ANNUAL REPORT 2014

Incorporated in the Cayman Islands with limited liability

Stock Code: 2188

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

*For identification purpose only

CONTENTS

CORPORATE INFORMATION

Directors	Executive Directors Mr. Li Xin Qing *(Chairman)* Mr. An Wei *(Chief Executive Officer)* Independent Non-executive Directors Mr. Li Wan Jun Mr. Yu Zhuo Ping Mr. Zhang Bo
Audit Committee	Mr. Li Wan Jun *(Committee Chairman)* Mr. Yu Zhuo Ping Mr. Zhang Bo
Remuneration Committee	Mr. Zhang Bo *(Committee Chairman)* Mr. Yu Zhuo Ping Mr. Li Wan Jun
Nomination Committee	Mr. Li Xin Qing *(Committee Chairman)* Mr. Yu Zhuo Ping Mr. Zhang Bo
Authorised Representatives	Mr. Li Xin Qing Ms. Lam Wai Yee Sophie
Company Secretary	Ms. Lam Wai Yee Sophie
Auditor	SHINEWING (HK) CPA Limited
Registered Office	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands

CORPORATE INFORMATION

Principal Place of Business and Address of Headquarters in the PRC	Titans Science and Technology Park No. 60 Shihua Road West Zhuhai Guangdong Province The PRC
Principal Place of Business in Hong Kong	18/F, Tesbury Centre 28 Queen's Road East Wanchai Hong Kong
Principal Share Registrar and Transfer Office	Royal Bank of Canada Trust Company (Cayman) Limited 4th Floor, Royal Bank House 24 Shedden Road, George Town Grand Cayman KY1-1110 Cayman Islands
Hong Kong Branch Share Registrar and Transfer Office	Computershare Hong Kong Investor Services Limited Shops 1712–1716, 17th Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Legal Adviser	*As to Hong Kong law:* P. C. Woo & Co. 12th Floor, Prince's Building 10 Chater Road 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	**2014 RMB'000**	2013 RMB'000	2012 RMB'000	2011 RMB'000	2010 RMB'000
Revenue	**178,517**	175,933*	238,670	268,660	287,403*
Gross profit	**60,090**	48,036*	98,862	121,953	155,243*
(Loss) Profit for the year attributable to owners of the Company	**(43,831)**	(33,811)	11,795	33,872	60,253
Total comprehensive (expense) income for the year attributable to owners of the Company	**(43,621)**	(33,136)	10,054	33,872	60,253
(Loss) Earnings per share					
Basic	**RMB(0.052)**	RMB(0.041)	RMB0.014	RMB0.041	RMB0.083
Diluted	**RMB(0.052)**	RMB(0.041)	RMB0.014	RMB0.041	RMB0.082

* From continuing operations

CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR THE PAST FIVE YEARS

As at 31 December	**2014 RMB'000**	2013 RMB'000	2012 RMB'000	2011 RMB'000	2010 RMB'000
Total assets	**618,402**	666,922	802,769	714,862	633,280
Non-current assets	**75,333**	103,311	93,822	81,860	44,788
Current assets	**543,069**	563,611	708,947	633,002	588,492
Total liabilities	**206,865**	218,537	301,320	241,161	179,260
Current liabilities	**197,609**	209,155	290,308	229,659	179,260
Net current assets	**345,460**	354,456	418,639	403,343	409,232
Net assets	**411,537**	448,385	501,449	473,701	454,020

FINANCIAL HIGHLIGHTS

FINANCIAL INDICATORS FOR THE PAST FIVE YEARS

For the year ended 31 December	2014	2013	2012	2011	2010
Inventory turnover (1) (days)	**203**	164	144	120	65
Trade and bills receivables turnover (2) (days)	**477**	500	367	304	258
Trade and bills payables turnover (3) (days)	**201**	208	207	164	143
Current ratio (4) (times)	**2.75**	2.69	2.44	2.76	3.28
Gearing ratio (5) (%)	**15.36**	14.92	11.21	7.66	6.32
Return on equity (6) (%)	**(10.70)**	(7.54)	2.45	7.19	13.45

Notes:

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

(2) Trade and bills receivables turnover equals the average of trade and bills receivables at the beginning and the ending of the year divided by turnover and 1+17% value added tax (as trade and bills receivables include the value added tax receivables from customers), and multiplied by 365.

(3) Trade and bills payable turnover equals the average of trade and bills payables at the beginning and ending of the year divided by cost of sales and 1+17% value added tax (as trade and bills payables include the value added tax payable to suppliers), and multiplied by 365.

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

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

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

CHAIRMAN'S STATEMENT

Dear Shareholders,

In 2014, 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") recorded a total operating revenue of approximately RMB178,517,000, representing an increase of 1.47% over that of 2013. Loss attributable to the owners of the Company for the year was approximately RMB43,831,000.

As an unusual year in the history of the Group, the year 2014 featured radical changes in the market. In the year, the State Grid Corporation of China, the most important customer of our electrical direct current ("DC") product business, reduced the number of bids. However, in the meantime, another business of the Group, namely charging equipment for electric vehicle business, witnessed a series of national and local incentive policies which marked the market's take-off. Even though the original investors of charging network projects, namely State Grid Corporation of China and China Southern Power Grid, declared their exit from the projects nationwide, more vendors were attracted to invest in the electric vehicle changing stations market, resulting in further opening of market sectors such as planning, construction, operation and maintenance of the charging network. Meanwhile, the innovation of business model and market expansion were speeded up by participation of more investing vendors. By upholding the fundamental principle of sustained development, the Group grasped the historical opportunities amid the thriving growth of electric vehicle market, made great effort to develop and prioritise our charging equipment for electric vehicle business, and at the same time to seek a critical transformation from a singular equipment provider to a comprehensive service provider and investment operators. In 2014, sales revenue of charging equipment for electric vehicle business grew by 432.62% over the same period in 2013. Despite lagging behind what the management had expected, the Group envisioned with confidence that the new energy vehicle sector is at the beginning of dramatic growth, thus increased its investment in research and development, strategic planning and market exploitation. Even though such investment posed heavy pressure on the Group's profitability in 2014, in the long run, our transformation in 2014 paved a way for the steady and robust development of the Group in the future, creating a solid source of long-term return for the shareholders.

New energy vehicle is an inevitable course for China along its way to become a world leader in the auto industry, and a fundamental approach to promote industry restructuring, energy saving and environmental friendliness of auto industry. The year 2015 will be a milestone for marketisation of new energy vehicle sector in China. The national government will make steady and active measures to speed up the sector's growth by launching a series of incentive policies. In the meantime, the year 2015 is the first year of the 13th Five-year Plan under which by the year 2020, the number of new energy vehicles in service will reach 5 million units, that of electric vehicle charging and swapping stations 12,000, and that of charges 4.5 million. Starting from 2015, the charging equipment for electric vehicle will witness a new round of opportunities for growth. As an advocate and a practitioner of the electric vehicle charging sector, our Group will embark on promotion of technical innovation and new business models for the charging equipment for electric vehicle sector.

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CHAIRMAN'S STATEMENT

As smart device and mobile Internet are becoming increasingly popular, charging service and operation locations will certainly become data hubs for electric vehicles, indicating a brilliant prospect, a diversified source of profit featuring sustained growth capacity. In virtue of its time-proven experience of equipment manufacturing and servicing capability and the comprehensive service platform incorporating the "Autonet", the Internet and the charging network, the Group is dedicated to creating the No.1 charging network in China.

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

Li Xin Qing
Chairman

Hong Kong, 27 March 2015

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the year ended 31 December 2014, the Group recorded a turnover of RMB178,517,000, representing an increase of 1.47% when compared to the same period last year. Turnover was mainly derived from the Group's principal businesses, including electrical DC products, charging equipment for electric vehicles, power grid monitoring and management products and plug and switch system ("PASS") products. The table below shows the turnover of different series of products of the Group for the years ended 31 December 2013 and 2014.

	For the year ended 31 December			
	2014		2013	
	RMB'000	**%**	RMB'000	%
Electrical DC products	**108,859**	**60.98**	148,525	84.42
Charging equipment for electric vehicles	**60,873**	**34.10**	11,429	6.50
Power grid monitoring and management products	**8,326**	**4.66**	12,603	7.16
PASS products	**459**	**0.26**	3,376	1.92
Total	**178,517**	**100.00**	175,933	100.00

The Group recorded the aggregate loss attributable to owners of the Company and total comprehensive expense of approximately RMB43,831,000 and approximately RMB42,811,000 respectively in 2014, representing an increase of approximately RMB10,020,000 and approximately RMB9,190,000 respectively as compared with the loss attributable to owners of the Company and total comprehensive expense for the year of approximately RMB33,811,000 and approximately RMB33,621,000 for the corresponding period of last year.

Compared with 2013, the Group recorded an increase in operating loss. This was mainly attributed to the following factors: the decline of the number of bids for electrical DC products, which resulted in the decrease in the Group's sales; in the meantime, despite a significant growth in 2014, sales of charging equipment for electric vehicles lagged behind what the management expected in the beginning of 2014. At the same time, the Group continued to increase its investment in marketing and new products, and made active efforts to develop the new energy charging network operating business. Investment in such activities increased the Group's expenditure in 2014, contributing to the Group's continuous loss in 2014.

ELECTRICAL DC PRODUCTS

During this reporting period, turnover of the Group's electrical DC products was RMB108,859,000, representing a decrease of 26.71% as compared with that of 2013. The board of directors of the Company (the "Board") believes that the decrease in sales of electrical DC products is mainly attributed to the decreasing number of bids by State Grid Corporation of China, one of the most important customers of the Group, as compared with that in 2013. Notwithstanding the above, as electrical DC products are products with established market performance, our directors of the Company (the "Directors") believe that this business segment will continue to maintain steady growth.

MANAGEMENT DISCUSSION AND ANALYSIS

CHARGING EQUIPMENT FOR ELECTRIC VEHICLES

During this reporting period, turnover of the Group's charging equipment for electric vehicles was RMB60,873,000, representing an increase of 432.62% as compared with that of 2013.

Marked with accelerated promotion and expansion of new energy vehicles, the year of 2014 is regarded as China's first year of electric vehicle development, and correspondingly the Group's charging equipment business enjoyed rapid growth. Even though the overall sales revenue fell short of the management's expectation, the Group strongly believes that the new energy vehicle sector is under a dramatic growth trend and therefore strengthened its market expansion effort and made active efforts to integrate related resources. The Directors believe that the business of charging equipment for electric vehicles is now a backbone business of the Group, as reflected by the following:

1. In 2014, the Group's competitiveness in charging equipment sector was further consolidated and the competitive advantage further improved. The gradual exit of State Grid Corporation of China from urban charging equipment construction sector has led to more diversified sources of investment and more transparent and equal environment for competition. The Group won recognition from market users with its advantages in technology, brand and service, etc.

2. In 2014, the Group accomplished the transition from a singular equipment provider to a comprehensive serous provider of charging facilities. With the exit of State Grid Corporation of China, it will release robust market dynamics in planning, construction, operation and maintenance of charging equipment. With its sound technical capability and rich experience in operation and maintenance, the Company rapidly expanded the market in the integrated services of charging facilities and gained some degree of advantages. In 2014, the overall construction facilities in connection with the charging stations at Mashan, Shandong Province undertaken by the Group have been successfully implemented. At the same time, the Group also bidded some projects in relation to operation and management services of certain charging facilities. In addition, the Group entered into agreement with Beijing New Energy Automobile Co., Ltd* (北京新能源汽車股份有限公司) ("BJEV") and Chery New Energy Automobile Technical Co., Ltd* (奇瑞新能源汽車技術有限公司) for provision of installation and operation and maintenance services of chargers in relevant regions.

3. In 2014, the Group made active efforts to explore potential investment and operation opportunities relevant to charging equipment of electric vehicles. In the year, the Group embarked on planning, design, construction and operation business of city-level charging infrastructure at cities including Zhuhai, Mianyang (in Sichuan Province), Zibo (in Shandong Province), and explored the possibility of commercialized operation of charging infrastructure, laying a solid foundation to support the Group's ambition to become an expert of construction and operation of charging infrastructure. In the meantime, the Group proposed an aspiring initiative to build a service platform that combines the "Autonet", the Internet and the charging network.

POWER GRID MONITORING AND MANAGEMENT PRODUCTS

During this reporting period, the Group's power grid monitoring and management products business recorded a turnover of RMB8,326,000, representing a drop of approximately 33.94% over 2013, owing to the Directors' view that the Group should concentrate its premium resources on more competitive products and thus reduced investment on this product category.

MANAGEMENT DISCUSSION AND ANALYSIS

PASS PRODUCTS

During this reporting period, the Group's PASS products recorded a turnover of RMB459,000, representing a drop of 86.40% over 2013. The Directors do not consider this segment as a major operation business of the Group and the Group will gradually reduce the input in this business.

WIND AND SOLAR POWER GENERATION BALANCING CONTROL SYSTEMS

During this reporting period, our wind and solar power generation balancing control systems did not realise any sales. The Group invested relatively less in this product category and, in view of the failure to realise sales for a consecutive of 3 years, the Board has decided to cease further investment in such business and concentrate on promising businesses of the Group.

MAJOR OPERATING ACTIVITIES OF THE GROUP IN 2014

In 2014, directed by a series of policies launched by central and local governments, China's new energy vehicle market rapidly developed. The Group responded to the market trends and took the following measures to boost the charging equipment business:

First, the Group consolidated internal resources by combining the power grid monitoring and management product line and electrical DC product line and moving a number of backbone employees to the electric vehicle charging equipment product line. Second, the Group ceased its investments in the wind and solar power generating and balancing control product business so as to switch the Group's core capabilities to the electric vehicle charging equipment business.

In the meantime, the Group accomplished the transition from an equipment provider to an industry solution provider through actively consolidating resources.

- In 2014, the Group's internal management focused on internal resource streamlining and expanded efficient market services. By restructuring the product lines, premium resources were concentrated to accelerate the electric vehicle charging equipment business. The Directors believe that the internal restructuring and relevant management measures have enhanced the Group's product mix and corresponded to market tendencies.

- On 10 November 2014, the Group signed a strategic cooperation framework agreement with BJEV to discuss cooperative opportunities in various areas such as the charging framework equipment for new energy electric vehicles, planning and service for the charging business and operation services.

- On 12 December 2014, the Group signed a cooperative agreement with the Management Commission of Hebei Pingwu Industrial Park in Mianyang and Mianyang Municipal Government for investing in electric vehicle charging station at Mianyang. Meanwhile, the Group's wholly-owned subsidiary, Zhuhai Titans Power Electronics Co., Ltd.* (珠海泰坦電力電子集團有限公司), partnered with an independent third party to found Titans Haote New Energy Vehicles Co., Ltd.* (泰坦豪特新能源汽車有限公司) in Sichuan Province which focuses on planning, design, construction and operation of electric vehicle charging stations. The Directors believe that with favourable policies in Mianyang and marketing resources of the third party, the Group will enjoy a solid foundation for construction of electric vehicle charging network in Sichuan Province and even the whole western China.

- On 26 December 2014, the Group established a wholly-owned subsidiary, Zhuhai Titans Chuneng Technology Co., Ltd.* (珠海泰坦儲能科技有限公司), which conducts research and development of new power batteries and energy storage technologies.

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MANAGEMENT DISCUSSION AND ANALYSIS

- On 30 December 2014, the Group signed a capital contribution agreement with Beijing Ai Mei Sen Information Technology Co. Ltd.* (北京埃梅森信息技術有限公司), according to which the Group acquired 20% stake in the company, aiming to jointly promote development of destination charging station projects and further strengthen the sales market of the Group's charging equipment for electric vehicles.

- On 31 December 2014, the Group established a wholly-owned subsidiary, Zhuhai Yilian New Energy Motors Co., Ltd.* (珠海驛聯新能源汽車有限公司), which specialises in investment, planning, design, construction and operation of the Group's new energy vehicle charging network.

BUSINESS PROSPECTS AND PLANNING

In 2015, the Group's business focus and related plans are as follows:

China's President Xi Jinping pointed out that new energy vehicle is an inevitable course that leads to a critical transition for China from a country with a large automobile industry to a country with a powerful automobile industry. This will bring about huge challenges but also is a historical mission. According to the PRC's 13th Five-year Plan, as of 2020, 5 million new energy vehicles will be running on China's roads. According to the preliminary plan of electric vehicle charging infrastructure, 12,000 battery charging/swapping stations will be built in China with 4.5 million chargers by 2020. Meanwhile, the Chinese government will launch a series of incentive policies to subsidise new energy vehicles, encourage construction of charging facilities at demonstrative cities and fully implement the supporting policies of each demonstrative city. Such moves will accelerate the growth of new energy vehicles and charging network. China's new energy vehicle industry and market are embracing unprecedented opportunities for growth. To grasp these opportunities and support the Company's rapid growth in the future, the Board decided that in 2015, the Group will launch innovative business model, actively expand market share and improve comprehensive servicing capacity, in order to further enhance core competitiveness, realise the critical transition from an equipment supplier to a comprehensive service and operation solution provider and strive to create the No.1 charging network in the PRC. As to the matured electrical DC product business, the Board requested a steady and growth-oriented approach by focusing on exploring new products' market to ensure that this business achieves a steady but uprising sales record. Specific measures are as follows:

1. Partner with the local governments or other organizations and companies to build city-level charging network system to realise the Company's concept of "One City, One Build, One Network, One Platform" in cities, and finally achieve the strategic goal of creating No.1 charging network in the PRC.

2. Strengthen marketing efforts and improve marketing capacity; the Group follows market and customers' demand, embraces opportunities of new energy industry, grasps industry opportunities and strives to realise the objective of business turnover.

3. Actively search external edge-cutting technology and products and obtain such resources by merger and acquisition to consolidate the Group's leadership in electric vehicle charging sector.

4. Strengthen internal control to mitigate operation risks; improve internal audit work and establish sound internal audit review system; and further focus on process control to increase revenue, reduce cost and enhance efficiency.

5. Strengthen human resource management by highlighting training of young management staff, annual assessment and placement of key employees to pave a way for sustained development of the Group.

The Directors believe that the Group will achieve from quantitative change to qualitative change in 2015 by the aforesaid measures and joint effort of all staff members of the Group.

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MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Turnover

Our turnover increased from RMB175,933,000 for the year ended 31 December 2013 to RMB178,517,000 for the year ended 31 December 2014, representing an increase of 1.47%. The increase in turnover of the Group was mainly due to the benefits from national development policies for new energy, and the relevant industries in China started to thrive in the second half of 2014, and consequently, the Group recorded an increase in product sales relating to the charging equipment for electric vehicles business.

Cost of sales

Our cost of sales, which mainly included raw material costs, direct labour costs and manufacturing expenses, decreased by 7.40% from RMB127,897,000 for the year ended 31 December 2013 to RMB118,427,000 for the year ended 31 December 2014. Reduction of cost of sales was primarily due to the overall decrease of cost brought by increasing sales of charging equipment for electric vehicles which features higher gross profit margin during the year.

Gross profit

The table below sets out our gross profit and gross profit margin of different product categories for the years ended 31 December 2013 and 2014:

	For the year ended 31 December 2014			For the year ended 31 December 2013		
	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	**30,398**	**50.59**	**27.92**	35,995	74.93	24.23
Charging equipment for electric vehicles	**26,116**	**43.46**	**42.90**	5,138	10.70	44.96
Power grid monitoring and management products	**3,455**	**5.75**	**41.50**	6,029	12.55	47.84
PASS products	**121**	**0.20**	**26.36**	874	1.82	25.89
Total/Average	**60,090**	**100.00**	**33.66**	48,036	100.00	27.30

Our gross profit increased by 25.09% from RMB48,036,000 for the year ended 31 December 2013 to RMB60,090,000 for the year ended 31 December 2014. Our gross profit margin increased from 27.30% for the year ended 31 December 2013 to 33.66% for the year ended 31 December 2014. The increase in gross profit margin is primarily due to the sharply increasing sales of products which features higher gross profit margin during the year.

MANAGEMENT DISCUSSION AND ANALYSIS

Other revenue

Our other revenue, which mainly included value-added tax ("VAT") refunds, government grants and bank interest income and reversal of impairment loss recognised in respect of trade receivables during the year, decreased by 51.82% from RMB29,469,000 for the year ended 31 December 2013 to RMB14,199,000 for the year ended 31 December 2014.

