TITANS

# ANNUAL REPORT 2017

*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<br>Mr. Li Xin Qing *(Chairman)*<br>Mr. An Wei *(Chief Executive Officer)*<br><br>Independent non-executive Directors<br>Mr. Li Wan Jun<br>Mr. Zhang Bo<br>Mr. Pang Zhan |
| Audit Committee | Mr. Li Wan Jun *(Committee Chairman)*<br>Mr. Zhang Bo<br>Mr. Pang Zhan |
| Remuneration Committee | Mr. Zhang Bo *(Committee Chairman)*<br>Mr. Li Wan Jun<br>Mr. Pang Zhan |
| Nomination Committee | Mr. Li Xin Qing *(Committee Chairman)*<br>Mr. Zhang Bo<br>Mr. Pang Zhan |
| Authorised Representatives | Mr. Li Xin Qing<br>Ms. Ko Nga Kit *(Appointed on 28 February 2018)* |
| Company Secretary | Ms. Ko Nga Kit *(Appointed on 28 February 2018)* |
| Auditor | SHINEWING (HK) CPA Limited |
| Registered Office | Cricket Square<br>Hutchins Drive<br>P.O. Box 2681<br>Grand Cayman KY1-1111<br>Cayman Islands |

# CORPORATE INFORMATION

| | |
|---|---|
| Principal Place of Business and Address of Headquarters in the PRC | Titans Science and Technology Park<br>No. 60 Shihua Road West<br>Zhuhai<br>Guangdong Province<br>The People's Republic of China |
| Principal Place of Business in Hong Kong | 18/F, Tesbury Centre<br>28 Queen's Road East<br>Wanchai<br>Hong Kong |
| Principal Share Registrar and Transfer Office | SMP Partners (Cayman) Limited<br>Royal Bank House<br>3rd Floor<br>24 Shedden Road<br>P.O. Box 1586<br>Grand Cayman KY1-1110<br>Cayman Islands |
| Hong Kong Branch Share Registrar and Transfer Office | Computershare Hong Kong Investor Services Limited<br>Shops 1712-1716, 17th Floor<br>Hopewell Centre<br>183 Queen's Road East<br>Wanchai<br>Hong Kong |
| Legal Adviser | *As to Hong Kong law:*<br>P. C. Woo & Co.<br>12th Floor, Prince's Building<br>10 Chater Road<br>Central<br>Hong Kong |
| Principal Banker | Bank of Communications<br>Zhuhai Jida Sub-branch<br>1/F, Zhong Dian Tech Building<br>Jida Jiuzhou Road<br>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 | **2017**<br>**RMB'000** | 2016<br>RMB'000 | 2015<br>RMB'000 | 2014<br>RMB'000 | 2013<br>RMB'000 |
|---|---|---|---|---|---|
| Revenue | **327,861** | 289,298 | 195,902 | 178,517 | 175,933* |
| Gross profit | **113,147** | 94,675 | 71,785 | 60,090 | 48,036* |
| Profit (Loss) for the year attributable to owners of the Company | **163,706** | 7,279 | (26,061) | (43,831) | (33,811) |
| Total comprehensive income (expense) for the year attributable to owners of the Company | **54,626** | 109,409 | (25,205) | (43,621) | (33,136) |
| Earnings (Loss) per share | | | | | |
| Basic | **RMB0.177** | RMB0.008 | RMB(0.030) | RMB(0.052) | RMB(0.041) |
| Diluted | **RMB0.165** | RMB0.008 | RMB(0.030) | RMB(0.052) | RMB(0.041) |

* From continuing operations

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR THE PAST FIVE YEARS

| As at 31 December | **2017**<br>**RMB'000** | 2016<br>RMB'000 | 2015<br>RMB'000 | 2014<br>RMB'000 | 2013<br>RMB'000 |
|---|---|---|---|---|---|
| Total assets | **1,061,898** | 966,908 | 731,576 | 618,402 | 666,922 |
| Non-current assets | **285,679** | 109,562 | 57,038 | 75,333 | 103,311 |
| Current assets | **776,219** | 857,346 | 674,538 | 543,069 | 563,611 |
| Total liabilities | **404,463** | 381,866 | 253,789 | 206,865 | 218,537 |
| Current liabilities | **382,409** | 263,517 | 244,470 | 197,609 | 209,155 |
| Net current assets | **393,810** | 593,829 | 430,068 | 345,460 | 354,456 |
| Net assets | **657,435** | 585,042 | 477,787 | 411,537 | 448,385 |

# FINANCIAL HIGHLIGHTS

## FINANCIAL INDICATORS FOR THE PAST FIVE YEARS

| For the year ended 31 December | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|
| Inventory turnover (1) (days) | **148** | 176 | 228 | 203 | 164 |
| Trade and bills receivables turnover (2) (days) | **267** | 302 | 483 | 477 | 500 |
| Trade and bills payables turnover (3) (days) | **120** | 122 | 208 | 201 | 208 |
| Current ratio (4) (times) | **2.03** | 3.25 | 2.76 | 2.75 | 2.69 |
| Gearing ratio (5) (%) | **20.90** | 23.30 | 17.32 | 15.36 | 14.92 |
| Return on equity (6) (%) | **25.96** | 1.26 | (5.58) | (10.70) | (7.54) |

*Notes:*

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

(2) Trade and bills receivables turnover equals the average of trade and bills receivables at the beginning and the ending of the year divided by revenue and 1+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 sum of bank and other borrowings and convertible notes divided by total assets, and multiplied by 100%.

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

# CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of China Titans Energy Technology Group Co., Limited (中國泰坦能源技術集團有限公司*) (the "Company") and its subsidiaries (collectively the "Group"), I hereby present the annual report for 2017 of the Group.

According to the statistics from the PRC's Ministry of Industry and Information Technology, in 2017, the production and sales of new energy vehicles ("NEV") in the PRC were 794,000 units and 777,000 units, representing a year-on-year growth of 53.8% and 53.3%, respectively. Among them, the production and sales of pure electric vehicles were 667,000 units and 652,000 units, representing a year-on-year growth of 59.8% and 59.6%, respectively with car ownership of nearly 1.5 million units. According to the statistics from the PRC's Electric Vehicle Charging Infrastructure Alliance, as of the end of 2017, the number of public charging piles in China reached approximately 214,000. China has become the country with the largest number of electric vehicles and public charging piles completed and put into operation globally.

Struggling forward with our initial vision in mind. In 2017, seizing the opportunities from the continual rapid development of the NEV industry in China, the Group continued to follow its established dual-drive strategy of "Manufacturing + Operation" and implement the operating strategy of "rhythm mastering, risk controlling and efficiency focusing". In light of the expanding market demands and intensifying competitions, our equipment supply and investment operation business achieved new breakthrough. During the reporting period, sales of the charging equipment for electric vehicles amounted to RMB211,521,000, representing a year-on-year increase of 21.20%; the revenue from charging services fees amounted to approximately RMB10,414,000, representing a year-on-year growth of over 3 times. For the energy storage business, while researching and developing new lithium-sulfur batteries, the Group commenced the R&D of new energy storage and heating products and the promotion of new business leveraging on the peak-to-valley difference of power supply in the market. Meanwhile, in order to secure leading position in the huge power storage market and achieve development breakthroughs, the Group invested in Aquion aqueous energy storage battery during the reporting period and planned to introduce the same to China in 2018, laying a solid foundation for our future operations.

In 2017, facing the rapid growth in demands for AGV (Automated Guided Vehicles) charging and services brought about by the industrial automation and logistic and storage automation, the Group invested and controlled Titans Intelligent Power Co., Ltd* (泰坦智能動力有限公司). The new business delivers great synergies and complementarity with the Group's electric vehicle charging and services business, which further broadened the Group's similar businesses and achieved outdoor-to-indoor coverage of the Group's vehicle charging and services business. The Directors believe that this business shall become a new business growth driver in the coming 3 to 5 years.

* *For identification purpose only*

# CHAIRMAN'S STATEMENT

The Group has always respected and adhered to power and electrons technology. We have upheld the mission of "making electricity more valuable" and have been working hard for the business development in relation to green energy, energy saving and energy storage. In 2018, the Group will continue to seize market opportunities and keep abreast of technological updates, promoting the rapid and sound development of electric vehicle charging industry as the industry pioneer and leader. Meanwhile, we foresee that power storage technology is the strong protection to facilitate the achievement of new energy free grid connection, smart grid and energy integration. Accordingly, the Group will scale up the investment in power storage technology and expedite the R&D and production of underlying products so as to enable the Group to be well positioned for the future development.

For the Group, 2018 is a year full of opportunities and hope yet pressure and challenges. All of us will adhere to the quality of Titans staff, namely conscience, responsibility, entrepreneurial spirit, harmony and shared mission, to work together as a team for the ultimate goal. As the old saying goes, "a nine-storied terrace must be built upon its lowly base"; "when he planned the commencement of the marvelous tower, he planned it, and defined it". Being realistic and pragmatic, the Group will progressively operate and struggle in a bid to accomplish goals with strenuous efforts.

On behalf of the Board, I would like to take this opportunity to sincerely thank all our shareholders, partners, customers and colleagues for their trust and support to the Group. Looking forward, we truly hope to work together with all of you.

**Li Xin Qing**
*Chairman*

Hong Kong, 27 March 2018

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

For the year ended 31 December 2017, the Group recorded revenue of approximately RMB327,861,000, representing an increase of approximately 13.33% over that of last year. Revenue was mainly derived from the Group's principal businesses including various products such as direct current power system products (the "DC Power System products" or "electrical DC products"), charging equipment for electric vehicles, construction under build-operate-transfer ("BOT") arrangements and charging services for electric vehicles. The table below shows the revenue of different series of products of the Group for the years ended 31 December 2016 and 2017:

| | **For the year ended 31 December** | | | |
|---|---|---|---|---|
| | **2017** | | 2016 | |
| | **RMB'000** | **%** | RMB'000 | % |
| Electrical DC products | **97,065** | **29.61** | 83,282 | 28.79 |
| Charging equipment for electric vehicles | **211,521** | **64.51** | 174,523 | 60.32 |
| Construction under BOT arrangements | **6,835** | **2.08** | 26,692 | 9.23 |
| Charging services for electric vehicles | **10,414** | **3.18** | 2,552 | 0.88 |
| Others | **2,026** | **0.62** | 2,249 | 0.78 |
| Total | **327,861** | **100** | 289,298 | 100 |

In 2017, the Group recorded the profit attributable to owners of the Company and total comprehensive income attributable to owners of the Company of approximately RMB163,706,000 and RMB54,626,000, respectively, representing an increase of approximately RMB156,427,000 and a decrease of approximately RMB54,783,000 over the profit of approximately RMB7,279,000 and RMB109,409,000 of the corresponding period last year.

Compared with 2016, the Group's profit significantly increased, mainly due to: (1) the increase in revenue of key products compared with last year; (2) the significant increase in revenue from charging services for electric vehicles; and (3) the significant increase in gain on disposal of available-for-sale financial asset classified as held for sale during the year.

### Electrical DC products

During the reporting period, the Group's revenue of the electrical DC products was approximately RMB97,065,000, representing an increase of approximately 16.55% over 2016. The Directors consider that the increase in revenue during the period was mainly attributed to a relatively rapid growth in small power systems, a new product launched by the Company for the automated distribution network market. The Directors consider that despite the mature electrical products market, the market will be further consolidated and record a steady growth with the expansion of automated distribution networks.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Charging equipment for electric vehicles

During the reporting period, the Group's revenue of the charging equipment for electric vehicles amounted to approximately RMB211,521,000, representing an increase of approximately 21.20% over 2016. The Directors consider that the growth of revenue during the period was in line with our expectations. Driven by the national policy of vigorously promoting new energy vehicles, there will be a growing demand for charging equipment for electric vehicles in the market. The Group will continue to step up efforts in the R&D and production of charging equipment for electric vehicles to further expand its market share.

## Construction under BOT arrangements

During the reporting period, the Group has undertaken an additional construction project of BOT charging stations in Guangdong Province in the PRC, and has recorded revenue of approximately RMB6,835,000 from construction under BOT arrangements during the period, representing a year-on-year decrease of approximately RMB19,857,000 from approximately RMB26,692,000. The decline in revenue from the construction under BOT arrangements was mainly attributed to the fact that this type of business was a newly added business and accordingly the Group pursued the prudency investment principle in selection of projects. The Directors believe that the market of charging station network construction is huge. The Group will continue to accumulate experience in investment and seek the appropriate profit-making models for the long-term development of the Group based on its strengths. Coupling this with the efforts in the R&D and production of charging equipment, the Group will be well poised to enter the relevant segment and make the best of various advantages and resources to scale up construction, so as to deliver greater economic benefit for the Group and expand its market share.

## Charging services for electric vehicles

During the reporting period, the Group recorded revenue from charging services fees for electric vehicles of approximately RMB10,414,000 (2016: RMB2,552,000). The Directors are of the view that the charging services fees for electric vehicles had a significant growth of 3.08 times during the period, which met the expectation of the Group that the launch of our "Dual Drive" development strategy will create benefits for the Group. The Group will continue to scale up the investment in the operation of charging infrastructure for electric vehicles, thus increasing the proportion of the revenue from charging services for electric vehicles in the total revenue.

## Others

During the reporting period, the Group's revenue of other business amounted to approximately RMB2,026,000 (2016: RMB2,249,000), being revenue from sales and lease business for electric vehicles, representing a decrease of approximately 9.92%.

Sales and lease business for electric vehicles is a related business arising from the Group's commencement of the charging services for electric vehicles. The revenue recorded a mild year-on-year decrease. The Directors consider that this business will gradually grow with the gradual expansion of the application of new-energy vehicles.

# MANAGEMENT DISCUSSION AND ANALYSIS

## The Group's major operating activities in 2017:

The preceding year 2017 was still a year of rapid growth for the new-energy vehicle industry. In China, the production and sales of electric vehicles were 794,000 units and 777,000 units, representing a year-on-year growth of 53.8% and 53.3%, respectively. Among them, the production and sales of pure electric vehicles were 667,000 units and 652,000 units, representing a year-on-year growth of 59.8% and 59.6%, respectively. The Chinese government aims to (1) strengthen top-level design by issuing policy documents including the "Medium and Long-term Development Plan for the Automobile Industry" (《汽車產業中長期發展規劃》) and the "Parallel Administrative Measures for Passenger Vehicle Corporate Average Fuel Consumption and New Energy Vehicle Credits" (《乘用車企業平均燃料消耗量與新能源汽車積分並行管理辦法》) so as to establish a long-term mechanism to facilitate the market-oriented development of energy-saving and new-energy vehicles; (2) promote the application of new-energy vehicles by continuously improving policies on financial and taxation supports and introducing "Surcharge for Purchase of New Energy Vehicles" (新能源汽車車輛購置稅) and "Subsequent Preferential Tax Treatment for Vehicles and Vessels" (車船稅優惠後續政策), promoting "oil to electricity" of vehicles in civil airports as well as accelerating various tasks such as the promotion of application of new-energy vehicles in transportation industry.

The Company's principal business is closely linked with the development of new-energy vehicles and its charging infrastructure. Coupling with the growth of new-energy vehicles, the charging infrastructure market emerges steadily. As new-energy vehicle is an emerging industry encouraged and strongly supported by the State, there is a growing number of new competitors entering into the market, leading to intensifying competitions.

During the reporting period, the Group recorded revenue of approximately RMB327,861,000, representing an increase of approximately 13.33% over that of the corresponding period last year. Profit attributable to owners of the Company amounted to approximately RMB163,706,000, an increase of approximately RMB156,427,000 as compared to that of the corresponding period of last year. The main operating updates in 2017 are as follows:

### I Equipment Research and Development, Manufacturing and Sales

*(1) Electrical DC products*

In terms of marketing, we changed the previous single agency model and strengthened the Company's direct sales and after-sales maintenance services, and achieved satisfactory results. In terms of product reserve, in the beginning of 2017, the Group predicted that ancillary small power system for distribution network (i.e. integrated cabinet below 100AH) will usher in rapid development in line with the massive construction of automated distribution network. Accordingly, the Group made early planning to procure relevant products for inventory replenishment, which later catered to the market demands in the second half of 2017. During the period, this segment recorded revenue of approximately RMB97,065,000, representing an increase of 16.55% over that of the corresponding period last year. The Group is convinced that the sales of electrical DC products will recognize stable and sustained growth in the next few years.

# MANAGEMENT DISCUSSION AND ANALYSIS

*(2) Charging equipment for electric vehicles*

Leveraging on its 12 years of extensive charging technology and abundant practical experience, the Group recorded revenue of approximately RMB211,521,000 from charging equipment for electric vehicles, representing a year-on-year increase of 21.20%. The Group is firmly optimistic about the future development of charging equipment products, and mainly carried out the following tasks in 2017:

1. In terms of market presence, the Group continued to consolidate existing markets and explore new markets with its leading technology, strong integrated service capability and good after-sales service support. During the reporting period, the Group won the contracts in the bidding of State Grid at a total amount of approximately RMB30.84 million, accounting for 3.14% of the total tender volume of State Grid. Meanwhile, leveraging on its brand and competitive strength, the Group was awarded various charging station projects, the constructions of which were led by local governments during the reporting period. These operating activities proved that the brand awareness and reputation of Titans in the charging equipment industry was recognized by the mainstream investment institutions in the society, laying a solid foundation for the Group's further rapid growth.

2. Proactive development of EPC (Engineering Procurement Construction) businesses

   As most of the investment projects in the market were currently undertaken by local investment institutions, this type of customers inclined to adopt EPC business model. In 2017, the Group actively conducted EPC businesses riding on our strong capability in one-stop system solution and integrated services. The development of this type of business will enhance the Group's operating results.

3. Acceleration of industry layout

   For early preparation, the Group acquired of 45% equity interest in Shandong Huidian New Energy Technology Co., Ltd* (山東匯電新能源科技有限公司) ("Shandong Huidian") in September 2017, a company which will serve as the Group's production base in the central and eastern regions of China, better reaching the demands for charging equipment in periphery areas.

4. Emerging advantages of new products and new systems

   The "Integrated Intelligent Charging Island" (一體化智能充電島) launched by the Group can dynamically adjust output current with the technologies of intelligent charging power distribution and flexible charging to facilitate charging at optimal current and voltage and accurately match with the charging demand of different kinds of electric vehicles. With the distribution of output power ranging from 30 to 400kw, the product can maximize the utilization rate of core charging equipment to achieve intelligent distribution, high efficiency and energy saving. The product supports a wide range of energy accesses such as photovoltaic and wind energy, and features with intelligent power scheduling and flexible charging by regulating gride power quality via energy storage units, which received praise from customers and became the most outstanding products during the reporting period.

# MANAGEMENT DISCUSSION AND ANALYSIS

5. Strengthening engineering maintenance services and fostering new profit growth drivers

   During the reporting period, the Group launched the Equipment Operation and Maintenance Platform (EOMP), which gained unanimous recognition of users and enhanced the Group's competitive edge in charging equipment products. The platform is equipped with functions of real-time monitoring over the charging pile based on Geographic Information System (GIS), by means of intelligent operation and maintenance monitor center, and such that it can perform monitoring over charging stations/piles through hierarchical visualization methods, intelligent alarming and diagnosis, remote upgrade of equipment, management of spare parts and spare devices, malfunction reporting, regular inspection, statistical analysis and comprehensive inquiry. The operation and maintenance platform combines the mobile operating system of charging station network construction and charging operation management platform, providing users with round-the-clock charging butler service.

6. Enhancing supply chain management and improving capability of delivery performance

   Since the actual delivery of intelligent charging equipment products involves a higher degree of personalized requirement or customization, the Group mainly adopts the production model of "limiting production to market capacity". During the reporting period, the Group focused on optimizing supply chain management, which shortened the product delivery cycle and enhanced the capability of delivery performance.

*(3) Charging equipment for industrial electric vehicles*

In July 2017, the Group acquired of 40% equity interest in Guangdong Titans Intelligent Power Co., Ltd* (廣東泰坦智能動力有限公司) ("Guangdong Titans") (formerly known as "Guangdong Shengneng Zhineng Technology Company Limited* (廣東盛能智能科技有限公司)") at a cash consideration of RMB2,000,000. Guangdong Titans is mainly engaged in the provision of high-efficient and stable charger with high power and background data service to industrial electric vehicle users of AGV (Automated Guided Vehicles), forklifts and warehousing logistics vehicles. With the equity investment, the Group can better expand its charging technology into different industries and optimize its product mix.

*(4) Photovoltaic energy storage equipment*

The Group's integrated photovoltaic energy system adopts three-tier structure. Through hierarchical monitoring, centralised management, alternating and parallel operation, instant switch, individual units and non-interruption, the Group has built its strength with safe, reliable and stable system as well as flexible networking. Recently, the system was used in two projects in Zhuhai, Guangdong, the PRC and Tampa, Florida, the United States. Meanwhile, the system can offer flexible ports for charging station access. Subsequently, the Group will launch the "Integrated Photovoltaics, Energy Storage and Charging" system for appropriate projects. With mature preparation for related technologies, the Group believes the "Integrated Photovoltaics, Energy Storage and Charging" system will become a competitive product in the future.

# MANAGEMENT DISCUSSION AND ANALYSIS

**II Investment, Construction and Operation**

*(1) Charging Infrastructure*

During the reporting period, the revenue from charging services fees increased by three times as compared to that of 2016, reaching over RMB10,000,000. This demonstrates that the strategy of "efficiency focusing, risk controlling and rhythm mastering" (重效益、控風險、把節奏) previously implemented by the Group for charging infrastructure construction has achieved positive results.

Proactively analysing and summarising the successful experience and inadequacy of its original Build-Operate-Transfer ("BOT") projects, the Group made new investments, by way of BOT, in the Bus Charging Station BOT Project in Foshan City, Guangdong Province during the reporting period. The charging station has been put into operation in the end of 2017 and started providing charging services for Foshan Yueyun public buses and Foshan public buses. The completion of the charging station has greatly facilitated the green public transportation in Foshan.

Since 2016, the Group has commenced its own investment operation of charging infrastructure for electric vehicles, and has now developed a standardised investment operation system. During the reporting period, the Group further improved "Regulation on the Development of Yilian Charging Project" (《驛聯充電項目建設規範》). The regulation mainly covers six aspects: project development budget, technological support and proposal design, process requirements regarding the engineering constructions of charging piles, standards for inspection of the engineering constructions of charging piles, file management requirements of charging pile engineering and manual of charging pile installation. By continuously improving our self-regulations, we have better secured the subsequent investment projects.

*(2) Car Sharing*

During the reporting period, the Group carried out a periodic-lease project in relation to electric vehicle sharing in Zhuhai City, Guangdong Province, namely "Safe Travel". At present, more than 10 vehicle sharing and leasing stations have been set up at the key traffic points such as hotels, supermarkets, governments, cultural and sports centres, ports and industrial areas. The project has not only promoted the development of local new energy vehicles, but also provided a liberal, economical and comfortable means of transportation for residents and travelers. Most importantly, it is conducive to environmental protection. The car sharing under "Safe Travel" has already become a mobile scene in the beautiful streets of Zhuhai.

## The Group's Business Focuses and Related Plans for 2018:

At the First Session of the Thirteenth National People's Congress held on 5 March 2018, Premier Li Keqiang stated in the Work Report of the Government: Promoting the development of new energy vehicles will be one of the five focused efforts for 2018. New energy vehicle forms an integral part of the manufacturing system as well as a power nation according to its generally symbolic reference. The "Dual Measures on the Administration of the Average Fuel Consumption of Passenger Vehicle Companies and New Energy Vehicle Credit Scheme " and the tax incentive policies on the purchase of new energy vehicles announced by the Ministry of Industry and Information Technology ("MIIT") have been extended for three more years to 2020. These signs demonstrate the irreversible development trend of new energy vehicle and the critical point of the automobile reform in China currently.

# MANAGEMENT DISCUSSION AND ANALYSIS

China remains as the country that has the globally highest sales and ownership of electric vehicles for three consecutive years. Charging infrastructure is the key driver of the development of new energy vehicle industry. Being firmly optimistic about the smart charging infrastructure business, the Group will continue to seize market opportunities and keep abreast of technological updates with the application of energy reserves, promoting the rapid and sound development of electric vehicle charging industry as the industry pioneer and leader. Specific tasks for 2018 are planned as follows:

## I. In terms of R&D, manufacture and sales

*(1) New technologies and new products*

The Group firmly believes that science and technology are the primary productivity, thus constantly maintaining a steady resource input for the R&D for new technologies and products. The principal research topics for 2018 comprise: (1) to improve high power charging equipment or charging equipment of voltage level of approximately 1,000V, to better fulfil the fast charging demands by different vehicle models; (2) to integrate the photovoltaics, energy storage and charging functions into the charging equipment; (3) to optimize and improve the integrated products of charging islands to launch the version 2.0 charging products; (4) to launch highly-protective DC integrated devices that better accommodate the users' needs under poor environmental conditions; and (5) to enhance the R&D for the technology of power quality monitoring and control to master various areas such as the core monitoring and control technology.

*(2) Control the costs and enhance cost-effectiveness*

Given the increasingly fierce market competition, the Group has to continue to put sufficient resources into the cost control of products apart from maintaining its leading position in certain key product-related technologies constantly. In 2018, the Group will provide products and services with high price-performance ratio so as to enhance the competitive edges of products. Aiming to curb the operating cost and control the operation risks of the Company, the Group will strengthen the safety management of inventory, establish and launch a standardized system for materials, and control the costs through various approaches such as more stringent management on suppliers, quality monitoring and control on production processes and reduction of scrap rate.

*(3) Value the markets and customers*

Pursuing the marketing concept of "Putting customers first", the Group focuses its efforts to explore markets and adopt the marketing mode integrating direct sales with agency sales. Being active at the frontlines and directly engaged with the end customers throughout the year, our personnel can provide feedback of customer needs to various internal units or departments swiftly and precisely, thus ensuring the aligned upgrade and development of the Company with the market. Meanwhile, the Group is able to provide various one-stop product solutions to customers leveraging the mutual benefits shared and synergy among various business segments, which increased our market competitiveness to better expand the market. In particular, the Group expects to continue to consolidate and thus increase the market share in State Grid and China Southern Power Grid respectively, so as to continue to develop the EPC business vigorously.

# MANAGEMENT DISCUSSION AND ANALYSIS

## II. In terms of investment, construction and operation

*(1) Concession rights*

At the beginning of 2018, Zhuhai Yilian New Energy Motor Co., Ltd.* (珠海驛聯新能源汽車有限公司) ("Zhuhai Yilian"), a subsidiary of the Group, was granted with the concession rights to the construction of the public charging infrastructure of electric vehicles in the urban area of Shaoguan, Guangdong Province with a term of 20 years (2018-2037). The concession rights form an integral part of the Group's strategic layout for investment operation. In the opinion of Directors, concession rights at city level will be our future development direction. The Group will proactively summarise experience, striving for obtaining concession rights to charging infrastructure in more cities.

*(2) Establishment of charging network*

Following Beijing, Baoding, Shaoguan, Changsha, Zhangjiakou, Guangzhou and Foshan, in January 2018, the Group invested in operators of charging infrastructure for electric vehicles in three cities, namely Weifang, Qingdao and Shijiazhuang, so as to enter into the charging infrastructure construction and operation industry in these market, which is beneficial for the Group's further expansion of its charging infrastructure network.

*(3) Periodic-lease APP*

The Group has released "Safe Travel Version 2.0", a periodic-lease APP. Based on the functions of version 1.0, the version 2.0 adds unique features, namely car booking, car model selection and service package. As such, users can make car bookings up to seven days in advance via the APP. This would further improve the convenience of the APP usage and enhance customer experience.

## III. In terms of basic coverage

*(1) Human resources and training*

In 2018, the Group's human resources plan will focus on, inter alia, value enhancement, organizational optimisation, goal realization, cadre recruitment and career path, in order to effectively improve the efficiency of human resources. In respect of trainings, major efforts will be put on enhancing "training relevance" and "training effectiveness". Specifically, the training will focus on enhancing the competence of cadres, the qualification level and skills of professional and technical personnel as well as on-job skills of operational personnel. For training channel and method, the models of "outdoor + indoor", "lecture + training", "theory + practice" and "sharing + discussion" will be adopted to closely link training with problem-solving, in order to ensure the timeliness of training and the relevance to jobs.

# MANAGEMENT DISCUSSION AND ANALYSIS

(2) *New R&D and manufacturing base*

The Group's new R&D and manufacturing base will be completed and put into operation in 2018. Currently, the Group's R&D office is approximately 40 kilometers away from the production and manufacturing premise. Upon the new base is put into operation, the R&D office will be combined with the production and manufacturing premise, which shall effectively improve the management efficiency and enhance the corporate value. The new R&D and manufacturing base also employs green building model of "photovoltaic + energy storage + charging", which better demonstrates the exemplary role of new energy companies.

(3) *Capital operation to provide financial protection for business development*

Based on the market condition and the actual needs for the strategic development of our own business, we will make use of the capital market platform when appropriate to optimize the capital structure, with an aim to promote the sustainable development of the Company.

The Group has always respected and adhered to power and electrons technology. We have upheld the mission of "making electricity more valuable" and have been working hard for the business development in relation to green energy, energy saving and energy storage. In 2018, the Group will continue to expand electricity uses, improve energy applications, widen energy sources and optimize power quality, thereby creating a new era.

## FINANCIAL REVIEW

### Revenue

Our revenue increased from RMB289,298,000 for the year ended 31 December 2016 to RMB327,861,000 for the year ended 31 December 2017, representing an increase of approximately 13.33%. The increase in revenue of the Group was mainly due to the fact that driven by the national new energy policy during the period, the revenue of electrical DC products and charging equipment for electric vehicles, both being the Group's key products, and the revenue from charging services for electric vehicles recorded varying degrees of growth, among which revenue of charging equipment for electric vehicles increased by 21.20% and charging services fees for electric vehicles significantly increased by 3.08 times.

### Cost of sales

Our cost of sales, which mainly included raw material costs, direct labour costs and manufacturing expenses, increased by approximately 10.32% from RMB194,623,000 for the year ended 31 December 2016 to RMB214,714,000 for the year ended 31 December 2017. The increase in cost of sales was main attributable to the increase in revenue and labor costs during the period.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Gross Profit

The table below sets out our gross profit and gross profit margin for the years ended 31 December 2016 and 2017:

| | **For the year ended 31 December 2017** | | | For the year ended 31 December 2016 | | |
|---|---|---|---|---|---|---|
| | **Gross Profit** | **Percentage of total gross profit** | **Gross profit margin** | Gross Profit | Percentage of total gross profit | Gross profit margin |
| | **RMB'000** | **%** | **%** | RMB'000 | % | % |
| Electrical DC products | **22,665** | **20.03** | **23.35** | 19,885 | 21.00 | 23.88 |
| Charging equipment for electric vehicles | **83,202** | **73.54** | **39.34** | 64,169 | 67.78 | 36.77 |
| Construction under BOT arrangements | **1,919** | **1.70** | **28.07** | 9,338 | 9.86 | 34.98 |
| Charging services for electric vehicles | **4,786** | **4.23** | **45.96** | 677 | 0.72 | 26.53 |
| Others | **575** | **0.50** | **28.38** | 606 | 0.64 | 26.95 |
| Total/average | **113,147** | **100** | **34.51** | 94,675 | 100 | 32.73 |

Our gross profit increased by approximately 19.51% from RMB94,675,000 for the year ended 31 December 2016 to RMB113,147,000 for the year ended 31 December 2017. Our gross profit margin increased from approximately 32.73% for the year ended 31 December 2016 to approximately 34.51% for the year ended 31 December 2017. The slight increase in gross profit margin as compared to that of the corresponding period of last year was primarily due to the increase in sales of charging equipment for electric vehicles with higher gross profit margin during the period.

## Other revenue and income

Our other revenue, which mainly included VAT refunds, government grants and bank interest income, increased by approximately 48.14% from RMB13,514,000 for the year ended 31 December 2016 to RMB20,019,000 for the year ended 31 December 2017.

The increase in other revenue of the Group was attributable to the combined effect of, amongst others, the increase in VAT tax refunds of approximately RMB2,401,000 and the increase in government grants of approximately RMB3,767,000 during the year.

## Selling and distribution expenses

Our selling and distribution expenses, which mainly comprised the relevant expenses in sales and after-sales services, salaries of sales personnel, benefits and travelling expenses, and office expenses, entertainment expenses and other expenses, decreased by approximately 6.9% from RMB52,027,000 for the year ended 31 December 2016 to RMB48,438,000 for the year ended 31 December 2017. Our selling and distribution expenses as a percentage of revenue decreased from approximately 17.98% for the year ended 31 December 2016 to approximately 14.77% for the year ended 31 December 2017. The decrease in the Group's selling and distribution expenses was mainly due to the following integrated factors during the reporting period.

# MANAGEMENT DISCUSSION AND ANALYSIS

The decrease in selling and distribution expenses were mainly due to (1) expenses such as the sales-related remuneration and benefits increased by approximately RMB4,153,000; (2) sales-related fees such as travelling and entertainment expenses increased by approximately RMB575,000; (3) sales-related expenses such as installation and testing and depreciation increased by approximately RMB340,000; (4) sales-related expenses such as transportation, office, advertising and tendering service fee decreased by approximately RMB7,783,000; (5) sales-related expenses such as amortisation and other miscellaneous expenses decreased by approximately RMB874,000.

