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

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

2020
ANNUAL REPORT

* For identification purpose only

CONTENTS

CORPORATE INFORMATION

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

CORPORATE INFORMATION

Principal Place of Business and Address of Headquarters in the PRC	Titans Science and Technology Park No. 60 Shihua Road West Zhuhai Guangdong Province The People's Republic of China
Principal Place of Business in Hong Kong	Suite 2703, 27/F., Shui On Centre Nos. 6-8 Harbour Road Wanchai Hong Kong
Principal Share Registrar and Transfer Office	SMP Partners (Cayman) Limited Royal Bank House 3rd Floor 24 Shedden Road P.O. Box 1586 Grand Cayman KY1-1110 Cayman Islands
Hong Kong Branch Share Registrar and Transfer Office	Computershare Hong Kong Investor Services Limited 17M Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Legal Adviser	*As to Hong Kong law:* Wan & Tang 23/F, Somptueux Central 52 Wellington Street Central Hong Kong
Principal Banker	Bank of Communications Zhuhai Jida Sub-branch 1/F, Zhong Dian Tech Building Jida Jiuzhou Road The PRC
Stock Code	2188
Website	www.titans.com.cn

FINANCIAL HIGHLIGHTS

OPERATING FIGURES FOR THE PAST FIVE YEARS

For the year ended 31 December	**2020 RMB'000**	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000
Revenue	**275,592**	301,214	270,204	327,861	289,298
Gross profit	**68,264**	88,282	82,231	113,147	94,675
(Loss) Profit for the year attributable to owners of the Company	**(29,622)**	(47,603)	(40,168)	163,706	7,279
Total comprehensive (expense) income for the year attributable to owners of the Company	**(31,285)**	(41,580)	(42,260)	54,626	109,409
(Loss) Earnings per share					
Basic	**RMB(0.032)**	RMB(0.052)	RMB(0.043)	RMB0.177	RMB0.008
Diluted	**RMB(0.032)**	RMB(0.052)	RMB(0.043)	RMB0.165	RMB0.008

CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR THE PAST FIVE YEARS

As at 31 December	**2020 RMB'000**	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000
Total assets	**826,440**	878,764	983,542	1,061,898	966,908
Non-current assets	**277,359**	298,673	255,474	285,679	109,562
Current assets	**549,081**	580,091	728,068	776,219	857,346
Total liabilities	**321,547**	334,420	391,529	404,463	381,866
Current liabilities	**254,706**	246,083	279,090	382,409	263,517
Net current assets	**294,375**	334,008	448,978	393,810	593,829
Net assets	**504,893**	544,344	592,013	657,435	585,042

FINANCIAL HIGHLIGHTS

FINANCIAL INDICATORS FOR THE PAST FIVE YEARS

For the year ended 31 December	2020	2019	2018	2017	2016
Inventory turnover (1) (days)	**165**	139	153	148	176
Trade and bills receivables turnover (2) (days)	**302**	271	333	267	302
Trade and bills payables turnover (3) (days)	**182**	151	155	120	122
Current ratio (4) (times)	**2.16**	2.36	2.61	2.03	3.25
Gearing ratio (5) (%)	**20.43**	20.96	28.00	20.90	23.30
Return on equity (6) (%)	**(6.01)**	(9.04)	(7.04)	25.96	1.26

Notes:

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

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

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

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

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

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

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of China Titans Energy Technology Group Co., Limited (中國泰坦能源技術集團有限公司*) (the "Company") and its subsidiaries (collectively the "Group"), I hereby present the annual report for 2020 of the Group.

2020 was an unusual year, a year in which crisis and opportunity coexist. It was also the tenth anniversary of the Group's Listing in Hong Kong. Facing the unprecedented novel coronavirus epidemic, the global economy once pressed the pause button. The domestic epidemic has been under strong control since the second quarter of 2020, and the economy has been recovered gradually.

The Group's operating conditions during this year were similar to the overall domestic economic situation, reflecting a rebound from virus trough. During the epidemic, the Group had strictly complied with the anti-epidemic measures of the relevant government authorities, and resumed business and production gradually and orderly. Due to increasingly cautious approach taken by the market towards project investments, the slow recovery of mass travel and consumption, and the intensified market competition, numerous challenges have been brought to the Group's business development. During the Reporting Period, the Group's operating revenue was approximately RMB275,592,000, representing a decrease of 8.51% over the same period. The loss attributable to owners of the Company was approximately RMB29,622,000, representing a decrease of 37.77% over the same period. Despite the decline in revenue, we are pleased to see the growth in applications of the key products, the sales expansion into new sectors, and the upgrade of the charging operation platform, which will all contribute to the future development of the Group. Although sales in the first half of the year were weak, orders rebounded in the second half of the year. Especially during the fourth quarter of 2020, with the economic recovery and policy support, the electric vehicle charging and power equipment industries that are closely related to the Group embraced a rapid growth.

Looking forward to 2021, the epidemic would constitute short-term uncertainties, however, the major business of the Group is highly related to the important development initiatives of the PRC, namely, the "New Infrastructure Construction", "Fourteen Five-Year Plan" and "Long-term Goals 2035", we believe that there would still be many business opportunities in the future development. The Board firmly believes that the springtime of the industry of the Group may be belated, but it will never be absent. The Group would continue to take big steps in the direction of making electric power with more usage, better applications, wider sources and better quality.

Finally, on behalf of the Board, I would like to take this opportunity to express my sincere gratitude to all shareholders, partners, valued customers, and hardworking employees of the Group for their support to the Group. We are fully aware that more efforts are needed to achieve our mission, and we sincerely hope that we will always be accompanied by you on the development journey of the Group.

Li Xin Qing
Chairman

Hong Kong, 26 March 2021

* *For identification purpose only*

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the year ended 31 December 2020 (the "Reporting Period"), the Group recorded revenue of approximately RMB275,592,000, representing a decrease of approximately 8.51% over that of last year. Revenue was mainly derived from the Group's principal businesses including various products such as direct current power system products (the "DC Power System products" or "electrical DC products"), charging equipment for electric vehicles and charging services for electric vehicles. The table below shows the revenue of different series of products of the Group for the years ended 31 December 2019 and 2020:

	For the year ended 31 December			
	2020		2019	
	RMB'000	**%**	RMB'000	%
Electrical DC products	**115,788**	**42.01**	133,064	44.18
Charging equipment for electric vehicles	**138,547**	**50.27**	144,915	48.11
Construction under BOT arrangements	**–**	**–**	1,292	0.43
Charging services for electric vehicles	**18,836**	**6.83**	18,200	6.04
Others	**2,421**	**0.89**	3,743	1.24
Total	**275,592**	**100**	301,214	100

In 2020, the Group recorded the loss attributable to owners of the Company and total comprehensive expense attributable to owners of the Company of approximately RMB29,622,000 and RMB31,285,000, respectively, representing a decrease of approximately RMB17,981,000 and a decrease of approximately RMB10,295,000 over the loss of approximately RMB47,603,000 and RMB41,580,000 of the corresponding period last year.

Compared with 2019, the loss of the Group was mainly due to the impact of the novel coronavirus epidemic, the revenue of the major products has decreased compared with the previous year.

Electrical DC products

During the Reporting Period, the Group's revenue of the electrical DC product was approximately RMB115,788,000, representing a decrease of approximately 12.98% over 2019. The Directors consider that the main reason for the decrease in revenue was due to the impact of the novel coronavirus epidemic, the decrease of market's demand for the electrical DC products and a certain degree of delay in the supply and delivery of the products caused by the anti-epidemic measures. Since the second quarter, the production, operation, and sales of the business have gradually returned to their pre-epidemic levels.

Charging equipment for electric vehicles

During the Reporting Period, the Group's revenue of the charging equipment for electric vehicles amounted to approximately RMB138,547,000, representing a decrease of approximately 4.39% over 2019. The Directors consider that during the Reporting Period, the overall domestic investment confidence was affected due to the impact of the novel coronavirus epidemic, the suspension or postponement of charging equipment projects across China, and the increasing competition in the electric vehicle charging equipment market.

MANAGEMENT DISCUSSION AND ANALYSIS

Construction under BOT arrangements

During the Report Period, the Group had no revenue from construction under BOT arrangements. The Directors consider that the increased uncertainty of the economic market is attributable to the outbreak of the novel coronavirus epidemic. In order to implement a more stable investment and operation strategy, the investment of BOT projects has been suspended this year.

Charging services for electric vehicles

During the Reporting Period, the Group recorded revenue from charging services fees for electric vehicles of approximately RMB18,836,000 (2019: approximately RMB18,200,000), representing an increase of approximately 3.49%. The Directors consider the increase in revenue from electric vehicle charging services was mainly due to: (1) during the Reporting Period, the new charging project was put into operation; and (2) the franchisee cooperation modal developed by the Group for charging operation enjoys an increasingly mature development.

Others

During the Reporting Period, the Group's revenue of other businesses amounted to approximately RMB2,421,000 (2019: approximately RMB3,743,000), being the income from the sales of power storage products and the leasing business in relation to electric vehicles, representing a decrease of approximately 35.32%.

The Group's major operating activities in 2020:

2020 was unusual and full of challenges, and the unprecedented novel coronavirus epidemic has brought huge impacts to the global economic and social development which significantly increased the uncertainties of the global economic market. Domestic economy has also been hit hard in the first half of the year, but supported by the sufficiently effective anti-epidemic measures and reasonable policy deployment, China has become a major economy with positive growth amid the global pandemic. The overall domestic performance related to the principal business of the Group is as follows:

1. According to the data released by China Association of Automobile Manufactures and China Electric Vehicle Charging Infrastructure Promotion Alliance, in 2020, the national production and sales volume of new energy vehicles (production: 1,366,000, sales volume: 1,367,000) and the number of charging infrastructure (increase in volume: 462,000) both showed year-on-year growth. The current vehicle pile ownership ratio is about 3:1, which shows that there is still a large gap in market demand for charging infrastructure.