The decrease in other revenue of the Group was attributable to the following causes: (1) the total government grants of RMB1,060,000, which can be recognized in accordance with its nature, decreased by RMB2,311,000 compared with RMB3,371,000 in 2013; (2) VAT refunds decreased by RMB4,182,000; (3) bank interest income, exchange gain and other items decreased approximately by RMB4,666,000; (4) the same period in last year recorded a gain on disposal of a subsidiary and disposal of available-for-sale financial assets totaling RMB8,936,000, while no such gain was recorded during the year; and (5) reversal of impairment loss recognised in respect of trade receivables of RMB4,801,000, while no such reversal recorded in last year.

Selling and distribution expenses

Our selling and distribution expenses, which mainly comprised the relevant expenses in sales and after-sales services, salaries of sales personnel, benefits and travelling expenses, and office expenses, entertainment expenses and other expenses, decreased by 7.30% from RMB33,932,000 for the year ended 31 December 2013 to RMB31,456,000 for the year ended 31 December 2014. Our selling and distribution expenses as a percentage of turnover decreased from 19.29% for the year ended 31 December 2013 to 17.62% for the year ended 31 December 2014. The decrease in the Group's selling and distribution expenses was mainly due to the following integrated factors during the reporting period:

(1) a decrease in transportation, bidding service and equipment installment expenses relating to sales of approximately RMB2,785,000;

(2) a decrease in office, insurance, rent, water and electricity, repairs and miscellaneous expenses relating to sales of approximately RMB551,000;

(3) an increase in the sales-related expenses such as salaries and wages, benefits, travelling and entertainment expenses of approximately RMB623,000; and

(4) an increase in advertising and miscellaneous expenses relating to sales of approximately RMB237,000.

MANAGEMENT DISCUSSION AND ANALYSIS

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 loss etc., decreased by 18.79% from RMB56,886,000 for the year ended 31 December 2013 to RMB46,198,000 for the year ended 31 December 2014. Our administrative and other expenses as a percentage of turnover reclassified decreased from 32.33% for the year ended 31 December 2013 to 25.88% for the year ended 31 December 2014. The decrease in our administrative and other expenses during the reporting period was mainly due to the following integrated factors:

(1) a decrease in wages and benefits, traveling, entertainment and office expenses relating to management of RMB1,530,000;

(2) a decrease in equity settled share-based payments of RMB1,737,000 in respect of the share options granted pursuant to the share option scheme of the Company adopted on 8 May 2010 (the "Share Option Scheme") and the new share options granted on 17 February 2011;

(3) a decrease in banking expenses and other incidentals of approximately RMB180,000;

(4) a decrease in research and development cost of approximately RMB10,915,000;

(5) a decrease in material cost of approximately RMB1,804,000;

(6) an increase in impairment loss on assets classified as held for sale by the Group of approximately RMB3,076,000;

(7) an increase in expenses including lawyer's professional fees, maintenance fees and remittance fees of approximately RMB2,041,000; and

(8) an increase in miscellaneous costs including depreciation and amortisation of RMB362,000.

Impairment loss recognised in respect of trade receivables

For the year ended 31 December 2014, individually impaired trade receivables of RMB37,922,000 (2013: RMB21,724,000) was included in provision for trade receivables, the increase in provision for trade receivables of RMB16,198,000 was mainly due to an increase in trade receivables with longer collection period than normal during the period and the decline of credit quality of the customers.

Share of results of an associate

As at 31 December 2014, the Group owned 35% equity interests in Beijing Hua Shang Clear New Energy Technology Co., Ltd.* (北京華商三優新能源科技有限公司) and 30% equity interests in Zhuhai Titans New Power Electronics Co., Ltd.* (珠海泰坦新動力電子有限公司). These companies were accounted for as the Group's associate companies, and the Group's attributable profit from these companies for the year ended 31 December 2014 was RMB4,460,000, representing a decrease of RMB3,009,000 over the profit of RMB7,469,000 of the same period last year.

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MANAGEMENT DISCUSSION AND ANALYSIS

Finance costs

Our finance costs decreased by 20.99% from RMB10,564,000 for the year ended 31 December 2013 to RMB8,347,000 for the year ended 31 December 2014. Our finance costs as a percentage of turnover decreased from 6.00% for the year ended 31 December 2013 to 4.68% for the year ended 31 December 2014. The decrease in our finance costs was mainly due to the decrease in average bank loans and uprising interest rate for loans during the reporting period.

Income tax credit

Our income tax credit was RMB2,153,000 for the year ended 31 December 2014 whereas income tax credit was RMB3,866,000 for the year ended 31 December 2013. The effective tax rate (being the ratio of our tax expenses to our profit before tax) for the year ended 31 December 2014 was "not applicable" (2013: "not applicable").

Profit (Loss) attributable to non-controlling interests

For the year ended 31 December 2014, profit attributable to non-controlling interests of our non-wholly owned subsidiaries was approximately RMB810,000, as compared with a loss of approximately RMB485,000 for the year ended 31 December 2013. This amount represents the attributable profit of our non-wholly owned subsidiary.

Loss attributable to owners of the Company

Loss attributable to owners of the Company for the year ended 31 December 2014 was RMB43,831,000 whilst loss for the year ended 31 December 2013 was RMB33,811,000, representing an increase of RMB10,020,000. Net profit margin attributable to owners of the Company: "not applicable" (2013: "not applicable").

Compared with the loss recorded in the same period in 2013, during the year ended 31 December 2014, the Group recorded an increase in loss attributable to owners of the Company of approximately RMB10,020,000 over the same period last year. The increase in loss was mainly due to the decline of the number of bids for electrical DC products, which resulted in the decrease of the Group's sales of electrical DC products during the reporting period; in the meantime, despite a significant growth in 2014, sales of charging equipment for electric vehicle lagged behind what the management expected in the beginning of 2014. At the same time, the Group continued to increase its investment in marketing of new products, and made active efforts to develop the new energy charging network operating business. Investment in such activities increased the Group's expenditure in 2014, contributing to the Group's continuous loss in 2014.

Total comprehensive expense attributable to owners of the Company for the year ended 31 December 2014 was approximately RMB43,621,000 whilst total comprehensive expense for the year ended 31 December 2013 was approximately RMB33,136,000, representing an increase of approximately RMB10,485,000.

MANAGEMENT DISCUSSION AND ANALYSIS

INVENTORY ANALYSIS

The table below sets out the information on our inventory for the years ended 31 December 2013 and 2014:

	Year ended 31 December			
	2014		2013	
	RMB'000	**%**	RMB'000	%
Raw materials	**20,454**	**31.39**	24,518	36.83
Work-in-progress	**12,572**	**19.29**	12,108	18.19
Finished goods	**32,137**	**49.32**	29,943	44.98
	65,163	**100.00**	66,569	100.00

The Group's inventory balances decreased from RMB66,569,000 as at 31 December 2013 to RMB65,163,000 as at 31 December 2014.

Our average inventory turnover days increased from approximately 164 days for the year ended 31 December 2013 to approximately 203 days for the year ended 31 December 2014, which was due to the increase of raw materials purchased by the Group in late 2014.

The Group has not made any general or special provision for the inventory as at 31 December 2014.

ANALYSIS ON TRADE AND BILLS RECEIVABLES

As at 31 December 2013 and 2014, our trade and bills receivables (net of allowance) amounted to RMB270,961,000 (comprising trade receivables of RMB266,036,000 and bills receivables of RMB4,925,000) and RMB274,876,000 (comprising trade receivables entirely) respectively. The increase in trade and bills receivables was mainly due to the increase in sales during the year.

The table below sets forth the ageing analysis of our trade receivables as of 31 December 2013 and 2014:

	Year ended 31 December 2014				Year ended 31 December 2013			
	Gross amount RMB'000	**Allowance for bad debt RMB'000**	**Net amount RMB'000**	**%**	Gross amount RMB'000	Allowance for bad debt RMB'000	Net amount RMB'000	%
Within 90 days	**103,585**	**–**	**103,585**	**37.68**	81,811	–	81,811	30.75
91 days to 180 days	**21,484**	**–**	**21,484**	**7.82**	26,387	–	26,387	9.92
181 days to 365 days	**46,926**	**–**	**46,926**	**17.07**	46,067	–	46,067	17.31
Over 1 year to 2 years	**69,886**	**–**	**69,886**	**25.42**	83,940	(6,000)	77,940	29.30
Over 2 years to 3 years	**54,022**	**(30,201)**	**23,821**	**8.67**	48,105	(15,419)	32,686	12.29
Over 3 years	**37,337**	**(28,163)**	**9,174**	**3.34**	18,228	(17,083)	1,145	0.43
Total	**333,240**	**(58,364)**	**274,876**	**100.00**	304,538	(38,502)	266,036	100.00

MANAGEMENT DISCUSSION AND ANALYSIS

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

We may grant a credit period in the range of 30 days to 90 days from the above installment payment due dates (including the payments of deposit, the payments due after testing and the payments of retention money). We believe that the timing difference between the payment terms under our sales contracts and our accounting revenue recognition policy is the major reason for our relatively longer trade and bills receivables turnover days.

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

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

For the year end 31 December 2014, we made an additional specific provision for trade receivables as allowance for doubtful trade receivables of approximately RMB37,922,000 (2013: approximately RMB21,724,000) under prudent principle.

ANALYSIS ON TRADE AND BILLS PAYABLES

As at 31 December 2013 and 2014, our trade and bills payables amounted to approximately RMB75,672,000 (comprising trade payables of approximately RMB61,951,000 and bills payables of approximately RMB13,721,000) and approximately RMB77,062,000 (comprising trade payables of approximately RMB75,961,000 and bills payables of approximately RMB1,101,000) respectively. The increase in trade and bills payables was mainly due to the increase in raw materials purchase as a result of the rising sales in the reporting period. For the two years ended 31 December 2013 and 2014, our trade and bills payable turnover days were approximately 208 days and approximately 201 days respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

The table below sets out the ageing analysis of our trade payables as of 31 December 2013 and 2014:

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Within 90 days	**62,114**	49,227
91 days to 180 days	**1,857**	7,077
181 days to 365 days	**2,519**	1,163
Over 1 year to 2 years	**8,115**	3,075
Over 2 years to 3 years	**1,356**	1,409
	75,961	61,951

DEBTS

All of our debts are classified as short-term liabilities which are payable within 12 months from the end of the reporting period. The following table sets out our indebtedness as at 31 December 2013 and 2014. All of our indebtedness were denominated in Renminbi.

	For the year ended 31 December 2014		For the year ended 31 December 2013	
	RMB'000	**Applicable/ effective interest rates**	RMB'000	Applicable/ effective interest rates
Bank borrowings	**95,000**	**6.60% to 7.80%**	99,500	5.88% to 7.80%
	95,000		99,500	

As at 31 December 2014, total bank borrowings amounted to RMB95,000,000 (as at 31 December 2013: RMB99,500,000), among which RMB68,000,000 were secured loans (as at 31 December 2013: RMB15,600,000), and the balance of RMB27,000,000 were unsecured loans (as at 31 December 2013: RMB83,900,000). Bank loans as at 31 December 2014 were subject to the floating interest rates ranging from 6.60% to 7.80% per annum (as at 31 December 2013: from 5.88% to 7.80% per annum).

As at 31 December 2014, the Group's gearing ratio (total indebtedness divided by total assets) was 15.36% (as at 31 December 2013: 14.92%).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2014, the total equity of the Group amounted to RMB411,537,000 (as at 31 December 2013: RMB448,385,000), the Group's current assets were RMB543,069,000 (as at 31 December 2013: RMB563,611,000) and current liabilities were RMB197,609,000 (as at 31 December 2013: RMB209,155,000). As at 31 December 2014, the Group had short-term bank deposits, bank balances and cash of RMB99,324,000 (as at 31 December 2013: RMB114,338,000), excluding restricted bank balances of RMB3,732,000 (as at 31 December 2013: RMB4,381,000). Our total assets less our total liabilities equals to our net assets, which was RMB411,537,000 as at 31 December 2014 (as at 31 December 2013: RMB448,385,000).

MANAGEMENT DISCUSSION AND ANALYSIS

The Group finances its operations with internally generated cash flow and bank borrowings. As at 31 December 2014, the Group had outstanding bank borrowings of RMB95,000,000 (as at 31 December 2013: RMB99,500,000).

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATES

Acquisition of a subsidiary

On 29 September 2014, the Group acquired 51% equity interest in Shenzhen Heimt Techology Co., Ltd* (深圳市瀚美特科技有限公司) ("SZ Heimt") at a cash consideration of RMB1,734,000. This acquisition has been accounted for using the acquisition method. The amount of goodwill arising as a result of the acquisition was approximately RMB642,000. SZ Heimt is principally engaged in the research, development, manufacture and sales of charging equipment for electric vehicles. SZ Heimt was acquired so as to expand the charging equipment for electric vehicles operations. The calculation of the consideration of and the goodwill arising from the acquisition is disclosed in note 36 of the Group's consolidated financial statements.

Acquisition of an associate

On 30 December 2014, the Group signed a capital contribution agreement with Beijing Ai Mei Sen Information Technology Co., Ltd.* (北京埃梅森信息技術有限公司) for acquiring 20% equity interest in that company at a total consideration of RMB1,250,000. The acquisition is aimed at promoting development of destination charging systems, and further consolidating the Group's market leadership in the charging equipment for electric vehicle sector. On 2 March 2013, the Group has completed the acquisition of 20% equity interest.

Save as disclosed above, the Group had no other material acquisition of its subsidiaries and associates for the year ended 31 December 2014.

Disposal of a subsidiary

In 2013, the Group has entered into an agreement for disposing the entire 90.04% equity interest in Jiangyin Titans High Voltage Electric Co., Ltd* (江陰泰坦高壓電氣有限公司) ("Jiangyin Titans") to an independent third party. The transaction was completed in January 2013, thereafter for the year ended 31 December 2013, Jiangyin Titans was no longer a subsidiary of the Company.

The Group did not dispose any subsidiary for the year ended 31 December 2014.

Disposal of available-for-sale financial assets

On 20 April 2014, the Group signed a share transfer agreement with an independent third party for disposing of 10% equity interest in Henan Longyuan New Energy Equipment Co. Ltd.* (河南龍源新能源裝備有限公司) which was classified as an available-for-sale financial asset. Consideration for the disposal amounted to approximately RMB2,238,000 against a cost of share of RMB2,426,000. The loss of the disposal was recorded in administrative and other expenses of the Group for the period.

CONTINGENT LIABILITIES

As at 31 December 2014 and at the date of this annual report, the Group had no material contingent liabilities.

**For identification purpose only.*

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL COMMITMENTS

As at 31 December 2014, the Group had capital expenditure contracted for but not provided in the consolidated financial statements of approximately RMB11,219,000 (as at 31 December 2013: approximately RMB8,572,000) in respect of investment, factory renovation and purchase of equipment.

As at 31 December 2014, the Group had capital expenditure authorised but not contracted for in respect of investment, factory renovation and purchase of equipment of approximately RMB86,400,000 (as at 31 December 2013: approximately RMB911,000).

Save as disclosed above, as at 31 December 2014 and as at the date of this annual report, the Group does not have other capital expenditure authorised but not contracted for in respect of investment, factory renovation and purchase of equipment.

PLEDGE OF ASSETS

The Group's leasehold land and buildings of carrying amount of approximately RMB4,422,000 as at 31 December 2014 (as at 31 December 2013: approximately RMB5,235,000) were pledged to secure the bank borrowings and other facilities.

EMPLOYEES AND REMUNERATION

As at 31 December 2014, the Group had 369 employees in total (as at 31 December 2013: 395 employees). The remuneration paid to our employees and the Directors is based on their experience, responsibility, workload and the time devoted to the Group.

The Group participates in various employees' benefit plans such as 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 the PRC-based employees are entitled to participate in the social insurance operated by the Ministry of Labour and Social Security, and the premium is undertaken between the Group and the employees based on the percentages stipulated by relevant PRC laws.

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 exchange loss of approximately RMB13,000 (2013: gain of approximately RMB85,000). Such book loss on foreign exchange arose as a result of the difference between the exchange rate on the date of transaction and the exchange rate as at 31 December 2014. As at 31 December 2014, the Group did not have significant foreign exchange hedging.

The Group adopted a conservative approach to manage its treasury policies. Our treasury function mainly involves the management of our cash flow. Cash is mainly deposited in banks in Renminbi for our working capital purposes. We did not have any material holding in financial securities or foreign exchange (except for business purposes) during the year ended 31 December 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

MATERIAL LITIGATION AND ARBITRATION

The Group has no material litigation or arbitration during the year ended 31 December 2014.

USE OF PROCEEDS

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

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

	As of 31 December 2014	
Proposed use of proceeds	**Intended amount to be used**	**Actual amount used**
	RMB'000	RMB'000
Support and enhance manufacturing capacity and acquire new production facility	66,737	42,568
Further establish and consolidate the Group's position in the market	80,470	78,341
Support and strengthen the Group's product research and development capability	19,742	33,433
Support and enhance the Group's marketing ability	28,755	21,758
Working capital	18,884	21,000
	214,588	197,100

The unused balance of approximately RMB17,488,000 was kept as bank deposits in the PRC.

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

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 2014.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The Company is an investment holding company. The Group is principally engaged in the supply of power electronic products and equipment. The principal activities of each of the subsidiaries of the Company are set out in note 44 to the consolidated financial statements.

Business segments

The Group is engaged in the supply of power electronic products and equipment. Business analysis of sales, segment results, total assets and capital expenditures are set out in note 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 2014 are set out in the consolidated statement of profit or loss and other comprehensive income on page 50 of this annual report.

The Board does not recommend the payment of any dividend for the year ended 31 December 2014 (2013: 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, 22 May 2015, the register of members of the Company will be closed from Wednesday, 20 May 2015 to Friday, 22 May 2015, 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 Tuesday, 19 May 2015.

DIRECTORS' REPORT

RESERVES

Details of movements in the reserves of the Group and of the Company during the year ended 31 December 2014 are set out in the consolidated statement of changes in equity and note 43(b) to the consolidated financial statements respectively.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year ended 31 December 2014 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 30 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

Details of the Company's distributable reserves as at 31 December 2014 is set out in note 43(b) to the consolidated financial statements.

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

The Company and its subsidiaries did not purchase, sell or redeem any of the Company's listed securities during the year ended 31 December 2014.

PRE-IPO SHARE OPTION SCHEME

A pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") was adopted pursuant to a written resolution passed by the shareholders of the Company on 8 May 2010. The purpose of the Pre-IPO Share Option Scheme is to recognise the contribution of, and to provide an incentive to, the employees, officers, agents, consultants, representatives and sales partners of the Group who has contributed or will contribute to the Group. The principal terms of the Pre-IPO Share Option Scheme are basically the same as the terms of the Share Option Scheme (as described below) except, among other terms, that:

(a) the Pre-IPO Share Option Scheme expired on the date immediately prior to 28 May 2010 (the "Listing Date") and save for the options which have been conditionally granted, no further options will be offered or granted or accepted under the Pre-IPO Share Option Scheme after the Listing Date;

(b) the subscription price HK$0.59 per Share has been determined by the Board at 50% discount to the final offer price of the listing of the Shares on the Stock Exchange on the Listing Date;

(c) the option period of each option granted is: (a) in relation to 25% of the Shares comprised in the option, the period commencing on the expiration of 12 months after the Listing Date and ending on the expiration of 24 months after the Listing Date; (b) in relation to another 25% of the Shares comprised in the option, the period commencing on the expiration of 24 months after the Listing Date and ending on the expiration of 36 months after the Listing Date; (c) in relation to another 25% of the Shares comprised in the option, the period commencing on the expiration of 36 months after the Listing Date and ending on the expiration of 48 months after the Listing Date; and (d) in relation to the remaining 25% of the Shares comprised in the option, the period commencing on the expiration of 48 months after the Listing Date and ending on the expiration of 60 months after the Listing Date; and

(d) if any of the grantees fails to exercise all or part of the 25% of the total number of options vested to him/her in each period, such 25% or remaining part of the 25% of the total number of options vested and exercisable during that period (as the case may be) shall lapse.

