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

2023
ANNUAL REPORT

* For identification purpose only

CONTENTS

CORPORATE INFORMATION

Directors	Executive Directors Mr. Gao Xia *(Chairman)* Mr. Li Xin Qing Mr. Bi Jingfeng Mr. An Wei *(Chief Executive Officer)* Non-executive Director Mr. Jiang Wenqi Independent non-executive Directors Mr. Li Xiang Feng Mr. Liu Wei Ms. Jiang Yan
Audit Committee	Ms. Jiang Yan *(Committee Chairman)* Mr. Li Xiang Feng Mr. Liu Wei
Remuneration Committee	Mr. Li Xiang Feng *(Committee Chairman)* Mr. Liu Wei Ms. Jiang Yan
Nomination Committee	Mr. Gao Xia *(Committee Chairman)* Mr. Li Xiang Feng Mr. Liu Wei
Authorised Representatives	Mr. Gao Xia 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	Building G1 South Section of The High and New Technology Factory Renhe Road Caofeidian Industrial District Tangshan Hebei 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	**2023 RMB'000**	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000
Revenue	**374,277**	344,848	337,344	275,592	301,214
Gross profit	**107,802**	110,319	114,421	68,264	88,282
Profit (loss) for the year attributable to owners of the Company	**(43,979)**	(18,227)	18,595	(29,622)	(47,603)
Total comprehensive income (expense) for the year attributable to owners of the Company	**(54,410)**	(22,044)	17,181	(31,285)	(41,580)
Earnings (loss) per share					
Basic	**RMB(0.034)**	RMB(0.020)	RMB0.020	RMB(0.032)	RMB(0.052)
Diluted	**RMB(0.034)**	RMB(0.020)	RMB0.020	RMB(0.032)	RMB(0.052)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR THE PAST FIVE YEARS

As at 31 December	**2023 RMB'000**	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000
Total assets	**1,078,847**	906,964	866,432	826,440	878,764
Non-current assets	**225,108**	246,224	255,425	277,359	298,673
Current assets	**853,739**	660,740	611,007	549,081	580,091
Total liabilities	**460,210**	404,361	343,513	321,547	334,420
Current liabilities	**394,858**	337,865	282,155	254,706	246,083
Net current assets	**458,881**	322,875	328,852	294,375	334,008
Net assets	**618,637**	502,603	522,919	504,893	544,344

FINANCIAL HIGHLIGHTS

FINANCIAL INDICATORS FOR THE PAST FIVE YEARS

For the year ended 31 December	2023	2022	2021	2020	2019
Inventory turnover (1) (days)	**253**	240	194	165	139
Trade and bills receivables turnover (2) (days)	**261**	269	250	302	271
Trade and bills payables turnover (3) (days)	**250**	223	177	182	151
Current ratio (4) (times)	**2.16**	1.96	2.17	2.16	2.36
Gearing ratio (5) (%)	**14.51**	18.14	18.90	20.43	20.96
Return on equity (6) (%)	**(7.22)**	(3.71)	3.64	(6.01)	(9.04)

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 2023 of the Company.

During the Reporting Period, the ownership volume of new energy vehicle in China reached 20 million, Chinese government continued to launch policies favorable to the construction of charging infrastructure for electric vehicles and China has gradually achieved the goals of carbon peak and carbon neutrality while facilitating social and economic development. According to the statistics released by China Electric Vehicle Charging Infrastructure Promotion Alliance, from January to December 2023, the sales volume of new energy vehicles was 9,495,000 and the number of charging infrastructure increased by 3,386,000 units, representing a year-on-year increase of 30.6%, in particular, the number of public charging poles increased by 929,000 units, representing a year-on-year increase of 42.7%, and the number of private charging poles built with vehicles increased by 2,458,000 units, representing a year-on-year increase of 26.6%. In 2023, both sectors of charging infrastructure and new energy vehicles were at the stage of exponential growth.

During the Reporting Period, the Group recorded revenue of approximately RMB374,277,000, representing a year-on-year increase of approximately 8.53%. In spite of an increase in revenue, the Group recorded loss attributable to owners of the Company of approximately RMB43,979,000 in 2023 due to (i) a decrease in profit margin as a result of an adjustment of overall marketing strategy for enhancing its market share; (ii) an increase in administrative expenses as well as selling and distribution expenses; and (iii) an increase in provision for trade receivables.

2023 was the beginning of the second triennial operation of the Group, welcoming its turning point of development. In order to grasp opportunities for development in the market, the Group has newly issued 566,970,000 ordinary shares of the Company to Tangshan Guokong Science and Technology Innovation Investment Group Co., Limited under State-owned Assets Supervision and Administration Commission of Tangshan, Hebei, bringing in state-owned capital in return for 38% equity interests in the Company, such issuance has realized an effective merge of private and state-owned capital. By fully leveraging on the advantages of the operation platform of the state-owned capital, the enhancement of the Company’s capability in terms of strategy, financial position, operation and management has facilitated quality development of the Group.

Looking forward to 2024, in light of on-going growth in penetration of new energy vehicles, intensive catalyst of the policies favorable to charging pole industry and the synergy of distribution networks, the construction of charging infrastructure for electric vehicles will further burgeoning. The prospects of the markets of electricity and battery charging and swapping equipment for electric vehicles where the Group is operating are attractive. While focusing on its principal business as the core, the Group will explore new business opportunities for diverse development.

* *For identification purpose only*

CHAIRMAN'S STATEMENT

With intensified competition in the market, 2024 will be full of challenges with an abundance of opportunities. The Group adopts a new strategic mindset to overcome challenges and grasp new opportunities, evaluating the changing market landscape through wide-angle lens and turning a new chapter of the Group for development with firm and practical management. China Titans is committed to becoming a technological leader focusing on environmentally effective green energy, making contribution to the society for sustainable development. On the strength of its unique extensive competitiveness of "stated-owned enterprise + listed company", China Titans will stay true to its mission to forge ahead and create a better future in a sustainable manner.

Last but not least, on behalf of the Board, I would like to take this opportunity to sincerely thank all our shareholders and partners for your long-standing support and love to our Group, and I would also like to express my sincere gratitude to all my colleagues for your commitments to your positions and ongoing dedication in the past year. I look forward to continuing this journey with you with all sincerity.

Gao Xia
Chairman

Hong Kong, 28 March 2024

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the year ended 31 December 2023 (the "Reporting Period"), the Group recorded revenue of approximately RMB374,277,000, representing an increase of approximately 8.53% 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 2023 and 2022:

	For the year ended 31 December			
	2023		2022	
	RMB'000	**%**	RMB'000	%
Electrical DC products	**141,021**	**37.68**	123,813	35.92
Charging equipment for electric vehicles	**206,661**	**55.22**	198,377	57.52
Charging services for electric vehicles	**26,517**	**7.08**	22,521	6.53
Others	**78**	**0.02**	137	0.03
Total	**374,277**	**100**	344,848	100

In 2023, the Group recorded a loss attributable to owners of the Company and total comprehensive expense attributable to owners of the Company of approximately RMB43,979,000 and RMB54,410,000, respectively, representing an increase of approximately RMB25,752,000 and approximately RMB32,366,000 as compared to the loss of approximately RMB18,227,000 and the total comprehensive expense of approximately RMB22,044,000 of last year.

Compared with 2022, the loss of the Group was mainly due to: (1) the increase in costs and expenses during the Reporting Period; and (2) the increase in allowance of trade receivables.

Electrical DC products

During the Reporting Period, the Group's revenue of the electrical DC product was approximately RMB141,021,000, representing an increase of approximately 13.90% over 2022.

Charging equipment for electric vehicles

During the Reporting Period, the Group's revenue of the charging equipment for electric vehicles amounted to approximately RMB206,661,000, representing an increase of approximately 4.18% over 2022. 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 for electric vehicles of approximately RMB26,517,000, representing an increase of approximately 17.74% as compared to that recorded in 2022. The Directors consider the increase in revenue from electric vehicle charging services was mainly due to the growth of domestic electric vehicles charging demand, leading to increase in the revenue of Company's charging services.

Others

During the Reporting Period, the Group's revenue of other businesses amounted to approximately RMB78,000, being the income from the sales of power storage products and the leasing business in relation to electric vehicles, representing a decrease of approximately 43.07% as compared to that recorded in 2022.

The Group's major operating activities in 2023:

During the Reporting Period, accompanied by the continued boost of several national policies related to the development of the new energy automobile industry, the industrial chain of new energy vehicles continued to maintain its rapid development.

According to the statistics released by China Electric Vehicle Charging Infrastructure Promotion Alliance, from January to December 2023, the sales volume of new energy vehicles was 9,495,000 units. The number of charging infrastructure increased by 3,386,000 units, representing a year-on-year increase of 30.6%, of which, public charging poles increased by 929,000 units, representing a year-on-year increase of 42.7%. The private charging poles built with vehicles increased by 2,458,000 units, representing a year-on-year increase of 26.6%. As of December 2023, the cumulative number of charging infrastructure nationwide was 8,596,000 units, representing a year-on-year increase of 65%, with 3,567 battery swap stations. The charging infrastructure and new energy vehicles continue to grow rapidly.

According to the data released by the China Electricity Council, in 2023, China's total electricity consumption was 9,220 billion kWh, representing a year-on-year increase of 6.7%. Electrical DC products is a major component of power transmission and transformation equipment and also one of the two core products of the Company. The construction of power system that has been expanding year-by-year brings wide room for development of the Company's electrical DC products.

MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, total revenue from the Group's principal business was approximately RMB374,277,000, representing a year-on-year increase of 8.53%. The main operating conditions are set out as below:

1. Electrical DC products

During the Reporting Period, the Group's electrical DC products recorded a revenue of approximately RMB141,021,000, representing a year-on-year increase of approximately 13.90%.

The Group still adopts the sales model of "direct sales + agency". After 31 years of intensified development in the electrical DC industry, the Group has a deep understanding of its technology and market. During the Reporting Period, our traditional electrical DC products won the bid for several procurement projects of Guangdong Province, Henan Province, Jilin Province, Inner Mongolia Autonomous Region and Fujian Province. In addition to being effectively applied in the semiconductor, automobile manufacturing, metallurgy and food production industries, the electricity-dazzling products of our new offerings were promoted to the chemical industry during the Reporting Period, through which the stability of the power system was improved, the downtime of equipment was reduced, the risk of damage to equipment was lowered, and the stable operation of customer's production equipment as well as safety in production was safeguarded.

2. Charging equipment for electric vehicles

During the Reporting Period, the Group's electrical DC products recorded a revenue of approximately RMB206,661,000, representing a year-on-year increase of approximately 4.18%.

Since Titans entered the new energy vehicles charging business in 2005, it has insisted on independent research and development and innovation to provide the market with a full range of charging equipment. In 2023, we even launched a supercharging terminal based on liquid-cooling technology. Liquid-cooling technology not only reduces the internal temperature of charging equipment, but also improves the conversion efficiency and stability of charging equipment. Liquid-cooled supercharger has powerful performance, stable functions and flexible allocation, and can cover most of the charging scenarios. During the Reporting Period, the product has been put into operation at the supercharging demonstration stations in Beijing, Shanghai, Guangdong, Hubei and other regions, and has been widely recognised by the market.

During the Reporting Period, leveraging on our professional brand reputation, high-quality services, reliable product functions and efficient responsiveness, Titans Group successively won the bids of numerous procurement projects of charging equipment for electric vehicles including large-scale state-owned enterprises like China Tower Corporation Limited, China Southern Power Grid Co., Ltd., and China National Petroleum Corporation ("PetroChina"). Among them, the charging equipment provided for PetroChina's charging stations has covered the provinces and cities like Shanxi, Beijing, Sichuan, Hainan, Jiangsu, Shandong and Guangxi. As of the end of 2023, Titans had supplied equipment and services to approximately 80 PetroChina charging stations.

MANAGEMENT DISCUSSION AND ANALYSIS

In addition to providing powerful charging services for new energy passenger cars and buses, in terms of charging for heavy electric trucks, the Group constructed dozens of charging equipment for heavy trucks for six cities, namely, Baotou City in the Inner Mongolia Autonomous Region, Xingtai City in Hebei Province, Shenyang City in Liaoning Province, Beijing City, Datong City and Changzhi City in Shanxi Province during the Reporting Period. In terms of battery swapping for heavy electric trucks, the Group deployed several sets of advanced battery swapping technology equipment in Yangquan City, Shanxi Province, to solve the problem of rapid replenishment of power for heavy electric trucks. Such charging and replaceable equipment has the advantages of intelligence, automation, high efficiency and low energy consumption, and is capable of realizing full life-cycle data monitoring of the equipment, which significantly improves the operational efficiency of heavy trucks.

3. Charging services for electric vehicles

During the Reporting Period, revenue from charging services for electric vehicles amounted to approximately RMB26,517,000, representing a year-on-year increase of 17.74%. During the Reporting Period, with regards to investments and operations, we focused on the further development of existing stations, aiming at increasing the number of effective stations, optimizing and upgrading the host equipment of the existing stations to improve the quality of service, expanding a wide network of franchisees and cooperators, and carrying out joint activities on platforms as well as marketing activities to increase revenues, while conducting management of the entire product lifecycle on the charging poles products of electric vehicles. In terms of research and development, the Group emphasized the delivery of software research and development and optimized those functions with higher market demands. These include upgraded features such as remote power adjustment of charging poles, monitoring of battery status to ensure vehicle charging safety and provision of credit charging on a pay-in-arrears-after-power-charging basis, laying the foundation for subsequent application in overseas markets.

4. Supporting measures

During the Reporting Period, the information technology department, in collaboration with the production and supply chain department, introduced the Manufacturing Execution System (MES) to improve the automation and intelligence of the workshop production process management through information integration and sharing, so as to gradually realize a digital intelligent factory. Human resources are closely centered on the Company's operational priorities and team effectiveness, and resources are rationally allocated. During the Reporting Period, the Group continued to provide employees with a wide variety of training programs covering a wide range of areas and organized staff skills competitions to promote skills enhancement through competitions. At the same time, the Group actively promoted the development of cadres and cross-competency training as key programs, and conducted regular talent assessments to ensure that duties and roles were fulfilled.

MANAGEMENT DISCUSSION AND ANALYSIS

Future business prospect and plans

In 2024, the new energy automobile industry is still the national key development industry, it is expected that by 2025 the new energy automobile ownership will exceed 40 million volume. With the intensive catalyzing of the charging pole policy, as well as the collaborative construction of the distribution network, the charging infrastructure construction will continue to gain momentum.

In January 2024, the National Development and Reform Commission and other three Ministries and Commissions issued the "Implementation Opinions on Strengthening the Integration and Interaction Between New Energy Vehicles and Power Grids", which makes it clear that by 2030, China's vehicle-grid interaction technical standard system will be basically completed, the market mechanism will be more improved, the vehicle-grid interaction will be applied on a large scale, the intelligent and orderly charging will be comprehensively promoted, and the new energy vehicles will become an important part of the electrochemical energy storage system, and we will strive to provide the power system to provide ten million kilowatts of two-way flexibility adjustment ability. Encouraging cooperation between power grid enterprises and charging operators to establish an efficient interaction mechanism between the power grid and battery charging and swapping stations, and enhance the power response adjustment ability of battery charging and swapping stations. Encouraging charging operators to build integrated optical storage and charging stations according to local conditions, and promote the integrated development of transport and energy.

In February 2024, the Ministry of Transport issued the "Notice on Accelerating the Construction of Charging Infrastructure in Highway Service Areas in 2024" (the "Notice"), which made it clear that this year, China plans to add 3,000 charging poles and 5,000 charging parking spaces in highway service areas and continue to improve the powerful charging services capacity along highways. According to the requirements of the Notice, by the end of this year, the coverage rate of charging poles in highway service areas in regions other than high-cold and high-altitude should reach 100%.

In March 2024, the National Development and Reform Commission and the National Energy Board issued the "Guiding Opinions on the High-Quality Development of Distribution Grids under New Circumstances", pointing out that by 2025, the distribution grid network structure will be stronger and clearer, with reasonably abundant supply and distribution capacity, the carrying capacity and flexibility of distribution grids will be significantly improved, with about 500 million kilowatts of distributed new energy and 12 million charging piles accessing capacity, the active distribution grid will be compatible with the large power grid, the digital transformation of the distribution grid will be comprehensively promoted, and the open sharing system will be gradually formed to support diversified and innovative development, the intelligent regulation and operation system will be accelerated and upgraded, and the coordination and interaction of the vehicle and network and the new energy source and energy storage technologies will be promoted in the areas with the conditions.

MANAGEMENT DISCUSSION AND ANALYSIS

In China's dual-carbon target strategy, the electrification of transport and the reform of new energy power are regarded as two core strategies. Charging infrastructure happens to carry the dual transformation of new energy vehicles and new power systems, playing the key role of information interaction hub and energy management node, and charging infrastructure is urgently needed to move towards high-quality development. The Group will respond positively to China's development needs, make full use of the existing conditions, continue to improve its products and technologies, actively expand its business areas and further enhance the overall image of the Group. The following are the Group's business and management priorities for 2024:

1. Improving the production and sales system, and actively expanding the market territory

In terms of manufacturing, the Group will focus on improving the workshop support of the new plant of approximately 17,400 square meters in Tangshan, Hebei Province, as well as upgrading the existing design and process of the Zhuhai plant in Guangdong Province, optimizing the inspection equipment, and continuing to push forward the transformation of digital and intelligent production. In terms of sales and marketing, the Group will optimize and upgrade the sales management system, integrate the product lines, optimize market penetration and expand market share. Based on stabilizing the existing high-power fast charging market and intelligent flexible charging market, we will further promote the implementation of standardized products. Increase investment in heavy truck battery charging and swapping projects, focusing on the urgent need for electrification of heavy trucks, relying on the accumulated experience in implementing heavy truck battery swapping projects, exploring in-depth customer groups of heavy trucks for battery swapping, and laying out intelligent heavy truck battery charging and swapping stations at key nodes of the logistics system. The Group will continue to optimize its industrial chain structure with the goal of achieving high-quality development.

2. Restarting new projects for investment, construction and operation of charging stations

Due to the prolonged COVID-19 pandemic and its severe impact on the economy, the Group quickly adjusted its development strategy in 2020 and decided to suspend its investment in self-operated charging station projects. During this period, the Group focused on improving the use and management of the platform and its computing services, and the "EV Link" platform was continuously upgraded and iterated to better meet the charging operation and management. With the end of the pandemic and the gradual recovery of the economy, governments have increased their support and capital investment in infrastructure facilities. Among them, in the "Development Plan for Charging Infrastructure Construction in Tangshan City (2023-2025)", the focus is on promoting the comprehensive coverage of the charging service network in Tangshan City and creating a new engine for the high-quality development of charging infrastructure in Tangshan City. Accordingly, the Group plans to restart its investment and operation business, with Tangshan City as the key development city, and plans to invest in the construction of new energy battery swapping stations and new energy battery charging stations within the Caofeidian District of Tangshan City, as well as the construction of charging station demonstration projects in its urban areas and farms. Leveraging on its accumulated investment and construction experience in the past, the Group will focus on promoting the construction of comprehensive intelligent energy service stations and the popularization of integrated products of light, storage, charging and swapping, and improving the level of battery charging services, with high-quality battery charging equipment products and continuously optimized technology as the core, in combination with modern means of investment and financing, and with a constantly innovative business model. By leveraging the synergistic effect of the Group's various business areas and the combination of points, lines and surfaces of battery charging stations, the effective development of the northern market will be realized as soon as possible.

MANAGEMENT DISCUSSION AND ANALYSIS

3. Strengthening research and development, enhancing the core competitiveness of products

In terms of product research and development and technology, we will maintain the core technology advantages of power electronics, achieve breakthroughs in intelligent power products, plan and develop a new monitoring product system, and upgrade the existing battery charging pole products from the three dimensions of power, heat dissipation and safety, especially the upgraded entire liquid-cooled super-charging series products with liquid-cooled heat dissipation, which can reach a power of 720 kilowatts, with an average efficiency of 96%, and help technological upgrading and development of the industry. Meanwhile, the Group will complete the upgrade of all standard products, the supplementation of small-power featured products, and the landing of new-generation industrial and commercial energy storage systems, BMS control systems, and high-power electricity dazzling products. In terms of platforms, the Group will focus on strengthening the construction of monitoring product platforms, software platforms and system integration capabilities, and continue to shape and enhance the core competitiveness of its products by focusing on customer needs. At the same time, the Group will strengthen its cooperation with the research and development teams of various universities and continue to iterate its existing products and reserve new technologies ahead of time, aiming to produce safer, more efficient and intelligent products to improve the future market suitability.

4. Optimizing internal management and enhancing comprehensive resilience

Focus on enhancing digital production, optimizing the use of the MES system in the production process, continuously improving the integration of business and finance, optimizing and expanding the product lifecycle management ("PLM") system, and enhancing overall work efficiency. The Group will strengthen the training of management cadres, improve management capability, promote the development of cross-competence in the form of job rotation, optimize the personnel structure and continue to promote the rejuvenation of cadres. Also, it will deepen the assessment mechanism by combining Key Performance Indicators (KPI) and the Objectives and Key Results (OKR) method, promote the introduction of AI tools into office application scenarios, enhance the overall quality and work efficiency of employees, and build an efficient team.

5. Leveraging on the state-owned platform to create a better future

With the introduction of a 38% equity stake in state-owned capital through a reserved capital increase in 2023, the Group will fully utilize the advantages of the state-owned capital operation platform to actively empower the Company in terms of strategy, finance, operation and management. Through the synergistic development of the state-owned platform and the listed platform in multiple dimensions, the Group will promote the high-quality development of itself. Firstly, we will work together to improve the layout of the new energy industry chain in which the Group is located, and jointly invest in the construction of new energy infrastructures such as air-cooled and liquid-cooled charging and swapping stations, charging and swapping stations for heavy trucks, and industrial and commercial energy storage systems. Secondly, both parties will jointly conduct in-depth market development, maintain existing mainstream customers while expanding promotional channels, and proactively seek new points of convergence between products and market demand, so as to enhance the Group's market position in the industry. In addition, we will work together to build the foundation for the development of the enterprise by jointly exploring and formulating the enterprise's external investment strategy, strengthening and supplementing the construction of various qualification certificates, and stepping up the research and development of independent innovations, so as to improve the enterprise's internal skills. Finally, relying on the strengths of state-owned enterprises, we will continue to implement organizational integration and reform, and vigorously promote the deep integration of functions and businesses, so as to give full play to the unique and comprehensive competitiveness of "state-owned enterprises + listed companies".

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

Our revenue increased from approximately RMB344,848,000 for the year ended 31 December 2022 to approximately RMB374,277,000 for the year ended 31 December 2023, representing an increase of approximately 8.53%. The main reason for the increase in the Group's revenue is that during the Reporting Period, as 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 13.90%, charging equipment for electric vehicle increased by approximately 4.18%, charging services for electric vehicles increased by approximately 17.74% and others decreased by approximately 43.07%.

Cost of sales

Our cost of sales, which mainly included raw material costs, direct labour costs and manufacturing expenses, increased by approximately 13.62% from RMB234,529,000 for the year ended 31 December 2022 to RMB266,475,000 for the year ended 31 December 2023. The increase in cost of sales was mainly attributable to the increase in revenue during the Reporting Period.