2. According to data released by the National Energy Administration, China's total electricity consumption in 2020 was 7,511 billion kWh, with a year-on-year increase of 3.1%. Electrical DC products are an important part of power transmission and distribution equipment. Whether it is power supply construction, power grid construction expansion or technological transformation, there is still a demand for electrical DC products, which brings better market space for electrical DC product manufacturers.

MANAGEMENT DISCUSSION AND ANALYSIS

2020 was also a year of proactive progress. The Group was in the midst of the pandemic and changes. The market-level problems caused by the novel coronavirus epidemic, such as the decline in supply chain efficiency, insufficient downstream demand, and relatively lagging project construction, have conscientiously constituted inevitable impacts on the Group's principal business. However, the Group has firm confidence and conscientiously carried out anti-epidemic work. Under the premises of strictly abiding by the relevant regulations of the government departments and ensuring the safety of employees, the Group has orderly implemented full-scale resumption of production. At the same time, the Group constantly reviewed and adjusted market strategies subject to the ever-changing external environment and policies. We did strive to seize every opportunity and minimize the impact of the raging novel coronavirus epidemic on the Group. During the Reporting Period, the revenue from the Group's principal business was approximately RMB275,592,000, with a year-on-year decrease of 8.51%. The specific principal business activities are as follows:

I. In terms of equipment research and development, manufacturing and sales

1. *Electrical DC products*

During the Reporting Period, the electrical DC products recorded revenue of approximately RMB115,788,000, representing a decrease of 12.98% as compared to the corresponding period last year. In the first quarter, efficiency of the supply chain of the business operation was adversely affected by preventive and control measures for COVID-19 pandemic and disruptions in logistics and transportation throughout China. In face of the challenges, the Group, first of all, has placed great emphasis on enhancing overall competitive strength, including systematic reform of quality management center as originally planned, strengthening responsiveness of supply chain and exploring purchase channels. Secondly, the Group continued to closely monitor the market development of power equipment and maintain closer communications with customers in order to prepare well for resumption of production.

Since the second quarter of the Reporting Period, China has achieved moderately economic growth from stable condition, facilitating release of market demand. To grasp such opportunity, the Group swiftly gave a reasonable operating instruction to sales and marketing department to catch up the production progress. For the market of electrical DC products, the new management system for customers classification has been adopted, which is for instructing direct sales and tender submissions. Given the outstanding brand effect and product quality of the Group, the Group has keenly participated into a number of tenders for power equipment across China, the total amount of tenders the Group submitted increased by approximately 6% as compared to that of the previous year. Looking back for 2020, the Group was awarded majority of its tenders amidst fierce competition with leading market share in some regions. In addition to the tender projects mentioned above, the Group has increased its level of participation in single projects involving the sectors of, among others, transportation, transformation of rural power grids and new energy integration.

MANAGEMENT DISCUSSION AND ANALYSIS

2. *Charging equipment for electric vehicles*

During the Reporting Period, the charging equipment for electric vehicles recorded revenue of approximately RMB138,547,000, representing a decrease of 4.39% as compared to the corresponding period last year. As affected by COVID-19 pandemic, construction progress of charging infrastructures had slowed down significantly in the first half of 2020, resulting in a decrease in product delivery in 2020, though the progress picked up gradually in the second half of 2020.

As the Group implemented dual-engine strategy, the Group is both supplier and operator of equipment, therefore, the Group has gradually grown into an equipment supplier that fully understand charging operator. In 2020, the Group was recognized as one of the top ten quality brands in charging industry in China. Leveraging its own strengths and advantages, the Group, as the "Priority Applicant of Tenders" was qualified as a supplier of charging equipment purchase projects in Fujian during the Reporting Period, expanding its business scope of charging equipment for electric vehicles.

The Group is committed to providing its customers an all-inclusive solution and quality services, and customers are offered bespoke design and production to suit their individual requirements, allowing its customers to achieve product differentiation to the largest extent. During the Reporting Period, rechargeable battery, replaceable battery, shore power and charging-storage integrated facility performed well, in particular, performance of replaceable battery grew by 6% as compared to the corresponding period of the previous year.

With the support of after-sales services, the Company is capable to offer its customers one-stop services for operation and repairs with the round-the-clock system of after-sales technical services, high professional level and responsiveness of the system and display to the market our strength in after-sales services, achieving further progress of developing repair and maintenance projects of charging equipment for electric vehicles.

3. *New products, new technologies*

The Group has always been committed to applying power electronic technology into green energy, energy saving and energy storage related products. In order to consolidate technological research and development advantages of the Company and improve product competitiveness in the market, the Company has continued to invest in research and development. During the Reporting Period, the Group carried forward various research and development through both internal and external approaches. For example, the AVC (Automatic Voltage Control) product developed for the field of smart energy has possessed conditions to enter the market. This product adopts distributed, multi-point management, and on-site management to effectively solve power quality accidents caused by power supply drops or short-term power outages.

In addition, in terms of electric vehicle charging equipment, the follow-up research and development in shore power products and customized charging equipment have been completed. At the same time, the research and development of the DC-powered bus bar charging system has also achieved phased results. The Directors believe that, the sustainable development of the Group can be better enhanced through continuous technological innovation of products, solving customer's pain points and enhancing customer experience.

MANAGEMENT DISCUSSION AND ANALYSIS

II. Investment, construction and operation

The sudden emergence of the novel coronavirus epidemic severely impacted the overall economic environment. The Group adjusted its annual investment and operation strategy, where it sought to increase its share in existing projects and suspended investment in new projects.

During the Reporting Period, revenue from charging services for electric vehicles was approximately RMB18,836,000, representing a year-on-year increase of 3.49%. In the first quarter, to comply with the measures taken against the pandemic, personal travel and public transportation were restricted, and the demand for charging services dropped rapidly. With the relief of the pandemic and the support from charging services promotion activities, the demand for charging services began to recover since the second quarter of the Reporting Period, which increased steadily in the second half of 2020. Meanwhile, compared with 2019, the Group has new charging facilities put into operation since 2020 which continuously generate income. Accordingly, the Group will use its best endeavours in the operation and management of each charging station, and ensure to provide powerful charging services for users of new energy vehicles.

The Group strengthened the computing and service capabilities of the "EV Link" platform, which deepened its cooperation with external franchisees in addition to serving the self-operated charging infrastructure. During the Reporting Period, the Group realized interoperability with independent third-party electric vehicle ecological service platform companies for the first time, and enhanced the statistical analysis functions of franchisees and customers, which improved the end-to-end charging service capabilities of the "EV Link" operating platform. As a result, it became more convenient for users to obtain resources from charging stations, satisfying the different operational needs of franchisees in various regions.

III. Fundamental management

1. To improve the overall operating efficiency of the Group and realize the full-chain interoperability of business and financial processes, we strived to achieve "three penetrations" in our processes, where we penetrated front-end business processes, upstream and downstream suppliers and customers and the industry chain. The Group will commence the integration of industry and finance within this year, which will be divided into three stages: construction, evaluation, and implementation. We have now entered the evaluation stage.

2. We introduced the concept of individual work indicators to improve personal and departmental efficiency. As agreed by relevant departments of the Group, the key financial indicators are applied to departments and individuals, and statistics are collected on a monthly basis, where each department and individual has a deeper understanding of the performance of various tasks. Not only does it clearly reflect the operation and performance of each department, but also deepen the relationship between individual performance and group performance.

3. We raised and utilized funds in a reasonable and efficient manner to ensure the normal operation of the Company's operations. Meanwhile, the debt collection team has played an active role in effectively recovering receivables during the Reporting Period.

   Looking back for 2020, while the Group's revenue was below expectation, the Directors believe, that with the economy having gone through the test of the pandemic, all colleagues of the Group will join hand in hand, and give their best effort in contributing to the development of the Group one brick at a time.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's Business Focuses and Related Plans for 2021:

2021 is the first year of the Fourteen Five-Year Plan on National Economics and Social Development of the PRC ("Fourteen Five-Year Plan"), from the content available in the Fourteen Five-Year Plan, the PRC highly values the development of the energy power industry and strategic emerging industry, regarding the above two industries as an important part of the future domestic economic work deployment. Amongst them, the energy power industry, as the basic industry of the new infrastructure, must comprehensively promote its intelligence, digitization and integration to meet the power demand of the emerging industrial structure. The Group's products, electrical DC products, energy storage products and so on, will be benefited.

In October 2020, the General Office of the State Council of the PRC issued the "Planning for the development of the new energy automobile industry (2021-2035)" (the "Planning"), the Planning clarifies the future development goals and key tasks of the new energy automobile industry, and is the first industrial development plan of the PRC in the Fourteen Five-Year Plan and beyond. The Planning proposes that by 2025, the sales volume of new energy vehicles will reach about 20% of the total sales of new vehicles; by 2035, pure electric vehicles will become the mainstream of new sales vehicles, and public transportation will be fully electrified, effectively driving the energy saving and emission reduction level and the improvement of social operating efficiency. The Planning requires financial support for the construction of charging piles as public facilities, and preferential policies regarding the parking and charging of new energy vehicles. The Planning provides clear guidelines for the development of the electric vehicle industry in all aspects. In addition, each of the low carbon technologies, such as the New Energy Automobile Industry, photovoltaic, wind power and storage fields will play an important role for the government's first "carbon neutral" goal, creating new opportunities for China's manufacturing industry. As of the date of this report, multiple local governments have successively announced development plans and detailed work arrangements, and a number of policies, indicators and regulations that have a positive impact on the industry have also been implemented. The Group's electric vehicle charging equipment and energy storage products will be benefited.