## Administrative and other expenses

Our administrative and other expenses, which mainly comprised, inter alia, management and back office staff costs, research and development expenses, travelling expenses and entertainment expenses, and foreign exchange gain and loss etc., increased by approximately 5.47% from RMB62,363,000 for the year ended 31 December 2016 to RMB65,773,000 for the year ended 31 December 2017. Our administrative and other expenses as a percentage of revenue decreased from approximately 21.56% for the year ended 31 December 2016 to approximately 20.06% for the year ended 31 December 2017. The increase of approximately RMB3,410,000 in our administrative and other expenses during the reporting period was mainly due to the following integrated factors:

(1) salaries and staff welfare relating to management increased by approximately RMB3,374,000; (2) bank charges and payment to lawyers and professional individuals increased by approximately RMB248,000; (3) expenses including entertainment, rental, transportation and utilities increased by approximately RMB523,000; (4) research and development cost and amortisation of intangible assets increased by approximately RMB3,491,000; (5) travelling and office fee relating to management, maintenance and subscription fee decreased by approximately RMB2,572,000; (6) depreciation and other miscellaneous expenses decreased by approximately RMB1,753,000; (7) foreign exchange loss increased by approximately RMB99,000 as a result of the difference between the exchange rate on 31 December 2017 for the convertible notes issued on 29 February 2016 with a principal amount of HK$100,000,000, which were converted into RMB with the then exchange rate.

## Allowance for Impairment loss recognised in respect of trade receivables

For the year ended 31 December 2017, individually impaired trade receivables of approximately, RMB7,294,000 (2016: RMB17,854,000) was included in provision for trade receivables. The decrease in allowance for impairment loss of trade receivables of approximately RMB10,560,000 was mainly due to the effectiveness of the establishment of the trade receivables collection department.

## Share of results of associates

As at 31 December 2017, the Group owned 35% (as at 31 December 2016: 35%) equity interest in Beijing Pangda Yilian New-energy Technology Co., Limited* (北京龐大驛聯新能源科技有限公司) ("Pangda Yilian"). Pangda Yilian was accounted for as the Group's associate, and the Group's share of loss from Pangda Yilian for the reporting period was approximately RMB3,050,000.

As at 31 December 2017, the Group owned 20% (as at 31 December 2016: 20%) equity in Beijing Aimeisen Information Technology Co., Ltd* (北京埃梅森資訊技術有限公司) ("Beijing Aimeisen"), which principally engaged in the construction of charging equipment network for electric vehicles business. Beijing Aimeisen was accounted for as the Group's associate, and the Group's share of loss from Beijing Aimeisen for the year ended 31 December 2017 was approximately RMB23,000.

# MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 December 2017, the Group indirectly held 26.4% (as at 31 December 2016: 26.4%) equity interest in Changsha Xiandao Technology Development Co., Ltd.* (長沙先導快線科技發展有限公司) ("Changsha Xiandao"), which is principally engaged in the sale of electric vehicles as well as the construction and operation of charging facilities. Changsha Xiandao was accounted for as the Group's associate, and the Group's share of loss from Changsha Xiandao for the year ended 31 December 2017 was approximately RMB1,611,000.

As at 31 December 2017, the group indirectly held 49% (as at 31 December 2016: 49%) equity interest in Qingdao Jiaoyun Titans New Energy Vehicles Leasing Service Co., Ltd.* (青島交運泰坦新能源汽車服務有限公司) ("Qingdao Jiaoyun"), which is principally engaged in the construction of charging equipment network for electric vehicles business. Qingdao Jiaoyun was accounted for as the Group's associate, and the Group's share of loss from Qingdao Jiaoyun during the reporting period was approximately RMB58,000.

## Disposal of available-for-sale financial assets

As of 31 December 2017, the Group owned nil (as at 31 December 2016: 10%) equity interest in Zhuhai Titans New Power Electronics Company Limited* (珠海泰坦新動力電子有限公司) ("Titans New Power"). On 5 January 2017, the Group entered into a sale and purchase agreement with Wuxi Lead Intelligent Equipment Co., Ltd* (無錫先導智能裝備股份有限公司) ("Lead Intelligent"), pursuant to which, Zhuhai Titans Power Electronics Company Limited* (珠海泰坦電力電子集團有限公司) ("Titans Power Electronics") has conditionally agreed to dispose of, and Lead Intelligent has conditionally agreed to purchase, 10% equity interest in Titans New Power, at a provisional consideration of RMB135,000,000 (equivalent to approximately HK$149,850,000). Based on the consideration adjustment mechanism under the sale and purchase agreement, the final consideration for disposal of 10% equity interests of Titans New Power by the Group was determined at RMB135,000,000 (equivalent to the provisional consideration), and shall be settled by Lead Intelligent by cash and the issuance of consideration shares. Details are set out in the announcement dated 6 January 2017 and the supplemental announcement dated 9 January 2017 of the Company. This transaction was completed on 12 October 2017, and the fair value gain on available-for-sale financial asset classified as held for sale stated at fair value for the year ended 31 December 2017 of approximately RMB136,174,000 and gain on disposal of available-for-sale financial asset classified as held for sale of approximately RMB62,652,000 was stated in the consolidated statement of profit or loss and other comprehensive income for the year.

On 12 July 2017, the Group disposed of the 5% equity interest in Beijing Shui Mu Hua Tong Technology Company Ltd.* (北京水木華通科技有限公司) to Hubei Changjiang Weilai New Energy Industrial Development Fund Partnership (LLP)* (湖北長江蔚來新能源產業發展基金合夥企業（有限合夥）) in a cash consideration of RMB13,333,000. A gain of approximately RMB2,222,000 was recorded for this transaction in the current year.

## Finance costs

Our finance costs increased by approximately 31.88% from RMB12,659,000 for the year ended 31 December 2016 to RMB16,695,000 for the year ended 31 December 2017. Our finance costs as a percentage of revenue increased from approximately 4.38% for the year ended 31 December 2016 to approximately 5.09% for the year ended 31 December 2017. The increase in our finance costs was mainly due to the increase in average borrowing costs of bank and other borrowings.

## Income tax expense

Our income tax expense was RMB41,145,000 for the year ended 31 December 2017 whereas income tax expense was RMB5,998,000 for the year ended 31 December 2016. The effective tax rate (being the ratio of our tax expense to our profit before tax) for the year ended 31 December 2017 was 20.5% (2016: 54.8%).

# MANAGEMENT DISCUSSION AND ANALYSIS

## Loss attributable to non-controlling interests

For the year ended 31 December 2017, loss attributable to non-controlling interests of the non-wholly owned subsidiaries of the Company was approximately RMB4,540,000, as compared with a loss of approximately RMB2,324,000 for the year ended 31 December 2016. This amount represents the attributable loss in the non-wholly owned subsidiaries of the Company.

## Profit attributable to owners of the Company

Profit attributable to owners of the Company for the year ended 31 December 2017 was RMB163,706,000 whilst profit for the year ended 31 December 2016 was RMB7,279,000, representing an increase of RMB156,427,000. Net profit margin attributable to owners of the Company was 49.93% (2016: 2.52%).

The significant increase in profit attributable to owners of the Company was mainly due to: (1) the increase in revenue of key products compared with last year; (2) the significant increase in revenue from charging services for electric vehicles; and (3) the significant increase in gain on disposal of available-for-sale financial asset classified as held for sale during the year.

Total comprehensive income attributable to owners of the Company for the year ended 31 December 2017 was approximately RMB54,626,000 whilst total comprehensive income for the year ended 31 December 2016 was approximately RMB109,409,000, representing a decrease of approximately RMB54,783,000.

## Inventory Analysis

The table below sets out the information on our inventory for the years ended 31 December 2016 and 2017:

| | **Year ended 31 December** | | | |
|---|---|---|---|---|
| | **2017** | | 2016 | |
| | **RMB'000** | **%** | RMB'000 | % |
| Raw materials | **8,640** | **11.26** | 9,735 | 9.94 |
| Work-in-progress | **11,275** | **14.70** | 13,120 | 13.40 |
| Finished goods | **56,802** | **74.04** | 75,038 | 76.66 |
| | **76,717** | **100.00** | 97,893 | 100.00 |

The Group's inventory balances decreased from RMB97,893,000 as at 31 December 2016 to RMB76,717,000 as at 31 December 2017.

Our average inventory turnover days decreased from approximately 176 days for the year ended 31 December 2016 to approximately 148 days for the year ended 31 December 2017, which was due to the enhancement of inventory management during the period.

The Group has not made any general or special provision for the inventory as at 31 December 2017.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Analysis on Trade and Bills Receivables

As at 31 December 2016 and 2017, our trade and bills receivables (net of allowance) amounted to RMB228,365,000 (comprising trade receivables of RMB216,407,000 and bills receivables of RMB11,958,000) and RMB333,094,000 (comprising trade receivables of RMB332,231,000 and bills receivables of RMB863,000) respectively. The increase in trade and bills receivables was mainly due to the relatively significant increase in revenue in the second half of 2017.

The table below sets forth the ageing analysis of our trade receivables by due date as of 31 December 2016 and 2017:

| | **Year ended 31 December 2017** | | | | Year ended 31 December 2016 | | | |
|---|---|---|---|---|---|---|---|---|
| | **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 | % |
| Neither past due nor impaired | **151,080** | **–** | **151,080** | **45.47** | 81,572 | – | 81,572 | 37.69 |
| 0 to 90 days | **27,001** | **–** | **27,001** | **8.13** | 33,208 | – | 33,208 | 15.35 |
| 91 days to 180 days | **21,636** | **–** | **21,636** | **6.51** | 9,560 | – | 9,560 | 4.42 |
| 181 days to 365 days | **78,136** | **–** | **78,136** | **23.52** | 39,699 | – | 39,699 | 18.34 |
| Over 1 year to 2 years | **45,565** | **(4,314)** | **41,251** | **12.42** | 54,586 | (10,798) | 43,788 | 20.23 |
| Over 2 years to 3 years | **23,433** | **(14,325)** | **9,108** | **2.74** | 15,158 | (8,343) | 6,815 | 3.15 |
| Over 3 years | **39,877** | **(35,858)** | **4,019** | **1.21** | 46,246 | (44,481) | 1,765 | 0.82 |
| Total | **386,728** | **(54,497)** | **332,231** | **100** | 280,029 | (63,622) | 216,407 | 100 |

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

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

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

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

# MANAGEMENT DISCUSSION AND ANALYSIS

For the year end 31 December 2017, we made an impairment loss on trade receivables of approximately RMB7,294,000, (2016: approximately RMB17,854,000).

## Analysis on Trade and Bills Payables

As at 31 December 2016 and 2017, our trade and bills payables amounted to approximately RMB63,968,000 (comprising trade payables of approximately RMB58,576,000 and bills payables of approximately RMB5,392,000) and approximately RMB101,193,000 (comprising trade payables of approximately RMB88,997,000 and bills payables of approximately RMB12,196,000) respectively. The increase in trade and bills payables was mainly due to the relatively significant increase in revenue in the second half of 2017. For the years ended 31 December 2016 and 2017, our trade and bills payable turnover days were approximately 122 days and approximately 120 days respectively.

The table below sets out the ageing analysis of our trade payables as of 31 December 2016 and 2017:

| | Year ended 31 December | |
|---|---|---|
| | **2017** | 2016 |
| | **RMB'000** | RMB'000 |
| Within 90 days | **73,017** | 50,059 |
| 91 days to 180 days | **5,541** | 9,198 |
| 181 days to 365 days | **14,980** | 4,711 |
| Over 1 year to 2 years | **7,655** | – |
| | **101,193** | 63,968 |

# MANAGEMENT DISCUSSION AND ANALYSIS

## Debts

The following table sets out our indebtedness as at 31 December 2016 and 2017.

| | **For the year ended 31 December 2017** | | For the year ended 31 December 2016 | |
|---|---|---|---|---|
| | **RMB'000** | **Interest rates** | RMB'000 | Interest rates |
| **Current** | | | | |
| Bank borrowings | **133,000** | **0.4% to 6.53%** | 149,850 | 0.32% to 4.67% |
| Convertible notes | **83,567** | **4.35%** | – | – |
| Other borrowing | **1,945** | **5.75%** | – | – |
| **Non-current** | | | | |
| Convertible notes | **–** | **–** | 75,412 | 4.35% |
| Other borrowing | **3,450** | **5.75%** | – | – |
| | **221,962** | | 225,262 | |

As at 31 December 2017, total bank borrowings, other borrowings and convertible notes amounted to RMB221,962,000 (as at 31 December 2016: RMB225,262,000), among which RMB138,395,000 were secured loans (as at 31 December 2016: RMB149,850,000). Bank borrowings and convertible notes as at 31 December 2017 were subject to the floating interest rates ranging from 0.4% to 6.53% per annum (as at 31 December 2016: from 0.32% to 4.67% per annum).

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2017, the total equity of the Group amounted to RMB657,435,000 (as at 31 December 2016: RMB585,042,000), the Group's current assets were RMB776,219,000 (as at 31 December 2016: RMB857,346,000) and current liabilities were RMB382,409,000 (as at 31 December 2016: RMB263,517,000). As at 31 December 2017, the Group had short-term bank deposits, bank balances and cash of RMB133,133,000 (as at 31 December 2016: RMB143,844,000), excluding restricted bank balances of RMB61,433,000 (as at 31 December 2016: RMB148,548,000). Our total assets less our total liabilities equals to our net assets, which was RMB657,435,000 as at 31 December 2017 (as at 31 December 2016: RMB585,042,000).

The Group finances its operations with internally generated cash flow and bank borrowings as well as convertible notes issued on 29 February 2016 with principal amount of HK$100,000,000. As at 31 December 2017, the Group had aggregate amount of outstanding bank borrowings, other borrowing and convertible notes of RMB221,962,000 (as at 31 December 2016: RMB225,262,000).

# MANAGEMENT DISCUSSION AND ANALYSIS

## DISPOSAL OF SUBSIDIARIES

On 27 May 2017, the Group disposed of its entire equity interest in Jieneng Electrical Appliance Investment (Beijing) New-energy Technology Co., Ltd.* (潔能電投（北京）新能源科技有限公司) to an independent third party for a cash consideration of RMB1. A gain on disposal of approximately RMB347,000 was recorded for this transaction during the current year.

On 7 December 2017, the Group disposed of its entire equity interest in Henan Hongzheng Electric Technology Co., Ltd* (河南弘正電氣科技有限公司) to an independent third party for a cash consideration of RMB18,000,000. A loss on disposal of approximately RMB3,085,000 was recorded for this transaction during the current year.

On 19 December 2017, the Group disposed of its entire equity interest in Auhui Titans Liancheng Energy Technology Co., Ltd.* (安徽泰坦聯成能源技術有限公司) to an independent third party for a cash consideration of RMB13,600,000. A loss on disposal of approximately RMB9,247,000 was recorded for this transaction during the current year.

## ACQUISITION OF SUBSIDIARIES

On 14 July 2017, Titans Power Electronics, a wholly owned subsidiary of the Group, completed the acquisition of 40% equity interest in Guangdong Titans for a cash consideration of RMB2,000,000 from an independent third party. Guangdong Titans is principally engaged in the R&D, sales and production of charging equipment for automated guided vehicles ("AGV").

On 15 September 2017, Zhuhai Titans Technology Co. Ltd* (珠海泰坦科技股份有限公司) ("Titans Technology"), a wholly owned subsidiary of the Company, completed the acquisition of 45% equity interest in Shandong Huidian from an independent party, for a cash consideration of RMB14,999,000. Shandong Huidian is principally engaged in the design, production and sales of charging equipment for electric vehicles. Goodwill arising from the acquisition amounted to approximately RMB449,000.

## CONTINGENT LIABILITIES

As at 31 December 2017 and at the date of this report, the Group had no material contingent liability.

## CAPITAL COMMITMENTS

As at 31 December 2017, the Group had capital expenditure contracted for but not provided in the consolidated financial statements of approximately RMB64,028,000 (as at 31 December 2016: approximately RMB65,636,000) in respect of investment, factory renovation and purchase of equipment.

Save as disclosed above, as at 31 December 2017 and the date of this report, the Group does not have other capital expenditure authorised but not contracted for in respect of investment, factory renovation and purchase of equipment.

# MANAGEMENT DISCUSSION AND ANALYSIS

## PLEDGE OF ASSETS

The Group's leasehold land and buildings of carrying amount of approximately RMB2,209,000 as at 31 December 2017 (as at 31 December 2016: approximately RMB2,902,000) were pledged to secure the bank borrowings and other facilities.

## EMPLOYEES AND REMUNERATION

As at 31 December 2017, the Group had 534 employees in total (as at 31 December 2016: 490 employees). The remuneration paid to our employees and Directors is based on experience, responsibility, workload and the time devoted to the Group.

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

All 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, if any, will be paid in Hong Kong dollars. Thus, any fluctuation of Renminbi could affect the value of the shares.

During the reporting period, the Group recorded an exchange loss of RMB99,000 (2016: exchange gain of RMB997,000). Such foreign exchange loss arose as a result of the difference between the exchange rate for accounting purpose on the date of transaction and the exchange rate as at 31 December 2017 as well as the difference between the exchange rate on 19 February 2016 when the convertible notes with principal amount of HK$100,000,000 were converted into RMB and the exchange rate on 31 December 2017 upon conversion. As at 31 December 2017, 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 flows. Cash is mainly deposited in banks in Renminbi for working capital purposes. We did not have any material holding in financial securities or foreign exchange (except for business purposes) during the year ended 31 December 2017.

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 assessments on 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.

# MANAGEMENT DISCUSSION AND ANALYSIS

## MATERIAL LITIGATION AND ARBITRATION PROCEEDINGS

The Group has no material litigation or arbitration proceedings during the year ended 31 December 2017.

## USE OF PROCEEDS FROM THE LISTING

The net proceeds raised from the listing of the shares of the Company (the "Shares") on the Main Board of the Stock Exchange on 28 May 2010 (the "Listing") were approximately HK$243,600,000 (equivalent to approximately RMB214,588,000). All the net proceeds raised from the listing have been fully applied for the intended purposes.

## SHARE SUBSCRIPTION AND ISSUE OF CONVERTIBLE NOTES

### Share Subscription

On 12 October 2015, the Company entered into a share subscription agreement (the "Share Subscription Agreement") with Broad-Ocean Motor (Hong Kong) Co. Limited (the "Subscriber"). Pursuant to the Share Subscription Agreement, the Subscriber agreed to subscribe for, and the Company issued, 84,096,000 shares of the Company at the share subscription price of HK$1.19 per subscription share. Such issuance was completed on 22 October 2015.

### Issue of Convertible Notes

On 12 October 2015, the Company and the Subscriber entered into a subscription agreement on convertible notes, pursuant to which the Company agreed to issue, and the Subscriber has subscribed for, the convertible notes in the principal amount of not more than HK$100,000,000. Based on the initial conversion price of HK$1.19, a maximum number of 84,033,613 conversion shares will be allotted and issued upon full conversion of the convertible notes. The issue of convertible notes with aggregate principal amount of HK$100,000,000 was completed on 29 February 2016. During the year ended 31 December 2017, there is no conversion of convertible notes into shares in the Company. For more details, please refer to the announcements of the Company dated 12 October 2015, 13 October 2015, 12 January 2016 and 29 February 2016.

### Reasons for and Benefits of the Share Subscription and Issue of Convertible Notes

The Group intended to use the net proceeds from the share subscription and issue of the convertible notes for supplementing the operating capital of the Group. The Directors (including the independent non-executive Directors) were of the view that the share subscription and issue of the convertible notes would enhance the liquidity of the Group and provide capital for any future investment opportunities of the Group, and the terms thereunder were fair and reasonable and in the interests of the Group and the Shareholders as a whole.

# MANAGEMENT DISCUSSION AND ANALYSIS

## USE OF PROCEEDS IN RELATION TO THE SHARE SUBSCRIPTION AND ISSUE OF CONVERTIBLE NOTES

### (1) In Respect of the Share Subscription

The gross proceeds and the net proceeds (after deduction of related expenses payable by the Company) of the share subscription are HK$100,074,240, equivalent to approximately RMB81,988,000, and HK$99,500,000, equivalent to approximately RMB81,518,000, respectively. The net issue price per subscription share based on the above net proceeds is approximately HK$1.183.

### (2) In Respect of the Issue of Convertible Notes

Assuming the aggregate principal amount of the convertible notes is HK$100,000,000, the net proceeds (after deducting estimated expenses) from the issue of the convertible notes was approximately HK$99,727,000, equivalent to approximately RMB84,246,000, and approximately RMB84,016,000, respectively and the net price per conversion share was approximately HK$1.187.

40% of the above net proceeds from Share Subscription and Convertible Notes will be applied as to the investment for construction and operation of charging facilities for electric vehicles of the Company, 50% of the above net proceeds will be used as to enhance the liquidity of our wholly-owned subsidiary, Titans Technology and the remaining 10% of the above net proceeds will be used as to the investment for research and development of new technologies such as energy reserves of the Group.

| | As of 31 December 2017 | | | |
|---|---|---|---|---|
| **Intended use of proceeds** | **Intended amount to be used from Share Subscription RMB'000** | **Intended amount to be used from Convertible Notes RMB'000** | **Intended amount to be used RMB'000** | **Actual amount used RMB'000** |
| Investment for construction and operation of charging facilities for electric vehicles | **32,607** | **33,606** | **66,213** | **50,058** |
| Enhancement of the liquidity of Titans Technology | **40,759** | **42,008** | **82,767** | **82,767** |
| Investment for research and development of new technologies on energy reserves | **8,152** | **8,402** | **16,554** | **1,772** |
| | **81,518** | **84,016** | **165,534** | **134,597** |

The unused balance of the proceeds from Share Subscription and issue of convertibles notes amounted to approximately RMB30,937,000, and it was deposited with banks in the PRC and Hong Kong as of 31 December 2017.

# 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 2017.

## PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The Company is an investment holding company. The Group is principally engaged in (i) the supply of power electric products and equipment; (ii) the sales and leases of electric vehicles; (iii) provision of charging services for electric vehicles; and (iv) construction services of charging poles for electric vehicles under BOT arrangements. The principal activities of each of the subsidiaries of the Company are set out in note 46 to the consolidated financial statements.

### Business segments

The Group is principally engaged in (i) the supply of power electric products and equipment; (ii) the sales and leases of electric vehicles; (iii) provision of charging services for electric vehicles; and (iv) construction services of charging poles for electric vehicles under BOT arrangements. Business analysis of sales, segment results, total assets and capital expenditures are set out in note 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 2017 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 83 to 84 of this annual report.

The Board does not recommend the payment of any dividend for the year ended 31 December 2017 (2016: 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, 25 May 2018, the register of members of the Company will be closed from Monday, 21 May 2018 to Friday, 25 May 2018, both days inclusive, during which period no transfer of shares will be registered. In order to be entitled to attend and vote at the AGM, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on Friday, 18 May 2018.

# DIRECTORS' REPORT

## BUSINESS REVIEW

### Overview

The fair review of the Group's business is detailed in the Management Discussion and Analysis on pages 8 to 27 of this annual report. The discussion constitutes a part of this Directors' Report.

### Principal Risks and Uncertainties

**1. The Risk of Industry Policies**

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

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

**2. Technology Risk**

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

# DIRECTORS' REPORT

**3. Management Risk**

The Company's main products and services include power DC power supply products, electric vehicle charging equipment, and construction and service of electric vehicle charging facilities, etc. In addition to product research and development, production and sales, the Group increased investment in the construction of the electric vehicle charging network and service business during the reporting period, the operation of the business requires highly on the management ability and efficiency of management. At present, the Company has established a relatively effective investment decision-making system and comparatively good system of internal control, and continued to cultivate, introduce professional talents for management, technology and other aspects. The Group will continue to carry out the strict risk control policy, and refine the risk control of each link, risk prediction and prevention.

**4. Recovery Risk on Accounts Receivables**

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

## Important Event after the Reporting Period

(i) Award of charging service concession rights in Shaoguan City, Guangdong Province, the PRC

On 8 January 2018, Zhuhai Yilian New Energy Motor Co., Ltd.* (珠海驛聯新能源汽車有限公司)("Zhuhai Yilian"), with two independent third parties, were awarded the charging service concession rights in relation to the construction of electric vehicles public charging facilities in Shaoguan City, Guandong Province, the PRC. The project will be considered as one of the BOT arrangements of the Group.

Details are set out in the Company's announcement dated 9 January 2018. Upon the approval of these consolidated financial statements at the report date, the abovementioned project has not been commenced.

(ii) Extension of the maturity date of the convertible notes and provision of financial assistance

On 28 February 2018, the Company and the convertible noteholder entered into a deed of variation, pursuant to which the maturity date of the convertible notes of the Company in the principal amount of HK$100,000,000 has been extended from 1 March 2018 to 1 June 2018, with all other principal terms remained unchanged.

On the same date, Titans Power Electronics and the holding company of the convertible noteholder entered into a loan agreement pursuant to which Titans Power Electronics agreed to lend to the holding company of the convertible noteholder with the loan amount of RMB80,860,000 with a fixed interest rate of 4.75% per annum. The maturity date of the loan was 2 June 2018.

Details are set out in the Company's announcements dated 28 February 2018 and 12 March 2018.

# DIRECTORS' REPORT

## Future Business Developments

The future business development of the Group is detailed in "THE GROUP'S BUSINESS FOCUSES AND RELATED PLANS FOR 2018" under the Management Discussion and Analysis on pages 8 to 27 of this annual report. The discussion constitutes a part of this Directors' Report.

## Key Performance Indicators

The key performance indicators are detailed in the financial review under the Management Discussion and Analysis on pages 8 to 27 of this annual report. The discussion constitutes a part of the Directors' Report.

## Environmental Policies and Performance

The Group shall strictly comply with the relevant environmental protection laws and regulations of the People's Republic of China in the process of production and management. As of the end of the reporting period, there is no environmental incident, and the Group was not suffered any significant environmental claims or litigations.

## Compliance with Laws And Regulations

To the best of the knowledge of the Board and the management, the Group complied with the relevant laws and regulations which constitute material impact on the business and operation of the Company and its subsidiaries in all material respects.

## Relationships with Employees

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

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

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

# DIRECTORS' REPORT

### Relationships with Customers and Suppliers

The Group's major customers include power grid companies, power plants, public transportation systems, government departments, etc. The Group aims to provide customers with good quality products and services in order to strive for continued growth of sale revenue and profitability. The Group has strengthened communications between the customers and the Group by strengthening information management, so as to provide superior quality products and services.

The Group maintains a good relation with suppliers, at the same time, conducts regular assessment and management on suppliers, integrates suppliers resources, controls procurement costs and secures the effectiveness of the supply chain based on product quality, price, ability to deliver products on time, after-sale service and other factors. The Group's main suppliers are raw material suppliers. For the procurement of bulk commodities or services, the Group has set bidding program with strict implementation.

## MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group purchased approximately 31.82% of its goods and services from its 5 largest suppliers and sold approximately 33.41% of its goods and services to its 5 largest customers. The Group's largest supplier accounted for approximately 8.91% of the Group's total purchases. The Group's largest customer accounted for approximately 17.5% of the Group's total revenue.

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

## RESERVES

Details of movements in the reserves of the Group and of the Company during the year ended 31 December 2017 are set out in the accompanying consolidated statement of changes in equity and note 45(b) to the consolidated financial statements.

## PROPERTIES, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year ended 31 December 2017 are set out in note 15 to the accompanying consolidated financial statements.

## SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 34 to the consolidated financial statements.

## DISTRIBUTABLE RESERVES

As at 31 December 2017, the reserves of the Company available for distribution to shareholders of the Company amounted to approximately RMB290.0 million (2016: RMB298.3 million).

# DIRECTORS' REPORT

## PRE-EMPTIVE RIGHTS

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

## TAX RELIEF

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

## FINANCIAL SUMMARY

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

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2017.

## EQUITY-LINKED AGREEMENTS

Save as the share option scheme (the "Share Option Scheme") of the Company disclosed below, as well as the issue of convertible notes disclosed in the paragraph of "SHARE SUBSCRIPTION AND ISSUE OF CONVERTIBLE NOTES" in the Management Discussion and Analysis on pages 8 to 27, no equity-linked agreements were entered into by the Company during the year.

## 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 select 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 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 8.65% of the Shares in issue as at the date of this annual report. The Company may renew the Scheme Mandate Limit with shareholders' approval provided that each of such renewal may not exceed 10% of the Shares in the Company in issue as at the date of the shareholders' approval.

As at the date of this report, the total number of shares available for issue under the Share Option Scheme was 79,880,000 Shares, representing 8.64% of the issued share capital of the Company.

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.

# DIRECTORS' REPORT

No options were granted, exercised, lapsed or cancelled by the Company under the Share Option Scheme during the year ended 31 December 2017. There were no outstanding options under the Share Option Scheme at the beginning and at the end of the year ended 31 December 2017.

## DIRECTORS

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

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

* Independent non-executive Directors

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

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' REPORT

## 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 2016 (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 the 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 independent non-executive Directors, Mr. Zhang Bo has signed a letter of appointment for a term of three years commencing from 15 April 2016 with the Company and Mr. Li Wan Jun has signed a letter of appointment for a term of three years while commencing from 28 May 2016 with the Company and Mr. Pang Zhan will sign a new letter of appointment for a term of three years with effect from the date of commencement 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 each independent non-executive Director is HK$10,000.

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

# DIRECTORS' REPORT

## MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2017.

## REMUNERATION OF DIRECTORS

Details of remuneration of the directors are set out in note 11 to the consolidated financial statements in this annual report.

## CHANGES IN DIRECTORS' INFORMATION

Up to the date of this annual report, there has been no change to the information in respect of the Directors which is required to be disclosed pursuant to Rule 13.51B(1) of the Rules Governing the Listing of Securities on the Stock Exchange (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.

Mr. Li Wan Jun has served as an independent non-executive Director of the Company for more than 10 years in December 2017. During his years of appointment, Mr. Li Wan Jun has demonstrated his ability to provide an independent view to the Company's matters. Notwithstanding his years of service as independent non-executive Director, the Board is of the view that Mr. Li Wan Jun is able to continue to fulfill his role as required.

## PERMITTED INDEMNITY PROVISION

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

## DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENT OR CONTRACTS

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

# DIRECTORS' REPORT

## EXECUTIVE DIRECTORS' INTEREST IN COMPETING BUSINESS

As at 31 December 2017, none of the executive Directors or their respective associates had engaged in or had any interest in any business which, directly or indirectly, competes or may compete with the businesses of the Group.

## NON-COMPETITION DEED BY CONTROLLING SHAREHOLDERS

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

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

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

The independent non-executive Directors had reviewed and confirmed that the Controlling Shareholders have complied with the Non-competition Deed during the year ended 31 December 2017.

## 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 11 to the consolidated financial statements. Details of the five highest paid individuals during the year under review are set out in note 12 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 42 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 43 to 46 of this annual report.

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

As at 31 December 2017, 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)* | 22.24% |
| | Beneficial owner | 200,000 | 0.02% |
| Mr. An Wei | Interest of controlled corporations | 195,869,875 *(Note 3)* | 21.17% |
| | Beneficial owner | 400,000 | 0.04% |

*Notes:*

1. All interests in Shares were long positions.

2. The entire issued share capital of Genius Mind Enterprises Limited ("Genius Mind") is beneficially owned by 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, 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 An Wei who is deemed to be interested in 187,884,457 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

Save as disclosed above, as at 31 December 2017, none of the Directors or chief executive of the Company nor their associates had any interest or short positions in the shares, underlying shares or debentures of the Company, its specified undertakings or any of its other associated corporations (within the meaning of Part XV of the SFO) which had to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which were required, pursuant to Section 352 of the SFO and the Hong Kong Companies Ordinance (Cap.622), to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

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

As at 31 December 2017, as far as known to the Directors, the following persons or entities (not being a Director or a chief executive of the Company) who had interests or short positions in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

| Name of shareholder | Nature of interest | Number of Shares or underlying Shares | Approximate percentage of existing issued share capital of the Company |
|---|---|---|---|
| Ms. Zeng Zhen *(Note 2)* | Interests of spouse | 205,909,875 | 22.26% |
| Genius Mind *(Note 3)* | Beneficial owner | 197,724,457 | 21.37% |
| Ms. Yan Kai *(Note 4)* | Interests of spouse | 196,269,875 | 21.22% |
| Great Passion *(Note 5)* | Beneficial owner | 187,884,457 | 20.31% |
| Honor Boom *(Note 6)* | Beneficial owner | 82,458,117 | 8.91% |
| Mr. Li Xiao Bin *(Note 6)* | Interest of controlled corporations | 82,458,117 | 8.91% |
| Ms. Zhang Lina *(Note 7)* | Interests of spouse | 82,458,117 | 8.91% |
| Mr. Thomas Pilscheur | Beneficial owner | 66,244,818 | 7.16% |
| Ms. Feng Yanlin *(Note 8)* | Interests of spouse | 66,244,818 | 7.16% |
| Broad-Ocean Motor (Hong Kong) Co. Limited *(Note 9)* | Beneficial owner | 168,129,613 | 18.18% |
| Zhongshan Broad-Ocean Motor Co., Ltd. *(Note 9)* | Interest of controlled corporations | 168,129,613 | 18.18% |
| Mr. Lu Chuping *(Note 9)* | Interest of controlled corporations | 168,129,613 | 18.18% |

# DIRECTORS' REPORT

*Notes:*

1. All interests in Shares were long positions.

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

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

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

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

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

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

8. Ms. Feng Yanlin is the spouse of Mr. Thomas 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.

9. The 168,129,613 shares comprise (i) beneficial interest in 84,096,000 shares; and (ii) 84,033,613 shares to be issued upon exercise of conversion rights attaching to the convertible notes (based on the initial conversion price of HK$1.19) pursuant to a subscription agreement between the Company and Broad-Ocean Motor (Hong Kong) Co. Limited. The issue of convertible notes was completed on 29 February 2016. The entire issued share capital of Broad-Ocean Motor (Hong Kong) Co. Limited was owned by Zhongshan Broad-Ocean Motor Co. Ltd, which is in turn 43.82% of its interest was beneficially owned by Mr. Lu Chuping.