Gross Profit

The table below sets out our gross profit and gross profit margin for the years ended 31 December 2023 and 2022:

	For the year ended 31 December 2023			For the year ended 31 December 2022		
	Gross profit RMB'000	**Percentage of total gross profit %**	**Gross profit margin %**	Gross profit RMB'000	Percentage of total gross profit %	Gross profit margin %
Electrical DC products	**33,411**	**30.99**	**23.69**	28,803	26.11	23.26
Charging equipment for electric vehicles	**72,836**	**67.57**	**35.24**	80,265	72.76	40.46
Charging services for electric vehicles	**1,534**	**1.42**	**5.78**	1,196	1.08	5.31
Others	**21**	**0.02**	**27.15**	55	0.05	40.14
Total/average	**107,802**	**100**	**28.80**	110,319	100	31.99

Our gross profit decreased by approximately 2.28% from RMB110,319,000 for the year ended 31 December 2022 to RMB107,802,000 for the year ended 31 December 2023. Our gross profit margin decreased from approximately 31.99% for the year ended 31 December 2022 to approximately 28.80% for the year ended 31 December 2023. The decrease in gross profit margin as compared to that of the corresponding period of last year was primarily due to the intensified market competition in respect of the sales of charging equipment for electric vehicle during the Reporting Period, resulting in the adjustment of the product pricing by the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

Other revenue and income

Our other revenue, which mainly included VAT refunds, government grants and bank interest income, increased by approximately 76.74% from RMB8,941,000 for the year ended 31 December 2022 to RMB15,802,000 for the year ended 31 December 2023.

The increase in other revenue of the Group was mainly attributable to the combined effects of factors such as the increase in subsidies received from the government by approximately RMB4,000,000 in 2023.

Selling and distribution expenses

Our selling and distribution expenses, which mainly comprised the relevant expenses in sales and after-sales services, salaries of sales personnel, benefits and travelling expenses, and office expenses, entertainment expenses and other expenses, increased by approximately 21.79% from RMB56,205,000 for the year ended 31 December 2022 to RMB68,453,000 for the year ended 31 December 2023. Our selling and distribution expenses as a percentage of revenue increased from approximately 16.29% for the year ended 31 December 2022 to approximately 18.29% for the year ended 31 December 2023. The increase 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 increased by approximately RMB8,529,000; (2) sales-related fees such as bid-winning services fees increased by approximately RMB776,000; (3) sales-related expenses such as office and advertising expenses increased by approximately RMB422,000; (4) sales-related expenses such as transportation, installing and testing expenses increased by approximately RMB1,720,000; and (5) sales-related expenses such as amortization, depreciation and other miscellaneous expenses increased by approximately RMB801,000.

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 24.41% from RMB64,317,000 for the year ended 31 December 2022 to RMB80,016,000 for the year ended 31 December 2023. Our administrative and other expenses as a percentage of revenue increased from approximately 18.65% for the year ended 31 December 2022 to approximately 21.38% for the year ended 31 December 2023. The increase of approximately RMB15,699,000 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 RMB10,934,000; (2) bank charges and payment to lawyers and professionals increased by approximately RMB1,352,000; (3) expenses such as office, maintenance, consumables, subscription and utility expenses relating to management increased by approximately RMB1,026,000; (4) amortization and other sundry expenses increased by approximately RMB189,000; (5) expenses such as benefits, travelling and entertainment expenses relating to management increased by approximately RMB1,684,000; and (6) rental, transportation and other taxes increased by approximately RMB514,000.

MANAGEMENT DISCUSSION AND ANALYSIS

Share of results of associates

As at 31 December 2023, the Group owned 49% (as at 31 December 2022: 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 profit from Jiaoyun Titans during the Reporting Period was approximately RMB3,000.

As at 31 December 2023, the Group owned 20% (as at 31 December 2022: 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 loss from Qingdao Titans during the Reporting Period was approximately RMB32,000.

As at 31 December 2023, the Group owned 9.4% (as at 31 December 2022: 20%) 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 RMB1,850,000.

As at 31 December 2023, the Group owned 17% (as at 31 December 2022: 17%) 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 profit from Jiangsu Titans during the Reporting Period amounted to approximately RMB961,000.

Finance costs

Our finance costs decreased by approximately 9.37% from RMB9,726,000 for the year ended 31 December 2022 to RMB8,815,000 for the year ended 31 December 2023. Our finance costs as a percentage of revenue decreased from approximately 2.82% for the year ended 31 December 2022 to approximately 2.36% for the year ended 31 December 2023. The decrease in our finance costs was mainly due to the decrease in the average borrowing costs of borrowings.

Income tax credit

Our income tax credit was approximately RMB4,763,000 for the year ended 31 December 2023 whereas our income tax credit was approximately RMB2,670,000 for the year ended 31 December 2022. The effective tax rate (being the ratio of our tax credit to our profit before tax) for the year ended 31 December 2023 was approximately 9.33% (2022: approximately 12.55%).

MANAGEMENT DISCUSSION AND ANALYSIS

Loss attributable to non-controlling interests

For the year ended 31 December 2023, loss attributable to non-controlling interests of the Group's non-wholly owned subsidiaries was approximately RMB2,324,000, as compared with a loss of approximately RMB374,000 for the year ended 31 December 2022. This amount represents the loss of the Company's non-wholly owned subsidiaries.

Loss attributable to owners of the Company

Loss attributable to owners of the Company for the year ended 31 December 2023 was approximately RMB43,979,000 whilst loss attributable to owners of the Company for the year ended 31 December 2022 was approximately RMB18,227,000, representing an increase of loss of approximately RMB25,752,000.

The reason of the increase in loss was mainly attributable to: (1) the increase in costs and expenses during the Reporting Period; and (2) the impairment losses of account receivables.

Total comprehensive expense attributable to owners of the Company for the year ended 31 December 2023 was approximately RMB54,410,000 whilst total comprehensive expense for the year ended 31 December 2022 was approximately RMB22,044,000, representing an increase of approximately RMB32,366,000.

Inventory Analysis

The table below sets out the information on our inventory for the years ended 31 December 2023 and 2022:

	Year ended 31 December			
	2023		2022	
	RMB'000	**%**	RMB'000	%
Raw materials	**10,618**	**5.53**	10,962	6.18
Work-in-progress	**18,923**	**9.85**	16,635	9.37
Finished goods	**162,558**	**84.62**	149,869	84.45
	192,099	**100**	177,466	100

The Group's inventory balances increased from approximately RMB177,460,000 as at 31 December 2022 to approximately RMB192,099,000 as at 31 December 2023.

Our average inventory turnover days increased from approximately 240 days for the year ended 31 December 2022 to approximately 253 days for the year ended 31 December 2023. The increase was due to the increase in sales of major products during the Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS

Analysis on Trade Receivables

As at 31 December 2022 and 2023, our trade receivables (net of allowance) amounted to approximately RMB299,547,000 and approximately RMB306,613,000, respectively. Trade receivables has also increased with the increase in sales of the Company.

The table below sets forth the ageing analysis of our trade receivables by date of delivery of goods as of 31 December 2023 and 2022:

	Year ended 31 December 2023		Year ended 31 December 2022	
	Net amount RMB'000	**%**	Net amount RMB'000	%
0 to 90 days	**173,387**	**56.55**	160,624	53.62
91 days to 180 days	**28,799**	**9.39**	25,931	8.66
181 days to 365 days	**44,495**	**14.51**	57,495	19.19
Over 1 year to 2 years	**43,256**	**14.11**	49,398	16.49
Over 2 years to 3 years	**16,676**	**5.44**	6,099	2.04
Total	**306,613**	**100**	299,547	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.

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 receivables turnover days and the high proportion of overdue trade 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) increase in the trade receivables, as a result of increase in revenue.

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 2023, we made an impairment loss on trade receivables of approximately RMB25,991,000 (2022: approximately RMB12,940,000).

MANAGEMENT DISCUSSION AND ANALYSIS

Analysis on Trade and Bills Payables

As at 31 December 2022 and 2023, our trade and bills payables amounted to approximately RMB196,989,000 (comprising trade payables of approximately RMB144,261,000 and bills payables of approximately RMB52,728,000) and approximately RMB215,509,000 (comprising trade payables of approximately RMB170,859,000 and bills payables of approximately RMB44,650,000, respectively. Trade and bills payables slightly increased. For the years ended 31 December 2022 and 2023, our trade and bills payable turnover days were approximately 223 days and approximately 250 days, respectively.

The table below sets out the ageing analysis of our trade payables as of 31 December 2023 and 2022:

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Within 90 days	**132,158**	126,710
91 days to 180 days	**46,770**	57,695
181 days to 365 days	**20,075**	4,797
1 year to 2 years	**15,590**	6,900
Over 2 years	**916**	887
	215,509	196,989

Bank and Other Borrowings

The following table sets out our bank and other borrowings as at 31 December 2023 and 2022.

	For the year ended 31 December 2023		For the year ended 31 December 2022	
	RMB'000	**Interest rates**	RMB'000	Interest rates
Current				
Bank borrowings	**93,886**	**4.0% to 4.45%**	102,512	3.70% to 4.79%
Other borrowings	**11,555**	**4.5% to 7.92%**	8,690	4.5%
Non-current				
Bank borrowings	**51,108**	**5.43%**	53,381	5.53%
	156,549		164,583	

MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 December 2023, total bank borrowings and other borrowings amounted to approximately RMB156,549,000 (as at 31 December 2022: approximately RMB164,583,000), among which approximately RMB156,549,000 were secured loans (as at 31 December 2022: approximately RMB164,583,000) and none of them were unsecured loans (as at 31 December 2022: nil). Bank borrowings as at 31 December 2023 were subject to the floating interest rates ranging from 4.00% to 7.92% per annum (as at 31 December 2022: from 3.70% to 5.53% per annum).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Use of net proceeds from subscription

On 18 October 2022 (after trading hours), the Company entered into the subscription agreement (the "Subscription Agreement") with 唐山國控科創有限公司 (Tangshan Guokong Science and Technology Limited*) ("Tangshan Guokong Science and Technology"), the parent company of Tangshan Guokong Science and Technology Innovation Investment Group Co., Limited (唐山國控科技創新投資集團有限公司) (the "Offeror"), a company incorporated in Hong Kong with limited liability, to subscribe for 566,970,000 new ordinary Shares (the "Subscription Shares"). Pursuant to the Subscription Agreement, the Company has conditionally agreed to allot and issue, and Tangshan Guokong Science and Technology has conditionally agreed to subscribe the Subscription Shares at HK$0.34 per Subscription Share (the "Subscription Price") for a total consideration of HK$192,769,800 (the "Subscription"). The aggregate nominal value of the Subscription Shares is HK$5,669,700. The market price of the Shares of the Company is HK$0.33 per Share as quoted on the Stock Exchange on 18 October 2022, being the date of the Subscription Agreement. The net issue price per Subscription Share will be approximately HK$0.332 per Subscription Share.

Reasons for the Subscription

In order to seize the opportunities under the PRC national strategy and achieve repaid growth, the Company has to seek financial and market resources during the process of its business expansion. It was considered that the Subscription will expand the Company's shareholder base, and, as a result of which, to further strengthening the market's confidence in the development of the Company in the long run. The date of completion is 11 May 2023 and the net proceeds from the Subscription, after deducting all relevant costs and expenses of the Subscription are approximately HK$188.29 million, and were utilized as follows:

Objective	Percentage of the total amount	Net proceeds HK$ million	Utilised amount as of 31 December 2023 HK$ million	Unutilised net proceeds as of 31 December 2023 HK$ million	Expected time period of the balance to be fully utilized
Investments in the expansion of the charging services or electric vehicles business	50%	94.14	–	94.14	By the end of 2025
Investments in the expansion of the charging equipment for electric vehicles business	40%	75.32	24.11	51.21	By the end of 2024
General working capital of the Group	10%	18.83	12.90	5.93	By the end of 2024
Total	100%	188.29	37.01	151.28	

MANAGEMENT DISCUSSION AND ANALYSIS

Saved as disclosed above, there has been no change in the capital structure of the Group during the year ended 31 December 2023. The capital of the Group only comprises ordinary shares.

As at 31 December 2023, the total equity of the Group amounted to approximately RMB618,637,000 (as at 31 December 2022: approximately RMB502,603,000), the Group's current assets were approximately RMB853,739,000 (as at 31 December 2022: approximately RMB660,740,000) and current liabilities were approximately RMB394,858,000 (as at 31 December 2022: approximately RMB337,865,000). As at 31 December 2023, the Group had bank balances and cash of approximately RMB219,772,000 (as at 31 December 2022: approximately RMB84,713,000), excluding restricted bank balances of approximately RMB32,979,000 (as at 31 December 2022: approximately RMB12,974,000). Our total assets less our total liabilities equals to our net assets, which was approximately RMB618,637,000 as at 31 December 2023 (as at 31 December 2022: approximately RMB502,603,000).

The Group finances its operations with internally generated cash flow and bank borrowings. As at 31 December 2023, the Group had aggregate amount of outstanding bank borrowings and other borrowings of approximately RMB156,549,000 (as at 31 December 2022: approximately RMB164,583,000).

The gearing ratio (i.e. borrowings divided by total assets x 100%) was approximately 14.51% as at 31 December 2023.

SIGNIFICANT INVESTMENTS

The Group did not hold any significant investment during the year ended 31 December 2023.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the year ended 31 December 2023, the Group had no material acquisitions or disposals of subsidiaries, associates or joint ventures.

CONTINGENT LIABILITIES

As at 31 December 2023 and the date of this report, the Group had no material contingent liability.

CAPITAL COMMITMENTS

As at 31 December 2023, the Group had capital expenditure contracted for but not provided in the consolidated financial statements of approximately RMB9,170,000 (as at 31 December 2022: approximately RMB9,170,000) in respect of investment capital.

Save as disclosed above, as at 31 December 2023 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.

MANAGEMENT DISCUSSION AND ANALYSIS

PLEDGE OF ASSETS

The Group's leasehold land and buildings with carrying amounts of approximately RMB130,638,000 as at 31 December 2023 (as at 31 December 2022: approximately RMB137,727,000) were pledged to secure the bank borrowings and bank facilities.

EMPLOYEES AND REMUNERATION

As at 31 December 2023, the Group had 442 employees in total (as at 31 December 2022: 396 employees). During the year ended 31 December 2023, total employees' remuneration amounted to approximately RMB61,230,000 (2022: approximately RMB59,101,000). 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.

During the years ended 31 December 2022 and 2023, 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 2022 and 2023, 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 D2 to the Listing Rules.

For the two years ended 31 December 2022 and 31 December 2023, the Group did not have any defined benefit plan.

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 gain of approximately RMB6,605,000 (2022: exchange gain of approximately RMB622,000). Such foreign exchange gain arose as a result of the difference between the exchange rate for accounting purpose on the date of transaction and the exchange rate as at 31 December 2023. As at 31 December 2023, 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 2023.

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 receivables.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Gao Xia, born in 1972, is the Chairman, an executive Director and the chairman of the nomination committee of the Company. At present, Mr. Gao is also a director of Grace Technology Development Limited, Titans Holdings Co., Limited, Zhuhai Titans Power Electronics Company Limited* (珠海泰坦電力電子集團有限公司) ("Titans Power Electronics"), the legal representative and chairman of Hebei Titans New Energy Development Group Co., Ltd.* (河北泰坦新能源發展集團有限公司) ("Hebei Titans"), the above of which all are subsidiaries of the Company. He has over 20 years of management experience. Mr. Gao worked in the United States of America in the earlier stage of his career. From May 2012 to January 2022, Mr. Gao successively served as assistant to the general manager, deputy general manager, deputy secretary of the party committee, general manager and director of Tangshan Caofeidian Development Investment Group Co., Ltd.* (唐山曹妃甸發展投資集團有限公司). From October 2017 to January 2022, Mr. Gao served as the general manager of Caofeidian State-owned Investment Group Co., Ltd* (曹妃甸國控投資集團有限公司). Since August 2019, Mr. Gao served as the chairman and director of Liancheng Technology (Hebei) Co., Ltd.* (聯城科技（河北）股份有限公司) (formerly known as Tangshan Caofeidian Liancheng Technology Co., Ltd* (唐山曹妃甸聯城科技股份有限公司)) (stock code: 873456), a company listed on the National Equities Exchange And Quotations (NEEQ) in the PRC. Since April 2022, Mr. Gao has served as secretary of the party committee of Tangshan Guokong Science and Technology. Since May 2022, Mr. Gao has also served as the chairman and director of Tangshan Guokong Science and Technology. Mr. Gao has won several awards, including being awarded the second batch of "Hundred Talents Program" innovative talents in Hebei Province in January 2012, and "Young and Middle-Aged Experts with Outstanding Contributions of Year 2012" in Hebei Province in February 2013. In May 2019, Mr. Gao won the "Best Science and Technology Worker" of Tangshan City. Mr. Gao obtained a bachelor degree with a major in automatic control engineering from Huazhong University of Science and Technology (華中理工大學) in July 1992. Mr. Gao also obtained a master's degree in automatic control from Huazhong University of Science and Technology (華中理工大學) in June 1995. In May 2002, Mr. Gao obtained a degree of doctor of philosophy, majoring in electronics and computer engineering from the University of Illinois at Urbana-Champaign in the United States.

Mr. Li Xin Qing, born in May 1957, is an executive Director of the Company. At present, Mr. Li is also a director of Titans BVI Limited, Grace Technology Development Limited, Titans Holdings Co., Limited, the chairman and legal representative of Zhuhai Titans Technology Co., Ltd. ("Titans Technology") and Titans Power Electronics, 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) and the vice chairman of Hebei Titans, the above of which all are subsidiaries of the Company. Mr. Li was appointed an executive Director on 16 November 2007. 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 Progress 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.

* *for identification purpose only*

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Bi Jingfeng, born in August 1965, is an executive Director. At present, Mr. Bi is also a director of Grace Technology Development Limited and Titans Holdings Co., Limited, the above of which all are subsidiaries of the Company. He has more than 20 years of experience in finance. From 2003 to 2006, Mr. Bi was the manager of finance department of Hebei Changlu Daqinghe Salt Chemical Group Co., Limited* (河北長蘆大清河鹽化集團有限公司). From May 2006 to June 2015, Mr. Bi served as the chief financial officer of Tangshan Caofeidian Dredging Co., Ltd.* (唐山曹妃甸疏浚有限公司). Mr. Bi served as the deputy general manager from June 2014 to January 2021 of Tangshan Caofeidian Development Investment Group Co., Ltd.* (唐山曹妃甸發展投資集團有限公司) and the chief financial officer from June 2014 to May 2022. From October 2017 to May 2022, Mr. Bi concurrently served as the chief financial officer of Caofeidian State-owned Investment Group Co., Ltd.* (曹妃甸國控投資集團有限公司). Since April 2022, Mr. Bi has served as the deputy secretary of the party committee of Tangshan Guokong Science and Technology. Since May 2022, Mr. Bi has also served as the general manager and director of Tangshan Guokong Science and Technology. Mr. Bi graduated from Hebei Broadcasting Television University* (河北廣播電視大學) majoring in financial accounting in July 1989. Mr. Bi also obtained a bachelor degree from Hebei Broadcasting Television University* (河北廣播電視大學) majoring in economic law in October 1996.

Mr. An Wei, born in October 1956, is an executive Director, the chief executive officer of our Company. At present, Mr. An is also a director of Titans BVI Limited, Grace Technology Development Limited, Titans Holdings Co., Limited, Titans Power Electronics and Hebei Titans, the above of which all are subsidiaries 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.

* *for identification purpose only*

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

NON-EXECUTIVE DIRECTOR

Mr. Jiang Wenqi, born in September 1987, is a non-executive Director. He has over seven years of management experience. At present, Mr. Jiang is also a director of Grace Technology Development Limited, Titans Holdings Co., Limited, Titans Power Electronics, a director and general manager of Hebei Titans, the chairman and manager of Tangshan Yilian New Energy Co., Ltd.* (唐山驛聯新能源科技有限公司), Tangshan Titans Technology Co., Ltd.* (唐山泰坦科技有限公司) and Tangshan Yiyitong Property Services Co., Ltd.* (唐山驛易通物業服務有限公司), the above of which all are subsidiaries of the Company. From June 2015 to April 2020, Mr. Jiang was the deputy general manager of Tangshan Caofeidian Heating Co., Ltd* (唐山曹妃甸熱力有限公司) ("Caofeidian Heating"). Since July 2016, Mr. Jiang also served as the secretary of the party committee of Caofeidian Heating. Since April 2020, Mr. Jiang has concurrently served as the general manager and since July 2022, Mr. Jiang has also served as the chairman of Caofeidian Heating. Since April 2022, Mr. Jiang has served as a member of the party committee of Tangshan Guokong Science and Technology. Since May 2022, Mr. Jiang has also served as the deputy general manager of Tangshan Guokong Science and Technology. Mr. Jiang obtained a bachelor degree in civil engineering from Tianjin Institute of Urban Construction* (天津城市建設學院) in June 2010. Mr. Jiang has won several awards, including being awarded the "Top Ten Outstanding Youth" in Caofeidian District in 2019. In 2021, Mr. Jiang won the "Excellent Party Affairs Worker" in Hebei Province and his studio "Jiang Wenqi Innovation Studio" won the "Model Worker and Craftsman Talent Innovation Studio" in Hebei Province.

INDEPENDENT NON-EXECUTIVE DIRECTORS

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 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

Mr. Liu Wei, born in July 1968, is an independent non-executive Director and a member of the audit committee, the nomination committee and remuneration committee of the Company. He was a chief operation manager of the operation department of Heilongjiang Construction Investment Group Co., Ltd.* (黑龍江建設集團) from September 1989 to August 1995. From September 1995 to July 2010, he was the director of engineering of China United Network Communications Group Co., Ltd (Heilongjiang Branch)* (中國聯合通信公司黑龍江省分公司). Mr. Liu worked as a general manager at Beijing Diansheng Investment Management Co., Ltd.* (北京點盛投資管理有限公司) from October 2010 to September 2015 and as the chairman, director and general manager at Shenzhen Metaseq Capital Co., Ltd. (深圳水杉元和投資有限公司) from March 2015 to June 2021. Mr. Liu is currently a general manger of Beijing Shuishan Xinghe Investment Management Partnership (Limited Partnership)* (北京水杉興和投資管理合夥企業(有限合夥)) since March 2015, and the chairman of the investment committee of Beijing Zhuyuan Tongde Investment Management Co., Ltd.* (北京逐源同德投資管理有限公司) since September 2018. Mr. Liu graduated from Harbin Engineering University (哈爾濱工程大學) with a bachelor degree in electronic information engineering in July 2001. He further obtained his master degree in executive business administration from Tsinghua University (清華大學) in July 2002. In June 2022, he obtained a degree of doctor of business administration from Temple University through distance learning.

Ms. Jiang Yan, born in December 1972, is an independent non-executive Director, chairman of the audit committee of the Company and member of the remuneration committee of the Company. She is experienced in financial management. From April 2001 to April 2012, Ms. Jiang was the chief financial officer of Beijing Huatianheng Technology Development Co., Ltd* (北京市華天恒科技發展有限公司) and was responsible for, among other things, establishing financial system, financial management and inventory control. From July 2018 to December 2021, Ms. Jiang worked at HouseSigma Inc., where her first position was investment manager and her last position was broker of record, responsible for compliance checks and supervision of client's trust or commission accounts. Ms. Jiang is currently working at Canada-China Ageing Industry Development Inc. and is responsible for the operation and financial management of the organisation. Ms. Jiang graduated from the Central University of Finance and Economics (中央財經大學) (formerly known as Central Institute of Finance* (中央財政金融學院)) with a bachelor degree majoring in accounting in June 1994. Ms. Jiang obtained a diploma in postgraduate studies in finance from Tsinghua University (清華大學) in October 2006 and a Master of Business Administration from The Chinese University of Hong Kong in December 2006. Ms. Jiang was a fellow member of the Chinese Institute of Certified Public Accountants.

* *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 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 5.53% 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 5.53% 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 Titans Technology and Zhuhai Yilian New Energy Motors Co., Ltd. ("Zhuhai Yilian"), the subsidiaries 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 of Titans Power Electronics and a director of Titans Technology and 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 good 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 C1 to the Listing Rules throughout the year ended 31 December 2023 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.

THE BOARD

Detailed biographies outlining each Director's scope of specialist experience are set out on pages 25 to 29 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.

10 Board meetings were held during the year 2023. 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.

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.