The Board is aware that the continuing pandemic would constitute short-term uncertainties, however, at the same time firmly believes that under the general environment of policy support and the overall economic recovery, the industry would likely be presented with more investment and development opportunities. In 2021, the Group will follow the guidance of the national development plan and seek new breakthroughs from the market segments, business models and business regions of its principal business. The following is the specific business development plan:

1. **Seeking progress while maintaining stability as well as exploring new models to remove customer and geographical restrictions**

   Relying on the Group's years of industry status and operating experience, the market share of the Group's principal business and the relationship between important customers groups are in a stable state. Under the premise of ensuring high-quality business with stable income, the Group has gained its core advantages by, among others, exploring operation and maintenance market, improving service capabilities and refining management, in an effort to seek potential customers in new markets and regions.

MANAGEMENT DISCUSSION AND ANALYSIS

According to the Group's analysis of the current product market, the overall development distribution is uneven, and the lower-tier domestic market has been significantly developing its own potential. With the enhancement of spending power and urban construction, the demand in the lower-tier market will be further expanded. Combining with China's new energy vehicles subsidy policy in rural market, we will understand and deploy non-first and second-tier regions in advance to broaden the Group's business coverage.

In terms of energy storage products, the Group will rely on the brand advantage of "Titans" to focus on exploring the market for energy storage facilities on the side of traditional thermal power sources and new energy power generation.

Through the above measures, the Group strives to achieve rapid growth in revenue from principal operation in 2021.

2. Adjusting and controlling costs and expenses as well as establishing a reasonable supply chain system

Based on the operating conditions in 2020, the Group realizes that there is still room for improvement in costs and expenses related to production. The Group will adopt more refined control measures, establish special task teams to effectively monitor and evaluate all links in the production process, and establish effective management of personnel and production materials, in order to further increase production capacity and control costs.

In addition, a new round of optimization was carried out on the production supply chain, taking into account of both low cost and high efficiency. According to the plan, in 2021, we will focus on promoting the regular product standardization process, paying attention to the impact of design schemes on product costs, optimizing the internal communication costs of the production process, and pursuing the improvement of order delivery efficiency.

3. Adjusting functional departments to improve efficiency and improving market information analysis capabilities

The market environment is changing rapidly and opportunities are fleeting. The Group has established a new functional department for marketing and information processing purposes. The major duties of this department will be focusing on the overall planning of brand building, market information collection, customer management and new product incubation. The Directors believe that the implementation of the functions of the new department will help the Group understand its position in market competition more accurately, and then provide support for the accuracy of judgments in production, operation and investment.

4. Strengthening contract management and reducing posterior risks

The daily business activities of an enterprise are closely related to contracts, and the ability and level of contract management directly affect the healthy and sustainable development of the enterprise. In 2021, the Group will strengthen the legal review of contract management, further strengthening litigation and arbitration works in order to reduce posterior risks.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

Our revenue decreased from RMB301,214,000 for the year ended 31 December 2019 to RMB275,592,000 for the year ended 31 December 2020, representing a decrease of approximately 8.51%. The decrease in the Group's revenue is mainly attributable to the outbreak and control of the novel coronavirus epidemic during the Reporting Period, which not only weakened economic activity in the market, but also put pressure on the supply, production and sales of the Group's major products, resulting in a decline in the Group's overall revenue this year. Among which, electrical DC products decreased by 12.98%, electric vehicle equipment decreased by 4.39%, charging services for electric vehicles increased by 3.49% and others decreased by 35.32%.

Cost of sales

Our cost of sales, which mainly included raw material costs, direct labour costs and manufacturing expenses, decreased by approximately 2.63% from RMB212,932,000 for the year ended 31 December 2019 to RMB207,328,000 for the year ended 31 December 2020. The decreased in cost of sales was main attributable to the decreased in turnover during the Reporting Period.

Gross Profit (Loss)

The table below sets out our gross profit (loss) and gross profit (loss) margin for the years ended 31 December 2019 and 2020:

	For the year ended 31 December 2020			For the year ended 31 December 2019		
	Gross Profit (loss) RMB'000	**Percentage of total gross profit (loss) %**	**Gross profit (loss) margin %**	Gross Profit RMB'000	Percentage of total gross profit %	Gross profit margin %
Electrical DC products	**25,382**	**37.18**	**21.92**	33,515	37.96	25.19
Charging equipment for electric vehicles	**44,040**	**64.51**	**31.79**	49,916	56.54	34.45
Construction under BOT arrangements	**–**	**–**	**–**	351	0.40	27.17
Charging services for electric vehicles	**(2,196)**	**(3.22)**	**(11.66)**	4,235	4.80	23.27
Others	**1,038**	**1.53**	**42.87**	265	0.30	7.08
Total/average	**68,264**	**100**	**24.77**	88,282	100	29.31

MANAGEMENT DISCUSSION AND ANALYSIS

Our gross profit decreased by approximately 22.68% from RMB88,282,000 for the year ended 31 December 2019 to RMB68,264,000 for the year ended 31 December 2020. Our gross profit margin decreased from approximately 29.31% for the year ended 31 December 2019 to approximately 24.77% for the year ended 31 December 2020. The decrease in gross profit margin as compared to that of the corresponding period of last year was primarily due to the principal business being affected by the novel coronavirus epidemic during the Reporting Period, leading to the decline in revenue and the increase in competition and price reductions.

Other revenue and income

Our other revenue, which mainly included VAT refunds, government grants and bank interest income, decreased by approximately 37.23% from RMB20,821,000 for the year ended 31 December 2019 to RMB13,070,000 for the year ended 31 December 2020.

The decrease in other revenue of the Group was mainly attributable to the combined effect of factors such as the decrease in government grants of approximately RMB824,000, decrease in interest income from loan receivables of RMB4,492,000, and decrease in VAT refund of RMB1,959,000 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, increased by approximately 4.40% from RMB46,885,000 for the year ended 31 December 2019 to RMB48,946,000 for the year ended 31 December 2020. Our selling and distribution expenses as a percentage of revenue increased from approximately 15.57% for the year ended 31 December 2019 to approximately 17.76% for the year ended 31 December 2020. The increase in the Group's selling and distribution expenses was mainly due to the following integrated factors during the Reporting Period: (1) sales-related expenses such as salaries, travelling and entertainment expenses increased by approximately RMB2,173,000; (2) sales-related expenses such as office and advertising expenses decreased by approximately RMB677,000; (3) sales-related fees such as bid-winning services fees decreased by approximately RMB607,000; (4) sales-related expenses such as transportation, installing and testing expenses increased by approximately RMB44,000; and (5) sales-related expenses such as amortization, depreciation and other miscellaneous expenses increased by approximately RMB1,128,000.

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., decreased by approximately 4.09% from RMB61,544,000 for the year ended 31 December 2019 to RMB59,029,000 for the year ended 31 December 2020. Our administrative and other expenses as a percentage of revenue increased from approximately 20.43% for the year ended 31 December 2019 to approximately 21.42% for the year ended 31 December 2020. The decrease of approximately RMB2,515,000 in our administrative and other expenses during the Reporting Period was mainly due to the following integrated factors: (1) expenses such as benefits, travelling and entertainment expenses relating to management decreased by approximately RMB837,000; (2) bank charges and payment to lawyers and professionals decreased by approximately RMB3,844,000; (3) rental, transportation and other taxes increased by approximately RMB401,000; (4) expenses such as office, maintenance, consumables, subscription and utility expenses relating to management decreased by approximately RMB873,000; (5) asset handling fees decreased by approximately RMB2,982,000; (6) expenses such as salaries, research and development and depreciation expenses relating to management increased by approximately RMB6,231,000; and (7) amortization and other sundry expenses decreased by approximately RMB610,000.

MANAGEMENT DISCUSSION AND ANALYSIS

Share of results of associates

As at 31 December 2020, the Group owned 20% (as at 31 December 2019: 20%) equity interests in Beijing Aimeisen Information Technology Co., Ltd* (北京埃梅森資訊技術有限公司) ("Beijing Aimeisen"), which principally engaged in the construction of charging equipment network for electric vehicles business. Beijing Aimeisen was accounted for as the Group's associate, and the Group's share of loss from Beijing Aimeisen for the Reporting Period was approximately RMB3,000.

As at 31 December 2020, the Group owned 49% (as at 31 December 2019: 49%) equity interests in Qingdao Jiaoyun Titans New Energy Vehicle Leasing Service Co., Ltd* (青島交運泰坦新能源汽車租賃服務有限公司) ("Jiaoyun Titans"). Jiaoyun Titans is mainly engaged in the construction of charging equipment network for electric vehicles and lease business for electric vehicles. Jiaoyun Titans was accounted for as the Group's associate, and the Group's share of loss from Jiaoyun Titans during the Reporting Period was approximately RMB31,000.

As at 31 December 2020, the Group owned 20% (as at 31 December 2019: 20%) equity interests in Qingdao Titans Yilian New Energy Technology Co., Limited* (青島泰坦驛聯新能源科技有限公司) ("Qingdao Titans"). Qingdao Titans is engaged in the construction of charging network for electric vehicles, as well as the sale, lease and maintenance business of electric vehicles. Qingdao Titans was accounted for as the Group's associate, and the Group's share of profit from Qingdao Titans during the Reporting Period was approximately RMB32,000.

As at 31 December 2020, the Group owned 30.96% (as at 31 December 2019: 36%) equity interests in Guangdong Titans Intelligent Power Co., Ltd* (廣東泰坦智能動力有限公司) ("Guangdong Titans"). Guangdong Titans is principally engaged in the research and development, sales and manufacturing of charging equipment for Automated Guided Vehicles ("AGV"). Guangdong Titans was accounted for as the Group's associate, and the Group's share of profit from Guangdong Titans during the Reporting Period was approximately RMB2,547,000.