Save as disclosed above, as at 31 December 2017, 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 section headed "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.

## RELATED PARTY TRANSACTIONS

The related party transactions set out in note 44 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.

# DIRECTORS' REPORT

## 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 2017.

## 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. Zhang Bo and Mr. Pang Zhan. 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 risk management 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 2017.

## CORPORATE GOVERNANCE

The Company's corporate governance principles and practices are set out in the Corporate Governance Report on pages 47 to 56 of this annual report.

## AUDITOR

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

## AGM

The Company proposed that the AGM will be held on Friday, 25 May 2018. 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 2018

# 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 Tongji University (同濟大學) in January 1982, majoring in mechanical engineering. He also obtained a second bachelor degree in industrial management and engineering from Tongji University in June 1992, majoring in industrial management and engineering. He joined our Group in September 1992. He has worked in Titans Technology where he served as vice chairman, general manager and chairman. Mr. Li received the Guangdong Province Scientific and Technological Progress Award (Class 1) for Electric Power Industry (廣東省電子工業科學技術進步一等獎) from Guangdong Province Electric Engineering Industry Department (廣東省電子機械工業廳), a department established by the local government of Guangdong Province and Zhuhai Municipality Scientific and Technological Progress Award (Class 1) (珠海市科學技術進步獎一等獎) from Zhuhai Municipality Scientific and Technological Progress Qualification Committee (珠海市科學技術進步獎評審委員會) established by the local government of Zhuhai Municipality (珠海市政府) for his participation in the research and development of the "high frequency switch power source for communications SMP-R1022FC" (通訊用高頻開關電源項目SMP-R1022FC) project in 1998. The Scientific and Technological Award was awarded on the basis that the invention or development in science and technology was considered creative and contributing to the development and improvement of the current science and technology and thus generating economic and social value. Since the Group's establishment, Mr. Li has played an active role in the Group's development, including research and development of our products and formulating the business strategies of our Group and has accumulated his knowledge and experience with the development of our Group. 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, the president of Titans Technology and Titans Power Electronics and an executive director and the legal representative of Zhuhai Titans New Energy System Co., Ltd.* (珠海泰坦新能源系統有限公司), the above of which are 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 Tongji University (同濟大學) in July 1986 and obtained his doctorate degree in science management and engineering from Tongji University in November 2005. Mr. An was also accredited as a senior economist (高級經濟師) by the Title Reform Leading Group Office of Hebei Province in the PRC in August 1997. With his doctorate degree majoring in management and over 10 years of experience in the Group, Mr. An has acquired a variety of skills and extensive experiences in management. Mr. An joined the Group in September 1992 as a director of Titans Technology. He has been the general manager of Titans Technology since July 1998. He is the current vice chairman of Guangdong Province Private Enterprises Association (廣東省私營企業協會副會長), and a director of China EV100. Mr. An was appointed as 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 Electronics and Titans Technology, the above of which all are subsidiaries of the Company. Mr. An and Mr. Li Xin Qing, another executive Director of the Company, 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 as an independent non-executive Director on 17 December 2007. Mr. Li has over 10 years of experience in accounting and auditing. He obtained a bachelor degree of economics from the University of Wuhan (武漢大學) in 1990. Mr. Li is a non-practising member of the Zhuhai Institute of Certified Public Accountants (珠海市註冊會計師協會) and was admitted as a member of the Association of Chartered Certified Accountants in June 2007. 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. Li Wan Jun has served as an independent non-executive Director of the Company for more than 9 years in December 2016. During his years of appointment, Mr. Li Wan Jun has demonstrated his ability to provide an independent view to the Company's matters. Notwithstanding his years of service as independent non-executive Director, the Board is of the view that Mr. Li Wan Jun is able to continue to fulfill his role as required.

**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 and a PhD supervisor in the School of Electric Power of South China University of Technology (華南理工大學電力學院). In October 2016, Mr. Zhang was appointed as an independent director of Shenzhen Megmeet Electronic Co. Ltd ("Megmeet"). Megmeet was listed on Shenzhen Stock Exchange on 6 March 2017 (Stock code: 002851). In 2011, Mr. Zhang was awarded an Award Class II of Science and Technology in the Technical Invention Group (科學技術獎技術發明類二等獎) by the China Power Supply Society (中國電源學會) for his "Method and Application of Topological Structuring based on the Theory of TRIZ in Switch-mode Power Converters" (基於TRIZ理論的開關電源變換器拓撲構造方法及應用). In 2012, he was further awarded an Award Class II of the Guangdong Provincial Science and Technology (廣東省科學技術進步獎) for his "High Performance Power Supply Switching Soft Technique and Application" (高性能開關電源的柔性技術及應用).

**Mr. Pang Zhan**, born in October 1978, was appointed as an independent non-executive Director on 16 April 2015. He graduated from Nanjing University (南京大學) with a bachelor of science degree in mathematics in June 2001. He further obtained his master degree in science from Nanjing University in June 2004. In December 2007, he obtained his PhD in systems engineering and engineering management from the Chinese University of Hong Kong (香港中文大學). After graduation, Mr. Pang was engaged in research and teaching in University of Calgary (卡爾加里大學), University of Cambridge (劍橋大學), University of Toronto (多倫多大學) and Lancaster University (蘭卡斯特大學) in the United Kingdom. From February 2016 till now, he is an associate professor in the College of Business of City University of Hong Kong (香港城市大學). Mr. Pang's major research areas include supply chain and operations management, risk management, pricing and revenue management, big data and business analytics and optimization, etc. He has also conducted research on the renewable energy and energy storage system design and modelling in smart grid environments, and business models of electric vehicles. Mr. Pang has published multiple papers in leading international journals in the field of operations management and operations research, and has served as the senior editor of "Production and Operation Management" Magazine.

# BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

## SENIOR MANAGEMENT

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

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

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

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

# BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

**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 has proven management and operation experience with electrical and electronic companies. In March 2011, Mr. Wang rejoined our Group and served as 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 Hao 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, a 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 (北京交通大學) and obtained his master degree in engineering in 2015. Shortly after his graduation, Mr. Liu joined our Group and served as sales manager and project manager. From October 2007, he served as standing deputy general manager of Ruckus New Energy Technology Co., Ltd.* (優科新能源科技有限公司). After years of working in new energy vehicle charging sector, he has rich experience in sales and management. Mr. Liu currently works as director and general manager of Zhuhai Yilian, a subsidiary of our Company.

# CORPORATE GOVERNANCE REPORT

## CORPORATE GOVERNANCE PRACTICES

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

The Company has adopted the code provisions (the "Code Provisions") set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 to the Listing Rules. The Board regularly reviews the Company's corporate governance guidelines and developments. The Company has complied with all the applicable Code Provisions throughout the year ended 31 December 2017.

## 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 43 to 46 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 2017 were as follows:

| | Number of meetings attended/held | | | |
|---|---|---|---|---|
| | **Board** | **Audit Committee** | **Remuneration Committee** | **Nomination Committee** |
| **Executive Directors** | | | | |
| Mr. Li Xin Qing *(Chairman)* | 6/6 | N/A | N/A | 1/1 |
| Mr. An Wei *(Chief Executive Officer)* | 6/6 | N/A | N/A | N/A |
| **Independent Non-executive Directors** | | | | |
| Mr. Li Wan Jun | 6/6 | 2/2 | 1/1 | N/A |
| Mr. Zhang Bo | 6/6 | 2/2 | 1/1 | 1/1 |
| Mr. Pang Zhan | 6/6 | 2/2 | 1/1 | 1/1 |

# CORPORATE GOVERNANCE REPORT

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

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

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

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

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

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 the Company's connected persons (as defined in the Listing Rules). The Company has received from each of the independent non-executive Directors a written confirmation in which each of them had confirmed to be in compliance with the independence requirements as set out under the Rule 3.13 of the Listing Rules.

Mr. Li Wan Jun has served as an independent non-executive Director of the Company for more than 10 years in December 2017. During his years of appointment, Mr. Li Wan Jun has demonstrated his ability to provide an independent view to the Company's matters. Notwithstanding his years of service as independent non-executive Director, the Board is of the view that Mr. Li Wan Jun is able to continue to fulfill his role as required.

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.

# CORPORATE GOVERNANCE REPORT

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.

## BOARD MEETINGS

Six Board meetings were held during the year 2017. Attendance of the Board members in the meetings is listed out on page 47 of this report. 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.

# CORPORATE GOVERNANCE REPORT

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.

## 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 2017.

## TRAINING AND SUPPORT FOR DIRECTORS

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

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

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

# CORPORATE GOVERNANCE REPORT

## NON-EXECUTIVE DIRECTORS

The independent non-executive Directors of the Company are Mr. Zhang Bo, Mr. Li Wan Jun and Mr. Pang Zhan. Mr. Zhang Bo has signed a letter of appointment for a term of three years commencing from 15 April 2016 with the Company and Mr. Li Wan Jun has signed a letter of appointment for a term of three years while commencing from 28 May 2016 with the Company and Mr. Pang Zhan has signed a letter of appointment for a term of three years commencing from 16 April 2018. Under the letters of appointment, they agreed to act as independent non-executive Director for a period of three years unless terminated in accordance with the terms of the letter of appointment. Under the said appointment letters, either party may terminate the agreement at any time by giving to the other not less than three months' prior written notice. The monthly director's fee for an independent non-executive Director is HK$10,000.

## BOARD COMMITTEES

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

## COMPANY SECRETARY

The Company has engaged Ms. Ko Nga Kit, 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 vice president of the corporate development centre of the Group.

In compliance with Rule 3.29 of the Listing Rules, Ms. Ko has undertaken not less than 15 hours of relevant professional training during the year ended 31 December 2017.

# 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 auditor of our Company. The Audit Committee will also consider whether there are any material or general matters which are, or may be, necessary to be reflected in such reports and financial statements, and will consider matters raised by our auditor. Members of the Audit Committee are also responsible for reviewing the financial reporting process and internal control systems of the Group. The Audit Committee comprises three independent non-executive Directors, namely Mr. Li Wan Jun, Mr. Zhang Bo and Mr. Pang Zhan and is chaired by Mr. Li Wan Jun. The main roles and responsibilities of the Audit Committee are set out by the Board with clearly defined written terms of reference which are available on the websites of the Stock Exchange and the Company. The Audit Committee held two meetings in 2017 to review the final results of the Group for the year ended 31 December 2016 and the interim results of the Group for the six months ended 30 June 2017, and to conduct other affairs. The Audit Committee has reviewed with the management and the Group's external auditor, SHINEWING (HK) CPA Limited ("SHINEWING"), the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters. Apart from considering the issues arisen from the audit process, the Audit Committee also discussed matters raised by the external auditor. The Audit Committee reviewed with the management on the Company's financial controls, internal control systems, risk management system, and the accounting principles and practices adopted by the Group. All issues reported by the external auditor are monitored closely by the Group's senior management. During the year under review, the fees paid by the Company to SHINEWING and its affiliated companies were as follows:

| | HK$'000 |
|---|---|
| Audit fees | 1,060 |
| Non-audit service fees | 350 |

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 2017.

### 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. Li Wan Jun, Mr. Zhang Bo and Mr. Pang Zhan, and is chaired by Mr. Zhang Bo. The main roles and responsibilities of the Remuneration Committee are set out by the Board with clearly defined written terms of reference which are available on the websites of the Stock Exchange and the Company. The Remuneration Committee held one meeting in 2017.

Details of each Director's emoluments are set out in note 11 to the consolidated financial statements in this annual report. The primary objective of the Group's remuneration policy is to retain and motivate executive Directors by linking their compensation to the Company's performance and evaluating their compensation against corporate goals, so that the interests of the executive Directors and the senior management team are aligned with those of our shareholders. The remuneration policy of the Directors is decided by the Remuneration Committee, having regard to the Company's operating results, individual's duties and responsibilities with the Group and comparable market practice. No Director can, however, approve his own remuneration.

For the year ended 31 December 2017, the annual salary of the senior management of the Company ranges from RMB202,000 to RMB387,000.

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 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. Zhang Bo and Mr. Pang Zhan, and is chaired by Mr. Li Xin Qing. The main roles and responsibilities of the Nomination Committee are set out by the Board with clearly defined written terms of reference which are available on the websites of the Stock Exchange and the Company. The Nomination Committee reports to the Board and makes recommendations regarding the appointment of Directors, its evaluation of the Board's composition, and the management of Board succession with references endorsed by the Board itself.

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 2017.

# 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 assessing the independence of independent non-executive directors.

2. Reviewing scope and authority of the Nomination Committee.

## RISK MANAGEMENT AND INTERNAL CONTROL, INTERNAL AUDIT AND FINANCIAL REPORTING

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

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

During the fourth quarter of 2017, the internal audit team commenced and finalised evaluation of the Group's internal controls, particularly a comprehensive evaluation and audit was conducted for inventory management, BOT project investment as well as new energy vehicle operation and management. Various methods including but not limited to interview, conformance test, walk-through test and sample test were adopted during the process of evaluation to analyse and identify whether there were any defects existed in the design of internal control and the effectiveness of the implementation of internal controls. Such internal audit recorded detailed information of the contents and elements of evaluation conducted, controls adopted, relevant data and results of evaluation.

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

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

# CORPORATE GOVERNANCE REPORT

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 75 to 82 of this annual report also sets out the responsibilities of SHINEWING.

## CODE OF CONDUCT AND BUSINESS ETHICS

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

## 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 28 to 42 of this annual 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.

# CORPORATE GOVERNANCE REPORT

## 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).

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## ESG REPORT

China Titans Energy Technology Group Co., Ltd. (the "Company") and its subsidiaries (collectively the "Group" or "We") are pleased to announce the Group's environmental, social and governance report ("ESG Report"). The Group is fully committed to the philosophy of sustainable development in all its businesses and operations to promote social prosperity and stability and enhance sustainable development. We attach great importance to social responsibility and integrity, always take stakeholders' needs into our first consideration. The report specifies the work of the Group in adherence to the principles of sustainable development in 2017 and its performance in social governance. For corporate governance, please refer to the Corporate Governance Report on pages 47 to 56.

### Scope of the Report

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

The period of the ESG report is consistent with the financial statements of the Group, i.e. from 1 January 2017 to 31 December 2017.

### Reporting Guidelines

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

### Stakeholder Participation

Colleagues from various departments jointly participated the preparation of the ESG Report, making us be clearer about the Group's current development in environmental and social aspects. The information we have collected is not only a summary of the Group's environmental and social work in 2017, but also our basis to set up strategy for sustainable development in short term and long term. The Group will involve more stakeholders' participation in the future in the hope that they can provide valuable and constructive comments and suggestions.

### Information and Feedback

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

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## THE GROUP'S ENVIRONMENTAL AND SOCIAL PHILOSOPHIES

The Group was established in 1992 and listed on the Main Board of the Hong Kong Stock Exchange in 2010 (stock code: 2188). The Group's principal businesses include direct current power system products (or known as "DC Power System products"), production of charging equipment for electric vehicles and provision of charging services for electric vehicles. The Group not only provides high-quality, reliable and multi-variety of charging, discharging and storage products, power quality monitoring and optimization systems and power battery maintenance management products and technologies, but also provides users with a variety of power electronic products and technology integrative solutions, to meet the demands for high quality, efficient and diversified applications of electric energy.

The Group believes that management is the permanent theme of an enterprise, and corporate culture is the "multiplier" to exert the effectiveness of enterprise resources. Sound management is built in culture and resulting in top quality, by which we enjoy harvest and create this business. We have never stopped thinking and practicing the corporate culture and have determined "culture-driven management, culture development through management" as our corporate culture development policy, to create an culture that can make the development strategy adapt to resources and enhance the Group to develop in a healthy and harmonious way.

Our mission is to make electricity more valuable. We will make constant efforts to expand electricity uses, improve energy applications, broaden energy sources and optimize power quality. We regard integrity, orderliness, high quality, efficiency and innovation as our business philosophy. We believe that integrity wins the support, orderliness creates harmony, high-quality establishes a brand, efficiency creates value and innovation develops our future. To carry out our business philosophy, the Group takes "customer-oriented, product first, innovation-based and integrity" as our management policy, and regards four "T" (Talent – talent-oriented, Trust – trustworthy, Team – team spirit, and Technology – technology innovation) as the cornerstone of our culture. We hope to become an excellent power electronics company, with excellent staff team, and outstanding management, to provide quality products and services, create value efficiently, achieve the leading position in the industry, and create value for the enterprise, employees, customers, partners and the society.

## ENVIRONMENTAL PROTECTION INDUSTRY

As an environmental friendly company, we are committed to making electricity more valuable and working together to deal with global environmental problems and aiming at the goal of "sustainable development". We have been promoting the development of electric vehicles in an effort to improve the air quality on roads and reduce the emissions of greenhouse gas. Over the years, the Group has been implementing its "customer-oriented and product first" management policy in the entire production process, product sales and after-sales service. To meet customer's needs is our foothold in the achievements of mutual benefit and win-win situation. Products and services are the touchstones to test our culture. Our efforts will lose value if customers' recognition is not obtained. Therefore, we not only pay attention to product quality and safety, but also take customer's feedback seriously. In carrying out our business, the Group has been in strict compliance with relevant laws and regulations such as the Advertising Law of the PRC (中華人民共和國廣告法), the Patent Law of the PRC (中華人民共和國專利法) and the Trademark Law of the PRC (中華人民共和國商標法).

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Green Products

Air pollution problem discomforts people and is detrimental to health, which thus is a matter that deserves the concern of everyone. One of the major sources of air pollution is the exhaust gas of fuel vehicles. Over the years, the Group has been vigorously developing electric vehicle charging business, and continuously expanding and improving electric vehicle charging network to support the development of electric vehicles. The Group is also actively involved in China EV100 and the alliance organized by Ministry of Industry and Information Technology of the People's Republic of China to promote the development of the entire electric vehicle industry. Electric vehicles rely entirely on power motor as power source to replace the traditional internal combustion engine and fuel tank configuration. Without burning gasoline, electric vehicles produce zero emission. Replacing fuel vehicles with electric vehicles not only alleviate air pollution problems, but also more effectively reduce greenhouse gas emissions. In addition to non-pollutant emissions and high efficiency, electric vehicles can effectively use 75% or more of the energy in battery, while diesel vehicles can only effectively use about 20% of the chemical energy in petroleum. Some of our company vehicles are electric vehicles, with a view to alleviating air pollution.

## Establish Electric Vehicle Charging Network

In addition to actively developing diversified charging equipment for different modes of operation, the Group is also committed to reducing citizens' worries about the usage of electric vehicles. The main obstacles to large-scale application of electric vehicles include the lack of supporting facilities, the fact that charging facilities are not compatible with different models, difficulties on the management of decentralized charging stations, as well as the uneven allocation of resources. Zhuhai Yilian New Energy Motors Co., Ltd. (hereinafter referred to as "Yilian New Energy") under the Group has developed tailored charging solutions that can improve the level of charging management and also greatly improve the usage efficiency of charging equipment, creating convenient and efficient charging experience, solving the obstacles to the development of electric vehicles, and easing the worries of electric vehicle users. Yilian New Energy has built highly efficient and intelligent public charging network and centralized dedicated charging network in Zhuhai, Shaoguan, Baoding, Zhangjiakou, Beijing and other places, to actively provide users with convenient and high-quality charging services. We will continue to participate in the planning and construction of charging infrastructure to support the development of electric vehicles. During the year, we participated the following major projects to promote the development of electric vehicles:

- Guangzhou Tangxi Charging Station Project Construction (廣州棠溪充電站項目建設工程)
- Maogang Charging Station Phase I Equipment Purchase and Installation Services Project (茅崗充電站一期設備採購及安裝服務項目)
- Panyu Charging Station Equipment Purchase and Installation Services Project (番禺充電站設備採購及安裝服務項目)
- Shaoguan Yueyun Shixing Bus Station and Yueyun Nanxiong Bus Station Electric Vehicle Charging Station Project (韶關粵運始興汽車站及粵運南雄汽車站電動汽車充電站項目)
- Lingnan Avenue Bus Terminal Comprehensive Enhancement Project New Energy Bus Charging Station Charging Pile Equipment Project (嶺南大道公交樞紐站綜合提升工程新能源公交車充電站充電樁設備項目)

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Diversified Charging Equipment

In order to promote the application of electric vehicles, the Group will continuously study different types of charging equipment according to different types of vehicles and operational needs. In 2017, we broke through the traditional construction mode of centralized charging stations, and developed the Intelligent Charging Island. The Intelligent Charging Island can dynamically adjust output current with the technologies of intelligent charging power distribution and flexible charging to facilitate charging at optimal current and voltage and accurately match with the charging demand of different kinds of electric vehicles. It can maximize the utilization rate of core charging equipment to achieve intelligent distribution, high efficiency and energy saving. The charging equipment we have developed can be used not only for electric private cars, electric buses, but also for specific vehicles, such as logistics vehicles, commuters and so on. We also provide different charging equipment according to different operational needs. For example, in the construction of Changchun-Shenzhen Expressway charging stations, we provided the charging equipment that features short charging time and high power and that is capable of supporting various models, based on and taking into account the needs of electric vehicles served by the expressway charging stations. In addition, in the construction of Guangxi High-tech Zone West charging station, we provided the multi-purpose charging equipment that features both fast charging and slow one-to-many bus charging, with high equipment utilization, security and stability, based on and taking into account that buses need fast charging in daytime, while a large number of buses need charging at night.

## Promote Electric Vehicle Experience

The society's doubt about the benefits and convenience of electric vehicles is one of the factors that hinder the development of electric vehicles. In view of this, the Group has developed a mobile phone application "Safe Travel" for periodic leasing electric vehicle. This mobile phone application allows more people to experience the convenience of using electric vehicles and provides more convenient, environmentally friendly and efficient one-stop self-service electric vehicle rental service. Users may rent electric vehicles at any time through the "Safe Travel". This application provides self-service and increases the opportunities for the public to access to electric vehicles.

## Establish an Online Platform

In addition to city-level charging planning service, we understand that the lack of a complete charging station information platform will reduce the public's desire to buy electric vehicles, so we provide the mobile phone application "EV Link" for charging services to promote the usage of electric vehicles. "EV Link" not only provides online inquiry and automatic navigation of the location of the charging station, but also provides the reservation of the charging equipment, saving the waiting time. "EV Link" can also show the vehicle charging level, and remind the user to charge, avoiding the shortage of energy or overcharging. Through the services of the Group, we have solved the worries of the public about using electric vehicles and given the public confidence in the convenience of electric vehicles.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### Product Quality and Safety

In order to ensure that the quality of our products meets customer needs, we monitor and measure the characteristics of raw materials, process products and final products. We require that each process operator must carry out self-inspection, self-division of the products under different inspection and test states, self-marking of products, and control of self-inspection pass rate. The management has also conducted inspections in the production process and made relevant records. We also set up quality inspection department to test semi-finished products, and carry out tracking in accordance with the marking by process operators, so as to mark semi-finished products as qualified. Products assembled with qualified raw materials and semi-finished products will be tested at last. In addition to routine inspections and tests, we will also carry out inspections in accordance with customers' specific requirements. Products will also be labeled before shipment to ensure product quality, safety and traceability. In addition to the tests in production process, we also list the standards on safety management of charging stations, and will carry out regular inspection of charging stations to ensure that products are safe. Our product quality is obvious to all. Apart from obtaining the ISO 9001:2008 Quality Management System certification, we are one of the high-tech enterprises in Guangdong province and recognized by the state. For the year ended 31 December 2017, the Group obtained the following awards:

| Qualification/award obtained | Awarding unit | Time of award |
|---|---|---|
| 2017 Best Smart Charging Solutions Provider | Guangdong Provincial Charging Facilities Association | November 2017 |
| Guangdong Province Enterprise of Observing Contract and Valuing Credit | Guangdong Provincial Administration for Industry & Commerce | June 2016 |

### Communication with Customers

Customer is the foundation of the Company to achieve sustainable development, and the source of product innovation. The Group attaches importance to the views of customers, and has established different channels to communicate with customers, such as WeChat, message board, 24-hour hotline. We adhere to customer point of view, and continue to improve products and services, with the interests of customers as the starting point. We respond positively to our customers according to four principles. Firstly, the principle of prevention: our employees should have the work attitude to be dedicated to the Group and customers, sincerely help customers to solve problems, put themselves in customers' positions to understand and meet customers' real needs, and develop corrective and preventive measures to address product quality problems. Secondly, the principle of timeliness: all departments should work together to quickly respond to problems, and strive to solve problems in the shortest possible time, to give a timely and satisfactory answer to customers. Thirdly, the principle of responsibility: we will determine the responsible department that leads to customer complaints, and require relevant departments to propose solutions. Fourthly, the principle of record: we will keep detailed records of each customer's comments, and sum up the experience of complaints handling, to provide valuable raw information for strengthening the management of customer services. Through the practice of the above four principles and established procedures, we provide customers with comprehensive services to improve product quality. We are also committed to ensuring clear and correct information and explaining clearly to customers about the product details and specifications. In addition, the Group requires the information contained in all sales materials to be true and correct, and forbids false, misleading or untrue statements in all means of communication.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## ENERGY-SAVING AND EMISSION REDUCING PRODUCTION MODE

In the face of the challenges of global climate change and changing ecological environment, the Group strictly abided by the laws and regulations on emission, such as Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution, Water Pollution Prevention and Control Law of the People's Republic of China, of the government and actively promoted and participated in the implementation of environmental protection policies in response to the call of the government. In addition to promoting environmental protection industry, we are actively taking different energy-saving measures to reduce energy consumption. The Group plays a leading role in treasuring resources, promotes the culture of treasuring the Earth's resources, and will implement it in the design of our new plant. In recognition of our efforts in environmental protection, we obtained the ISO 14001 Environmental Management System certification.

### Treasure Resources

The Earth's resources are limited. Everyone has the responsibility to make good use of resources. The Group has taken different measures to manage and save resources. Over the years, we spared no effort to save energy use, and continued to review our energy conservation work to improve the inadequacies. In addition, we also followed the pace of the times to change our mode of work and advance to paperless office work. In order to advocate the importance of saving resources, we start small and apply 3R principles into the entire work process, to make the best use and exert all the value of resources.

#### Saving Resources

As an environmentally friendly company, we are committed to reducing the energy required in our business processes in addition to introducing different green products. We have adjusted the air conditioning room temperature to 26 degrees Celsius in summer in response to the government's call to reduce electricity consumption. In addition, we also re-examined the design and practical needs of different working environments with a view to reducing unnecessary energy, such as turning off the lights in daytime for toilets with sufficient daylight. We adopted fans to reduce the usage of air conditioners in rooms on some floors with high clear height and good ventilation. In business process, product testing requires a lot of power. In order to save energy, we have developed the "Power Control System". "Power Control System" can automatically control the charge and discharge, and the energy can flow in both directions, so that the power used in product testing can be re-used for next test to achieve self-charging and self-use. As the size of the Group grows, our demand for servers has increased significantly. The increase in the number of servers will increase the demand for cabinets, and also bring pressure on air conditioning system. Due to the high heat productivity of servers, in order to keep the data center temperature stable, we need to increase the number of air conditioning chiller plant. To reduce the use of servers, Yilian New Energy under the Group has adopted a hybrid cloud to reduce air conditioning cooling pressure, and achieve the purpose of saving energy. In addition to enhancing energy efficiency, we also require employees to turn off all air-conditioners, equipment, fans and lights, etc. before leaving the office area, and we have also distributed leaflets to advocate saving water and electricity. We also require employees to use appropriate amount of water when washing hands and turn off the faucet tightly.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

**Paperless Office Work**

As modernization and informationization pace accelerates, the Group's operation is also trending paperless. We encourage employees to use computer information system for internal or external communication. We use Office Automation (OA) system in notification, training applications, holiday applications and other administrative procedures to achieve the goal of paperless office work. OA system supports different administrative procedures, and also contains more than 20,000 processes, enabling relevant staff to understand the work flow anytime, anywhere, and also reduce the paper used in internal communication and approval. In terms of business, we use Enterprise Resource Planning (ERP) to complete the entire business process. From purchase demand to transactions, all documents regardless of purchase orders or sales orders are electronic documents instead of paper documents, significantly reducing the use of paper. At the same time, in order to improve paper utilization, we encourage double-sided copying or printing. We have established a recycling point to recycle single-sided waste papers to encourage employees to use single-sided waste paper for note taking.

**Practice of 3R Principles**

The Group also strives to promote the sustainable development of the environment by practicing the environmental concept of "3R" – "Reduce", "Recycle" and "Reuse" in business operations. In terms of "Reduce", we try to reduce packaging materials, and pursue simple rather than luxury. Our main nonhazardous waste is domestic waste, so we encourage employees to reduce the use of disposable items. Dormitory wastes were cleaned by cleaners regularly, but now are disposed of by employees themselves, with a view to reducing the use of garbage bags. Wastes are handled centrally by the property company. In terms of "Recycle", we are actively pursuing different recovery plans to facilitate the redevelopment and use of underutilized resources. We reuse certain packaging materials such as wooden pallets and cartons and require employees to locate waste materials centrally to avoid discarding as scraps.

With regard to the hazardous wastes generated by the Group, including waste cloth, waste tin slag, waste bucket and waste lamp, we have also transferred these wastes to a qualified recycling company for recycling. We also carry out publicity and education to employees, store garbage in classified way, place recyclable goods and waste separately, and make signs, to strictly prohibit discarding recyclable goods together with wastes or directly as wastes. In terms of "Reuse", we will require suppliers to make ordered pallets according to customer requirements, and the entire workflow will use the same pallets, so as to save a lot of pallets.

## Green Building

The new plant construction has commenced in 2017. The Group requires the construction unit to implement various environmental protection measures during construction. We require the construction unit to properly control the hazardous and non-hazardous wastes, noises, air pollution and water pollution generated during the construction of the new plant in accordance with ISO 14000:2004 Environmental Management System Standards. Construction unit promised to protect the surrounding environment, implement pollution prevention and control measures, and reasonably arrange construction time. In construction process, the project will take protective measures such as fencing to prevent dust pollution and will properly handle the construction wastewater and construction waste to reduce the impact on the surrounding environment. Domestic sewage will be implemented in accordance with the requirements of Zhuhai City drainage management departments. Solid wastes such as domestic waste are collected to be disposed of by local environmental authority. We require the construction unit to use low noise and low vibration machinery and equipment, and adopt effective sound insulation, noise elimination, noise reduction and vibration attenuation measures to meet the standards set out in Emission Standard of Environment Noise for Boundary of Construction Site (GB12523-2011).

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## CREATE VALUE FOR EMPLOYEES

Employees serve as an important pillar of the Group. We are committed to creating value for our employees and building a career platform that helps our employees to exert their expertise and maintain a balance between their lives and work. We are actively shaping employees to have the characteristics such as conscience, responsibility, entrepreneurial spirit, harmony and shared mission, as well as noble occupation spirit and superb professional ability, and can be dedicated and diligent to the people and matters related to the Group. In addition, we expect employees to continue to learn, strive for improvement, make continuous progress, and interact and help each other with a cooperative and tolerant attitude, and that the Group can operate orderly under system and process constraints, to form the cooperative, loyal, harmonious and sharing situation. The Group will strictly comply with laws and regulations relating to workers, such as the Employment Ordinance of Hong Kong and the Labor Law of the People's Republic of China. We not only provide remuneration and benefits, but also build a sound development direction for employees, as well as pay attention to the safety and health of employees.

### Remuneration and Welfares

One of our culture foundations is people-orientation. We believe in "making the best possible use of men and accomplishing success with people". The development of the Group is inseparable from the joint efforts of employees, so we adopt market-oriented standards, and have established a sound remuneration and welfare system to share the fruits of the Group's development with employees. In addition to remuneration and welfares, we also provide a full range of care for our employees in life, and organize many cultural events to enhance employee identity and sense of belonging, and also practice another cultural foundation of us – team spirit.

#### Remuneration and Bonus

The Group provides employees with market-oriented remuneration and has established the remuneration distribution system based on job value, job competence requirements and job performance. Job value is assessed according to such six factors as influence, problem solving skill, leadership, communication skills, knowledge and skills and scope of work. In addition to adjusting the remuneration of all staff, the Group will also adjust the remuneration of individual employees based on the results of individual performance appraisal. In addition, in recognition of the Group's outstanding team and individuals, form a sense of collective honor and a sense of mission, encourage the enthusiasm and creativity of all staff, enhance corporate centripetal force and cohesion, set up our staff standard and examples, and create a positive and courageous atmosphere, we have established the annual evaluation program to provide cash rewards to outstanding teams or employees. In addition, we have also distributed red packets at the end of the year to encourage all employees of the Group to make further contributions to the Group's development. The departing employees are required to hand over on their last working day and will be paid with their remaining salary as scheduled.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### Staff Benefits

The Group implements five-day working (eight hours a day) system and provides different paid holidays, including statutory holidays, annual leave, marriage leave, antenatal care leave, maternity leave, nursing leave, breastfeeding leave, funeral leave and work-related injury leave. We have purchased five social insurances including: pension, medical care, work-related injury, unemployment, birth insurance, and housing provident fund according to statutory requirements, and we also provide other allowances such as purchasing commercial insurance and providing high temperature subsidies for special posts. The trade union of the Group will also provide marriage and birth benefits, medical care and funeral consolation money, distribute shopping cards to employees on New Year's Day, Lunar New Year, Dragon Boat Festival and Mid-Autumn Festival, and give cake coupons to employees on their birthdays. The Group will also arrange all staff to receive a medical examination every year. To care for the families of our staff who have suffered significant misfortunes, we utilize the care and mutual funds to show our love and care to them.