CORPORATE GOVERNANCE REPORT

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 2023 were as follows:

		Number of meetings attended/held			
		Board	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**
Executive Directors					
Mr. Gao Xia *(Chairman)*	*(Note 1)*	6/10	N/A	N/A	1/2
Mr. Li Xin Qing		10/10	N/A	N/A	1/2
Mr. Bi Jingfeng	*(Note 2)*	6/10	N/A	N/A	N/A
Mr. An Wei *(Chief Executive Officer)*		10/10	N/A	N/A	N/A
Non-executive Director					
Mr. Jiang Wenqi	*(Note 3)*	6/10	N/A	N/A	N/A
Independent Non-executive Directors					
Mr. Li Xiang Feng		9/10	2/2	1/1	2/2
Mr. Liu Wei	*(Note 4)*	5/10	1/2	0/0	0/2
Ms. Jiang Yan	*(Note 5)*	5/10	1/2	0/0	N/A
Mr. Li Wan Jun	*(Note 6)*	4/10	1/2	1/1	N/A
Mr. Pang Zhan	*(Note 7)*	4/10	1/2	1/1	2/2

General Meetings

During the year 2023, the Company held one general meeting, being the annual general meeting on 16 June 2023.

		Number of meetings attended/held
Executive Directors		
Mr. Gao Xia *(Chairman)*	*(Note 1)*	1/1
Mr. Li Xin Qing		1/1
Mr. Bi Jingfeng	*(Note 2)*	1/1
Mr. An Wei *(Chief Executive Officer)*		1/1
Non-executive Director		
Mr. Jiang Wenqi	*(Note 3)*	
Independent Non-executive Directors		
Mr. Li Xiang Feng		1/1
Mr. Liu Wei	*(Note 4)*	1/1
Ms. Jiang Yan	*(Note 5)*	1/1
Mr. Li Wan Jun	*(Note 6)*	0/0
Mr. Pang Zhan	*(Note 7)*	0/0

CORPORATE GOVERNANCE REPORT

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. Gao Xia was appointed on 24 May 2023.

(Note 2) Mr. Bi Jingfeng was appointed on 24 May 2023.

(Note 3) Mr. Jiang Wenqi was appointed on 24 May 2023.

(Note 4) Mr. Liu Wei was appointed on 30 May 2023.

(Note 5) Ms. Jiang Yan was appointed on 30 May 2023.

(Note 6) Mr. Li Wan Jun was appointed on 17 December 2007 and resigned on 14 June 2023.

(Note 7) Mr. Pang Zhan was appointed on 16 April 2015 and resigned on 14 June 2023.

CORPORATE GOVERNANCE REPORT

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.

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. Gao Xia *(Chairman) (appointed on 24 May 2023)*	✓	✓	✓
Mr. Li Xin Qing	✓	✓	✓
Mr. Bi Jingfeng *(appointed on 24 May 2023)*	✓	✓	✓
Mr. An Wei *(Chief Executive Officer)*	✓	✓	✓
Non-executive Director			
Mr. Jiang Wenqi *(appointed on 24 May 2023)*	✓	✓	✓
Independent Non-executive Directors			
Mr. Li Xiang Feng	✓	✓	✓
Mr. Liu Wei *(appointed on 30 May 2023)*	✓	✓	✓
Ms. Jiang Yan *(appointed on 30 May 2023)*	✓	✓	✓
Mr. Li Wan Jun *(resigned on 14 June 2023)*	✓	✓	✓
Mr. Pang Zhan *(resigned on 14 June 2023)*	✓	✓	✓

CORPORATE GOVERNANCE REPORT

CODE OF CONDUCT AND BUSINESS ETHICS

Each Director has a duty and responsibility to act honestly and with due diligence and care when carrying out his 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.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

During the Reporting Period, Mr. Gao Xia, an executive director of the Company, and Mr. An Wei, another executive director of the Company, were the Chairman and the chief executive officer of the Company ("Chief Executive Officer"), respectively. During the Reporting Period, the roles and duties of the Chairman and Chief Executive Officer have been separately undertaken by different officers.

Mr. Gao Xia, 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.

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

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 Xiang Feng, Mr. Liu Wei and Ms. Jiang Yan. Mr. Li Xiang Feng has signed a letter of appointment for a term of three years commencing from 15 July 2021 with the Company and both Mr. Liu Wei and Ms. Jiang Yan have signed the letters of appointment for a term of three years commencing from 30 May 2023 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.

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.

CORPORATE GOVERNANCE REPORT

The Audit Committee comprises three independent non-executive Directors, namely Ms. Jiang Yan, Mr. Li Xiang Feng and Mr. Liu Wei and is chaired by Ms. Jiang Yan. 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 2023 to review the final results of the Group for the year ended 31 December 2022 and the interim results of the Group for the six months ended 30 June 2023, and to conduct other affairs.

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 review and approve the matters relating to the share schemes 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 Xiang Feng, Mr. Liu Wei and Ms. Jiang Yan, and is chaired by Mr. Li Xiang Feng. 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 2023.

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.

4. Reviewing the grant of share options under the share option scheme of the Company.

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 2023, 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	3
600,001 to 640,000	1

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. Gao Xia, Mr. Li Xiang Feng and Mr. Liu Wei, and is chaired by Mr. Gao Xia. 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 two meetings in 2023.

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.

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.

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.

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 2023.

CORPORATE GOVERNANCE REPORT

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 C3 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 2023.

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 (HK) CPA Limited ("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 87 to 93 of this annual report also sets out the responsibilities of SHINEWING.

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, and the internal audit department of the Company carries out audit work according to the annual audit work plan and implements daily or special internal control inspection. Through internal audit, problems existing in operating activities are found in time, and the Group will put forward rectification suggestions and implement rectification measures, so as to improve the effectiveness of internal control management and further prevent business risks and financial risks. The normal development of internal audit has played a supervisory, control and guiding role in the production and operation of the Company. For the internal control deficiencies found in internal audit, with respect of the existing deficiencies, the Group will report such results to the Audit Committee according to the established reporting procedures.

CORPORATE GOVERNANCE REPORT

In 2023, to address the impacts of changes in the external market and internal management on the Group, the internal audit department commenced and implemented the internal control and assessment of the Group. The inspection work carried out and the business and matters included in the evaluation scope include: organizational structure, development strategies, human resources, social responsibility, corporate culture, capital activities, production and operation, procurement business, asset management, sales business, research and development, connected transactions, guarantee business, fund raising, fixed assets management and subsidiary management, etc. The internal audit department follows the principles of legality, effectiveness, prudence, timeliness and independence, so as to guarantee that the Company can achieve various business management objectives through scientific and effective decision-making mechanisms, execution mechanisms and supervision mechanisms. The Group will establish an effective risk prevention and control system to ensure the safety of assets and business activities of the Company. The Group will establish a benign internal business environment in the Company to ensure that the operation of the Company conforms to the provisions of laws and regulations and the management system of the Company.

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.

AUDITOR'S REMUNERATION

The Audit Committee has reviewed with the management and the Group's external auditor, 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	1,070
Non-audit service fees	230

Non-audit service fees of HK$230,000 were fees for reviewing interim financial report of the Company.

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 2024.

DIVERSITY

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.

In respect of the gender diversity of the Board, as at the date of the Annual Report, 7 Directors are male and 1 Director is female. The Company recognizes and embraces the benefits of having a diverse Board to enhance the quality of its performance, and sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. The ratio of female Directors has reached more than 10%.

Moreover, the current gender ratio of the company workforce (including senior management) is 329 males per 113 females, as compared with 287 males per 109 females of last year. The Company has already achieved gender diversity and will continue focusing on the area because workforce gender diversity is associated with resources that can provide a sustained competitive advantage to the company, which include market insight, creativity and innovation, and improved problem-solving. Men's and women's different experiences may provide insights into the different needs of male and female customers. Further, men and women may have different cognitive abilities, such as men's proficiency in mathematics and women's proficiency in verbal and interpersonal skills. Therefore, a mix of cognitive abilities in a gender diverse team may enhance the team's overall creativity and innovation as proved by research. Moreover, a gender diverse team produces high quality decisions. Although there may be some mitigating circumstances where gender diversity can be very hard to achieve (for instance, male workers are more commonly seen regarding physical labor and female workers are more often seen during psychological consultation), the Company will keep focusing on the workforce gender diversity to maintain its current strength as well as to further improve its competitivity in the future.

CORPORATE GOVERNANCE REPORT

MECHANISMS TO ENSURE INDEPENDENT VIEWS

The Company makes certain that the Board has access to independent views and input through the mechanisms listed below:

1. The Nomination Committee should review the Board composition and the independence of the independent non-executive Directors annually, in particular the portion of the independent non-executive Directors and the independence of the independent non-executive Director who has served for more than nine years.

2. A written confirmation was received by the Company under Rule 3.13 of the Listing Rules from each of the independent non-executive Directors in relation to his/her independence to the Company. The Company considers all its independent non-executive Directors to be independent.

3. In view of good corporate governance practices and to avoid conflict of interests, the Directors who are also Directors and/or senior management of the Company's controlling shareholders and/or certain subsidiaries of the controlling shareholders, would abstain from voting in the relevant Board resolutions on the transactions with the controlling shareholders and/or its associates.

4. The chairman of the Board shall meet with independent non-executive Directors at least once annually.

5. All members of the Board can seek independent professional advice when necessary to perform their responsibilities in accordance with the Company's policy.

The mechanisms to ensure independent views are reviewed by the Nomination Committee for ensuring independent views and input are available to the Board on an annual basis, whether in terms of proportion, recruitment and independence of independent non-executive Directors, and their contribution and access to external independent professional advice.

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.

CORPORATE GOVERNANCE REPORT

INVESTOR RELATIONS

Constitutional Documents

The Board has proposed to make certain amendments to the existing amended and restated Memorandum and Articles of Association to conform to the core standards for shareholder protections (a uniform set of 14 core standards for shareholder protections set out in Appendix A1 to the Listing Rules) and to incorporate certain housekeeping amendments (collectively, the "Amendments").

In view of the Amendments, the Board proposed to adopt an amended Memorandum and Articles of Association (the "New Constitutional Documents"). The New Constitutional Documents was adopted by the shareholders of the Company (the "Shareholders") at the AGM of the Company held on 16 June 2023.

For details, please refer to the announcement of the Company dated 25 April 2023 and the circular of the Company dated 26 April 2023. Save as disclosed herein, there was no significant changes in the Company's constitutional documents during the year ended 31 December 2023.

SHAREHOLDERS' COMMUNICATION POLICY

Purpose

The Company recognises the importance of providing current and relevant information to its shareholders (the "Shareholders"). This shareholders' communication policy (the "Policy") aims to set out the provisions with the objective to ensure that the Shareholders and potential investors are provided with equal and timely access to balanced and understandable information about the Company, in order to enable Shareholders to exercise their rights in an informed manner, and to allow Shareholders and potential investors to engage actively with the Company.

General Policy

The board of directors of the Company (the "Board") shall maintain an on-going dialogue with Shareholders and will regularly review the Policy to ensure its effectiveness.

Information is communicated to the Shareholders through periodic disclosure through the Company's financial reports (interim and annual reports), annual general meetings and other general meetings that may be convened, as well as by making available all the disclosures submitted to the Stock Exchange and other corporate publications on the Stock Exchange's website and corporate communications on the Stock Exchange's website (www.hkex.com.hk) and the Company's website (http://www.titans.com.cn).

CORPORATE GOVERNANCE REPORT

Effective and timely dissemination of information to Shareholders shall be ensured at all times. Any questions, requests and comments can be addressed to the Company by mail to Building G1, South Section of the High and New Technology factory, Renhe Road, Caofeidian Industrial District, Tangshan, Hebei Province, The PRC or by email to ir@titans.com.cn or through the Company's share registrar.

The Company believes that communication with Shareholders by electronic means, particularly through its website, is an efficient way to distribute information in a timely and convenient manner. Shareholders are encouraged to access to the corporate communications posted on the Company's website to help reduce the quantity of printed copies and hence reduce the impact on the environment.

The Company's website will be updated with material posted to the Stock Exchange's website immediately thereafter. Such material includes but not limited to financial statements, results announcements, circulars and notices of general meetings and associated explanatory documents.

Shareholders may at any time make a request for the Company's information to the extent such information is publicly available.

Shareholders shall be provided with designated contacts, email addresses and enquiry lines of the Company in order to enable them to make any query in respect of the Company.

The Company has reviewed the shareholders' communication policy conducted for the year ended 31 December 2023 and considered that the shareholders' communication policy has been well implemented and effective.

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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

We are pleased to announce the 2023 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 2023 in regards to sustainability on environmental and social aspects. For details of corporate governance, please refer to the Corporate Governance Report on pages 30 to 44 of this 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 Titans Power Electronics, Titans Technology, and Zhuhai Yilian. We have compared the environmental and social data in both years by adopting a consistent environmental data collection and calculation methods to render a fair comparison of our environmental data over time. 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 2023 to 31 December 2023 (the "Reporting Period" or the "Year").

Reporting Guidelines

The Report is prepared in accordance with the Environmental, Social and Governance ("ESG") Reporting Guide (the "Guide") in Appendix C2 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 Group has observed the following reporting principles in preparing this Report.

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's business, and include the matters identified from various aspects in our strategic development plan. We 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 strive 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 its leading position in the industry. Since 2014 till present, our projects have covered over 130 cities across the PRC, Hong Kong and Taiwan, which include serving over 2,000 customers with comprehensive supporting facilities.

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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

We are committed to becoming an outstanding power and electrics enterprise, and uphold 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.

For the year ended 31 December 2023, the Group received the following major awards:

Time of Award	Achievement/Award	Awarding Institution
January 2023	Specialized, Fine, Unique and Innovative Small and Medium-sized Enterprises	Department of Industry and Information Technology of Guangdong Province
February 2023	2022 Active Construction of Harmonious Labour Relations Award	Zhuhai General Chamber of Commerce
April 2023	Zhuhai First Intellectual Property Rights Securitisation - Innovative Participating Enterprise (2022)	Hengqin FI - Finance Lease
April 2023	2022 Product Award for Best Software Technological Innovation in Big Data, Cloud Distribution and Cloud Computing	Zhuhai Software Industry Association
July 2023	Professional Cooperative Unit of Expert Working Committee on EPTC DC Power Supply System	EPTC (Beijing) Electric Power Research Institute Electric Power Technology Collaboration
July 2023	Member of the Sixth Council of Zhuhai Association for Quality	Zhuhai Association for Quality
September 2023	Top 10 Most Influential Brands for the Charging and Battery Swapping Industry in China in 2023	China International EV Charging & Battery Swapping Industry Conference Committee
September 2023	Top 50 Most Valuable Brands for the Charging and Battery Swapping Industry in 2023	China International Charging and Battery Swapping Operators Conference China International EV Supercharging Industry Conference
December 2023	Branded Enterprise of High-Quality Development	Guangdong Charging Facilities Association

OUR SUSTAINABILITY STRATEGIES

Strategies

The Group is committed to environmental protection and community development. In order to create a sustainable green living environment, we promote environmental awareness within the Group, implement eco-friendly management practices and make effective use of resources to minimize wastage. We aim to be the first choice of our customers, investors and employees, and endeavor to integrate components of sustainability into our daily operations to create value for the communities.

In order to integrate environmental, social, and economic issues, we have developed a sustainability policy and strategy that covers four scopes: 1) environmental protection, 2) social responsibility and supplier management, 3) product responsibility, and 4) employment relationship. We apply relevant policies to our daily business operations to ensure a consistent sustainability strategy at all levels of the Company. Each of the scopes is summarized below:

01 Environmentally-friendly
Environmental compliance and management, impact on the environment, control of production resources

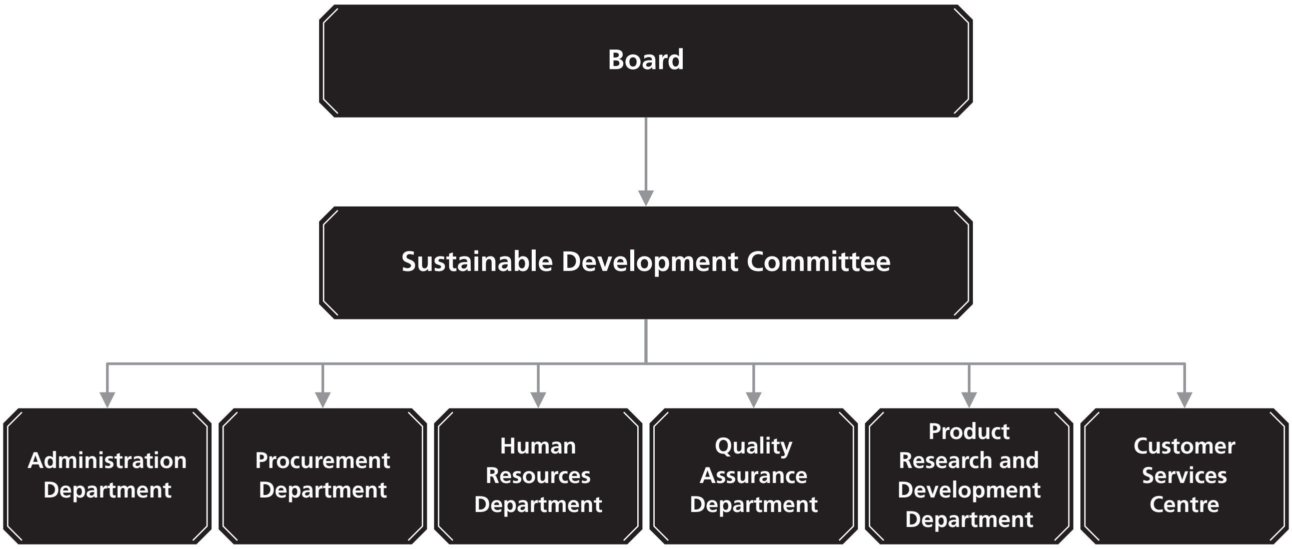
02 Social responsibility and supplier management
Management of suppliers, performance of social services, business ethics

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 thematic scope has relevant policy guidelines and implementation measures. Through the implementation of various policy guidelines and measures, employees can gain a clear understanding of the importance of sustainability and the management of the Group can also identify and assess important matters relevant to the four themes stated above.

ESG Management Structure and Risk Management



The Group has established its ESG management structure under the leadership of the Board with an aim to further optimise the ESG management system, 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. The primary duties of the Committee are as follows:

- to organise and execute ESG-related works in accordance with the Group's ESG management approaches, strategies and annual works;
- to collect and report ESG data, implementation and adjustment of policies;
- to assist the Board to supervise and review ESG issues in a timely manner and further improve its strategies and policies for sustainable development; and
- to comply with all ESG-related policies and systems.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Board of the Group bears the responsibility for guiding the Group's overall sustainability strategies, its primary duties are as follows:

- to delegate authority to the Sustainable Development Committee;
- to resolve and approve the Group's ESG management approaches, strategies and annual works, including the assessments, priorities and management of significant ESG issues; and
- to regularly review and monitor ESG performance and progress towards goals.

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.

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 2023 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

The Group is committed to creating long-term value for our stakeholders and attaches great importance to the opinion and expectations of each stakeholders. We endeavour to build trusting long-term relationships with our stakeholders in order to clarify prerequisites and gain a deeper understanding of the risks and opportunities that exist in the market. Our major stakeholders include shareholders, customers, governmental and regulatory institutions, suppliers, business partners, industry peers, employees, the community and the public. 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In 2023, we communicated with stakeholders through the following channels, so as to understand and respond to their expectations and concerns:

Stakeholders	Concern issues & Expectations	Communication Platforms and Opinion Collection Channels
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
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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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 engaged an external consulting company to assist in the materiality assessment. Such assessment summarized the expectations of all stakeholders towards the Group's ESG, and reviewed the importance of various ESG issues. The steps and results of the materiality assessment are summarized as follows:

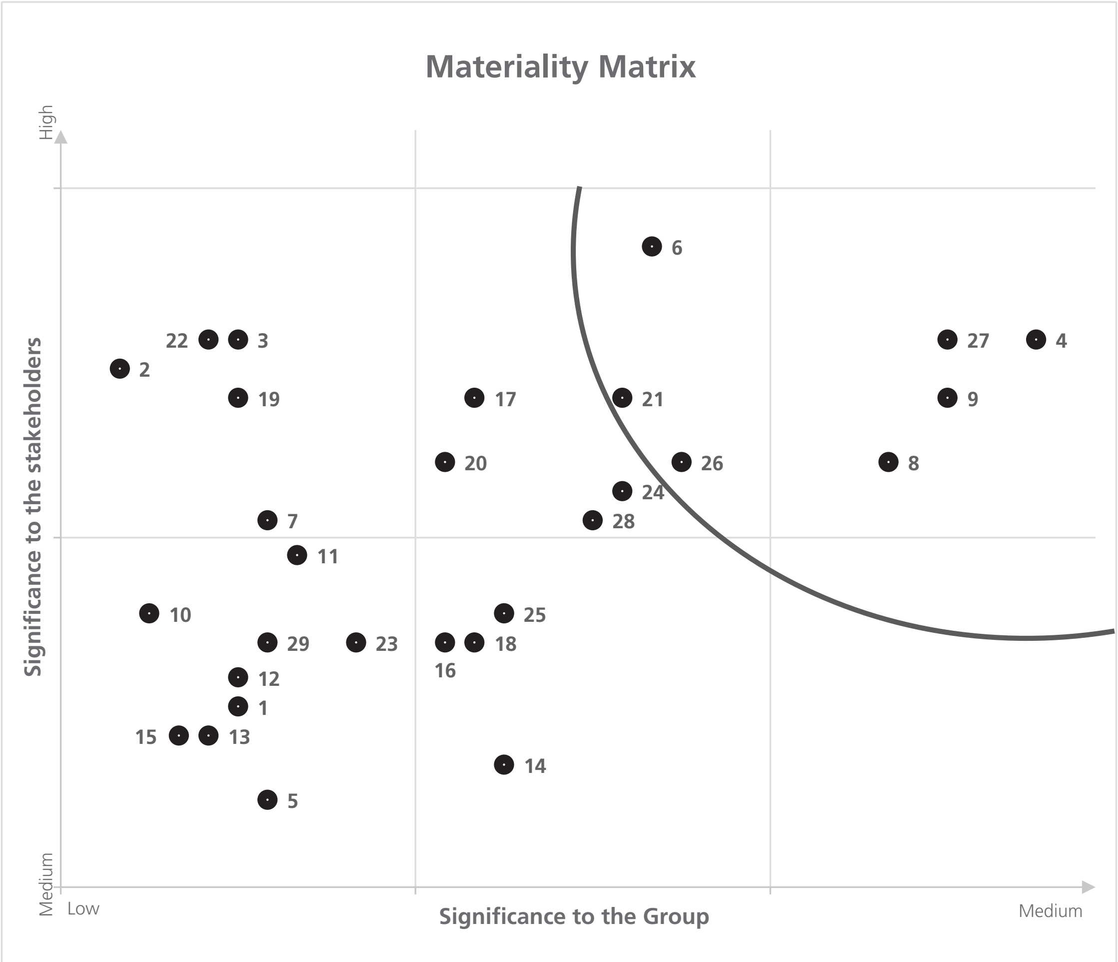
Step 1: Identify With reference to the "Guide", peer benchmark companies and industry trends, a total of 29 ESG issues were identified in five major areas.