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

DIRECTORS' REPORT

During the year ended 31 December 2014, share options carrying rights to subscribe for a total of 200,000 Shares have lapsed in accordance with the terms of the Pre-IPO Share Option Scheme. As at 31 December 2014, share options carrying rights to subscribe for 1,520,000 Shares in aggregate (representing approximately 0.18% of the issued share capital of the Company) remained outstanding. Set out below is further information on the outstanding share options granted under the Pre-IPO Share Option Scheme as at 31 December 2014:

		Number of share options					
Name of participant	**Date of share options granted**	**Outstanding as at 1 January 2014**	**Exercised during the period**	**Lapsed during the period**	**Cancelled during the period**	**Outstanding as at 31 December 2014**	**Approximate percentage of issued share capital of the Company**
Li Xin Qing *(Note 1)*	8 May 2010	400,000	400,000	–	–	–	0%
An Wei *(Note 1)*	8 May 2010	400,000	200,000	–	–	200,000	0.02%
Li Xiao Bin *(Note 2)*	8 May 2010	400,000	400,000	–	–	–	0%
Other employees of the Group	8 May 2010	9,940,000	8,420,000	200,000	–	1,320,000	0.16%
Total		11,140,000	9,420,000	200,000	–	1,520,000	0.18%

Notes:

1. Li Xin Qin and An Wei are the executive Directors.

2. Li Xiao Bin is the substantial shareholder and senior management of the Company.

During the period from after the year ended 31 December 2014 to the date of this report, 9,420,000 share options under the Pre-IPO Share Option Scheme have been exercised and 200,000 share options have lapsed. As at the date of this annual report, share options carrying rights to subscribe for a total of 1,420,000 Shares under the Pre- IPO Share Option Scheme has been exercised, and 100,000 share options remained outstanding.

SHARE OPTION SCHEME

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

The purpose of the Share Option Scheme is to enable the Group to grant options to selected participants as incentives or rewards them for their contributions to the Group. All officers, employees, agents, consultants or representatives of any member of the Group, (including any executive or non-executive Director) who the Board may determine in an absolute discretion, has made valuable contribution to the business of the Group based on his performance and/or years of service, or is regarded to be valuable human resource of the Group are eligible to participate in the Share Option Scheme subject to such conditions as the Board may think fit.

The Share Option Scheme will remain in force for a period of 10 years after the Adoption Date.

DIRECTORS' REPORT

When the Share Option Scheme has approved by the Shareholders, it was also approved that the total number of Shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme adopted by the Group must not in aggregate exceed 10% of the Shares of the Company in issue on the date of listing of shares of the Company on the Stock Exchange, i.e. 80,000,000 Shares (the "Scheme Mandate Limit") which represented approximately 9.53% of the Shares in issue as at the date of annual report. The Company may renew the Scheme Mandate Limit with shareholders' approval provided that each such renewal may not exceed 10% of the Shares in the Company in issue as at the date of the shareholders' approval.

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

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

A nominal consideration of HK$1.00 is payable on acceptance of the grant of an option.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be notified by the Board to each grantee, which period must expire no later than 10 years from the date of the grant (subject to acceptance) of the option.

The right to exercise an option is not subject to or conditional upon the achievement of any performance target unless otherwise stated in the grant letter which is to be made by the Company to the participant of the Share Option Scheme upon granting of option.

The subscription price for the Shares under the Share Option Scheme will be a price determined by the Directors, but shall not be less than the highest of (i) the closing price of Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a business day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the Shares.

On 17 February 2011, the Company granted 19,430,000 share options to certain employees and a substantial shareholder (who is also an employee) of the Company.

Date of grant	:	17 February 2011
Exercise price of share options granted	:	HK$1.10 per Share
Number of share options granted	:	19,430,000 share options (each share option shall entitle the holder of the share option to subscribe for one Share)
Closing price of the Share on the Date of Grant	:	HK$1.10 per Share

DIRECTORS' REPORT

Validity period of the Share Options	:	4 years commencing from 17 February 2011 and expiring on 16 February 2015 (both days inclusive), to be exercised in the following manner:

Portions of the share options exercisable	**Period for exercise of the relevant portions of the share options**
One-third of the total number of share options granted to any grantee	During the period commencing on 17 February 2012 and up to 16 February 2013
One-third of the total number of share options granted to any grantee	During the period commencing on 17 February 2013 and up to 16 February 2014
One-third of the total number of share options granted to any grantee	During the period commencing on 17 February 2014 and up to 16 February 2015

If any of the grantees fails to exercise all or part of the one-third of the total number of share options vested to him/her in each period, such one-third or remaining part of the one-third of the total number of share options vested during each period (as the case may be) shall lapse.

The closing price of the Shares immediately before 17 February 2011, the date of grant, was HK$1.07. Among all the share options granted, 600,000 share options were granted to Mr. Li Xiao Bin who is a substantial shareholder and senior management of the Company. Pursuant to Rule 17.04 (1) of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and the terms of the Share Option Scheme, the grant of the 600,000 share options to Mr. Li Xiao Bin has been approved by the independent non-executive Directors.

DIRECTORS' REPORT

During the year ended 31 December 2014, share options carrying rights to subscribe for a total of 6,156,666 Shares have lapsed in accordance with the terms of the Share Option Scheme. As at 31 December 2014, share options carrying rights to subscribe for 5,616,667 Shares in aggregate (representing approximately 0.67% of the issued share capital of the Company) remained outstanding. Set out below is further information on the outstanding share options granted under the Share Option Scheme as at 31 December 2014:

		Number of share options						
Name of participant	**Date of share options granted**	**Outstanding as at 1 January 2014**	**Granted during the year**	**Exercised during the year**	**Lapsed during the year**	**Cancelled during the year**	**Outstanding as at 31 December 2014**	**Approximate percentage of issued share capital of the Company**
Li Xiao Bin *(Note)*	17 February 2011	400,000	–	–	200,000	–	200,000	0.02%
Other employees of the Group	17 February 2011	11,493,333	–	120,000	5,956,666	–	5,416,667	0.65%
Total		11,893,333	–	120,000	6,156,666	–	5,616,667	0.67%

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

During the period from after the year ended 31 December 2014 to the date of this annual report, 5,616,667 Shares have lapsed under the Share Option Scheme.

DIRECTORS

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

Mr. Li Xin Qing
Mr. An Wei
Mr. Li Wan Jun*
Mr. Yu Zhuo Ping*
Mr. Zhang Bo*

* Independent non-executive Directors

Pursuant to article 84(1) and 84(2) of the Articles, at each annual general meeting one-third of the Directors for the time being, or, if their number is not a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. Accordingly, Mr. Li Xin Qing and Mr. Yu Zhuo Ping, shall retire by rotation, at the AGM. Mr. Li Xiu Qing, being eligible, will offer himself for re-election as an executive Director at the AGM.

The Board has been informed by Mr. Yu Zhuo Ping that he will not offer himself for re-election as an independent non-executive director at the AGM due to his own career development which requires more of his dedication. Mr. Yu remains to be an independent non-executive director until the conclusion of the AGM and he has confirmed that there is no disagreement with the Board and there are no matters that need to be brought to the attention of the Shareholders in connection with his retirement. The Board would also like to take this opportunity to express its sincere gratitude to Mr. Yu for his valuable contributions to the Company.

DIRECTORS' REPORT

Pursuant to article 83(3) of the Articles, the Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board. Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for the re-election.

DIRECTORS' SERVICE CONTRACTS

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

(i) Each service agreement is for a term of three years commencing from 28 May 2013 (the "Commencement Date"). Under the agreement, either party may terminate the agreement at any time by giving to the other not less than three months' prior written notice, provided that such notice is not to be given at any time within 9 months of the Commencement Date.

(ii) For the first year from the Commencement Date, the monthly basic salary for each of Mr. Li Xin Qing and Mr. An Wei shall be HK$50,000 and HK$50,000 respectively and shall accrue on a day to day basis. As from the second year from the Commencement Date, the annual basic salary of each executive Director shall be as determined by the remuneration committee of the Board, provided that any increment shall not be more than 10% of the annual basic salary received by the executive Directors for the immediate preceding year.

(iii) Each of the executive Directors is also entitled to a discretionary bonus, provided that the aggregate amount of the bonuses payable to all our executive Directors in respect of any financial year may not exceed 3% of the audited consolidated net profit of our Group (after taxation and minority interest but before extraordinary or exceptional items) in respect of that financial year of our Company.

(iv) Each of the executive Directors shall abstain from voting and not be counted in the quorum in respect of any resolution of the Board regarding the amount of annual salary or discretionary bonus payable to him.

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

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

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year ended 31 December 2014.

DIRECTORS' REPORT

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2014.

REMUNERATION OF DIRECTORS

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

CHANGES IN DIRECTORS' INFORMATION

From the Listing Date up to the date of this annual report, there were no changes to the information in respect of the Directors which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

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' INTERESTS IN CONTRACTS

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

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors on a named basis during the year under review are set out in note 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.

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 of the Company (the "Remuneration Committee"), which are detailed in the paragraph headed "Remuneration Committee" under the section headed "Corporate Governance Report" of this report.

RETIREMENT BENEFIT SCHEMES

Particulars of the Group's retirement benefit schemes are set out in note 40 to the consolidated financial statements.

DIRECTORS' REPORT

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 36 to 39 of this annual report.

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

As at 31 December 2014, the interests and short positions of the Directors and the chief executive of the Company and their associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance ("SFO")) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Mode Code") set out in Appendix 10 to the Listing Rules were as follows:

Name of Director	Nature of interest	Number of Shares or underlying Shares	Approximate percentage of existing issued share capital of the Company
Mr. Li Xin Qing	Interest of controlled corporations	205,709,875 *(Note 2)*	24.50%
	Beneficial owner	200,000	0.02%
Mr. An Wei	Interest of controlled corporations	205,869,875 *(Note 3)*	24.52%
	Beneficial owner	400,000 *(Note 4)*	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 who is deemed to be interested in 197,724,457 Shares held by Genius Mind by virtue of the SFO. In addition, Mr. Li Xin Qing is also deemed to be interested in 7,985,418 Shares held by Rich Talent Management Limited ("Rich Talent"), a company which shareholding is owned as to 50% by him, by virtue of the SFO.

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

DIRECTORS' REPORT

4. Out of the 400,000 Shares, the interest in 200,000 Shares represents the share options granted to Mr. An Wei pursuant to the Pre-IPO Share Option Scheme. He is also beneficially interested in 200,000 Shares.

Save as disclosed above, as at 31 December 2014, none of the Directors or chief executive of the Company nor their associates had any interest or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

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

As at 31 December 2014, as far as known to the Directors, the following persons or entities (not being a Director or a chief executive of the Company) who had interests or short positions in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of shareholder	**Nature of interest**	**Number of Shares or underlying Shares**	**Approximate percentage of existing issued share capital of the Company**
Ms. Zeng Zhen *(Note 2)*	Interests of spouse	205,909,875	24.53%
Genius Mind *(Note 3)*	Beneficial owner	197,724,457	23.55%
Ms. Yan Kai *(Note 4)*	Interests of spouse	206,269,875	24.57%
Great Passion *(Note 5)*	Beneficial owner	197,884,457	23.57%
Honor Boom *(Note 6)*	Beneficial owner	82,458,117	9.82%
Mr. Li Xiao Bin *(Note 6)*	Interest of controlled corporations	82,458,117	9.82%
Ms. Zhang Lina *(Note 7)*	Interests of spouse	82,458,117	9.82%
Mr. Thomas Pilscheur	Beneficial owner	66,244,818	7.89%
Ms. Feng Yanlin *(Note 8)*	Interests of spouse	66,244,818	7.89%

Notes:

1. All interests in Shares were long positions.

DIRECTORS' REPORT

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

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

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

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

6. The issued share capital of Honor Boom 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 is deemed to be interested in the 82,458,117 shares held by Honor Boom by virtue of the SFO.

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

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

Save as disclosed above, as at 31 December 2014, 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.

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the sections headed "Pre-IPO Share Option Scheme" and "Share Option Scheme" above, at no time during or at the end of the year was the Company or its subsidiaries a party to any arrangements which enabled the Directors (including their spouses or children under 18 years of age), to acquire benefits by means of acquisition of shares in, debentures of, the Company or any other body corporate.

MANAGEMENT CONTRACTS

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

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

MAJOR CUSTOMERS AND SUPPLIERS

The percentage of purchases for the year attributable to the five largest suppliers combined was less than 30%.

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

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

DIRECTORS' REPORT

RELATED PARTY TRANSACTIONS

The related party transactions set out in note 42 to the consolidated financial statements did not fall within the definition of "connected transaction" or "continuing connected transaction" in Chapter 14A of the Listing Rules.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors at the latest practicable date prior to the issue of this annual report, there was a sufficient prescribed public float of the issued shares of the Company under the Listing Rules at any time during the year ended 31 December 2014.

AUDIT COMMITTEE

The Company has established the audit committee of the Company (the "Audit Committee") on 8 May 2010 with written terms of reference in compliance with the Listing Rules. The Audit Committee comprises three independent non-executive directors, namely Mr. Li Wan Jun, Mr. Yu Zhuo Ping and Mr. Zhang Bo. Mr. Li Wan Jun is the chairman of the Audit Committee. The Audit Committee is responsible for reviewing and supervising the Group's financial reporting process and internal control system and providing advice and recommendations to the Board.

The Audit Committee had reviewed and discussed with the management the accounting principles and practices adopted by the Group and the Group's internal controls and financial reporting matters, including the review of the audited final results of the Group for the year ended 31 December 2014.

CORPORATE GOVERNANCE

The Company's corporate governance principles and practices are set out in the Corporate Governance Report on pages 40 to 47 of this annual 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 10 to the Listing Rules regarding directors' securities transactions. Having made specific enquiry of all the Directors, all the Directors confirm that they have complied with the required standard of the Model Code during the year ended 31 December 2014.

DIRECTORS' REPORT

LITIGATION

Neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against the Company or any of its subsidiaries during the year ended 31 December 2014.

AUDITOR

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

AGM

The Company proposed that the AGM will be held on Friday, 22 May 2015. This annual report is published on the Company's website (http://www.titans.com.cn) and the Stock Exchange's website (http://www.hkexnews.hk). The notice of the AGM will be despatched to the shareholders of the Company and will be made available on the websites of the Company and the Stock Exchange in due course.

On behalf of the Board

Li Xin Qing
Chairman

Hong Kong, 27 March 2015

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Li Xin Qing, born in May 1957, is the Chairman, an executive Director and the chairman of the nomination committee of our Company (the "Nomination Committee") and he is one of the substantial shareholders of the Company. Mr. Li is responsible for the overall direction and strategic planning of our Group. Mr. Li obtained a bachelor of engineering degree from Tong Ji University (同濟大學) in January 1982, majoring in mechanical engineering. He also obtained a second bachelor degree in industrial management and engineering from Tong Ji University in June 1992, majoring in industrial management and engineering. He joined our Group in September 1992. He has worked in Zhuhai Titans Technology Co., Ltd* (珠海泰坦科技股份有限公司) ("Titans Technology") where he served as vice chairman, general manager and chairman. Mr. Li received the Guangdong Province Scientific and Technological Progress Award (Class 1) for Electric Power Industry (廣東省電子工業科學技術進步一等獎) from Guangdong Province Electric Engineering Industry Department (廣東省電子機械工業廳) , a department established by the local government of Guangdong Province and Zhuhai Municipality Scientific and Technological Progress Award (Class 1) (珠海市科學技術進步獎一等獎) from Zhuhai Municipality Scientific and Technological Progress Qualification Committee (珠海市科學技術進步獎評審委員會) established by the local government of Zhuhai Municipality (珠海市政府) for his participation in the research and development of the "high frequency switch power source for communications SMP-R1022FC" (通訊用高頻開關電源項目SMP-R1022FC) project in 1998. The Scientific and Technological Award was awarded on the basis that the invention or development in science and technology was considered creative and contributing to the development and improvement of the current science and technology and thus generating economic and social value. Since the Group's establishment, Mr. Li has played an active role in the Group's development, including research and development of our products and formulating the business strategies of our Group and has accumulated his knowledge and experience with the development of our Group. Mr. Li was appointed an executive Director on 16 November 2007. At present, Mr. Li is also a director of Titans BVI Limited, Grace Technology Development Limited and Titans Holdings Co., Limited and is an executive director and the legal representative of Titans Technology, Zhuhai Titans Power Electronics Company Limited* (珠海泰坦電子電力集團有限公司) ("Titans Power") and Zhuhai Titans New Energy System Co., Ltd.* (珠海泰坦新能源系統有限公司) , the above of which are subsidiaries of the Company. Mr. Li and Mr. An Wei, another executive Director of the Company, each holds 50% shareholding in Rich Talent Management Limited, which in turn holds 7,985,418 Shares.

Mr. An Wei, born in October 1956, is an executive Director and the Chief Executive Officer of our Company and he is one of the substantial shareholders of the Company. Mr. An is responsible for the overall operation and management of our Group. Mr. An graduated from the post-graduate class of management engineering department in Tong Ji University (同濟大學) in July 1986 and obtained his doctorate degree in science management and engineering from Tong Ji University in November 2005. Mr. An was also accredited as a senior economist (高級經濟師) by the Title Reform Leading Group Office of Hebei Province in the PRC in August 1997. With his doctorate degree majoring in management and over 10 years of experience in the Group, Mr. An has acquired a variety of skills and extensive experiences in management. Mr. An joined the Group in September 1992 as a director of Titans Technology. He has been the general manager of Titans Technology since July 1998. He is the current vice chairman of Guangdong Province Private Enterprises Association (廣東省私營企業協會副會長). Mr. An was appointed an executive Director on 16 November 2007. At present, Mr. An is also a director of Titans BVI Limited, Grace Technology Development Limited, Titans Holdings Co., Limited, Titans Power and Titans Technology and a director and legal representative of Auhui Titans Liancheng Energy Technology Co., Ltd.* (安徽泰坦聯成能源技術有限公司) , the above of which are subsidiaries of the Company. Mr. An and Mr. Li Xin Qing, another executive Director, each holds 50% shareholding in Rich Talent Management Limited, which in turn holds 7,985,418 Shares.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Li Wan Jun, born in September 1968, was appointed as an independent non-executive Director on 17 December 2007. He is a member of the Remuneration Committee and the chairman of the Audit Committee. Mr. Li was appointed an independent non-executive Director on 17 December 2007. Mr. Li has over 10 years of experience in accounting and auditing. He obtained a bachelor degree of economics from the University of Wuhan (武漢大學) in 1990. Mr. Li is a non-practising member of the Zhuhai Institute of Certified Public Accountants (珠海市註冊會計師協會) and was admitted as a member of the Association of Chartered Certified Accountants in June 2007. Mr. Li has not held any other positions with any member of our Group. From 1996 to 2000, Mr. Li worked in the finance department of Zhu Kuan Group Co. Ltd. of Macau* (澳門珠光集團有限公司). From 2001 to 2007, Mr. Li worked as vice manager in the finance department and audit department of Zhu Kuan Group Holdings Co. Ltd. of Zhuhai City* (珠海市珠光集團控股有限公司) ("Zhu Kuan Group"). Since 2008, Mr. Li has been a financial controller of subsidiaries of the same company. Zhu Kuan Group through its subsidiaries, was the parent company of Zhu Kuan Development Co. Ltd. ("ZKD") (stock code 908) (currently known as Zhuhai Holdings Investment Group Limited) when the shares of ZKD were listed on the Main Board of the Stock Exchange in 1999 and ceased to be the parent company of ZKD in December 2004. During such period, Mr. Li was involved in, among other things, internal control and internal audit of Zhu Kuan Group and its subsidiaries (including ZKD and its subsidiaries prior to Zhu Kuan Group).

Mr. Yu Zhuo Ping, born in January 1960, was appointed an independent non-executive Director on 20 November 2009. He is a member of the Audit Committee, the Remuneration Committee and the Nomination Committee. Mr. Yu has not held any other positions with any member of our Group. Mr. Yu graduated from Tong Ji University (同濟大學) with a bachelor degree specialised in machinery in 1982 and a master degree specialised in construction machinery in 1985. In 1996, Mr. Yu obtained a doctoral degree specialised in motor vehicle design and manufacturing industrial science from Tsing Hua University (清華大學). Prior to joining our Group, Mr. Yu joined Braunschweig Automotive Research Institute in Germany, the automotive institute of Technical University Darmstadt, and the research and development department of Volkswagen Automotive Company engaging in research duties. Since 2002, Mr. Yu has been the dean of the Faculty of Automotive in Tong Ji University and the assistant to the president of Tong Ji University primarily responsible for the teaching in and management of the Faculty of Automotive. In 2002, Mr. Yu was awarded with the Shanghai Municipality Scientific and Technological Progress Award (class 2) (上海市科學技術二等獎) from the Shanghai Municipality government (上海市人民政府) for his research in "Construction and testing analysis of wind tunnel for automotive". In 2007, Mr. Yu was awarded with the Shanghai Municipality Scientific and Technological Progress Award (class 1) (上海市科學技術進步一等獎) from the Shanghai Municipality Government. In 2008, Mr. Yu was further awarded with the National Scientific and Technological Progress Award (class 2) (國家科學技術進步二等獎) by the Ministry of Science and Technology of the PRC (中國科技部). Mr. Yu is also the independent non-executive director of 上海航天汽車機電股份有限公司 (Shanghai Aerospace Automobile Electromechanical Co., Ltd) (stock code: 600151) , a company listed on the Shanghai Stock Exchange.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Zhang Bo, born in October 1962, was appointed as an independent non-executive Director on 15 April 2013. Mr. Zhang is a respective member of the Audit Committee, the Nomination Committee and the Remuneration Committee of the Board. Mr. Zhang has not held any other positions with any member of our Group. Mr. Zhang graduated from Zhejiang University (浙江大學) with a bachelor degree in Electro-mechanics (電機專業) in 1982. Mr. Zhang then obtained a master degree in mechanical engineering in 1988 (機械工程) from Southwest Jiaotong University (西南交通大學) and a doctoral degree in electric power and electronic technique (電力電子技術) in 1994 from Nanjing University of aeronautics and astronautics (南京航空航天大學). From 2000 to present, Mr. Zhang has served as a professor in the School of Electric Power of South China University of Technology (華南理工大學電力學院) and is currently the deputy dean of the said School, responsible for research and laboratory management. In 2011, Mr. Zhang was awarded an Award Class II of Science and Technology in the Technical Invention Group (科學技術獎技術發明類二等獎) by the China Power Supply Society (中國電源學會) for his "Method and Application of Topological Structuring based on the Theory of TRIZ in Switch-mode Power Converters" (基於TRIZ理論的開關電源變換器拓撲構造方法及應用). In 2012, he was further awarded an Award Class II of the Guangdong Provincial Science and Technology (廣東省科學技術進步獎) for his "High Performance Power Supply Switching Soft Technique and Application" (高性能開關電源的柔性技術及應用).

