating those environmental factors and sources of danger in our control or under our prospective influence with an aim to achieve the emission limits of gas, noise and solid waste. For the material environmental factors, we engage third-party qualified company to conduct inspection of waste water, drinking water, gas, noise, etc. During the Reporting Period, we have no knowledge of any breach of environmental law and regulations by the Group.

Energy Conservation and Consumption Reduction

Besides, our endeavors in environmental protection include "energy conservation, reduction of consumption and uncompromising emphasis on accident prevention", since we, as a citizen enterprise, are obliged to cherish rare resources in the world and adopt measures to manage and use resources more efficiently. Our energy consumption, emission of greenhouse gas and air emission are principally from electricity purchased from external parties, LPG used for our canteens and petrol used for our own vehicles. Over the past years, we have spared no effort in energy conservation and reviewed its effectiveness from time to time for improvement. As an environmentally friendly company, we are committed to reducing energy consumption for our business processes while introducing different green products. We have replaced some of our petrol-powered vehicles with electric vehicles to reduce gas emission from road transport. Also, we have adjusted the temperature of air conditioners to 26 degrees celsius in summer in response to the government's call to reduce electricity consumption. In addition, we re-examined the design and actual needs of different working environments with a view to reducing unnecessary energy consumption. For example, we switch off the lights in daytime for toilets with sufficient daylight and adopted fans to reduce the use of air conditioners in rooms with high ceiling height and good ventilation. In our business process, product testing consumes a lot of power. In order to save energy, we have completed the development of the "Energy Storage Power Conversion System". The "Energy Storage Power Conversion System" can automatically control power charging and discharging, where energy can flow in both directions, so that energy consumption and recharging take place at the same time in product testing and energy can be re-used for next testing. As the Group expands, our demand for servers has increased significantly. The increase in the number of servers will increase the demand for cabinets and the air conditioning system. Due to the large amount of heat generated by servers, in order to keep the temperature of the data center stable, we need to install extra air conditioning chillers. To reduce the use of servers, Zhuhai Yilian, our subsidiary, has adopted a hybrid cloud system to reduce pressure on air conditioning and achieve the purpose of saving energy. In addition to enhancing energy saving technology, we require employees to turn off all computers, air-conditioners, fans, lights, etc. before leaving the office area to save electricity. In addition, we also advocate saving water and encourage employees to use water as needed when washing hands and properly turn off the faucet for leakage control, though we have no difficulty in getting sufficient water which is purchased from municipal water supply company.

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Tackling Climate Change

Climate change is one of the biggest challenges facing the world that will significantly affect every single one of us. In recent years, the problems caused by climate change have become more seriously, and one of the most common effects is global warming. Although global warming has not had a significant impact on the Group's operations, we will continue to pay attention to the issue of climate change, and adopt appropriate measures accordingly and in a timely manner. The Group has formulated the "Contingency Plan for Work Safety Incidents" and added solutions for coping with natural disasters caused by climate change to the Group's emergency response plan, to ensure that the Group has measures in place to minimize damage in the event of such disasters.

Goal Setting

01

Goals to reduce emissions during the business process

The Group will actively seek to reduce the negative impact on the environment in its business processes and gradually maintain or reduce the exhaust gas, greenhouse gas, waste and water consumption generated during production

02

Goals to improve energy management

The Group makes good use of resources such as energy, water and raw materials to enhance reuse rate and strengthen waste management and emissions

Green Office

We actively promote an environmental protection concept among the workplace and raise the environmental awareness and participation of employees, to create a desirable working and living environment. Today, as constructions are becoming modernised and data-driven, the operation of the Group is also digitalised. We encourage employees to utilize the information technology system for internal or external communications. We use Office Automation (OA) system for internal communication, training applications, leave applications and other administrative procedures to achieve the goal of paperless office. Besides providing the platform for executing different administrative procedures, the OA system comprises more than 20,000 processes, enabling relevant staff to understand the workflow anytime and anywhere. It also reduces paper used for internal communication and approval processes. In terms of business, we use the Enterprise Resource Planning system for the entire business process. From procurement request to completion of transactions with customers, documents regardless of purchase orders or sales orders are electronic documents instead of paper documents, which significantly reduces the use of paper. At the same time, in order to fully utilize paper, we encourage using both sides of paper. We have established recycling points for single-sided waste papers to encourage employees to use single-sided wastepaper for notes taking.

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Meanwhile, the Group strives to promote the sustainable development of the environment by practicing the environmental concept of "3R"–"Reduce", "Recycle" and "Reuse" in business operations. In terms of "Reduce", we minimize the use of packaging materials, and pursue practical packaging rather than extravagance. Our main non-hazardous waste is domestic waste, so we encourage employees to reduce the use of disposable items. Instead of having cleaning staff to dispose of dormitory wastes regularly, we are now encouraging our employees to dispose their own wastes, with a view to strengthening employees' awareness towards waste, thereby reducing the use of garbage bags. In terms of "Recycle", we are actively implementing different recycling plans to facilitate the redevelopment and use of underutilized resources. We reuse certain packaging materials such as wooden pallets and cartons, and require employees to dispose of reusable waste materials in a centralised location to avoid discarding such materials as scraps. In 2021, we recycled a total of over 2.95 tonnes of cartons.

With regard to the hazardous wastes generated by the Group, including waste chemical containers and waste activated charcoal, we have transferred these wastes to qualified recycling companies for subsequent treatment. We also carry out promotion and education to employees, advocate for waste separation and storage, separate and label recyclable goods and waste, and strictly prohibit discarding recyclable goods together with wastes or directly as wastes. In terms of "Reuse", we require suppliers to purchase customized pallets according to customers' requirements, and reuse the same pallets for the entire workflow to significantly reduce the use of pallets.

COMPREHENSIVE DEVELOPMENT OF EMPLOYEES

Employees are the backbone of the Group. As such, we always give top priority to the safety and health of our staff, provide them with appropriate training and working environment, and enable them to realize their full potential and ambition, and maintain a balance between life and work. The Group has formulated sound Human Resource Management System, and firmly believes that reasonable human resource management can improve the overall quality and work efficiency of employees, so as to meet the needs of the Company's future development and gain public recognition. During the Reporting Period, the Group was not aware of any breach of labour-related laws and regulations in areas in which the Group operates, including but not limited to the Labour Law of the PRC and the Labour Contract Law of the PRC.

Recruitment and Departure

One of the four "Ts" stands for talent. "Talent-oriented" is one of the cornerstones of the Group's culture. We constantly improve recruitment, training, performance, remuneration, attendance, and departure management to put in place a specific mechanism for appropriate and fair treatment of employees. The Group adheres to fair and just standards in recruitment to protect the benefits of candidates and current employees. The Group is fully aware of the importance of career development path to employees, and therefore adopts different approaches to help employees to achieve their potential.

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We closely review the allocation of human resources of the Group on an annual basis, and specify the direction and planning of development of the upcoming year. We recruit and seek talents through diversified channels such as on-site job fairs, online recruitment, internal recommendation, campus recruitment and headhunting recruitment. We also attach great importance to building a positive corporate culture, and carry out recruitment on a merit basis. We adhere to a fair standard of evaluation in recruitment, and conduct interview assessments according to objective selection criteria, including the adaptability, professionalism and abilities in respect of the job position. We also conduct tests of professional quality, development potential, comprehensive ability and other capabilities to ensure fulfilment of the needs of talent and the satisfaction of objectives of corporate business strategies. Any discrimination based on age, gender, race, religion, nationality, disability or sexual orientation will not be tolerated, and promotion or job opportunities of current employees will not be prejudiced by the above factors. Moreover, we do not allow employment of child labour, the identity document of candidates must be cautiously reviewed before the interview to ensure they have reached the legal age of employment, and avoid any possibility of the employment of persons under the legal working age. When an employee commences employment, the Human Resources Department arranges the signing of a Labour Contract, stipulating important information such as job responsibilities, location and working hours of the relevant position, and indicating that both the employer and employee agree to the relevant employment terms to prevent any form of forced labour. We also allow internal employees to make different attempts in their positions, having obtained the approval of the department head. Employees passing the assessment are allowed to apply for an internal transfer. When an employee resigns, a formal application must be made, and the remaining resignation procedures may be proceeded after approval by the person in-charge of the designated position. If an employee does not pass the probation or substantially breaches the rules and regulations of the company, dismissal procedures and multiple layers of approvals must be strictly implemented to ensure that the company terminates the Labour Contract with the employee on reasonable grounds, and ensures that the employee receives fair treatment. During the Reporting Period, the Group was not aware of any cases of forced labour and child labour.

Welfare and Salary

The Group not only conducts regular salary analysis based on its industry peers, but also adjusts the salaries of individual employees and teams according to their work performance. We aim to attract and retain talents by offering competitive and attractive salary and welfare to our employees. Our salary adjustment mechanism is influenced by a number of factors, including seniority, work efficiency, rank experience and professional qualifications. The Group mainly evaluates employees' personal abilities in 6 categories, including their influence, problem-solving ability, leadership and management ability, communication and coordination ability, knowledge and skills, and their work scope, so as to comprehensively understand whether employees can bring a positive impact on the company. In addition, the Group has set up the Annual Evaluation Plan to assist the Company to identify employees and work teams with excellent performance and give additional bonuses according to their performance as encouragement. We hope that we can encourage our employees to continue to innovate, and at the same time, set up professional standards and examples for employees, and establish a positive atmosphere to strive for excellence, so as to help the Group to achieve new heights. Furthermore, in recognition of the teams' contribution and efforts to the development of the Group, we also distribute annual red envelopes to them.

As required by local laws, the Group pays social insurances for qualified employees, including pension insurance, medical insurance, work-related injury insurance, unemployment insurance, maternity insurance and housing provident fund. We will also provide employees with different types of allowances according to various situations, including length of service, tutors, meals, on-duty allowances, etc. We also purchase commercial insurance for special positions and provide subsidies for work in high temperatures. All employees are entitled to various legally-stipulated paid holidays, including statutory holidays, annual leave, marriage leave, maternity check-up leave, maternity leave, nursing leave, breastfeeding leave, compassionate leave and work injury leave, etc. The labor union of the Group also provides employees with marriage and childbirth benefit, hospital cash and funeral condolences, and distributes daily necessities, grains, oils and food to employees on New Year's Day, Spring Festival, Dragon Boat Festival, Mid-Autumn Festival and other festivals. Cake vouchers are issued in the birth month of employees to make them feel being cared. The Group arranges physical examinations for all employees every year in order to encourage them to pay more attention to their own health.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In order to continuously foster the core values for employees of Titans, the Group organizes large-scale events with various themes and cultures, and invites all employees to participate. We believe that strengthening the construction of corporate culture will help enhance corporate strength and competitiveness, and ultimately assist the Group in achieving the goals of its sustainable development strategy. Corporate cultural activity is an important way for employees to comprehend the corporate spirit and philosophy. Through the dissemination of corporate cultural concepts, we provide correct guidance to employees' thoughts, behaviors, and values from many aspects, closely link the growth of employees with the development of the company, strengthen internal cohesion of the Company, and achieve win-win results for the Company and employees. For many years, we have carried out a variety of team activities. Through those cultural and sports activities organized by the Company, we hope to cultivate employees' sense of identity and responsibility towards the company, and create a warm and harmonious corporate culture. We organize paid tours for employees and teams every year to thank the outstanding employees for their hard work, dedication and contribution, and stimulate their enthusiasm for life and work.

During the Reporting Period, the Group was not aware of any violations of laws and regulations related to remuneration and dismissal, recruitment and promotion, working hours, holidays, equal opportunities, diversity, anti-discrimination, and other treatment and benefits.

Nurturing Talents

The Group attaches great importance to talent training, helping employees uncover their best job fit on the basis of "maximizing capabilities, and maximizing talents". To better manage the career development ladder of our employees while refining the hierarchy progression of various positions, we stipulate the qualifications and requirements of all professional, technical and management positions in the "Remuneration Management Policy", providing employees with more career development opportunities. Employees can seek promotion along their original career path, or adjust their promotion path as their direction of development changes. Employees of the Group can develop towards three different directions, namely managerial, professional and technical expertise, and each path can be further divided into more professional and specific scope of development. Employees can make career planning in accordance with their capabilities, skills and preferences.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group's goal of nurturing talents is "learning in Titans, succeeding in the future; advancing with the times, action without delay". As a result, we have established a series of "Training Management Policy" and "Internal Lecturer Management Policy", to encourage employees to participate in continuous learning and training. Meanwhile, we provide various support and allowance for staff training, including vocational skills and qualification awards, training incentives, lecturer allowance, and support for further studies. We offer the following four types of training courses for our employees.

Types of training courses	Content	Examples of training programs of the Year
New employee courses	• Company culture • Main rules, regulations and policies • Company product introduction • Safety education • Company operation process	• New employee safety training • Fire training • Publicity and learning of new policies of the department
General courses	• Time management • Communication skills • Computer operating • English	• Key wizard simple use training • Anti-corruption Training
Technical courses	• Technical training in professional fields	• Power module production process requirements training • High current charging technology exchange
Management courses	• Thematic short-term training	• Military standard quality system management requirements training

We conduct a survey of employee training needs at the end of each year to ensure that the training provided can meet the needs of employee development. We also collect data monthly such as employee satisfaction towards the trainings, training reflection and results, as a basis for regular review and improvement.

Occupational Safety and Health

The Group insists on "Safety and compliance, prevention of risks, care for health, continuous improvement" as the principle of occupational safety and health policy. We continuously pay attention to and optimize safety management measures, provide employees with a safe and healthy working environment, and strictly abide by the national laws, regulations, rules and standards related to the prevention and control of occupational hazards, including but not limited to the Production Safety Law of the PRC and Law of the PRC on the Prevention and Treatment of Occupational Diseases, the Regulations of the PRC on the Prevention and Control of Pneumoconiosis, and the Regulations on the Management of Labor Protection Products for Employers. The Group focuses on employee protection and occupational safety management. It maintains the self-requirement that "production must never sacrifice safety", and fully implements "safe production, everyone is responsible; safe production, prevention first". We have also established high standards for occupational disease hazard accidents and fire safety, and formulated the Occupational Health and Safety Management Policy that complies with the GB/T28001-2011/OHSAS 18001:2007 international standard and also established related systems. In addition to the safety management of daily production, we not only have a well-rounded system to ensure that all employees can prevent and control occupational diseases, but also make every effort to integrate health and safety into different aspects of operation, and constantly pursue improvements in the working environment and conditions of employees.

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Preventing risks is an effective way to ensure occupational safety. We will implement various measures to strengthen the control of dangers throughout the production process and reduce or eliminate various risks. The Group has formulated the "Safety Production Responsibility Policy", which defines the safety responsibilities of employees at all levels. Leaders at all levels, all functional departments, all production departments and employees are all responsible for occupational disease prevention and control, including formulating measures, implementing measures and regularly inspecting, and determine the activities and services related to items with major risks, formulate operation control management plans or procedures respectively, etc. clarify control methods and standards, and control them, for example: formulate detailed management measures and standards for dangerous chemicals, including affixing classification signs to all containers containing chemicals to facilitate identification of their hazards, and also set up dedicated storage places where equipped with anti-theft, fire, explosion, moisture, leak-proof, ventilation and other safety facilities, and keep away from open flames. We also provide different personal protective equipment according to the job position and nature of each employee, and strictly prohibit employees from using unqualified or invalid protective equipment.

Infection Prevention and Control of Epidemic

During the Reporting Period, in order to protect the health of the employees, the Group attached great importance to the development of the Covid-19 epidemic and actively carried out corresponding prevention and control work. The Group formulated the Notice on Prevention and Control of Covid-19, which lists the Group's measures and requirements for virus prevention and control, including providing sufficient disinfectant hand sanitizer in the companies, distributing masks to employees, and disinfecting workplaces on a regular basis. Internal reporting and reporting mechanisms were established and special work arrangements were made. Employees who traveled to high-risk areas and showed suspected symptoms of Covid-19 infection were required to conduct home quarantine and self-declaration. At the same time, we also required subsidiaries to reduce large-scale meetings and group activities, and reminded employees not to participate in group dinners or activities. We encouraged opening windows of the office to maintain indoor air circulation in order to reduce the possibility of infection and eliminate the chance of cross-infection. We also provided employees with preventive guidelines, strengthened the awareness of epidemic prevention across the enterprise, encouraged proactive medical treatment and proactive monitoring, so that all of us can work together and overcome difficulties.

Safety Training and Education

In addition to providing safe workplace and equipment, the Group also needs to carry out publicity and training on safety for staff to enhance their safety awareness and ability of self-protection, so as to reduce the odds of work-related injuries. Knowledge on prevention of occupational diseases and hazard and tips on national laws and regulations relating to occupational disease and hazard are posted on the occupational diseases and hazard bulletin boards on a regular basis. We also timely announce inspection and assessment results of occupational disease and hazard factors, along with the progress in commencement and improvement of occupational health initiatives of business units. We have also set up danger warning signs in obvious locations to remind staff of the types, consequences, prevention and emergency response measures of occupational hazards and so on. In addition to promoting the significance of occupational safety, we also provide pre-employment safety training and regular safety training to enhance staff's occupational health knowledge. The training content includes occupational hygiene related laws, regulations and standards, basic occupational hygiene knowledge, occupational hygiene management system and operating procedures, proper use of occupational disease protection equipment and personal protective equipment, emergency rescue measures, planned procedures and basic skills in the event of an accident, and cases of occupational hazards. All workers are required to attend safety training before commencement of work and can only commence work after passing the exam to obtain work permits. To make sure that the awareness of safety and prevention of occupational disease and hazard of employees keep up with the time, the Group invites professional technicians to provide specialized safety and technical training for operators of new equipment, the operators must pass practical operation examination before commencement of work.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

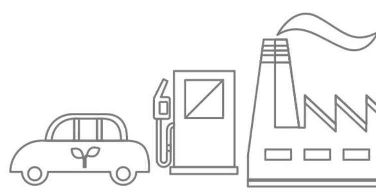
Contingency Measures for Emergencies

In order to improve capability of all departments in responding to emergencies, the Group has formulated the "Emergency Responses to Work Safety Accidents", "Risk Assessment Report for Work Safety Accidents" and "Emergency Resources Investigation List for Work Safety Accident", to set out emergency rescue units and their responsibilities in emergency. We have established on-site response plans for the most common sources of dangers of the Group, including fire and explosion, electric shock, mechanical injury and chemical spill accidents, improving employees' capability in responding to accidents and providing safe and orderly emergency response guidance to minimize harm and loss. In addition to clearly pointing out the notification procedures, evacuation lines and emergency gathering points after an accident, we also set up fixed signs and simple instruction signs at the storage locations of emergency supplies, equipment and facilities to ensure that employees know the correct use methods. We will regularly check and replace the emergency rescue facilities and occupational hazard prevention facilities to ensure that the relevant equipment can effectively protect the safety of employees when being used. Regular exercise of emergency rescue plan is also indispensable. In addition to familiarizing employees with the handling process after the occurrence of relevant accidents, managers can also review the existing accident handling plan during the exercise, so as to improve and perfect the whole emergency rescue plan of hazard accidents. Furthermore, in case of an accident, we will form an occupational hazard accident investigation team to collect evidence, analyze the responsibility of the accident, punish the person responsible for the accident, and take measures to prevent the accident from happening again.