As at 31 December 2020, the Group owned 11% (as at 31 December 2019: 11%) equity interests in Zhuhai Huada Taineng Smart Energy Co., Ltd* (珠海華大泰能智慧能源有限公司) ("Huada Taineng"). Huada Taineng is principally engaged in the research and development, manufacturing and sales of photovoltaic power and microgrid equipment. Huada Taineng was accounted for as the Group's associate, and the Group's share of loss from Huada Taineng during the Reporting Period was approximately RMB5,000.

As at 31 December 2020, the Group owned 20% (as at 31 December 2019: 20%) equity interests in Jiangsu Titans Smart Technology Co,. Limited* (江蘇泰坦智慧科技有限公司) (formally known as Wuhan Titans Smart Technology Co., Limited (武漢泰坦智慧科技有限公司)) ("Jiangsu Titans"). Jiangsu Titans is primarily engaged in the technology development, technology transfer and technology consultancy of computer software and hardware; computer system integration and networking; development and subcontracting of computer software and sales of computer equipment. Jiangsu Titans is accounted for as an associate of the Group and the Group's share of loss from Jiangsu Titans during the Reporting Period amounted to approximately RMB500,000.

Finance costs

Our finance costs increased by approximately 16.27% from RMB9,655,000 for the year ended 31 December 2019 to RMB11,226,000 for the year ended 31 December 2020. Our finance costs as a percentage of revenue increased from approximately 3.21% for the year ended 31 December 2019 to approximately 4.07% for the year ended 31 December 2020. The increase in our finance costs was mainly due to the decrease in effective interest expense on the capitalisation.

MANAGEMENT DISCUSSION AND ANALYSIS

Income tax credit

Our income tax credit was RMB1,069,000 for the year ended 31 December 2020 whereas income tax credit was RMB1,043,000 for the year ended 31 December 2019. The effective tax rate (being the ratio of our tax credit to our loss before tax) for the year ended 31 December 2020 was -3.4% (2019: -2.1%).

Loss attributable to non-controlling interests

For the year ended 31 December 2020, loss attributable to non-controlling interests of the Group's non-wholly owned subsidiaries was approximately RMB589,000, as compared with a loss of approximately RMB1,189,000 for the year ended 31 December 2019. This amount represents the loss of the Company's non-wholly owned subsidiaries.

Loss attributable to owners of the Company

Loss attributable to owners of the Company for the year ended 31 December 2020 was RMB29,622,000 whilst loss for the year ended 31 December 2019 was RMB47,603,000, representing a decrease of RMB17,981,000.

The significant decrease in loss attributable to owners of the Company was mainly due to: (1) reversal of impairment losses on loan receivables; and (2) proceeds from disposal of associates.

Total comprehensive expense attributable to owners of the Company for the year ended 31 December 2020 was approximately RMB31,285,000 whilst total comprehensive expense for the year ended 31 December 2019 was approximately RMB41,580,000, representing a decrease of approximately RMB10,295,000.

Inventory Analysis

The table below sets out the information on our inventory for the years ended 31 December 2019 and 2020:

	Year ended 31 December			
	2020		2019	
	RMB'000	**%**	RMB'000	%
Raw materials	**11,285**	**10.56**	14,243	17.62
Work-in-progress	**9,040**	**8.46**	9,407	11.64
Finished goods	**86,553**	**80.98**	57,186	70.74
	106,878	**100.00**	80,836	100.00

The Group's inventory balances increased from RMB80,836,000 as at 31 December 2019 to RMB106,878,000 as at 31 December 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

Our average inventory turnover days increased from approximately 139 days for the year ended 31 December 2019 to approximately 165 days for the year ended 31 December 2020. The increase was due to the epidemic resulting in decrease in sales of major products during the Reporting Period.

The Group has not made any general or special provision for inventories as at 31 December 2020.

Analysis on Trade and Bills Receivables

As at 31 December 2019 and 2020, our trade and bills receivables (net of allowance) amounted to RMB266,922,000 (comprising trade receivables of RMB258,756,000 and bills receivables of RMB8,166,000) and RMB248,509,000 (comprising trade receivables of RMB247,503,000 and bills receivables of RMB1,006,000) respectively. The decrease in trade and bills receivables was mainly due to the decrease in turnover during the Reporting Period.

The table below sets forth the ageing analysis of our trade receivables by date of delivery of goods as of 31 December 2019 and 2020:

	Year ended 31 December 2020		Year ended 31 December 2019	
	Net amount RMB'000	**%**	Net amount RMB'000	%
0 to 90 days	**137,812**	**55.69**	131,302	50.74
91 days to 180 days	**24,719**	**9.99**	23,425	9.05
181 days to 365 days	**49,164**	**19.86**	57,180	22.10
Over 1 year to 2 years	**23,050**	**9.31**	24,809	9.59
Over 2 years to 3 years	**12,758**	**5.15**	22,040	8.52
Total	**247,503**	**100**	258,756	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 equipment.

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

For the year ended 31 December 2020, we made an impairment loss on trade receivables of approximately RMB3,995,000 (2019: approximately RMB1,107,000).

Analysis on Trade and Bills Payables

As at 31 December 2019 and 2020, our trade and bills payables amounted to approximately RMB116,106,000 (comprising trade payables of approximately RMB88,010,000 and bills payables of approximately RMB28,096,000) and approximately RMB117,605,000 (comprising trade payables of approximately RMB79,355,000 and bills payables of approximately RMB38,250,000 respectively. Trade and bills payables slightly increased. For the years ended 31 December 2019 and 2020, our trade and bills payable turnover days were approximately 151 days and approximately 182 days respectively.

The table below sets out the ageing analysis of our trade payables as of 31 December 2019 and 2020:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Within 90 days	**70,041**	72,126
91 days to 180 days	**34,776**	21,743
181 days to 365 days	**4,719**	13,314
1 year to 2 years	**4,612**	4,430
Over 2 years	**3,457**	4,493
	117,605	116,106

MANAGEMENT DISCUSSION AND ANALYSIS

Indebtedness

The following table sets out our indebtedness as at 31 December 2019 and 2020.

	For the year ended 31 December 2020		For the year ended 31 December 2019	
	RMB'000	**Interest rates**	RMB'000	Interest rates
Current				
Bank borrowings	**90,660**	**4.79% to 4.85%**	79,001	5.66% to 6.53%
Other borrowings	**22,555**	**7% to 14.44%**	28,890	7% to 14.44%
Non-current				
Bank borrowings	**52,624**	**5.88%**	64,238	5.88% to 6.64%
Other borrowings	**3,000**	**7%**	12,055	7% to 14.44%
	168,839		184,184	

As at 31 December 2020, total bank borrowings and other borrowings amounted to RMB168,839,000 (as at 31 December 2019: RMB184,184,000), among which RMB168,839,000 were secured loans (as at 31 December 2019: RMB184,184,000) and none of them were unsecured loans (as at 31 December 2019: Nil). Bank borrowings as at 31 December 2020 were subject to the floating interest rates ranging from 4.79% to 5.88% per annum (as at 31 December 2019: from 5.66% to 6.64% per annum).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

There has been no change in the capital structure of the Group during the year ended 31 December 2020. The capital of the Group only comprises ordinary shares.

As at 31 December 2020, the total equity of the Group amounted to RMB504,893,000 (as at 31 December 2019: RMB544,344,000), the Group's current assets were RMB549,081,000 (as at 31 December 2019: RMB580,091,000) and current liabilities were RMB254,706,000 (as at 31 December 2019: RMB246,083,000). As at 31 December 2020, the Group had short-term bank deposits, bank balances and cash of RMB72,803,000 (as at 31 December 2019: RMB100,152,000), excluding restricted bank balances of RMB19,224,000 (as at 31 December 2019: RMB19,393,000). Our total assets less our total liabilities equals to our net assets, which was RMB504,893,000 as at 31 December 2020 (as at 31 December 2019: RMB544,344,000).

The Group finances its operations with internally generated cash flow and bank borrowings. As at 31 December 2020, the Group had aggregate amount of outstanding bank borrowings and other borrowings of RMB168,839,000 (as at 31 December 2019: RMB184,184,000).

The gearing ratio (i.e. borrowings divided by total assets x 100%) was 20.43% as at 31 December 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

SIGNIFICANT INVESTMENTS

The Group did not hold any significant investment during the year ended 31 December 2020.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the year ended 31 December 2020, the Group had no material acquisitions or disposals of subsidiaries, associates or joint ventures.

CONTINGENT LIABILITIES

As at 31 December 2020 and the date of this report, the Group had no material contingent liability.

CAPITAL COMMITMENTS

As at 31 December 2020, the Group had capital expenditure contracted for but not provided in the consolidated financial statements of approximately RMB26,921,000 (as at 31 December 2019: approximately RMB16,930,000) in respect of investment, factory renovation and purchase of equipment.

Save as disclosed above, as at 31 December 2020 and the date of this report, the Group did not have other capital expenditure authorised but not contracted for in respect of investment, factory renovation and purchase of equipment.

PLEDGE OF ASSETS

The Group's leasehold land and buildings with carrying amounts of approximately RMB149,705,000 as at 31 December 2020 (as at 31 December 2019: approximately RMB156,887,000) were pledged to secure the bank borrowings and other facilities.

EMPLOYEES AND REMUNERATION

As at 31 December 2020, the Group had 410 employees in total (as at 31 December 2019: 438 employees). The remuneration paid to our employees and Directors is based on experience, responsibility, workload and the time devoted to the Group.

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

All PRC-based employees are entitled to participate in the social security insurance operated by the Ministry of Labour and Social Security of the PRC, and the premium in respect of which is undertaken by the Group and the employees respectively based on percentages fixed by relevant PRC laws.