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, he is currently the legal representative and chairman of Titans Technology, a wholly-owned subsidiary of our Group. Mr. Li Xiao Bin is also a director of Titans Holdings Co., Limited, Titans Power and Titans Technology. Mr. Li Xiao Bin received the "Certificate for Outstanding Technology Improvement* (科學技術進步獎) " from the Chinese Academy of Sciences (中國科學院). Mr. Li Xiao Bin, one of the substantial shareholders of our Group, is interested in the 40% issued share capital of Honor Boom, a company which holds approximately 9.82% of the issued share capital of our Company.

Ms. Ou Yang Fen, born in December 1965, is an accountant, certified tax agent and vice president of the Group, responsible for the financial affairs of our Group. Ms. Ou Yang Fen graduated from Guangdong Radio & TV University (廣東廣播電視大學) in 1998 majoring in finance. Ms. Ou Yang obtained the accounting qualification from the Ministry of Finance (財政部) in 1997. She has been working in the field of accounting and held positions as accountant in various companies. Since the establishment of Titans Technology in September 1992, she served as our Company accountant, finance manager, deputy general manager successively. She is currently general manager of the financial centre of the Group. Ms. Ou is interested in the 30% issued share capital of Honor Boom, a company which holds approximately 9.82% 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 Xiang Jun obtained a master degree of business administration in Executive Management from Royal Roads University in 2007. Mr. Chen Xiang Jun joined Titans Technology in March 2001. Mr. Chen is currently the president of Titans Power, a wholly-owned subsidiary of our Company. Mr. Chen is mainly responsible for the operation management and capital operation related matters.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Fu Yulong, born in January 1964, holds a master degree in business administration. Mr. Fu Yulong graduated from Zhengzhou University (鄭州大學) in 1994 and obtained a master degree of business administration from The Hong Kong Polytechnic University in 2007. Previously, he worked with a steel company in Wu Yang for more than 10 years. He joined our Group in May 2003. He is currently the legal representative and executive director of Zhuhai Titans Chuneng Technology Co., Ltd.* (珠海泰坦儲備能科技有限公司), a wholly-owned subsidiary of our Company.

Mr. Li Zhen Hua, born in February 1958, obtained a bachelor degree in Economics from Xiamen University in 1983 and registered as an accountant in the PRC in 1992. Mr. Li Zhen Hua joined our Group in September 2009 as our Financial Controller. Mr. Li is experienced in financial and organisation management. Before he joined our Group, Mr. Li Zhen Hua was the finance manager of Hua Fu Hong Kong Company (華福香港公司) , a subsidiary of Fujian Investment & Enterprise Holdings Corporation (福建投資企業集團公司) in Hong Kong from 1983 to 1996, and was the general manager of Yunnan Long Chuan Xian Min Hong Shui Dian Company Limited* (雲南隴川縣閩宏水電有限責任公司) from 2005 to 2008.

Mr. Wang Hui, born in July 1969, graduated from the Department of Electrical Engineering of Tongji University (同濟大學) in 1992 and obtained his bachelor degree in engineering. Mr. Wang worked at Zhuhai Titans Computer Systems Co., Ltd.* (珠海泰坦計算機系統有限公司) (predecessor of Titans Technology) from 1993 to 1998. From 1998 to 2011, Mr. Wang Hui worked at Zhuhai Watt Electrical Equipment Co., Ltd.* (珠海瓦特電力設備有限公司), Zhuhai Suns Test Equipment Co., Ltd.* (珠海三思試驗設備有限公司), Zhuhai Huawei Electrical Equipment Co., Ltd.* (珠海華偉電氣設備有限公司), etc. as deputy general manager and general manager. Mr. Wang Hui has proven management and operation experience with electrical and electronic companies. In March 2011, Mr. Wang Hui rejoined our Group and served as director and general manager of Titans Technology, a wholly-owned subsidiary of the Company.

Mr. Chen Hao, born in December 1977, graduated from Peking University in 1996, majoring in international economics. In 2012, he graduated from The Hong Kong Polytechnic University and obtained his master degree in quality management. Mr. Chen later worked with Qingdao Kerry Vegetable Oil Co., Ltd.* (青島嘉里植物油有限公司), Shenzhen Quality Accreditation Centre* (深圳質量認證中心), etc. Mr. Chen is also a registered senior auditor of international quality and environmental standards, and a registered auditor of international vocational health and safety standard. Mr. Chen joined our Group in 2014 and he currently serves as chairman and legal representative of Zhuhai Yilian New Energy Motors Co., Ltd.* (珠海驛聯新能源汽車有限公司) ("Zhuhai Yilian"), a wholly-owned subsidiary of our Company.

Mr. Liu Jun, born in December 1979, graduated from North China University of Water Resources and Electric Power (華北水利水電學院) and obtained his bachelor degree in engineering in 2003, and graduated from Beijing Jiaotong University and obtained his master degree in engineering in 2015. Shortly after his graduation, Mr. Liu Jun joined our Group and served as sales manager and project manager. From October 2007, he served as standing deputy general manager of Ruckus New Energy Technology Co., Ltd.* (優科新能源科技有限公司), a company which our Group holds 6% of equity interests. After years of working in new energy vehicle charging sector, he has rich experience in sales and management. He currently works as director and general manager of Zhuhai Yilian, a wholly-owned subsidiary of our Company.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

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

The Company has adopted the code provisions (the "Code Provisions") set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 to the Listing Rules. The Board regularly reviews the Company's corporate governance guidelines and developments. The Company has complied with all the applicable Code Provisions throughout the year ended 31 December 2014 and there have been no material deviations from the Code Provisions.

THE BOARD

During the reporting period, the Board comprises two executive Directors and three independent non-executive Directors. Detailed biographies outlining each Director's scope of specialist experience are set out on pages 36 to 39 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.

The composition of the Board and members' attendance of the Board meetings and the Board committees' meetings for the year 2014 were as follows:

	Number of meetings attended/held			
	Board	Audit Committee	Remuneration Committee	Nomination Committee
Executive Directors				
Mr. Li Xin Qing *(Chairman)*	4/4	N/A	N/A	1/1
Mr. An Wei *(Chief Executive Officer)*	4/4	N/A	N/A	N/A
Independent Non-executive Directors				
Mr. Li Wan Jun	4/4	3/3	1/1	N/A
Mr. Yu Zhuo Ping	4/4	3/3	1/1	1/1
Mr. Zhang Bo	4/4	3/3	1/1	1/1

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

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

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

CORPORATE GOVERNANCE REPORT

Mr. Li Xin Qing, the Chairman, is responsible for the leadership of the Board, assignment of responsibilities among members of the Board, and maintaining the proper conduct and proceedings of meetings of the Board and the shareholders (the "Shareholders") of the Company, and overseeing the Group's overall direction and strategic planning. In addition, the Chairman also plays a key role in encouraging all 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.

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. 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. All of the independent non-executive Directors are appointed for a term of three years and are subject to retirement by rotation and re-election in accordance with the Articles of Association.

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 its 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.

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.

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.

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

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

BOARD MEETINGS

Four Board meetings were held during the year 2014. Attendance of the Board members in the meetings is listed out on page 40. 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.

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.

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 the Directors are encouraged to discuss with the Chairman regarding any additional information or training they may require to discharge their duties more effectively.

CORPORATE GOVERNANCE REPORT

TRAINING AND SUPPORT FOR DIRECTORS

All 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 section
Executive Directors			
Mr. Li Xin Qing *(Chairman)*	✓	✓	✓
Mr. An Wei *(Chief Executive Officer)*	✓	✓	✓
Independent Non-executive Directors			
Mr. Li Wan Jun	✓	✓	✓
Mr. Yu Zhuo Ping	✓	✓	✓
Mr. Zhang Bo	✓	✓	✓

BOARD COMMITTEES

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

COMPANY SECRETARY

The Company has engaged Ms. Lam Wai Yee Sophie, the vice president of SW Corporate Services Group Limited, a corporate service provider, as its company secretary. The primary corporate contact person at the Company is Mr. Chen Xiang Jun, the general manager of the corporate development centre of the Group.

In compliance with Rule 3.29 of the Listing Rules, Ms. Lam has undertaken not less than 15 hours of relevant professional training during the year ended 31 December 2014.

CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE, REMUNERATION COMMITTEE AND NOMINATION COMMITTEE

Audit Committee

The primary duties of the Audit Committee are to review and supervise the preparation of annual reports, the interim reports and financial statements of the Company and to provide advice and recommendations to the Board. In doing so, members of the Audit Committee will communicate with the Board, the senior management, the reporting accountants and/or the auditors of our Company. The Audit Committee will also consider whether there are any material or general matters which are, or may be, necessary to be reflected in such reports and financial statements, and will consider matters raised by our auditors. Members of the Audit Committee are also responsible for reviewing the financial reporting process and internal control systems of the Group. The Audit Committee comprises three independent non-executive Directors, namely Mr. Yu Zhuo Ping, Mr. Li Wan Jun and Mr. Zhang Bo and is chaired by Mr. Li Wan Jun. The main roles and responsibilities of the Audit Committee are set out by the Board with clearly defined written terms of reference which are available on the websites of the Stock Exchange and the Company. The Audit Committee held three meetings in 2014 to review the final results of the Group for the year ended 31 December 2013 and the interim results of the Group for the six months ended 30 June 2014, and to conduct other affairs. The Audit Committee has reviewed with the management and the Group's external auditor, SHINEWING (HK) CPA Limited ("SHINEWING"), the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters. Apart from considering the issues arisen from the audit process, the Audit Committee also discussed matters raised by the external auditor. The Audit Committee reviewed with the management on the Group's financial controls, internal control systems, risk management system, and the accounting principles and practices adopted by the Group. All issues reported by the external auditor are monitored closely by the Group's senior management. During the year under review, the fees paid by the Company to SHINEWING were as follows:

	HK$'000
Audit fees	840
Non-audit service fees (service fee for reviewing the Group's financial statements for the six months ended 30 June 2014)	200

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

Remuneration Committee

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

CORPORATE GOVERNANCE REPORT

The Remuneration Committee comprises three independent non-executive Directors, namely Mr. Yu Zhuo Ping, Mr. Li Wan Jun and Mr. Zhang Bo, and is chaired by Mr. Zhang Bo. The main roles and responsibilities of the Remuneration Committee are set out by the Board with clearly defined written terms of reference which are available on the websites of the Stock Exchange and the Company. The Remuneration Committee held one meeting in 2014.

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 Group's performance and evaluating their compensation against corporate goals, so that the interests of the executive Directors and the senior management team are aligned with those of our shareholders. The remuneration policy of the Directors is decided by the Remuneration Committee, having regard to the Company's operating results, individual's duties and responsibilities with the Group and comparable market practice. No Director can, however, approve his own remuneration.

For the year ended 31 December 2014, the annual salary of the senior management of the Company ranges from RMB120,000 to RMB300,000.

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

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

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

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

Nomination Committee

We have established the Nomination Committee which is responsible for considering and recommending to the Board on appointment of Directors and management of the succession of the Board. The Nomination Committee comprises three members, namely Mr. Li Xin Qing, Mr. Yu Zhuo Ping and Mr. Zhang Bo, and is chaired by Mr. Li Xin Qing. The main roles and responsibilities of the Nomination Committee are set out by the Board with clearly defined written terms of reference which are available on the 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.

To enhance the efficiency of the Board and corporate governance standard of the Company, the Board maintains a balanced mix of the executive Directors and the independent non-executive Directors so that the Board is highly independent and is able to make independent judgements efficiently. In selecting candidates, a diversified perspective, including but not limited to the age, cultural and education background, professional and industry experience, skills, knowledge, race and other qualifications that are essential to the business of the Company, will be applied so that the candidate can bring advantage and make contribution to the Board. The Nomination Committee will review such measurable on a regular basis and discuss any revisions that may be required, and recommended any such revisions to the Board for consideration and approval. The Nomination Committee held one meeting in 2014.

CORPORATE GOVERNANCE REPORT

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

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

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

INTERNAL CONTROL, INTERNAL AUDIT AND FINANCIAL REPORTING

The Board is entrusted with the overall responsibility for establishing and maintaining the Group's internal control systems and reviewing their effectiveness. The Company had established the Internal Audit Department in 2011, in which its responsibility is to review the internal control system of the Group under the leadership of the Board and the Audit Committee. The Directors have approved the review results of the internal control system. It is the responsibility of the management of the Group to implement all the policies of the Board on risks and regulations and control. The Group's internal control system was designed to provide reasonable protection to the Group's assets, and to safeguard these assets against unauthorised use or disposition by ensuring that all such transactions are executed in accordance with management's authorisation. It also ensures that accounting records are sufficiently accurate for the preparation of financial information used for operational and reporting purposes. The Group has adopted comprehensive procedures with duly assigned levels of authority in areas of financial, operational and compliance controls, and risk management to ensures that its assets and resources remain secure at all times. The role of the Audit Committee is, through discussion with management and other consultants, and the use of the internal audit function, to review the effectiveness of the Group's internal control systems, including financial, operational and compliance controls, and risk management functions, and to report to the Board any significant risks and issues. The Audit Committee raised their advices and suggestions to the Board regarding the building up of customers' relation reinforcement management system and customers' urging settlement system in the meeting held on 31 December 2014. The Directors acknowledged their responsibility for preparation of the consolidated financial statements, which give a true and fair view of the Group's consolidated financial position, consolidated comprehensive income, consolidated changes in equity and consolidated cash flows for the year. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. The external auditor of the Group, SHINEWING, has the responsibility to express an opinion on the Group's consolidated financial statements according to the results of its audit and report its opinion solely to the Company. SHINEWING conducted its audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that SHINEWING comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the Group's consolidated financial statements are free from material misstatement. The Independent Auditor's Report on pages 48 and 49 of this annual report also sets out the responsibilities of SHINEWING.

CODE OF CONDUCT AND BUSINESS ETHICS

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

DIRECTORS' INTERESTS

Full details of individual Director's interests in the shares and share options of the Company are set out in the Directors' Report on pages 31 to 33 of this annual report.

CORPORATE GOVERNANCE REPORT

OPEN COMMUNICATION

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

COMMUNICATION WITH SHAREHOLDERS

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

SHAREHOLDERS' RIGHTS

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

VOTING RIGHTS

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

INVESTOR RELATIONS

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

INDEPENDENT AUDITOR'S REPORT

信永中和 ShineWing

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

TO THE MEMBERS OF CHINA TITANS ENERGY TECHNOLOGY GROUP CO., LIMITED

(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of China Titans Energy Technology Group Co., Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 50 to 132, which comprise the consolidated statement of financial position as at 31 December 2014, 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 a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

INDEPENDENT AUDITOR'S REPORT

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2014 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Pang Wai Hang
Practising Certificate Number: P05044

Hong Kong
27 March 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

	NOTES	2014 RMB'000	2013 RMB'000 (Restated)
Continuing operations			
Revenue	5	**178,517**	175,933
Cost of sales		**(118,427)**	(127,897)
Gross profit		**60,090**	48,036
Other revenue	7	**14,199**	29,469
Selling and distribution expenses		**(31,456)**	(33,932)
Administrative and other expenses		**(46,198)**	(56,886)
Allowance for impairment loss recognised in respect of trade receivables	22	**(37,922)**	(21,724)
Share of results of associates		**4,460**	7,469
Finance costs	8	**(8,347)**	(10,564)
Loss before taxation		**(45,174)**	(38,132)
Income tax credit	9	**2,153**	3,866
Loss for the year from continuing operations		**(43,021)**	(34,266)
Discontinued operation	10		
Loss for the year from discontinued operation		**–**	(30)
Loss for the year	11	**(43,021)**	(34,296)
Other comprehensive income (expense)			
Items that may be reclassified subsequently to profit or loss:			
Reserve released on disposal of available-for-sale financial assets		**272**	770
Fair value loss on available-for-sale financial assets		**(73)**	(124)
Income tax relating to items that may be reclassified subsequently		**11**	29
Other comprehensive income for the year, net of income tax		**210**	675
Total comprehensive expense for the year		**(42,811)**	(33,621)
Loss for the year attributable to owners of the Company			
– from continuing operations		**(43,831)**	(33,781)
– from discontinued operation		**–**	(30)
		(43,831)	(33,811)
Non-controlling interests from continuing operations		**810**	(485)
		(43,021)	(34,296)
Total comprehensive (expense) income for the year from attributable to:			
Owners of the Company		**(43,621)**	(33,136)
Non-controlling interests		**810**	(485)
		(42,811)	(33,621)
LOSS PER SHARE	15		
From continuing and discontinued operations			
Basic and diluted (RMB)		**(5.24) cents**	(4.07) cents
From continuing operations			
Basic and diluted (RMB)		**(5.24) cents**	(4.07) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	NOTES	2014 RMB'000	2013 RMB'000
Non-current assets			
Property, plant and equipment	16	**27,960**	33,317
Deposits for acquisition of plant and equipment		**–**	29,237
Goodwill	17	**642**	–
Other intangible assets	18	**300**	570
Interests in associates	19	**38,282**	33,522
Available-for-sale financial assets	20	**1,657**	3,794
Deferred tax assets	31	**6,492**	2,871
		75,333	103,311
Current assets			
Inventories	21	**65,163**	66,569
Trade and bills receivables	22	**274,876**	270,961
Prepayments, deposits and other receivables	23	**46,939**	65,904
Amounts due from associates	24	**25,035**	41,458
Restricted bank balances	25	**3,732**	4,381
Short-term bank deposits	25	**63,000**	58,000
Bank balances and cash	25	**36,324**	56,338
		515,069	563,611
Assets classified as held for sale	26	**28,000**	–
		543,069	563,611
Current liabilities			
Trade and bills payables	27	**77,062**	75,672
Receipts in advance		**1,256**	5,701
Accruals and other payables	28	**21,680**	25,671
Tax payable		**2,611**	2,611
Bank borrowings	29	**95,000**	99,500
		197,609	209,155
Net current assets		**345,460**	354,456
Total assets less current liabilities		**420,793**	457,767

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	NOTES	2014 RMB'000	2013 RMB'000
Non-current liabilities			
Deferred income	32	**122**	633
Deferred tax liabilities	31	**9,134**	8,749
		9,256	9,382
Net assets		**411,537**	448,385
Capital and reserves			
Share capital	30	**7,387**	7,311
Share premium and reserves		**402,291**	441,074
Equity attributable to owners of the Company		**409,678**	448,385
Non-controlling interests		**1,859**	–
Total equity		**411,537**	448,385

The consolidated financial statements on pages 50 to 132 were approved and authorised for issue by the board of directors on 27 March 2015 and are signed on its behalf by:

An Wei
Director

Li Xin Qing
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	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	**Available-for-sale financial assets revaluation reserve** RMB'000	**Capital reserve** RMB'000 (note (b))	**Statutory reserve fund** RMB'000	**Other reserve** RMB'000 (note (c))	**Retained earnings** RMB'000	**Total** RMB'000	**Non-controlling interests** RMB'000	**Total equity** RMB'000
At 1 January 2013	7,311	232,139	13,414	8,640	504	(1,741)	(1,539)	38,740	2,334	179,875	479,677	21,772	501,449
Loss for the year	–	–	–	–	–	–	–	–	–	(33,811)	(33,811)	(485)	(34,296)
Other comprehensive income (expense) for the year:													
Reserve released on disposal of available-for-sale financial assets	–	–	–	–	–	770	–	–	–	–	770	–	770
Fair value loss on available-for-sale financial assets	–	–	–	–	–	(124)	–	–	–	–	(124)	–	(124)
Income tax relating to items that may be reclassified subsequently	–	–	–	–	–	29	–	–	–	–	29	–	29
Total comprehensive income (expense) for the year	–	–	–	–	–	675	–	–	–	(33,811)	(33,136)	(485)	(33,621)
Acquisition of additional equity interest in a subsidiary from non-controlling interests *(note 35)*	–	–	–	–	–	–	–	–	(268)	–	(268)	(19,232)	(19,500)
Disposal of a subsidiary *(note 37)*	–	–	–	–	–	–	–	(107)	–	107	–	(2,055)	(2,055)
Recognition of share-based payment expense *(note 41)*	–	–	2,112	–	–	–	–	–	–	–	2,112	–	2,112
Lapse of share options	–	–	(4,339)	–	–	–	–	–	–	4,339	–	–	–
Forfeiture of share options	–	–	(323)	–	–	–	–	–	–	323	–	–	–
At 31 December 2013	7,311	232,139	10,864	8,640	504	(1,066)	(1,539)	38,633	2,066	150,833	448,385	–	448,385
Loss for the year	–	–	–	–	–	–	–	–	–	(43,831)	(43,831)	810	(43,021)
Other comprehensive income (expense) for the year:	–	–	–	–	–	–	–	–	–	–	–	–	–
Reserve released on disposal of available-for-sale financial assets	–	–	–	–	–	272	–	–	–	–	272	–	272
Fair value loss on available-for-sale financial assets	–	–	–	–	–	(73)	–	–	–	–	(73)	–	(73)
Income tax relating to items that may be reclassified subsequently	–	–	–	–	–	11	–	–	–	–	11	–	11
Total comprehensive income (expense) for the year	–	–	–	–	–	210	–	–	–	(43,831)	(43,621)	810	(42,811)
Acquisition of a subsidiary *(note 36)*	–	–	–	–	–	–	–	–	–	–	–	1,049	1,049
Exercise of share options	76	10,859	(6,427)	–	–	–	–	–	–	–	4,508	–	4,508
Recognition of share-based payment *(note 41)*	–	–	406	–	–	–	–	–	–	–	406	–	406
Lapse of share options	–	–	(1,841)	–	–	–	–	–	–	1,841	–	–	–
Forfeiture of share options	–	–	(168)	–	–	–	–	–	–	168	–	–	–
At 31 December 2014	7,387	242,998	2,834	8,640	504	(856)	(1,539)	38,633	2,066	109,011	409,678	1,859	411,537

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").