### Cultural Activities

We believe that strengthening the corporate culture is to enhance the strength and competitiveness of the Group and ultimately achieve the strategic objectives of sustainable development. Corporate culture activity is an important way for employees to comprehend corporate spirit and philosophy. Through the spread of corporate culture concept, give correct guidance in such aspects as staff's ideas, behavior and values, and link the growth of employees closely with the development of the enterprise to achieve a win-win situation for the Company and employees. Over the years, we have been insisting on carrying out a variety of cultural and sports activities, training staff on their sense of recognition of the Group and responsibility, so as to create a warm and harmonious corporate culture. We will organize paid-travel for excellent staff and teams every year. In 2017, we also held such activities as Lunar New Year party, spring outing, skills competitions and our 25th anniversary event.

## Recruitment and Development Path

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

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### Recruitment

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

### Career Development Path

In order to establish a high-performance excellent workforce that cooperates with the rapid development of the Group, the Group has established a clear career path for employees. Employees can be promoted along a career path, and also adjust their promotion channels with the changes in development direction. Employees can follow three paths of development, including technology, professional and management, each of which can be subdivided into more professional development directions. For employees to have a better and mature career planning, we have established career development files for each employee, including: employee career development planning form, staff training needs, annual assessment records, training records, as a basis for career planning adjustment of staff. In order to encourage employees to communicate with the management to get career support, we have arranged the department heads and mentors as counselors for the career development of staff of various departments, to communicate with staff regularly according to their individual work performance and future development, so as to determine the next goal and direction. Counselors will also communicate with new staff, and make comprehensive consideration of their career development directions according to their personal circumstances, such as career interests, qualifications, professional skills, personal experience and background analysis. In addition to establishing a communication system, we also carry out personal expertise and skills assessment of our staff through aspects including staff knowledge, skills, qualification certificates, career interests and so on, with a view to understanding the needs and development of our employees. The Group will also review whether we have provided training and promotion opportunities for staff in the past year, the assessment results and promotion of staff in the past year and put forward the recommendations for staff development at next stage.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Staff Training

The Group attaches importance to personnel training, and strives to achieve the goal of "learning in Titans, succeeding in the future; advancing with the times, not waiting". The Group has established a sound training system, internal lecturer system and mentor management system, etc., to encourage employees to make progress through independent learning, and actively provides support for staff training, including vocational skills and qualification awards, training incentives, lecturer allowance, academic upgrading support, etc., laying the foundation for the career development of employees. We offer the following six types of training courses for our employees.

| Types of training courses | Examples of training programs |
|---|---|
| Specific courses for general category | • Current situation and development trend of charging industry<br>• Operation of production plan<br>• Case study on planning and design of charging stations |
| Courses related to policies and regulations | • Safety laws and regulations<br>• Trainings related to Contract Law and Tender Law<br>• Product knowledge trainings related to new national standard split machines |
| Technical courses | • Product debugging and inspection methods<br>• Principle explanation of product design<br>• Working principle of basic electric circuit |
| Specific courses about qualifications | • PMP qualification exam |
| Specific management courses | • Team management and effective communication (trainings for division heads and team leaders)<br>• Trainings for the management of Titans Group<br>• Document management of technical department |
| Specific courses | • 6S management<br>• Safety production<br>• Hazardous chemical management |

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

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Employee Safety and Health

As a responsible employer, the Group attaches importance to the safety and health of employees and strictly abides by the national laws, regulations, rules and standards of the State on the prevention and control of occupational diseases, such as the Law of the People's Republic of China on Work Safety, the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases, the Regulations on the Supervision and Administration of Workplace Occupational Health promulgated by State Administration of Work Safety, and implements labor protection policies. The Group is committed to the work of labor protection and safety management, and firmly adheres to the idea of "safety first" to earnestly implement "safe production, the duty of everyone; safe production, prevention first". We not only have a sound system to ensure that all employees can do a good job of occupational disease prevention and control, but also continue to pursue progress to improve staff working environment and conditions. The co-ordination and continuous testing of protective facilities is an important part of safety management. The co-ordination of hardware is important, but publicity and education are also elements that cannot be ignored. In order to further strengthen the Group's safety management, we have established a system of production safety incentives and penalties. In addition to the safety management of daily production, we have also established relevant system related to occupational hazards and fire safety. Our safety management system has obtained OHSAS 18001:2007 Occupational Health and Safety Management System certification.

## Safe Production System

In order to clarify the responsibilities of leaders at all levels, functional departments, production departments and employees in the prevention and control of occupational diseases, the Group has formulated the system of safety production responsibility. The system sets out the safety responsibilities of employees at all levels, including the establishment of measures, the implementation of measures, regular inspections and other duties. In addition, in order to regularly analyze the dynamics of production safety and to solve the problems of safe production in a timely manner, the Group has set up safety production committee, comprising the management, safety inspectors and professional employees. An occupational health leadership group meeting will be held regularly to study and formulate occupational disease prevention and control plans and schemes, improve and revise occupational health management system and occupational health management system, and set out the responsibilities of posts according to the division of labor and organize specific implementation. The Group attaches importance to the views of employees. Through the annual meeting with staff representatives, we will report on the work plan and implementation of occupational hazards in various departments. We will also take the initiative to listen to the opinions of employees on their occupational health work and instruct relevant departments to deal with and put forward reasonable suggestions and opinions in time. In addition, the meeting of the occupational hazard prevention and control working team will also be held regularly to listen to the reports of various departments on occupational health and to take timely measures accordingly. In addition to reviewing the existing mechanism by listening to the views of our staff, we will regularly organize occupational hazard prevention and control work inspection, conduct timely research on the problems identified, formulate improvement measures and designate specific departments to timely resolve the problems, in order to eliminate the worries of occupational diseases.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### Coordination of Protective Facilities

Safety protective equipment plays an important role in the prevention of occupational diseases and work-related accidents. If there is no protective equipment, safety management only stays on the paper. As a result, the Group has set up safety protection facilities in the plant. In order to ensure that the protective facilities can effectively protect the staff, we have developed occupational disease protection facilities inspection and maintenance plans and schemes, regularly organized the education and training for the proper use and maintenance of occupational disease protection facilities, and specify that production department should check the operation of protective facilities weekly and workers should record the operation of facilities every day. The management will also regularly check the daily inspection, maintenance and overhaul of protective facilities. In addition to large safety protective equipment, we also prepare different personal protective equipment for our employees according to the requirements of each employee's work and prohibit employees from using unqualified or expired protective equipment. The Group not only provides staff with safety protection equipment and personal protective equipment, but also arranges third-party agencies to detect and evaluate the hazards on the job site regularly, and implements the proposed recommendations according to the actual needs. In addition, we arrange occupational health examination annually for employees who are exposed to occupational hazards, in strict accordance with the Technical Specifications on Occupational Health Surveillance. We also arrange pre-employment occupational health examination for new staff members who are exposed to occupational hazards, with a view to ensuring that the staff can adapt to the working environment.

### Publicity and Education

In addition to providing safety protection facilities, the Group actively carries out publicity and safety training for employees to enhance their awareness and ability of self-protection. We set up bulletin boards in the plant to publish the rules and regulations on occupational disease prevention and control, the operation procedures, the emergency rescue measures for occupational hazards and the results of detection of occupational hazards. We have also set up warning signs and Chinese warnings to remind employees of the types of occupational hazards, consequences, prevention and emergency response measures and so on. In addition to occupational safety publicity, we also carry out pre-employment safety training and regular safety training during the work period to enhance staff's occupational safety knowledge. The training covers occupational health-related laws, regulations and standards, basic occupational health knowledge, occupational health management system and operating procedures, proper use of occupational disease protection equipment and personal protective equipment, emergency rescue measures and basic skills in the event of an accident, and cases of occupational hazards. Workers are required to receive safety training, and get work permits after passing the exam. In order to enhance the safety awareness and occupational disease prevention awareness of employees and enhance the sense of safety, in addition to regular safety education and training, the Group will also arrange professional and technical personnel to carry out professional safety and technical training for employees who adopt new equipment, and employees can only work after passing the exam.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### Safe Production Rewards and Punishment System

Publicity and education enhances the production safety awareness of staff. However, to further enhance the driving force to the implementation of safe production by employees, strengthen production safety management, and prevent and reduce safety accidents, the Group has developed a safe production rewards and punishment system. The Group encourages rewarding, in mental or material form, the employees or departments having conscientiously implemented the safety management policies and systems of the Group, carried out safety management work, abided by laws and discipline and avoided accidents. In addition, we will punish the leaders of relevant departments and the responsible persons, who have led to accidents, delayed rectification and violated discipline, according to the principles of "who are in charge, who are responsible; who is responsible, who bears responsibilities". In addition, Zhuhai Titans Technology Co., Ltd. has organized the 6S (Seiri, Seiton, Seiso, Seiketsu, Shitsuke and Security) contest, to encourage employees to keep the workplace clean and tidy, put items neatly and orderly, properly place all work items before getting off work, cultivate the habit of self-discipline, and create a safe and zero-accident office environment.

### Accident Handling Scheme

In order to avoid the occurrence of chaos after an accident and timely and effectively control and handle occupational hazards, the Group has developed clear accident handling procedures, and strives to control the scene as soon as possible to prevent the expansion of the situation and minimize the hazards of accidents. In addition to clearly indicating the evacuation line and the emergency collection point in the event of an accident, we have set up a warning sign at the emergency rescue facility to ensure that employees know the method to use it properly. With regard to the effectiveness of emergency rescue facilities and occupational hazard prevention facilities, we will regularly carry out inspection and maintenance to ensure the safety and effectiveness of the facilities. Regular exercise of occupational hazard rescue scheme is also an indispensable work. In addition to enabling staff to get familiar with post-accident handling scheme through the exercise, we also ask managers to conduct evaluation in order to improve the emergency response scheme. In addition, if an accident occurs, we will also form an occupational hazard investigation team to collect evidence, analyze the responsibility of the accident, punish the responsible person, and take measures to prevent the accident from happening again.

### Fire Safety Management

In addition to occupational hazards, the Group concerns about fire safety management, and has developed fire safety management system in accordance with the Provisions on the Administration of Fire Control Safety of State Organs, Organizations, Enterprises and Institutions. The Group will also hold regular meetings of person-in-charge of key units, and carefully check and implement various fire prevention systems and safety measures. We will also conduct regular fire inspections and make continuous improvement to eliminate fire hazards. In order to ensure the effectiveness of fire equipment, we will regularly check, purchase or repair fire equipment, to ensure 100% intactness and soundness. We will commission the units with relevant qualification every year to carry out a comprehensive inspection and test of building fire extinguishers and automatic fire facilities. In addition to regular inspections, publicity and education is also a major guideline for our fire safety management. We set up a fire prevention publicity column to improve staff's fire safety awareness and skills. We will not only provide pre-service training for newly recruited staff, but also carry out fire drills. Moreover, after fire drills, we will review the effect thereof, in order to identify the existing issues and propose improvement measures, thereby enhancing employees' emergency management capability and initiative.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## CREATE VALUE FOR PARTNERS AND THE SOCIETY

The Group penetrates its management policy "innovation-based, integrity" throughout the supply chain. Innovation is the cornerstone of our survival and the power of our development. We will not follow the old and rest on our laurels, as that means waiting for death. We closely cooperate with our suppliers and expect to share opportunities with them. Integrity is also the operational principle. If we lack integrity and responsibility, we will accomplish nothing, so data privacy is a major category of our attention. As a good corporate citizen, the Group not only attaches importance to the common development with the partners, but also makes more efforts to contribute to the community, in order to strive for outstanding business performance and also promote social civilization and prosperity and harmony. Corruption is criticized most by people, so we are committed to combating corruption, and we have, from multiple levels, developed and implemented measures to achieve zero corruption. In order to promote social communion, apart from strict compliance with labor laws and regulations, we avoid the employment of child labor or forced labor, establish equal programs and pay attention to the employment needs of people with disabilities.

### Cooperation with Suppliers

The development of the Group depends on many suppliers to provide the raw materials to support our business operations, and let us take every step of innovation. In order to develop and evolve with our suppliers, we have established stringent standards to assess the conduct of suppliers and have developed transparent and fair procurement procedures and supplier contractual arrangements. We have set up clear new supplier selection policy that requires suppliers to make self-assessment first, aimed to let suppliers understand our requirements and declare responsible business ethics to them. We will also conduct on-site audit of suppliers, to review whether suppliers can provide the products in line with quality requirements using the reliable production processes and the key equipment that complies with production requirements. We will also review whether suppliers have passed the third party validation related to environmental and safety management practice. In addition to on-site audits, we will also test suppliers' samples to ensure product quality. We will also continue to monitor qualified suppliers. In order to ensure long-lasting high-quality of products, the Group will conduct quality checks on suppliers' products every month, review them regularly according to the quality of products, the timeliness of delivery, coordination and price, and reconsider suppliers' supply qualification. In 2017, most of our major suppliers are located in Guangdong Province, which can reduce carbon emissions during transport.

### Maintaining Business Ethics

The Group has always respected the personal privacy and intellectual property conferred by law. We strictly protect customers' personal information and our intellectual property. The Group has developed different policies to comply with the laws and regulations relating to personal privacy and intellectual property. We not only established the relevant system, but also signed confidentiality agreement with employees, suppliers and customers to strengthen the protection of business secrets and safeguard the legitimate rights and interests of both sides. Intellectual property rights associated with the technological achievements developed by our employees during the course of their employment with the Group belong to us. We have obtained 24 patents in total, and have been granted the intellectual property management system certification. Yilian New Energy not only set the protection for in-app data in the design program, but also secured the client data acquired from the application. Zhuhai Yilian has set up virtual server's automatic backup and recovery function to ensure data security.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Anti-Corruption

In order to establish a clean society, the Group proceeded from a number of systems to avoid corruption. Internally, the Group has established a system to severely punish employees who use their positions to facilitate, illegally possess or falsely claim corporate property or commit fraud, malpractice, commercial bribery, illegal misuse, disclosure of secrets and embezzlement of corporate funds. In addition, we have set up specific financial positions according to the principle of separation of duties in incompatible duties, implement one person multi roles and regular rotation management system, and clarify each employee's rights carefully, to avoid that employees have the opportunity to receive benefits. Externally, most of our transactions are handled through the e-commerce platform, and all transaction payments have a clear record to avoid corruption. In addition to choosing suppliers in a public and transparent manner, we will also select reputable suppliers to reduce the risk of money laundering and thus maintain our corporate reputation. At sales level, we strictly enforce the regulation, prohibit exaggerated prices, and avoid the signing of false contracts. We will also enter into an Integrity and Law-abiding Agreement with the contractor in the process of bidding for a project and enter into an Integrity Agreement with the client to enhance the two sides' ability to operate in accordance with the law, improve their self-constraint and self-discipline, and create compliant, integrity, clean and efficient working environment, to prevent illegal acts. We strictly abide by the laws and regulations regarding prevention of bribery, extortion, fraud and money laundering.

## Promote Social Communion

The Group pays attention to give back to the society in its own development and hopes that more help can be gathered to give more warm care to the society. In August 2017, Typhoon Hato landed Zhuhai, causing serious losses to all industries of the city. Echoing the call from the electric power association of the city, we organized volunteers to participate in the repair work after the typhoon. We assisted in cleaning the main roads of the region, provided water and meal delivery to sanitation and urban management personnel as well as delivered relief supplies, so as to help restore the production and daily life after the disaster. With concerted effort of all parties concerned, the roads in Zhuhai were quickly reopened.

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

Students hold the keys to our future and schools are a cradle for nurturing leaders. In order to allow poor students to have appropriate education despite economic difficulties, we subsidized six students to join Jinan University, a quality university in Guangdong province under key development, during the year. Moreover, we understand that the Higher Education Entrance Exam is vital to students' development. To fully ensure that candidates can arrive at exam centers safely, promptly and on time during the exam period, Zhuhai Yilian took part in the "Caring Free Ride to Examination" event in Zhuhai. We provided five electric shared cars with printed labels of "Caring Free Ride to Examination", taking candidates to exam centers.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Major Key Performance Indicators

| Environmental indicators | 2017 |
|---|---|
| **Emission** | |
| Nitrogen oxide emissions (kg) | 34 |
| Sulphur dioxide emissions (kg) | 0.34 |
| Particulate emissions (kg) | 3 |
| Total emissions of nitrogen oxide avoided by the use of electric vehicles (kg) | 4 |
| Total emissions of sulphur dioxide avoided by the use of electric vehicles (kg) | 0.11 |
| Total emissions of particulate avoided by the use of electric vehicles (kg) | 0.31 |
| **Greenhouse gases** | |
| Total emissions of greenhouse gases (tonne)[1] | 921 |
| Total emissions of greenhouse gases per production device (tonne/device) | 5 |
| Total emissions of greenhouse gases avoided by the use of electric vehicles (tonne) | 9 |
| **Wastes** | |
| Total disposal of non-hazardous wastes (tonne) | 31 |
| Total emissions of non-hazardous wastes per production device (tonne/device) | 0.17 |
| Total production of hazardous wastes (kg) | 403 |
| Total production of hazardous wastes per production device (kg/device) | 2.18 |
| **Resource usage** | |
| Total energy consumption (MWh) | 1,506 |
| Total energy consumption per production device (MWh/device) | 8 |
| Non-renewable fuel consumption (MWh) | 260 |
| Consumption of energy purchased for power generation (MWh) | 1,246 |
| Total water usage ($m^3$) | 7,770 |
| Total water usage per production device ($m^3$/device) | 42 |
| Paper-based packaging material usage (tonne) | 11 |
| Paper-based packaging material usage per product (kg/product) | 5.37 |
| Plastic-based packaging material usage (tonne) | 0.48 |
| Plastic-based packaging material usage per product (kg/product) | 0.24 |
| Wood-based packaging material usage (tonne) | 5 |
| Wood-based packaging material usage per product (kg/product) | 1.54 |

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

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

| Employment Indicator | 2017 |
|---|---|
| **Number of employees** | 534 |
| By gender | |
| Male | 386 |
| Female | 148 |
| By age | |
| Over 50 | 24 |
| 30-50 | 333 |
| Below 30 | 177 |
| **Average hours of training per employee (hour) and percentage of employees who received training (%)** | |
| By gender | |
| Male | 13 (80) |
| Female | 14 (88) |
| By employee category | |
| Senior | 5 (84) |
| Middle-level | 31 (100) |
| Junior | 13 (80) |

| Community investment indicators | 2017 |
|---|---|
| Corporate charitable donations (RMB) | 36,000 |
| Number of employees participating in volunteer services | 14 |
| Number of volunteer hours of employees | 62 |

# INDEPENDENT AUDITOR'S REPORT

信永中和 ShineWing

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

**TO THE SHAREHOLDERS OF CHINA TITANS ENERGY TECHNOLOGY GROUP CO., LIMITED**
*(incorporated in the Cayman Islands with limited liability)*

## OPINION

We have audited the consolidated financial statements of China Titans Energy Technology Group Co., Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages 83 to 203, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## BASIS FOR OPINION

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

# INDEPENDENT AUDITOR'S REPORT

## KEY AUDIT MATTERS

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

### Carrying amount of inventories

Refer to note 22 to the consolidated financial statements and the accounting policy on page 110.

| The key audit matter | How the matter was addressed in our audit |
|---|---|
| As at 31 December 2017, the carrying amount of the inventories was approximately RMB76,717,000. The carrying amount of and the allowance for inventories are reviewed by the management periodically, which involves significant degree of judgements and estimates on the net realisable value.<br><br>We have identified the carrying amount of the inventories as a key audit matter since the carrying amount of inventories was significant to the consolidated financial statements and the assessment on the allowance for inventories involves significant judgements and estimates made by the management. | Our procedures in relation to the carrying amount of inventories were designed to review the judgements and estimates made by the management on the assessment on the allowance for inventories as at 31 December 2017.<br><br>We have discussed with the management for the long-aged inventories identified at 31 December 2017 and challenged their judgements and estimates on such inventories of not being obsolete. We have reviewed the utilisation of inventories and sales contracts awarded and entered into between the Group and the customers on the abovementioned long-aged inventories. We have also reviewed the subsequent selling price of the inventories as at 31 December 2017 and compared with their carrying amounts to consider whether the inventories were stated at lower of their costs or net realisable values. |

# INDEPENDENT AUDITOR'S REPORT

## KEY AUDIT MATTERS (Continued)

### Valuation and impairment of trade receivables

Refer to note 23 to the consolidated financial statements and the accounting policy on pages 113 to 114.

| The key audit matter | How the matter was addressed in our audit |
|---|---|
| As at 31 December 2017, the carrying amount of trade receivables was approximately RMB332,231,000, net of allowance for impairment loss of trade receivables of approximately RMB54,497,000. Allowance for impairment loss in respect of trade receivables of approximately RMB7,294,000 has been recognised for the year ended 31 December 2017.<br><br>The impairment assessment performed by the management included the identification of objective evidence of impairment and calculation of the present value of the estimated future cash flows of the trade receivables under the impairment testing. This assessment is dependent upon significant judgements and estimates made by the management in the calculation of the estimated future cash flows of trade receivables.<br><br>We have identified the valuation and impairment of the trade receivables as a key audit matter in view of the significance of the carrying amount of trade receivables and the impairment assessment performed by the management involved significant judgements and estimates, which may be subject to management bias. | Our audit procedures were designed to review the management assessment of the indicators of possible impairment and challenge the reasonableness of the judgements and estimates used in the calculation of the estimated future cash flows of trade receivables under the impairment testing.<br><br>We have discussed the indicators of possible impairment with the management and, where such indicators were identified by the management, assessed the impairment testing performed by the management. We have challenged the judgements and estimates used by the management under the impairment testing by assessing the reliability of the management's estimates on the future cash flows of trade receivables, taking into account the ageing analysis at year end and cash received after year end, as well as the past repayment history and recent creditworthiness of each significant debtor. |

# INDEPENDENT AUDITOR'S REPORT

## KEY AUDIT MATTERS (Continued)

### Valuation of the convertible notes

Refer to note 31 to the consolidated financial statements and the accounting policy on page 115.

| The key audit matter | How the matter was addressed in our audit |
|---|---|
| The Company has convertible notes with principal amount of HK$100,000,000 and bifurcated into financial liability portion for the interest-bearing notes and derivatives for the conversion option and redemption option.<br><br>Independent valuer was engaged by the management for the calculation of the fair values of derivative options of the convertible notes at 31 December 2017.<br><br>We have identified the valuation of the convertible notes as a key audit matter since significant judgements and estimates have been used by the management and independent valuer in determining significant unobservable inputs adopted in the calculation of the fair values of the derivative options of the convertible notes. | Our procedures were designed to challenge the reasonableness of the significant unobservable inputs adopted in the calculation of the fair values of derivative options of the convertible notes, with reference to the available market sources.<br><br>We also reviewed the methodology and the input data used by the independent valuer in the calculation of the fair values of derivative options of the convertible notes. |

### Valuation of the investments in unlisted equity securities included in available-for-sale financial assets

Refer to note 20 to the consolidated financial statements and the accounting policy on page 113.

| The key audit matter | How the matter was addressed in our audit |
|---|---|
| As at 31 December 2017, included in the available-for-sale financial assets are investments in unlisted equity securities of approximately RMB24,609,000. Independent valuer was engaged by the management for the fair value estimations of each of the unlisted equity securities as at 31 December 2017.<br><br>We have identified the valuation of the investments in unlisted equity securities included in available-for-sale financial assets as a key audit matter since significant judgements and estimates, including use of significant unobservable inputs, have been used in the fair value estimations by the management and the independent valuer at the end of the reporting period. | Our procedures were designed to challenge the reasonableness of judgements and estimates, including use of significant unobservable inputs adopted in the fair value estimations by the management and the independent valuer.<br><br>We have also reviewed the methodology and the inputs data used by the independent valuer with reference to the latest available market data. |

# INDEPENDENT AUDITOR'S REPORT

## KEY AUDIT MATTERS (Continued)

### Charging services concession rights

Refer to notes 18 and 33 to the consolidated financial statements and the accounting policy on pages 109 to 110.

| The key audit matter | How the matter was addressed in our audit |
|---|---|
| During the year ended 31 December 2017, the Group has entered into one additional Build-operate-transfer arrangement with state-owned enterprise in the People's Republic of China in respect of the charging services. During the year ended 31 December 2017, construction revenue and charging services concession rights under intangible assets of approximately RMB6,835,000 have been recognised based on the cost plus method, which the management concludes it is consistent with the rate that a market participant would require as compensation for providing similar services.<br><br>The impairment assessment on the carrying amount of charging services concession rights of approximately RMB28,884,000 as at 31 December 2017 performed by the management included the identification of objective evidence of impairment and calculation of recoverable amounts, based on value-in-use calculations, of charging services concession rights. This assessment is dependent upon significant judgements and estimates made by the management in the calculations of value-in-use, derived from profit forecasts and cash flows projections.<br><br>We have identified the charging services concession rights as a key audit matter in view of the significance and the involvement of significant judgements and estimates made by the management in (i) determining the margin to be adopted in the abovementioned cost plus method; and (ii) the underlying data and assumptions used in the profit forecasts and cash flows projections, which may be subject to management bias. | Our procedures were designed to review the judgements and estimates made by the management on the determination of the margin to be adopted in the cost plus method and the impairment testing on the charging service concession rights at the end of the reporting period.<br><br>We discussed with the management for the market comparables used in determining the margin used in the cost plus method. We also reviewed the nature of the business and the available public financial data of the market comparables used by the management.<br><br>We have discussed the indication of possible impairment with the management and, where such indicators were identified by the management, assessed the impairment testing performed by the management. We compared the profit forecasts approved by the management with actual results available up to the report date. We also challenged the appropriateness of the management judgements and estimates used in the profit forecasts and cash flows projections, including the sales growth rates and gross profit margins, against latest market expectations.<br><br>We also challenged the discount rates adopted in the calculation of the recoverable amounts by reviewing its basis of calculations and comparing the input data to market sources. |

# INDEPENDENT AUDITOR'S REPORT

## OTHER INFORMATION

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

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

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

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

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

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

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

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

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

# INDEPENDENT AUDITOR'S REPORT

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

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

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

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

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

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

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

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

# INDEPENDENT AUDITOR'S REPORT

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Mr. Pang Wai Hang.

**SHINEWING (HK) CPA Limited**
*Certified Public Accountants*
**Pang Wai Hang**
Practising Certificate Number: P05044
Hong Kong
27 March 2018

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the year ended 31 December 2017*

| | NOTES | 2017 RMB'000 | 2016 RMB'000 |
|---|---|---|---|
| Revenue | 5 | **327,861** | 289,298 |
| Cost of sales | | **(214,714)** | (194,623) |
| Gross profit | | **113,147** | 94,675 |
| Other revenue and income | 7 | **20,019** | 13,514 |
| Selling and distribution expenses | | **(48,438)** | (52,027) |
| Administrative and other expenses | | **(65,773)** | (62,363) |
| Allowance for impairment loss recognised in respect of trade receivables | 23 | **(7,294)** | (17,854) |
| Reversal of impairment loss recognised in respect of trade receivables | 23 | **13,164** | 30,760 |
| Impairment loss recognised in respect of available-for-sale financial asset | 20 | **–** | (1,983) |
| Reversal of impairment loss recognised in respect of prepayment | 24 | **–** | 4,650 |
| Net loss on disposal of subsidiaries | 38 | **(11,985)** | (575) |
| Gain on disposal of an associate | 19 | **–** | 5,138 |
| Gain on disposal of available-for-sale financial asset | 20 | **2,222** | 87 |
| Loss on fair value change of held for trading investment | 21 | **(752)** | – |
| Realisation on fair value gain on the disposal of available-for-sale financial asset classified as held for sale | | **136,174** | – |
| Gain on disposal of available-for-sale financial asset classified as held for sale | | **62,652** | – |
| Share of results of associates | | **(4,742)** | (521) |
| Net fair value gain on derivative components of the convertible notes | 31 | **8,612** | 10,111 |
| Finance costs | 8 | **(16,695)** | (12,659) |
| Profit before tax | | **200,311** | 10,953 |
| Income tax expense | 9 | **(41,145)** | (5,998) |
| Profit for the year | 10 | **159,166** | 4,955 |

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the year ended 31 December 2017*

| | NOTE | 2017<br>RMB'000 | 2016<br>RMB'000 |
|---|---|---|---|
| **Other comprehensive (expense) income** | | | |
| Items that may be reclassified subsequently to profit or loss: | | | |
| Fair value (loss) gain on available-for-sale financial asset | | **(8,176)** | 136,174 |
| Income tax relating to item that may be reclassified subsequently | | **1,226** | (34,044) |
| Realisation of fair value gain on the disposal of available-for-sale financial asset classified as held for sale | | **(136,174)** | – |
| Income tax relating to item that reclassified on disposal | | **34,044** | – |
| Other comprehensive (expense) income for the year, net of income tax | | **(109,080)** | 102,130 |
| Total comprehensive income for the year | | **50,086** | 107,085 |
| Profit (loss) for the year attributable to: | | | |
| – Owners of the Company | | **163,706** | 7,279 |
| – Non-controlling interests | | **(4,540)** | (2,324) |
| | | **159,166** | 4,955 |
| Total comprehensive income (expense) for the year attributable to: | | | |
| – Owners of the Company | | **54,626** | 109,409 |
| – Non-controlling interests | | **(4,540)** | (2,324) |
| | | **50,086** | 107,085 |
| **EARNINGS PER SHARE** | *14* | | |
| Basic (RMB cents) | | **17.70** | 0.79 |
| Diluted (RMB cents) | | **16.52** | 0.79 |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 December 2017*

| | NOTES | 2017 RMB'000 | 2016 RMB'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 15 | **56,837** | 26,550 |
| Prepaid lease payments | 16 | **8,301** | 8,613 |
| Goodwill | 17 | **449** | – |
| Prepayment for the construction of property, plant and equipment | | **13,000** | 15,000 |
| Intangible assets | 18 | **32,085** | 25,300 |
| Interests in associates | 19 | **8,332** | 12,094 |
| Available-for-sale financial assets | 20 | **159,152** | 14,828 |
| Deferred tax assets | 32 | **7,523** | 7,177 |
| | | **285,679** | 109,562 |
| **Current assets** | | | |
| Inventories | 22 | **76,717** | 97,893 |
| Trade and bills receivables | 23 | **333,094** | 228,365 |
| Prepayments, deposits and other receivables | 24 | **157,980** | 57,778 |
| Prepaid lease payments | 16 | **312** | 312 |
| Amounts due from associates | 25 | **4,137** | 2,175 |
| Held for trading investment | 21 | **9,248** | – |
| Redemption option derivative of the convertible notes | 31 | **165** | 13,331 |
| Restricted bank balances | 26 | **61,433** | 148,548 |
| Short-term bank deposits | 26 | **73,000** | 130,014 |
| Bank balances and cash | 26 | **60,133** | 13,830 |
| | | **776,219** | 692,246 |
| Assets classified as held for sale | 27 | **–** | 165,100 |
| | | **776,219** | 857,346 |
| **Current liabilities** | | | |
| Trade and bills payables | 28 | **101,193** | 63,968 |
| Receipts in advance | | **6,791** | 11,838 |
| Accruals and other payables | | **29,963** | 10,937 |
| Amounts due to associates | 29 | **185** | – |
| Conversion option derivative of the convertible notes | 31 | **175** | 22,200 |
| Tax payable | | **25,590** | 4,724 |
| Convertible notes | 31 | **83,567** | – |
| Bank and other borrowings | 30 | **134,945** | 149,850 |
| | | **382,409** | 263,517 |
| **Net current assets** | | **393,810** | 593,829 |
| **Total assets less current liabilities** | | **679,489** | 703,391 |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 December 2017*

| | NOTES | 2017 RMB'000 | 2016 RMB'000 |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Convertible notes | 31 | – | 75,412 |
| Deferred tax liabilities | 32 | 18,604 | 42,937 |
| Other borrowing | 30 | 3,450 | – |
| | | 22,054 | 118,349 |
| **Net assets** | | 657,435 | 585,042 |
| **Capital and reserves** | | | |
| Share capital | 34 | 8,087 | 8,087 |
| Share premium and reserves | | 622,599 | 567,973 |
| **Equity attributable to owners of the Company** | | 630,686 | 576,060 |
| Non-controlling interests | | 26,749 | 8,982 |
| **Total equity** | | 657,435 | 585,042 |

The consolidated financial statements on pages 83 to 203 were approved and authorised for issue by the board of directors on 27 March 2018 and are signed on its behalf by:

**Mr. An Wei**
*Director*

**Mr. Li Xin Qing**
*Director*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the year ended 31 December 2017*

| | Attributable to owners of the Company | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital RMB'000 | Share premium RMB'000 | Merger reserve RMB'000 *(note (a))* | Exchange translation reserve RMB'000 | 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 profits RMB'000 | Total RMB'000 | Non-controlling interests RMB'000 | Total equity RMB'000 |
| At 1 January 2016 | 8,087 | 325,141 | 8,640 | 504 | – | (1,539) | 38,633 | 2,066 | 85,119 | 466,651 | 11,136 | 477,787 |
| Profit (loss) for the year | – | – | – | – | – | – | – | – | 7,279 | 7,279 | (2,324) | 4,955 |
| Other comprehensive income (expense) for the year: | | | | | | | | | | | | |
| Fair value gain on available-for-sale financial asset | – | – | – | – | 136,174 | – | – | – | – | 136,174 | – | 136,174 |
| Income tax relating to item that may be reclassified subsequently | – | – | – | – | (34,044) | – | – | – | – | (34,044) | – | (34,044) |
| Total comprehensive income (expense) for the year | – | – | – | – | 102,130 | – | – | – | 7,279 | 109,409 | (2,324) | 107,085 |
| Transfer in (out) | – | – | – | – | – | – | 321 | – | (321) | – | – | – |
| Establishment of subsidiaries | – | – | – | – | – | – | – | – | – | – | 2,380 | 2,380 |
| Disposal of subsidiaries *(note 38)* | – | – | – | – | – | – | – | – | – | – | (2,210) | (2,210) |
| At 31 December 2016 and 1 January 2017 | 8,087 | 325,141 | 8,640 | 504 | 102,130 | (1,539) | 38,954 | 2,066 | 92,077 | 576,060 | 8,982 | 585,042 |
| Profit (loss) for the year | – | – | – | – | – | – | – | – | 163,706 | 163,706 | (4,540) | 159,166 |
| Other comprehensive income (expense) for the year: | | | | | | | | | | | | |
| Realisation of fair value gain on the disposal of available-for-sale financial asset as held for sale | – | – | – | – | (136,174) | – | – | – | – | (136,174) | – | (136,174) |
| Income tax relating to items that reclassified on disposal | – | – | – | – | 34,044 | – | – | – | – | 34,044 | – | 34,044 |
| Fair value loss on available-for-sale financial asset | – | – | – | – | (8,176) | – | – | – | – | (8,176) | – | (8,176) |
| Income tax relating to items that may be reclassified subsequently | – | – | – | – | 1,226 | – | – | – | – | 1,226 | – | 1,226 |
| Total comprehensive income (expense) for the year | – | – | – | – | (109,080) | – | – | – | 163,706 | 54,626 | (4,540) | 50,086 |
| Transfer in (out) | – | – | – | – | – | – | 23,255 | – | (23,255) | – | – | – |
| Capital contribution from a non-controlling shareholder | – | – | – | – | – | – | – | – | – | – | 300 | 300 |
| Establishment of a subsidiary | – | – | – | – | – | – | – | – | – | – | 1,225 | 1,225 |
| Acquisition of subsidiaries | – | – | – | – | – | – | – | – | – | – | 20,782 | 20,782 |
| At 31 December 2017 | 8,087 | 325,141 | 8,640 | 504 | (6,950) | (1,539) | 62,209 | 2,066 | 232,528 | 630,686 | 26,749 | 657,435 |

Notes:

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

(b) Capital reserve represents the difference between the 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 2017*

| | NOTE | 2017 RMB'000 | 2016 RMB'000 |
|---|---|---|---|
| OPERATING ACTIVITIES | | | |
| Profit before tax | | **200,311** | 10,953 |
| Adjustments for: | | | |
| Amortisation of intangible assets | | **3,420** | 1,572 |
| Amortisation of prepaid lease payments | | **312** | 312 |
| Bank interest income | | **(1,209)** | (688) |
| Depreciation of property, plant and equipment | | **14,274** | 11,780 |
| Loan interest income | | **(105)** | – |
| Finance costs | | **16,695** | 12,659 |
| Net loss on disposal of subsidiaries | | **11,985** | 575 |
| Gain on disposal of an associate | | **–** | (5,138) |
| Gain on disposal of available-for-sale financial asset | | **(2,222)** | (87) |
| Realisation on fair value gain on the disposal of available-for-sale financial asset classified as held for sale | | **(136,174)** | – |
| Gain on disposal of available-for-sale financial asset classified as held for sale | | **(62,652)** | – |
| (Gain) loss on disposal of property, plant and equipment | | **(35)** | 242 |
| Loss on fair value change of held for trading investment | | **752** | – |
| Government grants | | **(5,796)** | (2,029) |
| Dividend from available-for-sale financial asset classified as held for sale | | **(155)** | (362) |
| Impairment loss recognised in respect of available-for-sale financial asset | | **–** | 1,983 |
| Allowance for impairment loss recognised in respect of trade receivables | | **7,294** | 17,854 |
| Reversal of impairment loss recognised in respect of prepayment | | **–** | (4,650) |
| Reversal of impairment loss recognised in respect of trade receivables | | **(13,164)** | (30,760) |
| Share of results of associates | | **4,742** | 521 |
| Net fair value gain on derivative components of the convertible notes | | **(8,612)** | (10,111) |
| Expenses on issuance of convertible notes | | **–** | 101 |
| Profit from construction under Build-Operate-Transfer ("BOT") arrangements | | **(1,919)** | (9,338) |
| Unrealised exchange (gain) loss | | **(2,493)** | 1,829 |
| Operating cash flows before movements in working capital | | **25,249** | (2,782) |

# CONSOLIDATED STATEMENT OF CASH FLOWS

*For the year ended 31 December 2017*

| | NOTE | 2017 RMB'000 | 2016 RMB'000 |
|---|---|---|---|
| OPERATING ACTIVITIES (CONTINUED) | | | |
| Decrease (increase) in inventories | | **22,003** | (23,516) |
| (Increase) decrease in trade and bills receivables | | **(98,754)** | 109,865 |
| Increase in prepayments, deposits and other receivables | | **(89,364)** | (2,437) |
| Increase in amounts due from associates | | **(1,962)** | (2,141) |
| Increase in held for trading investment | *21* | **(10,000)** | – |
| Increase (decrease) in trade and bills payables | | **36,443** | (8,423) |
| (Decrease) increase in receipts in advance | | **(232)** | 4,370 |
| Increase (decrease) in accruals and other payables | | **6,148** | (4,252) |
| Increase in amounts due to associates | | **185** | – |
| Cash (used in) generated from operations | | **(110,284)** | 70,684 |
| Income tax paid | | **(10,531)** | (2,374) |
| NET CASH (USED IN) FROM OPERATING ACTIVITIES | | **(120,815)** | 68,310 |

# CONSOLIDATED STATEMENT OF CASH FLOWS

*For the year ended 31 December 2017*

| | NOTES | 2017 RMB'000 | 2016 RMB'000 |
|---|---|---|---|
| INVESTING ACTIVITIES | | | |
| Placement of short-term bank deposits | | **(2,000)** | (105,014) |
| Withdrawal of short-term bank deposits | | **59,014** | 5,000 |
| Proceeds on disposal of available-for-sale financial asset | | **13,333** | 2,235 |
| Proceeds on disposal of asset classified as held for sale | | **60,750** | – |
| Bank interest received | | **1,209** | 688 |
| Proceeds on disposal of property, plant and equipment | | **2,122** | 800 |
| Dividend received from available-for-sale financial asset | | **155** | 362 |
| Capital contribution to associates | | **(980)** | (11,850) |
| Purchase of property, plant and equipment | | **(29,147)** | (12,708) |
| Receipts of partial consideration from the disposal of assets classified as held for sale | | **17,000** | 5,000 |
| Prepayment for the construction of property, plant and equipment | | **(13,000)** | (15,000) |
| Acquisition of available-for-sale financial assets | | **(24,609)** | (6,111) |
| Additions to charging services concession rights under intangible assets | | **(4,916)** | (17,354) |
| Net cash outflows from acquisition of subsidiaries | *37* | **(14,348)** | – |
| Loans advance to independent third parties | *24(iii)* | **(19,904)** | – |
| Net cash inflows from disposal of subsidiaries | *38* | **31,560** | 1,013 |
| NET CASH FROM (USED IN) INVESTING ACTIVITIES | | **76,239** | (152,939) |

# CONSOLIDATED STATEMENT OF CASH FLOWS

*For the year ended 31 December 2017*

| | NOTE | **2017** **RMB'000** | 2016 RMB'000 |
|---|---|---|---|
| FINANCING ACTIVITIES | | | |
| New bank and other borrowings raised | | **112,163** | 97,850 |
| Repayment of bank and other borrowings | | **(123,618)** | (74,700) |
| Withdrawal of the restricted bank balance | | **117,305** | 7,162 |
| Deposit paid for the restricted bank balance | | **(30,190)** | (73,887) |
| Proceeds from issuance of the convertible notes | *31* | **–** | 84,246 |
| Expenses paid for the issuance of the convertible notes | | **–** | (230) |
| Advance from an independent third party | | **15,000** | – |
| Capital contribution from non-controlling shareholders of subsidiaries | | **1,525** | 2,380 |
| Repayment to the non-controlling shareholders of subsidiaries | | **–** | (799) |
| Receipts from government grants | | **5,796** | 2,029 |
| Interest paid | | **(7,102)** | (4,213) |
| NET CASH FROM FINANCING ACTIVITIES | | **90,879** | 39,838 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | | **46,303** | (44,791) |
| CASH AND CASH EQUIVALENTS AT 1 JANUARY | | **13,830** | 58,621 |
| CASH AND CASH EQUIVALENTS AT 31 DECEMBER, REPRESENTED BY BANK BALANCES AND CASH | | **60,133** | 13,830 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2017*

## 1. GENERAL

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

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

The principal activities of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") are (i) manufacturing and sales of power electric products and equipment; (ii) the sales and leases of electric vehicles; (iii) provision of charging services for electric vehicles; and (iv) construction services of charging poles for electric vehicles under Build-Operate-Transfer ("BOT") arrangements. The Company's principal activity is investment holding. The principal activities of the subsidiaries are set out in note 46.

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

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

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 HKFRSs | *Annual Improvements to HKFRSs 2014 – 2016 Cycle: Amendments to HKFRS 12* |
| Amendments to HKAS 7 | *Disclosure Initiative* |
| Amendments to HKAS 12 | *Recognition of Deferred Tax Assets for Unrealised Losses* |

Except as described below, the application of other 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 2017*

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

### Amendments to HKAS 7 Disclosure Initiative

The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments do not prescribe a specific method to fulfill the new disclosure requirements. However, the amendments indicate that one way is to provide a reconciliation between the opening and closing balances for liabilities arising from financing activities.

The application of amendments to HKAS 7 has resulted in additional disclosures on the Group's financing activities, especially a reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities is provided in note 39. On initial application of the amendments, the Group is not required to provide comparative information for preceding periods. Apart from the additional disclosure in note 39, the directors of the Company considered that these amendments have had no impact on the Group's consolidated financial statements.

### 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*[1] |
| HKFRS 15 | *Revenue from Contracts with Customers*[1] |
| HKFRS 16 | *Leases*[2] |
| HKFRS 17 | *Insurance Contracts*[3] |
| Amendments to HKFRSs | *Annual Improvements to HKFRSs 2014 – 2016 Cycle*[1] |
| Amendments to HKFRSs | *Annual Improvements to HKFRSs 2015 – 2017 Cycle*[2] |
| Amendments to HKFRS 2 | *Classification and Measurement of Share-based Payment Transactions*[1] |
| Amendments to HKFRS 4 | *Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[1] |
| Amendments to HKFRS 9 | *Prepayment Features with Negative Compensation*[2] |
| Amendments to HKFRS 10 and HKAS 28 | *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4] |
| Amendments to HKAS 28 | *Long-term Interests in Associates and Joint Ventures*[2] |
| Amendments to HKAS 40 | *Transfers of Investment Property*[1] |
| HK(IFRIC)-Int 22 | *Foreign Currency Transactions and Advance Consideration*[1] |
| HK(IFRIC)-Int 23 | *Uncertainty over Income Tax Treatments*[2] |

1 Effective for annual periods beginning on or after 1 January 2018.
2 Effective for annual periods beginning on or after 1 January 2019.
3 Effective for annual periods beginning on or after 1 January 2021.
4 Effective date not yet been determined.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2017*

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

### New and revised HKFRSs issued but not yet effective (Continued)

The directors of the Company anticipate that, except as described below, the application of other 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 and includes 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.

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

- All recognised financial assets that are within the scope of HKFRS 9 (2014) 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 (2014), 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 (2014) 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 changes in the financial liabilities' 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 fair value through profit or loss was presented in profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2017*

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS(s)") (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: (Continued)

- 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 (2014) 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 (2014) 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.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2017*

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

### **New and revised HKFRSs issued but not yet effective** (Continued)

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

The directors of the Company has performed a preliminary analysis of the Group's financial instruments as at 31 December 2017 based on the fact and circumstances existing at that date. The directors of the Company have assessed the impact of adoption of HKFRS 9 (2014) on the Group's results and financial position, including the classification categories and the measurement of financial assets, and disclosures, as follows:

*(a) Classification and measurement*

The directors of the Company expect to continue recognising initially at fair value for all financial assets which are subsequently measured at amortised costs. The directors of the Company anticipate that the adoption of HKFRS 9 (2014) will not have a material impact on the classification and measurement of the financial assets.

*(b) Impairment*

The directors of the Company expect to apply the simplified approach and record lifetime expected credit losses that are estimated based on the present value of all cash shortfalls over the remaining life of all of its trade and bills receivables. The application of the expected credit loss model may result in earlier recognition of credit losses for trade and bills receivables and increase the amount of impairment allowance recognised for these items.

The directors of the Company will perform a more detailed analysis which considers all reasonable and supportable information for the estimation of the effect of adoption of HKFRS 9 (2014). Based on the preliminary assessment, the directors of the Company expect that the adoption of HKFRS 9 (2014) will not have other material impact on amounts reported in the Group's consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2017*

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

### New and revised HKFRSs issued but not yet effective (Continued)

**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 Ints when it becomes effective.

HKFRS 15 will become effective for annual periods beginning on or after 1 January 2018 with early application permitted.

The major sources of revenue of the Group are sales of electric products, construction revenue under BOT arrangements, provision of charging services for electric vehicles, sales of electric vehicles and rental income from operating leases of electric vehicles. Under HKFRS 15, revenue is recognised for each of the performance obligations when control over a good or services is transferred to a customer. The directors of the Company have preliminarily assessed each type of the performance obligations and consider that the performance obligations are similar to the current identification of separate revenue components under HKAS 18 *Revenue*. Furthermore, HKFRS 15 requires the transaction price to be allocated to each performance obligation on a relative stand-alone selling price basis, which may affect the timing and amounts of revenue recognition, and results in more disclosures in the consolidated financial statements. However, the directors of the Company expect that the adoption of HKFRS 15 will not have a material impact on the timing and amounts of revenue recognised based on the existing business model of the Group as at 31 December 2017.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2017*

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

### New and revised HKFRSs issued but not yet effective (Continued)

**HKFRS 15 Revenue from Contracts with Customers** (Continued)

In respect of the construction contracts under BOT arrangements, the directors of the Company have considered the guidance of HKFRS 15 on contract combination, contract modifications, variable consideration and the existence of significant financing component in the contracts. The directors of the Company have assessed that revenue from these construction contracts will be recognised over time during the course of construction. Furthermore, the directors of the Company have considered that the inputs method currently used to measure the progress towards complete satisfaction of these performance obligations appropriately depicts the performance under the contracts and will continue to be applied under HKFRS 15. The directors of the Company expect that the adoption of HKFRS 15 will not have material impact on amounts reported in the Group's consolidated financial statements.

**HKFRS 16 *Leases***

HKFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessors and lessees.

In respect of the lessee accounting, the standard introduces a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases with the lease term of more than 12 months, unless the underlying asset has a low value.

At the commencement date of the lease, the lessee is required to recognise a right-of-use asset at cost, which consists of the amount of the initial measurement of the lease liability, plus any lease payments made to the lessor at or before the commencement date less any lease incentives received, the initial estimate of restoration costs and any initial direct costs incurred by the lessee. A lease liability is initially recognised at the present value of the lease payments that are not paid at that date.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2017*

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

### **New and revised HKFRSs issued but not yet effective** (Continued)

**HKFRS 16 *Leases*** (Continued)

Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability. Lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payment made, and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments. Depreciation and impairment expenses, if any, on the right-of-use asset will be charged to profit or loss following the requirements of HKAS 16 *Property, Plant and Equipment*, while interest accrual on lease liability will be charged to profit or loss.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17 *Leases*. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

HKFRS 16 will supersede the current lease standards including HKAS 17 *Leases* and the related Ints when it becomes effective.

HKFRS 16 will become effective for annual periods beginning on or after 1 January 2019 with early application permitted provided that the entity has applied HKFRS 15 *Revenue from Contracts with Customers* at or before the date of initial application of HKFRS 16.

As at 31 December 2017, the Group has non-cancellable operating lease commitments of approximately RMB5,982,000 as disclosed in note 40. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in the measurement, presentation and disclosure as indicated above. The directors of the Company are in the process to determine the amounts of right-of-use assets and lease liabilities to be recognised in the consolidated statement of financial position, after taking into account all practical expedients and recognition exemption under HKFRS 16. The directors of the Company expect that the adoption of HKFRS 16 will not have material impact on the Group's result but certain portion of these lease commitments will be required to be recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2017*

## 3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis, except for the available-for-sale financial assets, held for trading investment, available-for-sale financial asset classified as held for sale, redemption option derivative and conversion option derivative of the convertible notes 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.

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

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

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

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2017*

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Basis of consolidation (Continued)

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

### Changes in the Group's ownership interests in existing subsidiaries

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. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

### Business combinations

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

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2017*

## 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 cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

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

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

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

### 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2017*

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **Investments in associates** (Continued)

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

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

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

When the investment ceases to be an associate upon the Group losing significant influence over the associate, the Group discontinues to apply equity method and any retained interest is measured at fair value at that date which is regarded as its fair value on initial recognition as a financial asset in accordance with HKAS 39. Any difference between the fair value of any retained interest and any proceeds from disposing of a part interest in the associate and the carrying amount of the investment at the date the equity method was discontinued is recognised in profit or loss.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2017*

## 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, except for the available-for-sale financial assets classified as non-current assets held for sale which are measured in accordance with the accounting policy as detailed in policy for "financial instruments" below.

### 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 costs incurred or to be incurred in respect of the transaction can be measured reliably.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2017*

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Revenue recognition (Continued)

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows:

– installation fees are recognised by reference to the stage of completion of the installation, determined as the proportion of the total time expected to install that has elapsed at the end of the reporting period;

– servicing fees are recognised by reference to the proportion of the total cost of providing the service; and

– revenue from time and material contracts is recognised at the contractual rates as labour hours and direct expenses are incurred.

Service income including that from operating service provided under service concession arrangements is recognised when services are provided.

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.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

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

### Construction contracts

When the outcome of a construction contract including construction or upgrade services of the infrastructure under a service concession arrangement can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

When the outcome of a construction contract can be estimated reliably, revenue from cost plus contracts is recognised by reference to the recoverable costs incurred during the period plus the fee earned, measured by the proportion that costs incurred to date bear to the estimated total costs of the contract.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately, if any.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2017*

## 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 2017*

## 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 carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. 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. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the year.

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 2017*

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Retirement benefit costs

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

### Short-term employee benefits

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

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

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

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2017*

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **Taxation** (Continued)

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

### Property, plant and equipment

Property, plant and equipment 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 allocate 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.

### Service Concession arrangements

*Consideration given by the grantor*

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2017*

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **Service Concession arrangements** (Continued)

*Operating services*

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

### Intangible assets

*Intangible assets acquired separately*

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

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

*Intangible assets acquired in a business combination*

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives.

### Research and development expenditure

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

### 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2017*

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Cash and cash equivalents

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

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

### Investments in subsidiaries

Investments in subsidiaries are stated on the statement of financial position of the Company at cost less accumulated impairment loss, if any.

### Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities other than financial assets at fair value through profit or loss (the "FVTPL") are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at FVTPL are recognised immediately in profit or loss.

**Financial assets**

The Group's financial assets are classified into one of the three categories, including financial assets at FVTPL, 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.

*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 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 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 other than financial assets classified at FVTPL, of which interest income is included in other revenue and income.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2017*

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **Financial instruments** (Continued)

**Financial assets** (Continued)

*Financial assets at FVTPL*

Financial assets at FVTPL represents held for trading investments.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit making; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. Fair value is determined in the manner as described in note 36(c).

*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).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2017*

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **Financial instruments** (Continued)

**Financial assets** (Continued)

*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 fair value through profit or loss, loan and receivables or held-to-maturity investments.

Equity securities held by the Group that are classified as available-for-sale financial assets are measured at fair value at the end of each reporting period. Changes in carrying amount of available-for-sales 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 accounting policy in respect of impairment loss on financial assets below).

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

*Impairment loss on financial assets*

Financial assets, other than those at FVTPL, 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.

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 bills receivables, deposits and other receivables and amounts due from associates, 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 of 90 days, observable changes in national or local economic conditions that correlate with default on receivables.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2017*

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **Financial instruments** (Continued)

**Financial assets** (Continued)

*Impairment loss on financial assets* (Continued)

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 deposits and other 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 or bill receivable, deposit or other receivable or 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 recognised directly in other comprehensive income and accumulated in available-for-sale financial assets revaluation reserve.

**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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2017*

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **Financial instruments** (Continued)

**Financial liabilities**

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

*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.

*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.

**Convertible notes**

Convertible notes issued by the Group that contain both liability component, conversion option and redemption option derivatives components are classified separately into respective items on initial recognition. Conversion option and redemption option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is a conversion option derivative and a redemption option derivative. At the date of issue, the liability component, conversion option and redemption option derivatives components are recognised at fair value.

In subsequent periods, the liability component of the convertible notes is carried at amortised cost using the effective interest method. The conversion option and redemption option derivatives are measured at fair value with changes in fair value recognised in profit or loss. Transaction costs that relate to the issue of the convertible notes are allocated to the liability component and derivative components in proportion to their relative fair values. Transaction costs relating to the derivative components are charged to profit or loss immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible notes using the effective interest method.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2017*

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **Financial instruments** (Continued)

**Derivative financial instruments**

Derivatives are initially recognised at fair value at the date when a derivative contract is entered into and are subsequently measured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

*Embedded derivatives*

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

**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 expired. 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 2017*

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2017*

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Fair value measurement

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

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

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

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

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

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

## 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2017*

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

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

### Critical judgements in applying accounting policies

The following 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 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 determine that the lease payments of leasehold land and buildings of approximately RMB2,209,000 (2016: RMB2,902,000) cannot be allocated reliably between the land and building elements due to infeasibility of the allocation of purchase price between the leasehold land and buildings. The total amount has been classified as a finance lease under the property, plant and equipment.

**Controls over subsidiaries**

As disclosed in note 37, Guangdong Titans Intelligent Power Co., Ltd.* (廣東泰坦智能動力有限公司) ("Guangdong Titans") is considered as a subsidiary of the Group, in which only 40% equity interest in Guangdong Titans was held by the Group, since the Group has 51% of the voting rights in the shareholders' meeting of Guangdong Titans.

As disclosed in note 37, Shandong Huidian New Energy Technology Co., Ltd.* (山東匯電新能源科技有限公司) ("Shandong Huidian") is considered as a subsidiary of the Group, in which only 45% equity interest in Shandong Huidian was held by the Group, since the Group has 51% of the voting rights in the shareholders' meeting of Shandong Huidian.

As disclosed in note 46, Hebei Jidong Titans Technology Co., Ltd* (河北冀東泰坦科技有限公司) ("Hebei Jidong") is considered as a subsidiary of the Group, in which only 50% equity interest in Hebei Jidong was held by the Group, since the Group has the casting vote in the shareholders' meeting in Hebei Jidong.

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

* *English name is for identification purpose only.*

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2017*

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

### **Critical judgements in applying accounting policies** (Continued)

#### Significant influence over associate

As disclosed in note 19, the directors of the Company considered Beijing Aimeisen Information Technology Co., Ltd* (北京埃梅森信息技術有限公司) ("Beijing Aimeisen"), in which the Group has 20% equity interest in, is an associate of the Group as the Group has significant influence over Beijing Aimeisen by virtue of its contractual right to appoint one out of three directors to the board of directors of Beijing Aimeisen.

* English name is for identification purpose only.

#### Service concession arrangements

The directors of the Company use judgements and estimates to assess whether an agreement and the relevant assets fall under service concession arrangements. As explained in note 3, the Group recognises the fair value of the consideration received or receivable in exchange for the construction services and the intangible assets recognised under the BOT arrangements. However, judgements are exercised in determining the fair values of the consideration received or receivables, using the cost-plus margin method with reference to the market comparables with similar services performed.

The directors of the Company determined that the fair value of the consideration received or receivables from the construction services under BOT arrangements are approximately RMB6,835,000 (2016: RMB26,692,000) and intangible assets – service charging concession rights of approximately RMB6,835,000 (2016: RMB26,692,000) have been recognised under BOT arrangements.

### 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 intangible assets

At the end of the reporting period, the directors of the Company review the carrying amounts of its intangible assets with finite useful lives of approximately RMB32,085,000 (2016: RMB25,300,000) and identified there is indication that those assets may suffer an impairment loss. Accordingly, the recoverable amounts of the assets are estimated in order to determine the extent of the impairment loss. The estimates of the recoverable amounts of the assets require the use of assumptions such as profit forecasts, cash flow projections and pre-tax discount rates. Based on the estimated recoverable amounts, no impairment loss has been recognised for the year ended 31 December 2017 (2016: nil).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2017*

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

### **Key sources of estimation uncertainty** (Continued)

**Income taxes**

As at 31 December 2017, a deferred tax asset of approximately RMB7,523,000 (2016: RMB7,177,000) in relation to deductible temporary difference of allowance for impairment loss of trade receivables of approximately RMB41,982,000 (2016: RMB47,851,000) and fair value loss on available-for-sale financial asset of approximately RMB8,176,000 (2016: nil) has been recognised in the Group's consolidated statement of financial position. No deferred tax asset has been recognised on the remaining deductible temporary difference of (i) allowance for impairment loss of trade and other receivables of approximately RMB12,516,000 (2016: RMB15,771,000); and (ii) unused tax losses amounting to approximately RMB33,273,000 (2016: RMB39,143,000) 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 other debtors and adjusts credit limits based on past repayment history of individual customers and other debtors and their current credit-worthiness, as determined by a review of their current credit information. The Group continuously monitors collections and payments from its customers and other debtors 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 and other 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 over 90 days or above or factoring of receivables is arranged for non-recovery of these receivable balances.

Allowance for impairment loss of trade and other receivables is made for the estimated irrecoverable amounts, with reference to (i) the past repayment history and credit-worthiness of the individual customers as mentioned above; (ii) the individual customer's financial strength; and (iii) availability of the security and guarantee provided by the debtors. 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2017*

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

### **Key sources of estimation uncertainty** (Continued)

**Impairment of trade and other receivables** (Continued)

As at 31 December 2017, the carrying amount of trade and bills receivables is approximately RMB333,094,000 (2016: RMB228,365,000) net of allowance for impairment of trade receivables of approximately RMB54,497,000 (2016: RMB63,622,000). Allowance for impairment loss of trade receivables of approximately RMB7,294,000 (2016: RMB17,854,000) has been recognised for the year ended 31 December 2017. Reversal of impairment loss recognised in respect of trade receivables of approximately RMB13,164,000 (2016: RMB30,760,000) has been recognised for the year ended 31 December 2017.

As at 31 December 2017, the carrying amount of other receivables is approximately RMB68,233,000 (2016: RMB23,477,000). No impairment loss was recognised during the year ended 31 December 2017 (2016: nil).

**Impairment of prepayments to suppliers**

At the end of the reporting period, the directors of the Company review the carrying amount of the prepayments to suppliers of approximately RMB88,038,000 (2016: RMB32,599,000) and identify if there is impairment indication for the prepayments to suppliers. Accordingly, the recoverable amounts of the prepayments to suppliers are estimated in order to determine the extent of the impairment loss. The estimates of the recoverable amount of the prepayments to suppliers require the use of assumptions such as utilisation rate of the prepayments to suppliers subsequently to the end of the reporting period or refund from the suppliers subsequently as a result of the inability of filling up of the purchase orders. Reversal of impairment loss recognised in respect of prepayment of approximately RMB4,650,000 has been recognised during the year ended 31 December 2016 as a result of subsequent recovery through legal action (2017: nil).

**Depreciation and useful lives of property, plant and equipment**

At the end of each reporting period, the directors of the Company review and determine the estimated useful lives, residual values and related depreciation charges of 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 residual value, depreciation charge and the useful lives of the property, plant and equipment previously estimated, or 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 values and therefore depreciation charges in the future periods. As at 31 December 2017, there is no revision of the estimated useful lives, residual values and the related depreciation charges of the property, plant and equipment with carrying amount of approximately RMB56,837,000 (2016: RMB26,550,000).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2017*

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

### **Key sources of estimation uncertainty** (Continued)

**Impairment of property, plant and equipment and prepaid lease payments**

At the end of the reporting period, the directors of the Company review the carrying amount of the property, plant and equipment and prepaid lease payments of approximately RMB56,837,000 (2016: RMB26,550,000) and RMB8,613,000 (2016: RMB8,925,000) and identified if there is any indication for possible impairment of property, plant and equipment and prepaid lease payments. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. In assessing whether there is any indication that the property, plant and equipment and prepaid lease payments may be impaired, the Group has considered the existence of external and internal source of information including but not limited to economic performance of each cash-generating unit of the Group. The directors of the Company considered that they were not aware of any impairment indication at 31 December 2017 and 2016, which the recoverable amounts of property, plant and equipment and prepaid lease payment were subject to impairment testing. No impairment loss was recognised during the years ended 31 December 2017 and 2016.

**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 2017, the carrying amount of interests in associates is approximately RMB8,332,000 (2016: RMB12,094,000). No impairment loss was recognised during the years ended 31 December 2017 and 2016.

**Allowance for inventories**

The Group does not have a general allowance policy on inventories 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 sales unit prices and current market conditions. As at 31 December 2017, the carrying amount of inventories is approximately RMB76,717,000 (2016: RMB97,893,000). No allowance for inventories was recognised during the years ended 31 December 2017 and 2016.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2017*

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

### **Key sources of estimation uncertainty** (Continued)

**Fair value measurement and valuation process of available-for-sale financial assets**

The Group's available-for-sale financial assets are measured at fair value at the end of each reporting period.

In estimating the fair value of the available-for-sale financial assets of approximately RMB159,152,000 (2016: RMB14,828,000) as at 31 December 2017, held for trading investment of approximately RMB9,248,000 (2016: nil) as at 31 December 2017 and available-for-sale financial asset classified under asset classified as held for sale of RMB137,100,000 at 31 December 2016, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages independent 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 available-for-sale financial assets. Note 36(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.

**Fair value of derivative financial instruments**

As described in note 36(c), the directors of the Company and the independent professional valuer use their judgements in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. For derivative financial instruments, assumptions are made based on quoted market rates adjusted for specific features of the instrument. If the inputs and estimates applied in the model are different, the carrying amount of these derivatives may change. The carrying amount of the derivative financial assets and financial liabilities as at 31 December 2017 were approximately RMB165,000 (2016: RMB13,331,000) and RMB175,000 (2016: RMB22,200,000). The directors of the Company believe that the chosen valuation techniques and assumptions are appropriate in determining the fair value of derivative financial instruments.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2017*

## 5. REVENUE

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

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

| | **2017** | 2016 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Sales of electric products | **308,586** | 257,805 |
| Construction revenue under BOT arrangements | **6,835** | 26,692 |
| Provision of charging services for electric vehicles | **10,414** | 2,552 |
| Sales of electric vehicles | **48** | 2,080 |
| Rental income from operating leases of electric vehicles | **1,978** | 169 |
| | **327,861** | 289,298 |

## 6. SEGMENT INFORMATION

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

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

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

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

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

(iv) Others – Including three operating segments namely (i) PASS Products – sales of plug and switch system products; (ii) Power Monitoring – sales of power monitoring and management equipment; and (iii) Electric Vehicles – sales and leases of electric vehicles

The Group's construction revenue under BOT arrangements was introduced during the year ended 31 December 2016 as a result of the establishment of a wholly owned subsidiary, Shaoguan Yilian New Energy Vehicles Operation and Services Co., Ltd.* (韶關市驛聯新能源汽車運營服務有限公司) ("Shaoguan Yilian"). As the nature of the services provided by the newly introduced business is similar with the segment "Charging Services", both business operations have been aggregated into one operating segment and renamed as "Charging Services and Construction" as determined by the CODM from the year ended 31 December 2016.