MANAGEMENT DISCUSSION AND ANALYSIS

FOREIGN EXCHANGE

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

During the Reporting Period, the Group recorded an exchange loss of approximately RMB484,000 (2019: exchange gain of RMB2,987,000). 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 2020. As at 31 December 2020, the Group did not have significant foreign exchange hedging.

The Group adopted a prudent approach toward its treasury policies. Our treasury function mainly involves the management of our cash flows. Cash is mainly deposited in banks in Renminbi for working capital purposes. We did not have any material holding in financial securities or foreign exchange (except for business purposes) during the year ended 31 December 2020.

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

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

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

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

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

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

Mr. Zhang Bo, born in October 1962, is an independent non-executive Director, the chairman of the remuneration committee and a member of each of the audit committee and the nomination committee of the Company. Mr. Zhang was appointed as an independent non-executive Director on 15 April 2013. 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 non-executive director of Shenzhen Megmeet Electronic Co. Ltd ("Megmeet"). Megmeet was listed on Shenzhen Stock Exchange on 6 March 2017 (Stock code: 002851). In March 2019, Mr. Zhang was appointed as an independent non-executive director of Guangzhou Efficient Technology Corp ("Efficient"). Efficient was listed on the National Equities Exchange and Quotations System in December 2017 (Stock code: 872457). 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, is an independent non-executive Director and a member of each of the audit committee, remuneration committee and nomination committee of the Company. Mr. Pang was appointed as an independent non-executive Director on 16 April 2015. Mr. Pang graduated from Nanjing University (南京大學) with a bachelor of science degree in mathematics in June 2001. He further obtained his master degree in science from Nanjing University in June 2004. In December 2007, he obtained his PhD in systems engineering and engineering management from the Chinese University of Hong Kong (香港中文大學). After graduation, Mr. Pang was engaged in scientific research and teaching in various universities including University of Calgary, Canada (加拿大卡爾加里大學), University of Cambridge, UK (英國劍橋大學), University of Toronto, Canada (加拿大多倫多大學), Lancaster University, UK (英國蘭卡斯特大學), and City University of Hong Kong (香港城市大學). He has been a tenured professor (under the academic title of associate professor) of Purdue University Krannert School of Management since September 2018. Mr. Pang's major research areas include supply chain and operations management, risk management, pricing and revenue management, big data and business analytics and optimization, etc. He has also conducted research on the renewable energy and energy storage system design and modelling in smart grid environments, and business models of electric vehicles. Mr. Pang has published multiple papers in leading international journals in the field of operations management and operations research, and has served as the senior editor of "Production and Operation Management" Magazine.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

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

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

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

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.

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules 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 2020.

THE BOARD

During the Reporting Period, the Board comprises two executive Directors and three independent non-executive Directors. Detailed biographies outlining each Director's scope of specialist experience are set out on pages 23 to 24 of this annual report. The biographies of the Directors are set out in the section headed "Biography of Directors and Senior Management" of this annual report. Save as disclosed in the biographies of the Directors as set out under the section headed "Biography of Directors and Senior Management" of this annual report, none of the Directors has any personal relationship (including financial, business, family or other material/relevant relationship), with any other Director.

Five Board meetings were held during the year 2020. Regular Board meetings were held at least once every quarter.

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

CORPORATE GOVERNANCE REPORT

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

Directors' Attendance at Board and Committee Meetings

The composition of the Board and members' attendance of the Board meetings and the Board committees' meetings for the year 2020 were as follows:

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

General Meetings

During the year 2020, the Company held two general meetings respectively, being the annual general meeting held on 19 June 2020 and the extraordinary general meeting held on 18 December 2020.

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

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

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

CORPORATE GOVERNANCE REPORT

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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

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

ROLES OF THE BOARD

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

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

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

CORPORATE GOVERNANCE REPORT

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

The independent non-executive Directors of the Company are Mr. 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 2019 with the Company, Mr. Li Wan Jun has signed a letter of appointment for a term of three years commencing from 28 May 2019 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.

DIRECTORS' INSURANCE

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

CORPORATE GOVERNANCE FUNCTIONS

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

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

TRAINING AND SUPPORT FOR DIRECTORS

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

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

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

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

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

CORPORATE GOVERNANCE REPORT

COMPANY SECRETARY

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

In compliance with Rule 3.29 of the Listing Rules, Ms. Ho has undertaken not less than 15 hours of relevant professional training during the year ended 31 December 2020.

BOARD COMMITTEES

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

Audit Committee

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

The Audit Committee comprises three independent non-executive Directors, namely Mr. Li Wan Jun, Mr. 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 2020 to review the final results of the Group for the year ended 31 December 2019 and the interim results of the Group for the six months ended 30 June 2020, and to conduct other affairs.

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

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

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

CORPORATE GOVERNANCE REPORT

The Audit Committee has concluded that it is satisfied with the findings of its review of the audit and non-audit service fees, process and effectiveness, and independence and objectivity of SHINEWING. The Audit Committee will therefore recommend to the Board that SHINEWING be re-appointed as the Group's external auditor at the annual general meeting of the Company in 2020.

Remuneration Committee

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

Remuneration Policy

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

The Remuneration Committee comprises three independent non-executive Directors, namely Mr. Li Wan Jun, Mr. 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 2020.

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

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

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

3. Reviewing scope and authority of the Remuneration Committee.

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

CORPORATE GOVERNANCE REPORT

For the year ended 31 December 2020, the annual salary of the senior management of the Company falls within the following bands.

Remuneration bands (RMB)	Number of senior management
Nil to 600,000	2
600,001 to 670,000	3

Nomination Committee

The Company have established the Nomination Committee of the Company (the "Nomination Committee") which is responsible for considering and recommending to the Board on appointment of Directors and management of the succession of the Board. The Nomination Committee comprises three members, namely Mr. Li Xin Qing, Mr. 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. The Nomination Committee held one meeting in 2020.

Nomination Policy

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

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

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

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

Board Diversity Policy

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

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

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

2. Reviewing scope and authority of the Nomination Committee.

FINANCIAL REPORTING

The Directors acknowledged their responsibility for preparation of the consolidated financial statements, which give a true and fair view of the Group's consolidated financial position, consolidated comprehensive income, consolidated changes in equity and consolidated cash flows for the year. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. The external auditor of the Group, SHINEWING, has the responsibility to express an opinion on the Group's consolidated financial statements according to the results of its audit and report its opinion solely to the Company. SHINEWING conducted its audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that SHINEWING complies with the ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the Group's consolidated financial statements are free from material misstatement. The Independent Auditor's Report on pages 76 to 83 of this annual report also sets out the responsibilities of SHINEWING.

CODE OF CONDUCT AND BUSINESS ETHICS

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

CORPORATE GOVERNANCE REPORT

OPEN COMMUNICATION

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

COMMUNICATION WITH SHAREHOLDERS

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

SHAREHOLDERS' RIGHTS

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

VOTING RIGHTS

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

DIVIDEND POLICY

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

CORPORATE GOVERNANCE REPORT

INVESTOR RELATIONS

During the year ended 31 December 2020, there has been no significant change in the constitutional documents of the Company.

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

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

In the year of 2020, the internal audit team of the Company commenced the internal control and assessment of the Group in the second quarter, which mainly covered the audit and assessment of whether the relevant terms of purchase and sales contracts entered by the Group's subsidiaries are exposed to risks, principally including contract price, settlement method, contract terms, payments, variation order of contracts, performance risk and other fees. Such assessment process covers the actual issues encountered during the execution of contracts, background check of customers, credit check of customers, investigations during contract execution, analysis and confirmation of whether the signing of contracts is exposed to flaws and risks as well as the effectiveness of the implementation of internal control. Such internal audit documents information ranging from the key elements of assessment to the adoption of necessary prevention and control measures, relevant information and assessment findings in a detailed way.

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

We are pleased to announce the 2020 Environmental, Social and Governance Report (the "Report"). The Group understands the concern of various sectors of society about sustainability. As a leading energy equipment manufacturer, we commit to perform our daily operations and management in a responsible manner towards environment, society and the economy, and leaping forward to sustainability with the world through the enterprise itself and its impact on social development.

This Report explains the work and effort of the Group in 2020 in regards to sustainability on environmental and social aspects. For details of corporate governance, please refer to the Corporate Governance Report on pages 26 to 36 of the annual report.

Scope of the Report

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

Unless otherwise stated, the Report covers the same period as the financial report of the Group, i.e. from 1 January 2020 to 31 December 2020 (the "Reporting Period" or the "Year").

Reporting Guidelines

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

Reporting Principles

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

- Materiality: We communicate with different stakeholders regularly, and conduct online questionnaire surveys to understand their concerns towards various sustainability issues of the Group. Meanwhile, through internal assessment of the management, we identify the level of impact towards the sustainability of the Group, and include the matters identified from various aspects in our strategic development plan, and explain in details the performance of the Group on relevant issues in this Report.

- Quantitative: The Group refers to the Guide in developing quantified key performance indicators, to assist stakeholders in the effective comparison, assessment and verification of the policies and results of the Group in environmental, social and governance aspects.

- Balance: This Report makes objective and fair disclosures, reports to stakeholders our performance and challenges on sustainability in a candid manner, and provides to stakeholders the information necessary for making investment decisions.

- Consistency: Unless otherwise specified, we adopt methods and framework of reporting consistent with the internal records of the Group in collecting data in relation to environmental and social key performance indicators, and strives to enhance the comparability across reporting years.