(b) Capital reserve represents the difference between the fair values of the net assets acquired from non-controlling interests and the carrying values of the underlying assets and liabilities attributable to these additional interests.

(c) Other reserve represents the difference of the consideration paid for the acquisition of an additional equity interest in a subsidiary and the carrying value of the additional equity interests of the subsidiary acquired.

* *English name is for identification purpose only*

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	NOTE	2014 RMB'000	2013 RMB'000
OPERATING ACTIVITIES			
Loss before taxation from continuing operations		**(45,174)**	(38,132)
Loss before taxation from discontinued operation		**–**	(30)
		(45,174)	(38,162)
Adjustments for:			
Amortisation of intangible assets		**270**	377
Depreciation of property, plant and equipment		**8,236**	7,365
Finance costs		**8,347**	10,564
Gain on disposal of a subsidiary	*37*	**–**	(4,446)
Loss (gain) on disposal of available-for-sale financial assets		**188**	(4,490)
Loss on disposal of property, plant and equipment		**23**	32
Government grants		**(1,060)**	(3,371)
Impairment loss on assets classified as held for sale		**3,076**	–
Allowance for impairment loss recognised in respect of trade receivables		**37,922**	21,724
Reversal of impairment loss recognised in respect of trade receivables		**(4,801)**	–
Bank interest income		**(1,773)**	(6,429)
Share expense		**406**	2,112
Share of results of associates		**(4,460)**	(7,469)
Operating cash flows before movements in working Capital		**1,200**	(22,193)
Decrease (increase) in inventories		**1,642**	(18,790)
(Increase) decrease in trade and bills receivables		**(34,034)**	6,861
Decrease in prepayments, deposits and other receivables		**22,068**	8,576
Decrease in amounts due from associates		**16,423**	38,662
Increase (decrease) in trade and bills payables		**324**	(18,909)
Decrease in receipts in advance		**(4,445)**	(6,315)
Decrease in accruals and other payables		**(6,631)**	(45,022)
Cash used in operations		**(3,453)**	(57,130)
People's Republic of China ("PRC") income tax paid		**(1,162)**	(14,761)
NET CASH USED IN OPERATING ACTIVITIES		**(4,615)**	(71,891)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	NOTES	2014 RMB'000	2013 RMB'000
INVESTING ACTIVITIES			
Withdrawal of short-term bank deposits		**67,900**	68,000
Net cash inflow on disposal of a subsidiary	37	**–**	18,170
Net cash outflow on acquisition of a subsidiary	36	**(1,589)**	–
Proceeds on disposal of available-for-sale financial assets		**1,071**	3,675
Bank interest received		**1,773**	6,429
Proceeds on disposal of property, plant and equipment		**576**	70
Withdrawal (placement) of restricted bank balances		**649**	(118)
Acquisition of interest in an associate		**(300)**	–
Purchase of property, plant and equipment		**(2,950)**	(8,696)
Deposits paid for acquisition of plant and equipment		**(1,839)**	(860)
Placement of short-term bank deposits		**(72,900)**	–
NET CASH (USED IN) FROM INVESTING ACTIVITIES		**(7,609)**	86,670
FINANCING ACTIVITIES			
New bank borrowings raised		**95,000**	109,500
Proceeds on issue of shares under share options scheme		**4,508**	–
Receipts from government grants		**549**	2,967
Repayment of bank borrowings		**(99,500)**	(100,001)
Net cash outflow on acquisition of additional equity interest in a subsidiary	35	**–**	(19,500)
Interest paid		**(8,347)**	(10,564)
NET CASH USED IN FINANCING ACTIVITIES		**(7,790)**	(17,598)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(20,014)**	(2,819)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**56,338**	59,157
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, REPRESENTING BANK BALANCES AND CASH		**36,324**	56,338

Non-cash transactions:

During the year ended 31 December 2014, deposit for acquisition of plant and equipment of RMB31,076,000 has been transferred to plant and machinery included in property, plant and equipment. The amount has been included in the additions of plant and machinery as disclosed in note 16 to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

1. GENERAL

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

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

The principal activities of the Company and its subsidiaries ("hereinafter collectively referred to as the "Group") are the supply of power electronic products and equipment. The Company's principal activity is investment holding. The principal activities of the subsidiaries are set out in note 44.

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

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

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	*Investment Entities*
Amendments to HKAS 32	*Offsetting Financial Assets and Financial Liabilities*
Amendments to HKAS 36	*Recoverable Amount Disclosures for Non-Financial Assets*
Amendments to HKAS 39	*Novation of Derivatives and Continuation of Hedge Accounting*
Hong Kong (IFRS Interpretation Committee) ("HK(IFRIC)")-Int 21	*Levies*

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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

Amendments to HKFRS10, HKFRS 12 and HKAS 27 *Investment Entities*

The Group has applied the amendments to HKFRS 10, HKFRS 12 and HKAS 27 *Investment Entities* for the first time in the current year. The amendments to HKFRS 10 define an investment entity and introduce an exception to consolidating subsidiaries for an investment entity, except where the subsidiaries provide services that relate to the investment entity's investment activities. Under the amendments to HKFRS 10, an investment entity is required to measure its interests in subsidiaries at fair value through profit or loss.

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

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

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

As the Company is not an investment entity, the directors of the Company consider that the application of the amendments has had no impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.

Amendments to HKAS 32 *Offsetting Financial Assets and Financial Liabilities*

The Group has applied the amendments to HKAS 32 *Offsetting Financial Assets and Financial Liabilities* for the first time in the current year. The amendments to HKAS 32 clarify existing application issues relating to the offset of the financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments have been applied retrospectively. As the Group does not have any financial assets and financial liabilities that qualify for offsetting, the application of the amendments has had no impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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

Amendments to HKAS 36 *Recoverable Amount Disclosures for Non-Financial Assets*

The Group has applied amendments to HKAS 36 *Recoverable Amount Disclosures for Non-Financial Assets* for the first time in the current year. The amendments to HKAS 36 require disclosures on additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal. If the recoverable amount is fair value less costs of disposal, an entity shall disclose the level of the fair value hierarchy within which the fair value measurement of the asset or cash generating unit ("CGU") is categorised in its entirety. The Group is required to make additional disclosures for Level 2 and Level 3 of the fair value hierarchy:

- a description of the valuation techniques used to measure the fair value less costs of disposals. If there is any change in valuation techniques, the fact and the reason should also be disclosed;
- each key assumption on which management has based its determination of fair value less costs of disposal;
- the discount rates used in the current and previous measurement if fair value less costs of disposal is measured using a present value technique.

The amendments have been applied retrospectively. As the Group does not have any non-financial assets measured the recoverable amount of impaired assets based on fair value less costs of disposal, the directors of the Company consider that the application of these amendments has had no material impact on the disclosures in the Group's consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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

New and revised HKFRSs issued but not yet effective

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

HKFRS 9 (2014)	*Financial instruments*[4]
HKFRS 15	*Revenue from Contracts with Customers*[3]
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2010–2012 Cycle*[1]
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2011–2013 Cycle*[1]
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2012–2014 Cycle*[2]
Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	*Investment Entities: Appling the Consolidation Exception*[2]
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[2]
Amendment to HKAS 1	*Disclosure Initiative*[2]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[2]
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*[2]
Amendments to HKAS 19	*Defined Benefit Plans: Employee Contributions*[1]
Amendments to HKAS 27	*Equity Method in Separate Financial Statements*[2]

1 *Effective for annual periods beginning on or after 1 July 2014.*
2 *Effective for annual periods beginning on or after 1 January 2016.*
3 *Effective for annual periods beginning on or after 1 January 2017.*
4 *Effective for annual periods beginning on or after 1 January 2018.*

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

HKFRS 9 (2014) *Financial Instruments*

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition. In 2013, HKFRS 9 was further amended to bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements. A finalised version of HKFRS 9 was issued in 2014 to incorporate all the requirements of HKFRS 9 that were issued in previous years with limited amendments to the classification and measurement by introducing a "fair value through other comprehensive income" ("FVTOCI") measurement category for certain financial assets. The finalised version of HKFRS 9 also introduces an "expected credit loss" model for impairment assessments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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

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

HKFRS 9 (2014) *Financial Instruments* (continued)

Key requirements of HKFRS 9 (2014) are described below:

- All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have 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, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

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

- In the aspect of impairment assessments, the impairment requirements relating to the accounting for an entity's expected credit losses on its financial assets and commitments to extend credit were added. Those requirements eliminate the threshold that was in HKAS 39 for the recognition of credit losses. Under the impairment approach in HKFRS 9 (2014) it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, expected credit losses and changes in those expected credit losses should always be accounted for. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition and, consequently, more timely information is provided about expected credit losses.

- HKFRS 9 introduces a new model which is more closely aligns hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risk exposures. As a principle-based approach, HKFRS 9 looks at whether a risk component can be identified and measured and does not distinguish between financial items and non-financial items. The new model also enables an entity to use information produced internally for risk management purposes as a basis for hedge accounting. Under HKAS 39, it is necessary to exhibit eligibility and compliance with the requirements in HKAS 39 using metrics that are designed solely for accounting purposes. The new model also includes eligibility criteria but these are based on an economic assessment of the strength of the hedging relationship. This can be determined using risk management data. This should reduce the costs of implementation compared with those for HKAS 39 hedge accounting because it reduces the amount of analysis that is required to be undertaken only for accounting purposes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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

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

HKFRS 9 (2014) *Financial Instruments* (continued)

HKFRS 9 (2014) will become effective for annual periods beginning on or after 1 January 2018 with early application permitted.

The directors of the Company anticipate that the application of HKFRS 9 (2014) in the future may have a material impact on amounts reported in respect of the Group's financial assets and financial liabilities. Regarding the Group's financial assets and financial liabilities, it is not practicable to provide a reasonable estimate of the effect of HKFRS 9 (2014) until a detailed review has been completed.

HKFRS 15 *Revenue from Contracts with Customers*

The core principle of HKFRS 15 is that an entity should recognise revenue 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. Thus, HKFRS 15 introduces a model that applies to contracts with customers, featuring a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The five steps are as follows:

(i) Identify the contract with a customer;
(ii) Identify the performance obligations in the contract;
(iii) Determine the transaction price;
(iv) Allocate the transaction price to the performance obligations; and
(v) Recognise revenue when (or as) the entity satisfies a performance obligation.

HKFRS 15 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

HKFRS 15 will become effective for annual periods beginning on or after 1 January 2017 with early application permitted. The directors of the Company anticipate that the application of HKFRS 15 in the future may have a material impact on amounts reported in respect of the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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

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

Annual Improvements to HKFRSs 2010–2012 Cycle

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

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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

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

Annual Improvements to HKFRSs 2011–2013 Cycle

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

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

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

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

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

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

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

Annual Improvements to HKFRSs 2012–2014 Cycle

The *Annual Improvements to HKFRSs 2012–2014 Cycle* include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 5 clarify that changing from one of the disposal methods (i.e. disposal through sale or disposal through distribution to owners) to the other should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements in HKFRS 5. Besides, the amendments also clarify that changing the disposal method does not change the date of classification.

The amendments to HKFRS 7 clarify that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in HKFRS 7 in order to assess whether the additional disclosures for any continuing involvement in a transferred asset that is derecognised in its entirety are required. Besides, the amendments to HKFRS 7 also clarify that disclosures in relation to offsetting financial assets and financial liabilities are not required in the condensed interim financial report, unless the disclosures provide a significant update to the information reported in the most recent annual report.

The amendments to HKAS 19 clarify that the market depth of high quality corporate bonds is assessed base on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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

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

Annual Improvements to HKFRSs 2012–2014 Cycle (continued)

HKAS 34 requires entities to disclose information in the notes to the interim financial statements 'if not disclosed elsewhere in the interim financial report'. The amendments to HKAS 34 clarify that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report. The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. If users do not have access to the other information in this manner, then the interim financial report is incomplete.

The directors of the Company do not anticipate that the amendments included in the *Annual Improvements to HKFRSs 2012–2014 Cycle* will have a material effect on the Group's consolidated financial statements.

Amendments to HKFRS 10 and HKAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments provide guidance on addressing the acknowledged inconsistency between the requirements in HKFRS 10 and those in HKAS 28, in dealing with the sale or contribution of assets between an investor and its joint venture and associate. An investing entity is required to recognise the gain or loss arising from selling or contributing assets that constitutes or contains a business to a joint venture or associate in full. An investing entity is required to recognise the gain or loss arising from selling or contributing assets that does not constitute or contain a business to a joint venture or associate only to the extent of the unrelated investors' interests in that joint venture or associate.

The amendments to HKFRS 10 and HKAS 28 will become effective for financial statements with annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendments should be applied prospectively.

The directors of the Company anticipate that the amendments to HKFRS 10 and HKAS 28 will have a material effect on the Group's consolidated financial statements.

Amendments to HKAS 1 *Disclosure Initiative*

The amendments clarify that companies should use professional judgement in determining what information as well as where and in what order information is presented in the financial statements. Specifically, an entity should decide, taking into consideration all relevant facts and circumstances, how it aggregates information in the financial statements, which include the notes. An entity does not require to provide a specific disclosure required by a HKFRS if the information resulting from that disclosure is not material. This is the case even if the HKFRS contain a list of specific requirements or describe them as minimum requirements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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

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

Amendments to HKAS 1 *Disclosure Initiative* (continued)

Besides, the amendments provide some additional requirements for presenting additional line items, headings and subtotals when their presentation is relevant to an understanding of the entity's financial position and financial performance respectively. Entities, in which they have investments in associates or joint ventures, are required to present the share of other comprehensive income of associates and joint ventures accounted for using the equity method, separated into the share of items that (i) will not be reclassified subsequently to profit or loss; and (ii) will be reclassified subsequently to profit or loss when specific conditions are met.

Furthermore, the amendments clarify that:

(i) an entity should consider the effect on the understandability and comparability of its financial statements when determining the order of the notes; and

(ii) significant accounting policies are not required to be disclosed in one note, but instead can be included with related information in other notes.

The amendments will become effective for financial statements with annual periods beginning on or after 1 January 2016. Earlier application is permitted.

The directors of the Company anticipate that the application of Amendments to HKAS 1 in the future may have a material impact on the disclosures made in the Group's consolidated financial statements.

Amendments to HKAS 16 and HKAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation*

The amendments to HKAS 16 prohibit the use of revenue-based depreciation methods for property, plant and equipment under HKAS 16. The amendments to HKAS 38 introduce a rebuttable presumption that use of revenue-based amortisation methods for intangible assets is inappropriate. This presumption can be rebutted only in the following limited circumstances:

(i) when the intangible asset is expressed as a measure of revenue;

(ii) when a high correlation between revenue and the consumption of the economic benefits of the intangible assets could be demonstrated.

The amendments to HKAS 16 and HKAS 38 will become effective for financial statements with annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendments should be applied prospectively.

As the Group uses the straight-line method for depreciation of property, plant and equipment and intangible assets, the directors of the Company do not anticipate that the application of the amendments to HKAS 16 and HKAS 38 will have a material impact on the Group's consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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

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

Amendments to HKAS 27 *Equity Method in Separate Financial Statements*

The amendments to HKAS 27 allow an entity to apply the equity method to account for its investments in subsidiaries, joint ventures and associates in its separate financial statements. As a result of the amendments, the entity can choose to account for these investments either:

(i) at cost;

(ii) in accordance with HKFRS 9 (or HKAS 39); or

(iii) using the equity method as described in HKAS 28.

The amendments to HKAS 27 will become effective for financial statements with annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendments should be applied retrospectively.

The directors of the Company do not anticipate that the amendments to HKAS 27 will have a material effect on the Group's consolidated financial statements.

In addition, the annual report requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Company's first financial year commencing on or after 3 March 2014 in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Hong Kong Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant and will primarily only affect the presentation and disclosure of information in the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. If a subsidiary prepares its financial statements using accounting policies other than those adopted in the consolidated financial statements, 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) the power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the Group's return. When the Group has less than a majority of the voting rights of an investee, power over the investee may be obtained through (i) a contractual arrangement with other vote holders; (ii) rights arising from other contractual arrangements; (iii) the Group's voting rights and potential voting rights; or (iv) a combination of the above, based on all relevant facts and circumstances.

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

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

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

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

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

Changes in the Group's ownership interests in existing subsidiaries

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Changes in the Group's ownership interests in existing subsidiaries (continued)

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

Business combinations

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

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

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

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

When a business combination is achieved in stages, the Group's previously held equity interest in the acquire is remeasured fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill

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

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

A CGU 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 CGU to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

Investments in associates

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

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

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

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate.

After application of the equity method, including recognising the associate's losses (if any), the Group determines whether it is necessary to recognise any additional impairment loss with respect to its investment in the associate. The entire carrying amount of the investment 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 forms part of the carrying amount of the investment in the associate. Any reversal of that impairment loss 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 2014

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates (continued)

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

Property, plant and equipment

Property, plant and equipment including leasehold land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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

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

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and any accumulated impairment loss. Amortisation 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Research and development expenditure

An intentionally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only, if all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised profit or loss in the period in which it is incurred.

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

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Effective interest method

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

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

Loans and receivables

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

Available-for-sale financial assets

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

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

Impairment loss on financial assets

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment loss on financial assets (continued)

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

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

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

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

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and bills receivables, and amounts due from associates, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade and bill receivable, or an amount due from an associate is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

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

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments

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

Financial liabilities

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

Effective interest method

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

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

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 the Company are recognised at the proceeds received, net of direct issue costs.

Derecognition

A financial asset is derecognised only when the contractual rights to the cash flows from the assets expire, or when it transfers the financial assets and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

A financial liability is derecognised 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 is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

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

Cash and cash equivalents

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

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term bank deposits as defined above.