Fire Control Safety Management

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

During the Reporting Period, the Group was not aware of any breach of relevant laws and regulations in relation to safe working environment and protection of employees against occupational hazards.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Reward and Penalty Policy

In order to regulate the daily work conducts of employees and reward or punish related conducts, the Group has formulated the "Code of Conduct" to ensure safe production of the Group by offering employees economic incentives to develop performance norms. The reward and penalty policy is divided into two levels. The first level targets individual performance. We offer rewards such as bonuses, tours and full-time study to employees who properly handle emergencies and reduce the Company's loss by more than a certain amount, or those who achieve a certain ranking or above in external contests; on the contrary, those who cause work safety accident or violate operational procedures resulting in the Company's loss to more than a certain amount are subject to warning letter, disciplinary action and penalty, which would also adversely affect their performance appraisal and their salary. The second level targets accountability of department heads. If accidents, delayed rectifications and rule violations are caused by employees while in service, heads of related departments shall take responsibility for inadequate regulation and be subject to disciplinary action. We are committed to incentivizing employees to improve production safety by means of the reward and penalty policy, to not only ensure personal safety of employees but also enhance management of production safety. During the past three years, the Group had no work-related fatal accident. During the Reporting Period, there were a total of three accidents of occupational injury and a loss of 64 working days due to occupational injury.

GENERATING MOMENTUM TO SOCIETY

In conformity with the management approach of "innovation-based, integrity-first", the Group not only forged ahead together with its employees, but also unleashed its own advantage of being a leading enterprise to promote close cooperation with the entire supply chain, contribute resources to society, and showcase the Group's values. We adopt a zero tolerance approach to corruption and fraud and push forward global economy with integrity, so as to achieve prosperity, stability and sustainable development and create an honest corporate culture.

Cooperation with Suppliers

As a leading equipment producer, the Group gives great prominence to quality of raw materials and takes meticulous care when selecting suppliers. We have an all-inclusive "Standards for Supplier Management" in place to evaluate quality of suppliers to ensure that suppliers can continuously provide qualified products, and optimize management of supply chain. In engaging in a new supplier, the supplier is required to present complete documents specifying its qualification and product quality, including business license, quality system certificate, subcontractor accreditation and inspection report, to ensure its quality level achieve our Group's stringent standard. On-site audit and sample testing of potential supplier, if available, may also be conducted to guarantee product quality. Criteria for selecting a supplier include multiple dimensions, such as qualification, creditability, supply capability and technology level, so as to extensively analyze its suitability to our production requirements. Those qualified suppliers will be put on our "Qualified Suppliers' List".

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Qualified suppliers will be monitored on an on-going basis to ensure consistently high quality of products. Our existing suppliers are categorized by degree of importance and percentage of total purchase to determine the department responsible for, the frequency and the approach of performance evaluation of suppliers, evaluating the existing qualified suppliers systematically and regularly updating the "Qualified Suppliers' List". In the event of issues on timely delivery rate, purchase qualification rate, settlement methods and services, etc., the qualified suppliers involved may be disqualified and delisted from the "Qualified Suppliers' List". During the Reporting Period, all 340 qualified suppliers were located in Mainland China, in particular in Guangdong, as to minimize carbon emissions generated from all types of transportation.

The Group enters into the "Environment, Occupational Health and Safety Agreement" with its major suppliers, to ensure that the raw materials provided by suppliers comply with the requirements of national law and regulations, and the suppliers give priority to production process and equipment with less pollution. If the emission produced in the production process of suppliers exceeds the standards, they have to actively take remedial measures to reduce the impact on the environment. Suppliers are also required to provide safe environment and equipment during production and transportation to reduce harm to health and safety of relevant personnel. If a supplier causes any serious environmental pollution or material personal safety incidents, the Group shall have the right to terminate the cooperation with the supplier.

Anti-corruption

The Group maintains a consistent standard of integrity and resolutely prohibits corruption and malpractice. This year, we also organised anti-corruption training for senior management to demonstrate the Group's zero-tolerance attitude towards corruption and malpractice. Our Code of Conduct clearly states that all employees are strictly prohibited from seeking any profit for their work, engaging in corruption, commercial bribery, misappropriation or embezzlement of public funds, leaking secret and other corrupt practices. If a complaint is received, the Human Resources Department will conduct a thorough investigation and give the employees involved an opportunity to defend themselves. Once the malpractice is confirmed, the employee concerned will be warned or required to pay compensation depending on the seriousness of the matter. Serious offenders may even be dismissed. Externally, we are committed to promoting anti-corruption construction with all stakeholders, to prevent the occurrence of improper and illegal behaviors including offering bribery and receiving bribery. We will sign the "Commitment Letter on Prevention of Bribery in Material Procurement" with suppliers, strictly abide by the anti-bribery laws and regulations, and prohibit any forms of commercial bribery. In addition to the open and transparent approach to suppliers' selection, reputable suppliers will be selected to reduce the risk of money laundering and secure our corporate reputation. The Group strictly observes relevant law and regulations, including the Criminal Law of the PRC, the Anti-Money Laundering Law of the PRC and the Anti-Unfair Competition Law of the PRC, and there is no incident in breach of law in relation to bribery, extortion, defraud or money laundry took place during the Reporting Period. We are selected as an "Enterprise of Observing Contract and Valuing Credit of Guangdong Province" for 18 consecutive years, recognizing our long-term high performance in business compliance with a sound management system of contract and creditability as well as an impressive track record in performance of contract, we are an enterprise having considerable business efficiency without track record of serious breach of law and regulations.

Care for Community

During the year, we cancelled all community activities amid the pandemic to avoid group gathering. We will again invest resources in communities once the pandemic is brought under control. The Group will continue to create value for society alongside the business development, so as to implement our sustainability strategy. We firmly believe that by integrating into the community, we can share the fruits of our development with the public, communicate with the community closely and promote the green concept, not only giving back to society, but also injecting more warmth into society. As always, we uphold the core value of "creating value for the Company, its employees, its customers, its partners and society" to step forward.

MAJOR KEY PERFORMANCE INDICATORS

Environmental indicators	2021	2020
Emissions		
Nitrogen oxide emission (kg)	**7**	10
Sulphur dioxide emission (kg)	**0.16**	0.23
Particulate matter emissions (kg)	**1**	1
Total emissions of nitrogen oxide avoided by the use of electric vehicles (kg)	**2**	2
Total emissions of sulphur dioxide avoided by the use of electric vehicles (kg)	**0.05**	0.05
Total emissions of particulate matter avoided by the use of electric vehicles (kg)	**0.17**	0.16
Greenhouse gases		
Total emission of greenhouse gases (tonnes of CO_2 equivalent)[1]	**1,245**	1,477[2]
Scope 1: Direct emissions (tonnes of CO_2 equivalent)	**64**	72
Scope 2: Energy indirect emissions (tonnes of CO_2 equivalent)[3]	**1,102**	1,321[2]
Scope 3: Other indirect emissions (tonnes of CO_2 equivalent)	**79**	84
Emissions of greenhouse gases per million RMB revenue (tonnes of CO_2/million RMB)[5]	**4**	5[2]
Total emissions of greenhouse gases avoided by the use of electric vehicles (tonnes of CO_2 equivalent)	**9**	10

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Environmental indicators	2021	2020
Wastes		
Total non-hazardous wastes disposed (tonnes)	**255**	205
Production of non-hazardous wastes per million RMB revenue (tonnes/million RMB)[5]	**0.76**	0.75
Total production of hazardous waste (kg)	**30**	17
Production of hazardous wastes per million RMB revenue (kg/million RMB)[5]	**0.09**	0.06
Use of resources		
Total energy consumption (MWh)	**1,931**	1,746[2]
LPG (MWh)[4]	**23**	20
Petrol (MWh)[4]	**100**	140
Purchased electricity (MWh)	**1,808**	1,586[2]
Energy consumption per million RMB revenue (MWh/million RMB)[5]	**6**	6[2]
Total water usage (m^3)	**23,398**	16,953[2]
Water usage per million RMB revenue (m^3/million RMB)[5]	**69**	62[2]
Paper packaging material used (tonnes)	**13.61**[6]	0.18
Paper packaging material used per million RMB revenue (kg/million RMB)[5]	**40.34**	0.66
Plastic packaging material used (tonnes)	**4.69**[6]	0.07
Plastic packaging material used per million RMB revenue (kg/million RMB)[5]	**13.90**	0.25

1 According to the "Guide", Scope 1 covers the greenhouse gases emissions from stationary combustion sources and mobile combustion sources; Scope 2 covers the energy indirect greenhouse gases emissions resulting from the generation of purchased or acquired electricity consumed within the Group, and Scope 3 covers the indirect greenhouse gases emissions resulting from waste paper disposal, water consumption and business air travel.

2 The data on electricity and water consumption in 2020 included a third-party corporate tenant in the same office. After re-examining the consumption figures, the Group adjusted the electricity and water consumption for the previous year, excluding the consumption that did not belong to the Group.

3 Indirect emissions (Scope 2) for the Reporting Period were calculated using relevant emission coefficients in "Appendix II: Reporting Guidance on Environmental KPIs" of the latest version of "How to prepare an ESG Report" published by the Stock Exchange.

4 Starting from 2020, we have optimized the ways of categorization, in which non-renewable fuel is broken up into LPG and petrol.

5 To enhance the comparability of major key performance indicators among the same industry, the intensity of key performance indicators is calculated using the revenue of the Group since 2020.

6 Starting from 2021, in order to reduce the overall cost, we are responsible for purchasing packaging materials by ourselves, so the use of packaging materials increases in 2021.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Employment Indicator[7]	2021	2020
Number of employees	**400**	410
By gender		
Male	**286**	287
Female	**114**	134
By age		
51 or above	**35**	31
31-50	**294**	284
30 or below	**71**	95
Employee turnover rate (%)		
By gender		
Male	**17**	18
Female	**11**	11
By age		
51 or above	**18**	24
31-50	**8**	14
30 or below	**16**	6
Average hours of training per employee (hour) and percentage of employees who received training (%)		
By gender		
Male	**3 (72)**	5 (72[8])
Female	**5 (28)**	4 (28[8])
By employee category		
Senior management level	**6 (5)**	8 (4[8])
Middle management level	**11 (16)**	9 (14[8])
Junior or technician	**3 (79)**	4 (82[8])

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Community Investment Indicators	**2021**	2020
Corporate charitable donations (RMB)[9]	**0**	20,000
Number of employees participating in volunteer services	**0**	7
Number of volunteer hours of employees	**0**	20

7 All staff of the Group are full-time staff based on Mainland China.

8 The Group recalculated the data using the calculation method in "Appendix III: Reporting Guidance on Social KPIs" of the latest version of "How to prepare an ESG Report" published by the Stock Exchange.

9 The Group held clothing recycling and charity donation activities during the year.

DIRECTORS' REPORT

The Directors submit the directors' report together with the consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2021.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The Company is an investment holding company. The Group is principally engaged in (i) the supply of power electric products and equipment; (ii) the sales and leases of electric vehicles; (iii) provision of charging services for electric vehicles; and (iv) construction services of charging poles for electric vehicles under BOT arrangements. The principal activities of each of the subsidiaries of the Company are set out in note 45 to the consolidated financial statements.

Business segments

The Group is principally engaged in (i) the supply of power electric products and equipment; (ii) the sales and leases of electric vehicles; (iii) provision of charging services for electric vehicles; and (iv) construction services of charging poles for electric vehicles under BOT arrangements. Business analysis of sales, segment results, total assets and capital expenditures are set out in note 5 to 6 to the consolidated financial statements.

Geographical segments

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

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2021 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 87 to 88 of this annual report.

The Board does not recommend the payment of any dividend for the year ended 31 December 2021 (2020: Nil).

CLOSURE OF REGISTER OF MEMBERS

In order to ascertain the entitlement to attend and vote at the annual general meeting (the "AGM") of the Company, which is proposed to be held on Friday, 17 June 2022, the register of members of the Company will be closed from Tuesday, 14 June 2022 to Friday, 17 June 2022, both days inclusive, during which period no transfer of shares will be registered. In order to be entitled to attend and vote at the AGM, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on Monday, 13 June 2022.

DIRECTORS' REPORT

BUSINESS REVIEW

Overview

A fair review of the business and outlook of the Company as well as a discussion and analysis of the Group's performance during the year ended 31 December 2021 and the material factors underlying its results and financial position can be found in the Chairman's Statement on pages 6 to 7 and the Management Discussion and Analysis on pages 8 to 22 of this annual report. An analysis using financial key performance indicators can be found in the Financial Highlights on pages 4 to 5 of this annual report. These discussions and financial highlights form part of this Directors' Report.

Principal Risks and Uncertainties

1. The Risk of Industry Policies

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

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

2. Technology Risk

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

DIRECTORS' REPORT

3. Risk of Decrease in Gross Profit Margin

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

4. Recovery Risk on Accounts Receivables

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

DIRECTORS' REPORT

Environmental Policies and Performance

The Group shall strictly comply with the relevant environmental protection laws and regulations of the People's Republic of China in the process of production and management. As of the end of the Reporting Period, there is no environmental incident, and the Group was not suffered any significant environmental claims or litigations. A discussion and analysis of the Group's environmental policies can be found in the Environmental, Social and Governance Report on pages 37 to 63 of this annual report.

Compliance with Laws And Regulations

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

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

During the year ended 31 December 2021, there was no material breach of or non-compliance with the applicable laws and regulations by the Group that have a significant impact on the Group's business.

Relationships with Employees

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

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

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

DIRECTORS' REPORT

Relationships with Customers and Suppliers

The Group's major customers include power grid companies, power plants, public transportation systems, government departments, etc. The years of business relationship with the Group ranged from 1 to 3 years and the credit terms granted to the major customers ranged from 30 to 180 days. Details of the trade and bills receivables of the Group as at 31 December 2021 are set out in note 24 to the consolidated financial statements. Up to the date of this report, 29.62% of the trade and bills receivables from the major customers has been settled. The Group aims to provide customers with good quality products and services in order to strive for continued growth of sale revenue and profitability. The Group has strengthened communications between the customers and the Group by strengthening information management, so as to provide superior quality products and services.

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

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

The Group maintains a good relation with suppliers, at the same time, conducts regular assessment and management on suppliers, integrates suppliers resources, controls procurement costs and secures the effectiveness of the supply chain based on product quality, price, ability to deliver products on time, after-sale service and other factors. The Group's main suppliers are raw material suppliers, and had business relationship with the Group for over 3 years on average. The credit terms granted to the major suppliers ranged from 30 to 180 days. Details of the trade and bills payables of the Group as at 31 December 2021 are set out in note 30 to the consolidated financial statements. Up to the date of this report, 54.91% of the trade and bills payables to the major suppliers has been settled. For the procurement of bulk commodities or services, the Group has set bidding program with strict implementation.

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

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

MAJOR CUSTOMERS AND SUPPLIERS

During the Reporting Period, sales to the single largest customer of the Group and the five largest customers of the Group in aggregate accounted for approximately 30.39% and 45.42% of the total sales of the year, respectively.

During the Reporting Period, purchases from the single largest supplier and the five largest suppliers of the Group accounted for approximately 15.73% and 31.60% of the total purchases for the year, respectively.

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

DIRECTORS' REPORT

RESERVES

Details of movements in the reserves of the Group and of the Company during the year ended 31 December 2021 are set out in the accompanying consolidated statement of changes in equity and note 44(b) to the consolidated financial statements.

PROPERTIES, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year ended 31 December 2021 are set out in note 16 to the accompanying consolidated financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 35 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2021, the reserves of the Company available for distribution to shareholders of the Company amounted to approximately RMB270.3 million (2020: RMB273.4 million).

PRE-EMPTIVE RIGHTS

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

TAX RELIEF

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

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is included in financial highlights on pages 4 to 5 of this annual report.

DIRECTORS' REPORT

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2021.

EQUITY-LINKED AGREEMENTS

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

SHARE OPTION SCHEMES

2010 Share Option Scheme

The Company has adopted the 2010 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 2010 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 2010 Share Option Scheme subject to such conditions as the Board may think fit.

When the 2010 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 2010 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 2010 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 2010 Share Option Scheme and any other share option scheme of the Group (including both exercised or outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued Shares of the Company for the time being.

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

DIRECTORS' REPORT

An option may be exercised in accordance with the terms of the 2010 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 2010 Share Option Scheme upon granting of the option.

The subscription price for the Shares under the 2010 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 2010 Share Option Scheme was expired on 7 May 2020.

No options were granted, exercised, lapsed or cancelled by the Company under the 2010 Share Option Scheme during the year ended 31 December 2021. There were no outstanding options under the 2010 Share Option Scheme at the beginning and at the end of the year ended 31 December 2021.

As at the date of this report, there were no outstanding options were available for issue under the 2010 Share Option Scheme.

2020 Share Option Scheme

At the extraordinary general meeting of the Company held on 18 December 2020, an ordinary resolution was passed to adopt a 2020 Share Option Scheme.

The purpose of the 2020 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 2020 Share Option Scheme subject to such conditions as the Board may think fit.

The remaining life of 2020 Share Option Scheme is 9 years.

When the 2020 Share Option Scheme was approved by the shareholders of the Company on 18 December 2020, 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 2020 Share Option Scheme and any other 2020 Share Option Scheme adopted by the Group must not in aggregate exceed 10% of the Shares in issue as at the date of the 2020 extraordinary general meeting, i.e. 925,056,000 Shares (the "2020 Scheme Mandate Limit"). The Company may renew the 2020 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.

DIRECTORS' REPORT

The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2020 Share Option Scheme and any other 2020 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 2020 Share Option Scheme and any other share option scheme of the Group (including both exercised or outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued Shares of the Company for the time being.

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

An option may be exercised in accordance with the terms of the 2020 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 9 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 2020 Share Option Scheme upon granting of the option.

The subscription price for the Shares under the 2020 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 Company has granted in aggregate 37,980,000 Share Options to the Grantees Pursuant to the 2020 Share Option Scheme on 23 July 2021. For details, please refer to the announcement of the Company dated 23 July 2021.

No options were exercised, lapsed or cancelled by the Company under the 2020 Share Option Scheme during the year ended 31 December 2021. There were 37,980,000 outstanding options under the 2020 Share Option Scheme at the beginning and at the end of the year ended 31 December 2021.

As at the date of this report, the total number of securities available for issue under the 2020 Share Option Scheme was 92,505,600 Shares, representing 10% of the issued Shares of the Company.