Feedback

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

ABOUT US

The Group was established in 1992 and listed on the Main Board of the Stock Exchange in 2010 (Stock code: 2188). We focus on the supply of power electric products and equipment, sales and leases of electric vehicles, provision of charging services for electric vehicles and construction services of charging poles for electric vehicles in the PRC. Through our professional and high-calibre workforce and research and development expertise, the Group maintains a leading position in the industry. Our projects cover over 80 cities across the PRC, Hong Kong and Taiwan, which include the construction of over 600 charging stations with comprehensive supporting facilities.

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Achievements and Awards

Time of Award	Achievement/Award	Awarding Institution
June 2020	Member of China Power Supply Society	China Power Supply Society
June 2020	Enterprise of Observing Contract and Valuing Credit of Guangdong Province	Guangdong Market Supervision and Administration Bureau
August 2020	Gold Pole Award – Outstanding Brand of Charging Pole Operation Service 2020	EVSE, Guangdong Charging Facilities Association, Shanghai International Electric Vehicle Supply Equipment Fair Organising Committee
September 2020	Membership Certificate of Social Organization Unit in Guangdong Province	Zhuhai New Energy Smart Grid Industry Alliance Association
October 2020	Top 10 Brands of Charging Facilities Industry in China	State Grid Electric Mobility Expo Organising Committee 2020
December 2020	Technology Innovation Award for Charging Facilities Industry	Guangdong Charging Facilities Association, Guangdong Charging Facilities Industry Technology Innovation Alliance

OUR SUSTAINABILITY STRATEGIES AND GOVERNANCE

Strategies and Governance

The Group believes that sustainability and long-term business operation are closely related. Therefore, we integrate components of sustainability into various aspects of business decision-making and daily operations, in order to create more value for relevant stakeholders and the communities where we operate.

To strike a balance between the economic, environment and social efficiency, we implement sustainability approaches and strategies by the themes of environmentally-friendly, social responsibility and supplier management, product responsibility and employment relationship, and formulate overall strategic direction in accordance with these four themes, in order to fully integrate sustainable development into our daily operations. The scope involved in the abovementioned themes are summarized below:

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

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

03 **Product responsibility**
Management of intellectual properties, quality control, monitoring of after-sales services

04 **Employment relationship**
Health and safety of employees, employee training, safe production management

Each theme has relevant policy guidelines and implementation measures. Through effective policy guidelines and implementation measures, employees are informed of the importance of sustainability, and the management of the Group are also allowed to identify and assess important matters relevant to the four themes stated above.

Environmental, Social and Governance Risk Management

On the other hand, sustainability management is regarded as an important mission of the Group in business development. The Group is planning to establish an environmental, social and governance committee (“ESG Committee”) in 2021, which will be responsible for various matters in relation to sustainability. Members of the ESG Committee will include managing personnel of the Administration Department, Procurement Department, Human Resources Department, Quality Assurance Department, Product Research and Development Department and Customer Services Centre. The ESG Committee members have different educational background, expertise and work experience, which ensure comprehensive and timely identification of relevant risks of environmental, social and governance (“ESG”) work, and advance the implementation of sustainability policies. According to the scope of duties of the ESG Committee, it ensures the operation and practices are carried out in accordance with the strategies. The ESG Committee reports to the Sustainability Development Committee (the “Committee”) of the results of ESG work, and the Committee is responsible for determining whether the performance of the Group has accomplished the standard requirement, and monitors whether the Group’s sustainability measures are reasonably implemented. In the future, the Committee will regularly report to the Board on the implementation of relevant work, and raise relevant recommendations, and assist the Board to monitor ESG matters more timely and effectively, and further refine the sustainability strategies and policies of the Group.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Board of the Group bears the responsibility of formulating the ESG strategies and monitoring the reporting work, identifying and managing ESG-related risks, to enhance ESG performance and fulfil expectations and requirements of stakeholders. When environmental and social risks and opportunities arise or will arise, the Group will delegate relevant departments to jointly participate in risk identification and assessment of work. Upon effective analysis, principles and approaches to tolerable risks will be implemented, and a risk and opportunity assessment committee (referred to as the "Assessment Committee") relevant to the theme of risk will be established. In general, the Assessment Committee will be led by a qualified person appointed by the management of the Group as the team leader, who will exercise the following duties delegated by the management of the Group: (1) plan and implement the management of risks and opportunities; (2) lead the Assessment Committee; and (3) report to management on the results of risks and opportunities assessment. The Assessment Committee will integrate the magnitude and frequency of risks and opportunities identified, and determine its risk coefficient and corresponding measures in accordance with the assessment criteria established by the Group.

STAKEHOLDER ENGAGEMENT

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

In 2020, we communicated with stakeholders through the following channels, so as to understand and respond to their expectations and concerns:

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

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

Materiality assessment

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

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

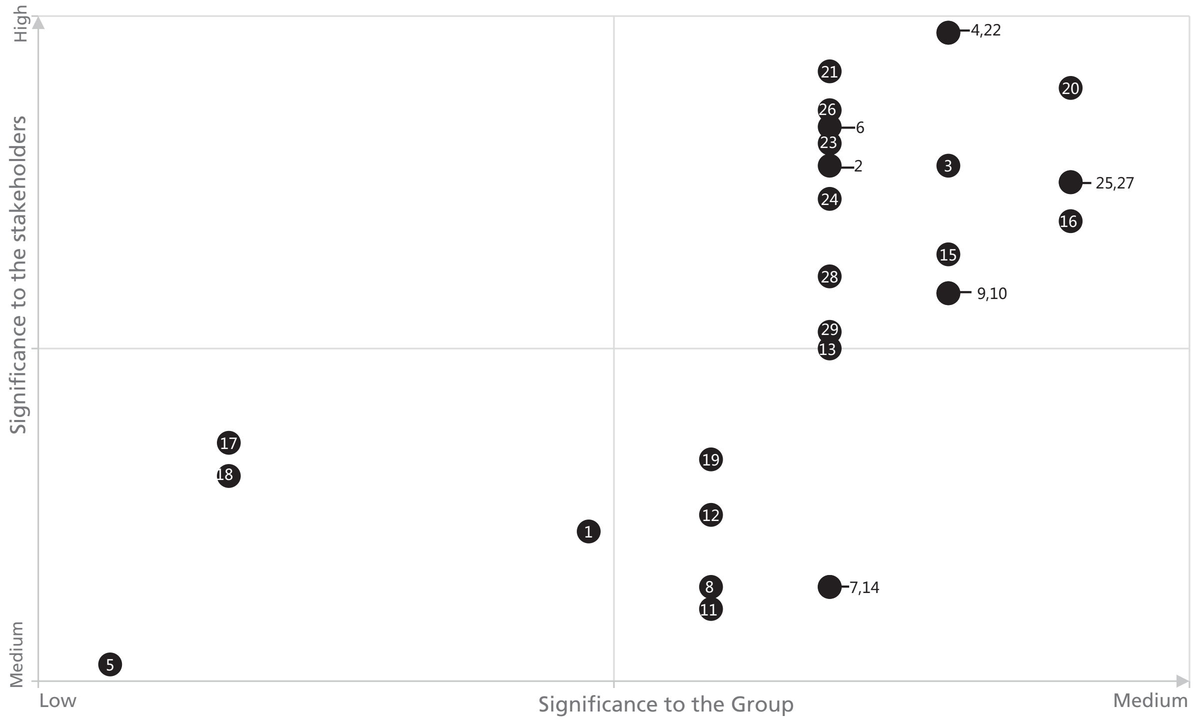
Step 2: Prioritize Invite all stakeholders to anonymously participate in online questionnaire to score and rank the 29 ESG issues that have been identified. The management has also been invited to rank the business importance of related matters.

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Materiality Matrix



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

List of material issues on sustainable development

According to the assessment results, we summarized 13 material issues on sustainable and listed them in the following table:

	Material issues on sustainable development	Chapter
	Workplace Quality	
3	Occupational Safety and Health	Occupational Safety and Health
4	Training and development	Training and Development
5	Child labor and forced labor	Recruitment and Departure
6	Employee benefits	Salary and Welfare
	Operating Practices	
16	Evaluation of suppliers' environmental and social performance	Cooperation with Suppliers
	Product and Service Responsibilities	
20	Product and service quality	Quality Control
21	Product safety	Quality Control
22	Product development	Product Research and Development
23	Application of environmental protection technology	Product Research and Development
24	Customer privacy protection	Sound Business Ethics
25	Customer complaint handling	Relationship with Customers
26	Customer satisfaction level	Relationship with Customers
27	Intellectual property rights	Sound Business Ethics

LET ELECTRICITY EXERT INFLUENCE

As the world moving towards urbanization, the demand for electricity continues to increase, and the use of new energy has become even more popular. The Group strives to provide customers with innovative and reliable new energy products and high-quality services. We continues to achieve breakthroughs in technological development and further improve the value and benefits of electric energy, fulfill the responsibility of environmental protection enterprises with best efforts, and work with the society to solve global environmental problems to move towards the goal of sustainable development.

Electrical DC products are our traditional business, with more than 20 years of relevant experience, we mainly provide electrical DC systems, power supply maintenance systems, and grid monitoring and management equipment to power grid companies that mainly focus on the State Grid. However, society's demand for energy in recent years has changed. In addition to conventional power applications, the demand for new energy industries used in automobiles has also continued to rise. In view of this, we have been at the forefront to promote the development of electric vehicles and gradually shift our focus to charging equipment. On the one hand, we hope to increase our usage of clean energy to improve the overall air quality and reduce greenhouse gas emissions, on the other hand, making electricity more widely and wisely used and become more valuable and influential. We strive to transform from a single equipment supplier to a comprehensive service provider of charging facilities.