Impairment losses on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

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

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

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a CGU) 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 a CGU) in prior years. A reversal of an impairment loss is recognised as income immediately in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. Such classification requires the asset must be available for immediate sale in its present condition subject to terms that are usual and customary for sales of such asset and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

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

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for goods sold and services provided in the normal course of business, net of returns and sales related taxes.

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

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

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

– the amount of revenue can be measured reliably;

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

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

Service income is recognised when services are rendered.

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

Rental income from operating leases is recognised in accordance with the accounting policy mentioned under leasing.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing

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

The Group as lessor

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

The Group as lessee

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

Leasehold land and buildings

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease.

Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Retirement benefit costs

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

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.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

Provision are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the fair value of money is material).

Taxation

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

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

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

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

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

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

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees

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

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimates, with a corresponding adjustment to share option reserve.

When 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 earnings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement

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

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

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

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

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

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

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the amounts of assets, liabilities, revenue and expenses that are not readily apparent from other sources. The estimates and underlying 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Critical judgement in applying accounting policies

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

Classification of leasehold land and buildings

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance lease or an operating lease separately based on the assessment as to whether substantially all the risk and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. When the lease payments cannot be allocated reliably reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

The directors of the Company determines that the lease payments of leasehold land and buildings of RMB4,511,000 (RMB5,366,000) cannot be allocated reliably between the land and buildings elements due to infeasibility of the allocation of purchase price between the leasehold land and building. The total amount has been classified as a finance lease under the property, plant and equipment.

Key sources of estimation uncertainty

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

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the CGU to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

As at 31 December 2014, the carrying amount of goodwill is RMB642,000 (2013: nil), with no accumulated impairment loss (2013: nil) recognised. Details of the recoverable amount calculation are disclosed in note 17.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Income taxes

As at 31 December 2014, a deferred tax asset of RMB6,340,000 (2013: RMB2,640,000) in relation to allowance for trade and other receivables recognised in the Group's consolidated statement of financial position. No deferred tax asset has been recognised on the deductible temporary differences of allowance for trade and other receivables of RMB16,098,000 (2013: RMB20,899,000) and tax losses amounting to approximately RMB29,983,000 (2013: RMB15,414,000) 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 and other receivables

The Group performs ongoing credit evaluation of its customers and adjusts credit limits based on payment history and the customer's current credit-worthiness, as determined by a review of their current credit information. The Group continuously monitors collections and payments from its customers and maintain a provision for estimated credit losses based upon its historical experience and any specific customer collection issues that it has identified.

An ageing analysis of the trade receivables is prepared on a regular basis and is closely monitored to minimise the credit risk associated with the receivables. The Group pursues full repayment if trade receivables aged 90 days or above or factoring of receivables is arranged for non-recovery of these receivable balances.

Allowance for impairment loss of trade receivables is made for the estimated irrecoverable amounts, with reference to the past repayment history, credit quality assessed as mentioned above and the customers' financial strength. Allowance for impairment loss of trade receivables is made to the customers when the credit quality of these customers deteriorated with no repayment history being identified in the past two years.

As at 31 December 2014, the carrying amount of trade receivables is approximately RMB274,876,000 (net of allowance for doubtful debts of approximately RMB58,364,000) (2013: carrying amount of approximately RMB266,036,000, net of allowance for doubtful debts of approximately RMB38,502,000).

As at 31 December 2014, the carrying amount of other receivables is approximately RMB16,424,000 (2013: carrying amount of approximately RMB13,002,000). No impairment loss was recognised during the years ended 31 December 2014 and 2013.

Depreciation and useful lives of property, plant and equipment

The Group's management determines the estimated useful lives, residual values, and related depreciation charges for the property, plant and equipment with reference to the estimated periods that the Group intends to derive future economic benefits from the use of these assets. The directors of the Company will revise the depreciation charge and the useful lives previously estimated, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Periodic review could result in a change in depreciable lives and residual lives and therefore depreciation expenses in the future periods. As at 31 December 2014, the carrying amount of property, plant and equipment is approximately RMB27,960,000 (2013: RMB33,317,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Impairment of property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. Property, plant and equipment are evaluated for possible impairment on a specific asset basis or in groups of similar assets, as applicable. This process requires management's estimate of future cash flows generated by each asset or group of assets. For any instance where this evaluation process indicates impairment, the relevant asset's carrying amount is written down to the recoverable amount and the amount of the write-down is charged against the consolidated statement of profit or loss and other comprehensive income. As at 31 December 2014, the carrying amount of property, plant and equipment was approximately RMB27,960,000 (2013: carrying amount of approximately RMB33,317,000). No impairment loss was recognised during the years ended 31 December 2014 and 2013.

Allowance for inventories

The Group does not have a general allowance policy on inventory based on ageing given the nature of inventories that are not subject to frequent wear and tear and frequent technological changes. The Group's sales and marketing managers review the inventory ageing analysis on a periodical basis in order to determine whether allowance need to be made in respect of any obsolete and defective inventories identified, and estimate the net realisable value based primarily on the latest invoice prices and current market conditions. As at 31 December 2014, the carrying amount of inventories is approximately RMB65,163,000 (2013: RMB66,569,000). No allowance for inventories was recognised during the years ended 31 December 2014 and 2013.

Impairment of interests in associates

Determining whether interests in associates are impaired requires an estimation of the future cash flows expected to arise from the associates in order to calculate the recoverable amounts. Where the estimated future cash flows are less than expected, a material impairment loss may arise. At 31 December 2014, carrying amount of interests in associates is approximately RMB38,282,000 (2013: RMB33,522,000). No impairment loss was recognised during the years ended 31 December 2014 and 2013.

Fair value measurements and valuation processes of financial assets

The Group's available-for-sale financial assets are measured at fair value for financial reporting purposes.

In estimating the fair value of an asset, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation.

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. Note 34(c) provide detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of the available-for-sale financial assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

5. REVENUE

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

6. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

The Group currently organises its operations into four operating and reportable segments, namely direct current power system ("DC Power System"), plug and switch system products ("PASS Products"), power monitoring and management equipment ("Power Monitoring") and charging equipment for electric vehicles ("Charging Equipment"). They represent four major lines of products sold by the Group. The principal activities of the operating and reportable segments are as follows:

DC Power System	–	Sales of DC Power System products
PASS Products	–	Distribution of PASS products
Power Monitoring	–	Sales of power monitoring and management equipment
Charging Equipment	–	Sales of charging equipment for electric vehicles

The operation of wind and solar power generating balancing control products segment of the Group was discontinued in the current year. The segment information reported on the next pages does not include any amounts for this discontinued operation, which are described in more detail in note 10.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

6. SEGMENT INFORMATION (continued)

Segment revenues and results

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

Year ended 31 December 2014

Continuing operations

	DC Power System RMB'000	PASS products RMB'000	Power Monitoring RMB'000	Charging Equipment RMB'000	Total RMB'000
Segment revenue	**108,859**	**459**	**8,326**	**60,873**	**178,517**
Segment results	**16,281**	**69**	**1,245**	**9,104**	**26,699**
Unallocated other revenue					**9,398**
Share of results of associates					**4,460**
Unallocated head office and corporate expenses					**(77,384)**
Finance costs					**(8,347)**
Loss before taxation (continuing operations)					**(45,174)**

Year ended 31 December 2013

Continuing operations

	DC Power System RMB'000	PASS products RMB'000	Power Monitoring RMB'000	Charging Equipment RMB'000	Total RMB'000
Segment revenue	148,525	3,376	12,603	11,429	175,933
Segment results	20,269	529	1,974	1,821	24,593
Unallocated other revenue					29,469
Share of result of an associate					7,469
Unallocated head office and corporate expenses					(89,099)
Finance costs					(10,564)
Loss before taxation (continuing operations)					(38,132)

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 central administrative cost, directors' emoluments, share of results of associates, other revenue and finance costs. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and performance assessment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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	**2014** **RMB'000**	2013 RMB'000
Continuing operations		
DC Power System	**258,463**	184,150
PASS Products	**1,090**	27,447
Power Monitoring	**19,767**	41,218
Charging Equipment	**144,529**	212,962
Total segment assets	**423,849**	465,777
Assets classified as held for sale	**28,000**	–
Unallocated	**166,553**	201,145
Consolidated assets	**618,402**	666,922

Segment liabilities	**2014** **RMB'000**	2013 RMB'000
Continuing operations		
DC Power System	**47,758**	35,254
PASS Products	**201**	5,916
Power Monitoring	**3,653**	4,788
Charging Equipment	**26,706**	36,048
Total segment liabilities	**78,318**	82,006
Liabilities relating to discontinued operation	**–**	–
Unallocated	**128,547**	136,531
Consolidated liabilities	**206,865**	218,537

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

- all assets are allocated to operating segments other than deposits for acquisition of plant and equipment, goodwill, interests in associates, available-for-sale financial assets, deferred tax assets, other receivables, restricted bank balances, short-term bank deposits, bank balances and cash and assets classified as held for sale; and

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

6. SEGMENT INFORMATION (continued)

Other segment information

For the year ended 31 December 2014

Continuing operations

	DC Power System RMB'000	PASS products RMB'000	Power Monitoring RMB'000	Charging Equipment RMB'000	Unallocated RMB'000	Total RMB'000
Amounts included in the measure of segment profit or loss or segment assets:						
Additions to non-current assets *(note)*	1,798	8	138	1,006	–	2,950
Goodwill	–	–	–	642	–	642
Allowance for impairment loss recognised in respect of trade receivables	23,125	97	1,769	12,931	–	37,922
Reversal of impairment loss recognised in respect of trade receivables	(2,928)	(12)	(224)	(1,637)	–	(4,801)
Loss on disposal of property, plant and equipment	14	–	1	8	–	23
Depreciation and amortisation	5,187	22	397	2,900	–	8,506
Amounts regularly provided to the chief operating decision marker but not included in the measure of segment profit or loss or segment assets:						
Interests in associates	–	–	–	–	38,282	38,282
Share of results of associates	–	–	–	–	(4,460)	(4,460)
Bank interest income	–	–	–	–	(1,773)	(1,773)
Finance costs	–	–	–	–	8,347	8,347
Loss on disposal of available-for-sale financial assets	–	–	–	–	188	188
Impairment loss on assets classified as held for sale *(note 26)*	–	–	–	–	3,076	3,076
Income tax credit	–	–	–	–	2,153	2,153

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

6. SEGMENT INFORMATION (continued)

Other segment information (continued)

For the year ended 31 December 2013

	DC Power System RMB'000	PASS products RMB'000	Power Monitoring RMB'000	Charging Equipment RMB'000	Unallocated RMB'000	Total RMB'000
Amounts included in the measure of segment profit or loss or segment assets:						
Additions to non-current assets *(note)*	3,994	160	543	3,999	–	8,696
Allowance for trade receivables	18,984	359	1,341	1,040	–	21,724
Loss on disposal of property, plant and equipment	–	–	–	32	–	32
Depreciation and amortisation	3,556	143	495	3,548	–	7,742
Amounts regularly provided to the chief operating decision marker but not included in the measure of segment profit or loss or segment assets:						
Interests in an associate	–	–	–	–	33,522	33,522
Share of results of associates	–	–	–	–	(7,469)	(7,469)
Bank interest income	–	–	–	–	(6,429)	(6,429)
Gain on disposal of available-for-sale financial assets	–	–	–	–	(4,490)	(4,490)
Gain on disposal of a subsidiary *(note 37)*	–	–	–	–	(4,446)	(4,446)
Finance costs	–	–	–	–	10,564	10,564
Income tax credit	–	–	–	–	(3,866)	(3,866)

Note: Non-current assets excluded those relating to discontinued operations and excluded deposits for acquisition of plant and equipment, interests in associates, available-for-sale financial assets and deferred tax assets.

Revenue from major products

No revenue from major products is presented as the products of the Group are specific to the customers' request and no major product identified by the directors of the company.

Geographical information

No geographical information is presented as all revenue from external customers of the Group is derived from and all non-current assets of the Group are located in the PRC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

6. SEGMENT INFORMATION (continued)

Information about major customers

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

	2014	2013
	RMB'000	RMB'000
Customer A[1]	**21,367**	N/A[2]

[1] Revenue from DC Power System and Charging Equipment
[2] The corresponding revenue did not contribute over 10% of the total revenue of the Group in the respective year

7. OTHER REVENUE

	2014	2013
	RMB'000	RMB'000
Continuing operations		
Value added tax refunds *(note (a))*	**6,091**	10,273
Bank interest income	**1,773**	6,429
Government grants *(note (b)) (note 32)*	**1,060**	3,371
Rental income	**46**	22
Reversal of impairment loss recognised in respect of trade receivables	**4,801**	–
Gain on disposal of available-for-sale financial assets	**–**	4,490
Gain on disposal of a subsidiary *(note 37)*	**–**	4,446
Exchange gain	**–**	85
Other income	**428**	353
	14,199	29,469

Notes:

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

(b) Government grants represent the subsidies received from Zhuhai Finance Bureau ("珠海市財政局"), Department of Finance of Guangdong Province ("廣東省財政廳") and The Ministry of Science and Technology of the People's Republic of China ("中華人民共和國科學技術部") regarding the research and development on technology innovation of which there are no unfulfilled conditions or contingencies relating to those subsidies during the years ended 31 December 2014 and 2013.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

8. FINANCE COSTS

	2014 RMB'000	2013 RMB'000
Continuing operations		
Interest on:		
Bank borrowings wholly repayable within five years	**6,572**	4,531
Factoring cost on trade receivables	**1,775**	6,033
	8,347	10,564

9. INCOME TAX CREDIT

	2014 RMB'000	2013 RMB'000
Continuing operations		
Under-provision in prior years		
PRC Enterprise Income Tax	**1,162**	–
Deferred tax *(note 31):*		
Current year	**(3,315)**	(3,866)
	(2,153)	(3,866)

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years. 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.

Titans Technology was established in Zhuhai, the special economic zone, and the income tax rates applicable to Titans Technology was 15% pursuant to the relevant PRC laws in 2007, Titans Technology was recognised as High and New Technology Enterprises by Department of Science and Technology of Guangdong Province in 2008 and the income tax rate applicable to them is 15% for the years ended 31 December 2014 and 2013.

Saved as stated above, the relevant tax rate for the Group's subsidiaries in the PRC other than Titans Technology was 25% for the years ended 31 December 2014 and 2013.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

9. INCOME TAX CREDIT (continued)

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

	2014	2013
	RMB'000	RMB'000
		(Restated)
Loss before taxation (from continuing operations)	**(45,174)**	(38,132)
Tax at the applicable income tax rate of 15% (2013: 15%) *(note)*	**(6,776)**	(5,720)
Tax effect of expenses not deductible for tax purpose	**4,031**	6,429
Tax effect of income not taxable for tax purpose	**(461)**	(2,118)
Under-provision in respect of prior years	**1,162**	–
Tax effect of share of results of associates	**(1,115)**	(1,867)
Tax effect of tax losses not recognised	**2,429**	303
Tax effect on withholding tax arising on undistributed profits of the PRC subsidiaries	**385**	(1,226)
Tax effect of deductible temporary difference not recognised	**–**	1,177
Utilisation of deductible temporary difference previously not recognised	**(1,200)**	–
Utilisation of tax losses previously not recognised	**–**	(143)
Effect of difference tax rates of subsidiaries operating in other jurisdictions	**(608)**	(701)
Income tax credit (relating to continuing operations)	**(2,153)**	(3,866)

Note: The PRC Enterprise Income Tax of 15% is used as it is the domestic tax rate where the results and operation of the Group is substantially derived from.

Details of deferred taxation are set out in note 31.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

10. DISCONTINUED OPERATION

Pursuant to a resolution passed on 31 October 2014, the directors of the Company decided to cease the operation of Wind and Solar Power with immediate effect.

No segment revenue (2013: nil), results (2013: segment loss of RMB30,000) were reported for the year ended 31 December 2014.

During the year ended 31 December 2014, the discontinued operation did not affect the Group's revenue, loss for the year and net operating cash flows. During the year ended 31 December 2013, the discontinued operation contributed approximately RMB30,000 loss for the year attributable to owners of the Company, representing administrative and other expenses. The discontinued operation did not affect the Group's revenue and net operating cash flows for that year.

11. LOSS FOR THE YEAR

	2014	2013
	RMB'000	RMB'000
Loss for the year have been arrived at after charging (crediting):		
Continuing operations		
Staff costs		
Directors' emoluments *(note 12)*	**1,264**	1,526
Other staff		
– share-based payments expenses	**384**	1,840
– salaries and other allowances	**32,052**	19,101
– retirement benefits scheme contributions (excluding directors)	**4,315**	2,332
Total staff costs	**38,015**	24,799
Amortisation of intangible assets	**270**	377
Auditors' remuneration	**919**	804
Net exchange loss (gain)	**13**	(85)
Cost of inventories recognised as an expense	**118,427**	126,659
Depreciation of property, plant and equipment	**8,236**	7,365
Impairment loss on assets classified as held for sale *(note 26)*	**3,076**	–
Loss on disposal of property, plant and equipment	**23**	32
Loss on disposal of available-for-sale financial assets	**188**	–
Operating lease rentals in respect of rented premises	**996**	835
Research and development costs (included in administrative and other expenses) *(note)*	**17,631**	28,546

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the five (2013: six) directors and the chief executive were as follows:

For the year ended 31 December 2014

		Other emoluments			
	Fees RMB'000	**Salaries and other allowances RMB'000**	**Share-based payments RMB'000**	**Retirement benefits scheme contributions RMB'000**	**Total emoluments RMB'000**
Executive directors:					
Li Xin Qing	**–**	**462**	**11**	**15**	**488**
An Wei	**–**	**462**	**11**	**15**	**488**
Independent non-executive directors:					
Li Wan Jun	**96**	**–**	**–**	**–**	**96**
Yu Zhou Ping	**96**	**–**	**–**	**–**	**96**
Zhang Bo	**96**	**–**	**–**	**–**	**96**
Total	**288**	**924**	**22**	**30**	**1,264**

For the year ended 31 December 2013

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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

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

No emoluments were paid by the Group to the directors or any of the five highest paid individuals set out in note 13 as an inducement to join or upon joining the Group or as compensation for loss of office during the years ended 31 December 2014 and 2013.

No directors waived or agreed to waive any of their emoluments during the years ended 31 December 2014 and 2013.

13. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (2013: two) were directors and the chief executive of the Company whose emoluments are included in the disclosures in note 12 above. The emoluments of the remaining individual are as follows:

	2014 **RMB'000**	2013 RMB'000
Salaries and other allowances	**807**	902
Share-based payments	**18**	198
Retirement benefits scheme contributions	**12**	24
	837	1,124

The emoluments of the remaining individuals are within the band of nil to Hong Kong dollars 1,000,000 (equivalent to RMB799,000) (2013: nil to HK$1,000,000 (equivalent to RMB799,000)).

14. DIVIDENDS

No dividend was paid or proposed during the year ended 31 December 2014, nor has any dividend been proposed since the end of the reporting period (2013: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

15. LOSS PER SHARE

For continuing and discontinued operations

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

	2014 **RMB'000**	2013 RMB'000 (Restated)
Loss		
Loss for the purpose of basic and diluted loss per share	**(43,831)**	(33,811)

Number of shares

	2014 **'000**	2013 '000 (Restated)
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share *(note)*	**836,513**	830,000

Note: The computation of diluted loss per share does not assume the exercise of the Company's outstanding share options since their exercise would result in a decrease in loss per share from continuing operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

15. LOSS PER SHARE (continued)

For continuing and discontinued operations (continued)

From continuing operations

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

Loss figures are calculated as follows:

	2014	2013
	RMB'000	RMB'000
		(Restated)
Loss for the year attributable to owners of the Company	**(43,831)**	(33,811)
Add: Loss for the year from discontinued operation	**–**	30
Loss for the purpose of basic loss per share from continuing operations	**(43,831)**	(33,781)

The denominators used are the same as those detailed above for both basis and diluted loss per share.

From discontinued operation

During the year ended 31 December 2014, the discontinued operation did not affect the Group's loss for the year attributable to owners of the Company.

For the year ended 31 December 2013, there was an insignificant effect on the basic and diluted loss per share for the discontinued operation, based on the loss for the year from discontinued operation of RMB30,000 and the denominators detailed above for both basic and diluted loss per share.