DIRECTORS' REPORT

Below sets out the details of the share options granted to the executive Directors under the Share Option Scheme for the year ended 31 December 2021 and the share options outstanding during the year 2021:

		Number of Options										
Name of Grantee	Date of grant	As at 1 January 2021	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled/ forfeited during the year	Outstanding as at 31 December 2021	Exercise price per Share	Share price immediately prior to the date of grant (HK$ per Shares)	Fair value of Share Options (HK$ per Shares)	Vesting Period	Exercise period
Li Xin Qing (Executive Director)	23 July 2021	–	200,000	–	–	–	200,000	HK$0.445	HK$0.44	HK$0.1151	From 23 July 2021 to 31 December 2021	1 June 2022 to 31 December 2023
Li Xin Qing (Executive Director)	23 July 2021	–	200,000	–	–	–	200,000	HK$0.445	HK$0.44	HK$0.1379	From 1 January 2022 to 31 December 2022	1 June 2023 to 31 December 2024
Li Xin Qing (Executive Director)	23 July 2021	–	200,000	–	–	–	200,000	HK$0.445	HK$0.44	HK$0.1571	From 1 January 2023 to 31 December 2023	1 June 2024 to 31 December 2025
An Wei (Executive Director)	23 July 2021	–	200,000	–	–	–	200,000	HK$0.445	HK$0.44	HK$0.1151	From 23 July 2021 to 31 December 2021	1 June 2022 to 31 December 2023
An Wei (Executive Director)	23 July 2021	–	200,000	–	–	–	200,000	HK$0.445	HK$0.44	HK$0.1379	From 1 January 2022 to 31 December 2022	1 June 2023 to 31 December 2024
An Wei (Executive Director)	23 July 2021	–	200,000	–	–	–	200,000	HK$0.445	HK$0.44	HK$0.1571	From 1 January 2023 to 31 December 2023	1 June 2024 to 31 December 2025

The values of share options calculated using the binomial model are subject to certain fundamental limitations, due to the subjective nature of and uncertainty relating to a number of assumptions of the expected future performance input to the model, and certain inherent limitations of the model itself. The value of a share option varies with different variables of certain subjective assumptions. Any change to the variables used may materially affect the estimation of the fair value of a share option.

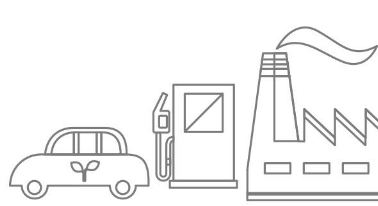
Further details of the Share Option Scheme are set out in note 42 to the consolidated financial statements in this annual report.

DIRECTORS

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

Mr. Li Xin Qing
Mr. An Wei
Mr. Li Wan Jun*
Mr. Pang Zhan*
Mr. Zhang Bo* (resigned on 15 April 2021)
Mr. Zhang Guo Rong* (appointed on 15 April 2021 and resigned on 15 July 2021)
Mr. Li Xiang Feng* (appointed on 15 July 2021)

* Independent non-executive Directors



DIRECTORS' REPORT

DIRECTORS' SERVICE CONTRACTS

Pursuant to article 84(1), 84(2) and 83(3) of the Articles, at each annual general meeting one-third of the Directors for the time being, or, if their number is not a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. Any new director appointed by the Board to fill a casual vacancy shall submit himself/herself for re-election by shareholders at the first general meeting after his/her appointment, and any new director appointed by the Board as an addition to the Board shall submit himself/herself for re-election by shareholders at the next AGM. Accordingly, Mr. An Wei, Mr. Li Wan Jun and Mr. Li Xiang Feng, shall retire by rotation, at the AGM and being eligible, will offer themselves for re-election as Directors at the AGM.

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

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2021.

REMUNERATION OF DIRECTORS

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

CHANGES IN DIRECTORS' INFORMATION

Mr. Li Xin Qing, Mr. An Wei and Mr. Li Wan Jun have signed a letter of appointment for a term of three years from 28 May 2022 to 27 May 2025.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

PERMITTED INDEMNITY PROVISION

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

DIRECTORS' REPORT

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENT OR CONTRACTS

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

EXECUTIVE DIRECTORS' INTEREST IN COMPETING BUSINESS

As at 31 December 2021, none of the executive Directors or their respective associates had engaged in or had any interest in any business which, directly or indirectly, competes or may compete with the businesses of the Group.

NON-COMPETITION DEED BY CONTROLLING SHAREHOLDERS

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

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

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

The independent non-executive Directors had reviewed and confirmed that the Controlling Shareholders have complied with the Non-competition Deed during the year ended 31 December 2021.

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors on a named basis during the year under review are set out in note 12 to the consolidated financial statements. Details of the five highest paid individuals during the year under review are set out in note 13 to the consolidated financial statements.

RETIREMENT BENEFIT SCHEMES

Particulars of the Group's retirement benefit schemes are set out in note 41 to the consolidated financial statements.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of the Directors and senior management as at the date of this annual report are set out on pages 23 to 25 of this annual report.

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

As at 31 December 2021, the interests and short positions of the Directors and the chief executive of the Company and their associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules were as follows:

Name of Director	Nature of interest	Number of Shares or underlying Shares	Approximate percentage of existing issued share capital of the Company
Mr. Li Xin Qing	Interest of controlled corporations	205,709,875 *(Note 2)*	22.24%
	Beneficial owner	800,000 *(Note 3)*	0.09%
Mr. An Wei	Interest of controlled corporations	195,869,875 *(Note 4)*	21.17%
	Beneficial owner	1,000,000 *(Note 5)*	0.11%

Notes:

1. All interests in Shares were long positions.

2. The entire issued share capital of Genius Mind Enterprises Limited ("Genius Mind") is beneficially owned by Mr. Li Xin Qing ("Mr. Li") who is deemed to be interested in 197,724,457 Shares held by Genius Mind by virtue of the SFO. Among 197,724,457 Shares, a total of 40,000,000 Shares were provided as security to a person other than a qualified lender. In addition, by virtue of the SFO, Mr. Li is also deemed to be interested in 7,985,418 Shares held by Rich Talent Management Limited ("Rich Talent"), a company which shareholding is owned as to 50% by him.

3. Of these 800,000 Shares, 600,000 Shares are share options granted by the Company on 23 July 2021.

4. The entire issued share capital of Great Passion International Limited ("Great Passion") is beneficially owned by Mr. An Wei ("Mr. An") who is deemed to be interested in 187,884,457 Shares held by Great Passion by virtue of the SFO. Among 187,884,457 Shares, a total of 20,000,000 Shares were provided as security to a person other than a qualified lender. In addition, by virtue of the SFO, Mr. An is also deemed to be interested in 7,985,418 Shares held by Rich Talent, a company which shareholding is owned as to 50% by him.

5. Of these 1,000,000 Shares, 600,000 Shares are share options granted by the Company on 23 July 2021.

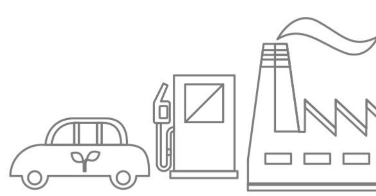
Save as disclosed above, as at 31 December 2021 none of the Directors or chief executive of the Company nor their associates had any interest or short positions in the shares, underlying shares or debentures of the Company, its specified undertakings or any of its other associated corporations (within the meaning of Part XV of the SFO) which had to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which were required, pursuant to Section 352 of the SFO and the Hong Kong Companies Ordinance (Cap.622), to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

DIRECTORS' REPORT

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

As at 31 December 2021, as far as known to the Directors, the following persons or entities (not being a Director or a chief executive of the Company) who had interests or short positions in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of shareholder	Nature of interest	Number of Shares or underlying Shares	Approximate percentage of existing issued share capital of the Company
Ms. Zeng Zhen *(Note 2)*	Interests of spouse	206,509,875	22.32%
Genius Mind *(Note 3)*	Beneficial owner	197,724,457	21.37%
Ms. Yan Kai *(Note 4)*	Interests of spouse	196,869,875	21.28%
Great Passion *(Note 5)*	Beneficial owner	187,884,457	20.31%
Broad-Ocean Motor (Hong Kong) Co. Limited *(Note 6)*	Beneficial owner	84,096,000	9.09%
Zhongshan Broad-Ocean Motor Co., Ltd. *(Note 6)*	Interest of controlled corporations	84,096,000	9.09%
Mr. Lu Chuping *(Note 6)*	Interest of controlled corporations	82,458,117	8.91%
Honor Boom Investments Limited *(Note 7)*	Beneficial owner	82,458,117	8.91%
Mr. Li Xiao Bin *(Note 7)*	Interest of controlled corporations	82,458,117	8.91%
	Beneficial owner	1,140,000 *(Note 8)*	0.12%
Ms. Zhang Lina *(Note 9)*	Interests of spouse	83,598,117	9.04%
Mr. Thomas Karl Amade Pilscheur	Beneficial owner	66,244,818	7.16%
Ms. Feng Yanlin *(Note 10)*	Interests of spouse	66,244,818	7.16%



Notes:

1. All interests in Shares were long positions.

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

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

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

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

6. The entire issued share capital of Broad-Ocean Motor (Hong Kong) Co. Limited is owned by Zhongshan Broad-Ocean Motor Co. Ltd, which is in turn 27.1% of its interest was beneficially owned by Mr. Lu Chuping.

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

8. These 1,140,000 Shares are share options granted by the Company on 23 July 2021.

9. 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.

10. 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.

Save as disclosed above, as at 31 December 2021, the Company has not been notified by any person (other than directors or the chief executive of the Company) who had interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

ARRANGEMENT FOR DIRECTORS TO PURCHASE SHARES OR DEBENTURES

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

DIRECTORS' REPORT

RELATED PARTY TRANSACTIONS

The related party transactions set out in note 43 to the consolidated financial statements did not fall within the definition of "discloseable connected transaction" or "continuing connected transaction" in Chapter 14A of the Listing Rules.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors at the latest practicable date prior to the issue of this annual report, there was a sufficient prescribed public float of the issued shares of the Company under the Listing Rules at any time during the year ended 31 December 2021.

CORPORATE GOVERNANCE

The Company's corporate governance principles and practices are set out in the Corporate Governance Report on pages 26 to 36 of this annual report.

AUDITOR

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

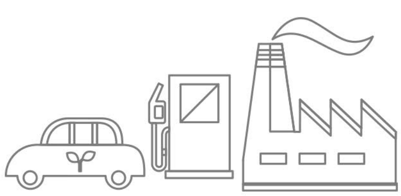
AGM

The Company proposed that the AGM will be held on Friday, 17 June 2022. This annual report is published on the Company's website (http://www.titans.com.cn) and the Stock Exchange's website (http://www.hkexnews.hk). The notice of the AGM will be despatched to the shareholders of the Company and will be made available on the websites of the Company and the Stock Exchange in due course.

On behalf of the Board

Li Xin Qing
Chairman

Hong Kong, 25 March 2022



INDEPENDENT AUDITOR'S REPORT

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

信永中和(香港)會計師事務所有限公司
香港銅鑼灣希慎道33號
利園一期43樓

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

OPINION

We have audited the consolidated financial statements of China Titans Energy Technology Group Co., Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages 87 to 194, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS

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

Valuation of inventories

Refer to note 23 to the consolidated financial statements and the accounting policies on page 115.

The key audit matter	How the matter was addressed in our audit
As at 31 December 2021, the carrying amount of the inventories was approximately RMB130,430,000. We have identified the carrying amount of the inventories as a key audit matter since the carrying amount of inventories was significant to the consolidated financial statements and the assessment on the allowance for inventories involves significant judgements and estimates made by the management.	Our procedures in relation to the carrying amount of inventories were designed to review the judgements and estimates made by the management on the assessment of the allowance for inventories as at 31 December 2021. We have discussed with the management for the long-aged inventories identified at 31 December 2021 and challenged their judgements and estimates on whether allowance need to be made. We have tested the ageing analysis of the inventories, on a sample basis for each ageing group, to goods receipt notes and purchase invoices and reviewed the utilisation and subsequent sales of inventories on a sample basis and inspect the utilisation report and sales contracts entered into between the Group and the customers on the inventories. We have also compared the latest selling price with carrying amount of the inventories to consider whether the inventories were stated at lower of their costs or net realisable values.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (Continued)

Valuation and impairment of trade receivables

Refer to note 24 to the consolidated financial statements and the accounting policies on pages 118 to 121.

The key audit matter

As at 31 December 2021, the carrying amount of trade receivables, net of loss allowance for expected credit loss ("ECL"), was approximately RMB274,405,000. Loss allowance for ECL in respect of trade receivables of approximately RMB150,000 has been recognised and approximately RMB13,255,000 has been reversed for the year ended 31 December 2021.

The ECL on trade receivables are estimated by the management using a provision matrix based on the Group's historical credit loss experience, and forward looking information at the end of the reporting period.

Independent valuer was engaged by the management to review the ECL estimations of trade receivables as at 31 December 2021.

We have identified the recoverability and impairment of the trade receivables as a key audit matter in view of the significance of the carrying amount of trade receivables and the ECL estimation performed by the management involved significant judgements and estimates

How the matter was addressed in our audit

Our audit procedures were designed to assess the management estimation on ECL of trade receivables and challenge the reasonableness of the significant judgements and estimates, including use of significant inputs adopted in the ECL estimation by the management.

We have also assessed the appropriateness of the methodology and reviewed the inputs data used with reference to the forward looking macro-economic factors and the repayment record against the Group's historical trends and credit loss experience.

We tested the integrity of information used by management to develop the provision matrix, including trade receivables ageing analysis as at 31 December 2021, on a sample basis, by comparing individual items in the analysis with the relevant sales contract, sales invoices and other supporting documents.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (Continued)

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

Refer to note 21 to the consolidated financial statements and the accounting policies on page 117.

The key audit matter	How the matter was addressed in our audit
As at 31 December 2021, the financial assets at fair value through other comprehensive income are investments in unlisted equity securities of approximately RMB24,515,000. Independent valuer was engaged by the management to review the fair value measurement of each of the unlisted equity securities as at 31 December 2021. We have identified the valuation of the investments in unlisted equity securities included in financial assets at fair value through other comprehensive income as a key audit matter since significant judgements and estimates, including use of significant unobservable inputs, have been used in fair value measurement.	Our procedures were designed to challenge the reasonableness of judgements and estimates, including use of significant unobservable inputs adopted in the fair value estimations by the management. We have also evaluated the appropriateness of the valuation methodology and the reasonableness of the inputs data used with reference to the latest available market data.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

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

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion, solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

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

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

Hong Kong
25 March 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Notes	**2021** **RMB'000**	2020 RMB'000
Revenue	*5*	**337,344**	275,592
Cost of revenue		**(222,923)**	(207,328)
Gross profit		**114,421**	68,264
Other revenue and income	*7*	**11,342**	13,070
Selling and distribution expenses		**(46,685)**	(48,946)
Administrative and other expenses		**(68,114)**	(59,029)
Other gains and losses	*8*	**4,083**	(595)
Reversal of impairment losses of financial assets	*11*	**12,448**	5,142
Share of results of associates		**4,234**	2,040
Finance costs	*9*	**(10,260)**	(11,226)
Profit (loss) before tax		**21,469**	(31,280)
Income tax (expense) credit	*10*	**(4,141)**	1,069
Profit (loss) for the year	*11*	**17,328**	(30,211)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
Other comprehensive expense			
Items that will not be reclassified subsequently to profit or loss:			
Net fair value loss on financial assets at fair value through other comprehensive income		**(1,622)**	(1,768)
Income tax relating to items that will not be reclassified subsequently to profit or loss		**208**	105
		(1,414)	(1,663)
Other comprehensive expense for the year, net of income tax		**(1,414)**	(1,663)
Total comprehensive income (expense) for the year		**15,914**	(31,874)
Profit (loss) for the year attributable to:			
– Owners of the Company		**18,595**	(29,622)
– Non-controlling interests		**(1,267)**	(589)
		17,328	(30,211)
Total comprehensive income (expense) for the year attributable to:			
– Owners of the Company		**17,181**	(31,285)
– Non-controlling interests		**(1,267)**	(589)
		15,914	(31,874)
EARNINGS (LOSS) PER SHARE	*15*		
Basic (RMB)		**2.01 cents**	(3.20 cents)
Diluted (RMB)		**2.01 cents**	(3.20 cents)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
Non-current assets			
Property, plant and equipment	16	**163,479**	176,010
Right-of-use assets	17	**7,364**	7,727
Goodwill	18	**–**	–
Intangible assets	19	**26,134**	32,452
Interests in associates	20	**18,367**	15,710
Financial assets at fair value through other comprehensive income	21	**24,515**	26,137
Financial asset at fair value through profit or loss	21	**4,146**	9,066
Finance lease receivable	22	**187**	350
Loan receivable	26	**1,308**	–
Deferred tax assets	33	**9,925**	9,907
		255,425	277,359
Current assets			
Inventories	23	**130,430**	106,878
Trade and bills receivables	24	**274,405**	248,509
Contract assets	25	**41,856**	33,908
Financial asset at fair value through profit or loss	21	**500**	–
Loan receivables	26	**4,000**	5,025
Prepayments, deposits and other receivables	27	**58,976**	59,360
Amounts due from associates	28	**271**	171
Finance lease receivable	22	**163**	142
Tax recoverable		**3,161**	3,061
Restricted bank balances	29	**18,257**	19,224
Short-term bank deposits	29	**43,000**	27,500
Bank balances and cash	29	**35,988**	45,303
		611,007	549,081
Current liabilities			
Trade and bills payables	30	**127,000**	117,605
Contract liabilities	25	**28,401**	13,311
Accruals and other payables	30	**8,549**	8,439
Lease liabilities	17	**–**	55
Amounts due to associates	31	**617**	2,081
Bank and other borrowings	32	**115,994**	113,215
Tax payable		**1,594**	–
		282,155	254,706
Net current assets		**328,852**	294,375
Total assets less current liabilities		**584,277**	571,734

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
Non-current liabilities			
Deferred tax liabilities	33	**13,574**	11,217
Bank and other borrowings	32	**47,784**	55,624
		61,358	66,841
Net assets		**522,919**	504,893
Capital and reserves			
Share capital	35	**8,087**	8,087
Share premium and reserves		**502,905**	484,612
Equity attributable to owners of the Company		**510,992**	492,699
Non-controlling interests		**11,927**	12,194
Total equity		**522,919**	504,893

The consolidated financial statements on pages 87 to 194 were approved and authorised for issue by the board of directors on 25 March 2022 and are signed on its behalf by:

An Wei
Director

Li Xin Qing
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Attributable to owners of the Company											
	Share capital RMB'000	Share premium RMB'000	Share option reserve 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 2020	8,087	325,141	–	8,640	504	3,931	(2,354)	63,416	119,036	526,401	17,943	544,344
Loss for the year	–	–	–	–	–	–	–	–	(29,622)	(29,622)	(589)	(30,211)
Other comprehensive income for the year:												
Net fair value loss on financial assets at fair value through other comprehensive income	–	–	–	–	–	(1,768)	–	–	–	(1,768)	–	(1,768)
Income tax relating to items that will not be reclassified subsequently	–	–	–	–	–	105	–	–	–	105	–	105
Total comprehensive expense for the year	–	–	–	–	–	(1,663)	–	–	(29,622)	(31,285)	(589)	(31,874)
Acquisition of additional interests in subsidiaries *(note 46)*	–	–	–	–	–	–	(2,417)	–	–	(2,417)	(4,448)	(6,865)
Disposal of a subsidiary *(note 47)*	–	–	–	–	–	–	–	–	–	–	(712)	(712)
At 31 December 2020	8,087	325,141	–	8,640	504	2,268	(4,771)	63,416	89,414	492,699	12,194	504,893
Profit (loss) for the year	–	–	–	–	–	–	–	–	18,595	18,595	(1,267)	17,328
Other comprehensive expense for the year:												
Net fair value loss on financial assets at fair value through other comprehensive income	–	–	–	–	–	(1,622)	–	–	–	(1,622)	–	(1,622)
Income tax relating to items that will not be reclassified subsequently	–	–	–	–	–	208	–	–	–	208	–	208
Total comprehensive (expense) income for the year	–	–	–	–	–	(1,414)	–	–	18,595	17,181	(1,267)	15,914
Transfer in (out)	–	–	–	–	–	–	–	3,491	(3,491)	–	–	–
Recognition of equity-settled share-based payment expenses *(note 42)*	–	–	1,112	–	–	–	–	–	–	1,112	–	1,112
Capital contribution from a non- controlling shareholder	–	–	–	–	–	–	–	–	–	–	1,000	1,000
At 31 December 2021	8,087	325,141	1,112	8,640	504	854	(4,771)	66,907	104,518	510,992	11,927	522,919

Notes:

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

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

* English name is for identification purpose only

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	2021 RMB'000	2020 RMB'000
OPERATING ACTIVITIES		
Profit (loss) before tax	**21,469**	(31,280)
Adjustments for:		
Amortisation of intangible assets	**6,318**	6,317
Depreciation of right-of-use assets	**363**	511
Depreciation of property, plant and equipment	**12,894**	13,817
Bank interest income	**(340)**	(355)
Interest income on loan receivables	**(413)**	(767)
Interest income on finance lease receivables	**(74)**	(93)
Equity-settled share-based payment expenses	**1,112**	–
Finance costs	**10,260**	11,226
Gain on disposal of an associate	**–**	(4,550)
(Gain) loss on partial disposal of an associate	**(6,343)**	436
Gain on deemed disposal of an associate	**(2,554)**	–
Loss on deregistration of an associate	**117**	–
(Gain) loss on disposal of property, plant and equipment	**(57)**	933
Loss on write-off of property, plant and equipment	**32**	299
Fair value loss on financial asset at fair value through profit or loss	**4,920**	3,383
Government grants	**(1,471)**	(3,741)
Reversal of impairment loss of financial assets and contact assets	**(12,448)**	(5,142)
Share of results of associates	**(4,234)**	(2,040)
Gain from disposal of a subsidiary	**(423)**	(30)
Write back on a trade payable	**–**	(360)
Unrealised exchange loss	**225**	484
Operating cash inflows (outflows) before movements in working capital	**29,353**	(10,952)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	2021 **RMB'000**	2020 RMB'000
OPERATING ACTIVITIES (Continued)		
Increase in inventories	**(23,656)**	(31,039)
(Increase) decrease in trade and bills receivables	**(12,791)**	15,715
(Increase) decrease in contract assets	**(8,605)**	6,027
Increase in prepayments, deposits and other receivables	**(5,791)**	(68)
(Increase) decrease in amount due from associates	**(100)**	1,104
Increase in trade and bills payables	**9,499**	1,859
Increase in contract liabilities	**21,630**	6,181
Increase in accruals and other payables	**871**	2,757
Cash generated from (used in) operations	**10,410**	(8,416)
Income tax paid	**(177)**	(1,209)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	**10,233**	(9,625)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	2021	2020
	RMB'000	RMB'000
INVESTING ACTIVITIES		
Placement of short-term bank deposits	**(49,000)**	(33,500)
Placement of restricted bank balances	**(7,831)**	(8,040)
Advance to loan receivables	**(5,813)**	(9,685)
Purchase of property, plant and equipment	**(1,461)**	(460)
Increase in financial assets at fair value through profit or loss	**(500)**	–
Net cash outflow from disposal of a subsidiary	**(96)**	(1)
Withdrawal of short-term bank deposits	**33,500**	70,400
Proceeds on partial disposal of an associate	**10,047**	280
Withdrawal of restricted bank balances	**8,798**	8,209
Repayment of loan receivables	**5,511**	6,980
Proceeds on disposal of property, plant and equipment	**534**	1,317
Bank interest received	**340**	355
Proceeds on deregistration of an associate	**310**	–
Loan interest received	**266**	630
Decrease in finance lease receivable	**142**	123
Interest received from finance lease receivable	**74**	93
Proceeds on disposal of an associate	**–**	4,550
Acquisition of additional equity interest in a subsidiary	**–**	(900)
NET CASH (USED IN) FROM INVESTING ACTIVITIES	**(5,179)**	40,351

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	2021 RMB'000	2020 RMB'000
FINANCING ACTIVITIES		
Repayment of bank and other borrowings	**(110,061)**	(118,228)
Interest paid	**(10,260)**	(11,226)
Repayment to associates	**(2,081)**	(222)
Repayment of lease liabilities	**(55)**	(204)
New bank and other borrowings raised	**105,000**	102,883
Receipts from government grants	**1,471**	3,741
Capital contribution from non-controlling shareholders of subsidiaries	**1,000**	–
Advance from associates	**617**	2,081
NET CASH USED IN FINANCING ACTIVITIES	**(14,369)**	(21,175)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(9,315)**	9,551
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**45,303**	35,752
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, REPRESENTED BY BANK BALANCES AND CASH	**35,988**	45,303

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

1. GENERAL AND BASIS OF PREPARATION

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

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

The principal activities of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") are (i) supply of power electric products and equipment; (ii) the sales and leases of electric vehicles; and (iii) provision of charging services for electric vehicles; and (iv) construction services of charging poles for electric vehicles under Build-Operate-Transfer ("BOT") arrangements. The Company's principal activity is investment holding. The principal activities of the subsidiaries are set out in note 45.

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

As at 31 December 2021, the Group's total borrowings, bank balances and cash, and short-term bank deposits amounted to approximately RMB163,778,000, RMB35,988,000 and RMB43,000,000 respectively. These events and conditions indicate the existence of a material uncertainty which may cast doubt about the Group's ability to continue as a going concern. The consolidated financial statements have been prepared on a going concern basis which assumes the realisation of assets and satisfaction of liabilities in the ordinary business, as the directors of the Company are satisfied that the liquidity of the Group can be maintained in the coming year taking into consideration of the following matters:

(i) as at 31 December 2021, the Group has un-utilised available banking facilities of approximately RMB66,329,000 in which amounted to approximately RMB33,879,000 is secured by its ownership interests in land and buildings with carrying value of approximately RMB1,182,000 and guaranteed by the directors of the Company with guaranteed amount of RMB110,000,000; and

(ii) the Group will be able to obtain available financing from banks through existing loan facilities which are sufficient to support the continual normal operation of the Group for at least 12 months after the year end date.

Accordingly, the directors of the Company are therefore of the opinion that it is appropriate to prepare the consolidated financial statements on a going concern basis. The consolidated financial statements do not include any adjustments relating to the carrying amount and reclassification of assets and liabilities that might be necessary should the Group be unable to continue as a going concern.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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

In the current year, the Group has applied, for its first time, the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the"HKICPA") which are effective for the Group's financial year beginning 1 January 2021:

Amendments to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

The application of the amendments to HKFRSs in the current year has had no material effect on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these consolidated financial statements.

New and amendments to HKFRSs issued but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective.

HKFRS 17	Insurance Contracts and related Amendments[3]
Amendments to HKFRS 3	Reference to Conceptual Framework[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and the related amendments to Hong Kong Interpretation 5(2020) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[3]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[3]
Amendments to HKAS 8	Definition of Accounting Estimates[3]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[3]
Amendments to HKAS 16	Property, plant and Equipment: Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to HKFRS 16	COVID-19 Related Rent Concessions beyond 30 June 2021[1]
Amendment to HKFRSs	Annual Improvements to HKFRs 2018 – 2020 cycle[2]

1 Effective for annual periods beginning on or after 1 April 2021.
2 Effective for annual periods beginning on or after 1 January 2022.
3 Effective for annual periods beginning on or after 1 January 2023.
4 Effective for annual periods beginning on or after a date to be determined.

The directors of the Company anticipate that, except as described below, the application of the new and amendments to HKFRSs will have no material impact on the results and the financial position of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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

Amendments to HKAS 1 – Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)

The amendments to HKAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

Hong Kong Interpretation 5 was revised as a consequence of Amendments to HKAS 1 Classification of Liabilities as Current or Non-current to align the corresponding wordings with no change in conclusion.

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted.

Based on the Group's outstanding liabilities as at 31 December 2021, the application of the amendments will not result in change in the classification of the Group's liabilities.

Amendments to HKAS 1 and HKFRS Practice Statement 2 – Disclosure of Accounting Policies

The amendments change the requirements in HKAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in HKAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

Guidance and examples were provided to explain and demonstrate the application of the "four-step materiality process" described in HKFRS Practice Statement 2. The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group's significant accounting policies. The impacts of application, if any, will be disclosed in the Group's future consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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

Amendments to HKAS 8 Definition of Accounting Estimates

The amendments to HKAS 8 introduce the definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period, with earlier application permitted.

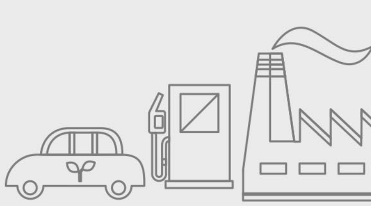
Amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of HKAS 12 so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group currently applies HKAS 12 requirements to the relevant assets and liabilities as a whole. Temporary differences relating to relevant assets and liabilities are assessed on a net basis.

Upon the application of the amendments, the Group will recognise a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with the right-of-use assets and the lease liabilities.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted. The application of the amendments is not expected to have significant impact on the Group's consolidated financial statements as the net temporary differences relating to relevant assets and liabilities are insignificant.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. Details of fair value measurement are explained in the accounting policies set out below.

The principal accounting policies are set out below.

Basis of consolidation

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

Control is achieved where the Group has (i) power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) ability to use its power over the investee to affect the amount of the Group's return.

The Company reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over of the subsidiary and cease when the Group loses control of the subsidiary.

Income and expenses of subsidiaries are included in the consolidated statement of profit or loss and other comprehensive income from the date of the Group gains control until the date when the Group ceases to control the subsidiary.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

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

Changes in the Group's ownership interests in existing subsidiaries

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

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

Business combinations or asset acquisitions

The Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

Assets acquisitions

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to financial assets and financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations (Continued)

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

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

Goodwill

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates

An associate is any entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control over those policies.

The Group's investments in associates are accounted for in the consolidated financial statements using the equity method. Under the equity method, investments in associates are initially recognised at cost. The Group's share of the profit or loss and changes in other comprehensive income of the associates are recognised in profit or loss and other comprehensive income respectively after the date of acquisition. If the Group's share of losses of an associate equals or exceeds its interest in the associate, which determined using the equity method together with any long-term interests that, in substance, form part of the Group's net investment in the associate, the Group discontinues recognising its share of further losses. Additional losses are provided for, and a liability is recognised, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

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

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

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

The requirements of HKAS 36 *Impairment of Assets* are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of an investment in an associate (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount (higher of value-in-use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment is recognised to the extent that the recoverable amount of the investment subsequently increases.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates (Continued)

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

The Group applies HKFRS 9, including the impairment requirements, to long-term interests in an associate or joint venture to which the entity method is not applied and which form part of the net investment in the investee. In applying HKFRS 9 to long-term interests, the Group does not take into account adjustments to their carrying amount required by HKAS 28 *Investments in Associates* (i.e. adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with HKAS 28).

Revenue recognition

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

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

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

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

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

Contract assets and contract liabilities

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Contract assets and contract liabilities (Continued)

The Group recognised revenue from the following major sources:

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

Sales of goods

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

Construction revenue from BOT arrangements

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

Provision of charging services for electric vehicles

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Warranties

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

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

Leasing

Definition of a lease

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

The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less from the commencement date and do not contain a purchase option) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Lease liabilities

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing (Continued)

The Group as lessee (Continued)

Lease liabilities (Continued)

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

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

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

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

Right-of-use assets

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

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

The Group presents right-of-use assets as a separate line in the consolidated statement of financial position.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing (Continued)

The Group as lessor

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

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Foreign currencies

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Borrowing costs

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

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

Government grants

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

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

Retirement benefit costs

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

Short-term employee benefits

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation

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

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

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

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

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

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle current tax liabilities and assets on a net basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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

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

Current and deferred income tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Property, plant and equipment

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

Ownership interests in leasehold land and buildings

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Service Concession arrangements

Consideration given by the grantor

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

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

Operating services

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

Intangible assets

Intangible assets acquired separately

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

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

Research and development expenditure

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

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

Cash and cash equivalents

Bank balances and cash in the consolidated statement of financial position comprise cash at banks and on hand and short-term bank deposits with a maturity of three months or less.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of bank balances and cash as defined above.

Investment in a subsidiary

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

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value, except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 *Revenue from Contracts with Customers*. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Financial assets at amortised cost (debt instruments)

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

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

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

(i) Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses ("ECL"), through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Equity instruments designated as at FVTOCI

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

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

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

Financial assets at FVTPL

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

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

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

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the other gains and losses line item. Fair value is determined in the manner described in note 37(c).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Financial assets at FVTPL (Continued)

A financial asset is classified as held for trading if:

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

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9

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

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

Significant increase in credit risk

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Significant increase in credit risk (Continued)

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Definition of default

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

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

In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the trade and bills receivable and contract assets are 3 years past due or financial assets other than trade and bills receivables are 2 years past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience, continuous long term customers relationship and forward-looking information that is available without undue cost or effort.

Credit-impaired financial assets

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

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

Write-off policy

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Measurement and recognition of expected credit losses

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

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

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

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

Derecognition of financial assets

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

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

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

Derecognition of financial liabilities

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees

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

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

Impairment losses on property, plant and equipment, right-of-use assets and intangible assets (other than impairment of goodwill set out in accounting policy in respect of goodwill above)

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating unit, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment losses on property, plant and equipment, right-of-use assets and intangible assets (other than impairment of goodwill set out in accounting policy in respect of goodwill above) (Continued)

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

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

Fair value measurement

When measuring fair value, except for the Group's share-based payment transactions, leasing transactions and net realisable value of inventories, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the amounts of assets, liabilities, revenue and expenses reported and disclosures made in the consolidated financial statements. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgements in applying accounting policies

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

Going concern basis

These consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the factors considered by the directors of the Company as detailed in note 1.

Key sources of estimation uncertainty

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

Income taxes

As at 31 December 2021, a deferred tax asset of approximately RMB7,168,000 (2020: RMB8,590,000) in relation to deductible temporary difference of allowance for impairment loss of trade receivables, contract assets, deposits and other receivables and loan receivables in aggregate of approximately RMB47,792,000 (2020: RMB57,274,000) has been recognised in the Group's consolidated statement of financial position. No deferred tax asset has been recognised on the remaining deductible temporary difference of (i) allowance for impairment loss of trade receivables, contract assets, deposits and other receivables and loan receivables of approximately RMB48,304,000 (2020: RMB51,270,000); and (ii) un-used tax losses amounting to approximately RMB110,172,000 (2020: RMB117,554,000) due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal takes place.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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

Key sources of estimation uncertainty (Continued)

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

The impairment provisions for trade and bills receivables, contract assets, deposits and other receivables and loan receivables are based on assumptions about ECL. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, bases on the number of days that an individual receivable is outstanding as well as the Group's historical experience and forward-looking information at the end of the reporting period. Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional impairment charge to the consolidated statement of profit or loss and other comprehensive income. At 31 December 2021, the aggregate amount of carrying amount and accumulated impairment loss of trade and bills receivables, contract assets, deposits and other receivables and loan receivables are approximately RMB346,828,000 (2020: RMB311,979,000) and RMB96,096,000 (2020: RMB108,544,000), respectively.

Impairment of prepayments to suppliers

At the end of the reporting period, the directors of the Company review the carrying amount of the prepayments to suppliers of approximately RMB22,759,000 (2020: RMB26,196,000) and identify if there is impairment indication for the prepayments to suppliers. Accordingly, the recoverable amounts of the prepayments to suppliers are estimated in order to determine the extent of the impairment loss. The estimates of the recoverable amount of the prepayments to suppliers require the use of assumptions such as utilisation rate of the prepayments to suppliers subsequently to the end of the reporting period or refund from the suppliers subsequently as a result of the inability of filling up of the purchase orders by the suppliers.

Allowance for inventories

The management review the inventory ageing analysis on a periodical basis in order to determine whether allowance need to be made in respect of any inventories identified, and estimate the net realisable value based primarily on the latest sales unit prices, sales contracts and current market conditions. As at 31 December 2021, the carrying amount of inventories is approximately RMB130,430,000 (2020: RMB106,878,000). No allowance for inventories was recognised for both years.

Fair value measurement and valuation process of unlisted and listed equity investments

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

In estimating the fair value of the unlisted, listed equity investments and structured deposits of approximately RMB24,515,000 (2020: RMB26,137,000), RMB4,146,000 (2020: RMB9,066,000) and RMB500,000 (2020: nil) as at 31 December 2021, the Group uses market-observable data to the extent it is available.

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of unlisted equity investments. Note 37(c) provides detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of the unlisted and listed equity investments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

5. REVENUE

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

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

	2021	2020
	RMB'000	RMB'000
Revenue from contract with customers within the scope of HKFRS 15		
Disaggregated by major products or services lines		
Sales of electric products	**311,091**	254,335
Provision of charging services for electric vehicles	**25,696**	18,836
Sales of electric vehicles	**–**	302
	336,787	273,473
Revenue from other source		
Rental income from operating leases of electric vehicles		
– Fixed lease payments	**557**	2,119
	337,344	275,592

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

5. REVENUE (Continued)

For the year ended 31 December 2021

	Segments				
	DC Power System RMB'000	Charging Equipment RMB'000	Charging Services and Construction RMB'000	Unallocated RMB'000	Total RMB'000
Types of goods or service					
Sales of electric products	**124,586**	**186,505**	**–**	**–**	**311,091**
Provision of charging services for electric vehicles	**–**	**–**	**25,696**	**–**	**25,696**
Revenue from contracts with customers	**124,586**	**186,505**	**25,696**	**–**	**336,787**
Lease of electric vehicles	**–**	**–**	**–**	**557**	**557**
Total	**124,586**	**186,505**	**25,696**	**557**	**337,344**

For the year ended 31 December 2020

	Segments				
	DC Power System RMB'000	Charging Equipment RMB'000	Charging Services and Construction RMB'000	Unallocated RMB'000	Total RMB'000
Types of goods or service					
Sales of electric products	115,788	138,547	–	–	254,335
Provision of charging services for electric vehicles	–	–	18,836	–	18,836
Sales of electric vehicles	–	–	–	302	302
Revenue from contracts with customers	115,788	138,547	18,836	302	273,473
Lease of electric vehicles	–	–	–	2,119	2,119
Total	115,788	138,547	18,836	2,421	275,592

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

5. REVENUE (Continued)

Disaggregation of revenue by timing of recognition

	2021 RMB'000	2020 RMB'000
Timing of revenue recognition		
At a point in time	**336,787**	273,473
Over time	**–**	–
Total revenue from contracts with customers	**336,787**	273,473

Transaction price allocated to the remaining performance obligations

As at 31 December 2021, the aggregate amount of transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) is approximately RMB174,922,000 (2020: RMB106,623,000). The amount represents revenue expected to be recognised in the future from sales of electric products.