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Quality Control

The "customer-oriented and product first" corporate management policy has been rooted in every part of the Group's entire production, product sales and after-sales service. Satisfying customer needs is our basic responsibility. Exceeding customer expectations is the key to the success of an enterprises. In order to continue to attract new customers and gain more support from existing customers, product quality is undoubtedly the customers' major concerns. The quality management system we have adopted has been in compliance with the ISO 9001 international standard since 2005, which has formulated various quality management principles, including the focus of customer needs and senior management's governance goals, process methods and continuous improvement. In addition, the Group has obtained the "Qualification of Supplier of Charging Facilities for State Grid" ("國網充電設備供應商資質") for 4 consecutive years since 2017, being one of the national high-tech enterprises, and our technology has been recognized by the state.

In order to ensure the quality of our products, we strictly monitor and measure the features of production process, raw materials, process products and final products. We require all process operators to carry out inspection, separation of products with different inspection and test results, and labelling of products on his own, and control the self-inspection pass rate. Operators must strictly follow the work guidelines. Supervisors will closely monitor the entire production process and formulate quality records, and the quality inspection department is also responsible for quality control of the production process. Only semi-finished products that passed the tests and are labelled as passed will be used in the next production stage. We will conduct final product testing after products assembled with qualified raw materials and semi-finished products. In addition to routine inspections and tests, we carry out inspections in accordance with customers' specific requirements at the time the order is placed. Before products are manufactured or shipped, we will encode raw materials, semi-finished products, purchased parts, finished products, etc. to ensure the product quality, safety and traceability. Management staff will also be responsible for rigorous supervision of the production process. If any problems are found, they will promptly make corrections and corresponding countermeasures to ensure the stability of product quality. At the same time, we also focus on improving employees' knowledge in quality control, and organize PDCA cycle training to educate employees to plan, execute, check and act on quality work to ensure the achievement of reliability goals.

Product Research and Development

As technological advances are leaping forward in a swift manner, in order to maintain its leading position in technology, the Group will continue to enhance its research and development capability for existing product portfolio and potential new products, invest in, among others, human resources, equipment, hardware and software for product development, as well as elevate the core technology, applicability and reliability of its products for meeting ever-changing market demands. In 2020, the Group held over 50 patents, such large number has not altered us to maintain uncompromising quality control over each stage of production, including product design, pilot production and mass production. Pilot production of new products shall only be approved by specialists in research and development department after their assessment of manufacturing feasibility, practicality and reliability of product design, and qualified products will be put in mass production after passing functional testing by specialists and users. In addition, research and development department personnel is responsible for closely monitoring mass production of new products for one year upon their official launch and offering assistance in solving problems in the course of production. In the event of failure in testing, product design shall be modified over and over again for passing the test before production stage. Meanwhile, we are open to comments, and staff members are encouraged to give ideas or suggestions. We are committed to adopting their ideas or suggestions on design and functions into product development, creating a dynamic and innovative company.

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In 2020, Zhuhai Titans, having gone a very tough selection process, was prestigiously granted the "Innovative Technology Award – Power Charging Facilities" for recognizing its outstanding product innovation, it is a testament to our capability of research and production as well as forward-looking insight in charging products for electric vehicles, but we cannot afford to become complacent about the appreciation and recognition, we shall make further progress and give back to customers with the most innovative and diversified products and services, including charging products, operating products and charging solutions.

Green Products and Network

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

The Group has, for years, clearly understood the concerns in the market over air pollution caused by fuel combustion in conventional motor vehicles, people may feel discomfort when inhaling too much of it, and exhaust gas may even be harmful to people's health. Vehicle users have been looking forward to the emergence of alternatives to petrol-powered vehicles, namely, electric vehicle. It runs solely on electricity without the need for fuel combustion or installation of conventional internal combustion engine and fuel tank configuration, bringing zero emission transport to reality. The use of electric vehicle, an alternative to petrol-powered one, plays a part in air pollution mitigation and effective reduction in greenhouse gas emission. In addition to the eco-friendly advantages, electric vehicle offers outstanding performance. In fact, petrol-powered vehicle only converts approximately 20% of chemical energy in petrol into kinetic energy, but electric vehicle can achieve a conversion rate of over 75% of power battery. However, electric vehicle may take a long way to be widely accepted due to insufficiency of charging facilities as a result of unpopularity in its early launch stage.

As the Group has realized the gap between market demand and product development, it has been vigorously developing charging services for electric vehicles as well as expanding and improving charging network for electric vehicles for years, in order to bolster the development of electric vehicles. The Group has been eagerly participating in industry associations, such as China EV100, with an aim to promote the development of electric vehicle industry and peer-to-peer information exchange. The reliability of the charging system and equipment we provide facilitates long-term operation of charging stations in an orderly manner, and effective use of resources, offering electric vehicle owners hassle-free charging services. As of year 2020, we had constructed more than 1,200 charging stations. With our considerable planning experience and long-term vision, we will well create an electric vehicle charging blueprint in urban area in cooperation with governments by ensuring proper distribution subject to various application scenarios.

Electric Vehicle Charging Network

Currently, the main obstacles to large-scale application of electric vehicles in cities include the lack of supporting charging facilities, the incompatibility of charging facilities and different models of cars, difficulties in the management of scattered charging stations, as well as the uneven allocation of resources. In order to eliminate the development obstacles, Zhuhai Yilian has developed tailored charging solutions, adopting the methods of building sites, unified management, and platform interoperability, which greatly reduces the operating costs of operators or regulators, and greatly boost the utilisation efficiency of charging equipment, create an intelligent electric vehicle charging network in the city, eliminate the inconvenience of users, lead them to experience a new, convenient and efficient charging process, and reverse their negative impression of electric vehicle charging. The Group has built highly efficient and intelligent public charging network and centralized dedicated charging network in Zhuhai, Shaoguan, Foshan, Hefei, Shanghai, Beijing and other places in the PRC to actively provide users with convenient and high-quality charging services. We will continue to participate in the planning and construction of charging infrastructure to support the development of electric vehicles. In 2020, we participated in major projects such as the Mowming City Transportation Charging Station Project and the Shanghai-Chengdu Expressway Electric Vehicle Charging Facilities Project to promote the development of electric vehicles in China.

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Charging Equipment Revolution

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

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

Green Infrastructure

In addition to the development of charging facilities for electric vehicles, we are committed to conducting research and development (R&D) on other feasible applications of charging facilities. This year, we have developed a set of bespoke onshore power supply facilities in Hongwan Port, Zhuhai with the qualities of safety, reliability, high effectiveness and durability, our team has been meticulous about each R&D stage, from analyzing peripheral area of the port to design and construction, in order to replace the low-efficiency power engine of docking ships with the onshore facilities for power supply for docking ships, reducing environmental pollution caused by exhaust gas emission from engines. The onshore facilities have satisfied power requirement for production and domestic use after vessel arrivals subject to actual situation of the port. This move takes a leap forward towards the construction of smart green port.

Green Online Platform

Circulation of information effectively enhances users' experience and utilization rate of electric vehicles. We understand that the lack of a consolidated information platform for charging stations may adversely affect the impression of consumers towards advantages of electric vehicles and discourage them from switching to electric vehicles. To lift up to consumers' expectations and fill up the current technology gap, we offer a mobile application "EV Link" in providing information relating to charging services to promote the use of electric vehicles. "EV Link" not only features online inquiry service and automatic navigation to specific charging station, but also allows users to make reservation of the charging equipment, saving their waiting time. Also, "EV Link" can show the vehicle charging level on a real-time basis, and remind the users to charge the car, so that the vehicle will not run out of power or be overcharged. Teaming up with payment platform, users may enjoy one-stop services. Our services have eased the concerns of the public about using electric vehicles, and effectively offered users guidance and advice on more complete journey planning in avoiding extra miles driven due to insufficient information as well as unnecessary fuel consumption and air emission.

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Relationship with Customers

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

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

Sound Business Ethics

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

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

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INJECTING GREATER VITALITY INTO GREEN DEVELOPMENT

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

Compliance

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

Energy Conservation and Emission Reduction

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

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Employee Participation

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

Meanwhile, the Group strives to promote the sustainable development of the environment by practicing the environmental concept of "3R" – "Reduce", "Recycle" and "Reuse" in business operations. In terms of "Reduce", we minimize the use of packaging materials, and pursue practical packaging rather than extravagance. Our main non-hazardous waste is domestic waste, so we encourage employees to reduce the use of disposable items. Instead of having cleaning staff to dispose of dormitory wastes regularly, we are now encouraging our employees to dispose their own wastes, with a view to strengthening employees' awareness towards waste, thereby reducing the use of garbage bags. In terms of "Recycle", we are actively implementing different recycling plans to facilitate the redevelopment and use of underutilized resources. We reuse certain packaging materials such as wooden pallets and cartons, and require employees to dispose of reusable waste materials in a centralised location to avoid discarding such materials as scraps. In 2020, we recycled a total of over 26.53 tonnes of cartons. With regard to the hazardous wastes generated by the Group, including waste chemical containers and waste activated charcoal, we have transferred these wastes to qualified recycling companies for subsequent treatment. We also carry out promotion and education to employees, advocate for waste separation and storage, separate and label recyclable goods and waste, and strictly prohibit discarding recyclable goods together with wastes or directly as wastes. In terms of "Reuse", we require suppliers to purchase customized pallets according to customers' requirements, and reuse the same pallets for the entire workflow to significantly reduce the use of pallets.