* *English name is for identification purpose only.*

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2017*

## 6. SEGMENT INFORMATION (Continued)

### Segment revenues and results

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

**Year ended 31 December 2017**

| | DC Power System RMB'000 | Charging Equipment RMB'000 | Charging Services and Construction RMB'000 | Others RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|
| Segment revenue | 97,065 | 211,521 | 17,249 | 2,026 | 327,861 |
| Segment profit | 43,976 | 54,206 | 5,481 | 574 | 104,237 |
| Unallocated other revenue | | | | | 19,984 |
| Net loss on disposal of subsidiaries | | | | | (11,985) |
| Gain on disposal of available-for-sale financial asset | | | | | 2,222 |
| Loss on fair value change of held for trading investment | | | | | (752) |
| Realisation on fair value gain on the disposal of asset classified as held for sale | | | | | 136,174 |
| Gain on disposal of available-for-sale financial asset classified as held for sale | | | | | 62,652 |
| Share of results of associates | | | | | (4,742) |
| Net fair value gain on derivative components of the convertible notes | | | | | 8,612 |
| Unallocated head office and corporate expenses | | | | | (99,396) |
| Finance costs | | | | | (16,695) |
| Profit before tax | | | | | 200,311 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2017*

## 6. SEGMENT INFORMATION (Continued)

### **Segment revenues and results** (Continued)

Year ended 31 December 2016

| | DC Power System RMB'000 | Charging Equipment RMB'000 | Charging Services and Construction RMB'000 | Others RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|
| Segment revenue | 83,282 | 174,523 | 29,244 | 2,249 | 289,298 |
| Segment profit | 49,021 | 40,135 | 8,563 | 606 | 98,325 |
| Unallocated other revenue | | | | | 13,514 |
| Impairment loss recognised in respect of available-for-sale financial asset | | | | | (1,983) |
| Net loss on disposal of subsidiaries | | | | | (575) |
| Gain on disposal of an associate | | | | | 5,138 |
| Gain on disposal of available-for-sale financial asset | | | | | 87 |
| Share of results of associates | | | | | (521) |
| Net fair value gain on derivative components of the convertible notes | | | | | 10,111 |
| Unallocated head office and corporate expenses | | | | | (100,484) |
| Finance costs | | | | | (12,659) |
| Profit before tax | | | | | 10,953 |

*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 certain other revenue, impairment loss recognised in respect of available-for-sale financial asset, loss on fair value change of held for trading investment, net loss on disposal of subsidiaries, gain on disposal of an associate, gain on disposal of available-for-sale financial asset, realisation on fair value gain on the disposal of available-for-sale financial asset classified as held for sale, gain on disposal of available-for-sale financial asset classified as held for sale, share of results of associates, net fair value gain on derivative components of the convertibles notes, central selling and distribution and administrative cost, directors' emoluments and finance cost. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2017*

## 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** | **2017** **RMB'000** | 2016 RMB'000 |
|---|---|---|
| DC Power System | **183,396** | 120,150 |
| Charging Equipment | **364,094** | 242,275 |
| Charging Services and Construction | **60,610** | 53,871 |
| Others | **8,172** | 7,213 |
| Total segment assets | **616,272** | 423,509 |
| Held for trading investment | **9,248** | – |
| Asset classified as held for sale | **–** | 165,100 |
| Unallocated | **436,378** | 378,299 |
| Consolidated assets | **1,061,898** | 966,908 |

| **Segment liabilities** | **2017** **RMB'000** | 2016 RMB'000 |
|---|---|---|
| DC Power System | **32,090** | 22,186 |
| Charging Equipment | **70,311** | 46,308 |
| Charging Services and Construction | **5,036** | 6,813 |
| Others | **732** | 499 |
| Total segment liabilities | **108,169** | 75,806 |
| Unallocated | **296,294** | 306,060 |
| Consolidated liabilities | **404,463** | 381,866 |

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

* all assets are allocated to operating segments other than goodwill, prepayment for the construction of property, plant and equipment, interests in associates, redemption option derivative of the convertible notes, available-for-sale financial assets, deferred tax assets, certain deposits and other receivables, held for trading investment, 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 certain accruals and other payables, conversion option derivative of the convertible notes, tax payable, bank and other borrowings, convertible notes and deferred tax liabilities.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2017*

## 6. SEGMENT INFORMATION (Continued)

### Other segment information

**For the year ended 31 December 2017**

| | DC Power System RMB'000 | Charging Equipment RMB'000 | Charging Services and Construction RMB'000 | Others RMB'000 | Unallocated RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|
| **Amounts included in the measure of segment profit or loss or segment assets:** | | | | | | |
| Additions to non-current assets *(note)* | 6,120 | 42,878 | 6,835 | 1,067 | – | 56,900 |
| Allowance for impairment loss recognised in respect of trade receivables | 7,294 | – | – | – | – | 7,294 |
| Reversal of impairment loss recognised in respect of trade receivables | (13,164) | – | – | – | – | (13,164) |
| Gain on disposal of property, plant and equipment | (35) | – | – | – | – | (35) |
| Depreciation and amortisation | 2,492 | 12,318 | 3,196 | – | – | 18,006 |
| **Amounts regularly provided to the CODM but not included in the measure of segment profit or loss or segment assets:** | | | | | | |
| Interests in associates | – | – | – | – | 8,332 | 8,332 |
| Prepayment for the construction of property, plant and equipment | – | – | – | – | 13,000 | 13,000 |
| Available-for-sale financial assets | – | – | – | – | 159,152 | 159,152 |
| Share of results of associates | – | – | – | – | 4,742 | 4,742 |
| Loss on fair value change of held for trading investment | – | – | – | – | 752 | 752 |
| Net loss on disposal of subsidiaries | – | – | – | – | 11,985 | 11,985 |
| Gain on disposal of available-for-sale financial asset | – | – | – | – | (2,222) | (2,222) |
| Realisation on fair value gain on the disposal of asset classified as held for sale | – | – | – | – | (136,174) | (136,174) |
| Gain on disposal of asset classified as held for sale | | | | | (62,652) | (62,652) |
| Bank interest income | – | – | – | – | (1,209) | (1,209) |
| Finance costs | – | – | – | – | 16,695 | 16,695 |
| Income tax expense | – | – | – | – | 41,145 | 41,145 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2017*

## 6. SEGMENT INFORMATION (Continued)

**Other segment information** (Continued)

For the year ended 31 December 2016

| | DC Power System RMB'000 | Charging Equipment RMB'000 | Charging Services and Construction RMB'000 | Others RMB'000 | Unallocated RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|
| **Amounts included in the measure of segment profit or loss or segment assets:** | | | | | | |
| Additions to non-current assets *(note)* | 536 | 8,731 | 26,692 | 3,441 | – | 39,400 |
| Allowance for impairment loss recognised in respect of trade receivables | 17,373 | 481 | – | – | – | 17,854 |
| Reversal of impairment loss recognised in respect of trade receivables | (30,760) | – | – | – | – | (30,760) |
| Reversal of impairment loss recognised in respect of prepayment | – | (4,650) | – | – | – | (4,650) |
| Loss on disposal of property, plant and equipment | 242 | – | – | – | – | 242 |
| Depreciation and amortisation | 4,009 | 8,203 | 1,452 | – | – | 13,664 |
| **Amounts regularly provided to the CODM but not included in the measure of segment profit or loss or segment assets:** | | | | | | |
| Interests in associates | – | – | – | – | 12,094 | 12,094 |
| Prepayment for the construction of property, plant and equipment | – | – | – | – | 15,000 | 15,000 |
| Available-for-sale financial assets | – | – | – | – | 14,828 | 14,828 |
| Share of results of associates | – | – | – | – | 521 | 521 |
| Gain on disposal of an associate | – | – | – | – | (5,138) | (5,138) |
| Net loss on disposal of subsidiaries | – | – | – | – | 575 | 575 |
| Gain on disposal of available-for-sale financial asset | – | – | – | – | (87) | (87) |
| Impairment loss recognised in respect of available-for-sale financial asset | – | – | – | – | 1,983 | 1,983 |
| Bank interest income | – | – | – | – | (688) | (688) |
| Finance costs | – | – | – | – | 12,659 | 12,659 |
| Income tax expense | – | – | – | – | 5,998 | 5,998 |

*Note:* Non-current assets excluded goodwill, prepayment for the construction of property, plant and equipment, interests in associates, available-for-sale financial assets and deferred tax assets.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2017*

## 6. SEGMENT INFORMATION (Continued)

### Revenue from major products

No revenue from major products is presented as the products of the Group are specific to the customers' requests 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.

### Information about major customers

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

| | **2017** | 2016 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Customer A[1] | **N/A[2]** | 32,219 |
| Customer B[1] | **57,537** | N/A[2] |

1 Revenue from Charging Equipment.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2017*

## 7. OTHER REVENUE AND INCOME

| | 2017 RMB'000 | 2016 RMB'000 |
|---|---|---|
| Value added tax ("VAT") refunds *(note (a))* | **11,620** | 9,219 |
| Loan interest income | **105** | – |
| Bank interest income | **1,209** | 688 |
| Gain on disposal of property, plant and equipment | **35** | – |
| Government grants *(note (b))* | **5,796** | 2,029 |
| Dividend income from held for trading investment | **841** | – |
| Dividend from available-for-sale financial asset classified as held for sale | **155** | 362 |
| Rental income | **71** | 162 |
| Net exchange gain | **–** | 997 |
| Others | **187** | 57 |
| | **20,019** | 13,514 |

*Notes:*

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

(b) The government grants are subsidies received from Zhuhai Finance Bureau (珠海市財政局), Department of Finance of Guangdong Province (廣東省財政廳) and The Ministry of Science and Technology of the PRC (中華人民共和國科學技術部) regarding the research and development on technology innovation of which there are no unfulfilled conditions or contingencies relating to those subsidies and recognised upon receipts during the years ended 31 December 2017 and 2016.

## 8. FINANCE COSTS

| | 2017 RMB'000 | 2016 RMB'000 |
|---|---|---|
| Effective interest expense on the convertible notes *(note 31)* | **14,081** | 10,492 |
| Interests on: | | |
| – Bank borrowings | **2,109** | 1,558 |
| – Other borrowing | **1,313** | – |
| – Factoring charges on trade receivables | **–** | 609 |
| | **17,503** | 12,659 |
| Less: amounts capitalised (note) | **(808)** | – |
| | **16,695** | 12,659 |

*Note:* Borrowing costs capitalised during the year ended 31 December 2017 arose as general borrowing pool and are calculated by applying a capitalisation rate of 10.26% (2016: nil) per annum.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2017*

## 9. INCOME TAX EXPENSE

| | 2017 RMB'000 | 2016 RMB'000 |
|---|---|---|
| PRC Enterprise Income Tax ("EIT") | | |
| – Current year | **31,397** | 4,136 |
| Deferred tax (note 32) | **9,748** | 1,862 |
| | **41,145** | 5,998 |

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.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the applicable tax rate of certain PRC subsidiaries is 25% (2016: 25%).

Titans Technology was established in Zhuhai, the special economic zone, and the income tax rate 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 since 2008 and the income tax rate applicable to them is 15% for the year ended 31 December 2017 (2016: 15%).

The income tax rate applicable to the PRC subsidiary of the Company, Zhuhai Titans Power Electronics Co., Ltd* (珠海泰坦電力電子集團有限公司) ("Titans Power Electronics") was 15% (2016: 25%) as a result of the successful application of the concessionary tax in Zhuhai, the Guangdong Province.

* *English name is for identification purpose only.*

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2017*

## 9. INCOME TAX EXPENSE (Continued)

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

| | 2017<br>RMB'000 | 2016<br>RMB'000 |
|---|---|---|
| Profit before tax | **200,311** | 10,953 |
| Tax at the applicable income tax rate of 15% (2016: 15%) (note) | **30,046** | 1,643 |
| Tax effect of expenses not deductible for tax purpose | **3,574** | 4,561 |
| Tax effect of income not taxable for tax purpose | **(1,182)** | (2,742) |
| Tax effect of share of results of associates | **1,177** | 130 |
| Tax effect of tax losses not recognised | **3,817** | 5,022 |
| Tax effect on withholding tax arising on undistributed profits of the PRC subsidiaries | **8,910** | (426) |
| Tax effect of deductible temporary difference not recognised | **–** | 179 |
| Utilisation of deductible temporary difference previously not recognised | **(42)** | (640) |
| Utilisation of tax losses previously not recognised | **(2,888)** | (220) |
| Effect of difference tax rates of subsidiaries operating in other jurisdictions | **(2,267)** | (1,509) |
| Income tax expense | **41,145** | 5,998 |

*Note:* The PRC EIT of 15% applicable to Titans Technology and Titans Power Electronics is used as it is the domestic tax rate for the year ended 31 December 2017 (2016: 15% applicable to Titans Technology) where the results and operation of the Group is substantially derived from.

Details of deferred taxation are set out in note 32.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2017*

## 10. PROFIT FOR THE YEAR

| | **2017** | 2016 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Profit for the year have been arrived at after charging (crediting): | | |
| Staff costs | | |
| Directors' emoluments *(note 11)* | **1,234** | 1,339 |
| Other staff: | | |
| – salaries and other allowances | **66,478** | 54,490 |
| – retirement benefits scheme contributions (excluding directors of the Company) | **5,587** | 5,243 |
| Total staff costs | **73,299** | 61,072 |
| Amortisation of intangible assets | **3,420** | 1,572 |
| Amortisation of prepaid lease payments | **312** | 312 |
| Auditors' remuneration | **1,184** | 1,066 |
| Net exchange loss (gain) | **99** | (997) |
| Cost of inventories recognised as an expense | **202,762** | 174,902 |
| Depreciation of property, plant and equipment | **14,274** | 11,780 |
| (Gain) loss on disposal of property, plant and equipment | **(35)** | 242 |
| Minimum lease payment paid under operating lease rentals in respect of rented premises | **3,287** | 2,888 |
| Research and development expenses | | |
| (included in administrative and other expenses) *(note)* | **28,709** | 25,387 |

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2017*

## 11. DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS

The emoluments paid or payable to each of the five (2016: five) directors and the chief executive were as follows:

**For the year ended 31 December 2017**

| | Executive directors | | Independent non-executive directors | | | |
|---|---|---|---|---|---|---|
| | Li Xin Qing<br>RMB'000 | An Wei<br>RMB'000 | Li Wan Jun<br>RMB'000 | Zhang Bo<br>RMB'000 | Pang Zhan<br>RMB'000 | Total<br>RMB'000 |
| Emoluments paid or receivable in respect of a person's services as a director, whether of the Company and its subsidiary undertakings: | | | | | | |
| Fees | – | – | 101 | 101 | 101 | 303 |
| Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company and its subsidiary undertakings: | | | | | | |
| Other emoluments | | | | | | |
| – Salaries and allowances | 462 | 462 | – | – | – | 924 |
| – Retirement benefits scheme contributions | 7 | – | – | – | – | 7 |
| | 469 | 462 | 101 | 101 | 101 | 1,234 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2017*

## 11. DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS

For the year ended 31 December 2016

| | Executive directors | | Independent non-executive directors | | | |
|---|---|---|---|---|---|---|
| | Li Xin Qing RMB'000 | An Wei RMB'000 | Li Wan Jun RMB'000 | Zhang Bo RMB'000 | Pang Zhan RMB'000 | Total RMB'000 |
| Emoluments paid or receivable in respect of a person's services as a director, whether of the Company and its subsidiary undertakings: | | | | | | |
| Fees | – | – | 103 | 103 | 103 | 309 |
| Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company and its subsidiary undertakings: | | | | | | |
| Other emoluments | | | | | | |
| – Salaries and allowances | 498 | 498 | – | – | – | 996 |
| – Retirement benefits scheme contributions | 17 | 17 | – | – | – | 34 |
| Total emoluments | 515 | 515 | 103 | 103 | 103 | 1,339 |

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

No directors of the Company waived or agreed to waive any of their emoluments during the years ended 31 December 2017 and 2016.

No emoluments were paid by the Group to any directors or any chief executives of the Group as an inducement to join or upon joining the Group, or as compensation for loss of office for the years ended 31 December 2017 and 2016.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2017*

## 12. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (2016: two) were directors and the chief executives of the Company whose emoluments are included in the disclosures in note 11. The emoluments of the remaining three (2016: three) individuals were as follows:

| | **2017** **RMB'000** | 2016 RMB'000 |
|---|---|---|
| Salaries and other allowances | **922** | 917 |
| Discretionary bonus *(note)* | **37** | 26 |
| Contributions to retirement benefits scheme | **26** | 28 |
| | **985** | 971 |

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

The emoluments of the remaining individuals are within the band of nil to Hong Kong dollars ("HK$") 1,000,000, equivalent to approximately RMB834,000 (2016: nil to HK$1,000,000, equivalent to RMB862,000).

## 13. DIVIDEND

No dividend was paid or proposed during the year ended 31 December 2017 (2016: nil), nor has any dividend been proposed since the end of the reporting period (2016: nil).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2017*

## 14. EARNINGS PER SHARE

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

| | **2017** **RMB'000** | 2016 RMB'000 |
|---|---|---|
| **Earnings** | | |
| Earnings for the purpose of basic earnings per share | **163,706** | 7,279 |
| Effect of dilutive potential ordinary shares: | | |
| – interest expense on the convertible notes | **14,081** | – |
| – exchange gain arising from the convertible notes | **(2,493)** | – |
| – changes in fair values of the derivative components of the convertible notes | **(8,612)** | – |
| Earnings for the purpose of diluted earnings per share | **166,682** | 7,279 |

**Number of shares**

| | **2017** **'000** | 2016 '000 |
|---|---|---|
| Weighted average number of ordinary shares for the purpose of basic earnings per share | **925,056** | 925,056 |
| Effect of dilutive potential ordinary shares: | | |
| – convertible notes | **84,034** | – |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share | **1,009,090** | 925,056 |

The computation of diluted earnings per share for the year ended 31 December 2016 does not assume the conversion of the Company's outstanding convertible notes since their exercise would result in an increase in earnings per share.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2017*

## 15. PROPERTY, PLANT AND EQUIPMENT

| | Leasehold land and buildings RMB'000 | Leasehold improvements RMB'000 | Furniture, fixtures and equipment RMB'000 | Motor vehicles RMB'000 | Plant and machinery RMB'000 | Construction in progress RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|---|
| COST | | | | | | | |
| At 1 January 2016 | 16,144 | 14,340 | 14,729 | 11,199 | 15,590 | – | 72,002 |
| Additions | – | – | 2,119 | 3,441 | 7,148 | – | 12,708 |
| Disposals | (461) | – | (789) | (437) | (1,422) | – | (3,109) |
| Disposal of subsidiaries *(note 38)* | – | – | (1,358) | (432) | (2,790) | – | (4,580) |
| Transfer *(note)* | – | – | – | (1,900) | – | – | (1,900) |
| At 31 December 2016 and 1 January 2017 | 15,683 | 14,340 | 14,701 | 11,871 | 18,526 | – | 75,121 |
| Additions | – | – | 1,231 | 3,321 | 13,799 | 25,796 | 44,147 |
| Acquisition of subsidiaries *(note 37)* | – | – | 773 | 265 | 702 | – | 1,740 |
| Disposals | – | – | (763) | (89) | (2,287) | – | (3,139) |
| Disposal of subsidiaries *(note 38)* | – | – | (72) | – | – | – | (72) |
| Interest capitalised *(note 8)* | – | – | – | – | – | 808 | 808 |
| At 31 December 2017 | 15,683 | 14,340 | 15,870 | 15,368 | 30,740 | 26,604 | 118,605 |
| ACCUMULATED DEPRECIATION | | | | | | | |
| At 1 January 2016 | 12,488 | 8,816 | 8,916 | 2,851 | 9,243 | – | 42,314 |
| Provided for the year | 707 | 2,725 | 2,279 | 2,455 | 3,614 | – | 11,780 |
| Eliminated on disposals | (414) | – | (232) | (289) | (1,132) | – | (2,067) |
| Disposals of subsidiaries *(note 38)* | – | – | (987) | (69) | (1,946) | – | (3,002) |
| Transfer *(note)* | – | – | – | (454) | – | – | (454) |
| At 31 December 2016 and 1 January 2017 | 12,781 | 11,541 | 9,976 | 4,494 | 9,779 | – | 48,571 |
| Provided for the year | 693 | 2,168 | 3,065 | 2,880 | 5,468 | – | 14,274 |
| Eliminated on disposals | – | – | (625) | (69) | (358) | – | (1,052) |
| Disposal of subsidiaries (note 38) | – | – | (25) | – | – | – | (25) |
| At 31 December 2017 | 13,474 | 13,709 | 12,391 | 7,305 | 14,889 | – | 61,768 |
| CARRYING VALUES | | | | | | | |
| 31 December 2017 | 2,209 | 631 | 3,479 | 8,063 | 15,851 | 26,604 | 56,837 |
| 31 December 2016 | 2,902 | 2,799 | 4,725 | 7,377 | 8,747 | – | 26,550 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2017*

## 15. PROPERTY, PLANT AND EQUIPMENT (Continued)

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

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 2017, the Group has pledged its leasehold land and buildings and motor vehicles with carrying values of approximately RMB2,209,000 (2016: RMB2,902,000) and RMB3,557,000 (2016: nil) to secure banking facilities granted to the Group. Details of bank and other borrowings are set out in note 30.

*Note:* During the year ended 31 December 2016, motor vehicles with aggregate carrying amount of approximately RMB1,446,000 (2017: nil) has been transferred to inventories since the motor vehicles held for rental to others have been subsequently sold after change of usage as held for sale.

## 16. PREPAID LEASE PAYMENTS

| | **2017** | 2016 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Leasehold land held in the PRC and are analysed for reporting purposes as follows: | | |
| Current assets | **312** | 312 |
| Non-current assets | **8,301** | 8,613 |
| | **8,613** | 8,925 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2017*

## 17. GOODWILL

| | RMB'000 |
|---|---|
| COST | |
| At 1 January 2016 | 642 |
| Disposal of a subsidiary *(note 38(b))* | (642) |
| At 31 December 2016 and 1 January 2017 | – |
| Arising on acquisition of a subsidiary *(note 37(b))* | 449 |
| At 31 December 2017 | 449 |
| IMPAIRMENT | |
| At 1 January 2016 | 642 |
| Eliminated on disposal of a subsidiary *(note 38(b))* | (642) |
| At 31 December 2016, 1 January 2017 and 31 December 2017 | – |
| CARRYING AMOUNT | |
| **At 31 December 2017** | 449 |
| At 31 December 2016 | – |

For the year ended 31 December 2017, the goodwill has been recognised upon acquisition of subsidiary – Shandong Huidian as disclosed in note 37(b).

For the purpose of impairment testing, goodwill has been allocated to the cash-generating unit – manufacturing and sales of charging equipment in Shandong. During the year ended 31 December 2017, management of the Group determines that there is no impairment of the goodwill. The recoverable amount of this cash-generating unit has been determined based on value-in-use calculation. The calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period and discount rate of 13.75%. The cash flows beyond the 5-year period are extrapolated using a steady 2% growth rate, with reference to the PRC inflation rate. Other key assumptions for the value-in-use calculation relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the operating performance of the other subsidiaries of the Group performing similar business. Based on the value-in-use calculations, management believes that the aggregate carrying amount of this cash-generating unit does not exceed the recoverable amount.

For the year ended 31 December 2016, the goodwill has been derecognised upon disposal of subsidiary – Shenzhen Heimt Technology Co., Ltd* (深圳市瀚美特科技有限公司) ("SZ Heimt") as disclosed in note 38(b).

* *English name is for identification purpose only.*

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2017*

## 18. INTANGIBLE ASSETS

| | Technical know-how RMB'000 *(note (i))* | Charging services concession rights RMB'000 *(note (ii))* | Total RMB'000 |
|---|---|---|---|
| COST | | | |
| At 1 January 2016 | 3,000 | – | 3,000 |
| Addition | – | 26,692 | 26,692 |
| At 31 December 2016 and 1 January 2017 | 3,000 | 26,692 | 29,692 |
| Addition | – | 6,835 | 6,835 |
| Acquisition of a subsidiary (note 37(a)) | 3,370 | – | 3,370 |
| At 31 December 2017 | 6,370 | 33,527 | 39,897 |
| AMORTISATION | | | |
| At 1 January 2016 | 2,820 | – | 2,820 |
| Charge for the year | 120 | 1,452 | 1,572 |
| At 31 December 2016 and 1 January 2017 | 2,940 | 1,452 | 4,392 |
| Charge for the year | 229 | 3,191 | 3,420 |
| At 31 December 2017 | 3,169 | 4,643 | 7,812 |
| CARRYING VALUES | | | |
| **At 31 December 2017** | **3,201** | **28,884** | **32,085** |
| At 31 December 2016 | 60 | 25,240 | 25,300 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2017*

## 18. INTANGIBLE ASSETS (Continued)

*Notes:*

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

(ii) During the year ended 31 December 2017, one (2016: two) additional charging services concession rights were recognised under BOT arrangements as disclosed in note 33 and amortised on the straight-line basis with estimated useful lives of 8 years (2016: 8 or 10 years), in accordance to the period of concession rights granted by the grantors.

For the BOT arrangement in Shaoguan, the charging services concession right for an exclusive period of 8 years with initial cost of approximately RMB20,912,000 was recognised for the year ended 31 December 2016. During the year ended 31 December 2017, amortisation expense of approximately RMB2,613,000 has been recognised (2016: RMB1,307,000).

For the BOT arrangement in Baoding, the charging services concession right for an exclusive period of 10 years with initial cost of approximately RMB5,780,000 was recognised for the year ended 31 December 2016. During the year ended 31 December 2017, amortisation expense of approximately RMB578,000 has been recognised (2016: RMB145,000).

For the BOT arrangement in Foshan, the charging services concession right for an exclusive period of 8 years with initial cost of approximately RMB6,835,000 was recognised for the year ended 31 December 2017. During the year ended 31 December 2017, no amortisation expense has been recognised.

## 19. INTERESTS IN ASSOCIATES

| | **2017**<br>**RMB'000** | 2016<br>RMB'000 |
|---|---|---|
| Cost of investments in unlisted associates | **14,080** | 13,100 |
| Share of post-acquisition results, net of dividend received | **(5,748)** | (1,006) |
| | **8,332** | 12,094 |

### (i) Establishment of Beijing Pangda Yilian New Energy Technology Co., Limited* (北京龐大驛聯新能源科技有限公司) ("Pangda Yilian")

On 1 April 2016, the subsidiary of the Company and an independent third party to the Group established a PRC company, Pangda Yilian, with total paid-up capital of RMB15,000,000. RMB5,250,000 has been contributed by the subsidiary of the Company, representing 35% equity interest in Pangda Yilian. After the completion of the capital contribution, Pangda Yilian became one of the associates of the Group and has been accounted for using equity method.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2017*

## 19. INTERESTS IN ASSOCIATES (Continued)

### (ii) Disposal of 25.5% equity interest in Sichuan Titans Haote New Energy Motor Co., Limited* (四川泰坦豪特新能源汽車有限公司) ("Sichuan Haote")

On 1 June 2016, the Group entered into a sale and purchase agreement with an independent third party to the Group for the disposal of 25.5% equity interest in a non-wholly owned subsidiary, Sichuan Haote at a cash consideration of RMB1,102,000 (note 38(a)). After the completion of the disposal on 29 June 2016, the Group's equity interest in Sichuan Haote has been decreased from 51% to 25.5%. As a result, the Group has lost its control over Sichuan Haote and Sichuan Haote was reclassified from a subsidiary of the Company to an associate of the Company. Gain on disposal of a subsidiary of approximately RMB481,000 has been recognised for the year ended 31 December 2016 as disclosed in note 38(a). On 31 August 2016, the Group disposed all of its holding of 25.5% equity interest in Sichuan Haote, in exchange for 957,913 ordinary shares, representing approximately 3.6% equity interest in Sichuan Haote Precision Equipment Limited (四川豪特精工裝備股份有限公司) ("Haote Precision"), a listed company in the PRC, which was classified as available-for-sale financial assets of the Group. Gain on disposal of an associate of approximately RMB5,138,000 has been recognised for the year ended 31 December 2016.

### (iii) Establishment of Changsha Xiandao Technology Development Co. Ltd.* (長沙先導快線科技發展有限公司) ("Changsha Xiandao")

On 30 November 2016, a subsidiary of the Company which 80% equity interest was held by the Company, entered into an agreement with an independent third party to the Group to establish a PRC company, Changsha Xiandao, with total paid-up capital of RMB20,000,000. RMB6,600,000 has been contributed by the subsidiary of the Company, representing 33% equity interest in Changsha Xiandao. After the completion of the capital contribution, Changsha Xiandao became one of the associates of the Group and has been accounted for using equity method.

### (iv) Establishment of Qingdao Jiaoyun Titans New Energy Motor Service Co., Limited* (青島交運泰坦新能源汽車服務有限公司) ("Qingdao Jiaoyun")

On 9 January 2017, the subsidiary of the Company and an independent third party to the Group established a PRC Company, Qingdao Jiaoyun, with total paid-up capital of RMB2,000,000. RMB980,000 has been contributed by the subsidiary of the Company, representing 49% equity interest in Qingdao Jiaoyun. After the completion of the capital contribution, Qingdao Jiaoyun became one of the associates of the Group and has been accounted for using equity method.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2017*

## 19. INTERESTS IN ASSOCIATES (Continued)

As at 31 December 2017 and 2016, the Group had interests in the following associates:

| Name of entity | Form of entity | Place of establishment/ operation | Class of shares held | Proportion of ownership interests indirectly held by the Group | | Proportion of voting power held | | Principal activities |
|---|---|---|---|---|---|---|---|---|
| | | | | **2017** | 2016 | **2017** | 2016 | |
| Beijing Aimeisen *(note)* | Registered | The PRC | Contributed capital | **20%** | 20% | **20%** | 20% | Research and development of charging equipment |
| Pangda Yilian | Registered | The PRC | Contributed capital | **35%** | 35% | **35%** | 35% | Research and development of charging equipment |
| Changsha Xiandao | Registered | The PRC | Contributed capital | **26.4%** | 26.4% | **26.4%** | 26.4% | Leases of electric vehicles under operating leases |
| Qingdao Jiaoyun | Registered | The PRC | Contributed capital | **49%** | N/A | **49%** | N/A | Research and development of charging equipment |

* *English name is for identification purpose only.*

*Note:* The Group is able to exercise significant influence over Beijing Aimeisen because it has the power to appoint one out of the three directors of that company under the provisions stated in the Article of Association of Beijing Aimeisen.

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

### Beijing Aimeisen

| | **2017** **RMB'000** | 2016 RMB'000 |
|---|---|---|
| Cost of investment in Beijing Aimeisen | **1,250** | 1,250 |

| | **2017** **RMB'000** | 2016 RMB'000 |
|---|---|---|
| Current assets | **6,446** | 6,449 |
| Non-current assets | **109** | 221 |
| Current liabilities | **4,013** | 4,013 |

* *English name is for identification purpose only.*

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2017*

## 19. INTERESTS IN ASSOCIATES (Continued)

### **Beijing Aimeisen** (Continued)

| | **2017** | 2016 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Revenue for the year | **–** | 604 |
| (Loss) profit and total comprehensive (expense) income for the year | **(115)** | 152 |

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

| | **2017** | 2016 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Net assets of Beijing Aimeisen | **2,542** | 2,657 |
| Proportion of the Group's ownership interest in Beijing Aimeisen | **20%** | 20% |
| Goodwill | **205** | 205 |
| Carrying amount of the Group's interest in Beijing Aimeisen | **713** | 736 |

### Pangda Yilian

| | **2017** | 2016 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Cost of investment in Pangda Yilian | **5,250** | 5,250 |

| | **2017** | 2016 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Current assets | **13,562** | 8,600 |
| Non-current assets | **26,217** | 17,544 |
| Current liabilities | **27,709** | 1,881 |
| Non-current liabilities | **7,109** | 10,589 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2017*

## 19. INTERESTS IN ASSOCIATES (Continued)

### Pangda Yilian (Continued)

| | Year ended 31 December 2017 RMB'000 | Period from 1 April 2016 to 31 December 2016 RMB'000 |
|---|---|---|
| Revenue for the year / period | **3,596** | 913 |
| Loss and total comprehensive expense for the year / period | **(8,713)** | (1,326) |

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

| | 2017 RMB'000 | 2016 RMB'000 |
|---|---|---|
| Net assets of Pangda Yilian | **4,961** | 13,674 |
| Proportion of the Group's ownership interest in Pangda Yilian | **35%** | 35% |
| Carrying amount of the Group's interest in Pangda Yilian | **1,736** | 4,786 |

### Changsha Xiandao

| | 2017 RMB'000 | 2016 RMB'000 |
|---|---|---|
| Cost of investment in Changsha Xiandao | **6,600** | 6,600 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2017*

## 19. INTERESTS IN ASSOCIATES (Continued)

### Changsha Xiandao (Continued)

| | **2017** | 2016 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Current assets | **71,572** | 24,904 |
| Non current assets | **61,341** | – |
| Current liabilities | **39,221** | 10 |
| Non current liabilities | **74,900** | – |

| | **Year ended 31 December 2017** | Period from 30 November 2016 to 31 December 2016 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Revenue for the year / period | **9,168** | – |
| Loss and total comprehensive expense for the year / period | **(6,102)** | (106) |

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

| | **2017** | 2016 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Net assets of Changsha Xiandao | **18,792** | 24,894 |
| Proportion of the Group's ownership interest in Changsha Xiandao | **26.4%** | 26.4% |
| Carrying amount of the Group's interest in Changsha Xiandao | **4,961** | 6,572 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2017*

## 19. INTERESTS IN ASSOCIATES (Continued)

### Qingdao Jiaoyun

| | 2017<br>RMB'000 |
|---|---|
| Cost of investment in Qingdao Jiaoyun | 980 |

| | 2017<br>RMB'000 |
|---|---|
| Current assets | 1,233 |
| Non current assets | 691 |
| Current liabilities | 43 |

| | Period from<br>9 January 2017<br>to 31 December<br>2017<br>RMB'000 |
|---|---|
| Revenue for the period | 45 |
| Loss and total comprehensive expense for the period | (119) |

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

| | 2017<br>RMB'000 |
|---|---|
| Net assets of Qingdao Jiaoyun | 1,881 |
| Proportion of the Group's ownership interest in Qingdao Jiaoyun | 49% |
| Carrying amount of the Group's interest in Qingdao Jiaoyun | 922 |

* *English name is for identification purpose only*

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2017*

## 20. AVAILABLE-FOR-SALE FINANCIAL ASSETS

| | **2017** | 2016 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Available-for-sale financial assets comprise: | | |
| Investments: | | |
| – Equity securities listed in the PRC | **134,543** | 3,717 |
| – Unlisted equity securities | **24,609** | 11,111 |
| | **159,152** | 14,828 |

The above unlisted equity securities represent the investments in unlisted equity securities issued by the private entity in Hong Kong and the United States (2016: the PRC). They are measured at fair values at the end of each reporting period.