The Group will recognise this revenue as the goods is delivered, which is expected to occur over the next 1-12 months.

6. SEGMENT INFORMATION

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

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

(i)	DC Power System	Manufacturing and sales of direct current power system
(ii)	Charging Equipment	Manufacturing and sales of charging equipment for electric vehicles
(iii)	Charging Services and Construction	Provision of charging services for electric vehicles and construction services of charging poles for electric vehicles under BOT arrangements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

6. SEGMENT INFORMATION (Continued)

Segment revenues and results

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

Year ended 31 December 2021

	DC Power System RMB'000	Charging Equipment RMB'000	Charging Services and Construction RMB'000	Unallocated RMB'000	Total RMB'000
Segment revenue	124,586	186,505	25,696	557	337,344
Segment profit	46,314	69,475	2,987	237	119,013
Unallocated other revenue					11,342
Other gains and losses					4,058
Share of results of associates					4,234
Unallocated expenses					(106,920)
Finance costs					(10,258)
Profit before tax					21,469

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

6. SEGMENT INFORMATION (Continued)

Segment revenues and results (Continued)

Year ended 31 December 2020

	DC Power System RMB'000	Charging Equipment RMB'000	Charging Services and Construction RMB'000	Unallocated RMB'000	Total RMB'000
Segment revenue	115,788	138,547	18,836	2,421	275,592
Segment profit (loss)	18,804	39,258	(2,351)	1,013	56,724
Unallocated other revenue					13,070
Other gains and losses					637
Share of results of associates					2,040
Unallocated expenses					(92,539)
Finance costs					(11,212)
Loss before tax					(31,280)

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

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

Segment assets and liabilities

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

Segment assets

	2021 RMB'000	2020 RMB'000
DC Power System	**274,139**	282,972
Charging Equipment	**371,111**	323,411
Charging Services and Construction	**54,872**	54,614
Total segment assets	**700,112**	660,997
Unallocated	**166,310**	165,443
Consolidated assets	**866,432**	826,440

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

6. SEGMENT INFORMATION (Continued)

Segment liabilities

	2021	2020
	RMB'000	RMB'000
DC Power System	**64,228**	59,198
Charging Equipment	**74,785**	61,144
Charging Services and Construction	**15,775**	11,195
Total segment liabilities	**154,788**	131,537
Unallocated	**188,725**	190,010
Consolidated liabilities	**343,513**	321,547

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

- all assets are allocated to operating segments other than interests in associates, financial asset at FVTOCI, financial assets at FVTPL, finance lease receivable, deferred tax assets, loan receivables, certain deposits and other receivables, tax recoverable, amounts due from associates, 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, amounts due to associates, bank and other borrowings and deferred tax liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

6. SEGMENT INFORMATION (Continued)

Other segment information

For the year ended 31 December 2021

	DC Power System RMB'000	Charging Equipment RMB'000	Charging Services and Construction RMB'000	Unallocated RMB'000	Total RMB'000
Amounts included in the measure of segment profit or loss or segment assets:					
Additions to non-current assets *(note)*	**573**	**775**	**106**	**7**	**1,461**
Allowance for impairment loss recognised in respect of trade receivables	**150**	**–**	**–**	**–**	**150**
Allowance for impairment loss recognised in respect of contract assets	**657**	**–**	**–**	**–**	**657**
Reversal of impairment loss recognised in respect of trade receivables	**(13,255)**	**–**	**–**	**–**	**(13,255)**
Gain on disposal of plant and equipment	**(22)**	**(30)**	**(5)**	**–**	**(57)**
Loss on write-off of property, plant and equipment	**13**	**17**	**2**	**–**	**32**
Finance costs	**1**	**1**	**–**	**10,258**	**10,260**
Depreciation and amortisation	**5,418**	**7,210**	**6,934**	**13**	**19,575**
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss or segment assets:					
Interests in associates	**–**	**–**	**–**	**18,367**	**18,367**
Financial assets at FVTOCI	**–**	**–**	**–**	**24,515**	**24,515**
Financial asset at FVTPL – non current	**–**	**–**	**–**	**4,146**	**4,146**
Financial asset at FVTPL – current	**–**	**–**	**–**	**500**	**500**
Share of results of associates	**–**	**–**	**–**	**(4,234)**	**(4,234)**
Bank interest income	**–**	**–**	**–**	**340**	**340**
Loan interest income	**–**	**–**	**–**	**413**	**413**
Interest income on finance lease receivable	**–**	**–**	**–**	**74**	**74**
Government grants	**–**	**–**	**–**	**1,471**	**1,471**
Income tax expense	**–**	**–**	**–**	**4,141**	**4,141**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

6. SEGMENT INFORMATION (Continued)

Other segment information (Continued)

For the year ended 31 December 2020

	DC Power System RMB'000	Charging Equipment RMB'000	Charging Services and Construction RMB'000	Unallocated RMB'000	Total RMB'000
Amounts included in the measure of segment profit or loss or segment assets:					
Additions to non-current assets *(note)*	2,354	2,682	363	58	5,457
Allowance for impairment loss recognised in respect of trade receivables	3,995	–	–	–	3,995
Reversal of impairment loss recognised in respect of trade receivables	(1,297)	–	–	–	(1,297)
Reversal of impairment loss recognised in respect of contract assets	(307)	–	–	–	(307)
Loss on disposal of plant and equipment	403	458	62	10	933
Loss on write-off of property, plant and equipment	129	147	20	3	299
Finance costs	6	8	–	11,212	11,226
Depreciation and amortisation	6,451	7,098	7,042	54	20,645
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss or segment assets:					
Interests in associates	–	–	–	15,710	15,710
Financial assets at FVTOCI	–	–	–	26,137	26,137
Financial asset at FVTPL	–	–	–	9,066	9,066
Reversal of allowance for impairment loss recognised in respect of loan receivables	–	–	–	(6,319)	(6,319)
Reversal of allowance for impairment loss recognised in respect of other receivables	–	–	–	(1,214)	(1,214)
Share of results of associates	–	–	–	(2,040)	(2,040)
Bank interest income	–	–	–	(355)	(355)
Loan interest income	–	–	–	(767)	(767)
Interest income on finance lease receivable	–	–	–	(93)	(93)
Government grants	–	–	–	(3,741)	(3,741)
Income tax credit	–	–	–	(1,069)	(1,069)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

6. SEGMENT INFORMATION (Continued)

Geographical information

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

Information about major customers

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

	2021	2020
	RMB'000	RMB'000
Customer A[1]	**102,509**	76,940

[1] Revenue from Charging Equipment

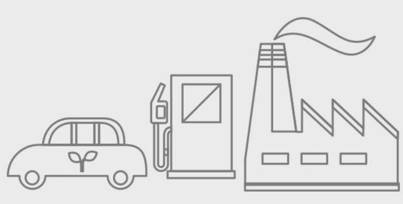
7. OTHER REVENUE AND INCOME

	2021	2020
	RMB'000	RMB'000
Value added tax ("VAT") refunds *(note (a))*	**9,044**	8,114
Interest income on loan receivables	**413**	767
Interest income on finance lease receivable	**74**	93
Bank interest income	**340**	355
Government grants *(note (b))*	**1,471**	3,741
	11,342	13,070

Notes:

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

(b) The government grants are subsidies received from Zhuhai Finance Bureau ("珠海市財政局"), Department of Finance of Guangdong Province ("廣東省財政廳") and The Ministry of Science and Technology of the People's Republic of China ("中華人民共和國科學技術部") regarding the research and development on technology innovation and promotion of electric vehicles. There are no unfulfilled conditions or contingencies relating to those subsidies and they are recognised upon receipt during the years ended 31 December 2021 and 2020.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

8. OTHER GAINS AND LOSSES

	2021 **RMB'000**	2020 RMB'000
Loss on write-off of property, plant and equipment	**(32)**	(299)
Fair value loss on financial assets at FVTPL *(note 21)*	**(4,920)**	(3,383)
Net exchange loss	**(225)**	(484)
Gain (loss) on disposal of plant and equipment	**57**	(933)
Write back on a trade payable	**–**	360
Gain on disposal of a subsidiary *(note 47)*	**423**	30
Gain (loss) on partial disposal of an associate *(note 20(ii))*	**6,343**	(436)
Gain on deemed partial disposal of an associate *(note 20(i))*	**2,554**	–
Loss on deregistration of an associate *(note 20(iii))*	**(117)**	–
Gain on disposal of an associate *(note 20(iv))*	**–**	4,550
	4,083	(595)

9. FINANCE COSTS

	2021 **RMB'000**	2020 RMB'000
Interests on:		
Bank borrowings	**8,610**	7,906
Other borrowings	**1,648**	3,306
Lease liabilities	**2**	14
	10,260	11,226

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

10. INCOME TAX EXPENSE (CREDIT)

	2021 **RMB'000**	2020 RMB'000
Current tax:		
PRC Enterprise Income Tax ("EIT")	**1,594**	–
Deferred tax *(note 33):*	**2,547**	(1,069)
	4,141	(1,069)

For the years ended 31 December 2021 and 2020, Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit. No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from, Hong Kong for both years.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the applicable tax rate of certain PRC subsidiaries is 25% (2020: 25%). No provision for EIT has been made for the year ended 31 December 2020 as the Group did not have any assessable profits subject to EIT.

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 2020 to 2022.

* English name is for identification purpose only.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

10. INCOME TAX EXPENSE (CREDIT) (Continued)

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

	2021 **RMB'000**	2020 RMB'000
Profit (loss) before tax	**21,469**	(31,280)
Tax at the applicable income tax rate of 15% (2020: 15%) *(note (i))*	**3,220**	(4,692)
Tax effect of expenses not deductible for tax purpose	**2,181**	2,377
Tax effect of income not taxable for tax purpose	**(2,348)**	(1,305)
Tax effect of share of results of associates	**(1,058)**	(510)
Tax effect of tax losses not recognised	**1,694**	6,775
Tax effect on withholding tax arising on undistributed profits of the PRC subsidiaries	**2,357**	(772)
Tax effect of deductible temporary difference not recognised	**–**	108
Utilisation of deductible temporary difference previously not recognised	**(742)**	(479)
Effect of different tax rates of subsidiaries operating in other jurisdictions or subsidiaries subject to statutory tax rate	**(1,163)**	(2,571)
Income tax expense (credit)	**4,141**	(1,069)

Note:

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

Details of deferred taxation are set out in note 33.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

11. PROFIT (LOSS) FOR THE YEAR

	2021	2020
	RMB'000	RMB'000
Profit (loss) for the year have been arrived at after charging (crediting):		
Staff costs		
Directors' emoluments *(note 12)*	**1,953**	1,930
Other staff:		
– salaries and other allowances	**50,659**	57,910
– retirement benefits scheme contributions (excluding directors)	**6,832**	5,915
– share-based payment expenses (excluding directors and chief executive's emoluments)	**1,074**	–
Total staff costs	**60,518**	65,755
Impairment losses of financial assets and contract assets:		
– trade receivables	**150**	3,995
– contract assets	**657**	–
	807	3,995
Reversal of impairment losses of financial assets and contract assets		
– trade receivables	**(13,255)**	(1,297)
– contract assets	**–**	(307)
– deposits and other receivables	**–**	(1,214)
– loan receivables	**–**	(6,319)
Total reversal of impairment losses of financial assets and contract assets	**(12,448)**	(5,142)
Amortisation of intangible assets	**6,318**	6,317
Depreciation of property, plant and equipment	**12,894**	13,817
Depreciation of right-of-use assets	**363**	511
Total depreciation and amortisation	**19,575**	20,645
Auditors' remuneration	**1,067**	1,057
Cost of inventories recognised as an expense	**183,245**	163,187
Research and development expenses (included in administrative and other expenses) *(note (i))*	**32,645**	24,848

Note:

(i) Research and development expenses included staff costs and depreciation of property, plant and equipment for the purpose of research and development activities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the seven (2020: five) directors and the chief executive were as follows:

For the year ended 31 December 2021

	Executive directors		Independent non-executive directors					
	Li Xin Qing RMB'000	**An Wei RMB'000**	**Li Wan Jun RMB'000**	**Zhang Bo RMB'000 *(note a)***	**Pang Zhan RMB'000**	**Zhang Guo Rong RMB'000 *(note b)***	**Li Xiang Feng RMB'000 *(note c)***	**Total RMB'000**
Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking:								
Fees	–	–	98	33	98	25	41	295
Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking:								
Other emoluments								
Salaries	810	810	–	–	–	–	–	1,620
Share-based payment expenses	19	19						38
Total emoluments	829	829	98	33	98	25	41	1,953

For the year ended 31 December 2020

	Executive directors		Independent non-executive directors			
	Li Xin Qing RMB'000	An Wei RMB'000	Li Wan Jun RMB'000	Zhang Bo RMB'000	Pang Zhan RMB'000	Total RMB'000
Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking:						
Fees	–	–	101	101	101	303
Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking:						
Other emoluments						
Salaries	811	816	–	–	–	1,627
Total emoluments	811	816	101	101	101	1,930

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (Continued)

Notes:

a) Zhang Bo resigned as an independent non-executive director of the Company on 15 April 2021.

b) Zhang Guo Rong is appointed and resigned as an independent non-executive director of the Company on 15 April 2021 and 15 July 2021 respectively.

c) Li Xiang Feng is appointed as an independent non-executive director of the Company on 15 July 2021.

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

No directors waived or agreed to waive any of their emoluments during the years ended 31 December 2021 and 2020.

No emoluments were paid by the Group to any directors or any chief executives of the Group as an inducement to join or upon joining the Group, or as compensation for loss of office for the years ended 31 December 2021 and 2020.

13. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (2020: two) were directors and the chief executives of the Company whose emoluments are included in the disclosures in note 12 above. The emoluments of the remaining three (2020: three) individuals were as follows:

	2021 **RMB'000**	2020 RMB'000
Salaries and other allowances	**1,462**	1,680
Discretionary bonus *(note)*	**141**	216
Contributions to retirement benefits scheme	**245**	82
	1,848	1,978

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

The emoluments of the above remaining three individuals are within the band of nil to Hong Kong dollars ("HK$") 1,000,000 (equivalent to approximately RMB818,000 (2020: nil to HK$1,000,000 (equivalent to approximately RMB842,000)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

14. DIVIDENDS

No dividend was paid or proposed during the year ended 31 December 2021 (2020: nil), nor has any dividend been proposed since the end of the reporting period.

15. EARNINGS (LOSS) PER SHARE

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

	2021	2020
	RMB'000	RMB'000
Profit (loss) for the purpose of basic and diluted earnings (loss) per share	**18,595**	(29,622)

Number of shares

	2021	2020
	'000	'000
Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share	**925,056**	925,056

The computation of diluted earnings (2020: loss) per share does not assume the exercise of the Company's share options because the exercise price of those share options was higher than the average market price for shares for the year ended 31 December 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

16. PROPERTY, PLANT AND EQUIPMENT

	Ownership interests in land and buildings	**Leasehold improvements**	**Furniture, fixtures and equipment**	**Motor vehicles**	**Plant and machinery**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST						
At 1 January 2020	171,002	14,409	16,031	16,056	44,404	261,902
Additions	–	–	410	–	50	460
Transfer from inventories *(note 48)*	–	–	2,146	2,851	–	4,997
Disposals	–	–	(422)	(1,851)	(1,696)	(3,969)
Write-off	–	–	(26)	–	(349)	(375)
Disposed through disposal of a subsidiary *(note 47)*	–	–	–	(199)	–	(199)
At 31 December 2020	171,002	14,409	18,139	16,857	42,409	262,816
Additions	–	–	1,205	256	–	1,461
Disposals	–	–	(390)	(2,461)	(257)	(3,108)
Written-off	–	–	–	–	(40)	(40)
Disposed through disposal of a subsidiary *(note 47)*	–	–	(590)	–	–	(590)
At 31 December 2021	171,002	14,409	18,364	14,652	42,112	260,539
ACCUMULATED DEPRECIATION						
At 1 January 2020	14,115	14,042	12,991	10,290	23,535	74,973
Provided for the year	7,182	149	1,934	1,974	2,578	13,817
Eliminated on disposals	–	–	(395)	(1,092)	(232)	(1,719)
Eliminated on write-off	–	–	(21)	–	(55)	(76)
Disposed through disposal of a subsidiary *(note 47)*	–	–	–	(189)	–	(189)
At 31 December 2020	21,297	14,191	14,509	10,983	25,826	86,806
Provided for the year	7,130	196	2,108	1,102	2,358	12,894
Eliminated on disposals	–	–	(363)	(2,166)	(102)	(2,631)
Eliminated on written-off	–	–	–	–	(8)	(8)
Disposed through disposal of a subsidiary *(note 47)*	–	–	(1)	–	–	(1)
At 31 December 2021	28,427	14,387	16,253	9,919	28,074	97,060
CARRYING VALUES						
31 December 2021	142,575	22	2,111	4,733	14,038	163,479
31 December 2020	149,705	218	3,630	5,874	16,583	176,010

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

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

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

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

As at 31 December 2021, the Group has pledged its ownership interests in land and buildings and plant and machinery with carrying values of approximately RMB142,575,000 (2020: RMB149,705,000), and nil (2020: RMB1,543,000) respectively to secure banking facilities and other borrowings granted to the Group. Details of bank and other borrowings are set out in note 32.

17. LEASES

(i) Right-of-use assets

	2021	2020
	RMB'000	RMB'000
Land	**7,364**	7,676
Buildings	**–**	51
	7,364	7,727

As at 31 December 2021, right-of-use assets of approximately RMB7,364,000 (2020: RMB7,676,000) represent land use rights located in the PRC.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

17. LEASES (Continued)

(ii) Lease liabilities

	2021	2020
	RMB'000	RMB'000
Current	**–**	55

Amounts payable under lease liabilities

	2021	2020
	RMB'000	RMB'000
Within one year	**–**	55

(iii) Amounts recognised in profit or loss

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Depreciation expense on right-of-use assets:		
– Land	**312**	312
– Buildings	**51**	199
	363	511
Interest expense on lease liabilities	**2**	14
Expense relating to short-term leases	**557**	1,475

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

17. LEASES (Continued)

(iv) Others

During the year ended 31 December 2021, the total cash outflow for leases amount to approximately RMB614,000 (2020: RMB1,693,000).

As at 31 December 2021 and 2020, the Group has pledged its land use right to secure banking facilities granted to the Group. Details of bank and other borrowings are set out in note 32.