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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



Workplace Quality

1 Diversity and anti-discrimination
2 Employment relationship and communication
3 Occupational safety and health
4 Training and development
5 Child labor and forced labor
6 Employee benefits

Environment Conservation and Green Operating

7 Greenhouse gas emissions
8 Air emissions
9 Electricity and water saving
10 Use of resource
11 Sewage disposal
12 Waste disposal
13 Green procurement
14 Climate change policy

Operating Practices

15 Supplier assessment and evaluation
16 Evaluation of suppliers' environmental and social performance
17 Anti-corruption policy
18 Anti-money laundering policy
19 Disaster response plan

Product and Service Responsibilities

20 Product and service quality
21 Product safety
22 Product research and development
23 Application of environmental protection technology
24 Customer privacy protection
25 Customer complaint handling
26 Customer satisfaction level
27 Intellectual property rights

Community Participation

28 Participate in charitable activities
29 Charity donation

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

List of material issues on sustainable development

According to the assessment results, we summarized 7 material issues on sustainable development and listed them in the following table:

	Material issues on sustainable development	Chapter
	Workplace Quality	
4	Training and development	Nurturing Talents
6	Employee benefits	Excellent Employee Benefits
	Environment Conservation and Green Operating	
8	Air emissions	Energy Conservation and Consumption Reduction
9	Electricity and water saving	Energy Conservation and Consumption Reduction
	Product and Service Responsibilities	
21	Product safety	Strict Quality Control
26	Customer satisfaction level	Customer Demand-Driven
27	Intellectual property rights	Protecting Customer Privacy and Intellectual Property Rights

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Product and Service Responsibilities

The Group is dedicated to driving the electric vehicle industry forward, while shifting its core towards chargers. We implement the "product first and customer-oriented" corporate management policy and strive 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. Our objectives are twofold. Firstly, we aim to utilize more clean energy to reduce greenhouse gas emissions and improve overall air quality. Secondly, we strive to promote the widespread adoption of electric energy, increasing its value and influence. With over 20 years of experience in supplying electrical DC products, we primarily supply electrical DC systems, power supply maintenance systems, and grid monitoring and management equipment to power grid companies, with a 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. During the Report Period, the Group achieved significant milestones in electrical DC products. Among them, Titans' electrical DC products played an important role in the "Belt and Road" Initiative, especially in the first large-scale hydropower plant project - Karot Hydropower, which was officially put into full commercial operation in June 2022. In addition, Titans Technology Co., Ltd.*(泰坦科技股份有限公司), a subsidiary of the Group, also continued to serve as a qualified supplier of China National Nuclear Corporation.

In recent years, society has become increasingly concerned about the different impacts new energy vehicles and traditional fuel vehicles have on the environment and health. Countries all over the world have proposed the gradual replacement of traditional fuel vehicles with electric vehicles to reduce air pollution. Electric vehicles operate solely on electricity, eliminating the need for fuel combustion or the installation of conventional internal combustion engines and fuel tank configurations found in fuel vehicles. This shift towards electric vehicles brings the reality of zero-emission transportation. The use of electric vehicle, as an alternative to petrol-powered vehicle, plays a role in air pollution mitigation and effective reduction of greenhouse gas emission. In addition to their 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, whereas electric vehicle can achieve a conversion rate of over 75% with power battery.

The domestic penetration rate of new energy vehicles in 2021 was approximately 16%, which increased to 27% in 2022 and surpassed 30% in 2023. It is expected that this rate will continue to rise, indicating an optimistic outlook for the future of the electric vehicle industry and the potential for promising development opportunities. In recent years, we have been dedicated to provide high quality service for clients, as well as improving the charging network in an effort to support the development of electric vehicles. We aim to provide stable and efficient charging system and equipment, ensuring that charging stations can operate in a sustainable and organized manner, effectively reducing resource wastage.

During the year, we have supplied charging equipment for electric vehicles to 23 charging stations in Yangjiang City. These charging stations have a combined power capacity of approximately 1,900kW and a total of 356 charging ports. Of these charging ports, 65% utilize our split charging poles. We anticipate further expansion of our charging network in the future.

* *For identification purpose only*

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Strict Quality Control

The Group maintains strict standards for the quality and safety of the final products. We strictly monitor and measure the features of production process, raw materials, semi-finished products, and final products. Each operator is required to meet the requirement of "Three Self-One Control", which involves conducting self-inspection, segregating products based on varying inspection and test results, and personally labelling the products, thereby ensuring control over 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. Our quality inspection department is responsible for quality control. Only semi-finished products that passed the tests and are labelled as such will be used in the next production stage. Once the qualified raw materials and semi-finished products have been processed into finished products, we conduct a final inspection to ensure product quality.

In addition to routine inspections and tests, we also conduct inspections based on specific requirements from customers when an order is placed. This ensures that the products produced by the Group meet the expectations of our customers. Before manufacturing or shipping products, we implement coding for raw materials, semi-finished products, purchased parts, and finished products. This coding system ensures product quality, safety, and traceability. If any issues are identified, our dedicated staff promptly make corrections and implement corresponding countermeasures to ensure the stability of product quality.

With this in mind, improving employees' knowledge in quality control has become one of the Group's key concerns. The Group provides regular training sessions to its staff 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.

In addition, the Group understands that in addition to simply 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 ISO9001 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 6 consecutive years since 2017. This recognition highlights our position as a national high-tech enterprise, demonstrating that our technology has received recognition and support from the state.

Product Innovation

The Group has always attached great importance to the development of new products, and innovation is an important driving force to sustain our competitive edge. In order to maintain the Group's position as one of the technology leaders in the market, we will continue to listen to market needs, 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. Such large number of products has not altered us to maintain uncompromising quality control over each stage of production, including new product design, pilot production, and mass production. The continuous control steps include the following:

- 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 new product design;

- Qualified products will be put in mass production after passing functional testing by specialists and users;

– 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; and

– Be open to comments, and staff members are encouraged to give ideas or suggestions, as well as actively adopting their ideas or suggestions on design and functions into product development, creating a dynamic and innovative business environment.

The Group is committed to innovation and its practical application, constantly researching and developing various types of charging equipment. We actively explore the integration of diverse technologies to create products that satisfy users' needs and meet operators' requirements. During the year, the application of intelligent charging island remains as our key project. This project mainly capitalizes on 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 the charging core equipment, achieving intelligent distribution, high efficiency, and energy saving. Similar to filling stations, the intelligent charging island provides safe, convenient, and efficient charging services to electric vehicles. We believe that it is leading the development of a new generation of centralized charging stations in the industry.

In addition, we have also explore the integration of cutting-edge technologies into charging stations, such as new energy power generation, energy storage power stations, and micro-grid power stations. We have incorporated various energy sources such as city power, wind power, and solar energy, to 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.

To meet the diverse market needs, 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 such 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. This allows us to provide fast charging service for a small number of buses during the daytime and regular charging for multiple buses at night. This device is highly utilized, safe, and stable as it is equipped with a charging device that meets the different requirements of day and night.

Green Smart Energy Infrastructure

Expansion of Charging Network

The Group's continuous recognition from clients builds upon our stable quality and extraordinary service. During the Report Period, Titans Technology won several bids for projects in Beijing City, Sichuan Province, Gansu Province, Tibet Autonomous Region, Fujian Province, Qinghai Province, Hebei Province, and Xiongan New Area of the State Grid for its professional brand reputation, high-quality service, and intelligent and stable products. We also stood out among 61 competitors in the bidding for the "Charging Equipment Procurement Project of PetroChina Company Limited's Sales Branch" due to our outstanding corporate qualifications, excellent performance, and trustworthy reputation. As a result, we successfully won the bidding for the charging equipment section, providing DC charging poles for PetroChina's charging stations in provinces and municipalities such as Shanxi, Beijing, Sichuan, Hainan, Jiangsu, Shandong, Guangxi, and other provinces and cities. By the end of 2023, we have supplied charging equipment to approximately 80 PetroChina's charging stations.

With respect to charging heavy electric trucks, the Group actively promoted the construction of a total of dozens of sets of charging facilities for heavy trucks in six cities, namely Baotou City in the Inner Mongolia Autonomous Region, Xingtai City in Hebei Province, Shenyang City in Liaoning Province, Beijing City, Datong City, and Changzhi City in Shanxi Province. In terms of battery swapping of heavy electric trucks, several sets of advanced battery swapping technology equipment have been installed in Yangquan City, Shanxi Province, to solve the problem of rapid recharging of heavy electric trucks. These charging and battery-swapping equipment have the advantages of intelligence, automation, high efficiency, and low energy consumption, and are capable of realizing full lifecycle data monitoring and control of the equipment, which significantly improve the operational efficiency of heavy trucks.

In 2023, the Group launched a self-developed, self-designed, powerful, stable, and flexible liquid-cooling technology-based supercharging terminal that can cover most charging scenarios. Liquid-cooling technology reduces the internal temperature of the charging device, improves the conversion efficiency of the charging device, and enhances stability. During the Reporting Period, the product was in operation at supercharging demonstration stations in Beijing, Shanghai, Guangdong, and Hubei, and was widely recognized by the market.

To implement a more comprehensive management and to lower management loss, Zhuhai Yilian has developed tailored charging solutions. These solutions adopt methods such as site construction, unified management, and platform interoperability. As a result, operating costs for operators or regulators are significantly reduced, the charging management standards are elevated, the utilization efficiency of charging equipment is greatly improved, an intelligent electric vehicle charging network is established in the city, and the charging process is optimized to eliminate time-consuming and error-prone procedures. These efforts aim to change 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 76 cities in the PRC, including Zhuhai, Shaoguan, Foshan, Hefei, Shanghai, and Caofeidian to actively provide users with convenient and high-quality charging services. Going forward, we will continue to participate in the planning and construction of charging infrastructure to support the development of electric vehicles, as well as tackling issues including the lack of supporting charging facilities, the incompatibility of charging facilities and different models of cars, the difficulties in the management of scattered charging stations, and the uneven allocation of resources, so electric vehicles can be widely used in small- and medium-scaled cities.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Comprehensive One-Stop Online Platform

Inspired by the internet economy, the Group realized that a comprehensive charging station information platform would significantly change the consumer's electric vehicle usage ecosystem. In order to fill the gap in existing technology supply and lead the industry development, we have created a user-friendly one-stop mobile application "EV Link" to eliminate the troubles that users faced when using charging stations, as a way to promote the use of electric vehicles. "EV Link" not only provides customers with the functions of 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 different payment platforms, "EV Link" can provide a full range of electric vehicle charging services. We aim to reduce the hardware and software setting concerns of the public when they switch to electric vehicles. We hope that the use of "EV Link" can 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. During the year, based on customer requests and market survey results, we have added three new features to "EV Link", including enabling the system to remotely adjust the power of the charging poles, monitoring the battery status to ensure safe charging of vehicles, and providing WeChat's credit charging on a pay-in-arrears-after-power-charging basis. We are committed to continuously optimizing the program to make EV charging services more convenient. In 2023, the number of "EV Link" users exceeded 689,215.

Customer Demand-Driven

Customers are not only the users of our products, but also our cooperation partners and workmates for sustainable development around the globe. Therefore, we attach great importance to their opinions and adopt diversified communication channels to contact them, such as the establishment of an 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 at any time. We are committed to providing them with a maintenance solution within 1 hour after receipt of the complaints and on-site services within 24 hours in designated areas.

We endeavor to provide our customers with comprehensive services and quality products to enhance customer satisfaction. In addition, we are always committed to meeting and exceeding customers' expectations by offering products with reliable quality, advanced technology, reasonable prices and attentive services in a precise and accurate manner. Therefore, we strive to protect our customers' interests by ensuring that product information is clear and accurate, by clearly explaining product details and specifications to our customers, by requiring the truthfulness and accuracy of the data contained in all sales materials, and by prohibiting false, misleading or misrepresentative statements in any form of communication. In this way, the Group aims to achieve mutual benefits and win-win situations with our customers through the provision of quality and safe products.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Protecting Customer Privacy and Intellectual Property Rights

The Group is deeply aware that the protection of client's privacy is provided by national law and regulations, it is also the basic principle for a high quality company. In light of this, we have adopted the following measures to protect the personal information of clients:

- Except 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;
- All information is professionally encrypted before storage and delivery to safeguard the security of users' personal information;
- Established an extensive management system for intellectual property;
- 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; and
- Entered into a confidentiality agreement with employees, suppliers and clients to enhance protection of trade secrets for securing legal interest of both parties.

Upon stringent implementation of the foresaid measures, the Group has been recognized by the Zhuhai Intellectual Property Office as one of the Enterprises with Intellectual Property Advantages in Zhuhai City. The criteria of such recognition include having persons-in-charge of intellectual property and a comprehensive intellectual property system in place, possessing a total of 30 or above valid patents with over 20 innovation types and utility-models, and most importantly, having no production of counterfeit goods or identified breaches of intellectual property rights through administrative and legal procedures in the past two years. The recognition represents our effort and commitment in this regard.

During the Reporting Period, the Group was not aware of infringement of laws 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.

Pursue Green Development

Global warming has been escalating, leading to various impacts and challenges. As a producer of green energy facilities, we 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 and decarbonisation measures in our own business operation. For example, using eco-friendly designs wherever possible in the construction of new plants to improve energy efficiency and reduce energy consumption. Our environmental protection management system has obtained ISO14001:2015 international standard certification. We endeavor to protect the environment through our sound management system coupled with implementation of relevant policies.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Our work on environmental protection generally falls into the following four key areas:

Strict Compliance with Regulations

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 qualified third-party to conduct inspection of waste water, drinking water, gas, noise, etc. During the Reporting Period, we are not aware of any breach of environmental laws and regulations by the Group.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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 various measures to manage and use resources. Our energy consumption, emission of greenhouse gas and air emission primarily come from electricity purchased from external parties, LPG used for our canteens, and petrol used for our own vehicles. Over the past years, we have made continuous efforts in energy conservation, sparing no effort to review its effectiveness from time to time for further improvement. As an environmentally friendly company, we are committed to reducing energy consumption in 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 the stored energy can be re-used for next testing, thus reducing the amount of power consumption. 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 cooling 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 servers and air conditioning and achieve the purpose of energy saving. Apart from upgrading energy-saving technologies to increase energy efficiency, we also reduce energy usage at source. We require our staff to switch off all equipment such as computers, air-conditioners, fans and lighting when they leave 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. Although we have no difficulty in obtaining sufficient water through our purchase from the municipal water supply company, we emphasize the importance of using water efficiently.

Employee Participation

We actively promote an environmental protection concept among the workplace and raise the environmental awareness and participation of employees. Our goal is to create a desirable working and living environment. Today, as constructions are becoming modernized and data-driven, the operation of the Group is also digitalised. We have implemented a digital office within the Company and encourage our staff to use computer information systems for internal and 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 requests 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Environmental Sustainability

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. As our main non-hazardous waste is domestic waste, 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 reusable waste materials in a centralised location to avoid discarding such materials as scraps. In 2022, we recycled a total of 1.3 tonnes of cartons for use as transit boxes. However, as cartons are prone to breakage, from this year onwards, we have fully adopted the use of plastic boxes to replace cartons, and therefore we did not recycle any cartons this year. Plastic boxes are made of stronger materials and can be reused, which is in line with our environmental philosophy.

In respect of hazardous wastes, according to the Directory of National Hazardous Wastes published by the Ministry of Ecology and Environment, the hazardous wastes the Group produces are categorized as HW49 other wastes, namely wastes produced when dealing with environmentally friendly emissions and during the supplementary process. These waste include organic materials and organic peroxide and its vessels, such as waste empty containers, waste rag and waste activated charcoal. We have transferred these wastes to qualified recycling companies for subsequent treatment. During the year, we also switched from the manual application of conformal coating to the use of spray coating equipment, thus reducing the amount of conformal coating used. In addition, we have switched to environmentally friendly conformal coating to reduce the generation of hazardous waste.

In addition, we also carry out promotion and education to employees on 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, so as to extend the useful life of the pallets and avoid excessive use of pallets.

Tackling the Challenges of Climate Change

Climate change is a global challenge that affects communities and businesses as a whole. In recent years, the problems caused by climate change have become more acute, with one of the most pervasive impacts being global warming and intensifying extreme weather. 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 various types of resources such as energy, water and raw materials to enhance reuse rate, and strengthen waste management and emissions

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Talent-oriented

One of the four "Ts" stands for talent. "Talent-oriented" is one of the cornerstones of the Group's culture and a crucial pillar of the Group. Thus, we always give top priority to the safety and health of our staff. We provide them with appropriate training and working environment that 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. This, in turn, enables us to meet the needs of the Company's future development and earn 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.

Merit-based Recruitment

We attach great importance to building a positive corporate culture and carrying out recruitment on a merit basis. 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 process to protect the benefits of candidates and internal 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.

At the beginning of every year, we will specify the direction and planning of development of the upcoming year and review the allocation of human resources of the Group. We recruit and seek talents through diversified channels such as on-site job fairs, online recruitment, internal recommendation, campus recruitment, and headhunting recruitment. We adhere to a fair standard of evaluation in recruitment process, 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 dismisses the employee on reasonable grounds and that the employee receives fair treatment. During the Reporting Period, the Group was not aware of any cases of forced labour and child labour.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Excellent Employee Benefits

The Group is concerned about the rights and interests of employees. 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.

In addition, the Company cares about the welfare of employees and adopts various working arrangements to promote work-life balance. We believe that these activities can strengthen the construction of corporate culture, consolidate corporate strength and competitiveness, and ultimately assist the Group in achieving the goals of its sustainable development strategy. During the year, we also organized our annual autumn tour - "Titans Autumn Walk to Welcome Mid-Autumn Festival and Celebrate National Day", which enriched the after-work life of our staff and facilitated communication among departments to enhance the team spirit.

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.

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 is committed to providing every employee with learning and development opportunities and 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 diversified 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 adheres to its goals of "learning in Titans, succeeding in the future; advancing with the times, action without delay" to nurture talents, we, thus, 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. During the Reporting Period, the Group offered the following five types of training courses for our employees with over 3,709 (2022: 5,230) hours of learning.

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	• Tightening quality control • Briefing on warehouse business and training on operation of U8 • Transaction modes of electricity market and electricity price calculation
General courses	• Time management • Communication skills • Computer operating • English	• Basic skills of Microsoft PowerPoint • Basic skills of Microsoft Excel
Technical courses	• Technical training in professional fields	• Training on operation of reflow soldering, wave soldering and conformal coating machine • Selection criteria and identification of TT4004.055 copper interconnects and copper bars • System operation and maintenance training • Product design • Network architecture and fundamentals
Management courses	• Thematic short-term training	• Corporate governance training on safe operation and management of charging stations, financial training of Great strategy, take-over code
Specialized courses	• Professional knowledge training	• Patent Information Retrieval Ideas and Strategies • Financial Professional 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

We consistently prioritize the safety and health of our employees by continuously monitoring and optimizing our safety management measures. Our aim is to provide a safe and healthy working environment. We adhere to the principle of "Safety and compliance, prevention of risks, care for health, continuous improvement" as our occupational safety and health policy. We 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, 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, 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 daily production safety management, we have implemented a comprehensive system to ensure that all employees can effectively prevent and control occupational diseases. Furthermore, we make continuous efforts to integrate health and safety into various aspects of our operations. We strive to improve the working environment and conditions for our employees, constantly seeking opportunities for enhancement.

The Group strongly believes in the principle of eliminating risk factors at the initial stage. We implement various measures to strengthen the control of dangers throughout the production process to 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 share the responsibility for occupational disease prevention and control. This includes formulating measures, implementing them, conducting regular inspections, and determining activities and services related to items with significant risks. Each department formulates operation control management plans or procedures, clarifying control methods and standards. For example, we have established detailed management measures and standards for hazardous chemicals. This includes affixing classification signs to all containers containing chemicals for easy identification of their hazards. Furthermore, we have designated dedicated storage areas equipped with safety facilities such as anti-theft, fire protection, explosion prevention, moisture control, leak-proofing, and ventilation. These storage areas are kept away from open flames to ensure utmost safety. 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. In addition, we also conduct monthly safety inspections throughout the plant to eliminate any unsafe environment, conditions, and behaviors.

Caring about staff's opinions and ideas

The Group listens to and respects the opinions and ideas of its employees. In order to facilitate communication and harmony between employees and the Company, to raise the awareness of all employees to participate in the Company's production and operation, and to give full play to their talents, the Group has formulated the "System of Management for Rationalization Suggestion", which encourages employees to positively put forward innovative plans and strategies for company development, to enhance work efficiency and reduce production costs, to facilitate technological advancement to improve corporate quality, to foster a co-development of the Company and its employees, and to forge a corporate culture that is positive, active, and innovative. In addition, in order to encourage our staff, once the rationalization proposals put forward by the staff are adopted, corresponding rewards will be given according to the effect of implementation.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Hygiene Awareness

After 3 years of preventing and controlling the COVID-19, the Group understands the importance of a good hygiene environment and awareness. We continue to pay attention to hygiene issues despite the relaxation of measures against the pandemic. We will continue to equip the Company with sufficient disinfectant hand sanitizers and carry out regular disinfection in the workplace to minimize the possibility and risk of large-scale virus infection or transmission.

Safe Work Awareness and Training

To ensure production safety and minimize the risk of work-related injuries, the Group focuses not only on providing a safe workplace and equipment but also on promoting awareness and training among our staff. We place great importance on educating our employees to enhance their safety consciousness and self-protection abilities. In order to remind our staff of the prevention of occupational disease hazards and the national laws and regulations on occupational disease hazards, we regularly update the "Occupational Disease Hazard Publicity Column" in our factories with tips on occupational safety. In addition, we also publish the results of testing and evaluation of occupational disease hazards, and the implementation and improvement of occupational hygiene work in the employing units promptly. Hazard warning signs and instructions are also placed in conspicuous places to remind employees of the types of occupational hazards, consequences, prevention and emergency response measures.

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. All workers are required to attend safety training before the commencement of work and can only commence work after passing the exam to obtain work permits. The training content includes occupational hygiene-related laws, regulations and standards, basic occupational hygiene knowledge, occupational hygiene management systems 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. To make sure that the awareness of safety and prevention of occupational disease and hazards of employees keeps up with the time, the Group invites professional technicians to provide specialized safety and technical training for operators of new equipment. If new machines are to be introduced in the construction process, the operators must pass a practical operation examination before the commencement of work.

Contingency Measures for 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 situations. 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 outlining 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 proper usage 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 the event of an accident, we will form an occupational hazard accident investigation team to collect evidence, analyze the responsibility of the accident, enforce appropriate consequences for those accountable, and take measures to prevent the accident from happening again.

Fire Control Safety Management

As fire safety is another important matter for safety management, the Group has formulated a "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 during both regular days and before and after holidays to eliminate fire hazards. In order to ensure the effectiveness of fire equipment, we will regularly check, acquire and repair fire equipment, and 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 are also a key components for our fire safety management. We set up fire safety promotion facilities at fixed locations in the Company 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.

Staff Code of Conduct

In order to regulate the daily work conduct of employees and reward or punish related conduct, the Group has formulated the "Staff Code of Conduct" to ensure the 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 behaviour and performance. We will offer rewards such as bonuses, travel opportunities, and sponsored educational programs to employees who effectively handle emergencies and reduce the Company's loss by a certain amount, or those who achieve a certain ranking or higher in external contests; on the contrary, those who violate operational procedures or even cause work safety accident resulting in the Company's loss to a certain amount will be subject to warning letters, disciplinary actions, and penalties. Such actions may also have a negative impact on their performance appraisal and salary. The second level targets the accountability of department heads. If accidents, delayed rectifications, or rule violations are caused by employees during their service, the heads of related departments will be held accountable for inadequate regulations and may face disciplinary action. We are committed to incentivizing employees to improve and enhance production safety using the reward and penalty policy. This not only ensures the personal safety of employees but also enhances the management of production safety.

Promoting Development of Society

In line with the management approach of "innovation-based, integrity-first", the Group not only advances together with its employees, but also leverages its position as a leading enterprise to foster 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 as we strive to promote global economy with integrity, aiming for prosperity, stability and sustainable development while cultivating a culture of honesty.

Cooperation with Suppliers

During the Reporting Period, the Group procured raw materials and components from over 250 qualified suppliers with most of their plants locating within Guangdong Province to reduce carbon emission generating from different modes of transportation.

The Group is having a strong and stable relationship with its suppliers and encountered no significant difficulties in obtaining a sufficient supply of raw materials and components. 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. This ensures that our suppliers are capable of consistently providing qualified products and helps us optimize the management of supply chain. When engaging with 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".