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For the year ended 31 December 2014

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings	Leasehold improvements	Furniture, fixtures and equipment	Motor vehicles	Plant and machinery	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST						
At 1 January 2013	16,144	6,296	13,012	4,373	11,904	51,729
Additions	–	6,935	811	265	685	8,696
Disposals	–	–	(75)	(335)	(34)	(444)
At 31 December 2013	16,144	13,231	13,748	4,303	12,555	59,981
Additions	–	1,109	134	222	32,561	34,026
Reclassified as held for sale (note 26)	–	–	–	–	(31,076)	(31,076)
Disposals	–	–	(294)	(882)	(398)	(1,574)
Acquired on acquisition of a subsidiary	–	–	281	247	–	528
At 31 December 2014	16,144	14,340	13,869	3,890	13,642	61,885
ACCUMULATED DEPRECIATION						
At 1 January 2013	9,923	1,463	3,861	1,916	2,481	19,644
Provided for the year	855	1,888	1,723	786	2,113	7,365
Eliminated on disposals	–	–	(33)	(306)	(6)	(345)
At 31 December 2013	10,778	3,351	5,551	2,396	4,588	26,664
Provided for the year	855	2,740	1,747	469	2,425	8,236
Eliminated on disposals	–	–	(234)	(562)	(179)	(975)
At 31 December 2014	**11,633**	**6,091**	**7,064**	**2,303**	**6,834**	**33,925**
CARRYING VALUES						
31 December 2014	**4,511**	**8,249**	**6,805**	**1,587**	**6,808**	**27,960**
31 December 2013	5,366	9,880	8,197	1,907	7,967	33,317

The Group's leasehold land and buildings are located in the PRC and under medium-term leases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

16. PROPERTY, PLANT AND EQUIPMENT (continued)

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

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

As at 31 December 2014, the Group has pledged its leasehold land and buildings with carrying values of approximately RMB4,422,000 (2013: RMB5,235,000) to secure banking facilities granted to the Group. Details of bank borrowings are set out in note 29.

17. GOODWILL

	RMB'000
COST AND CARRYING AMOUNT	
Arising on acquisition of a subsidiary during the year *(note 36)* and at 31 December 2014	642

Impairment testing on goodwill

For the purposes of impairment testing, goodwill set out above has been allocated to one individual CGU, comprising one subsidiary acquired in current year which is engaged in Charging Equipment business.

During the year ended 31 December 2014, management of the Group determines that there is no impairment of the CGU containing goodwill.

The basis of the recoverable amounts of the above CGU and its major underlying assumptions are summarised below:

CGU – Subsidiary – Shenzhen Heimt Technology Co., Ltd* 深圳市瀚美特科技有限公司 ("SZ Heimt")

The recoverable amount of this unit has been determined based on a value in use calculation. That calculation uses cash flow projection based on financial budgets approved by management covering a 5-year period, and discount rate of 19.85%. The CGU's cash flows beyond 5-year period are extrapolated using 3% growth rate. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the unit's past performance and management's expectation for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the CGU to exceed the aggregate recoverable amount of the CGU.

* *English name is for identification purpose only*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

18. OTHER INTANGIBLE ASSETS

	Technical know-how RMB'000
COST	
At 1 January 2013, 31 December 2013 and 31 December 2014	3,000
AMORTISATION	
At 1 January 2013	2,053
Charge for the year	377
At 31 December 2013	2,430
Charge for the year	270
At 31 December 2014	2,700
CARRYING VALUES	
At 31 December 2014	**300**
At 31 December 2013	570

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

19. INTERESTS IN ASSOCIATES

	2014 RMB'000	2013 RMB'000
Cost of investment in unlisted associates	**18,861**	18,561
Share of post-acquisition results	**19,421**	14,961
	38,282	33,522

In current year, the Group has acquired 30% equity interest of Zhuhai Titans New Power Electronics Co., Ltd.* 珠海泰坦新動力電子有限公司 ("Zhuhai New Power"), with a consideration of RMB300,000. Titans New Power was an associate of the Group and has been accounted for using equity method.

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For the year ended 31 December 2014

19. INTERESTS IN ASSOCIATES (continued)

As at 31 December 2014 and 2013, the Group had interests in the following associates:

Name of entity	Form of entity	Place of Establishment/ operation	Class of shares held	Proportion of ownership interests indirectly held by the Group 2014	2013	Proportion of voting power held 2014	2013	Principal activities
Beijing Hua Shang Clear New Energy Technology Co., Ltd* 北京華商三優新能源科技有限公司 ("Beijing Hua Shang")	Registered	The PRC	Contributed capital	**35%**	35%	**35%**	35%	Promotion and sales of charging equipment for electric vehicles
Zhuhai New Power	Registered	The PRC	Contributed capital	**30%**	–	**30%**	–	Production and sales of battery equipment and power electronics related products

* *English name is for identification purpose only.*

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

Beijing Hua Shang

	2014 RMB'000	2013 RMB'000
Current assets	**199,654**	200,010
Non-current assets	**23,638**	17,503
Current liabilities	**(107,141)**	(121,736)
Non-current liabilities	**(7,889)**	–

	Year ended 2014 RMB'000	Year ended 2013 RMB'000
Revenue	**133,509**	146,122
Profit and total comprehensive income for the year	**12,485**	21,341

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19. INTERESTS IN ASSOCIATES (continued)

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

	2014 **RMB'000**	2013 RMB'000
Net assets of Beijing Hua Shang	**108,262**	95,777
Proportion of the Group's ownership interest in Beijing Hua Shang	**35%**	35%
Carrying amount of the Group's interest in Beijing Hua Shang	**37,892**	33,522

Titans New Power

	2014 **RMB'000**	2013 RMB'000
Current assets	**12,552**	–
Non-current assets	**558**	–
Current liabilities	**(11,809)**	–

	Year ended **2014** **RMB'000**	Year ended 2013 RMB'000
Revenue	**12,967**	–
Profit and total comprehensive income for the year	**301**	–

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

	2014 **RMB'000**	2013 RMB'000
Net assets of Zhuhai New Power	**1,301**	–
Proportion of the Group's ownership interest in Titans New Power	**30%**	–
Carrying amount of the Group's interest in Titans New Power	**390**	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

20. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2014 RMB'000	2013 RMB'000
Available-for-sale financial assets comprise:		
Unlisted investments:		
– equity securities	**1,657**	3,794

The above unlisted equity investments represent investments in unlisted equity securities issued by private entities incorporated in the PRC. They are measured at fair values using the adjusted net asset method (note 34(c)). Valuation has been performed by an independent qualified professional valuer, GC Appraisal Limited.

In December 2013, the Group disposed of 6% equity interest in 北京優科利爾新能源裝備有限公司 for a consideration of RMB7,500,000. A gain on disposal of approximately RMB4,490,000 had been recognised in profit or loss for the year ended 31 December 2013.

On 20 April 2014, the Group disposed of its entire 10% equity interest in Henan Longyuan New Energy Equipment Co. Ltd. 河南龍源新能源裝備有限公司 ("Henan Longyuan") to the substantial shareholder of Henan Longyuan for a consideration of RMB2,238,000. RMB1,071,000 has been received in 2014 and remaining amount of RMB1,167,000 was included in the other receivables (note 23) at 31 December 2014. A loss on disposal of approximately RMB188,000 has been recognised in profit or loss for the year ended 31 December 2014.

21. INVENTORIES

	2014 RMB'000	2013 RMB'000
Raw materials	**20,454**	24,518
Work-in-progress	**12,572**	12,108
Finished goods	**32,137**	29,943
	65,163	66,569

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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22. TRADE AND BILLS RECEIVABLES

	2014	2013
	RMB'000	RMB'000
Trade receivables	**333,240**	304,538
Less: allowance for impairment loss of trade receivables	**(58,364)**	(38,502)
	274,876	266,036
Bills receivables	**–**	4,925
Total trade and bills receivables	**274,876**	270,961

The bills receivables at 31 December 2013 were fallen within the aged group of 181–365 days, based on the dates of delivery of goods or rendering services.

Included in the balances of trade receivables as at 31 December 2014 were retention receivables of approximately RMB38,314,000 (2013: RMB36,737,000) of which approximately RMB31,082,000 and RMB7,332,000 (2013: RMB27,570,000 and RMB9,167,000) are with aged groups of 1–2 years and 2–3 years respectively.

The Group does not hold any collateral over these balances.

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

	2014	2013
	RMB'000	RMB'000
0–90 days	**103,585**	81,811
91–180 days	**21,484**	26,387
181–365 days	**46,926**	46,067
1–2 years	**69,886**	77,940
2–3 years	**23,821**	32,686
Over 3 years	**9,174**	1,145
	274,876	266,036

The Group allows an average credit period of 90 days to its trade customers or 90 days counted from the due date of each of their installment payments pursuant to the sales contracts. Installment payments are separated into initial deposit payment which due upon signing of sales contracts, the payment after installation and testing and retention money which due from the end of the product quality assurance period. The trade customers of the Group are mainly the state-owned enterprises in the PRC. These state-owned enterprises repay their outstanding balances upon the completion of their constructions in accordance with the industry practice in the PRC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

22. TRADE AND BILLS RECEIVABLES (continued)

Before accepting any new customer, the Group assesses the credit quality of the potential customers with reference to the credit report and 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.

The Group's trade receivables neither past due nor impaired mainly represent sales made to recognised and creditworthy customers with good repayment history. The Group regularly monitored the credit quality of these customers, who trade on credit terms.

At the end of the reporting period, the Group's trade receivables are individually assessed for impairment as disclosed in note 4. In view of the good repayment history from those major customers of the Group, the directors of the Company consider that there is no further allowance for impairment loss required in excess of the impairment loss recognised for each of the reporting period.

Included in the Group's trade receivable balance as at 31 December 2014, RMB32,128,000 (31 December 2013: RMB10,552,000), representing 9.6% (31 December 2013: 3.4%) of the total trade receivables, is due from the Group's largest customer. There are no other customers who represent more than 5% of the total trade receivable balance as at the end of the reporting period.

Included in the Group's trade receivable balances were debtors with aggregate carrying amounts of approximately RMB171,291,000 (2013: RMB184,225,000) which are past due as at the end of the reporting period for which the Group has not provided for impairment loss as these balances were either subsequently settled or there has not been a significant change in credit quality and the amounts are still considered recoverable.

The ageing analysis of trade receivables which are past due but not impaired is set out below:

	2014 **RMB'000**	2013 RMB'000
Duration of past due		
0–90 days	**21,484**	26,387
91–180 days	**11,731**	11,517
181–365 days	**51,716**	54,035
1–2 years	**64,247**	67,126
2–3 years	**19,512**	24,551
Over 3 years	**2,601**	609
	171,291	184,225
Neither past due nor impaired	**103,585**	81,811
	274,876	266,036

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For the year ended 31 December 2014

22. TRADE AND BILLS RECEIVABLES (continued)

At 31 December 2013, bills receivables of RMB725,000 and RMB4,200,000 were fallen within the aged group of 91–180 days and 181–365 days respectively.

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

	2014 RMB'000	2013 RMB'000
1 January	**38,502**	16,778
Allowance for impairment loss of trade receivables	**37,922**	21,724
Reversal of impairment loss recognised in respect of trade receivables	**(4,801)**	–
Amounts written off as uncollectible	**(13,259)**	–
31 December	**58,364**	38,502

As at 31 December 2014, included in the allowance for impairment loss of trade receivables are individually impaired trade receivables with an aggregate balance of approximately RMB58,364,000 (2013: RMB38,502,000) which have been placed in severe financial difficulties.

As at 31 December 2014, the carrying amount of the short-term receivables which have been pledged as security for the bank borrowing is RMB90,000,000 (2013: nil). The carrying amount of the associated liability is RMB55,000,000 (2013: nil). Details of bank borrowings are set out in note 29.

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2014 RMB'000	2013 RMB'000
Other receivables *(Note)*	**16,424**	13,002
Prepayments to suppliers	**29,854**	52,145
Prepayments	**661**	757
	46,939	65,904

Note: As at 31 December 2014, consideration receivables of RMB4,842,000 (2013: RMB3,675,000) from disposal of available-for-sale financial assets are included in other receivables within prepayments, deposits and other receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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24. AMOUNTS DUE FROM ASSOCIATES

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

The following is an aged analysis of 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:

	2014	2013
	RMB'000	RMB'000
0–90 days	**–**	10,022
91–180 days	**–**	18
181–365 days	**1,000**	11
1–2 years	**–**	27,294
Over 2 years	**24,035**	4,113
	25,035	41,458

The ageing analysis of the amounts due from associates which are past due but not impaired is set out below:

	2014	2013
	RMB'000	RMB'000
Duration of past due		
0–90 days	**–**	18
91–180 days	**–**	11
181–365 days	**1,000**	–
1–2 years	**–**	31,407
2–3 years	**24,035**	–
	25,035	31,436
Neither past due nor impaired	**–**	10,022
	25,035	41,458

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

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

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

Restricted bank balances represent deposits required and restricted by banks in respect of the issue of letter of credit to certain customers and suppliers and therefore are classified as current assets. For the year ended 31 December 2014, the restricted bank balances carried interest at average market rates of 1.15% (2013: 1.15%) per annum and will be released upon the completion of the respective transactions.

Short-term bank deposits represent the fixed bank deposits at rates ranged from 2.35% to 4.00% (2013: 2.60% to 4.75%) per annum for the year ended 31 December 2014 with original maturity of more than 3 months but within 12 months.

Bank balances carried interest at market rates ranged from 0.001% to 0.35% (2013: 0.001% to 0.50%) per annum for the year ended 31 December 2014.

At 31 December 2014, bank balances and cash of approximately RMB1,000 (2013: RMB1,000) and RMB106,000 (2013: RMB124,000) were denominated in United States dollars and HK$ respectively that are currencies other than the functional currencies of the respective group entities.

26. ASSETS CLASSIFIED AS HELD FOR SALE

On 16 August 2014, the Group entered into a sale and purchase agreement with an independent third party to sell certain items of the plant and machinery included in the property, plant and equipment of the Group with carrying amount of RMB31,076,000 at an aggregate consideration of RMB28,000,000.

As at 31 December 2014, the sale and purchase agreement was not completed. The fair value of the related plant and machinery, being the consideration of RMB28,000,000, was classified under asset classified as held for sale. An impairment loss of RMB3,076,000 included in the administrative and other expenses has been recognised for the difference between the carrying amount and the consideration receivable. The transaction is expected to be completed in 2015.

27. TRADE AND BILLS PAYABLES

	2014 **RMB'000**	2013 RMB'000
Trade payables	**75,961**	61,951
Bills payables *(Note)*	**1,101**	13,721
Total trade and bills payables	**77,062**	75,672

Note: The bills payables as at 31 December 2014 are fallen within the aged group of 0–90 days (2013: RMB7,061,000 and RMB6,666,000 within the aged group of 0–90 days and 91–180 days respectively).

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For the year ended 31 December 2014

27. TRADE AND BILLS PAYABLE (continued)

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

	2014 **RMB'000**	2013 RMB'000
0–90 days	**62,114**	49,227
91–180 days	**1,857**	7,077
181–365 days	**2,519**	1,163
1–2 years	**8,115**	3,075
Over 2 years	**1,356**	1,409
	75,961	61,951

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

28. ACCRUALS AND OTHER PAYABLE

	2014 **RMB'000**	2013 RMB'000
Accrual and other payable	**20,749**	25,619
Amount due to an associate *(Note)*	**698**	–
Amount due to a non-controlling interest shareholder of a subsidiary *(Note)*	**213**	–
Amount due to directors *(Note)*	**20**	52
	21,680	25,671

Note: The amount due to an associate, a non-controlling interest shareholder of a subsidiary and directors are unsecured, non-interest bearing and repayable on demand.

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29. BANK BORROWINGS

	2014 RMB'000	2013 RMB'000
Bank borrowings, secured	**68,000**	15,600
Bank borrowings, unsecured	**27,000**	83,900
	95,000	99,500
Carrying amounts repayable (based on scheduled repayment dates set out in the loan agreement):		
Within one year, shown under current liabilities	**95,000**	99,500

All bank borrowings are arranged at floating rates. The effective interest rates (which also equal to contracted interest rates) on the Group's bank borrowings range from 6.60% to 7.80% (2013: 5.88% to 7.80%) per annum for the year ended 31 December 2014.

During the year, the Group obtained new loans in the amount of RMB95,000,000 (2013: RMB109,500,000). The proceeds were used as the Group's working capital. The above bank borrowings are all denominated in RMB and hence no foreign currency risk exposure.

As at 31 December 2014 and 2013, certain of the borrowings were guaranteed by the Company and the directors of the Company, detail of the guarantees by the directors of the Company are set out at note 42(c).

As at 31 December 2014, the Group has pledged its leasehold land and buildings with carrying values of approximately RMB4,422,000 (2013: RMB5,235,000) to secure banking facilities granted to the Group.

As at 31 December 2014, the carrying amount of the short-term receivables which have been pledged as security for the bank borrowing is RMB90,000,000 (2013: nil). The carrying amount of the associated liability is RMB55,000,000 (2013: nil).

At the end of the reporting period, the Group has the undrawn borrowing facilities of RMB107,010,000 (2013: RMB67,770,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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30. SHARE CAPITAL

	Number of shares	Share capital HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January 2013, 31 December 2013 and 31 December 2014	**10,000,000,000**	100,000
		RMB'000
Issued and fully paid:		
At 1 January 2013 and 31 December 2013	**830,000,000**	7,311
Exercise of share options *(note)*	**9,540,000**	76
At 31 December 2014	**839,540,000**	7,387

The holders of ordinary shares are entitled to receive dividends declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

Note: During the year ended 31 December 2014, 9,420,000 options with exercise price of HK$0.59 and 120,000 options with exercise price of HK$1.10 were exercised to subscribe for an aggregate of 9,540,000 ordinary shares in the Company at a consideration of RMB4,508,000 of which RMB76,000 was credited to share capital and the balance of RMB4,432,000 was credited to share premium. RMB6,427,000 has been transferred from the share options reserve to the share premium account in accordance with policy set out in note 3.

31. DEFERRED TAXATION

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

	2014 RMB'000	2013 RMB'000
Deferred tax assets	**6,492**	2,871
Deferred tax liabilities	**(9,134)**	(8,749)
At 31 December 2014	**(2,642)**	(5,878)

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31. DEFERRED TAXATION (continued)

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

	Impairment loss recognised in respect of trade receivables	Revaluation of available-for-sale financial assets	Undistributable profits of subsidiaries and associates	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2013	–	339	(9,975)	(9,636)
Credited to profit or loss *(note 9)*	2,640	–	1,226	3,866
Disposal of available-for-sale financial assets	–	(137)	–	(137)
Credited to available-for-sale financial assets revaluation reserve	–	29	–	29
At 31 December 2013	2,640	231	(8,749)	(5,878)
Credited (charged) to profit or loss *(note 9)*	3,700	–	(385)	3,315
Disposal of available-for-sale financial assets	–	(90)	–	(90)
Credited to available-for-sale financial assets revaluation reserve	–	11	–	11
At 31 December 2014	6,340	152	(9,134)	(2,642)

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has been provided for in the consolidated financial statements in respect of temporary difference attributable to accumulated profits of the PRC subsidiaries and associates amounting to approximately RMB163,256,000 and RMB19,421,000 respectively (2013: RMB174,986,000 and nil, respectively) as the Group considered the temporary differences will reverse in the foreseeable future upon declaration of dividends of subsidiaries and associates.

The Group had unused tax losses of approximately RMB29,883,000 (2013: RMB15,414,000) as at 31 December 2014, available for offsetting against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. Tax losses of approximately RMB1,677,000 (2013: RMB1,677,000) may be carried forward indefinitely. The remaining tax losses of approximately RMB28,206,000 (2013: RMB13,737,000) will expire five years from the year of origination. As at 31 December 2014, tax losses of approximately RMB615,000, RMB5,021,000, RMB8,101,000 and RMB14,469,000 will expire in 2015, 2016, 2017 and 2018 respectively (2013: RMB615,000, RMB5,021,000 and RMB8,101,000 will expire in 2015, 2016 and 2017 respectively).

At 31 December 2014, the Group had temporary differences of approximately RMB58,364,000 (2013: RMB38,502,000) in respect of allowance for impairment of trade and other receivables. Deferred tax asset of RMB6,340,000 (2013: RMB2,640,000) had been recognised on approximately RMB42,266,000 (2013: RMB17,603,000). No deferred tax asset has been recognised on the remaining amount of approximately RMB16,098,000 (2013: RMB20,899,000) due to the unpredictability of future profit streams will be available against which the deductible temporary differences can be utilised.

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32. DEFERRED INCOME

It represents the government grants received by the Group in relation to research and development on technology innovation on charging equipment for motor vehicles. The amounts are recognised as income according to the research and development expenses incurred and recognised in the profit and loss during the year over the forecasted research and development cost.