18. GOODWILL

	RMB'000
COST	
At 1 January 2020, 31 December 2020 and 2021	449
IMPAIRMENT	
At 1 January 2020, 31 December 2020 and 2021	449
CARRYING AMOUNT	
At 31 December 2021	–
At 31 December 2020	–

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

19. INTANGIBLE ASSETS

	Technical know-how RMB'000 *(note (i))*	**Charging services concession rights** RMB'000 *(note (ii))*	**Total** RMB'000
COST			
At 1 January 2020, 31 December 2020 and 31 December 2021	3,000	51,693	54,693
AMORTISATION			
At 1 January 2020	3,000	12,924	15,924
Charge for the year	–	6,317	6,317
At 31 December 2020	3,000	19,241	22,241
Charge for the year	–	6,318	6,318
At 31 December 2021	3,000	25,559	28,559
CARRYING VALUES			
At 31 December 2021	–	26,134	26,134
At 31 December 2020	–	32,452	32,452

Notes:

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

(ii) For the BOT arrangement in Shaoguan, the charging services concession right for an exclusive period of 8 years with initial cost of approximately RMB20,912,000 was recognised during the year ended 31 December 2016. During the year ended 31 December 2021, amortisation expense of approximately RMB2,615,000 (2020: RMB2,613,000) has been recognised.

For the BOT arrangement in Baoding, the charging services concession right for an exclusive period of 10 years with initial cost of approximately RMB5,780,000 was recognised during the year ended 31 December 2016. During the year ended 31 December 2021, amortisation expense of approximately RMB578,000 (2020: RMB578,000) has been recognised.

For the BOT arrangements in Foshan, the charging services concession right for exclusive period of 8 years with initial cost of RMB25,001,000 was recognised as at 31 December 2018. During the year ended 31 December 2021, amortisation expense of approximately RMB3,125,000 (2020: RMB3,126,000) has been recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

20. INTERESTS IN ASSOCIATES

	2021 RMB'000	2020 RMB'000
Cost of investment in unlisted associates	**18,705**	19,762
Share of post-acquisition results, net of dividend received	**(338)**	(4,052)
	18,367	15,710

Notes:

(i) Deemed partial disposal of equity interest of Jiangsu Titans Intelligent Technology Co., Ltd. * (江蘇泰坦智慧科技有限公司") ("Jiangsu Titans")

On 31 May 2021, Jiangsu Titans entered into agreement with an independent third party for the capital injection of RMB22,500,000 to Jiangsu Titans. Deemed partial disposal of 3% equity interest of Jiangsu Titans with carrying amount of approximately RMB1,271,000 and share of new contribution of RMB3,825,000 as a result of the dilution. Gain on deemed disposal of an associate of RMB2,554,000 had been recognised for the year ended 31 December 2021 The Group is able to exercise significant influence over Jiangsu Titans because it has 20% voting rights in the shareholders' meeting of Jiangsu Titans under the provisions stated in the Article of Association of Jiangsu Titans.

(ii) Partial disposal of equity interest in Guangdong Titans Intelligence Power Co., Ltd.* (廣東泰坦智能動力有限公司) ("Guangdong Titans")

On 27 December 2021, a wholly-owned subsidiary of the Company entered into an agreement with three independent third parties, for the disposal of 10.96% equity interest of Guangdong Titans with carrying amount of approximately RMB3,704,000 for a cash consideration of RMB10,047,000. Gain on partial disposal of an associate of approximately RMB6,343,000 had been recognised for the year ended 31 December 2021. The Group is able to exercise significant influence over Guangdong Titans because it has 20% voting rights in the shareholders' meeting of Guangdong Titans under the provisions stated in the Article of Association of Guangdong Titans.

On 3 December 2020, a wholly-owned subsidiary of the Company entered into an agreement with an independent third party for the disposal of 5.04% equity interest of Guangdong Titans with carrying amount of approximately RMB716,000 for a cash consideration of RMB280,000. After the completion of the disposal, the Group's effective equity interest in Guangdong Titans had been decreased from 36% to 30.96%. Loss on partial disposal of an associate of approximately RMB436,000 had been recognised for the year ended 31 December 2020. The Group is able to exercise significant influence over Guangdong Titans because it has 30.96% voting rights in the shareholders' meeting of Guangdong Titans under the provisions stated in the Article of Association of Guangdong Titans.

(iii) Deregistration of associate company Zhuhai Huada Taineng Smart Energy Co., Ltd. (珠海華大泰能智慧能源有限公司) ("Zhuhai Huada")

Zhuhai Huada, in which 11% equity interest was held by the Company and the Company is one of the five shareholders of Zhuhai Huada. The Company has its carrying amount of approximately RMB427,000, applied for deregistration and completed on 8 April 2021. Loss on deregistration of an associate of approximately RMB117,000 has been recognised for the year ending 31 December 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

20. INTERESTS IN ASSOCIATES (Continued)

Notes: (Continued)

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

On 25 March 2020, a non-wholly-owned subsidiary of the Company entered into agreement with an independent third party for the disposal of 23% equity interest of Changsha Xiandao with a carrying amount of nil for a agreed cash consideration of RMB4,550,000. Gain on disposal of an associate of RMB4,550,000 had been recognised for the year ended 31 December 2020.

As at 31 December 2021 and 2020, the Group had interests in the following material associates:

Name of entity	Form of entity	Place of establishment/ operation	Class of shares held	Proportion of ownership interests indirectly held by the Group		Proportion of voting power held		Principal activities
				2021	2020	**2021**	2020	
Jiangsu Titans	Registered	The PRC	Contributed capital	**17%**	20%	**20%**	20%	Research and development of computer software and sales of computer equipments
Guangdong Titans	Registered	The PRC	Contributed capital	**20%**	30.96%	**20%**	30.96%	Research and development, sales and manufacturing of automated guided vehicles

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

Jiangsu Titans

	2021	2020
	RMB'000	RMB'000
Cost of investment in Jiangsu Titans	**10,000**	10,000

* English name is for identification purpose only.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

20. INTERESTS IN ASSOCIATES (Continued)

	2021 RMB'000	2020 RMB'000
Current assets	**17,843**	402
Non-current assets	**33,096**	22,703
Current liabilities	**17,820**	12,830

	Year ended 31 December 2021 RMB'000	 2020 RMB'000
Revenue for the year	**10,142**	611
Profit (loss) and total comprehensive income (expense) for the year	**22,844**	(2,500)

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

	2021 RMB'000	2020 RMB'000
Net assets of Jiangsu Titans	**33,119**	10,275
Proportion of the Group's ownership interest in Jiangsu Titans	**17%**	20%
	5,630	2,055
Goodwill	**5,807**	6,832
Carrying amount of the Group's interest in Jiangsu Titans	**11,437**	8,887

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

20. INTERESTS IN ASSOCIATES (Continued)

Guangdong Titans

	2021	2020
	RMB'000	RMB'000
Cost of investment in Guangdong Titans	**1,125**	1,742

	2021	2020
	RMB'000	RMB'000
Current assets	**85,620**	41,264
Non-current assets	**999**	467
Current liabilities	**51,964**	19,564
Non-current liabilities	**8,372**	7,000

	2021	2020
	RMB'000	RMB'000
Revenue for the year	**106,224**	52,393
Profit and total comprehensive income for the year	**11,115**	7,210

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

	2021	2020
	RMB'000	RMB'000
Net assets of Guangdong Titans	**26,283**	15,167
Proportion of the Group's ownership interest in Guangdong Titans	**20%**	30.96%
Carrying amount of the Group's interest in Guangdong Titans	**5,257**	4,696

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

20. INTERESTS IN ASSOCIATES (Continued)

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

	2021 **RMB'000**	2020 RMB'000
The Group's share of loss	**(27)**	(7)

	2021 **RMB'000**	2020 RMB'000
Carrying amount of the Group's interests in immaterial associates	**1,673**	2,127

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

	2021 **RMB'000**	2020 RMB'000
Unrecognised share of losses of associates for the year	**5,087**	5,283
Accumulated unrecognised share of losses of associates	**15,413**	10,326

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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

	Notes	**2021 RMB'000**	2020 RMB'000
Financial asset at FVTPL comprises:			
– Equity security listed in the PRC	*(a)*	**4,146**	9,066
– Structured deposit issued by PRC bank	*(b)*	**500**	–
		4,646	9,066
Analysed as:			
Current		**500**	
Non-current		**4,146**	9,066
		4,646	9,066
Financial assets at FVTOCI comprises:			
– Unlisted equity securities	*(c)*	**24,515**	26,137

Notes:

(a) As at 31 December 2021, 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 RMB4,146,000 (2020: RMB9,066,000). Fair value loss on financial asset at FVTPL of approximately RMB4,920,000 (2020: RMB3,383,000) has been recognised during the year ended 31 December 2021.

(b) As at 31 December 2021, the financial asset issued by Bank of Communications Co., Ltd, represented a structured deposit, which carries at fair value of RMB500,000 (2020: nil). No fair value gain or loss on FVTPL has been recognised during the year ended 31 December 2021.

(c) As at 31 December 2021, 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 RMB16,648,000 (2020: RMB17,002,000) and approximately US$1,238,000 (equivalent to approximately RMB7,867,000) (2020: US$1,400,000 (equivalent to approximately RMB9,135,000)) respectively.

* English name is for identification purpose only

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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22. FINANCE LEASE RECEIVABLE

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

	2021 **RMB'000**	2020 RMB'000
Analysed as:		
Current	**163**	142
Non-current	**187**	350
	350	492

	2021 **RMB'000**	2020 RMB'000
Amounts receivable under finance lease:		
Within one year	**216**	216
After one year but within two years	**218**	216
After two years but within three years	**–**	218
After three years but within four years	**–**	–
Undiscounted lease payments and gross investment in leases	**434**	650
Less: unearned finance income	**(84)**	(158)
Present value of minimum lease payment receivable	**350**	492

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

	2021 **RMB'000**	2020 RMB'000
Finance income on the net investment in finance leases	**74**	93

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

22. FINANCE LEASE RECEIVABLE (Continued)

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

	2021 RMB'000	2020 RMB'000
United States dollars ("US$")	**350**	492

As at 31 December 2021 and 2020, finance lease receivable is secured over the machinery leased. The Group is not permitted to sell or repledge the collateral in the absence of default by the lessee.

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

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

23. INVENTORIES

	2021 RMB'000	2020 RMB'000
Raw materials	**8,790**	11,285
Work-in-progress	**11,299**	9,040
Finished goods	**110,341**	86,553
	130,430	106,878

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

24. TRADE AND BILLS RECEIVABLES

	2021 RMB'000	2020 RMB'000
Trade receivables	**327,840**	314,043
Less: allowance for impairment loss	**(53,435)**	(66,540)
	274,405	247,503
Bills receivables	**–**	1,006
Total trade and bills receivables	**274,405**	248,509

The bills receivables as at 31 December 2020 were fallen within the aged group of 0-90 days with approximately RMB1,006,000 (2021: nil), based on the dates of delivery of goods which approximately the respective revenue recognition dates.

At 31 December 2021, the carrying amount of the trade receivables which have been pledged as security for the borrowing, is approximately RMB120,211,000 (2020: RMB139,239,000).

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

	2021 RMB'000	2020 RMB'000
0 – 90 days	**172,665**	137,812
91 – 180 days	**21,854**	24,719
181 – 365 days	**53,703**	49,164
1 – 2 years	**20,085**	23,050
2 – 3 years	**6,098**	12,758
	274,405	247,503

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

24. TRADE AND BILLS RECEIVABLES (Continued)

The Group allows an average credit period of 90 days (2020: 90 days) to its trade customers. For certain customers with installment payments, initial payments are requested and due upon signing of sales contracts, while remaining payments are fallen due after installation and testing. Retention money will be fallen due from the end of the product quality assurance period. For the trade receivables from the state-owned enterprises, they normally settle their outstanding balances upon the completion of their constructions in accordance with the industry practice in the PRC.

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

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

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

For certain trade receivables of approximately RMB37,529,000 (2020: RMB40,435,000) for which the counterparty failed to make demanded repayments, the Group has made 100% provision. The Group recognised lifetime ECL for trade receivables based on individually significant balance or collectively for customers that are not individually significant as follows:

As at 31 December 2021	Weighted average expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Current (not past due)	**1.08%**	**97,965**	**1,062**
Less than 3 month past due	**1.87%**	**77,203**	**1,441**
More than 3 months but less than 6 months past due	**2.45%**	**22,402**	**548**
More than 6 months but less than 12 months past due	**2.89%**	**55,300**	**1,597**
More than 12 months but less than 24 months past due	**6.95%**	**21,586**	**1,501**
More than 24 months but less than 36 months past due	**22.59%**	**7,877**	**1,779**
More than 36 months past due	**100%**	**7,978**	**7,978**
Default receivable	**100%**	**37,529**	**37,529**
		327,840	**53,435**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

24. TRADE AND BILLS RECEIVABLES (Continued)

As at 31 December 2020	Weighted average expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Current (not past due)	1.10%	123,573	1,364
Less than 3 month past due	1.96%	42,205	826
More than 3 months but less than 6 months past due	2.29%	14,161	325
More than 6 months but less than 12 months past due	2.63%	27,884	732
More than 12 months but less than 24 months past due	6.00%	39,623	2,376
More than 24 months but less than 36 months past due	21.34%	7,221	1,541
More than 36 months past due	100%	18,941	18,941
Default receivable	100%	40,435	40,435
		314,043	66,540

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

	2021 RMB'000	2020 RMB'000
1 January	**66,540**	63,842
Allowance for impairment loss	**150**	3,995
Reversal of impairment loss	**(13,255)**	(1,297)
31 December	**53,435**	66,540

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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25. CONTRACT ASSETS/CONTRACT LIABILITIES

(a) Contract assets

	2021	2020
	RMB'000	RMB'000
Retention receivables	**44,713**	36,108
Less: allowance for impairment loss	**(2,857)**	(2,200)
	41,856	33,908

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

At 31 December 2021, contract assets of approximately RMB10,358,000 (2020: RMB5,231,000) are expected to be recovered after one year from the end of reporting period.

The Group recognised lifetime ECL for contract assets with gross carrying amount of approximately RMB44,712,000 (2020: RMB36,108,000) as at 31 December 2021 collectively by applying expected credit loss rates ranging from 2.40% to 26.52% (2020: from 1.60% to 21.41%). Loss allowance of approximately RMB2,857,000 (2020: RMB2,200,000) is made as at 31 December 2021.

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

	Lifetime ECL
	RMB'000
At 1 January 2020	2,507
Reversal of impairment loss	(307)
At 31 December 2020	2,200
Allowance for impairment loss	657
At 31 December 2021	2,857

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25. CONTRACT ASSETS/CONTRACT LIABILITIES (Continued)

(b) Contract liabilities

	2021	2020
	RMB'000	RMB'000
Receipt in advance	**28,401**	13,311

Contract liabilities include advances received to deliver electric products.

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

Revenue recognised during the year ended 31 December 2021 that was included in the contract liabilities at the beginning of the year is approximately RMB13,311,000 (2020: RMB7,469,000). There was no revenue recognised in the current year that related to performance obligations that were satisfied in a prior year.

The significant increase in contract liabilities in 2021 was mainly due to the continuous increase in number of new customers.

26. LOAN RECEIVABLES

	2021	2020
	RMB'000	RMB'000
Fixed-rate loan receivables	**37,210**	36,927
Less: allowance for impairment loss	**(31,902)**	(31,902)
	5,308	5,025
Analysed as:		
Current	**4,000**	5,025
Non-current	**1,308**	–
	5,308	5,025

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26. LOAN RECEIVABLES (Continued)

Included in the carrying amount of loan receivables as at 31 December 2020 was a loan to an associate of RMB2,500,000 (2021: nil).

As at 31 December 2021, a loan advanced to an independent third party of HKD1,600,000 (equivalent to approximately RMB1,308,000), carried a fixed rate 6% per annum for helping the Group to promote charging pile in European and American markets. The loan was unsecured and repayable on 19 May 2023.

As at 31 December 2021, a loan advanced to an independent third party of RMB4,000,000, carried a fixed rate 8% per annum for short-term financing needs of the borrower. The loan was unsecured and repayable on 31 January 2022. Subsequent settlement was received during the reporting period.

As at 31 December 2021 and 2020, in determining the expected credit losses for these assets on an individual basis, the directors of the Company have taken into account the financial position of the counterparties, considering various external sources of actual and forecast economic information, as appropriate, in estimating the probability of default of each of these financial assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case.

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

For certain loan receivables of approximately RMB31,902,000 (2020: RMB31,902,000) for which the counterparties failed to make demanded repayments on time and overdue, the Group treated these loan receivables as credit-impaired and recognised allowance for lifetime ECL of approximately RMB31,902,000 (2020: RMB31,902,000). As at 31 December 2021, the Group measures the loss allowance for the remaining loan receivables of approximately RMB5,308,000 (2020: RMB5,025,000) at an amount equal to 12-month ECL and no impairment loss was recognised.

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For the year ended 31 December 2021

26. LOAN RECEIVABLES (Continued)

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

	12-month ECL	**Lifetime ECL-credit impaired**	**Total**
	RMB'000	RMB'000	RMB'000
At 1 January 2020	–	38,221	38,221
Reversal of impairment loss	–	(6,319)	(6,319)
At 31 December 2020 and 2021	–	(31,902)	(31,902)

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

	2021	2020
Effective interest rate:		
Fixed-rate loan receivables	**6% to 8%**	4.35% to 10%

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

	At 31/12/2021	At 31/12/2020
	RMB'000	RMB'000
HKD	**1,308**	2,525

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27. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2021	2020
	RMB'000	RMB'000
Other receivables *(note (i))*	**13,205**	12,385
Less: allowance for impairment loss	**(7,902)**	(7,902)
	5,303	4,483
Deposits	**19,956**	20,054
Other tax recoverable	**10,958**	7,877
Prepayments to suppliers *(note (ii))*	**22,759**	26,196
Other prepayments	**–**	750
	58,976	59,360

Notes:

(i) Loan interest receivables included in other receivables of approximately RMB8,315,000 (2020: RMB7,902,000) in which approximately RMB7,902,000 (2020: RMB7,902,000) are credit-impaired as the counterparties failed to make demanded repayments on time and overdue, the Group recognised allowance for lifetime ECL on these loan interest receivables of approximately RMB7,902,000 (2020: RMB7,902,000) as at 31 December 2021. The Group measures the loss allowance for the remaining deposits and other receivables at an amount equal to 12-month ECL.

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

	2021	2020
	RMB'000	RMB'000
1 January	**7,902**	9,116
Reversal during the year	**–**	(1,214)
31 December	**7,902**	7,902

(ii) The prepayments of approximately RMB22,759,000 (2020: RMB26,196,000) were made to the other suppliers for the supplying of the raw materials and providing services to the Group.

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28. AMOUNTS DUE FROM ASSOCIATES

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

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

	2021	2020
	RMB'000	RMB'000
0 – 90 days	**115**	141
181 – 365 days	**156**	30
	271	171

The Group allows an average credit period of 90 days (2020: 90 days) to its associates for balances which are trading in nature.