Qualified suppliers will be monitored on an on-going basis to ensure the consistent delivery of high quality of products. Our existing suppliers are categorized by their degree of importance and the percentage of total purchase they represent. This categorization helps to determine the department responsible for their evaluation, the frequency of evaluations, and the approach used for performance evaluations. We systematically evaluate qualified suppliers and regularly update 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".

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group establishes an "Environment, Occupational Health and Safety Agreement" with its major suppliers. This agreement ensures that the raw materials provided by suppliers comply with the requirements of national law and regulations, and that suppliers priorities production processes and equipment with minimal pollution. If the emission produced during the production process by suppliers exceeds the standards, they are required to take proactive 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

According to our Code of Conduct, all employees are strictly prohibited from seeking personal profit or benefit in 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 a chance to defend themselves. However, 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 have signed 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.

To further enhance employees' knowledge and awareness of integrity and self-discipline, during the Reporting Period, the Group provided anti-corruption-related training to the Directors and distributed the training materials on "Combating Corruption and Promoting Good Corporate Governance" to each Directors for their learning, so as to strengthen the Directors' awareness in combating corruption.

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. There were no concluded cases of litigation brought against the Group or its employees in relation to bribery, extortion, defraud or money laundering and no related incidents of incompliance during the Reporting Period. We are proud to announce that we have been selected as an "Enterprise of Observing Contract and Valuing Credit of Guangdong Province" for 19 consecutive years. This recognition highlights 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. Our Company has demonstrated considerable business efficiency and has maintained a clean record without any serious breaches of laws and regulations.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Care for Community

The Group has always placed great importance on the development of the community and hopes to continue creating values for society alongside our business development, so as to implement our sustainable development 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. We aim to not only giving back to society but also contribute to a more compassionate and caring society. Just like the previous year, we donated RMB6,000 to the Zhuhai Care Association to subsidize the daily life and study of the underprivileged university students in Zhuhai City. In addition, we donated RMB5,000 to the Zhuhai Autism Society to assist them in carrying out community awareness-raising activities to increase public understanding and respect for autism. We also participated in the community volunteering activities at Lianhuashan, helping to clean up the rubbish in the green belts. 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[1]

Environmental indicators	2023	2022
Emissions		
Nitrogen oxide emission (kg)	**10.45**[7]	7.31
Sulphur dioxide emission (kg)	**0.23**[7]	0.16
Particulate matter emissions (kg)	**0.75**[7]	0.52
Total emissions of nitrogen oxide avoided by the use of electric vehicles (kg)	**5.64**	0.96
Total emissions of sulphur dioxide avoided by the use of electric vehicles (kg)	**0.13**	0.02
Total emissions of particulate matter avoided by the use of electric vehicles (kg)	**0.42**	0.07
Greenhouse gases		
Total emission of greenhouse gases (tonnes of CO_2 equivalent)[2]	**1,575.19**	1,562.09
Scope 1: Direct emissions (tonnes of CO_2 equivalent)	**47.13**	190.80
Scope 2: Energy indirect emissions (tonnes of CO_2 equivalent)[3]	**1,397.95**	1,297.75
Scope 3: Other indirect emissions (tonnes of CO_2 equivalent)	**130.11**	73.54[3]
Total emissions intensity of greenhouse gases (tonnes of CO_2 equivalent/million RMB revenue)	**4.21**	4.53[3]
Total emissions of greenhouse gases avoided by the use of electric vehicles (tonnes of CO_2 equivalent)	**24.10**	4.03

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Environmental indicators	2023	2022
Wastes		
Total non-hazardous wastes produced (tonnes)	**258.90**	258.93
Total non-hazardous wastes recycled (tonnes)	**24.27**	24.27
Total non-hazardous wastes disposed (tonnes)	**234.63**	234.66
Total production intensity of non-hazardous wastes (tonnes/million RMB revenue)	**0.69**	0.75
Total production of hazardous waste (kg)	**309.00**[4]	450.00
Total production intensity of hazardous wastes (kg/million RMB revenue)	**0.83**	1.30
Use of resources		
Total energy consumption (MWh)	**2,456.69**	2,248.07
LPG (MWh)	**20.86**	21.28
Unleaded petrol (MWh)	**144.49**[7]	99.67
Purchased electricity (MWh)[5]	**2,291.34**[6]	2,127.12
Total energy consumption intensity (MWh/million RMB revenue)	**6.56**	6.52
Total water usage (m^3)	**13,354.24**	15,437.50
Total water usage intensity (m^3/million RMB revenue)	**35.68**	44.77
Paper packaging material used (tonnes)	**15.06**	10.88
Intensity of paper packaging material used (kg/million RMB revenue)	**40.24**	31.55
Plastic packaging material used (tonnes)	**5.27**	3.16
Intensity of plastic packaging material used (kg/million RMB revenue)	**14.08**	9.16

1 To provide more accurate information, the data of the environmental indicators since 2022 are rounded to the nearest two decimal places.

2 According to the "Guide", Scope 1 covers the direct greenhouse gases emissions from stationary combustion sources, mobile combustion sources and fugitive emissions of hydrofluorocarbons (HFC) during the use of refrigeration and air conditioning equipment; Scope 2 covers the energy indirect greenhouse gases emissions resulting from the generation of purchased electricity consumed within the Group; and Scope 3 covers the indirect greenhouse gases emissions resulting from waste paper disposal to landfills, sewage treatment and business air travel.

3 The relevant emission factors set out in the latest version of "Appendix 2: Reporting Guidance on Environmental KPIs" under "How to prepare an ESG Report" issued by the Stock Exchange were employed for calculating Scope 2: indirect emissions during the Reporting Period.

4 The significant reduction in hazardous waste is due to the switch to environmentally friendly conformal coating and a change in the application method from manual to spray coating equipment during the year.

5 The purchased electricity includes the electricity used by electric vehicles.

6 Due to the introduction of four new electric vehicles during the year, there was an increase in the use of purchased electricity.

7 The increase in the number of unleaded petrol vehicles used during the year has led to an increase in the amount of unleaded petrol used and the associated emissions.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Social Indicators[5]	2023	2022
Employment Indicator		
Number of employees	**426**	396
By gender		
Male	**314**	287
Female	**112**	109
By employment type		
Full-time	**426**	396
By age		
51 or above	**45**	33
31-50	**280**	280
30 or below	**101**	83
By geographical region		
Mainland China	**426**	396
Employee turnover rate (%)		
Overall employee turnover rate	**9.62**	9.60
By gender		
Male	**9.55**	10.10
Female	**9.82**	8.26
By age		
51 or above	**8.89**	9.09
31-50	**10.71**	10.00
30 or below	**6.93**	8.43
By geographical region		
Mainland China	**9.62**	9.60

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Social Indicators[5]	2023	2022
Development and Training		
Percentage of employees who received training (%)		
Overall percentage of employees who received training	**89.20**	77.02
By gender		
Male	**74.21**	71.15
Female	**25.79**	28.85
By employee category		
Senior management level	**2.11**	3.61
Middle management level	**10.78**	10.82
Junior or technician	**87.11**	85.57
Average hours of training per employee (hour)		
By gender		
Male	**7.48**	12.86
Female	**12.16**	14.14
By employee category		
Senior management level	**1.57**	14.27
Middle management level	**14.86**	36.53
Junior or technician	**8.28**	10.85

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Social Indicators[5]	2023	2022
Health and Safety		
Number and rate of work-related fatalities occurred in each of the past three years (including the reporting period) (%)	**0 (0)**	0 (0)
Lost days due to work injury	**11**	32
Supply Chain Management		
Total number of suppliers	**239**	251
By geographical region		
Mainland China	**239**	251
Product Responsibility		
Percentage of total products sold or shipped subject to recalls for safety and health reasons (%)	**0**	0
Number of products and service-related complaints received	**0**	0
Community Investment Indicators		
Corporate charitable donations (RMB)	**11,000.00**	6,000.00
Number of employees participating in volunteer services	**21**	0
Number of volunteer hours of employees	**1.5**	0

5 The Group disclosed 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.

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 2023.

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 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 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 2023 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 101 to 102 of this annual report.

The Board does not recommend the payment of any dividend for the year ended 31 December 2023 (2022: 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, 21 June 2024, the register of members of the Company will be closed from Tuesday, 18 June 2024 to Friday, 21 June 2024 (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, 17 June 2024.

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 2023 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 24 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, 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.

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.

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 45 to 76 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 Futures 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 2023, 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.

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 2023 are set out in note 24 to the consolidated financial statements. Up to the date of this report, 26.72% 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 2023 are set out in note 30 to the consolidated financial statements. Up to the date of this report, 29.61% 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 12.12% and 27.63% 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 11.15% and 31.27% 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 2023 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 2023 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 2023, the reserves of the Company available for distribution to shareholders of the Company amounted to approximately RMB432.0 million (2022: RMB266.8 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

Save as disclosed herein, 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 2023.

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.

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.

There is no specific vesting period for options.

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 2023. There were no outstanding options under the 2010 Share Option Scheme at the beginning and at the end of the year ended 31 December 2023.

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 7 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

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.

The vesting period for options shall not be less than 12 months.

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 10 years from the date of 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.

No specific period within which payments or call must or may be made or loans for such proposes must be repaid.

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.

The Company has granted in aggregate 30,200,000 Share Options to the Grantees pursuant to the 2020 Share Option Scheme on 15 July 2022. For details, please refer to the announcement of the Company dated 15 July 2022.

No options were granted, exercised or cancelled by the Company under the 2020 Share Option Scheme during the year ended 31 December 2023. 12,880,000 options lapsed under the 2020 Share Option Scheme during the year ended 31 December 2023. At the beginning and at the end of the year ended 31 December 2023, 24,325,600 share options are available for grant under the Scheme Mandate Limit, respectively. There was no Share may be issued in respect of Share Options granted under all schemes of the Company during the year ended 31 December 2023, being 0% of the weighted average number of shares of the relevant class in issue for the year 2023.

As at the date of this report, the total number of shares available for issue under the 2020 Share Option Scheme was 78,365,600 Shares, representing 5.25% of the issued Shares of the Company.

DIRECTORS' REPORT

Below sets out the movements of the Share Options for the year ended 31 December 2023:

Share Options granted to Directors:

Name of Grantee	Date of grant	Number of Share Options As at 1 January 2023	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled/ forfeited during the year	Outstanding as at 31 December 2023	Exercise price per Share	Share price immediately prior to the date of grant (HK$ per Share)	Fair value of Share Options (HK$ per Share)	Vesting Period	Exercise period
Li Xin Qing (Executive Director)	23 July 2021	200,000	–	–	200,000	–	0	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	–	0	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

Share Options granted to other Grantees:

Category of other Grantee	Date of grant	As at 1 January 2023	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled/ forfeited during the year	Outstanding as at 31 December 2023	Exercise price per Share	Share price immediately prior to the date of grant (HK$ per Shares)	Fair value of Share Options (HK$ per Share)	Vesting Period	Exercise period
Employees	23 July 2021	11,840,000	–	–	11,840,000	–	0	HK$0.445	HK$0.44	HK$0.1151	From 23 July 2021 to 31 December 2021	1 June 2022 to 31 December 2023
Employees	23 July 2021	11,840,000	–	–	320,000	–	11,520,000	HK$0.445	HK$0.44	HK$0.1379	From 1 January 2022 to 31 December 2022	1 June 2023 to 31 December 2024
Employees	23 July 2021	11,840,000	–	–	320,000	–	11,520,000	HK$0.445	HK$0.44	HK$0.1571	From 1 January 2023 to 31 December 2023	1 June 2024 to 31 December 2025
Employees	15 July 2022	14,250,000	–	–	–	–	14,250,000	HK$0.343	HK$0.33	HK$0.0611	From 15 July 2022 to 14 July 2023	from 15 July 2023 to 14 July 2024
Employees	15 July 2022	14,250,000	–	–	–	–	14,250,000	HK$0.343	HK$0.33	HK$0.0818	From 15 July 2022 to 14 July 2024	from 15 July 2024 to 14 July 2025
Consultant *(Note 1)*	15 July 2022	850,000	–	–	–	–	850,000	HK$0.343	HK$0.33	HK$0.0611	From 15 July 2022 to 14 July 2023	from 15 July 2023 to 14 July 2024
Consultant *(Note 1)*	15 July 2022	850,000	–	–	–	–	850,000	HK$0.343	HK$0.33	HK$0.0818	From 15 July 2022 to 14 July 2024	from 15 July 2024 to 14 July 2025

Note 1: As at the date of this Report, a consultant is holding 1,700,000 share options. The consultant is an independent third party and a financial consultant to the Group. He has extensive experience in the aspect of taxation and finance. He is a certified tax agent and provides tax and financial consultant service to the Group.

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' REPORT

DIRECTORS

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

Executive Directors
Mr. Gao Xia *(Chairman) (appointed on 24 May 2023)*
Mr. Li Xin Qing
Mr. Bi Jingfeng *(appointed on 24 May 2023)*
Mr. An Wei *(Chief Executive Officer)*

Non-executive Director
Mr. Jiang Wenqi *(appointed on 24 May 2023)*

Independent Non-executive Directors
Mr. Li Xiang Feng
Mr. Liu Wei *(appointed on 30 May 2023)*
Ms. Jiang Yan *(appointed on 30 May 2023)*
Mr. Li Wan Jun *(resigned on 14 June 2023)*
Mr. Pang Zhan *(resigned on 14 June 2023)*

DIRECTORS' SERVICE CONTRACTS

Pursuant to article 84(1), 84(2) of the Articles, at each annual general meeting one-third of the Directors for the time being, or, if their number is not a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. Accordingly, Mr. An Wei, Mr. Jiang Wenqi 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 2023.

REMUNERATION OF DIRECTORS

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

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

DIRECTORS' REPORT

PERMITTED INDEMNITY PROVISION

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

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENT OR CONTRACTS

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

EXECUTIVE DIRECTORS' INTEREST IN COMPETING BUSINESS

As at 31 December 2023, 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 UNDERTAKING PROVIDERS

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 "Undertaking Providers").

Each of the Undertaking Providers 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 Undertaking Providers have complied with the Non-competition Deed during the year ended 31 December 2023.

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 25 to 29 of this annual report.

DIRECTORS' REPORT

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

As at 31 December 2023, 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 C3 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)*	13.79%
	Beneficial owner	600,000 *(Note 3)*	0.04%
Mr. An Wei	Interest of controlled corporations	195,869,875 *(Note 4)*	13.13%
	Beneficial owner	800,000 *(Note 5)*	0.05%

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 600,000 Shares, 400,000 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 800,000 Shares, 400,000 Shares are share options granted by the Company on 23 July 2021.

Save as disclosed above, as at 31 December 2023 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.

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

As at 31 December 2023, 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
唐山市人民政府國有資產監督管理委員會*(Note 2)*	Interest of controlled corporations	566,970,000 *(Note 3)*	38.00%
Ms. Zeng Zhen *(Note 4)*	Interests of spouse	206,309,875	13.83%
Genius Mind *(Note 5)*	Beneficial owner	197,724,457	13.25%
Ms. Yan Kai *(Note 6)*	Interests of spouse	196,669,875	13.18%
Great Passion *(Note 7)*	Beneficial owner	187,884,457	12.59%
Broad-Ocean Motor (Hong Kong) Co. Limited *(Note 8)*	Beneficial owner	84,096,000	5.64%
Zhongshan Broad-Ocean Motor Co., Ltd. *(Note 8)*	Interest of controlled corporations	84,096,000	5.64%
Mr. Lu Chuping *(Note 8)*	Interest of controlled corporations	84,096,000	5.64%
Honor Boom Investments Limited *(Note 9)*	Beneficial owner	82,458,117	5.53%
Mr. Li Xiao Bin *(Note 9)*	Interest of controlled corporations	82,458,117	5.53%
	Beneficial owner	3,360,000 *(Note 10 and 11)*	0.22%
Ms. Zhang Lina *(Note 12)*	Interests of spouse	85,818,117	5.75%

DIRECTORS' REPORT

Notes:

1. All interests in Shares were long positions.

2. The entire issued share capital of 唐山國控科創有限公司 is indirectly owned by 唐山市人民政府國有資產監督管理委員會. Therefore, 唐山市人民政府國有資產監督管理委員會 is deemed to be interested in the 566,970,000 Shares held by 唐山國控科創有限公司 by virtue of the SFO.

3. These 566,970,000 Shares were the subscription shares allotted to 唐山國控科創有限公司 under the Subscription Agreement dated 18 October 2022. For details of the Subscription, please refer to the Company's circular dated 18 November 2022 and the Company's announcements dated 18 October 2022, 8 and 18 November 2022, 12 December 2022, 12 January 2023, 10 February 2023, 10 March 2023, 31 March 2023, 28 April 2023 and 11 May 2023.

4. 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.

5. 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.

6. 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.

7. 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.

8. 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.

9. 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.

10. These 760,000 Shares and 2,600,000 Shares are share options granted by the Company on 23 July 2021 and 15 July 2022, respectively.

11. On 15 July 2022, the Company granted in aggregate 30,200,000 share options to 13 grantees to subscribe for the same number of ordinary Shares of HK$0.01 each in the capital of the Company. The share options are granted under the share option scheme adopted by the Company on 18 December 2020. Out of these 30,200,000 options, 2,600,000 share options were granted to Mr. Li Xiao Bin. Please refer to the announcement of the Company dated 15 July 2022 for further details.

12. 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.

Save as disclosed above, as at 31 December 2023, the Company has not been notified by any person (other than directors or the chief executive of the Company) who had interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' REPORT

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.

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 2023.

CORPORATE GOVERNANCE

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 of the Corporate Governance Code as set out in Appendix C1 to the Listing Rules throughout the year ended 31 December 2023 and there have been no material deviations from the Code Provision.

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, 21 June 2024. A notice convening the AGM will be published and despatched to the shareholders of the Company (the "Shareholders") in the manner as required by the Listing Rules in due course.

On behalf of the Board

Gao Xia
Chairman

Hong Kong, 28 March 2024

INDEPENDENT AUDITOR'S REPORT

17/F, Chubb Tower, Windsor House,
311 Gloucester Road, Causeway Bay,
Hong Kong

香港銅鑼灣告士打道311號皇室大廈
安達人壽大樓17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 101 to 196, which comprise the consolidated statement of financial position as at 31 December 2023, 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 material accounting policy information.

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 2023, 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 in note 3.

The key audit matter	How the matter was addressed in our audit
As at 31 December 2023, the carrying amount of inventories was approximately RMB192,099,000. We have identified the valuation of 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 valuation 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 2023. We have discussed with the management for the long-aged inventories identified at 31 December 2023 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 less all estimated cost of completion and costs necessary to make the sale 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)

Recoverability and impairment of trade receivables

Refer to note 24 to the consolidated financial statements and the accounting policies in note 3.

The key audit matter	How the matter was addressed in our audit
As at 31 December 2023, the carrying amount of trade receivables, net of allowance for expected credit loss ("ECL"), was approximately RMB306,613,000. Allowance for ECL in respect of trade receivables of approximately RMB25,991,000 has been recognised and approximately RMB4,092,000 has been reversed for the year ended 31 December 2023. The allowance for ECL on trade receivables is 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 2023. We have identified the recoverability and impairment of the trade receivables as a key audit matter in view of the significance of the carrying amount of trade receivables and the ECL estimation performed by the management involved significant judgements and estimates.	Our audit procedures were designed to assess the management estimation on ECL of trade receivables and challenge the reasonableness of the significant judgements and estimates, including use of significant 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 assessed the accuracy of the historical default data. We tested the integrity of information used by management to develop the provision matrix, including trade receivables ageing analysis as at 31 December 2023, on a sample basis, by comparing individual items in the aging analysis with the relevant sales contract, sales invoices and other supporting documents.

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 in note 3.

The key audit matter	How the matter was addressed in our audit
As at 31 December 2023, the financial assets at fair value through other comprehensive income are investments in unlisted equity securities of approximately RMB9,628,000. Independent valuer was engaged by the management to review the fair value measurement of each of the unlisted equity securities as at 31 December 2023. Fair value loss on financial assets at fair value through other comprehensive income of approximately RMB10,993,000 has been recognised during the year ended 31 December 2023. 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 measurement 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 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.

- Conclude on the appropriateness of the 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
28 March 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	NOTES	2023 RMB'000	2022 RMB'000
Revenue	5	**374,277**	344,848
Cost of revenue		**(266,475)**	(234,529)
Gross profit		**107,802**	110,319
Other revenue and income	7	**15,802**	8,941
Other gains and losses	8	**5,653**	260
Selling and distribution expenses		**(68,453)**	(56,205)
Administrative and other expenses		**(80,016)**	(64,317)
Impairment losses in respect of interests in associates	20	**(697)**	–
Impairment losses of financial assets and contract assets, net	11	**(25,124)**	(12,939)
Share of results of associates		**2,782**	2,396
Finance costs	9	**(8,815)**	(9,726)
Loss before tax		**(51,066)**	(21,271)
Income tax credit	10	**4,763**	2,670
Loss for the year	11	**(46,303)**	(18,601)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	NOTE	2023 RMB'000	2022 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		**(10,993)**	(3,894)
Income tax relating to items that will not be reclassified subsequently to profit or loss		**562**	77
Other comprehensive expense for the year, net of income tax		**(10,431)**	(3,817)
Total comprehensive expense for the year		**(56,734)**	(22,418)
Loss for the year attributable to:			
– Owners of the Company		**(43,979)**	(18,227)
– Non-controlling interests		**(2,324)**	(374)
		(46,303)	(18,601)
Total comprehensive expense for the year attributable to:			
– Owners of the Company		**(54,410)**	(22,044)
– Non-controlling interests		**(2,324)**	(374)
		(56,734)	(22,418)
LOSS PER SHARE	*15*		
Basic (RMB)		**(3.41 cents)**	(1.97 cents)
Diluted (RMB)		**(3.41 cents)**	(1.97 cents)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	NOTES	2023 RMB'000	2022 RMB'000
Non-current assets			
Property, plant and equipment	16	**155,024**	161,362
Right-of-use assets	17	**9,755**	7,052
Goodwill	18	**–**	–
Intangible assets	19	**13,498**	19,816
Interests in associates	20	**19,290**	22,326
Financial assets at fair value through other comprehensive income	21	**9,628**	20,621
Financial asset at fair value through profit or loss	21	**1,209**	2,834
Deferred tax assets	34	**16,704**	12,213
		225,108	246,224
Current assets			
Inventories	23	**192,099**	177,466
Trade receivables	24	**306,613**	299,547
Contract assets	25	**42,436**	32,411
Loan receivables	26	**–**	1,401
Prepayments, deposits and other receivables	27	**54,530**	48,366
Amounts due from associates	28	**841**	313
Finance lease receivable	22	**–**	187
Tax recoverable		**4,469**	3,362
Restricted bank balances	29	**32,979**	12,974
Bank balances and cash	29	**219,772**	84,713
		853,739	660,740
Current liabilities			
Trade and bills payables	30	**215,509**	196,989
Accruals and other payables	30	**8,431**	11,345
Contract liabilities	25	**62,906**	16,896
Amounts due to associates	31	**555**	458
Bank and other borrowings	32	**105,441**	111,202
Lease liabilities	33	**1,884**	–
Tax payable		**132**	975
		394,858	337,865
Net current assets		**458,881**	322,875
Total assets less current liabilities		**683,989**	569,099

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	NOTES	2023 RMB'000	2022 RMB'000
Non-current liabilities			
Bank and other borrowings	32	**51,108**	53,381
Lease liabilities	33	**1,963**	–
Deferred tax liabilities	34	**12,281**	13,115
		65,352	66,496
Net assets		**618,637**	502,603
Capital and reserves			
Share capital	36	**13,093**	8,087
Share premium and reserves		**596,315**	482,963
Equity attributable to owners of the Company		**609,408**	491,050
Non-controlling interests		**9,229**	11,553
Total equity		**618,637**	502,603