### (i) Unlisted equity securities – Youke New Energy Technology Company Limited* (優科新能源科技有限公司) ("Youke New Energy")

On 30 September 2016, the Group disposed of its 8.94% equity interest in Youke New Energy to an independent third party to the Group at a cash consideration of RMB2,235,000. Gain on disposal of available-for-sale financial asset of approximately RMB87,000 has been recognised for the year ended 31 December 2016.

### (ii) Unlisted equity securities – Titans New Power

The Group committed to a sale plan with an independent third party, Wuxi Lead Intelligent Equipment Co., Ltd* (無錫先導智能裝備股份有限公司) ("Lead Intelligent"), a listed company in the PRC, on 30 November 2016 for the disposal of 10% equity interest in Titans New Power at a consideration consisted of (i) cash consideration of RMB60,750,000; and (ii) 2,185,108 listed shares of Lead Intelligent. As a result, Titans New Power was classified under assets classified as held for sale during the year ended 31 December 2016. Detail of the reclassification of an asset classified as held for sale is set out in note 27.

### (iii) Unlisted equity securities – Beijing Shui Mu Hua Tong Technology Company Ltd.* (北京水木華通科技有限公司) ("Shui Mu Hua Tong")

In March 2016, the Group entered into a sale and purchase agreement with an independent third party to the Group to acquire 5% equity interest in Shui Mu Hua Tong at a cash consideration of RMB11,111,000. The purchase of 5% equity interest in Shui Mu Hua Tong has been completed on 29 June 2016.

On 10 July 2017, the Group entered into a sale and purchase agreement with an independent third party to the Group for the disposal of 5% equity interest in Shui Mu Hua Tong, for a cash consideration of approximately RMB13,333,000. The disposal was completed on 12 July 2017, resulting a gain on disposal of an available-for-sale financial asset of approximately RMB2,222,000.

## 20. AVAILABLE-FOR-SALE FINANCIAL ASSETS (Continued)

### (iv) Equity securities listed in the PRC – Haote Precision

As disclosed on note 19(ii), the Group disposed of 25.5% equity interest in Sichuan Haote in exchange for 957,913 ordinary shares of Haote Precision at a share price of RMB5.95 per share, in which the Group holds approximately 3.6% equity interest in Haote Precision during the year ended 31 December 2016. During the year ended 31 December 2017, fair value gain in available-for-sale financial asset of approximately RMB5,862,000 has been recognised as other comprehensive income under available-for-sale financial assets revaluation reserve. During the year ended 31 December 2016, an impairment loss of approximately RMB1,983,000 has been recognised in respect of the above mentioned investment.

### (v) Equity securities listed in the PRC – Lead Intelligent

As disclosed on note 20(ii) and 27, the Group disposed of 10% equity interest in Titans New Power in exchange for 2,193,500 ordinary shares of Lead Intelligent at a share price of RMB63.37 per share on 14 August 2017, in which the Group holds approximately 0.5% of equity interest of Lead Intelligent. The numbers of shares in exchange were increased from 2,185,108 shares to 2,193,500 shares as a result of ex-dividend price. As at 31 December 2017, fair value loss in available-for-sale financial asset of approximately RMB14,038,000 (2016: nil) has been recognised as other comprehensive income under available-for-sale financial assets revaluation reserve.

As at 31 December 2017, the listed shares were pledged for the bank borrowing of RMB33,000,000 (2016: nil) as disclosed in note 30(ii).

### (vi) Unlisted equity securities – Aquion Energy LLC (“Aquion Energy”)

On 30 May 2017, a wholly-owned subsidiary of the Group and Juline Corporation, a company incorporated in the United States and an independent third party to the Group, incorporated a company in United States, Aquion Energy. Upon the incorporation and up to 31 December 2017, 5% equity interest was held by the Group and classified as available-for-sale financial asset.

During the year ended 31 December 2017, aggregate capital contribution of United States dollars (“US$”) 2,000,000, equivalent to approximately RMB13,090,000, has been made by the Group.

### (vii) Unlisted equity securities – Juline (China) Energy Tech. Group Co., Ltd (“Juline (China)”)

On 11 September 2017, a wholly-owned subsidiary of the Group and an independent third party to the Group incorporated a company in Hong Kong, Juline (China). Upon the incorporation and up to 31 December 2017, 10% equity interest was held by the Group and classified as available-for-sale financial asset.

During the year ended 31 December 2017, aggregate capital contribution of RMB11,000,000 has been made by the Group.

* *English name is for identification purpose only*

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2017*

## 21. HELD FOR TRADING INVESTMENT

| | 2017 RMB'000 | 2016 RMB'000 |
|---|---|---|
| Investment fund in the PRC | **9,248** | – |

On 20 October 2017, a PRC investment fund has been subscribed by the Group at a subscription amount of RMB10,000,000 for the purpose of capital appreciation. The application of the redemption of the investment fund has been applied by the Group on 29 December 2017 and the redemption has been completed on 2 January 2018. Loss on fair value change of held for trading investment of approximately RMB752,000 was recognised for the year ended 31 December 2017 (2016: nil).

## 22. INVENTORIES

| | 2017 RMB'000 | 2016 RMB'000 |
|---|---|---|
| Raw materials | **8,640** | 9,735 |
| Work-in-progress | **11,275** | 13,120 |
| Finished goods | **56,802** | 75,038 |
| | **76,717** | 97,893 |

## 23. TRADE AND BILLS RECEIVABLES

| | 2017 RMB'000 | 2016 RMB'000 |
|---|---|---|
| Trade receivables | **386,728** | 280,029 |
| Less: allowance for impairment loss of trade receivables | **(54,497)** | (63,622) |
| | **332,231** | 216,407 |
| Bills receivables | **863** | 11,958 |
| Total trade and bills receivables | **333,094** | 228,365 |

The bills receivables as at 31 December 2017 were fallen within the aged group of 0-90 days, 91-180 days and 181-365 days with approximately RMB263,000 (2016: RMB2,958,000), RMB300,000 (2016: RMB9,000,000) and RMB300,000 (2016: nil) respectively, based on the dates of delivery of goods which approximately the respective revenue recognition dates.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2017*

## 23. TRADE AND BILLS RECEIVABLES (Continued)

Included in the balances of trade receivables as at 31 December 2017 were retention receivables of approximately RMB39,081,000 (2016: RMB45,674,000) of which approximately RMB33,608,000 (2016: RMB40,126,000) and RMB5,473,000 (2016: RMB5,548,000) are aged 1 – 2 years and 2 – 3 years respectively.

The Group does not hold any collateral over these balances.

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

| | **2017** | 2016 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| 0 – 90 days | **151,787** | 81,572 |
| 91 – 180 days | **26,626** | 34,094 |
| 181 – 365 days | **86,798** | 34,737 |
| 1 – 2 years | **50,527** | 55,188 |
| 2 – 3 years | **10,379** | 8,462 |
| Over 3 years | **6,114** | 2,354 |
| | **332,231** | 216,407 |

The Group allows an average credit period of 90 days (2016: 90 days) to its trade customers. For certain customers with installment payments, initial payments are requested and due upon signing of sales contracts, while remaining payments are fallen due after installation and testing. Retention money will be fallen due from the end of the product quality assurance period. For the trade receivables from the state-owned enterprises, they repay their outstanding balances upon the completion of their constructions in accordance with the industry practice in the PRC.

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2017*

## 23. TRADE AND BILLS RECEIVABLES (Continued)

Included in the Group's trade and bills receivable balance as at 31 December 2017 were approximately RMB51,783,000 and RMB79,897,000 (2016: RMB21,288,000 and RMB53,464,000), representing 13.4% and 20.6% (2016: 7.3% and 18.3%) of the total trade and bills receivables before allowance for impairment loss of trade receivables, which were due from the Group's largest and top five customers, respectively.

Included in the Group's trade receivable balances were debtors with aggregate carrying amounts of approximately RMB181,151,000 (2016: RMB134,835,000) 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:

| | **2017** | 2016 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Duration of past due | | |
| 0 – 90 days | **27,001** | 33,208 |
| 91 – 180 days | **21,636** | 9,560 |
| 181 – 365 days | **78,136** | 39,699 |
| 1 – 2 years | **41,251** | 43,788 |
| 2 – 3 years | **9,108** | 6,815 |
| Over 3 years | **4,019** | 1,765 |
| | **181,151** | 134,835 |
| Neither past due nor impaired | **151,080** | 81,572 |
| | **332,231** | 216,407 |

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

| | **2017** | 2016 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| 1 January | **63,622** | 76,528 |
| Allowance for impairment loss recognised in respect of trade receivables | **7,294** | 17,854 |
| Reversal of impairment loss recognised in respect of trade receivables | **(13,164)** | (30,760) |
| Elimination of impairment loss on disposal of a subsidiary | **(3,255)** | – |
| 31 December | **54,497** | 63,622 |

As at 31 December 2017, included in the allowance for impairment loss of trade receivables are individually impaired trade receivables with an aggregate balance of approximately RMB54,497,000 (2016: RMB63,622,000) which have been placed in severe financial difficulties.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2017*

## 24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

| | **2017** | 2016 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Prepayments to suppliers (note (i)) | **88,038** | 32,599 |
| Less: impairment loss recognised (note (ii)) | **–** | – |
| | **88,038** | 32,599 |
| Deposits and other receivables | | |
| – loan receivables (note (iii)) | **20,009** | – |
| – deposits and other receivables | **48,224** | 23,477 |
| | **68,233** | 23,477 |
| Other prepayments | **1,709** | 1,702 |
| | **157,980** | 57,778 |

*Notes:*

(i) Included in the prepayments to suppliers as at 31 December 2017 is prepayment to Aquion Energy of US$8,800,000 (2016: Nil), equivalent to approximately RMB57,960,000, for the purchase of Aqua DC related products and the products are expected to be delivered on or before 30 June 2018. Subsequent to the end of the reporting period, the amount has been fully repaid since the expected delivery of the products cannot meet the expected agreed timetable.

(ii) The movement in the impairment loss of prepayments to suppliers is set out below:

| | **2017** | 2016 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| 1 January | **–** | 4,650 |
| Reversal of impairment loss of prepayments | **–** | (4,650) |
| 31 December | **–** | – |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2017*

## 24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (Continued)

Notes: (Continued)

(iii) The loan receivables represented the following:

(a) the short-term loan advanced to an independent third party of RMB4,000,000 (2016: nil) with accrued interest of approximately RMB105,000 (2016: nil). As at 31 December 2017, the loan bears interest rate of 7% (2016: nil) per annum. The loan was unsecured and the principal and interest portions will be repayable on 15 July 2018.

(b) the short-term loan advanced to Juline Corporation, the controlling shareholder of Aquion Energy, of US$1,600,000 (2016: nil), equivalent to approximately RMB10,472,000, for short-term financing needs of Juline Corporation. As at 31 December 2017, the loan bears interest rate of 10% (2016: nil) per annum. The loan was secured by plant and machinery held by Aquion Energy and repayable on 1 July 2018.

(c) the short-term loan advanced to Aquion Energy of US$830,000 (2016: nil), equivalent to approximately RMB5,432,000, for short-term financing needs of Aquion Energy. As at 31 December 2017, the loan bears interest rate of 10% (2016: nil) per annum. The loan was secured by plant and machinery held by Aquion Energy LLC and repayable on 1 July 2018.

## 25. AMOUNTS DUE FROM ASSOCIATES

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

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

| | **2017**<br>**RMB'000** | 2016<br>RMB'000 |
|---|---|---|
| 0 – 90 days | **356** | – |
| 91 – 180 days | **–** | – |
| 181 – 365 days | **3,781** | 2,175 |
| | **4,137** | 2,175 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2017*

## 25. AMOUNTS DUE FROM ASSOCIATES (Continued)

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

| | **2017** | 2016 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Duration of past due | | |
| 0 – 90 days | **–** | – |
| 91 – 180 days | **945** | 544 |
| 181 – 365 days | **2,836** | 1,631 |
| | **3,781** | 2,175 |
| Neither past due nor impaired | **356** | – |
| | **4,137** | 2,175 |

The Group allows an average credit period of 90 days (2016: 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 settlement repayment history from the associates of the Group, the directors of the Company consider that there is no credit loss required for the year.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2017*

## 26. RESTRICTED BANK BALANCES/SHORT-TERM BANK DEPOSITS/BANK BALANCES AND CASH

Restricted bank balances represented deposits required and restricted by banks in respect of (i) the issue of letter of credit to certain suppliers of approximately RMB10,551,000 (2016: RMB5,843,000); and (ii) the security with RMB50,882,000 (2016: RMB142,705,000) of bank borrowings classified under current liabilities of RMB48,000,000 (2016: RMB139,850,000) (note 30) and therefore are classified as current assets. For the year ended 31 December 2017, the restricted bank balances carried interest at average market rates from 0.3% to 1.5% (2016: 0.3% to 1.1%) per annum and will be released upon the completion of the respective transactions.

Short-term bank deposits represented the fixed bank deposits at 1.1% to 1.9% (2016:1.35% to 1.9%) per annum for the year ended 31 December 2017 with original maturity of more than 3 months but within 12 months.

Bank balances carried interest at market rates ranged from 0.001% to 0.38 % (2016: 0.001% to 0.35%) per annum for the year ended 31 December 2017.

At 31 December 2017, bank balances and cash of approximately RMB47,000 (2016: RMB1,000) and RMB314,000 (2016: RMB4,174,000) were denominated in US$ and HK$ respectively that are currencies other than the functional currencies of the respective group entities.

## 27. 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 the Group to sell certain items of plant and machinery included in property, plant and equipment of the Group with carrying amount of approximately RMB31,076,000 at consideration of RMB28,000,000. Impairment loss on assets classified as held for sale of approximately RMB3,076,000 has been recognised for the year ended 31 December 2014. As at 31 December 2016, the transaction has not been completed and remained commitment to their plan to sale with receipts of partial consideration of RMB5,000,000 from the buyer.

During the year ended 31 December 2017, the abovementioned asset classified as held for sale has been disposed upon the disposal of a subsidiary as disclosed in note 38(e).

On 30 November 2016, the Group committed to a sale plan with Lead Intelligent for the disposal of 10% equity interest in Titans New Power at a consideration consisted of (i) cash consideration of RMB60,750,000; and (ii) 2,185,108 shares of Lead Intelligent. The fair value of 10% equity interest in Titans New Power was approximately RMB137,100,000 as at 31 December 2016 and fair value gain of approximately RMB136,174,000 was recognised under available-for-sale financial assets revaluation reserve during the year ended 31 December 2016.

At 31 December 2016, the transaction has not been completed and remained committed to their plan of sale. On 14 August 2017, the disposal has been completed (i) cash consideration with receipts of RMB60,750,000; and (ii) 2,193,500 listed shares of Lead Intelligent. Gain on disposal of asset classified as held for sale of approximately RMB62,652,000 with realisation of fair value gain during the year ended 31 December 2016 of approximately RMB136,174,000 was recognised during the year ended 31 December 2017.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2017*

## 28. TRADE AND BILLS PAYABLES

| | **2017** | 2016 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Trade payables | **88,997** | 58,576 |
| Bills payables | **12,196** | 5,392 |
| | **101,193** | 63,968 |

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

| | **2017** | 2016 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| 0 – 90 days | **73,017** | 50,059 |
| 91 – 180 days | **5,541** | 9,198 |
| 181 – 365 days | **14,980** | 4,711 |
| 1 – 2 years | **7,655** | – |
| | **101,193** | 63,968 |

The average credit period on purchases of goods is 90 days (2016: 90 days). The Group has financial risk management policy in place to ensure that all payables are settled within the credit timeframe.

## 29. AMOUNTS DUE TO ASSOCIATES

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2017*

## 30. BANK AND OTHER BORROWINGS

| | 2017 RMB'000 | 2016 RMB'000 |
|---|---|---|
| Bank borrowings, secured | **133,000** | 149,850 |
| Other borrowing, secured | **5,395** | – |
| | **138,395** | 149,850 |
| Carrying amounts repayable (based on scheduled repayment dates set out in the borrowing agreement): | | |
| Within one year | **134,945** | 149,850 |
| After one year but within two years | **2,222** | – |
| After two years but within five years | **1,228** | – |
| | **138,395** | 149,850 |
| Amounts shown under current liabilities | **134,945** | 149,850 |
| Amounts shown under non-current liabilities | **3,450** | – |
| | **138,395** | 149,850 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2017*

## 30. BANK AND OTHER BORROWINGS (Continued)

Bank borrowings of RMB48,000,000 (2016: RMB139,850,000) and RMB12,000,000 (2016: RMB10,000,000) are arranged at fixed interest rate of 0.32% (2016: 0.32%) and floating interest rate of the PRC base lending rate with increment by 50% (2016: the PRC base lending rate increased with increment by 5%) respectively.

Bank borrowings of RMB33,000,000 (2016: nil) are arranged at fixed interest rate of 6.1% and pledged with listed equity securities as disclosed on note 20(v).

Other borrowing of RMB5,395,000 (2016: nil) is arranged at fixed interest rate of 5.75% and secured by motor vehicles with carrying amount of approximately RMB3,557,000 (2016: nil).

The effective interest rates (which also equal to contracted interest rates) on the Group's bank and other borrowings range are from 0.32% to 6.53% and 5.90% to 13.41% (2016: 0.32% to 4.67% and nil) per annum for the year ended 31 December 2017.

During the year, the Group obtained new bank and other borrowings in the amount of RMB95,000,000 and RMB17,163,000 (2016: RMB97,850,000 and nil). The proceeds were used as the Group's working capital. The above bank and other borrowings are all denominated in RMB, which is the functional currency of the respective entities and hence no foreign currency risk exposure.

As at 31 December 2017, secured bank borrowings of RMB40,000,000 (2016: RMB10,000,000) was secured by its leasehold land and buildings with carrying values of approximately RMB2,209,000 (2016: RMB2,902,000) and was guaranteed by the directors of the Company with guaranteed amount of approximately RMB120,000,000 (2016: RMB120,000,000). Details of the guarantees by the directors of the Company are set out in note 44(c).

As at 31 December 2017, secured bank borrowings of approximately RMB48,000,000 (2016: RMB139,850,000) was secured by the restricted bank balances of approximately RMB50,882,000 (2016: RMB142,705,000) as at 31 December 2017. The Group has available un-utilised overdraft and short-term bank loan facilities of approximately RMB1,864,000 (2016: RMB1,000).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2017*

## 31. CONVERTIBLE NOTES

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

At 31 December 2017, the interest rate of the CNs was 4.35% (2016: 4.35%).

The principal terms of the CNs are as follows:

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

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

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

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

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

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

No conversion or redemption of the CNs has been made during the years ended 31 December 2017 and 2016.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2017*

## 31. CONVERTIBLE NOTES (Continued)

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

| | Liability component of the CNs | Financial asset – Redemption option derivative of the CNs | Financial liability – Conversion option derivative of the CNs | Total |
|---|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| At 1 January 2016 | – | – | – | – |
| Issued during the year | 65,610 | (16,360) | 34,996 | 84,246 |
| Transaction cost | (129) | – | – | (129) |
| Effective interest expense for the year | 10,492 | – | – | 10,492 |
| Interest paid | (2,046) | – | – | (2,046) |
| Exchange loss (gain) recognised in profit or loss | 1,485 | (302) | 646 | 1,829 |
| Changes in fair values | – | 3,331 | (13,442) | (10,111) |
| At 31 December 2016 and 1 January 2017 | 75,412 | (13,331) | 22,200 | 84,281 |
| Effective interest expense for the year | 14,081 | – | – | 14,081 |
| Interest paid | (3,680) | – | – | (3,680) |
| Exchange (gain) loss recognised in profit or loss | (2,246) | 372 | (619) | (2,493) |
| Changes in fair values | – | 12,794 | (21,406) | (8,612) |
| At 31 December 2017 | 83,567 | (165) | 175 | 83,577 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2017*

## 31. CONVERTIBLE NOTES (Continued)

The liability components of the CNs at issue date and fair values of the derivative components of CNs at 31 December 2017 and 2016 were valued by APAC Asset Valuation and Consulting Limited, an independent qualified professional valuer not connected to the Group, using the Binomial Option Pricing model. The total transaction cost attributable to the derivative component of the CNs of approximately RMB101,000 was recognised in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2016 (2017: nil). The net gain in fair value changes of the derivative components of the CNs of approximately RMB8,612,000 (2016: RMB10,111,000) was recognised in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2017. The inputs into the model were as follows:

| | **At 31 December 2017** | At 31 December 2016 | At 29 February 2016 (date of issue) |
|---|---|---|---|
| Share price | **HK$0.93** | HK$1.17 | HK$1.21 |
| Conversion price | **HK$1.19** | HK$1.19 | HK$1.19 |
| Expected volatility | **34%** | 54% | 63% |
| Expected life | **0.16 year** | 1.16 years | 2 years |
| Risk-free rate | **1%** | 0.85% | 0.59% |
| Expected dividend yield | **Nil** | Nil | Nil |

## 32. DEFERRED TAXATION

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

| | **2017 RMB'000** | 2016 RMB'000 |
|---|---|---|
| Deferred tax assets | **7,523** | 7,177 |
| Deferred tax liabilities | **(18,604)** | (42,937) |
| At 31 December | **(11,081)** | (35,760) |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2017*

## 32. DEFERRED TAXATION (Continued)

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

| | **Allowance for impairment loss of trade receivables** | **Fair value loss (revaluation) of available-for–sale financial assets** | **Undistributed profits of subsidiaries** | **Intangible asset arising from acquisition of a subsidiary** | **Total** |
|---|---|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| At 1 January 2016 | 8,836 | 629 | (9,319) | – | 146 |
| (Debited) credited to profit or loss *(note 9)* | (1,659) | (629) | 426 | – | (1,862) |
| Debited to available-for-sale financial assets revaluation reserve | – | (34,044) | – | – | (34,044) |
| At 31 December 2016 and 1 January 2017 | 7,177 | (34,044) | (8,893) | – | (35,760) |
| Acquisition of a subsidiary | – | – | – | (843) | (843) |
| Credited (debited) to profit or loss (note 9) | (880) | – | (8,910) | 42 | (9,748) |
| Credited to available-for-sale financial assets revaluation reserve | – | 35,270 | – | – | 35,270 |
| At 31 December 2017 | 6,297 | 1,226 | (17,803) | (801) | (11,081) |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2017*

## 32. DEFERRED TAXATION (Continued)

Under the EIT Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has been provided for in the consolidated financial statements in respect of temporary taxable difference attributable to accumulated profits of the PRC subsidiaries amounting to approximately RMB356,063,000 (2016: RMB177,855,000) as the Group considered the temporary differences will be reversed in the foreseeable future upon declaration of dividends of subsidiaries.

The Group had unused tax losses of approximately RMB33,273,000 (2016: RMB39,143,000) as at 31 December 2017, 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 (2016: RMB2,475,000) may be carried forward indefinitely. The remaining tax losses of approximately RMB31,596,000 (2016: RMB36,668,000) will expire five years from the year of origination. As at 31 December 2017, tax losses of approximately RMBnil, RMB5,447,000, RMB10,882,000 and RMB15,267,000 will expire in 2018, 2019, 2020 and 2021 respectively (2016: RMB6,051,000, RMB4,050,000, RMB7,625,000 and RMB18,942,000 will expire in 2017, 2018, 2019 and 2020 respectively).

At 31 December 2017, the Group had temporary differences of approximately RMB62,387,000 (2016: RMB63,622,000) in respect of allowance for impairment of trade receivables. Deferred tax asset of RMB7,523,000 (2016: RMB7,177,000) had been recognised on temporary difference of approximately RMB41,982,000 (2016: RMB47,851,000) and fair value loss on available-for-sale financial asset of approximately RMB8,176,000 (2016: nil) and a deferred tax liability of approximately RMB18,604,000 (2016: RMB42,937,000) has been recognised in relation to the undistributable profits of subsidiaries of approximately RMB356,063,000 (2016: RMB177,855,000), fair value gain on available-for-sale financial asset of nil (2016: RMB136,174,000) and intangible asset arising from acquisition of a subsidiary of approximately RMB801,000 (2016: nil). No deferred tax asset has been recognised on the remaining deductible temporary difference of approximately RMB12,516,000 (2016: RMB15,771,000) due to the unpredictability of future profit streams will be available against which the deductible temporary differences can be utilised.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2017*

## 33. SERVICE CONCESSION ARRANGEMENTS

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

As at 31 December 2017, the Group had 3 (2016: 2) service concession arrangements on charging equipments with governmental authorities in the PRC and a summary of the major terms of the principal service concession arrangements, is set out as follows:

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

* *English name is for identification purpose only*

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2017*

## 34. SHARE CAPITAL

| | Number of shares | Share capital |
|---|---|---|
| | | HK$'000 |
| Ordinary shares of HK$0.01 each | | |
| **Authorised:** | | |
| At 1 January 2016, 31 December 2016, 1 January 2017 and 31 December 2017 | 10,000,000,000 | 100,000 |
| | | RMB'000 |
| **Issued and fully paid:** | | |
| At 1 January 2016, 31 December 2016, 1 January 2017 and 31 December 2017 | 925,056,000 | 8,087 |

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

## 35. 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 and other borrowings disclosed in note 30 and the CNs disclosed in note 31, net of restricted bank balances, short-term bank deposits and bank balances and cash disclosed in note 26 and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure periodically. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through new share issues, the issue of new debt or the redemption of existing debt.

## 36. FINANCIAL INSTRUMENTS

### (a) Categories of financial instruments

| | **2017** **RMB'000** | 2016 RMB'000 |
|---|---|---|
| **Financial assets** | | |
| Loans and receivables (including cash and cash equivalents) | **600,030** | 546,409 |
| Financial assets at FVTPL | | |
| – redemption option derivative of the CNs | **165** | 13,331 |
| – held for trading investment | **9,248** | – |
| Available-for-sale financial assets | **159,152** | 14,828 |
| Available-for-sale financial asset classified under assets classified as held for sale | **–** | 137,100 |
| | **768,595** | 711,668 |
| **Financial liabilities** | | |
| Financial liabilities at FVTPL – conversion option derivative of the CNs | **175** | 22,200 |
| Other financial liabilities at amortised cost | **351,697** | 296,094 |
| | **351,872** | 318,294 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2017*

## 36. FINANCIAL INSTRUMENTS (Continued)

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

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

**Market risk**

*(i) Currency risk*

The Group mainly operates in the PRC. All the Group's sales and purchases are denominated in the functional currency of the Group (i.e. RMB).

Certain bank balances and cash, deposits and other receivables and CNs 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 liabilities at the reporting date are as follows:

| | Assets | | Liabilities | |
|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 |
| | **RMB'000** | RMB'000 | **RMB'000** | RMB'000 |
| HK$ | **479** | 17,505 | **83,742** | 97,612 |
| US$ | **29,146** | 1 | **–** | – |

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2017*

## 36. FINANCIAL INSTRUMENTS (Continued)

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

**Market risk (Continued)**

*(i) Currency risk (Continued)*

Sensitivity analysis

The Group is mainly exposed to US$ and HK$.

The following table details the Group's sensitivity to a 5% (2016: 5%) increase and decrease in RMB against the relevant foreign currencies. 5% (2016: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and foreign currency forward contracts designated as cash flow hedges, and adjusts their translation at the end of the reporting period for a 5% (2016: 5%) change in foreign currency rates.

A positive number below indicates an increase in post-tax profit and other equity where RMB strengthen 5% (2016: 5%) against the relevant currency. For a 5% (2016: 5%) weakening of RMB against the relevant currency, there would be an equal and opposite impact on the profit and other equity and the balances below would be negative.

| | **2017**<br>**RMB'000** | 2016<br>RMB'000 |
|---|---|---|
| Effect on post-tax profit | | |
| HK$ | **4,166** | 4,037 |
| USD | **(1,337)** | – |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2017*

## 36. FINANCIAL INSTRUMENTS (Continued)

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

**Market risk (Continued)**

*(ii) Interest rate risk*

As at 31 December 2017 and 2016, the Group is exposed to fair value interest rate risk in relation to loan receivables disclosed in note 24, restricted bank balances disclosed in note 26, certain fixed-rate bank and other borrowings disclosed in note 30.

As at 31 December 2017 and 2016, the Group is exposed to cash flow interest rate risk in relation to short-term bank deposits and bank balances disclosed in note 26, certain variable-rate bank borrowings disclosed in note 30 and the CNs disclosed in note 31. It is the Group's policy to keep its borrowings at floating rate of interest so as to minimise the fair value interest rate risk.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the RMB Base Lending Rate stipulated by the People's Bank of China arising from the Group's RMB denominated bank and other borrowings and the CNs.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for variable rate bank borrowings, the CNs, 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 (2016: 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 (2016: 50) basis points higher or lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2017 would increase/decrease by approximately RMB71,000 (2016: post- tax profit would decrease/increase by approximately RMB111,000).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2017*

## 36. FINANCIAL INSTRUMENTS (Continued)

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

**Market risk (Continued)**

*(iii) Other price risk*

The Group is exposed to equity price risk through its investments in listed equity securities and held for trading investment. The management manages this exposure by maintaining a portfolio of investments with different risks. The Group's equity price risk is mainly concentrated on equity instruments operating in the PRC stock market. In addition, the Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risks at the end of the reporting period. For sensitivity analysis purpose, the sensitivity rate is increased to 10% in current year as a result of the volatile financial market.

If the prices of the respective equity instruments had been 10% (2016: 10%) higher/lower, available-for-sale financial assets revaluation reserve and profit for the year would increase/decrease by approximately RMB11,436,000 (2016: RMB279,000) and RMB786,000 (2016: nil) while total equity would increase/decrease by approximately RMB12,222,000 (2016: RMB279,000) as a result of the changes in fair value of available-for-sale financial assets and held for trading investment respectively.

**Credit risk**

As at 31 December 2017, 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 receivables and amount due from an associate at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2017*

## 36. FINANCIAL INSTRUMENTS (Continued)

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

**Credit risk (Continued)**

The Group's concentration of credit risk by geographical locations is in the PRC, which accounted for all of the trade receivables as at 31 December 2017 and 2016.

The Group has concentration of credit risk as 13.4% and 20.6% (2016: 7.3% and 18.3%) of the total trade and bills receivables before allowance for impairment loss of 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 2017.

**Liquidity risk**

In the management of the liquidity risk, the Group monitors and maintains a level of short-term bank deposits and bank balances and cash deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. 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 2017*

## 36. FINANCIAL INSTRUMENTS (Continued)

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

**Liquidity risk (Continued)**

*Liquidity table*

| | **Within 1 year or on demand RMB'000** | **More than 1 year and within 2 years RMB'000** | **More than 2 years and within 5 years RMB'000** | **Total undiscounted cash flows RMB'000** | **Carrying Amount RMB'000** |
|---|---|---|---|---|---|
| At 31 December 2017 | | | | | |
| Non-derivative financial liabilities: | | | | | |
| Trade and bills payables | 101,193 | – | – | 101,193 | 101,193 |
| Accruals and other payables | 28,357 | – | – | 28,357 | 28,357 |
| Amounts due to associates | 185 | – | – | 185 | 185 |
| Convertible notes | 86,225 | – | – | 86,225 | 83,567 |
| Bank borrowings | | | | | |
| – fixed rate | 123,727 | – | – | 123,727 | 121,000 |
| – variable rate | 12,491 | – | – | 12,491 | 12,000 |
| Other borrowing | – | | | | |
| – fixed rate | 2,552 | 2,552 | 1,276 | 6,380 | 5,395 |
| | 354,730 | 2,552 | 1,276 | 358,558 | 351,697 |

| | Within 1 year or on demand RMB'000 | More than 1 year and within 2 years RMB'000 | More than 2 years and within 5 years RMB'000 | Total undiscounted cash flows RMB'000 | Carrying Amount RMB'000 |
|---|---|---|---|---|---|
| At 31 December 2016 | | | | | |
| Non-derivative financial liabilities: | | | | | |
| Trade and bills payables | 63,968 | – | – | 63,968 | 63,968 |
| Accruals and other payables | 6,864 | – | – | 6,864 | 6,864 |
| Convertible notes | 3,732 | 89,532 | – | 93,264 | 75,412 |
| Bank borrowings | – | | | | |
| – fixed rate | 140,050 | – | – | 140,050 | 139,850 |
| – variable rate | 10,169 | – | – | 10,169 | 10,000 |
| | 224,783 | 89,532 | – | 314,315 | 296,094 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2017*

## 36. FINANCIAL INSTRUMENTS (Continued)

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

**Liquidity risk (Continued)**

*Liquidity table (Continued)*

At 31 December 2017 and 2016, the aggregate undiscounted principal amount of the CNs amounted to HK$100,000,000 (2016: HK$100,000,000), equivalent to approximately RMB84,390,000 (2016: RMB85,800,000). The directors of the Company will not consider to redeem the principal amount of the CNs taking into account the working capital requirement and the future business expansion of the Group. Thus, the directors of the Company believe that the CNs will only be repaid on the Maturity Date in case the CNs are not converted by the note holders.