The Group measures the loss allowance for traded amounts due from associates at an amount equal to lifetime ECL under simplified approach. The management considered that the amounts due from associates to be low credit risk and no recent history of default, and thus no impairment losses recognised during the years ended 31 December 2021 and 2020.

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

Restricted bank balances represented deposits required and restricted by banks in respect of the issue of letter of credit to certain suppliers of approximately RMB18,257,000 (2020: RMB19,224,000) and therefore are classified as current assets. As at 31 December 2021, the restricted bank balances carried interest at an average market rate of 0.3% (2020: 0.3%) per annum and will be released upon the completion of the respective transactions.

Short-term bank deposits represented the fixed bank deposits carry interest ranging from 1.1% to 4.3% (2020: 1.1% to 4.3%) per annum as at 31 December 2021 with original maturity of more than 3 months but within 12 months.

Bank balances carried interest at market rates ranged from 0.001% to 0.3% (2020: 0.001% to 0.3%) per annum as at 31 December 2021.

At 31 December 2021, bank balances and cash of approximately RMB198,000 (2020: RMB198,000) and RMB403,000 (2020: RMB753,000) were denominated in US$ and HK$ respectively that are currencies other than the functional currencies of the respective group entities.

Details of impairment assessment of restricted bank balances, short-term bank deposits and bank balances are set out in note 37(b).

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For the year ended 31 December 2021

30. TRADE AND BILLS PAYABLES, ACCRUALS AND OTHER PAYABLES

	2021	2020
	RMB'000	RMB'000
Trade payables	**91,524**	79,355
Bills payables	**35,476**	38,250
Trade and bills payables	**127,000**	117,605
Accruals and other payables:		
Accruals	**7,789**	7,333
Other payables	**760**	1,106
	8,549	8,439

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:

	2021	2020
	RMB'000	RMB'000
0 - 90 days	**76,686**	70,041
91 - 180 days	**41,066**	34,776
181 - 365 days	**4,489**	4,719
1 - 2 years	**2,803**	4,612
Over 2 years	**1,956**	3,457
	127,000	117,605

The average credit period on purchases of goods is 90 days (2020: 90 days). The Group has financial risk management policy in place to ensure that all payables are settled within the credit timeframe.

31. AMOUNTS DUE TO ASSOCIATES

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

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For the year ended 31 December 2021

32. BANK AND OTHER BORROWINGS

	2021	2020
	RMB'000	RMB'000
Bank borrowings, secured *(note (i))*	**153,453**	143,284
Bank borrowings, unsecured *(note (i))*	**3,000**	–
Other borrowings, secured *(note (ii))*	**7,325**	25,555
	163,778	168,839
Carrying amounts repayable (based on scheduled repayment dates set out in the borrowing agreements):		
Within one year	**115,994**	113,215
After one year but within two years	**14,169**	14,558
After two years but within five years	**33,615**	35,653
After five years	**–**	5,413
	163,778	168,839
Amounts shown under current liabilities	**115,994**	113,215
Amounts shown under non-current liabilities	**47,784**	55,624
	163,778	168,839

Notes:

(i) As at 31 December 2021, secured bank borrowings of approximately RMB153,453,000 (2020: RMB143,284,000) the Group were secured by its ownership interests in land and buildings, right-of-use assets, certain trade receivables with carrying values of approximately RMB1,182,000, RMB7,364,000 and RMB120,211,000 (2020: approximately RMB1,375,000, RMB7,676,000 and RMB139,239,000) respectively.

As at 31 December 2021, secured bank borrowings of approximately RMB153,453,000 (2020: RMB143,284,000) were guaranteed by the Company and the directors of the Company with guaranteed amount of RMB328,000,000 (2020: RMB315,000,000). Details of the guarantees by the directors of the Company are set out in note 43(c).

As at 31 December 2021, unsecured bank borrowings of RMB3,000,000 carried floating rate of Loan Prime Rate ("LPR") plus 0.25% per annum (2020: nil) for financing the Group's operations as at 31 December 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

32. BANK BORROWINGS AND OTHER BORROWING (Continued)

Notes: (Continued)

(ii) As at 31 December 2021, other borrowings of approximately RMB5,325,000 (2020: RMB11,500,000) and RMB2,000,000 (2020: RMB2,000,000) are pledged with ownership interests in land and buildings of with carrying amount of approximately RMB141,393,000 (2020: RMB148,330,000) and fully guaranteed by the directors of the Company respectively.

As at 31 December 2020, other borrowings of approximately RMB2,655,000 (2021: nil), RMB3,400,000 (2021: nil) and RMB6,000,000 (2021: nil) are secured by plant and machinery with carrying amount of approximately RMB1,543,000 (2021: nil) and operating income derived from new BOT in Foshan and Baoding respectively.

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

	2021 **RMB'000**	2020 RMB'000
Fixed rate borrowings		
expiring within one year	**68,825**	78,555
expiring beyond one year	**–**	3,000
Variable-rate borrowings		
expiring within one year	**47,169**	34,660
expiring beyond one year	**47,784**	52,624
	163,778	168,839

During the year ended 31 December 2021, the Group obtained new bank borrowings and other borrowings in the amount of approximately RMB105,000,000 (2020: RMB102,883,000) and repaid approximately RMB110,061,000 (2020: RMB118,228,000) respectively.

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

	2021	2020
Fixed-rate borrowings	**4.35% to 12.00%**	4.79% to 14.40%
Variable-rate borrowings	**PRC base lending rate with increment by 15% and Loan Prime Rate ("LPR") with increment by 0.25% to 1.00%**	PRC base lending rate with increment by 15% and Loan Prime Rate ("LPR") with increment by 0.94% to 1.00%

As at 31 December 2021, the Group has available un-utilised overdraft and short-term bank loan facilities of approximately RMB66,329,000 (2020: RMB137,224,000).

As at 31 December 2021, the Group's banking borrowings with carrying amount of RMB35,000,000 (2020: RMB30,000,000) are subject to the fulfillment of covenants relating to certain of the Group's financial ratios. If the Group were to breach the covenants the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 37(b). As at 31 December 2021, none of the covenants relating to drawn down facilities had been breached (2020: nil)

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For the year ended 31 December 2021

33. DEFERRED TAXATION

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

	2021	2020
	RMB'000	RMB'000
Deferred tax assets	**9,925**	9,907
Deferred tax liabilities	**(13,574)**	(11,217)
At 31 December	**(3,649)**	(1,310)

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

	Allowance for impairment loss of trade receivables, contract assets, deposits and other receivables and loan receivables	**Revaluation of listed and unlisted investments in equity securities**	**Undistributable profits of subsidiaries**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2020	9,139	366	(11,989)	(2,484)
(Debited) credited to profit or loss *(note 10)*	(549)	846	772	1,069
Credited to investment revaluation reserve	–	105	–	105
At 31 December 2020	8,590	1,317	(11,217)	(1,310)
(Debited) credited to profit or loss *(note 10)*	(1,422)	1,232	(2,357)	(2,547)
Credited to investment revaluation reserve	–	208	–	208
At 31 December 2021	7,168	2,757	(13,574)	(3,649)

Under the EIT Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has been provided for in the consolidated financial statements in respect of temporary taxable difference attributable to accumulated profits of the PRC subsidiaries amounting to approximately RMB271,487,000 (2020: RMB224,329,000) as the Group considered the temporary differences will be reversed in the foreseeable future upon declaration of dividends of subsidiaries.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

33. DEFERRED TAXATION (Continued)

The Group had unused tax losses of approximately RMB110,172,000 (2020: RMB117,554,000) as at 31 December 2021, available for offsetting against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. Tax losses of approximately RMB1,677,000 (2020: RMB1,677,000) may be carried forward indefinitely. The remaining tax losses of approximately RMB108,495,000 (2020: RMB115,877,000) will expire five years from the year of origination. As at 31 December 2021, tax losses of approximately RMB60,251,000, RMB7,211,000, RMB34,259,000 and RMB6,774,000 will expire in 2022, 2023, 2024 and 2025 respectively (2020: RMB14,156,000, RMB60,251,000, RMB7,211,000 and RMB34,259,000 will expire in 2021, 2022, 2023 and 2024 respectively).

At 31 December 2021, the Group had temporary differences of approximately RMB96,096,000 (2020: RMB108,544,000) in respect of allowance for impairment of trade receivables, contract assets, deposits and other receivables and loan receivables. Deferred tax asset of approximately RMB7,168,000 (2020: RMB8,590,000) had been recognised on temporary difference of approximately RMB47,792,000 (2020: RMB57,274,000). No deferred tax asset has been recognised on the remaining deductible temporary difference of approximately RMB48,304,000 (2020: RMB51,270,000) due to the unpredictability of future profit streams will be available against which the deductible temporary differences can be utilised.

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For the year ended 31 December 2021

34. SERVICE CONCESSION ARRANGEMENTS

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

As at 31 December 2021, the Group had 4 (2020: 4) service concession arrangements on charging equipments with governmental authorities in the PRC and a summary of the major terms of the principal service concession arrangements, is set out as follows:

Name of company as operator	Location	Name of grantor	Type of service concession arrangement	Designed processing capacity	Service concession period
Zhuhai Yilian New Energy Motor Company Ltd.* ("Zhuhai Yilian") 珠海驛聯新能源汽車有限公司	Baoding	Baoding Public Transport Corporation	BOT on charging equipments for electric vehicles	Provide charging services at RMB0.5kWh	10 years from October 2016 to September 2026
	Foshan	Foshan Chancheng District Public Transportation Management Company Limited * 佛山市禪城區公共交通管理有限公司	BOT on charging equipments for electric vehicles	Provide charging services at RMB0.6kWh	8 years from December 2017 to November 2025
	Foshan	Foshan Chancheng District Public Transportation Management Company Limited *	BOT on charging equipments for electric vehicles	Provide charging services at RMB0.6kWh	8 years from December 2019 to November 2027
Shaoguan Yilian	Shaoguan	Shaoguan Public Transportation Company Limited * 韶關市公共汽車有限公司	BOT on charging equipments for electric vehicles	Provide charging services to 110 electric vehicles of the grantor with average distance of 5,000km per month	8 years from July 2016 to June 2024

* English name is for identification purpose only

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35. SHARE CAPITAL

	Number of shares	Share capital
		HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January 2020, 31 December 2020 and 31 December 2021	10,000,000,000	100,000
		RMB'000
Issued and fully paid:		
At 1 January 2020, 31 December 2020 and 31 December 2021	925,056,000	8,087

The holders of ordinary shares are entitled to receive dividends declared from time to time and are entitled to one vote per share at general meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

36. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debt, which includes bank borrowings disclosed in note 32, net of restricted bank balances, short-term bank deposits and bank balances and cash disclosed in note 29 and equity attributable to owners of the Company, comprising issued share capital and reserves.

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

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37. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2021	2020
	RMB'000	RMB'000
Financial assets		
Financial assets at amortised cost	**402,488**	370,269
Financial assets at FVTOCI	**24,515**	26,137
Financial asset at FVTPL shown under non-current asset	**4,146**	9,066
Financial asset at FVTPL shown under current asset	**500**	–
	431,649	405,472
Financial liabilities		
Financial liabilities at amortised cost	**299,944**	296,964

(b) Financial risk management objectives and policies

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

Market risk

(i) Currency risk

The Group mainly operates in the PRC. All the Group's sales and purchases are denominated in the functional currency of the Group (i.e. RMB).

Certain financial assets at FVTOCI, certain bank balances and cash and loan receivable are denominated in HK$ and US$, which expose the Group to foreign currency risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

37. FINANCIAL INSTRUMENTS (Continued)

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

Market risk (Continued)

(i) *Currency risk* (Continued)

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

	Assets	
	2021	2020
	RMB'000	RMB'000
HK$	**1,760**	3,278
US$	**8,065**	9,333

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

Sensitivity analysis

The Group is mainly exposed to US$ and HK$.

The following table details the Group's sensitivity to a 5% (2020: 5%) increase and decrease in RMB against the relevant foreign currencies. 5% (2020: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of the reporting period for a 5% (2020: 5%) change in foreign currency rates.

A positive (negative) number below indicates an increase (a decrease) in post-tax profit where RMB strengthen 5% (2020: A positive (negative) number below indicates a decrease (an increase) in post-tax loss where RMB strengthen 5%) against the relevant currency. For a 5% (2020: 5%) weakening of RMB against the relevant currency, there would be an equal and opposite impact on the loss.

	2021	2020
	RMB'000	RMB'000
Effect on post-tax profit (loss)		
HK$	**(73)**	(137)
US$	**(337)**	(390)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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37. FINANCIAL INSTRUMENTS (Continued)

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

Market risk (Continued)

(ii) Interest rate risk

As at 31 December 2021 and 2020, the Group is exposed to fair value interest rate risk in relation to loan receivables disclosed in note 26, short-term deposits and restricted bank balances disclosed in note 29, certain fixed-rate bank and other borrowings disclosed in note 32.

As at 31 December 2021 and 2020, the Group is exposed to cash flow interest rate risk in relation to bank balances disclosed in note 29 and certain variable-rate bank borrowings disclosed in note 32. It is the Group's policy to keep its borrowings at floating rate of interest so as to minimise the fair value interest rate risk.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the RMB Base Lending Rate and LPR stipulated by the People's Bank of China arising from the Group's RMB denominated bank borrowings.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for variable rate bank borrowings, loan receivables and bank balances. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 (2020: 50) basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 (2020: 50) basis points higher or lower and all other variables were held constant, the Group's post-tax loss for the year ended 31 December 2021 would increase/decrease by approximately RMB120,000 (2020: RMB207,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

37. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk

As at 31 December 2021, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts.

In response to the COVID-19 pandemic, the Group monitors closely the economic environment and where appropriate, takes actions to limit its exposure to customers that are impacted.

Before accepting any new customer, the Group assesses the credit quality of the potential customers with reference to their financial strength and determines the credit terms and limits for them. The Group also regularly monitored the credit quality of the existing customers by established credit policies and procedures. The Group will adjust the credit limit to the existing customers with reference to the past repayment history and external credit source on the customers' financial strength.

For trade and bills receivables, contract assets and lease receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL on an individual basis for customer with significant balances and/or collectively by using a provision matrix, estimated based on historical credit loss experience, as well as the general economic conditions of the industry in which the debtors operate. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

For other non-traded related receivables, the Group has assessed whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime rather than 12-month ECL.

Management considered amounts due from related parties to be low credit risk and thus the impairment provision recognised during the year was limited to 12-month ECL.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Group's concentration of credit risk by geographical locations is in the PRC, which accounted for all of the trade and bills receivables as at 31 December 2021 and 2020.

The Group has concentration of credit risk as 16% and 34% (2020: 21% and 37%) of the total trade and bills receivables before allowance for impairment loss of trade receivables was due from the Group's largest debtor and top five debtors respectively within the DC Power System and Charging Equipment segments as at 31 December 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

37. FINANCIAL INSTRUMENTS (Continued)

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

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of short-term bank deposits and bank balances and cash deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities and lease liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities and lease liabilities based on the earliest date on which the Group can be required to pay. The maturity analysis for non-derivative financial liabilities is based on the scheduled repayment dates.

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

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37. FINANCIAL INSTRUMENTS (Continued)

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

Liquidity risk (Continued)

Liquidity table

	Within 1 year or on demand RMB'000	More than 1 year and within 2 years RMB'000	More than 2 years and within 5 years RMB'000	More than 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying Amount RMB'000
At 31 December 2021						
Non-derivative financial liabilities:						
Trade and bills payables	127,000	–	–	–	127,000	127,000
Accruals and other payables	8,549	–	–	–	8,549	8,549
Amounts due to associates	617	–	–	–	617	617
Bank borrowings						
– fixed rate	62,912	–	–	–	62,912	61,500
– variable rate	51,426	16,979	42,752	–	111,157	94,953
Other borrowing						
– fixed rate	7,373	–	–	–	7,373	7,325
	257,877	16,979	42,752	–	317,608	299,944

	Within 1 year or on demand RMB'000	More than 1 year and within 2 years RMB'000	More than 2 years and within 5 years RMB'000	More than 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying Amount RMB'000
At 31 December 2020						
Non-derivative financial liabilities:						
Trade and bills payables	117,605	–	–	–	117,605	117,605
Accruals and other payables	8,439	–	–	–	8,439	8,439
Amounts due to associates	2,081	–	–	–	2,081	2,081
Bank borrowings						
– fixed rate	57,488	–	–	–	57,488	56,000
– variable rate	38,927	14,652	38,068	15,577	107,224	87,284
Other borrowing						
– fixed rate	18,746	8,554	–	–	27,300	25,555
	243,286	23,206	38,068	15,577	320,137	296,964
Lease liabilities	59	–	–	–	59	55

The amounts included above for variable interest rate bank borrowings are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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37. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value of financial assets that are measured at fair value on a recurring basis

The following table provides an analysis of financial instruments that are measured at fair value at the end of each reporting period for recurring measurement, grouped into Level 1 to 3 based on degree to which the fair value is observable in accordance to the Group's accounting policy.

	31 December		
	2021		2020
	Level 2	Level 3	Level 3
	RMB'000	RMB'000	RMB'000
Financial asset at FVTPL			
Listed equity security	**–**	4,146	9,066
Structured deposit	**500**	–	–
Financial assets at FVTOCI			
Unlisted equity securities	**–**	24,515	26,137

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37. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value of financial assets that are measured at fair value on a recurring basis (Continued)

The valuation techniques and inputs used in the fair value measurement of the financial assets on a recurring basis are set out below:

Financial instruments	Fair value as at 31/12/2021 RMB'000	Fair value as at 31/12/2020 RMB'000	Fair value hierarchy	Valuation technique and key inputs	Significant unobservable inputs	Relationship of key inputs and significant unobservable inputs to fair value
Listed equity security at FVTPL	**4,146**	9,066	Level 3	Market approach – by applying market multiples from comparable companies and adjusted by marketability discount	(i) Price-to-earnings ratio of 20.56 (2020: 22.49); (ii) Enterprise value ("EV")-to-earnings before interest, taxation, depreciation and amortisation ("EBITDA") ratio of 10.56 (2020: 15.38); and (iii) Marketability discount of 20.6% (2020: 20.6%)	(i) The higher the price-to-earnings ratio, the higher the fair value. (ii) The higher the EV-to-EBITDA ratio, the higher the fair value. (iii) The higher of marketability discount, the lower the fair value.
Structured deposit at FVTPL	**500**	–	Level 2	Expected future cash flow	(i) Future cash flows (ii) Discount rate which reflects the credit risk of counterparty	(i) The higher the future cash flows, the higher the fair value (ii) The higher the discount rate, the lower the fair value
Unlisted equity securities at FVTOCI	**24,515**	26,137	Level 3	Market approach – by reference to the asset with identical or similar assets in the market	(i) Price-to-book ratio of 1.99 (2020: 2.03 to 2.26); (ii) Marketability discount of 35% (2020: 35%); and (iii) Specific business risk discount of 56% (2020: 56%)	(i) The higher the price-to-book ratio, the higher the fair value. (ii) The higher of marketability discount, the lower the fair value. (iii) The higher the specific business risk discount, the lower the fair value.