Movements of deferred income during the year are as follows:

	2014	2013
	RMB'000	RMB'000
At 1 January	**633**	1,037
Additions	**549**	2,967
Amortised during the year *(note 7)*	**(1,060)**	(3,371)
	122	633

33. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debt, which includes bank borrowings disclosed in note 29, net of restricted bank balances, short-term bank deposits and bank balances and cash disclosed in note 25 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 the payment of dividends and the issue of new debt or the redemption of existing debt.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

34. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2014 RMB'000	2013 RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**419,391**	444,140
Available-for-sale financial assets	**1,657**	3,794
	421,048	447,934
Financial liabilities		
Other financial liabilities at amortised cost	**177,526**	184,247

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and bills receivables, other receivables, amounts due from associates, restricted bank balances, short-term bank deposits, bank balances and cash, trade and bills payables, other payables included in accruals and other payables and bank borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

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

Certain banks balances and cash are denominated in HK$ and US$, which expose the Group to foreign currency risk. However, the Group considers its exposure to foreign currency risk in respect of HK$ and US$ is insignificant.

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

	Assets 2014 RMB'000	Assets 2013 RMB'000
HK$	**106**	124
US$	**1**	1

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

34. FINANCIAL INSTRUMENTS (continued)

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

Market risk (continued)

(i) Currency risk (continued)

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

Sensitivity analysis
The Group is mainly exposed to foreign currency risk of HK$. Management of the Group considers the currency risk of the Group is insignificant for the years ended 31 December 2014 and 2013, hence no sensitivity analysis is presented.

(ii) Interest rate risk

As at 31 December 2014 and 2013, the Group is exposed to cash flow interest rate risk in relation to variable-rate bank borrowings disclosed in note 29.

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 stipulated by the People's Bank of China arising from the Group's RMB denominated bank borrowings.

Sensitivity analysis
The sensitivity analyses below have been determined based on the exposure to interest rates for variable rate bank borrowings, restricted bank balances, short-term bank deposits and bank balances. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 (2013: 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 (2013: 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 2014 would increase/decrease by approximately RMB229,000 (2013: RMB338,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

34. FINANCIAL INSTRUMENTS (continued)

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

Credit risk

As at 31 December 2014, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt, other receivable and amount due from an associate at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Group's concentration of credit risk by geographical locations is in the PRC, which accounted for all of the total trade receivables as at 31 December 2014 and 2013.

The Group has concentration of credit risk as 10.74% and 30.65% (2013: 5.94% and 25.51%) of the total trade receivables was due from the Group's largest and top five customers respectively within the DC Power System and Charging Equipment segments as at 31 December 2014 and 2013.

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. As at 31 December 2014, The Group has available un-utilised overdraft and short-term bank loan facilities of approximately RMB107,010,000 (2013: RMB67,770,000).

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

34. FINANCIAL INSTRUMENTS (continued)

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

Liquidity risk (continued)

Liquidity table

At 31 December 2014	**Within 1 year or on demand RMB'000**	**Total undiscounted cash flows RMB'000**	**Carrying Amount RMB'000**
Financial liabilities			
Trade and bills payables	**77,062**	**77,062**	**77,062**
Accruals and other payables	**5,464**	**5,464**	**5,464**
Bank borrowings			
– variable rate	**97,215**	**97,215**	**95,000**
	179,741	**179,741**	**177,526**

At December 2013	Within 1 year or on demand RMB'000	Total undiscounted cash flows RMB'000	Carrying Amount RMB'000
Financial liabilities			
Trade and bills payables	75,672	75,672	75,672
Accruals and other payables	9,075	9,075	9,075
Bank borrowings			
– variable rate	103,969	103,969	99,500
	188,716	188,716	184,247

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

34. FINANCIAL INSTRUMENTS (continued)

(c) Fair value of financial assets that are measured at fair value on a recurring basis

The valuation techniques and inputs used in the fair value measurement of the financial assets on a recurring basis are set out below:

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique	Key inputs
	31/12/2014	31/12/2013			
	RMB'000	RMB'000			
Unlisted equity securities classified as available-for-sale financial assets on the consolidated statement of financial position	**1,657**	3,794	Level 3	Adjusted net asset method	1. Property, plant and equipment which is based on the current market price of similar assets with consideration of the estimated useful life and the current status of those assets; 2. Inventories are based on the current market price of similar assets; and 3. Bank balances and cash, receivables and payables are based on the cost approach with adjustments on the default risk factors.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

34. FINANCIAL INSTRUMENTS (continued)

(c) Fair value of financial assets that are measured at fair value on a recurring basis (continued)

Reconciliation of Level 3 fair value measurements of financial assets

	Unlisted equity securities RMB'000
At 1 January 2013	6,928
Fair value loss recognised in the other comprehensive expense	(124)
Disposal	(3,010)
At 31 December 2013	3,794
Fair value loss recognised in the other comprehensive income	(73)
Disposal	(2,064)
At 31 December 2014	1,657

Included in other comprehensive income is an amount of approximately RMB73,000 (2013: RMB124,000) loss relate to unlisted equity securities held at the end of the reporting period and is reported as change in "available-for-sale financial assets revaluation reserve".

(d) Fair value of financial instruments carried at other than fair value

The carrying amount of the Group's financial instruments carried at cost or amortised cost are not materially different from fair value at 31 December 2014 and 2013.

35. ACQUISITION OF ADDITIONAL INTEREST IN A SUBSIDIARY

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

* *English names are for identification purpose only*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

36. ACQUISITION OF A SUBSIDIARY

On 29 September 2014, Titans Power acquired 51% equity interest in SZ Heimt from an independent third party for a cash consideration of RMB1,734,000. This acquisition has been accounted for using the acquisition method. The amount of goodwill arising as a result of the acquisition was approximately RMB642,000. SZ Heimt is principally engaged in the research, development, manufacture and sales of charging equipment for electric vehicles. SZ Heimt was acquired so as to expand of the charging equipment business for electric vehicles operations.

Consideration transferred

	RMB'000
Cash	1,734

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	RMB'000
Property , plant and equipment	528
Inventories	236
Trade and bills receivables	3,002
Prepayments, deposits and other receivables	1,936
Bank balances and cash	145
Trade and bills payables	(1,066)
Other payables and accruals	(2,640)
	2,141

The fair value of trade and bills receivables and prepayments, deposits and other receivables at the date of acquisition amounted to approximately RMB4,938,000. The gross contractual amounts of those trade and bills receivables and deposits and other receivables acquired amounted to approximately RMB4,938,000 at the date of acquisition. No estimated uncollectible contractual cash flows were expected at the acquisition date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

36. ACQUISITION OF A SUBSIDIARY (continued)

Goodwill arising on acquisition

	RMB'000
Consideration transferred	1,734
Plus: non-controlling interests (49% in SZ Heimt)	1,049
Less: net assets acquired	(2,141)
Goodwill arising on acquisition *(note 17)*	642

Goodwill arose in the acquisition of SZ Heimt because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of SZ Heimt. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

The non-controlling interests recognised at the acquisition date were measured at the non-controlling interests' proportionate share of the net identifiable assets of SZ Heimt.

None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

Net cash outflow arising on acquisition of SZ Heimt

	RMB'000
Cash consideration paid	1,734
Less: Cash and cash equivalents acquired	(145)
	1,589

Included in the loss for the year ended 31 December 2014 is approximately profit of RMB143,000 attributable to the additional business generated by SZ Heimt. Revenue for the year ended 31 December 2014 includes approximately RMB2,380,000 generated from SZ Heimt.

Had the acquisition of SZ Heimt been completed on 1 January 2014, total revenue of the Group for the year would have been approximately RMB179,609,000, and loss for the year would have been approximately RMB45,656,000. The pro-forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2014, nor is it intended to be a projection of future results.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

37. DISPOSAL OF A SUBSIDIARY

On 7 December 2012, the Group entered into an agreement to dispose of its entire 90.04% equity interest in Jiangyin Titans High Voltage Electric Co., Ltd.* 江陰泰坦高壓電氣有限公司 ("Jiangyin Titans") to independent third parties. The completion of the disposal took place in January 2013, upon which Jiangyin Titans ceased to be a subsidiary of the Group for the year ended 31 December 2013.

	RMB'000
Consideration received:	
Cash	21,573

	2013 RMB'000
Analysis of assets and liabilities over which control was lost:	
Property, plant and equipment	210
Prepaid lease payments	12,814
Inventories	2,243
Trade and bills receivables	5,366
Prepayments, deposits and other receivables	702
Bank balances and cash	3,403
Trade payables	(264)
Accruals and other payables	(5,292)
Net assets disposed of	19,182
Gain on disposal of a subsidiary:	
Consideration received	21,573
Net assets disposed of	(19,182)
Non-controlling interests	2,055
Gain on disposal of a subsidiary *(note 7)*	4,446
Net cash inflow arising on disposal:	
Cash consideration received	21,573
Less: Bank balances and cash disposed of	(3,403)
	18,170

No disposal of any subsidiary of the Group has been made during the year 2014.

* *English name is for identification purpose only*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

38. OPERATING LEASE COMMITMENTS

The Group as a lessee

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

	2014 **RMB'000**	2013 RMB'000
Within one year	**2,448**	987
In the second to fifth year inclusive	**829**	546
	3,277	1,533

Operating lease payments represent rentals payable by the Group for certain of its offices and workshops. Leases are negotiated for an average of two (2013: two) years and rentals are fixed for one (2013: one) year for the year ended 31 December 2014.

The Group as a lessor

Property rental income earned during the year was RMB46,000 (2013: RMB22,000). All of the properties held have committed tenants for the next four years.

At the end of the reporting period, the Group has contracted with tenants for the following future minimum lease payments:

	2014 **RMB'000**	2013 RMB'000
Within one year	**81**	46
In the second to fifth year inclusive	**89**	105
	170	151

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

39. CAPITAL COMMITMENTS

	2014 RMB'000	2013 RMB'000
Capital expenditures contracted for but not provided in the consolidated financial statements in respect of:		
– Acquisition of property, plant and equipment	**1,305**	8,572
– Acquisition of an associate	**9,914**	–
	11,219	8,572
Capital expenditures authorised but not contracted for in respect of :		
– Acquisition of property, plant and equipment	**31,300**	911
– Acquisition of a subsidiary	**5,100**	–
– Acquisition of available-for-sale financial assets	**50,000**	–
	86,400	911

40. RETIREMENT BENEFITS SCHEMES

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme"), which was registered under the Mandatory Provident Fund Scheme Ordinance (the "MPF Ordinance"), for all its employees in Hong Kong. The scheme is a defined contribution scheme effective from December 2000 and is funded by contributions from employer and employees according to the provisions of the MPF Ordinance. The Group contributes 5% of relevant payroll costs, capped at HK$1,500 (HK$1,250 prior to June 2014) per month, to the MPF Scheme, in which the contribution is matched by employees. The employer's contributions vested fully with the employees when contributed into the scheme. The only obligation of the Group with respect to the scheme is to make the specified contributions.

The employees of the PRC subsidiaries are members of the state-managed retirement benefits schemes (the "Schemes") operated by the PRC government. The PRC subsidiaries are required to contribute 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 are set in notes 11, 12 and 13 respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

41. SHARE-BASED PAYMENTS

Pre-IPO Share Option Scheme

Pursuant to a written resolution approved by the Company's shareholders on 8 May 2010, the Company has adopted the Pre-IPO Share Option Scheme. Certain executive directors, senior managerial staff and employees of the Group were granted options to recognise their contribution to the Group. Under the Pre-IPO Share Option Scheme, 53 participants (the "Grantees") have been conditionally granted options by the Company. The exercise of the options would entitle the Grantees to purchase aggregate of 23,920,000 shares of the Company immediately following completion of the placing and public offer and the capitalisation issue at 50% of the final offer price. The options are exercisable by installments twelve months after 28 May 2010, the date on which the shares of the Company were listed on the Stock Exchange, (the "Listing Date") and up to 5 years since the Listing Date.

The Group will receive HK$1 for each grant under the Pre-IPO Share Option Scheme.

Share Option Scheme

Pursuant to a written resolution passed by the shareholders of the Company on 8 May 2010, the Company has adopted the Share Option Scheme for a period of 10 years commencing on 8 May 2010, the Board of the Company may, at its discretion, grant share options to any individual being an employee, officer, agent, consultant or representative of any member of the Group (including any executive or non-executive director of any member of the Group) at a consideration of HK$1 on acceptance of the option offer. The subscription of shares in the Company is subject to the terms and conditions as stipulated in the Share Option Scheme. 19,430,000 share options were first granted during the year ended 31 December 2011.

The limit on the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme, together with all outstanding options granted and yet to be exercised under the Pre-IPO Share Option Scheme, must not exceed 30% of the number of the issued shares from time to time.

No share options were granted during the years ended 31 December 2014 and 2013.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

41. SHARE-BASED PAYMENTS (continued)

Share Option Scheme (continued)

Details of the share options granted under the Pre-IPO Share Option Scheme were as follows:

Date of grant	Vesting proportion	Vesting period	Exercisable period	Exercise price HK$	Fair value at grant date HK$
8 May 2010	25%	28.5.2010–27.5.2011	28.5.2011–27.5.2012	0.59	0.61
	25%	28.5.2011–27.5.2012	28.5.2012–27.5.2013	0.59	0.65
	25%	28.5.2012–27.5.2013	28.5.2013–27.5.2014	0.59	0.68
	25%	28.5.2013–27.5.2014	28.5.2014–27.5.2015	0.59	0.69

Detail of the share options granted under the Share Option Scheme were as follows:

Date of grant	Vesting proportion	Vesting period	Exercisable period	Exercise price HK$	Fair value at grant date HK$
17 February 2011	33%	17.2.2011–16.2.2012	17.2.2012–16.2.2013	1.10	0.29
	33%	17.2.2012–16.2.2013	17.2.2013–16.2.2014	1.10	0.39
	33%	17.2.2013–16.2.2014	17.2.2014–16.2.2015	1.10	0.46

The Company has share option schemes for directors and eligible employees. Details of the share options outstanding during the year are as follows:

	2014 Weighted average exercise price HK$	**2014** Number of share options ('000)	2013 Weighted average exercise price HK$	2013 Number of share options ('000)
Outstanding at 1 January	**0.85**	**23,033**	0.85	35,480
Exercised during the year	**0.60**	**(9,540)**	–	–
Lapsed during the year	**1.10**	**(5,946)**	0.86	(11,667)
Forfeited during the year	**0.85**	**(410)**	0.79	(780)
Outstanding at 31 December	**0.99**	**7,137**	0.85	23,033
Exercisable at 31 December	**0.99**	**7,137**	0.85	10,577

The Group recognised the total expense of RMB406,000 (2013: RMB2,112,000) for the year ended 31 December 2014 in relation to share options granted by the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

41. SHARE-BASED PAYMENTS (continued)

Share Option Scheme (continued)

Share options were granted on 8 May 2010 and 17 February 2011. The aggregate fair values of the shares options determined at the dates using the Binomial model were approximately HK$15,741,000 and HK$7,365,000 (equivalent to approximately RBM13,760,000 and RMB6,178,000) respectively, based on the valuation report issued by an independence valuer, Avista Valuation Advisory Limited.

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

	Share options granted on 8 May 2010	**Share options granted on 17 February 2011**
Grant date share price (HK$)	1.05–1.2	1.06–1.12
Exercise price (HK$)	0.59	1.10
Expected life (years)	2.058 – 5.0258	4
Expected volatility	54.59% – 57.84%	46.50% – 52.70%
Dividend yield	1.17%	0%
Risk-free interest rate	0.58% – 1.82%	0.72% – 1.63%

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

42. RELATED PARTY TRANSACTIONS

During the year, the Group entered into the following transactions with related parties:

(a) Income received

	2014 **RMB'000**	2013 RMB'000
Sales to associates *(note)*	**2,706**	3,581

Note: Sales of charging equipment for electric vehicles to Beijing Hua Shang and Zhuhai New Power for the years ended 31 December 2014 and 2013 on terms mutually agreed with the parties, which were reference to prevailing market prices under the sales agreement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

42. RELATED PARTY TRANSACTIONS (continued)

(b) Compensation to key management personnel

The remuneration of directors of the Company and other members of key management during the year was as follows:

	2014 RMB'000	2013 RMB'000
Short-term benefits	**1,212**	1,224
Share-based payments	**22**	272
Post-employment benefits	**30**	30
	1,264	1,526

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

At 31 December 2014 and 2013, certain banking facilities of the Group were guaranteed by Mr. Li Xin Qing and Mr. An Wei, directors of the Company:

	2014 RMB'000	2013 RMB'000
To the extent of	**240,000**	210,000

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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

	2014	2013
	RMB'000	RMB'000
Non-current asset		
Investment in a subsidiary	**1**	1
Current assets		
Dividend receivable	**–**	25,665
Amount due from a subsidiary *(note a)*	**228,171**	200,378
Bank balances and cash	**108**	108
	228,279	226,151
Current liability		
Accruals and other payable	**663**	758
Net current assets	**227,616**	225,393
	227,617	225,394
Capital and reserves		
Share capital *(note 30)*	**7,387**	7,311
Reserves *(note b)*	**220,230**	218,083
	227,617	225,394

Notes:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

43. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Notes: (continued)

(b) Reserves

	Share premium RMB'000	Share option reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2013	232,139	13,414	(25,145)	220,408
Loss and total comprehensive expense for the year	–	–	(4,437)	(4,437)
Recognition of share-based payment *(note 41)*	–	2,112	–	2,112
Lapse of share options	–	(4,339)	4,339	–
Forfeiture of share options	–	(323)	323	–
At 31 December 2013	232,139	10,864	(24,920)	218,083
Loss and total comprehensive expense for the year	–	–	(2,691)	(2,691)
Exercise of share options	10,859	(6,427)	–	4,432
Recognition of share-based payment *(note 41)*	–	406	–	406
Lapse of share options	–	(1,841)	1,841	–
Forfeiture of share options	–	(168)	168	–
At 31 December 2014	242,998	2,834	(25,602)	220,230

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

44. 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 incorporation/ establishment and operation	Class of shares held	Issued and fully paid share capital/ registered capital 2014	2013	Percentage of equity interest and voting power attributable to the Company 2014 Direct	2014 Indirect	2013 Direct	2013 Indirect	Principal activities
Zhuhai Titans Power Electronics Co., Ltd.* 珠海泰坦電力電子集團有限公司	The PRC	Contributed	**RMB232,000,000**	RMB232,000,000	**–**	**100%**	–	100%	Research, development, manufacture and sales of wind and solar power generation balancing control products, charging equipment for electrical vehicles and power grid monitoring and management products
Anhui Titans Liancheng Energy Technology Co., Ltd. * 安徽泰坦聯成能源技術有限公司	The PRC	Contributed	**RMB30,000,000**	RMB30,000,000	**–**	**100%**	–	100%	Research, development, manufacture and sales of electrical direct current products
Henan Hongzheng Electric Technology Co., Ltd.* 河南弘正電氣科技有限公司	The PRC	Contributed	**RMB30,000,000**	RMB30,000,000	**–**	**100%**	–	100%	Research, development, manufacture and sales of electrical DC products
Zhuhai Titans New Energy Systems Co., Ltd.* 珠海泰坦新能源系統有限公司	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 Titans Technology Co., Ltd.* 珠海泰坦科技股份有限公司	The PRC	Contributed	**RMB200,000,000**	RMB200,000,000	**–**	**100%**	–	100%	Research, development, manufacture and sales of electrical direct current products

* *English name is for identification purpose only*

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

44. PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

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**	**2014**	2013
Sales of Charging Equipment of electric vehicles	PRC	**1**	–
	Hong Kong	**2**	2
Investment holding	BVI	**1**	1
Inactive	PRC	**2**	–
		6	3

None of the subsidiaries had issued any debt securities subsisting at the end of both years or at any time during both years.

45. EVENTS AFTER THE REPORTING PERIOD

Subsequent to 31 December 2014, the Group has established a non-wholly owned subsidiary, with Zhuhai Urban Construction Smart Technology Co., Ltd ("Zhuhai Urban Construction"), an independent third party, with the capital contribution of RMB5,100,000. 51% equity interest is held by the Group after the formation of the subsidiary. The cooperation agreement for the formation of the non-wholly owned subsidiary has been signed between the Group and Zhuhai Urban Construction on 13 March 2015. RMB5,100,000 has been included in the capital commitments as disclosed in note 39. Details are set out in the Company's circular dated 13 March 2015.

46. COMPARATIVE FIGURES

As a result of the retrospective adjustment of the discontinued operation, certain comparative figures have been adjusted to conform to current year's presentation and to provide comparative amounts in respect of items disclosed in 2014.