The amounts included above for variable interest rate bank borrowings are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

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

The following table provides an analysis of financial instruments that are measured at fair value at the end of each reporting period for recurring measurement, grouped into Level 1 to 3 based on degree to which the fair value is observable in accordance to the Group's accounting policy.

| | 31 December 2017 | | | |
|---|---|---|---|---|
| | Level 1<br>RMB'000 | Level 2<br>RMB'000 | Level 3<br>RMB'000 | Total<br>RMB'000 |
| **Financial assets at FVTPL** | | | | |
| Redemption option derivative of the CNs | – | – | 165 | 165 |
| Investment fund classified as held for trading investment | – | 9,248 | – | 9,248 |
| **Available-for-sale financial assets** | | | | |
| Listed equity securities | 134,543 | – | – | 134,543 |
| Unlisted equity securities | – | – | 24,609 | 24,609 |
| Total | 134,543 | 9,248 | 24,774 | 168,565 |
| **Financial liabilities at FVTPL** | | | | |
| Conversion option derivative of the CNs | – | – | 175 | 175 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2017*

## 36. FINANCIAL INSTRUMENTS (Continued)

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

| | 31 December 2016 | | | |
|---|---|---|---|---|
| | Level 1<br>RMB'000 | Level 2<br>RMB'000 | Level 3<br>RMB'000 | Total<br>RMB'000 |
| **Financial assets at FVTPL** | | | | |
| Redemption option derivative of the CNs | – | – | 13,331 | 13,331 |
| **Available-for-sale financial assets** | | | | |
| Listed equity securities | 3,717 | – | – | 3,717 |
| Unlisted equity securities | – | – | 11,111 | 11,111 |
| **Available-for-sale financial assets classified under assets classified as held for sale** | | | | |
| Unlisted equity securities | – | – | 137,100 | 137,100 |
| Total | 3,717 | – | 161,542 | 165,259 |
| **Financial liabilities at FVTPL** | | | | |
| Conversion option derivative of the CNs | – | – | 22,200 | 22,200 |

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 2017*

## 36. FINANCIAL INSTRUMENTS (Continued)

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

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

| Financial instruments | Fair value as at | | Fair value hierarchy | Valuation technique and key inputs | Significant unobservable inputs | Relationship of key inputs and significant unobservable inputs to fair value |
|---|---|---|---|---|---|---|
| | **31/12/2017** | 31/12/2016 | | | | |
| | **RMB'000** | RMB'000 | | | | |
| Listed equity securities classified as available-for-sale financial assets | **134,543** | 3,717 | Level 1 | Quoted bid prices in an active market | N/A | N/A |
| Investment fund classified as held for trading investment | **9,248** | – | Level 2 | Quoted prices from financial institutions based on bid prices in active market for the listed shares under the portfolio of the unlisted fund instruments | N/A | N/A |
| Unlisted equity securities classified as available-for-sale financial assets | **–** | 11,111 | Level 3 | Income approach – by reference to the present value of the expected future economic benefits to be derived from the ownership of this investee, based on an appropriate discount rate | (i) Terminal growth rate of nil; and (ii) Weighted average cost of capital of 10.09% | (i) The higher the terminal growth rate, the higher the fair value. (ii) The higher the weighted average cost of capital, the lower the fair value. |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2017*

## 36. FINANCIAL INSTRUMENTS (Continued)

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

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

| Financial instruments | Fair value as at 31/12/2017 RMB'000 | Fair value as at 31/12/2016 RMB'000 | Fair value hierarchy | Valuation technique and key inputs | Significant unobservable inputs | Relationship of key inputs and significant unobservable inputs to fair value |
|---|---|---|---|---|---|---|
| Unlisted equity securities classified as available-for-sale financial assets under assets classified as held for sale | **–** | 137,100 | Level 3 | Income approach – by reference to the present value of the expected future economic benefits to be derived from the ownership of this investee, based on an appropriate discount rate | (i) Terminal growth rate of nil; and (ii) Weighted average cost of capital of 12.66% | (i) The higher the terminal growth rate, the higher the fair value. (ii) The higher the weighted average cost of capital, the lower the fair value. |
| Unlisted equity securities classified as available-for-sale financial assets | **24,609** | – | Level 3 | Market approach – by reference to the asset with identical or similar assets in the market | (i) Price-to-book ratio of 1.95; (ii) Marketability discount of 35%; and (iii) Specific business risk discount of 49% | (i) The higher the price-to-book ratio, the higher the fair value. (ii) The higher of marketability discount, the lower the fair value. (iii) The higher the specific business risk discount, the lower the fair value. |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2017*

## 36. FINANCIAL INSTRUMENTS (Continued)

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

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

| Financial instruments | Fair value as at | | Fair value hierarchy | Valuation technique and key inputs | Significant unobservable inputs | Relationship of key inputs and significant unobservable inputs to fair value |
|---|---|---|---|---|---|---|
| | **31/12/2017** | 31/12/2016 | | | | |
| | **RMB'000** | RMB'000 | | | | |
| Redemption option derivative of the CNs | **165** | 13,331 | Level 3 | Binomial option pricing model: by reference to the risk free rate of 1% (2016: 0.85%) and effective interest rate of 19% (2016: 19%) | Volatility of 34% (2016: 54%) | The higher the volatility, the higher of the fair value of redemption option derivative component of the CNs. |
| Conversion option derivative of the CNs | **175** | 22,200 | Level 3 | Binomial option pricing model: by reference to the risk free rate of 1% (2016: 0.85%) and effective interest rate of 19% (2016: 19%) | Volatility of 34% (2016: 54%) | The higher the volatility, the higher of the fair value of redemption option derivative component of the CNs. |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2017*

## 36. 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 and financial liabilities on recurring basis are as follows:

| | Unlisted equity securities RMB'000 | Financial asset – Redemption option derivative of the CNs RMB'000 | Financial liability – Conversion option derivative of the CNs RMB'000 |
|---|---|---|---|
| At 1 January 2016 | 3,074 | – | – |
| Purchase | 11,111 | – | – |
| Issue of the CNs | – | 16,360 | (34,996) |
| Disposal | (2,148) | – | – |
| Exchange gain (loss) recognised in profit or loss | – | 302 | (646) |
| Changes in fair value through profit or loss | – | (3,331) | 13,442 |
| Fair value gain through other comprehensive income | 136,174 | – | – |
| At 31 December 2016 and 1 January 2017 | 148,211 | 13,331 | (22,200) |
| Purchase | 24,609 | – | – |
| Disposal | (148,211) | – | – |
| Exchange (loss) gain recognised in profit or loss | – | (372) | 619 |
| Changes in fair value through profit or loss | – | (12,794) | 21,406 |
| At 31 December 2017 | 24,609 | 165 | (175) |

### (d) Fair value of financial instruments that are not measured at fair value on a recurring basis

Except as detailed in the following table, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values:

| | **31 December 2017** | | 31 December 2016 | |
|---|---|---|---|---|
| | **Carrying amount RMB'000** | **Fair value RMB'000** | Carrying amount RMB'000 | Fair value RMB'000 |
| **Financial liabilities** | | | | |
| Convertible notes | **83,567** | **84,045** | 75,412 | 79,990 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2017*

## 37. ACQUISITION OF SUBSIDIARIES

### (a) Guangdong Titans

On 14 July 2017, Titans Power Electronics, a wholly-owned subsidiary of the Company, completed the acquisition of 40% equity interest in Guangdong Titans from an independent third party, for a cash consideration of RMB2,000,000. This acquisition has been accounted for using the acquisition method. No goodwill was arising from acquisition. The principal activities of Guangdong Titans were research and development, sales and manufacturing of Automated Guided Vehicles ("AGV"). Guangdong Titans was acquired so as to expand the charging equipment business for electric vehicles operations.

**Consideration transferred**

| | **RMB'000** |
|---|---|
| Cash | 2,000 |

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

| | RMB'000 |
|---|---|
| Plant and equipment | 68 |
| Intangible asset | 3,370 |
| Inventories | 124 |
| Trade receivables | 67 |
| Prepayments, deposits and other receivables | 397 |
| Bank balances and cash | 2,002 |
| Trade payables | (31) |
| Receipt in advance | (7) |
| Accruals and other payables | (147) |
| Deferred tax liabilities | (843) |
| | 5,000 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2017*

## 37. ACQUISITION OF SUBSIDIARIES (Continued)

### (a) Guangdong Titans (Continued)

Goodwill arising on acquisition:

| | RMB'000 |
|---|---|
| Consideration transferred | 2,000 |
| Plus: non-controlling interest (60% in Guangdong Titans) | 3,000 |
| Less: net assets acquired | (5,000) |
| Goodwill arising on acquisition | – |

The non-controlling interests in Guangdong Titans recognised at the acquisition date was measured at proportionate method.

Net cash inflow on acquisition of Guangdong Titans

| | RMB'000 |
|---|---|
| Cash consideration paid | 2,000 |
| Less: bank balances and cash acquired | (2,002) |
| Goodwill arising on acquisition | (2) |

Included in the profit for the year is approximately RMB660,000 loss attributable to the additional business generated by Guangdong Titans. Revenue for the year includes approximately RMB1,219,000 generated from Guangdong Titans.

Had the acquisition been completed on 1 January 2017, total revenue of the Group for the year would have been RMB327,997,000 and profit for the year would have been RMB158,945,000. 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 2017, nor is it intended to be a projection of future results.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2017*

## 37. ACQUISITION OF SUBSIDIARIES (Continued)

### (b) Shandong Huidian

On 15 September 2017, Titans Technology, a wholly-owned subsidiary of the Company, completed the acquisition of 45% equity interest in Shandong Huidian from an independent third party, for a cash consideration of RMB14,999,000. This acquisition has been accounted for using the acquisition method. The amount of goodwill arising as a result of the acquisition was approximately RMB449,000. The principal activities of Shandong Huidian were design, manufacture and sales of charging equipments. Shandong Huidian was acquired so as to expand of the charging equipment business for electric vehicles operations.

**Consideration transferred**

| | RMB'000 |
|---|---|
| Cash | 14,999 |

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

| | RMB'000 |
|---|---|
| Plant and equipment | 1,672 |
| Inventories | 703 |
| Trade receivables | 38 |
| Prepayments, deposits and other receivables | 30,441 |
| Bank balances and cash | 649 |
| Trade payables | (751) |
| Receipts in advance | (178) |
| Accruals and other payables | (242) |
| | 32,332 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2017*

## 37. ACQUISITION OF SUBSIDIARIES (Continued)

### (b) Shandong Huidian (Continued)

**Goodwill arising on acquisition**

| | RMB'000 |
|---|---|
| Consideration transferred | 14,999 |
| Plus: non-controlling interests (55% in Shandong Huidian) | 17,782 |
| Less: net assets acquired | (32,332) |
| Goodwill arising on acquisition | 449 |

Goodwill arose in the acquisition of Shandong Huidian 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 Shandong Huidian. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

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

**Net cash outflow on acquisition of Shandong Huidian**

| | RMB'000 |
|---|---|
| Cash consideration paid | 14,999 |
| Less: bank balances and cash acquired | (649) |
| | 14,350 |

Included in the profit for the year is approximately RMB2,470,000 loss attributable to the additional business generated by Shandong Huidian. Revenue for the year includes approximately RMB337,000 generated from Shandong Huidian.

Had the acquisition been completed on 1 January 2017, total revenue of the Group for the year would have been RMB328,517,000 and profit for the year would have been RMB155,411,000. 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 2017, nor is it intended to be a projection of future results.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2017*

## 38. DISPOSAL OF SUBSIDIARIES

### For the year ended 31 December 2016

**(a) Sichuan Haote**

As disclosed in note 19, on 29 June 2016, the Group disposed of 25.5% equity interest in Sichuan Haote to an independent third party for a cash consideration of RMB1,102,000. The Group lost its control over Sichuan Haote and Sichuan Haote ceased to be a subsidiary of the Group after the completion of abovementioned disposal on 29 June 2016. The net assets of Sichuan Haote at the date of disposal were as follows:

**Consideration received:**

| | RMB'000 |
|---|---|
| Cash received | 1,102 |

**Analysis of assets and liabilities over which control was lost:**

| | 29 June 2016<br>RMB'000 |
|---|---|
| Property, plant and equipment | 1,144 |
| Inventories | 5,479 |
| Trade receivables | 1,273 |
| Prepayments, deposits and other receivables | 3,279 |
| Bank balances and cash | 74 |
| Trade payables | (3,940) |
| Accruals and other payables | (4,873) |
| Net assets disposed of | 2,436 |

**Gain on disposal of Sichuan Haote:**

| | 29 June 2016<br>RMB'000 |
|---|---|
| Consideration received | 1,102 |
| Fair value of 25.5% equity interest classified as interest in an associate | 621 |
| Non-controlling interests | 1,194 |
| Net assets disposed of | (2,436) |
| Gain on disposal of Sichuan Haote | 481 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2017*

## 38. DISPOSAL OF SUBSIDIARIES (Continued)

### For the year ended 31 December 2016 (Continued)

#### (a) Sichuan Haote (Continued)

**Net cash inflows on disposal of Sichuan Haote:**

| | 29 June 2016<br>RMB'000 |
|---|---|
| Cash consideration | 1,102 |
| Less: bank balances and cash disposed of | (74) |
| | 1,028 |

#### (b) SZ Heimt

On 28 June 2016, a subsidiary of the Group entered into a sale and purchase agreement with the non-controlling shareholder of SZ Heimt to dispose of its entire 51% equity interest in SZ Heimt, which was one of the manufacturing subsidiaries in the Charging Equipment segment prior to the disposal, for a consideration of RMB1 (the "SZ Heimt Disposal"). The completion of the SZ Heimt Disposal took place on 14 July 2016, upon which SZ Heimt ceased to be a subsidiary of the Group for the year ended 31 December 2016.

**Consideration received:**

| | RMB'000 |
|---|---|
| Cash received (note) | – |

*Note:* The amount represented an amount less than RMB1,000.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2017*

## 38. DISPOSAL OF SUBSIDIARIES (Continued)

### For the year ended 31 December 2016 (Continued)

**(b) SZ Heimt (Continued)**

**Analysis of assets and liabilities over which control was lost:**

| | 14 July 2016<br>RMB'000 |
|---|---|
| Property, plant and equipment | 434 |
| Goodwill | – |
| Inventories | 11,307 |
| Trade receivables | 5,133 |
| Prepayment, deposits and other receivables | 331 |
| Bank balances and cash | 15 |
| Trade payables | (12,418) |
| Receipts in advance | (538) |
| Accruals and other payables | (1,820) |
| Amount due to a non-controlling shareholder of a subsidiary | (372) |
| Net assets disposed of | 2,072 |

**Loss on disposal of SZ Heimt:**

| | 14 July 2016<br>RMB'000 |
|---|---|
| Consideration received | – |
| Non-controlling interests | 1,016 |
| Net assets disposed of | (2,072) |
| Loss on disposal of SZ Heimt | (1,056) |

**Net cash outflows on disposal of SZ Heimt:**

| | 14 July 2016<br>RMB'000 |
|---|---|
| Cash consideration | – |
| Less: bank balances and cash disposed of | (15) |
| | (15) |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2017*

## 38. DISPOSAL OF SUBSIDIARIES (Continued)

### For the year ended 31 December 2017

**(c) Jienan Electronic Appliance Investment (Beijing) New-energy Technology Co., Ltd* (潔能電投(北京)新能源科技有限公司) ("Jienan Electronic")**

On 27 May 2017, the Group disposed of entire equity interest in Jienan Electronic to an independent third party for a cash consideration of RMB1. The Group lost its control over Jienan Electronic and Jienan Electronic ceased to be a subsidiary of the Group after the completion of abovementioned disposal on 27 May 2017. The net liabilities of Jienan Electronic at the date of disposal were as follows:

**Consideration received:**

| | RMB'000 |
|---|---|
| Cash received *(note)* | – |

*Note:* The amount represents an amount less than RMB1,000

**Analysis of assets and liabilities over which control was lost:**

| | **27 May 2017 RMB'000** |
|---|---|
| Plant and equipment | **42** |
| Prepayments, deposits and other receivables | **755** |
| Bank balances and cash | **22** |
| Accruals and other payables | **(1,166)** |
| Net liabilities disposed of | **(347)** |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2017*

## 38. DISPOSAL OF SUBSIDIARIES (Continued)

### For the year ended 31 December 2017 (Continued)

**(c) Jienan Electronic Appliance Investment (Beijing) New-energy Technology Co., Ltd* (潔能電投(北京)新能源科技有限公司) ("Jienan Electronic") (Continued)**

**Gain on disposal of Jienan Electronic:**

| | 27 May 2017<br>RMB'000 |
|---|---|
| Consideration received | – |
| Net liabilities disposed of | (347) |
| Gain on disposal of Jienan Electronic | (347) |

**Net cash outflows on disposal of Jienan Electronic:**

| | 27 May 2017<br>RMB'000 |
|---|---|
| Cash consideration | – |
| Less: bank balances and cash disposed of | (22) |
| | (22) |

* *English name is for identification purpose only*

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2017*

## 38. DISPOSAL OF SUBSIDIARIES (Continued)

### For the year ended 31 December 2017 (Continued)

**(d) Henan Hongzheng Electric Technology Co., Ltd.* (河南弘正電氣科技有限公司) ("Henan Hongzheng")**

On 7 December 2017, the Group disposed of 100% equity interest in Henan Hongzheng to an independent third party for a cash consideration of RMB18,000,000. The Group lost its control over Henan Hong Zheng and Henan Hongzheng ceased to be a subsidiary of the Group after the completion of abovementioned disposal on 7 December 2017. The net assets of Henan Hongzheng at the date of disposal were as follows:

**Consideration received:**

| | RMB'000 |
|---|---|
| Cash received | 18,000 |

**Analysis of assets and liabilities over which control was lost:**

| | **7 December 2017 RMB'000** |
|---|---|
| Plant and equipment | **5** |
| Prepayments, deposits and other receivables | **21,726** |
| Cash and bank balances | **18** |
| Other payables | **(664)** |
| Net assets disposed of | **21,085** |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2017*

## 38. DISPOSAL OF SUBSIDIARIES (Continued)

### For the year ended 31 December 2017 (Continued)

**(d) Henan Hongzheng Electric Technology Co., Ltd.* (河南弘正電氣科技有限公司) ("Henan Hongzheng") (Continued)**

**Loss on disposal of Henan Hongzheng:**

| | 7 December 2017 RMB'000 |
|---|---|
| Consideration received | **18,000** |
| Net assets disposed of | **(21,085)** |
| Loss on disposal of Henan Hongzheng | **(3,085)** |

**Net cash inflows on disposal of Henan Hongzheng:**

| | 7 December 2017 RMB'000 |
|---|---|
| Cash consideration | **18,000** |
| Less: bank balances and cash disposed of | **(18)** |
| | **17,982** |

* *English name is for identification purpose only*

**(e) Anhui Titans Liancheng Energy Technology Co., Ltd.* (安徽泰坦聯成能源技術有限公司) ("Anhui Titans")**

On 19 December 2017, the Group disposed of entire equity interest in Anhui Titans to independent third parties for a cash consideration of RMB13,600,000. The Group lost its control over Anhui Titans and Anhui Titans ceased to be a subsidiary of the Group after the completion of abovementioned disposal on 19 December 2017. The net assets of Anhui Titans at the date of disposal were as follows:

**Consideration received:**

| | RMB'000 |
|---|---|
| Cash received | 13,600 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2017*

## 38. DISPOSAL OF SUBSIDIARIES (Continued)

### For the year ended 31 December 2017 (Continued)

**(e) Anhui Titans Liancheng Energy Technology Co., Ltd.* (安徽泰坦聯成能源技術有限公司) ("Anhui Titans") (Continued)**

**Analysis of assets and liabilities over which control was lost:**

| | 19 December 2017 RMB'000 |
|---|---|
| Prepayments, deposits and other receivables | 17,528 |
| Asset classified as held for sale | 28,000 |
| Receipt in advance | (22,000) |
| Accruals and other payables | (681) |
| Net assets disposed of | 22,847 |

**Loss on disposal of Anhui Titans:**

| | 19 December 2017 RMB'000 |
|---|---|
| Consideration received | 13,600 |
| Net assets disposed of | (22,847) |
| Loss on disposal of Anhui Titans | (9,247) |

**Net cash inflows on disposal of Anhui Titans:**

| | 19 December 2017 RMB'000 |
|---|---|
| Cash consideration | 13,600 |
| Less: bank balances and cash disposed of | – |
| | 13,600 |

* *English name is for identification purpose only*

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2017*

## 39. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the consolidated statement of cash flows as cash flows from financing activities.

| | | | **Non-cash changes** | | | |
|---|---|---|---|---|---|---|
| | **1 January 2017 RMB'000** | **Financing cash flows RMB'000** | **Finance cost incurred RMB'000** | **Fair value changes RMB'000** | **Foreign exchange movements RMB'000** | **31 December 2017 RMB'000** |
| Bank and other borrowings | 149,850 | (14,877) | 3,422 | – | – | 138,395 |
| CNs | 75,412 | (3,680) | 14,081 | – | (2,246) | 83,567 |
| Redemption option derivative of CNs | (13,331) | – | – | 12,794 | 372 | (165) |
| Conversion option derivative of CNs | 22,200 | – | – | (21,406) | (619) | 175 |
| Advance from an independent third party included in accruals and other payables | – | 15,000 | – | – | – | 15,000 |
| | 234,131 | (3,557) | 17,503 | (8,612) | (2,493) | 236,972 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2017*

## 40. 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:

| | **2017** | 2016 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Within one year | **3,709** | 2,873 |
| In the second to fifth year inclusive | **2,273** | 144 |
| | **5,982** | 3,017 |

Operating lease payments represent rentals payable by the Group for certain of its offices and workshops. Leases are negotiated for an average of two (2016: two) year and rentals are fixed for the year ended 31 December 2017.

### The Group as a lessor

Property rental income and rental income from operating leases of electric vehicles earned during the year were RMB71,000 (2016: RMB162,000) and RMB1,978,000 (2016: RMB169,000), respectively. The property held has committed tenants for a lease period of four (2016: four) years. While the contract periods for the operating lease of electric vehicles are one (2016: one) year.

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

| | **2017** | 2016 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Within one year | **68** | 594 |
| In the second to fifth year inclusive | **–** | 8 |
| | **68** | 602 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2017*

## 41. CAPITAL COMMITMENTS

| | **2017** | 2016 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Capital expenditures contracted for but not provided in the consolidated financial statements in respect of: | | |
| – Construction of property, plant and equipment | **46,271** | 45,136 |
| – Establishment of associates | **9,947** | 9,800 |
| – Capital contributions to non-wholly owned subsidiaries | **7,810** | 10,700 |
| | **64,028** | 65,636 |

## 42. RETIREMENT BENEFITS SCHEMES

The employees of the PRC subsidiaries are members of the state-managed retirement benefits schemes (the "Schemes") operated by the PRC government. The PRC subsidiaries are required to contribute certain amount of payroll costs to the Schemes to fund the benefits. The only obligation of the Group with respect to the Schemes is to make the required contributions under the Schemes.

The amount of contributions made by the Group in respect of the retirement benefits schemes during the years are set in notes 10, 11 and 12 respectively.

## 43. SHARE OPTIONS SCHEME

### Share Option Scheme

Pursuant to a written resolution passed by the shareholders of the Company on 8 May 2010, the Company has adopted the Share Option Scheme for a period of 10 years commencing on 8 May 2010, the Board of the Company may, at its discretion, grant share options to any individual being an employee, officer, agent, consultant or representative of any member of the Group (including any executive or non-executive director of any member of the Group) at a consideration of HK$1 on acceptance of the option offer. The subscription of shares in the Company is subject to the terms and conditions as stipulated in the Share Option Scheme. 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, exercised, lapsed or outstanding during the years ended 31 December 2017 and 2016.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2017*

## 44. RELATED PARTY TRANSACTIONS

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

### (a) Income received

| | 2017 RMB'000 | 2016 RMB'000 |
|---|---|---|
| Sales to associates *(note)* | **5,166** | 15,657 |

*Note:* Sales of charging equipment for electric vehicles to the associates for the years ended 31 December 2017 and 2016 on terms mutually agreed with the parties, which were reference to prevailing market prices under the sales agreement.

### (b) Compensation to key management personnel

The remuneration of directors of the Company during the year was as follows:

| | 2017 RMB'000 | 2016 RMB'000 |
|---|---|---|
| Short-term benefits | **1,227** | 1,305 |
| Post-employment benefits | **7** | 34 |
| | **1,234** | 1,339 |

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

### (c) Guarantees from directors

Certain banking facilities of the Group were guaranteed by Mr. Li Xin Qing and Mr. An Wei, directors of the Company:

| | 2017 RMB'000 | 2016 RMB'000 |
|---|---|---|
| To the extent of | **120,000** | 120,000 |

Details of the borrowings of the Group are set out in note 30.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2017*

## 45. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

| | *Notes* | **2017 RMB'000** | 2016 RMB'000 |
|---|---|---|---|
| **Non-current asset** | | | |
| Investment in a subsidiary | | **1** | 1 |
| **Current assets** | | | |
| Amounts due from subsidiaries | *(a)* | **383,158** | 391,312 |
| Redemption option derivative of the convertible notes | *31* | **165** | 13,331 |
| Bank balances and cash | | **179** | 190 |
| | | **383,502** | 404,833 |
| **Current liabilities** | | | |
| Conversion option derivative of the convertible notes | *31* | **175** | 22,200 |
| Accruals and other payable | | **1,710** | 848 |
| Convertible notes | *31* | **83,567** | – |
| | | **85,452** | 23,048 |
| **Net current assets** | | **298,050** | 381,785 |
| **Total assets less current liabilities** | | **298,051** | 381,786 |
| **Non-current liability** | | | |
| Convertible notes | *31* | **–** | 75,412 |
| **Net assets** | | **298,051** | 306,374 |
| **Capital and reserves** | | | |
| Share capital | *34* | **8,087** | 8,087 |
| Reserves | *(b)* | **289,964** | 298,287 |
| | | **298,051** | 306,374 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2017*

## 45. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

*Notes:*

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

(b) Reserves

| | **Share premium** RMB'000 | **Accumulated losses** RMB'000 | **Total** RMB'000 |
|---|---|---|---|
| At 1 January 2016 | 325,141 | (24,739) | 300,402 |
| Loss and total comprehensive expense for the year | – | (2,115) | (2,115) |
| At 31 December 2016 and 1 January 2017 | 325,141 | (26,854) | 298,287 |
| Loss and total comprehensive expense for the year | – | (8,323) | (8,323) |
| At 31 December 2017 | 325,141 | (35,177) | 289,964 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2017*

## 46. PRINCIPAL SUBSIDIARIES OF THE COMPANY

At the end of the reporting period, the Company has the following principal subsidiaries, all of which adopted a same financial year end date of 31 December:

| Name of subsidiary | Place of establishment and operation | Class of shares held | Issued and fully paid share capital 2017 | Issued and fully paid share capital 2016 | Percentage of equity interest and voting power attributable to the Company 2017 Direct | 2017 Indirect | 2016 Direct | 2016 Indirect | Principal activities |
|---|---|---|---|---|---|---|---|---|---|
| Titans Power Electronics *(note (i))* | The PRC | Contributed | **RMB232,000,000** | RMB232,000,000 | **–** | **100%** | – | 100% | Research, development, manufacture and sales of wind and solar power generation balancing control products, charging equipment for electrical vehicles and power grid monitoring and management products |
| Anhui Titans *(note (ii))* | The PRC | Contributed | **–** | RMB30,000,000 | **–** | **N/A** | – | 100% | Research, development, manufacture and sales of electrical direct current products |
| Henan Hong Zheng *(note (ii))* | The PRC | Contributed | **–** | RMB30,000,000 | **–** | **N/A** | – | 100% | Research, development, manufacture and sales of electrical direct current products |
| Zhuhai Titans New Energy Systems Co., Ltd.* 珠海泰坦新能源系統有限公司 *(note (ii))* | The PRC | Contributed | **RMB3,000,000** | RMB3,000,000 | **–** | **100%** | – | 100% | Research, development, manufacture and sales of electrical power generation balancing control and other products |
| Zhuhai Yilian *(note (ii))* | The PRC | Contributed | **RMB10,000,000** | RMB10,000,000 | **–** | **100%** | – | 100% | Sales and leases of electric vehicles |
| Titans Technology* *(note (ii))* | The PRC | Contributed | **RMB200,000,000** | RMB200,000,000 | **–** | **100%** | – | 100% | Research, development, manufacture and sales of electrical direct current products |
| Shaoguan Yilian *(note (ii))* | The PRC | Contributed | **RMB10,000,000** | RMB10,000,000 | **–** | **100%** | – | 100% | Sales and leases of electric vehicles; and provision of charging services |
| Hebei Jidong *(note (ii))* | The PRC | Contributed | **RMB10,000,000** | RMB10,000,000 | **–** | **50%** | – | 50% | Design, manufacture and sales of charging equipments for electric vehicles |
| Shandong Huidian *(note (ii))* | The PRC | Contributed | **RMB33,333,000** | N/A | **45%** | **–** | N/A | N/A | Design, manufacture and sales of charging equipment |

* *English name is for identification purpose only*

*Notes:*

(i) This entity is wholly foreign owned entity

(ii) These entities are domestic enterprises.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2017*

## 46. PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

The above table lists the subsidiaries of the Group which, in the opinion of the directors of the Company, principally affected the results or assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excess length.

At the end of the reporting period, the Group has other subsidiaries that are not individually material to the Group. The principal activities of these subsidiaries are sales of Charging Equipment of electric vehicles and investment holding. A summary of these subsidiaries are set out as follows:

| | | Number of subsidiaries | |
|---|---|---|---|
| **Principal activity** | **Principal place of business** | **2017** | 2016 |
| Sales of Charging Equipment for electric vehicles | – The PRC | **4** | 1 |
| Sales and leases of electric vehicles and provision of charging services | – The PRC | **1** | 1 |
| Investment holding | – Hong Kong | **2** | 2 |
| | – BVI | **1** | 1 |
| | – The PRC | **1** | 1 |
| Inactive | – The PRC | **5** | 4 |
| | | **14** | 10 |

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

The table below shows details of non-wholly owned subsidiary of the Group that has non-controlling interests that are material to the Group:

| **Name of subsidiary** | **Place of incorporation/ establishment and principal place of business** | **Proportion of ownership interest held by non-controlling interests** | **Proportion of voting power held by non-controlling interests** | **Loss attributable to non-controlling interests** | **Accumulated non-controlling interests** |
|---|---|---|---|---|---|
| | | | | RMB'000 | RMB'000 |
| 2017 | | | | | |
| Shandong Huidian | The PRC | 55% | 49% | (1,358) | 16,424 |

Summarised financial information in respect of the Group's subsidiary that has non-controlling interests that are material to the Group is set out below. The summarised financial information below represents amounts before intragroup eliminations.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2017*

## 46. PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

**Shandong Huidian**

| | **2017** RMB'000 |
|---|---|
| Non-current assets | 2,738 |
| Current assets | 31,526 |
| Current liabilities | (4,402) |
| Equity attributable to owners of the Company | 13,438 |
| Non-controlling interests | 16,424 |

| | **Period from 15 September 2017 to 31 December 2017** RMB$'000 |
|---|---|
| Revenue | 337 |
| Expenses | (2,807) |
| Loss for the year | (2,470) |
| Loss attributable to owners of the Company | (1,112) |
| Loss attributable to non-controlling interests | (1,358) |
| Loss for the year | (2,470) |
| Net cash outflows from operating activities | (1,395) |
| Net cash outflows from investing activities | (1,066) |
| Net cash inflows from financing activities | 22,881 |
| Net cash inflows | 20,420 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2017*

## 47. EVENTS AFTER THE REPORTING PERIOD

### (i) Award of charging service concession rights in Shaoguan City, Guangdong Province, the PRC

On 8 January 2018, Zhuhai Yilian, with two independent third parties, were awarded the charging service concession rights in relation to the construction of electric vehicles public charging facilities in Shaoguan City, Guandong Province, the PRC. The project will be considered as one of the BOT arrangement of the Group.

Details are set out in the Company's announcement dated 9 January 2018. Upon the approval of these consolidated financial statements at the report date, the abovementioned project has not been commenced.

### (ii) Extension of the Maturity Date of the CNs and provision of financial assistance

On 28 February 2018, the Company and the CN holder entered into extension agreement in which the Maturity Date has been extended from 1 March 2018 to 1 June 2018, with all other principal terms remained unchanged.

On the same date, Titans Power Electronics and a PRC subsidiary of the CN holder entered into a loan agreement pursuant to which the subsidiary of the Company agreed to lend to the PRC subsidiary of the CN holder with the loan amount of RMB80,860,000 with a fixed interest rate of 4.75% per annum. The maturity date of the loan was 2 June 2018.

Details are set out in the announcement in the Company's announcements dated 28 February 2018 and 12 March 2018.