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For the year ended 31 December 2021

37. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value of financial assets that are measured at fair value on a recurring basis (Continued)

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to unobservable inputs at the end of the reporting period. For sensitivity analysis purpose, the sensitivity rate is increased to 10% (2020: 10%) in current year as a result of the volatile financial market.

For the year ended 31 December 2021, if the unobservable inputs of the listed equity instrument had been 10% (2020: 10%) higher/lower, loss for the year would decrease/increase by RMB311,000 (2020: RMB1,354,000) while total equity would increase/decrease by approximately RMB311,000 (2020: RMB1,354,000) as a result of the changes in fair value of financial assets at FVTPL.

For the year ended 31 December 2021, if the unobservable inputs of the structured deposit had been 10% (2020: nil) higher/lower, loss for the year would decrease/increase by RMB43,000 (2020: nil) while total equity would increase/decrease by approximately RMB43,000 (2020: nil) as a result of the changes in fair value of financial assets at FVTPL.

For the year ended 31 December 2021, if the unobservable inputs of the respective unlisted equity instrument had been 10% (2020: 10%) higher/lower, loss for the year would decrease/increase by RMB2,047,000 (2020: RMB5,780,000) while total equity would increase/decrease by approximately RMB2,047,000 (2020: RMB5,780,000) as a result of the changes in fair value of financial assets at FVTOCI.

Reconciliation of Level 3 fair value measurements of financial assets and financial liabilities on recurring basis are as follows:

	Listed equity security RMB'000	**Unlisted equity securities** RMB'000
At 1 January 2020	12,449	27,905
Changes in fair value through profit or loss	(3,383)	–
Changes in fair value through other comprehensive income	–	(1,768)
At 31 December 2020	9,066	26,137
Changes in fair value through profit or loss	(4,920)	–
Addition *(note 21)*	–	500
Changes in fair value through other comprehensive income	–	(1,622)
At 31 December 2021	4,146	25,015

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

38. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the consolidated statement of cash flows as cash flows from financing activities.

			Non-cash change	
	1 January 2021 RMB'000	**Financing cash flows RMB'000**	**Finance cost incurred RMB'000**	**31 December 2021 RMB'000**
Bank and other borrowings *(note 32)*	**168,839**	**(5,061)**	**–**	**163,778**
Lease liabilities *(note 17)*	**55**	**(55)**	**–**	**–**
Amounts due to associates	**2,081**	**(1,464)**	**–**	**617**
Interest payable included in accruals and other payable	**–**	**(10,260)**	**10,260**	**–**
	170,975	**(16,840)**	**10,260**	**164,395**

			Non-cash change	
	1 January 2020 RMB'000	Financing cash flows RMB'000	Finance cost incurred RMB'000	31 December 2020 RMB'000
Bank and other borrowings *(note 32)*	184,184	(15,345)	–	168,839
Lease liabilities *(note 17)*	259	(204)	–	55
Amounts due to associates	222	1,859	–	2,081
Interest payable included in accruals and other payable	–	(11,226)	11,226	–
	184,665	(24,916)	11,226	170,975

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

39. OPERATING LEASE COMMITMENTS

The Group as a lessor

The property held has committed tenants for the one year. While the contract periods for the operating lease of electric vehicles are one year.

Undiscounted lease payments under non-cancellable operating leases in place at the reporting date will be receivable by the Group in future periods as follows:

	31/12/2021	31/12/2020
	RMB'000	RMB'000
Within one year	**73**	103

40. CAPITAL COMMITMENTS

	2021	2020
	RMB'000	RMB'000
Capital expenditures contracted for but not provided in the consolidated financial statements in respect of:		
– Establishment of associates	**11,132**	26,921

41. RETIREMENT BENEFITS SCHEMES

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

The amount of contributions made by the Group in respect of the retirement benefits schemes during the years ended 31 December 2021 and 2020 are set in notes 11 and 13 respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

42. SHARE OPTIONS SCHEME

Share Option Scheme adopted on 8 May 2010 (the "Previous Share Option Scheme")

Pursuant to a written resolution passed by the shareholders of the Company on 8 May 2010, the Company has adopted the Previous Share Option Scheme for a period of 10 years commencing on 8 May 2010, the Board of the Company may, at its discretion, grant share options to any individual being an employee, officer, agent, consultant or representative of any member of the Group (including any executive or non-executive director of any member of the Group) at a consideration of HK$1 on acceptance of the option offer. The subscription of shares in the Company is subject to the terms and conditions as stipulated in the Previous Share Option Scheme.

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

The Previous Share Option Scheme was expired on 7 May 2020.

Share Option Scheme adopted on 18 December 2020 (the "New Share Option Scheme")

Pursuant to a written resolution passed by the shareholders of the Company on 18 December 2020, the Company has adopted a new Share Option Scheme (the "New Share Option Scheme") for a period of 10 years commencing on 18 December 2020, the Board of the Company may, at its discretion, grant share options to any individual being an employee, executive or officer or director (including executive, non-executive and independent non-executive director) of the Company or any of the subsidiaries and any supplier, customer, consultant, agent and adviser who, in the sole opinion of the Board, will contribute or have contributed to the Group, at a consideration of HK$1 on acceptance of the option offer. The subscription of shares in the Company is subject to the terms and conditions as stipulated in the New Share Option Scheme.

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

At 31 December 2021, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 37,980,000 shares (31 December 2020: nil), representing 4.1% (31 December 2020: nil) of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

Consideration of HK$1 is payable on the grant of an option. Options may be exercised at any time from 1 June 2022 to 31 December 2025. The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

42. SHARE OPTIONS SCHEME (Continued)

Share Option Scheme adopted on 18 December 2020 (the "New Share Option Scheme") (Continued)

Details of specific categories of share options are as follows:

Date of grant	Vesting period	Exercise period	Exercise price
23 July 2021	23 July 2021 to 31 December 2021	1 June 2022 to 31 December 2023	HK$0.445
	1 January 2022 to 31 December 2022	1 June 2023 to 31 December 2024	HK$0.445
	1 January 2023 to 31 December 2023	1 June 2024 to 31 December 2025	HK$0.445

The following table discloses movements of the Company's share options held by employees and directors during the year:

Grantees	Outstanding at 1/1/2021	Granted during the year	Outstanding at 31/12/2021
Employees	–	36,780,000	36,780,000
Directors	–	1,200,000	1,200,000
Total	–	37,980,000	37,980,000
Exercisable at the end of the year			–
Weighted average exercise price	–	HK$0.445	HK$0.445

No share options were granted and outstanding during the year ended 31 December 2020.

During the year ended 31 December 2021, options were granted on 23 July 2021. The estimated fair values of the options granted on the grant date is ranging from HK$0.1069 to HK$0.1571.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

42. SHARE OPTIONS SCHEME (Continued)

Share Option Scheme adopted on 18 December 2020 (the "New Share Option Scheme") (Continued)

These fair values were calculated using The Binomial model. The inputs into the model were as follows:

	At 23 July 2021
Weighted average share price	HK$0.400
Exercise price	HK$0.445
Expected volatility	43.662%
Expected life	4.44 years
Risk-free rate	1.052%

Expected volatility was determined by using the historical volatility of the Company's share price over the previous 4.44 years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Group recognised the total expense of approximately RMB1,112,000 (2020: nil) for the year ended 31 December 2021 in relation to share options granted by the Company.

The Binomial model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

43. RELATED PARTY TRANSACTIONS

Other than as disclosed elsewhere in these consolidated financial statements, during the year, the Group had the following material transactions with related parties:

(a) During the year, the Group entered into the following transactions with related parties:

(i) Interest income on a loan to an associate of approximately RMB25,000 (2020: RMB234,000) has been recognised during the year ended 31 December 2021.

(ii) Interest income on a loan to non-controlling shareholder of a PRC subsidiary of approximately RMB348,000 (2021:nil) has been recognised during the year ended 31 December 2020.

(iii) Sales of charging equipment for electric vehicles to the associates, of approximately RMB724,000 (2020: RMB1,007,000) for the year ended 31 December 2021, on terms mutually agreed with the parties, which were reference to prevailing market prices under the sales agreement.

(b) Compensation to key management personnel

The remuneration of directors of the Company during the year was as follows:

	2021	2020
	RMB'000	RMB'000
Short-term benefits	**1,953**	1,930

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

(c) Guarantees from directors

Certain banking facilities of the Group were guaranteed by Mr. Li Xin Qing and Mr. An Wei, directors of the Company:

	2021	2020
	RMB'000	RMB'000
To the extent of	**328,000**	315,000

Details of the borrowings of the Group are set out in note 32.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

44. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	**2021** **RMB'000**	2020 RMB'000
Non-current asset			
Investment in a subsidiary		**1**	1
Current assets			
Amounts due from subsidiaries	*44(a)*	**279,078**	282,136
Bank balances and cash		**183**	183
		279,261	282,319
Current liability			
Accruals and other payable		**859**	842
		859	842
Net current assets		**278,402**	281,477
Net assets		**278,403**	281,478
Capital and reserves			
Share capital	*35*	**8,087**	8,087
Reserves	*44(b)*	**270,316**	273,391
		278,403	281,478

Notes:

(a) The amounts are unsecured, non-interesting bearing and repayable on demand.

(b) Reserves

	Share premium RMB'000	**Accumulated losses** RMB'000	**Total** RMB'000
At 1 January 2020	325,141	(48,443)	276,698
Loss and total comprehensive expense for the year	–	(3,307)	(3,307)
At 31 December 2020	325,141	(51,750)	273,391
Loss and total comprehensive expense for the year	–	(3,075)	(3,075)
At 31 December 2021	325,141	(54,825)	270,316

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

45. PRINCIPAL SUBSIDIARIES OF THE COMPANY

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

Name of subsidiary	Place of establishment and operation	Class of shares held	Issued and fully paid share capital		Percentage of equity interest and voting power attributable to the Company				Principal activities
			2021	2020	**2021**		2020		
					Direct	**Indirect**	Direct	Indirect	
Titans Power Electronics *(note i)*	The PRC	Contributed	**RMB232,000,000**	RMB232,000,000	**–**	**100%**	–	100%	Research, development, manufacture and sales of wind and solar power generation balancing control products, charging equipment for electrical vehicles and power grid monitoring and management products
Zhuhai Titans New Energy Systems Co., Ltd.* 珠海泰坦新能源系統有限公司 *(note ii)*	The PRC	Contributed	**RMB3,000,000**	RMB3,000,000	**–**	**100%**	–	100%	Research, development, manufacture and sales of electrical power generation balancing control and other products
Zhuhai Yilian *(note ii)*	The PRC	Contributed	**RMB10,000,000**	RMB10,000,000	**–**	**100%**	–	100%	Sales and leases of electric vehicles and provision of charging services
Titans Technology.* *(note ii)*	The PRC	Contributed	**RMB200,000,000**	RMB200,000,000	**–**	**100%**	–	100%	Research, development, manufacture and sales of electrical direct current products
Shaoguan Yilian *(note ii)*	The PRC	Contributed	**RMB10,000,000**	RMB10,000,000	**–**	**100%**	–	100%	Sales and leases of electric vehicles; and provision of charging services
Zhejiang Huachuang *(note iii)*	The PRC	Contributed	**RMB2,275,000**	RMB1,275,000	**–**	**51%**	–	51%	Research, development, manufacture and sales of electrical direct current products
Hebei Jidong Titans Technology Co., Ltd.* 河北冀东泰坦科技有限公司 *(note ii)*	The PRC	Contributed	**RMB10,000,000**	RMB10,000,000	**–**	**50%**	–	50%	Design, manufacture and sales of charging equipments for electric vehicles
Shandong Huidian *(notes ii)*	The PRC	Contributed	**RMB33,333,000**	RMB33,333,000	**–**	**60%**	–	60%	Design, manufacture and sales of charging equipments

Notes:

(i) This entity is wholly foreign owned entity established in the People's Republic of China.

(ii) These entities are domestic enterprises.

(iii) On 3 November 2020, Titans Technology established a non-wholly owned subsidiary, Zhejiang Huachuang, with 51% ownership interest with registered capital of RMB10,000,000. An amount of capital contribution with approximately RMB1,000,000 was paid by an individual third party during the year.

* English name is for identification purpose only

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

45. PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

The above table lists the subsidiaries of the Group which, in the opinion of the directors of the Company, principally affected the results or assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excess length.

At the end of the reporting period, the Group has other subsidiaries that are not individually material to the Group. The principal activities of these subsidiaries are sales of charging equipment of electric vehicles and investment holding. A summary of these subsidiaries are set out as follows:

Principal activity	Principal place of business	Number of subsidiaries 2021	2020
Sales of charging equipment for electric vehicles	– The PRC	**2**	2
Sales and leases of electric vehicles and provision of charging services	– The PRC	**1**	1
Investment holding	– Hong Kong	**2**	2
	– BVI	**1**	1
	– The PRC	**1**	1
Inactive	– The PRC	**6**	7
		13	14

None of the subsidiaries had issued any debt securities subsisting at the end of both years or at any time during both years.

The table below shows details of non-wholly owned subsidiary of the Group that has non-controlling interests that are material to the Group:

Name of subsidiary	Place of incorporation/ establishment and principal place of business	Proportion of ownership interest held by non-controlling interests		Proportion of voting power held by non-controlling interests		Loss attributable to non- controlling interests		Accumulated non-controlling interests	
		2021	2020	**2021**	2020	**2021**	2020	**2021**	2020
		%	%	**%**	%	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Shandong Huidian	The PRC	**40**	40	**40**	40	**(353)**	(759)	**9,161**	9,514

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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45. PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

	2021	2020
	RMB'000	RMB'000
Non-current assets	**2,462**	2,786
Current assets	**22,985**	23,532
Current liabilities	**(2,543)**	(2,532)
Equity attributable to owners of the Company	**13,743**	14,272
Non-controlling interests	**9,161**	9,514

	2021	2020
	RMB'000	RMB'000
Revenue	**62**	159
Expenses	**(944)**	(1,585)
Loss for the year	**(882)**	(1,426)
Loss attributable to owners of the Company	**(529)**	(667)
Loss attributable to non-controlling interests	**(353)**	(759)
Loss for the year	**(882)**	(1,426)
Net cash outflows from operating activities	**(1,080)**	(982)
Net cash inflows from investing activities	**35**	109
Net cash inflows from financing activities	**–**	1,576
Net cash (outflow) inflows	**(1,045)**	703

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

46. CHANGE IN OWNERSHIP INTERESTS IN SUBSIDIARIES

During the years ended 31 December 2021 and 2020, the Group had the following changes in its ownership interests in subsidiaries.

Acquisition of additional interests in subsidiaries

(i) Zhang Jiakou Yulian New Energy Technology Company Ltd.* (張家口驛聯新能源科技有限公司) ("Zhang Jiakou Yulian")

On 29 September 2020, Zhuhai Yilian acquired an additional 30% equity interest of Zhang Jiakou Yulian, increasing its ownership interest to 100% at cash consideration of RMB900,000.

An amount of approximately RMB45,000 was recognised in capital reserve, which represents the difference between consideration paid for acquisition of additional interest in Zhang Jiakou Yilian of RMB900,000 and carrying amount of non-controlling interest acquired of approximately RMB855,000.

(ii) Shandong Huidian

On 4 December 2020, Titans Technology acquired an additional 15% equity interest of Shandong Huidian, increasing its ownership interest to 60%, settled by loan receivable and loan interest receivable of approximately RMB5,000,000 and RMB965,000 respectively.

An amount of approximately RMB2,372,000 was recognised in capital reserve, which represents the difference between consideration payable for acquisition of additional interest in Shandong Huidian of approximately RMB5,965,000 and carrying amount of non-controlling interest acquired of approximately RMB3,593,000.

* English name is for identification purpose only

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For the year ended 31 December 2021

47. DISPOSAL OF A SUBSIDIARY

On 15 September 2021, the Group disposed of entire equity interest in Chengdu Titan Hong Zheng Technology Co., Ltd.* (成都泰坦弘正科技有限公司) ("Chengdu Titan") to an independent third party for consideration of RMB1. The Group lost its control over Chengdu Titan and Chengdu Titan ceased to be a subsidiary of the Group after the completion of abovementioned disposal on 15 September 2021. The net assets of Chengdu Titan at the date of disposal were as follows:

Consideration receivable:

	2021 RMB'000
Consideration receivable	–

Analysis of assets and liabilities over which control was lost:

	15 September 2021 RMB'000
Plant and equipment	589
Inventory	104
Prepayments, deposits and other receivables	6,116
Tax recoverable	77
Bank balances and cash	96
Trade payable	(104)
Accrual and other payable	(761)
Contract liabilities	(6,540)
Net liabilities disposed of	(423)

Gain on disposal of Chengdu Titan:

	15 September 2021 RMB'000
Consideration receivable	–
Net liabilities disposed of	423
Non-controlling interests	–
Gain on disposal of Chengdu Titan	423

* English name is for identification purpose only

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

47. DISPOSAL OF A SUBSIDIARY (Continued)

Net cash flows on disposal of Chengdu Titan:

	15 September 2021 RMB'000
Bank balances and cash disposed of	**(96)**

On 12 November 2020, the Group disposed of entire equity interest in Hunan Yizhihang New Energy Technology Development Company Ltd.* (湖南易智行新能源科技发展有限公司) ("Hunan Yizhihang") to an independent third party for consideration of RMB7,300,000. The Group lost its control over Hunan Yizhihang and Hunan Yizhihang ceased to be a subsidiary of the Group after the completion of abovementioned disposal on 12 November 2020. The net assets of Hunan Yizhihang at the date of disposal were as follows:

Consideration receivable:

	RMB'000
Consideration receivable	7,300

Analysis of assets and liabilities over which control was lost:

	12 November 2020 RMB'000
Plant and equipment	10
Prepayments, deposits and other receivables	8,310
Bank balances and cash	1
Contract liabilities	(339)
Net assets disposed of	7,982

* English name is for identification purpose only

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For the year ended 31 December 2021

47. DISPOSAL OF A SUBSIDIARY (Continued)

Gain on disposal of Hunan Yizhihang:

	12 November 2020 RMB'000
Consideration receivable	7,300
Net assets disposed of	(7,982)
Non-controlling interests	712
Gain on disposal of Hunan Yizhihang	30

Net cash flows on disposal of Hunan Yizhihang:

	12 November 2020 RMB'000
Bank balances and cash disposed of	(1)

48. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2020, the Group acquired an additional 15% equity interest of a subsidiary of the Group, Shandong Huidian, settled by loan receivable and loan interest receivable of approximately RMB5,000,000 (2021: nil) and RMB965,000 (2021: nil) respectively.

During the year ended 31 December 2020, the consideration receivable of RMB7,300,000 (2021: nil) from disposal of a subsidiary was offset by the other payable to the disposed subsidiary.

During the year ended 31 December 2020, inventories of approximately RMB4,997,000 (2021: nil) were transferred to property, plant and equipment upon change in intention of use.

* English name is for identification purpose only