The consolidated financial statements on pages 101 to 196 were approved and authorised for issue by the board of directors on 28 March 2024 and are signed on its behalf by:

Gao Xia
Director

An Wei
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

		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 2022	8,087	325,141	1,112	8,640	504	854	(4,771)	66,907	104,518	510,992	11,927	522,919
Loss for the year	–	–	–	–	–	–	–	–	(18,227)	(18,227)	(374)	(18,601)
Other comprehensive expense for the year:												
Net fair value loss on financial assets at fair value through other comprehensive income	–	–	–	–	–	(3,894)	–	–	–	(3,894)	–	(3,894)
Income tax relating to items that will not be reclassified subsequently to profit or loss	–	–	–	–	–	77	–	–	–	77	–	77
Total comprehensive (expense) income for the year	–	–	–	–	–	(3,817)	–	–	(18,227)	(22,044)	(374)	(22,418)
Transfer in (out)	–	–	–	–	–	–	–	378	(378)	–	–	–
Recognition of equity-settled share-based payment expenses *(note 42)*	–	–	(37)	–	–	–	–	–	37	–	–	–
Capital contribution from a non- controlling shareholder	–	–	2,102	–	–	–	–	–	–	2,102	–	2,102
At 31 December 2022 and 1 January 2023	8,087	325,141	3,177	8,640	504	(2,963)	(4,771)	67,285	85,950	491,050	11,553	502,603
Loss for the year	–	–	–	–	–	–	–	–	(43,979)	(43,979)	(2,324)	(46,303)
Other comprehensive expense for the year:												
Net fair value loss on financial assets at fair value through other comprehensive income	–	–	–	–	–	(10,993)	–	–	–	(10,993)	–	(10,993)
Income tax relating to items that will not be reclassified subsequently to profit or loss	–	–	–	–	–	562	–	–	–	562	–	562
Total comprehensive expense for the year	–	–	–	–	–	(10,431)	–	–	(43,979)	(54,410)	(2,324)	(56,734)
Issue of shares	5,006	165,189	–	–	–	–	–	–	–	170,195	–	170,195
Forfeiture of share options	–	–	(28)	–	–	–	–	–	28	–	–	–
Recognition of equity-settled share-based payment expenses *(note 42)*	–	–	2,573	–	–	–	–	–	–	2,573	–	2,573
At 31 December 2023	13,093	490,330	5,722	8,640	504	(13,394)	(4,771)	67,285	41,999	609,408	9,229	618,637

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 2023

	2023 RMB'000	2022 RMB'000
OPERATING ACTIVITIES		
Loss before tax	**(51,066)**	(21,271)
Adjustments for:		
Finance costs	**8,815**	9,726
Bank interest income	**(415)**	(187)
Interest income on loan receivables	**(38)**	(83)
Interest income on finance lease receivable	**(29)**	(53)
Share of results of associates	**(2,782)**	(2,396)
Depreciation of property, plant and equipment	**12,871**	13,028
Depreciation of right-of-use assets	**1,066**	312
Amortisation of intangible assets	**6,318**	6,318
Impairment losses in respect of interests in associates	**697**	–
Impairment loss of financial assets and contact assets, net	**25,124**	12,939
Write-down of inventories	**4,025**	–
Equity-settled share-based payment expenses	**2,573**	2,102
Gain on partial disposal of an associate	**(879)**	–
Gain on deemed partial disposal of an associate	**–**	(1,563)
Loss on disposal of property, plant and equipment	**1**	547
Loss on write-off of property, plant and equipment	**205**	66
Fair value loss on financial asset at fair value through profit or loss	**1,625**	1,312
Unrealised exchange gain	**–**	(93)
Operating cash inflows before movements in working capital	**8,111**	20,704
Increase in inventories	**(18,658)**	(47,036)
Increase in trade receivables	**(28,965)**	(37,968)
(Increase) decrease in contract assets	**(11,849)**	9,332
(Increase) decrease in prepayments, deposits and other receivables	**(164)**	10,610
Increase in amount due from associates	**(528)**	(42)
Increase in trade and bills payables	**18,520**	69,989
(Decrease) increase in accruals and other payables	**(2,914)**	2,796
Increase (decrease) in contract liabilities	**46,010**	(11,505)
Cash generated from operations	**9,563**	16,880
Income tax paid	**(1,950)**	(820)
NET CASH FROM OPERATING ACTIVITIES	**7,613**	16,060

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	2023 RMB'000	2022 RMB'000
INVESTING ACTIVITIES		
Placement of restricted bank balances	**(32,912)**	(8,714)
Withdrawal of restricted bank balances	**12,907**	13,997
Withdrawal of short-term bank deposits	**–**	43,000
Bank interest received	**415**	187
Loan interest received	**38**	83
Interest received from finance lease receivable	**29**	53
Purchase of property, plant and equipment	**(6,819)**	(11,983)
Proceeds on disposal of property, plant and equipment	**80**	459
Decrease in financial assets at fair value through profit or loss	**–**	500
Repayment of loan receivables	**–**	4,000
Decrease in finance lease receivable	**187**	163
NET CASH (USED IN) FROM INVESTING ACTIVITIES	**(26,075)**	41,745
FINANCING ACTIVITIES		
New bank and other borrowings raised	**142,780**	116,963
Repayment of bank and other borrowings	**(150,814)**	(116,158)
Advance from (repayment to) associates	**97**	(159)
Interest paid	**(8,737)**	(9,726)
Issue of shares	**170,195**	–
NET CASH FROM (USED IN) FINANCING ACTIVITIES	**153,521**	(9,080)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**135,059**	48,725
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**84,713**	35,988
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, REPRESENTED BY BANK BALANCES AND CASH	**219,772**	84,713

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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 Company's immediate holding company is 唐山國控科技創新投資集團有限公司 (Tangshan Guokong Science and Technology Innovation Investment Group Co., Limited*) ("Tangshan Guokong"), and its shares is ultimately owned by 唐山國控集團有限公司 ("Tangshan Guokong Group Company Limited"*) ("Tangshan Group"). The ultimate controlling party of Tangshan Group is 唐山市人民政府國有資產監督管理委員會 (Tangshan Municipal People's Government State-owned Assets Supervision and Administration Commission*) ("Tangshan SASAC") in the People's Republic of China (the "PRC").

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 leases of electric vehicles; (iii) provision of charging services for electric vehicles and 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.

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

New and amendments to HKFRSs that are mandatory effective for the current year

In the current year, the Group has applied the following new and amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2023 for the preparation of the consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules

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

* English name is for identification purpose only.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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

Impact on application of Amendments to HKAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments to HKAS 12 narrow the scope of the initial recognition exemption of deferred tax liabilities and deferred tax assets so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences, such as leases and decommissioning liabilities. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained earnings at that date. For all other transactions, the amendments are applied to those transactions that occur after the beginning of the earliest period presented.

The amendments had no material impact on the consolidated financial statements of the Group.

Amendments to HKFRSs issued but not yet effective

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

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[2]
Amendments to HKAS 1	Non-current Liabilities with Covenants[2]
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements[2]
Amendments to HKAS 21	Lack of Exchangeability[3]

1 Effective for annual period beginning on or after a date to be determined.
2 Effective for annual periods beginning on or after 1 January 2024.
3 Effective for annual periods beginning on or after 1 January 2025.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICY INFORMATION

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 material accounting policy information 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 2023

3. MATERIAL ACCOUNTING POLICY INFORMATION (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.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business 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 group of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

The Group's policy for goodwill arising on the acquisition of an associate is described below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICY INFORMATION (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 and adjusted thereafter to recognised the Group's share of the profit or loss and other comprehensive income of the associates. If the Group's share of losses of an associate equals or exceeds its interest in the associate, which includes any long-term interests that, in substance, form part of the Group's net investment in the associate, the Group discontinues recognising its share of further losses. Additional losses are 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Investments in associates (Continued)

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with HKFRS 9 *Financial Instruments* ("HKFRS 9"). The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the associate is disposed of.

When the Group's ownership interest in an associate is reduced, but the Group continues to apply the equity method, the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest is reclassified to profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

Gains and losses resulting from transactions between the Group and its associate are recognised in the consolidated financial statements only to the extent of interests in the associate that are unrelated to the Group. 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 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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Revenue from contracts with customers

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

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

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

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

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

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

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

Revenue is measured based on the consideration to which that group expects to be entitled in a contract with a customer, excludes discounts and sales related taxes.

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Revenue from contracts with customers (Continued)

Contract assets and contract liabilities

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

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

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

The Group recognised revenue from the following major sources:

- Sales of electric products
- Provision of charging services for electric vehicles

Sales of goods

Revenue from sale of electric products 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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Revenue from contracts with customers (Continued)

Provision of charging services for electric vehicles

For the provision of charging services for electric vehicles, revenue is recognised based on the electricity transmitted and at the point when the electricity is transferred to the electric vehicles.

Leasing

Definition of a lease

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.

3. MATERIAL ACCOUNTING POLICY INFORMATION (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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Leasing (Continued)

The Group as lessee (Continued)

Lease liabilities (Continued)

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

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using revised discount rate.

- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).

- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

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

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Leasing (Continued)

The Group as lessor

The Group enters into lease agreements as a lessor with respect to some of its electric vehicles and 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.

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

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 interests as appropriate).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICY INFORMATION (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.

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Taxation

Income tax expense represents the sum of current and deferred income tax expense.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax because of income or expense that are taxable or deductible in other years and 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 differences 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 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, 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 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 liability 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Taxation (Continued)

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. The Group recognises a deferred tax asset related to lease liabilities 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 taxable temporary differences.

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 to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly to 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.

3. MATERIAL ACCOUNTING POLICY INFORMATION (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 2023

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Cash and cash equivalents

In the consolidated statement of financial position, cash and bank balances comprise cash (i.e. cash on hand and demand deposits) and cash equivalents. Cash equivalents are short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather for investment or other purposes.

Bank balances for which use by the Group is subject to third party contractual restrictions are included as part of cash unless the restrictions result in a bank balance no longer meeting the definition of cash. Contractual restrictions affecting use of bank balances are disclosed in note 28.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents, as defined above, which are repayable on demand and form an integral part of the Group's cash management. Such overdrafts are presented as short-term borrowings in the consolidated statement of financial position.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Financial instruments (Continued)

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.

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.

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Financial assets at amortised cost (debt instruments) (Continued)

(i) Amortised cost and effective interest method (Continued)

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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).

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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Financial assets at FVTPL (Continued)

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

The Group always recognises lifetime ECL for trade receivables, contract assets, finance lease receivables, loan receivable and amounts due from associates. The expected credit losses on these financial assets and other items 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Significant increase in credit risk (Continued)

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 fulfill 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.

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 financial asset is 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. The Group rebutted the presumption of default under ECL model for trade debtors over 2 years past due based on the good repayment records for those customers, continuous business with the Group and/or other reasonable and supportable information.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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.

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.

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Measurement and recognition of expected credit losses (Continued)

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.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically:

- For financial assets measured at amortised cost that not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the "Other gains and losses" line item as part of the net foreign exchange gains/(losses);

- For equity instruments measured at FVTOCI, exchange differences are recognised in other comprehensive income in the fair value through other comprehensive income/revaluation reserve.

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 2023

3. MATERIAL ACCOUNTING POLICY INFORMATION (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 at amortised cost

The Group's financial liabilities including trade and bills payables, accruals and other payables, amounts due to associates and bank and other borrowings are subsequently measured at amortised cost, using the effective interest method.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the "Other gains and losses" line item in the profit or loss.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period.

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Financial liabilities at amortised cost (Continued)

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.

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees and directors

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.

3. MATERIAL ACCOUNTING POLICY INFORMATION (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)

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

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. 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.

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Fair value measurement (Continued)

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

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

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

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

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

4. 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Income taxes

As at 31 December 2023, a deferred tax asset of approximately RMB12,366,000 (2022: RMB9,051,000) in relation to deductible temporary differences of allowance for impairment loss of trade receivables, contract assets, deposits and other receivables and loan receivables in aggregate of approximately RMB82,443,000 (2022: RMB60,347,000) has been recognised in the Group's consolidated statement of financial position. No deferred tax asset has been recognised on the remaining deductible temporary differences of (i) allowance for impairment loss of trade receivables, contract assets, deposits and other receivables and loan receivables of approximately RMB51,716,000 (2022: RMB48,688,000); and (ii) un-used tax losses amounting to approximately RMB97,053,000 (2022: RMB64,012,000) 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.

Impairment of trade receivables, contract assets, deposits and other receivables, finance lease receivable, loan receivables and amounts due from associates

The impairment provisions for trade receivables, contract assets, deposits and other receivables, finance lease receivables, loan receivables and amounts due from associates 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 2023, the aggregate carrying amount and accumulated impairment loss of trade receivables, contract assets, deposits and other receivables and loan receivables are approximately RMB378,094,000 (2022: RMB354,918,000) and RMB134,159,000 (2022: RMB109,035,000), respectively.

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 2023, the carrying amount of inventories is approximately RMB192,099,000 (2022: RMB177,466,000). During the year ended 31 December 2023, allowance of inventories amounting to approximately RMB4,025,000 (2022: Nil) was recognised.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

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 and listed equity investments of approximately RMB9,628,000 (2022: RMB20,621,000) and RMB1,209,000 (2022: RMB2,834,000) as at 31 December 2023, the Group uses market-observable data to the extent it is available.

However, 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 and structured deposits.

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; and (iii) rental income from the operating leases of electric vehicles.

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

	2023 **RMB'000**	2022 RMB'000
Revenue from contract with customers within the scope of HKFRS 15		
Disaggregated by major products or services lines		
Sales of electric products		
– DC Power System	**141,021**	123,813
– Charging equipment	**206,661**	198,377
Provision of charging services for electric vehicles	**26,517**	22,521
	374,199	344,711
Revenue from other source		
Rental income from operating leases of electric vehicles		
- Fixed lease payments	**78**	137
	374,277	344,848

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

5. REVENUE (Continued)

Disaggregation of revenue by timing of recognition

	2023	2022
	RMB'000	RMB'000
Timing of revenue recognition		
At a point in time	**374,199**	344,711

Transaction price allocated to the remaining performance obligation for contracts with customer

All the Group's sales contracts are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

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 reportable 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	Provision of charging services for electric vehicles

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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 2023

	DC Power System RMB'000	Charging Equipment RMB'000	Charging Services RMB'000	Unallocated RMB'000	Total RMB'000
Types of goods or service					
Sales of electric products	141,021	206,661	–	–	347,682
Provision of charging services for electric vehicles	–	–	26,517	–	26,517
Revenue from contracts with customers	141,021	206,661	26,517	–	374,199
Lease of electric vehicles	–	–	–	78	78
Segment revenue	141,021	206,661	26,517	78	374,277
Segment profit	13,235	71,092	1,311	47	85,685
Other revenue					15,802
Unallocated other gains and losses					5,859
Unallocated expenses					(151,682)
Impairment losses in respect of interests in associates					(697)
Share of results of associates					2,782
Finance costs					(8,815)
Loss before tax					(51,066)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

6. SEGMENT INFORMATION (Continued)

Segment revenues and results (Continued)

Year ended 31 December 2022

	DC Power System RMB'000	Charging Equipment RMB'000	Charging Services RMB'000	Unallocated RMB'000	Total RMB'000
Types of goods or service					
Sales of electric products	123,813	198,377	–	–	322,190
Provision of charging services for electric vehicles	–	–	22,521	–	22,521
Revenue from contracts with customers	123,813	198,377	22,521	–	344,711
Lease of electric vehicles	–	–	–	137	137
Segment revenue	123,813	198,377	22,521	137	344,848
Segment profit	12,547	75,131	1,074	53	88,805
Other revenue					8,941
Unallocated other gains and losses					873
Unallocated expenses					(112,560)
Share of results of associates					2,396
Finance costs					(9,726)
Loss before tax					(21,271)

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 represents the profit earned by each segment without allocation of other revenue, certain other gains and losses, impairment losses in respect of interests in associates, share of results of associates, certain selling and distribution and administrative costs, directors' emoluments and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

6. SEGMENT INFORMATION (Continued)

Segment assets and liabilities

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

Segment assets

	2023	2022
	RMB'000	RMB'000
DC Power System	**286,347**	273,335
Charging Equipment	**433,792**	423,349
Charging Services	**53,250**	48,325
Total segment assets	**773,389**	745,009
Unallocated	**305,458**	161,955
Consolidated assets	**1,078,847**	906,964

Segment liabilities

	2023	2022
	RMB'000	RMB'000
DC Power System	**112,361**	85,296
Charging Equipment	**138,732**	107,846
Charging Services	**27,081**	20,557
Total segment liabilities	**278,174**	213,699
Unallocated	**182,036**	190,662
Consolidated liabilities	**460,210**	404,361

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 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 2023

6. SEGMENT INFORMATION (Continued)

Other segment information

For the year ended 31 December 2023

	DC Power System RMB'000	Charging Equipment RMB'000	Charging Services RMB'000	Unallocated RMB'000	Total RMB'000
Amounts included in the measure of segment profit or loss:					
Additions to non-current assets *(note)*	4,235	5,714	627	12	10,588
Write-down of inventories	–	4,025	–	–	4,025
Allowance for impairment loss recognised in respect of trade receivables	25,991	–	–	–	25,991
Reversal of impairment loss recognised in respect of trade receivables	(4,092)	–	–	–	(4,092)
Allowance for impairment loss recognised in respect of contract assets	1,824	–	–	–	1,824
Loss on disposal of plant and equipment	1	–	–	–	1
Loss on write-off of property, plant and equipment	205	–	–	–	205
Depreciation and amortisation	4,926	9,856	5,468	5	20,255
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss or segment assets:					
Interests in associates	–	–	–	19,290	19,290
Financial assets at FVTOCI	–	–	–	9,628	9,628
Impairment losses in respect of interests in associates	–	–	–	697	697
Allowance for impairment loss recognised in respect of loan receivables	–	–	–	1,401	1,401
Share of results of associates	–	–	–	(2,782)	(2,782)
Bank interest income	–	–	–	(415)	(415)
Loan interest income	–	–	–	(38)	(38)
Interest income on finance lease receivable	–	–	–	(29)	(29)
Government grants	–	–	–	(9,600)	(9,600)
Income tax credit	–	–	–	(4,763)	(4,763)
Finance costs	–	–	–	8,815	8,815

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

6. SEGMENT INFORMATION (Continued)

Other segment information (Continued)

For the year ended 31 December 2022

	DC Power System RMB'000	Charging Equipment RMB'000	Charging Services RMB'000	Unallocated RMB'000	Total RMB'000
Amounts included in the measure of segment profit or loss					
Additions to non-current assets *(Note)*	4,487	6,954	534	8	11,983
Allowance for impairment loss recognised in respect of trade receivables	12,940	–	–	–	12,940
Reversal of impairment loss recognised in respect of trade receivables	(114)	–	–	–	(114)
Allowance for impairment loss recognised in respect of contract assets	113	–	–	–	113
Loss on disposal of plant and equipment	199	309	38	1	547
Loss on write-off of property, plant and equipment	24	37	5	–	66
Depreciation and amortisation	5,273	7,496	6,886	3	19,658
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss or segment assets:					
Interests in associates	–	–	–	22,326	22,326
Financial assets at FVTOCI	–	–	–	20,621	20,621
Financial asset at FVTPL - non current	–	–	–	2,834	2,834
Share of results of associates	–	–	–	(2,396)	(2,396)
Bank interest income	–	–	–	(187)	(187)
Loan interest income	–	–	–	(83)	(83)
Interest income on finance lease receivable	–	–	–	(53)	(53)
Government grants	–	–	–	(5,639)	(5,639)
Income tax credit	–	–	–	(2,670)	(2,670)
Finance costs	–	–	–	9,726	9,726

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

6. SEGMENT INFORMATION (Continued)

Geographical information

All revenue from external customers of the Group is derived from PRC 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:

	2023	2022
	RMB'000	RMB'000
Customer A[1]	**51,270**	89,736

[1] Revenue from Charging Equipment

7. OTHER REVENUE AND INCOME

	2023	2022
	RMB'000	RMB'000
Value added tax ("VAT") refunds *(Note (a))*	**5,720**	2,979
Interest income on loan receivables	**29**	83
Interest income on finance lease receivable	**38**	53
Bank interest income	**415**	187
Government grants *(Note (b))*	**9,600**	5,639
	15,802	8,941

Notes:

(a) The amount represent the VAT refund in respect of sales of electric products qualified under the PRC tax bureau's policy.

(b) During the years ended 31 December 2023 and 2022, the government grants are subsidies received regarding the research and development on technology innovation and promotion of electric vehicles. As at 31 December 2023 and 2022, there are no unfulfilled conditions or contingencies relating to those subsidies and they are recognised as other income upon receipt.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

8. OTHER GAINS AND LOSSES

	2023	2022
	RMB'000	RMB'000
Loss on write-off of property, plant and equipment	**(205)**	(66)
Fair value loss on financial assets at FVTPL *(note 21)*	**(1,625)**	(1,312)
Net exchange gain	**6,605**	622
Loss on disposal of plant and equipment	**(1)**	(547)
Gain on deemed partial disposal of an associate *(note 20(i))*	**–**	1,563
Gain on partial disposal an associate *(note 20(ii))*	**879**	–
	5,653	260

9. FINANCE COSTS

	2023	2022
	RMB'000	RMB'000
Interests on:		
Bank borrowings	**8,440**	9,673
Other borrowings	**297**	53
Lease liabilities	**78**	–
	8,815	9,726

10. INCOME TAX CREDIT

	2023	2022
	RMB'000	RMB'000
Deferred tax *(note 34)*:		
Current year	**(4,763)**	(2,670)

For the years ended 31 December 2023 and 2022, 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% (2022: 25%). Titans Technology was accredited 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 2023. In December 2023, Titans Technology obtained extension approval from the relevant tax authority in PRC for entitlement of a tax concession period of reduction in EIT rate of 15% from 2024 to 2026. No provision for EIT has been made for the year ended 31 December 2023 as the Group did not have any assessable profits subject to EIT.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

10. INCOME TAX CREDIT (Continued)

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

	2023 **RMB'000**	2022 RMB'000
Loss before tax	**(51,066)**	(21,271)
Tax at the applicable income tax rate of 15% (2022: 15%) *(note (i))*	**(7,660)**	(3,191)
Tax effect of expenses not deductible for tax purpose	**1,666**	1,358
Tax effect of super deduction for research and development expenses	**(2,547)**	(2,030)
Tax effect of income not taxable for tax purpose	**(1,041)**	(349)
Tax effect of share of results of associates	**(417)**	(359)
Tax effect of tax losses not recognised	**6,038**	2,365
Tax effect on withholding tax arising on undistributed profits of the PRC subsidiaries	**(834)**	(459)
Tax effect of deductible temporary differences not recognised	**454**	57
Effect of different tax rates of subsidiaries operating in other jurisdictions or subsidiaries subject to PRC statutory tax rate of 25%	**(422)**	(62)
Income tax credit	**(4,763)**	(2,670)

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 34.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

11. LOSS FOR THE YEAR

	2023 RMB'000	2022 RMB'000
Loss for the year have been arrived at after charging (crediting):		
Staff costs		
Directors' emoluments *(note 12)*	**1,961**	1,925
Other staff:		
– salaries and other allowances	**49,902**	48,777
– retirement benefits scheme contributions (excluding directors)	**6,822**	6,335
– share-based payment expenses (excluding directors and chief executive's emoluments)	**2,545**	2,064
Total staff costs	**61,230**	59,101
Impairment losses of financial assets and contract assets:		
– trade receivables	**25,991**	12,940
– contract assets	**1,824**	113
– loan receivable	**1,401**	–
	29,216	13,053
Reversal of impairment losses of financial assets and contract assets		
– trade receivables	**(4,092)**	(114)
Impairment losses of financial assets and contract assets, net	**25,124**	12,939
Amortisation of intangible assets	**6,318**	6,318
Depreciation of property, plant and equipment	**12,871**	13,028
Depreciation of right-of-use assets	**1,066**	312
Total depreciation and amortisation	**20,255**	19,658
Auditors' remuneration	**969**	905
Cost of inventories recognised as an expense (including write-down of inventories amounting to RMB4,025,000) (2022: Nil)	**197,798**	197,380
Research and development expenses (included in administrative and other expenses) *(Note (i))*	**30,872**	28,877

Note:

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

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the ten (2022: five) directors and the chief executive were as follows:

For the year ended 31 December 2023

	Executive directors				Non-executive director	Independent non-executive directors					
	Gao Xia RMB'000 *(Note a)*	Bi Jingfeng RMB'000 *(Note b)*	Li Xin Qing RMB'000 *(Note c)*	An Wei RMB'000	Jiang Wenqi RMB'000 *(Note d)*	Liu Wei RMB'000 *(Note e)*	Jiang Yan RMB'000 *(Note e)*	Li Wan Jun RMB'000 *(Note f)*	Pang Zhan RMB'000 *(Note f)*	Li Xiang Feng 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	–	–	–	–	–	70	70	55	55	120	370
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	–	–	790	763	–	–	–	–	–	–	1,553
Share-based payment expenses	–	–	19	19	–	–	–	–	–	–	38
Total emoluments	–	–	809	782	–	70	70	55	55	120	1,961

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For the year ended 31 December 2023

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

For the year ended 31 December 2022

	Executive directors		Independent non-executive directors			
	Li Xin Qing RMB'000 *(Note c)*	An Wei RMB'000	Li Wan Jun RMB'000 *(Note f)*	Pang Zhan RMB'000 *(Note f)*	Li Xiang Feng 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	–	–	107	107	107	321
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	791	775	–	–	–	1,566
Share-based payment expenses	19	19	–	–	–	38
Total emoluments	810	794	107	107	107	1,925

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

Notes:

a) Gao Xia was appointed as executive director and chairman of the Company with effect from 24 May 2023.

b) Bi Jengfeng was appointed as an executive director of the Company with effect from 24 May 2023.

c) Li Xin Qing ceased to act as chairman while remain as executive director of the Company with effect from 24 May 2023.

d) Jiang Wenqi was appointed as non-executive director of the Company with effect from 24 May 2023.

e) Liu Wei and Jiang Yan were appointed as independent non-executive directors of the Company with effect from 30 May 2023.

f) Li Wan Jun and Pang Zhan resigned as independent non-executive directors of the Company with effect from 14 June 2023.

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

No directors waived or agreed to waive any of their emoluments during the years ended 31 December 2023 and 2022.

No emoluments were paid by the Group to any directors 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 2023 and 2022.

13. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (2022: two) were directors of the Company including the chief executive of the Company whose emoluments are included in the disclosures in note 12 above. The emoluments of the remaining three (2022: three) individuals were as follows:

	2023	2022
	RMB'000	RMB'000
Salaries and other allowances	**1,649**	1,403
Discretionary bonus *(Note)*	**200**	134
Contributions to retirement benefits scheme	**291**	226
	2,140	1,763

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 RMB910,000) (2022: 1,000,000 (equivalent to approximately RMB852,000)).

14. DIVIDENDS

No dividend was paid or proposed during the year ended 31 December 2023 (2022: nil), nor has any dividend been proposed since the end of the reporting period.

15. LOSS PER SHARE

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

	2023	2022
	RMB'000	RMB'000
Loss for the purpose of basic and diluted loss per share	**(43,979)**	(18,227)

Number of shares

	2023	2022
	'000	'000
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**1,290,091**	925,056

As the Group incurred loss for the years ended 31 December 2023 and 2022, the impact of share options was not included in the calculation of the diluted losses per share as their inclusion would be anti-dilutive. Accordingly, diluted losses per share for the years ended 31 December 2023 and 2022 are the same as basic losses per share.

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For the year ended 31 December 2023

16. PROPERTY, PLANT AND EQUIPMENT

	Ownership interests in land and buildings RMB'000	Leasehold improvements RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Plant and machinery RMB'000	Contraction in progress RMB'000	Total RMB'000
COST							
At 1 January 2022	171,002	14,409	18,364	14,652	42,112	–	260,539
Additions	–	–	5,111	271	2,170	4,431	11,983
Transfer	2,241	–	–	–	–	(2,241)	–
Disposals	–	–	(10)	(4,953)	(1,242)	–	(6,205)
Write-off	–	–	(545)	–	(46)	–	(591)
At 31 December 2022 and 1 January 2023	173,243	14,409	22,920	9,970	42,994	2,190	265,726
Additions	–	–	–	746	5,792	281	6,819
Transfer	–	–	–		57	(57)	–
Disposals	–	–	–	(937)	(407)	–	(1,344)
Written-off	–	–	–	(594)	(522)	–	(1,116)
At 31 December 2023	173,243	14,409	22,920	9,185	47,914	2,414	270,085
ACCUMULATED DEPRECIATION							
At 1 January 2022	28,427	14,387	16,253	9,919	28,074	–	97,060
Provided for the year	7,089	6	2,356	652	2,925	–	13,028
Eliminated on disposals	–	–	(9)	(4,702)	(488)	–	(5,199)
Eliminated on write-off	–	–	(505)	–	(20)	–	(525)
At 31 December 2022 and 1 January 2023	35,516	14,393	18,095	5,869	30,491	–	104,364
Provided for the year	7,089	5	2,026	798	2,953	–	12,871
Eliminated on disposals	–	–	–	(902)	(361)	–	(1,263)
Eliminated on written-off	–	–	–	(505)	(406)	–	(911)
At 31 December 2023	42,605	14,398	20,121	5,260	32,677	–	115,061
CARRYING VALUES							
31 December 2023	130,638	11	2,799	3,925	15,237	2,414	155,024
31 December 2022	137,727	16	4,825	4,101	12,503	2,190	161,362

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For the year ended 31 December 2023

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 2023, the Group has pledged its ownership interests in land and buildings with carrying values of approximately RMB129,020,000 (2022: RMB137,727,000) 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

	2023 **RMB'000**	2022 RMB'000
Leasehold lands in PRC	**6,740**	7,052
Leased properties	**3,015**	–
	9,755	7,052

During the year ended 31 December 2023, the Group leases a factory for its operations which the addition to the right-of-use assets was amounting to approximately RMB3,769,000. Lease contracts are entered into for fixed term of 1 to 2 years. Lease terms are negotiated on an individual basis and contain different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

17. LEASES (Continued)

(ii) Amounts recognised in profit or loss

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Depreciation expense on right-of-use assets:		
– Leasehold lands in PRC	**312**	312
– Leased properties	**754**	–
	1,066	312
Interest expense on lease liabilities	**78**	–
Expense relating to short-term leases *(Note)*	**437**	550

Note: The Group regularly entered into short-term leases for various offices.

(iii) Others

As at 31 December 2023 and 2022, 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.

During the year ended 31 December 2023, the total cash outflow for leases is amounting to approximately RMB437,000 (2022: Nil).

18. GOODWILL

	RMB'000
COST	
At 1 January 2021, 31 December 2021 and 2022	449
IMPAIRMENT	
At 1 January 2021, 31 December 2021 and 2022	449
CARRYING AMOUNT	
At 31 December 2023	–
At 31 December 2022	–

The goodwill had been recognised upon acquisition of subsidiary – Shandong Huidian New Energy Technology Co., Ltd.* ("Shandong Huidian") 山東匯電新能源科技有限公司 during the year ended 31 December 2017.

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 2022, 31 December 2022 and 31 December 2023	3,000	51,693	5,469
AMORTISATION			
At 1 January 2022	3,000	25,559	28,559
Charge for the year	–	6,318	6,318
At 31 December 2022	3,000	31,877	34,877
Charge for the year	–	6,318	6,318
At 31 December 2023	–	38,195	38,195
CARRYING VALUES			
At 31 December 2023	–	13,498	13,498
At 31 December 2022	–	19,816	19,816

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 life 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 incurred during the year ended 31 December 2016. During the year ended 31 December 2023, amortisation expense of approximately RMB2,615,000 (2022: RMB2,615,000) 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 incurred during the year ended 31 December 2016. During the year ended 31 December 2023, amortisation expense of approximately RMB578,000 (2022: RMB578,000) has been recognised.

For the BOT arrangements in Foshan, the charging services concession right for exclusive period of 8 years with aggregated initial costs of RMB25,001,000 which were incurred during the years ended 31 December 2017 and 31 December 2019. During the year ended 31 December 2023, amortisation expense of approximately RMB3,125,000 (2022: RMB3,125,000) has been recognised.

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For the year ended 31 December 2023

20. INTERESTS IN ASSOCIATES

	2023	2022
	RMB'000	RMB'000
Cost of investment in unlisted associates	**18,125**	18,705
Share of post-acquisition results, net of dividend received	**1,862**	3,621
Impairment losses recognised	**(697)**	–
	19,290	22,326

As at 31 December 2023 and 2022, 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
				2023	2022	**2023**	2022	
Jiangsu Titans	Registered	The PRC	Contributed capital	**17%**	17%	**20%**	20%	Research and development, sales and manufacturing of automated guided vehicles
Guangdong Titans	Registered	The PRC	Contributed capital	**9.4%** *(Note ii)*	19.4% *(Note i)*	**20%** *(Note iii)*	20% *(Note iii)*	Research and development, sales and manufacturing of automated guided vehicles

Notes:

(i) Deemed 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") in 2022.

On 11 July 2022, Guangdong Titans entered into agreement with two independent third parties for the capital injection of RMB9,000,000 to Guangdong Titans. As a result of the contribution by other investors, the ownership of interests held by the Group reduced from 20% to 19.4% and a gain on deemed disposal of an associate of RMB1,563,000 had been recognised in other gains and losses during the year ended 31 December 2022.

(ii) Partial disposal of Guangdong Titans in 2023

On 17 July 2023, a wholly-owned subsidiary of the Company entered into an agreement with an independent third party for the disposal of 10% equity interests in Guangdong Titans for a consideration of RMB6,000,000 and a gain on partial disposal of an associate of RMB879,000 in relation to Guangdong Titans was recognised in other gains and losses. As at 31 December 2023, the consideration receivable was included in other receivable as disclosed in note 27. The Group's effective interest in Guangdong Titans decreased from 19.4% to 9.4% upon completion of the aforesaid transaction.

(iii) The Group is able to exercise significant influence over Guangdong Titans because it has the power to appoint one out of the five directors of that company under the provisions stated in the Articles of Association of Guangdong Titans.

* English name is for identification purpose only.

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20. INTERESTS IN ASSOCIATES (Continued)

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

Jiangsu Titans

	2023 RMB'000	2022 RMB'000
Cost of investment in Jiangsu Titans	**10,000**	10,000

	2023 RMB'000	2022 RMB'000
Current assets	**16,703**	7,886
Non-current assets	**40,885**	38,541
Current liabilities	**15,891**	11,162
Non-current liabilities	**780**	–

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Revenue for the year	**12,163**	18,022
Profit and total comprehensive income for the year	**5,652**	2,146
The Group's share of profit	**961**	365

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20. INTERESTS IN ASSOCIATES (Continued)

Jiangsu Titans (Continued)

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

	2023	2022
	RMB'000	RMB'000
Net assets of Jiangsu Titans	**40,917**	35,265
Proportion of the Group's ownership interest in Jiangsu Titans	**17%**	17%
	6,956	5,995
Goodwill	**5,807**	5,807
Carrying amount of the Group's interest in Jiangsu Titans	**12,763**	11,802

Guangdong Titans

	2023	2022
	RMB'000	RMB'000
Cost of investment in Guangdong Titans	**545**	1,125

	2023	2022
	RMB'000	RMB'000
Current assets	**160,029**	123,844
Non-current assets	**15,598**	10,636
Current liabilities	**114,000**	86,470
Non-current liabilities	**2,875**	2,678

	2023	2022
	RMB'000	RMB'000
Revenue for the year	**191,059**	150,929
Profit and total comprehensive income for the year	**13,420**	10,049
The Group's share of profit	**1,850**	1,975

20. INTERESTS IN ASSOCIATES (Continued)

Guangdong Titans (Continued)

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

	2023	2022
	RMB'000	RMB'000
Net assets of Guangdong Titans	**58,752**	45,332
Proportion of the Group's ownership interest in Guangdong Titans	**9.4%**	19.4%
Carrying amount of the Group's interest in Guangdong Titans	**5,523**	8,794

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:

	2023	2022
	RMB'000	RMB'000
The Group's share of (loss) profit	**(29)**	57

	2023	2022
	RMB'000	RMB'000
Share of net assets in immaterial associates	**1,701**	1,730
Impairment losses recognised	**(697)**	–
Carrying amount of the Groups interest in immaterial associates	**1,004**	1,730

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:

	2023	2022
	RMB'000	RMB'000
Unrecognised share of losses of associates for the year	**1,620**	1,364
Accumulated unrecognised share of losses of associates	**18,397**	16,777

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

	Notes	**2023** **RMB'000**	2022 RMB'000
Financial asset at FVTPL comprises:			
– Equity security listed in the PRC	*(a)*	**1,209**	2,834
Financial assets at FVTOCI comprises:			
– Unlisted equity securities	*(b)*	**9,628**	20,621

Notes:

(a) As at 31 December 2023, 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 RMB1,209,000 (2022: RMB2,834,000). Fair value loss on financial asset at FVTPL of approximately RMB1,625,000 (2022: RMB1,312,000) has been recognised during the year ended 31 December 2023.

(b) As at 31 December 2023, the fair value of unlisted equity interests in Hong Kong and the United States, represented Juline (China) Energy Tech. Group Co., Ltd ("Juline (China)") and Aquion Energy LLC ("Aquion Energy"), amounting to approximately RMB5,634,000 (2022: RMB13,218,000) and approximately US$5,630,000 (equivalent to approximately RMB3,994,000) (2022: US$1,060,000 (equivalent to approximately RMB7,403,000)) respectively. Fair value loss on financial assets at FVTOCI of approximately RMB10,993,000 (2022: RMB3,894,000) has been recognised during the year ended 31 December 2023.

The Directors have elected to designate these investments to be measured at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

* English name is for identification purpose only

22. FINANCE LEASE RECEIVABLE

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

	2023 **RMB'000**	2022 RMB'000
Analysed as:		
Current	–	187

	2023 **RMB'000**	2022 RMB'000
Amounts receivable under finance leases:		
Within one year	–	218
Undiscounted lease payments and gross investment in leases	–	218
Less: unearned finance income	–	(31)
Present value of minimum lease payment receivable	–	187

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

	2023 **RMB'000**	2022 RMB'000
Finance income on the net investment in finance leases	–	53

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

	2023 **RMB'000**	2022 RMB'000
United States dollars ("US$")	–	187

As at 31 December 2022, 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 aforesaid balance is fully settled during the year ended 31 December 2023.

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23. INVENTORIES

	2023	2022
	RMB'000	RMB'000
Raw materials	**10,618**	10,962
Work-in-progress	**18,923**	16,635
Finished goods	**162,558**	149,869
	192,099	177,466

24. TRADE RECEIVABLES

	2023	2022
	RMB'000	RMB'000
Trade receivables	**394,773**	365,808
Less: Allowance for impairment loss	**(88,160)**	(66,261)
	306,613	299,547

At 31 December 2023, the carrying amount of the trade receivables which have been pledged as security for the borrowing, is approximately RMB81,978,000 (2022: RMB85,812,000).

At as 1 January 2022, the gross amount of trade receivable arising from contracts with customers amounted to approximately RMB327,840,000.

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.

	2023	2022
	RMB'000	RMB'000
0 – 90 days	**173,387**	160,624
91 – 180 days	**28,799**	25,931
181 – 365 days	**44,495**	57,495
1 – 2 years	**43,256**	49,398
2 – 3 years	**16,676**	6,099
	306,613	299,547

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24. TRADE RECEIVABLES (Continued)

The Group allows an average credit period of 90 days (2022: 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 receivables at an amount equal to lifetime ECL. The ECL on trade 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.

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 RMB33,322,000 (2022: RMB37,415,000) 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 2023	Weighted average expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Current (not past due)	2.68%	178,177	4,790
Less than 3 month past due	4.64%	30,199	1,400
More than 3 months but less than 6 months past due	5.34%	25,123	1,342
More than 6 months but less than 12 months past due	7.24%	33,799	2,450
More than 12 months but less than 24 months past due	14.70%	43,720	6,430
More than 24 months but less than 36 months past due	39.68%	19,906	7,899
More than 36 months past due	100.00%	23,627	23,627
Default receivable	100.00%	40,222	40,222
		394,773	88,160

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24. TRADE RECEIVABLES (Continued)

As at 31 December 2022	Weighted average expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Current (not past due)	1.07%	162,370	1,746
Less than 3 month past due	2.67%	26,438	707
More than 3 months but less than 6 months past due	3.09%	26,063	807
More than 6 months but less than 12 months past due	3.65%	45,960	1,682
More than 12 months but less than 24 months past due	10.78%	41,095	4,433
More than 24 months but less than 36 months past due	36.08%	10,945	3,949
More than 36 months past due	100.00%	15,523	15,523
Default receivable	100.00%	37,414	37,414
		365,808	66,261

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

	2023 RMB'000	2022 RMB'000
1 January	**66,261**	53,435
Allowance for impairment loss	**25,991**	12,940
Amounts recovered during the year	**(4,092)**	(114)
31 December	**88,160**	66,261

25. CONTRACT ASSETS/CONTRACT LIABILITIES

(i) Contract assets

	2023	2022
	RMB'000	RMB'000
Retention receivables	**47,230**	35,381
Less: allowance for impairment loss	**(4,794)**	(2,970)
	42,436	32,411

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 2023, contract assets of approximately RMB9,102,000 (2022: RMB8,526,000) 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 RMB47,230,000 (2022: RMB35,381,000) as at 31 December 2023 collectively by applying expected credit loss rates ranging from 2.6% to 26.09% (2022: from 2.41% to 25.30%). Loss allowance of approximately RMB4,794,000 (2022: RMB2,970,000) is made as at 31 December 2023.

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

	Lifetime ECL
	RMB'000
At 1 January 2022	2,857
Allowance for impairment loss	113
At 31 December 2022 and 1 January 2023	2,970
Allowance for impairment loss	1,824
At 31 December 2023	4,794

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For the year ended 31 December 2023

25. CONTRACT ASSETS/CONTRACT LIABILITIES (Continued)

(ii) Contract liabilities

	2023 RMB'000	2022 RMB'000
Receipt in advance	**62,906**	16,896

As at 1 January 2022, contract liabilities amounted to approximately RMB28,401,000.

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 2023 that was included in the contract liabilities at the beginning of the year is approximately RMB16,896,000 (2022: RMB28,401,000). 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 2023 was mainly due to the continuous increase in number of orders in this year.

26. LOAN RECEIVABLES

	2023 RMB'000	2022 RMB'000
Fixed-rate loan receivables	**33,303**	33,303
Less: allowance for impairment loss	**(33,303)**	(31,902)
	–	1,401

As at 31 December 2022, a loan advanced to an independent third party of HKD1,600,000 (equivalent to approximately RMB1,401,000), carried a fixed rate 6% per annum.

As at 31 December 2023 and 2022, 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.

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For the year ended 31 December 2023

26. LOAN RECEIVABLES (Continued)

For certain loan receivables of approximately RMB33,303,000 (2022: 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 RMB33,303,000 (2022: RMB31,902,000).

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

	Lifetime ECL – credit impaired RMB'000
At 31 December 2022	(31,902)
Allowance for impairment loss	(1,401)
At 31 December 2023	(33,303)

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

	2023	2022
Effective interest rate:		
Fixed-rate loan receivables	**6%**	6%

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

	2023 **RMB'000**	2022 RMB'000
HKD	**–**	1,401

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For the year ended 31 December 2023

27. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2023	2022
	RMB'000	RMB'000
Other receivables *(Note)*	**14,726**	14,727
Consideration receivable *(note 20 (ii))*	**6,000**	–
Less: allowance for impairment loss	**(7,902)**	(7,902)
	12,824	6,825
Deposits	**16,221**	14,734
Other tax recoverable	**2,491**	9,394
Prepayments to suppliers	**22,994**	17,413
	54,530	48,366

Note: Other receivables included loan interest receivables of approximately RMB7,902,000 (2022: RMB8,315,000) in which approximately RMB 7,902,000 (2022: 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 (2022: RMB7,902,000) as at 31 December 2023. 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:

	2023	2022
	RMB'000	RMB'000
At 1 January 2022, 31 December 2022 and 31 December 2023	**7,902**	7,902

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For the year ended 31 December 2023

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:

	2023	2022
	RMB'000	RMB'000
0 – 90 days	**563**	98
181 – 365 days	**278**	215
	841	313

The Group allows an average credit period of 90 days (2022: 90 days) to its associates for balances which are trading in nature.

The Group measures the loss allowance for amounts due from associates at an amount equal to 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 are recognised during the years ended 31 December 2023 and 2022.

29. RESTRICTED BANK BALANCES/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 RMB32,979,000 (2022: RMB12,974,000) and therefore are classified as current assets. As at 31 December 2023, the restricted bank balances carried interest at an average market rate of 0.25% (2022: 0.25%) per annum and will be released upon the completion of the respective transactions.

Bank balances carried interest at market rates ranged from 0.001% to 0.25% (2022: 0.001% to 0.35%) per annum as at 31 December 2023.

At 31 December 2023, bank balances and cash of approximately RMB209,000 (2022: RMB187,000) and RMB9,432,000 (2022: RMB736,000) 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 and bank balances are set out in note 38(b).

30. TRADE AND BILLS PAYABLES, ACCRUALS AND OTHER PAYABLES

	2023	2022
	RMB'000	RMB'000
Trade payables	**170,859**	144,261
Bills payables	**44,650**	52,728
Trade and bills payables	**215,509**	196,989
Accruals and other payables:		
Accruals	**7,528**	10,012
Other payables	**903**	1,333
	8,431	11,345

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:

	2023	2022
	RMB'000	RMB'000
0 – 90 days	**132,158**	126,710
91 – 180 days	**46,770**	57,695
181 – 365 days	**20,075**	4,797
1 – 2 years	**15,590**	6,900
Over 2 years	**916**	887
	215,509	196,989

The average credit period on purchases of goods is 90 days (2022: 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 and repayable on demand.

32. BANK AND OTHER BORROWINGS

	2023 RMB'000	2022 RMB'000
Bank borrowings, secured *(Note (i))*	**144,994**	155,893
Other borrowings, secured *(Note (ii))*	**11,555**	8,690
	156,549	164,583
Carrying amounts repayable:		
Within one year or repayable on demand	**105,441**	111,202
After one year but within two years	**32,290**	23,512
After two years but within five years	**18,818**	29,869
	156,549	164,583
Amounts shown under current liabilities	**105,441**	111,202
Amounts shown under non-current liabilities	**51,108**	53,381
	156,549	164,583

Notes:

(i) As at 31 December 2023, secured bank borrowings of approximately RMB144,994,000 (2022: RMB155,893,000) of the Group were secured by its ownership interests in leasehold lands buildings, right-of-use assets, certain trade receivables with carrying values of approximately RMB796,000, RMB6,739,000 and RMB91,532,000 (2022: approximately RMB989,000, RMB7,052,000 and RMB85,812,000) respectively.

As at 31 December 2023, secured bank borrowings of approximately RMB144,994,000 (2022: RMB155,893,000) were guaranteed by the Company and certain directors of the Company with guaranteed amount of RMB246,500,000 (2022: RMB348,000,000).

(ii) As at 31 December 2022, other borrowings of approximately RMB8,690,000 are pledged with ownership interest in patents owned by the Group. The aforesaid other borrowings was fully settled in 2023.

As at 31 December 2023, other borrowing of approximately RMB9,555,000 was secured by its ownership interest in trade receivables with carrying values of approximately RMB9,555,000.

As at 31 December 2023, other borrowing of approximately RMB2,000,000 was guaranteed certain directors of the Company.

32. BANK AND OTHER BORROWINGS (Continued)

Notes: (Continued)

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

	2023 **RMB'000**	2022 RMB'000
Fixed rate bank borrowings expiring within one year	**28,000**	79,000
Fixed rate other borrowings expiring within one year	**11,555**	8,690
Variable-rate bank borrowings		
expiring within one year	**65,886**	23,512
expiring beyond one year	**51,108**	53,381
	156,549	164,583

During the year ended 31 December 2023, the Group obtained new bank borrowings and other borrowings in the amount of approximately RMB142,780,000(2022: RMB116,963,000) and repaid approximately RMB150,814,000 (2022: RMB116,158,000) respectively.

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

	2023	2022
Fixed-rate other borrowings	**4.5% to 7.92%**	4.35% to 4.85%
Fixed-rate bank borrowings	**4.3% to 4.5%**	3.7% to 4.79%
Variable-rate bank borrowings	**Loan Prime Rate ("LPR") with increment by 0.55% to 1.15%**	LPR with increment by 0.85% to 1.00%

As at 31 December 2023, the Group has available un-utilised overdraft and short-term bank loan facilities of approximately RMB103,690,000 (2022: RMB139,697,000).

As at 31 December 2023, the Group's bank borrowings with carrying amount of approximately RMB38,100,000 (2022: RMB33,000,000) 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. As at 31 December 2023 and 2022, none of the covenants relating to drawn down facilities had been breached.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

33. LEASE LIABILITIES

Amount recognised in the statements of financial position

Lease liabilities payable:

	2023 **RMB'000**	2022 RMB'000
Within one year	**1,884**	–
Within a period of more than one year but not more than two years	**1,963**	–
	3,847	–
Less: Amount due for settlement with 12 months shown under current liabilities	**(1,884)**	–
Amount due for settlement after 12 months shown under non-current liabilities	**1,963**	–

The weighted average incremental borrowing rates applied to lease liabilities was at 4.20%.

34. DEFERRED TAXATION

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purpose:

	2023 **RMB'000**	2022 RMB'000
Deferred tax assets	**16,704**	12,213
Deferred tax liabilities	**(12,281)**	(13,115)
At 31 December	**4,423**	(902)

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34. DEFERRED TAXATION (Continued)

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

	Allowance for impairment loss of trade receivables, contract assets, deposits and other receivables and loan receivables	Revaluation of listed and unlisted investments in equity securities	Withholding tax arising on undistributed profits of subsidiaries	Lease liabilities	Right-of-use assets	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2022	7,168	2,757	(13,574)	–	–	(3,649)
Credited to profit or loss *(note 10)*	1,883	328	459	–	–	2,670
Credited to investment revaluation reserve	–	77	–	–	–	77
At 31 December 2022 and 1 January 2023	9,051	3,162	(13,115)	–	–	(902)
Credited (charged) to profit or loss	3,315	406	834	961	(753)	4,763
Credited to investment revaluation reserve	–	562	–	–	–	562
At 31 December 2023	12,366	4,130	(12,281)	961	(753)	4,423

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 RMB245,620,000 (2022: RMB262,293,000) as the Group considered the temporary differences will be reversed in the foreseeable future upon declaration of dividends of subsidiaries.

The Group had unused tax losses of approximately RMB97,053,000 (2022: RMB64,012,000) as at 31 December 2023, available for offsetting against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. The aforesaid tax losses of approximately RMB97,053,000 (2022: RMB64,012,000) will expire five years from the year of origination. As at 31 December 2023, tax losses of approximately RMB34,259,000, RMB6,774,000, RMB15,768,000 and RMB40,252,000 will expire in 2024, 2025, 2026 and 2027 respectively (2022: RMB7,211,000, RMB34,259,000, RMB6,774,000 and RMB15,768,000 will expire in 2023, 2024, 2025 and 2026 respectively).

At 31 December 2023, the Group had temporary differences of approximately RMB134,159,000 (2022: RMB109,035,000) in respect of allowance for impairment of trade receivables, contract assets, deposits and other receivables and loan receivables. Deferred tax asset of approximately RMB12,366,000 (2022: RMB9,051,000) had been recognised on temporary differences of approximately RMB82,443,000 (2022: RMB60,347,000). No deferred tax asset has been recognised on the remaining deductible temporary differences of approximately RMB51,716,000 (2022: RMB48,688,000) 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 2023

35. 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 2023, the Group had 4 (2022: 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* 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 2019 to November 2027
Shaoguan Yilian New Energy Vehicle Operation Service Co., Ltd.* ("Shaoguan Yilian") 韶關市驛聯新能源汽車運營服務有限公司	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

36. SHARE CAPITAL

	Number of shares	**Share capital**
		HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January 2022, 31 December 2022 and 31 December 2023	10,000,000,000	100,000
		RMB'000
Issued and fully paid:		
At 1 January 2022 and 31 December 2022	925,056,000	8,087
Issue of new ordinary shares *(Note)*	566,970,000	5,006
At 31 December 2023	1,492,026,000	13,093

Note: On 18 October 2022, the Company entered into the subscription agreement with Tangshan Guokong. Pursuant to the subscription agreement, the Company agreed to allot and issue 566,970,000 new ordinary shares at a price of HK$0.34 per share to Tangshan Guokong. The subscription of these new ordinary shares by Tangshan Guokong was completed on 11 May 2023. These new ordinary shares were rank pari passu with other ordinary shares in issue in all aspects.

37. 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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38. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2023	2022
	RMB'000	RMB'000
Financial assets		
Financial assets at amortised cost	**589,250**	420,507
Financial assets at FVTOCI	**9,628**	20,621
Financial asset at FVTPL	**1,209**	2,834
	600,087	443,962
Financial liabilities		
Financial liabilities at amortised cost	**384,891**	372,042

(b) Financial risk management objectives and policies

The Group's major financial instruments include financial assets at FVTOCI, financial asset at FVTPL, trade receivables, deposits and other receivables, loan receivables, amounts due from associates, restricted bank balances, 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 and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

The Group mainly operates in the PRC. All the Group's sales and purchases are denominated in RMB and the Group entities are mainly exposed to the fluctuation to HK$ and US$.

Certain financial assets at FVTOCI, certain bank balances and cash, finance lease receivable and loan receivables are denominated in HK$ and US$, which expose the Group to foreign currency risk.

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38. 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	
	2023	2022
	RMB'000	RMB'000
HK$	**10,154**	2,186
US$	**4,021**	7,590

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% (2022: 5%) increase and decrease in RMB against the relevant foreign currencies. 5% (2022: 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% (2022: 5%) change in foreign currency rates.

A positive (negative) number below indicates a decrease (an increase) in post-tax loss where RMB strengthen 5% (2022: 5%) against the relevant currency. For a 5% (2022: 5%) weakening of RMB against the relevant currency, there would be an equal and opposite impact on the profit or loss.

	2023	2022
	RMB'000	RMB'000
Effect on post-tax profit or loss		
HK$	**(424)**	(91)
US$	**(168)**	(317)

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38. FINANCIAL INSTRUMENTS (Continued)

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

Market risk (Continued)

(ii) Interest rate risk

As at 31 December 2023 and 2022, the Group is exposed to fair value interest rate risk in relation to finance lease receivable disclosed in note 21, loan receivables disclosed in note 26 and restricted bank balances disclosed in note 28 and certain fixed-rate bank and other borrowings disclosed in note 32.

As at 31 December 2023 and 2022, the Group is exposed to cash flow interest rate risk in relation to bank balances disclosed in note 28 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 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 (2022: 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 (2022: 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 2023 would increase/decrease by approximately RMB509,000 (2022: post-tax profit would decrease/increase by approximately RMB108,000).

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38. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. As at 31 December 2023, the Group's maximum exposure to credit risk without taking into account any collateral held or other credit enhancements, which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts.

Before accepting any new customer, the Group assesses the credit quality of the potential customers with reference to their financial strength and determines the credit terms and limits for them. The Group also regularly monitored the credit quality of the existing customers by established credit policies and procedures. The Group will adjust the credit limit to the existing customers with reference to the past repayment history and external credit source on the customers' financial strength.

For trade receivables, contract assets and finance lease receivable, 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. The Group considers that there is no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12-month ECL.

Management considered amounts due from related parties to be low credit risk and no recent history of default, and measured the loss allowance at an amount equal to lifetime ECL under simplified approach as the balance is in trade nature.

38. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk (Continued)

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 receivables and contract assets as at 31 December 2023 and 2022.

The Group has concentration of credit risk as 9% and 24% (2022: 17% and 28%) of the total trade receivables before allowance for impairment loss of trade receivables was due from the Group's largest customer and top five customers respectively within the DC Power System and Charging Equipment segments as at 31 December 2023.

The Group has concentration of credit risk as 7% and 24% (2022: 7% and 16%) of the total contract assets before allowance for impairment loss of contract assets was due from the Group's largest customer and top five customers respectively within the DC Power System and Charging Equipment segments as at 31 December 2023.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management of the Group monitors the utilisation of bank borrowings.

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 except for those bank borrowings with a repayment on demand clause.

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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38. 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**	**Total undiscounted cash flows RMB'000**	**Carrying Amount RMB'000**
At 31 December 2023					
Non-derivative financial liabilities:					
Trade and bills payables	**215,509**	**–**	**–**	**215,509**	**215,509**
Accruals and other payables	**8,431**	**–**	**–**	**8,431**	**8,431**
Amounts due to associates	**555**	**–**	**–**	**555**	**555**
Bank borrowings					
– fixed rate	**29,214**	**–**	**–**	**29,214**	**28,000**
– variable rate	**68,851**	**33,743**	**19,665**	**122,259**	**116,994**
Other borrowing					
– fixed rate	**12,246**	**–**	**–**	**12,246**	**11,555**
Lease liabilities	**1,963**	**2,787**	**–**	**4,750**	**3,847**
	336,769	**36,530**	**19,665**	**392,964**	**384,891**

	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	Total undiscounted cash flows RMB'000	Carrying Amount RMB'000
At 31 December 2022					
Non-derivative financial liabilities:					
Trade and bills payables	196,989	–	–	196,989	196,989
Accruals and other payables	10,012	–	–	10,012	10,012
Amounts due to associates	458	–	–	458	458
Bank borrowings					
– fixed rate	80,058	–	–	80,058	79,000
– variable rate	27,517	26,303	35,606	89,426	76,893
Other borrowing					
– fixed rate	8,965	–	–	8,965	8,690
	323,999	26,303	35,606	385,908	372,042

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For the year ended 31 December 2023

38. FINANCIAL INSTRUMENTS (Continued)

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

Liquidity risk (Continued)

Liquidity table (Continued)

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.

Bank borrowings with a repayment on demand clause are included in the "on demand or within one year" time band in the above maturity analysis. As at 31 December 2023, the aggregate undiscounted principal amounts of these bank loans amounted to RMB38,100,000 (2022: RMB33,000,000). Taking into account the Group's financial position, the directors of the Company do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors of the Company believe that such bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to RMB39,868,000 in 2023 (2022: RMB34,197,000), with the details as follow:.

	Within one year RMB'000	One to two years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At 31 December 2023	**30,483**	**9,385**	**39,868**	**38,100**
At 31 December 2022	25,784	8,413	34,197	33,000

38. 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	
	2023	2022
	Level 3	Level 3
	RMB'000	RMB'000
Financial assets at FVTPL		
Listed equity security	**1,209**	2,834
Financial assets at FVTOCI		
Unlisted equity securities	**9,628**	20,621

There were no transfers of fair value measurements between level 1 and 2 of fair value hierarchy and no transfers into or out of level 3 for financial assets in the current and prior years.

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38. 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 2023 RMB'000	Fair value as at 2022 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 *(Note)*	**1,209**	2,834	Level 3	Market approach – by applying market multiples from comparable companies and adjusted by marketability discount	(i) Enterprise value ("EV")-to-earnings before interest, taxation, depreciation and amortisation ("EBITDA") ratio of 15.8 (2022: 18.67); and (ii) Marketability discount of 20.5% (2022: 20.6%)	(i) The higher the EV-to-EBITDA ratio, the higher the fair value (ii) The higher of marketability discount, the lower the fair value
Unlisted equity securities at FVTOCI	**9,628**	20,621	Level 3	Market approach – by applying market multiples from comparable companies and adjusted by marketability discount	(i) Price-to-book ratio ranges from 0.31 to 0.38 (2022: 0.96); (ii) Marketability discount of 20.5% (2022: 35% to 40%); and	(i) The higher the price-to-book ratio, the higher the fair value. (ii) The higher of marketability discount, the lower the fair value.

Note: The listed security do not have active market transactions in both years and the Group adopted market approach to estimate its fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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38. 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% (2022: 10%) in current year as a result of the volatile financial market.

For the year ended 31 December 2023, if the unobservable inputs of the listed equity instrument had been 10% (2022: 10%) higher/lower, loss for the year would decrease/increase by approximately RMB91,000 (2022: loss for the year would decrease/increase by approximately RMB213,000) while total equity would increase/decrease by approximately RMB91,000 (2022: RMB213,000) as a result of the changes in fair value of financial assets at FVTPL.

For the year ended 31 December 2023, if the unobservable inputs of the respective unlisted equity instrument had been 10% (2022: 10%) higher/lower, loss for the year would decrease/increase by approximately RMB804,000 (2022: loss for the year would decrease/increase by approximately RMB1,722,000) while total equity would increase/decrease by approximately RMB804,000 (2022: RMB1,722,000) as a result of the changes in fair value of financial assets at FVTOCI.

Reconciliation of Level 3 fair value measurements of financial assets on recurring basis are as follows:

	Listed equity security RMB'000	**Unlisted equity securities** RMB'000
At 1 January 2022	4,146	24,515
Changes in fair value through profit or loss	(1,312)	–
Changes in fair value through other comprehensive income	–	(3,894)
At 31 December 2022 and 1 January 2023	2,834	20,621
Changes in fair value through profit or loss	(1,625)	–
Changes in fair value through other comprehensive income	–	(10,993)
At 31 December 2023	1,209	9,628

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39. 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.

	Bank and other borrowings RMB'000	**Amount due to associates** RMB'000	**Interest payable included in accruals and other payable** RMB'000	**Lease liabilities** RMB'000	**Total** RMB'000
As at 1 January 2022	163,778	617	–	–	164,395
Financing cash flows	805	(159)	(9,726)	–	(9,080)
Non-cash changes					
Interest charge	–	–	9,726	–	9,726
As at 31 December 2022	164,583	458	–	–	165,041
Financing cash (outflows) inflows	(16,771)	97	–	–	(16,674)
Non-cash changes					
Additions	–	–	–	3,769	3,769
Interest charge	8,737	–	–	78	8,815
As at 31 December 2023	156,549	555	–	3,847	160,951

40. CAPITAL COMMITMENTS

	2023	2022
	RMB'000	RMB'000
Capital expenditures contracted for but not provided in the consolidated financial statements in respect of:		
– Establishment of associates	**9,170**	9,170

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 2023 and 2022 are set in notes 11 and 12 respectively.

42. SHARE OPTIONS SCHEME

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 2023, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 65,960,000 shares (2022: 66,920,000 shares), representing 5.1% (2022: 7.2%) 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.

42. SHARE OPTIONS SCHEME (Continued)

Share Option Scheme adopted on 18 December 2020 (the "New Share Option Scheme") (Continued)

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.

Details of specific categories of share options are as follows:

Date of grant	Vesting	Exercise period	Exercise price
15 July 2022	31 December 2022	15 July 2023 to 14 July 2024	HK$0.343
	31 December 2023	15 July 2024 to 14 July 2025	HK$0.343
23 July 2021	31 December 2021	1 June 2022 to 31 December 2023	HK$0.445
	31 December 2022	1 June 2023 to 31 December 2024	HK$0.445
	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 1/1/2023	Forfeited during the year	Outstanding at 31/12/2023
Employees	65,720,000	(960,000)	64,760,000
Directors	1,200,000	–	1,200,000
Total	66,920,000	(960,000)	65,960,000
Exercisable at the end of the year			11,520,000
Weighted average exercise price	HK$0.399	HK$0.445	HK$0.398

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42. SHARE OPTIONS SCHEME (Continued)

Share Option Scheme adopted on 18 December 2020 (the "New Share Option Scheme") (Continued)

Grantees	Outstanding at 1/1/2022	Granted during the year	Forfeited during the year	Outstanding at 31/12/2022
Employees	36,780,000	30,200,000	(1,260,000)	65,720,000
Directors	1,200,000	–	–	1,200,000
Total	37,980,000	30,200,000	(1,260,000)	66,920,000
Exercisable at the end of the year				11,840,000
Weighted average exercise price	HK$0.445	HK$0.343	HK$0.445	HK$0.399

On 23 July 2021, the Group granted 37,980,000 share options to certain employees and directors of the Group under New Share Option Scheme. The estimated fair values of the options granted ranging from HK$0.1069 to HK$0.1571.

On 15 July 2022, the Group granted 30,200,000 share options to certain employees of the Group under New Share Option Scheme. The estimated fair values of the options granted ranging from HK$0.06 to HK$0.08.

42. SHARE OPTIONS SCHEME (Continued)

Share Option Scheme adopted on 18 December 2020 (the "New Share Option Scheme") (Continued)

The fair value of the share options granted on 15 July 2022 and 23 July 2021 was calculated by using the Binomial Options Pricing Model. The variables and assumptions used in computing the fair value of the options are based on the directors' best estimates. The value of a share option varies with different variables of certain subjective assumptions. The following assumptions were used to calculate the fair value of the share options:

	At 15 July 2022	At 23 July 2021
Weighted average share price	HK$0.330	HK$0.400
Exercise price	HK$0.343	HK$0.445
Expected volatility	34.00% to 36.00%	43.662%
Expected life	2.00 years to 3.00 years	2.44 years to 4.44 years
Risk-free rate	2.581% to 2.660%	1.052%

For the share options granted on 15 July 2022, expected volatility was determined by using the historical volatility of the Company's share price over the previous 2.00 years to 3.00 years (share options granted on 23 July 2021: 2.44 years to 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 RMB2,573,000 for the year ended 31 December 2023 (2022: RMB2,102,000) in relation to share options granted by the Company.

No share options were granted by the Company during the years ended 31 December 2023. No share options were exercised for the years ended 31 December 2023 and 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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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) Sales of charging equipment for electric vehicles to the associates, of approximately RMB2,735,552 (2022: RMB432,000) for the year ended 31 December 2023, 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:

	2023	2022
	RMB'000	RMB'000
Short-term benefits	**2,390**	1,925

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 and other borrowings of the Group were guaranteed by Mr. Li Xin Qing and Mr. An Wei, directors of the Company:

	2023	2022
	RMB'000	RMB'000
To the extent of	**246,500**	348,000

Details of the bank and other borrowings of the Group are set out in note 31.

44. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2023 RMB'000	2022 RMB'000
Non-current asset			
Investment in a subsidiary		**1**	1
Current assets			
Amounts due from subsidiaries	*(a)*	**445,814**	275,682
Bank balances and cash		**278**	183
		446,092	275,865
Current liability			
Accruals and other payables		**976**	932
		976	932
Net current assets		**445,116**	274,933
Net assets		**445,117**	274,934
Capital and reserves			
Share capital		**13,093**	8,087
Reserves	*(b)*	**432,024**	266,847
		445,117	274,934

Notes:

(a) The amounts are unsecured, non-interesting bearing and repayable on demand.

(b) Reserves

	Share premium RMB'000	Share option reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2022	325,141	1,112	(55,937)	270,316
Recognition of equity-settled share-based payment expenses	–	2,102	–	2,102
Forfeiture of share options	–	(37)	37	–
Loss and total comprehensive expense for the year	–	–	(5,571)	(5,571)
At 31 December 2022 and 1 January 2023	325,141	3,177	(61,471)	266,847
Issue of shares	165,189	–	–	165,189
Recognition of equity-settled share-based payment expenses	–	2,573	–	2,573
Forfeiture of share options	–	(28)	28	–
Loss and total comprehensive expenses for the year	–	–	(2,585)	(2,585)
At 31 December 2023	490,330	5,722	(64,028)	432,024

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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 2023	2022	Percentage of equity interest and voting power attributable to the Company 2023 Direct	2023 Indirect	2022 Direct	2022 Indirect	Principal activities
Titans Power Electronics Group Co., Ltd.* *(note ii)*	The PRC	Contributed	**RMB250,000,000**	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
Zhuhai Titans Technology Co., Ltd.* *(note ii)*	The PRC	Contributed	**RMB200,000,000**	RMB200,000,000	–	100%	–	100%	Research, development, manufacture and sales of electrical direct current products
Shaoguan Yilian *(note ii)*	The PRC	Contributed	**RMB10,000,000**	RMB10,000,000	–	100%	–	100%	Sales and leases of electric vehicles; and provision of charging services
Hebei Jidong Titans Technology Co., Ltd.* ("Hebei Jidong") 河北冀东泰坦科技有限公司 *(notes ii and iii)*	The PRC	Contributed	**RMB10,000,000**	RMB10,000,000	–	50%	–	50%	Design, manufacture and sales of charging equipments for electric vehicles
Shandong Huidian Co., Ltd.* ("Shandong Huidian") *(notes ii)*	The PRC	Contributed	**RMB33,333,000**	RMB33,333,000	–	60%	–	60%	Design, manufacture and sales of charging equipments
Hebei Titans New Energy Development Group Co., Ltd.* 河北泰坦新能源發展集團有限公司 *(notes i and ii)*	The PRC	Contributed	**RMB260,000,000**	N/A	–	100%	–	N/A	Investment holding and provision of charging services
Tangshan Yilian New Energy Co., Ltd.* 唐山驛聯新能源科技有限公司 *(notes i and ii)*	The PRC	Contributed	**RMB150,000,000**	N/A	–	100%	–	N/A	Provision of charging services

Notes:

(i) These entities are wholly owned subsidiaries established in the People's Republic of China during 2023.

(ii) These entities are domestic enterprises.

(iii) According to the memorandum of association, the Group has the ability to appoint three out of five directors to the board of directors of Hebei Jidong and holds the casting vote for the decision in the shareholders' meeting. This grants the Group the authority to control Hebei Jidong. As a result, Hebei Jidong has been accounted for as a subsidiary of the Group.

* English name is for identification purpose only

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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:

		Number of subsidiaries	
Principal activity	**Principal place of business**	**2023**	2022
Sales of charging equipment for electric vehicles	– The PRC	**3**	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	**2**	1
Inactive	– The PRC	**10**	7
		19	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	
		2023	2022	**2023**	2022	**2023**	2022	**2023**	2022
		%	%	**%**	%	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Shandong Huidian	The PRC	**40**	40	**40**	40	**(1,926)**	(296)	**5,868**	8,865

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45. PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

The summarised financial information in respect of a non-wholly owned subsidiary of the Group that has non-controlling interests that are material to the Group before intergroup eliminations:

Shandong Huidian

	2023	2022
	RMB'000	RMB'000
Non-current assets	**4,934**	5,119
Current assets	**10,078**	20,672
Current liabilities	**(341)**	(3,628)
Equity attributable to owners of the Company	**8,803**	13,298
Non-controlling interests	**5,868**	8,865

	2023	2022
	RMB'000	RMB'000
Revenue	**13**	959
Expenses	**(4,828)**	(1,699)
Loss for the year	**(4,815)**	(740)
Loss attributable to owners of the Company	**(2,889)**	(444)
Loss attributable to non-controlling interests	**(1,926)**	(296)
Loss for the year	**(4,815)**	(740)
Net cash outflows from operating activities	**(138)**	(1,803)
Net cash inflows from investing activities	**4**	34
Net cash outflows	**(134)**	(1,769)