Sustainable Development

As our business develops, the construction of the new plant located in Zhuhai commenced in 2017, and was completed and put into service since 2019. During the two-year construction period, we required the construction unit to properly control hazardous and non-hazardous wastes, noises, air pollution and water pollution generated during the construction of the new plant by implementing various green measures during the construction period in accordance with ISO14001 Environmental Management System Standards. Construction unit promised to protect the surrounding environment, implement pollution prevention and control measures, and reasonably arrange construction schedule. During the course of construction, we install guarding facilities such as fences for dust control and properly process construction wastewater and construction waste to reduce the impact on the surrounding environment. We implemented various sewage discharge measures in accordance with the relevant requirements for domestic sewage required by the drainage management authority in Zhuhai City. Solid wastes such as domestic waste were collected and passed to local environmental authority for disposal. We also required the construction units to use low-noise and low-vibration machineries and equipment, and adopt effective sound insulation, noise elimination, noise reduction and vibration attenuation measures to meet the standards set out in the Emission Standard of Environment Noise for Boundary of Construction Site (GB12523-2011). In the future, we will continue to implement green construction concepts, so as to contribute to environmental protection. The factory is now put into service, and we will consistently enhance the maintenance and management of environmental protection facilities, and ensure that various facilities are in normal conditions, standards of emission are complied with, and that the business leaps towards sustainability in line with the society.

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ENHANCING COMPETITIVENESS OF EMPLOYEES

Employees are the core assets of an enterprise. The Group strives to create a safe and comfortable working environment for our employees, make its best effort to help them fully develop their potentials and fulfil their missions, actively provide adequate and sufficient training, and maintain a work-life balance for employees. We deeply believe that the competitiveness of employees can be enhanced through the establishment of a sound "Human Resources Management Policy", which improves the competitiveness, sense of belonging and job satisfaction of employees. The Group will also raise its competitive edge, credibility and public recognition on the market. During the Reporting Period, the Group was not aware of any breach of labour-related laws and regulations in areas in which the Group operates, including but not limited to the Labour Law of the PRC and the Labour Contract Law of the PRC.

Recruitment and Departure

The Group adopts a fair employment system, including comprehensive recruitment, training, performance, remuneration, attendance, and departure management, to put in place a defined set of specifications for fair employment. It integrates our business needs while protecting the reasonable benefits of candidates and current employees, raises the motivation and enthusiasm of employees, and assists them in developing a comprehensive and suitable career plan in line with their personal development aspirations.

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

Training and Development

To better manage the career development ladder of our employees while refining the hierarchy progression of various positions, we stipulate the qualifications and requirements of all professional, technical and management positions in the Remuneration Management Policy, and advocate for internal transfers on the basis of "maximizing capabilities, and maximizing talents", providing employees with more career development opportunities. Employees can seek promotion along their original career path, or adjust their promotion path as their direction of development changes. Employees can develop towards three different directions, including managerial, professional and technical expertise, and each path can be further separated into more professional scope of development. Employees can make adequate career planning and matching in accordance with individual professional, technical and managerial capabilities.

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The Group has set down the goal of "learning in Titans, succeeding in the future; advancing with the times, action without delay" in nurturing talents. As a result, we have established a sound "Training Management Policy", "Internal Lecturer Management Policy" and "Mentor Management Policy", etc., to encourage employees to have improvement through self-learning. Meanwhile, we actively provide various support for staff training, including vocational skills and qualification awards, training incentives, lecturer allowance, support for further studies, etc. We offer the following four types of training courses for our employees.

Types of training courses	Content	Examples of training programs of the Year
New employee courses	• Company culture • Main rules, regulations and policies • Company product introduction • Safety education • Company operation process	• New colleague business training • Safety training • New national standard product training
General courses	• Time management • Communication skills • Computer operating • English	• Excel common skills sharing training • Effective communication
Technical courses	• Technical training in professional fields	• New-energy vehicle charging pile metering learning training • Engineering case training
Management courses	• Thematic short-term training	• PDCA cycle training

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

Salary and Welfare

The Group will conduct salary analysis and strive to provide competitive and attractive salary and welfare in order to retain outstanding talents. Our remuneration system is linked to factors such as employee seniority, job performance, position level and professional qualifications. We evaluate the performance of employees based on the following six factors, including their influence, problem-solving ability, leadership and management skills, communication and coordination skills, knowledge and skills, and their scope of work. In addition to adjusting the remuneration of all employees, the Group also adjusts the remuneration of individual employees based on the results of individual performance evaluations. In addition, we have formulated an annual evaluation plan in order to commend outstanding employees and teams, encourage the enthusiasm and creativity of employees, enhance their sense of belonging and cohesion with the Company, and at the same time set up career benchmarks and role models for employees, and establish a positive and courageous atmosphere. For teams or employees who have performed well or have potential in different aspects, we will issue additional bonuses to encourage them based on their performance. In addition, we also distribute annual red pocket to pay back the team for their contribution and efforts to the development of the Group.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

We also provide employees with a full range of care in their lives, organize large-scale events with various themes and cultures, and invite all employees to participate. Even in corporate cultural activities, we also emphasize the principles of openness, fairness, justice and safety first, requiring activities to implement "process disclosure, reward disclosure, information disclosure and safety" as the main consideration, with employees' rights and safety as the first priority. We believe that strengthening the construction of corporate culture will help enhance corporate strength and competitiveness, and ultimately assist the Group in achieving the goals of its sustainable development strategy. Corporate cultural activity is an important way for employees to comprehend the corporate spirit and philosophy. Through the dissemination of corporate cultural concepts, we provide correct guidance to employees' thoughts, behaviors, and values from many aspects, closely link the growth of employees with the development of the company, and achieve a win-win situation for the company and employees. For many years, we have been persisting in carrying out a variety of cultural and sports activities, cultivating employees' sense of identity and responsibility towards the company, and creating a warm and harmonious corporate culture. We organize paid tours for employees and teams every year to thank the outstanding employees for their hard work, dedication and contribution, and stimulate their enthusiasm for life and work. In 2020, we held wonderful activities such as "Excellent Guilin Mountaineering Raft River Autumn Tour", "Zimaling Park Parent-child Fun" and "Climbing Xiangshan Ancient Road", so that employees can relax in their spare time and share happy time with their families.

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

Occupational Safety and Health

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

Infection Prevention and Control of Epidemic

During the Reporting Period, in order to protect the health of the employees, the Group has attached great importance to the development of the novel coronavirus epidemic and actively carried out corresponding prevention and control work, including providing sufficient disinfectant hand sanitizer in the companies, distributing masks to employees, and using ethanol to disinfect workplaces on a regular basis. At the same time, internal reporting and reporting mechanisms are established and special work arrangements are made. Employees who return from high-risk areas and have a higher chance of infection are required to conduct home quarantine and self-declaration. At the same time, we also require subsidiaries to reduce large-scale meetings and group activities, and remind employees not to participate in group dinners or activities. The use of central air-conditioning is prohibited in the office, and windows are required to be opened to maintain indoor air circulation in order to reduce the possibility of infection and eliminate the chance of cross-infection. If employees develop fever, fatigue, cough, chest tightness and other suspected symptoms of infection, they are required not to go to work until further instructions. They are also required to seek medical treatment and report immediately. We will also provide employees with preventive guidelines, strengthen the awareness of epidemic prevention across the enterprise, encourage proactive medical treatment and proactive monitoring, so that all of us can work together and overcome difficulties.

Safety Training and Education

In addition to providing sufficient hardware, the Group actively carries out publicity and safety training for staff to enhance their safety awareness and ability of self-protection. Occupational diseases and hazard bulletin boards are set up in plants to promote knowledge of precautions and national laws and regulations relating to occupational disease and hazard on a regular basis. We also timely announce inspection and assessment results of occupational disease and hazard factors, along with the progress in commencement and improvement of occupational health initiatives of business units. We have also set up warning signs to remind staff 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 on-the-job safety training to enhance staff's occupational health knowledge. The training content includes occupational hygiene related laws, regulations and standards, basic occupational hygiene knowledge, occupational hygiene management system and operating procedures, proper use of occupational disease protection equipment and personal protective equipment, emergency rescue measures and basic skills in the event of an accident, and cases of occupational hazards. Workers are required to attend safety training and obtain work permits after passing the exam. To promote safety awareness and prevention of occupational disease and hazard, as well as enhance the sense of safety responsibility, the Group organizes regular safety training for our staff. The Group invites professional technicians to provide specialized safety and technical training for operators of new equipment, the operators must pass an examination before commencement of work.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Reward and Penalty Policy

We endeavor to reinforce the management work of internal safety production to elevate staff's sense of responsibility of safe production. We set up the "Reward and Penalty Policy" to ensure safe production of the Group by offering employees economic incentives and guidance as well as developing performance norms. The Reward and Penalty Policy is divided into two levels. The first level targets on individual performance. We offer rewards to employees who adapt to and handle accidental emergencies properly and reduce the company's loss to more than a certain amount; on the contrary, those who violate safety operational procedures or related regulations of safety management resulting in material accidents are subject to warning letter, disciplinary action and penalty, which would also adversely affect their performance appraisal and their salary. The second level targets on accountability of department heads. If accidents, delayed rectifications and rule violations are caused by employees while in service, heads of related departments shall take the responsibility and be subject to disciplinary action. We are committed to giving our employees stronger positive impetus, acting together to improve production safety and enhance management of production safety. During the past three years, the Group had no work-related fatal accident, except for, during the Reporting Period, a total of two accidents of occupational injury and a loss of 34 working days due to occupational injury.

Contingency Measures for Emergencies

In order to prevent or minimize possible diseases and injuries caused by environmental impacts, the "Emergency Preparedness and Response Administrative Measures" is formulated to evaluate and determine environmental and occupational health and safety accidents or emergencies, be well prepared for emergencies and response, improve employees' capability in responding to accidents and minimize harm and loss. In addition to specifying escape route and emergent assembly point in case of accident, we have also set up fixed point signs at the location of emergency supplies, equipment and facilities to ensure employees have the knowledge of proper application. Speaking of the effectiveness of rescue facilities and protective facilities against the harm of occupational disease, regular inspection and maintenance is performed to ensure the facilities are safe and effective. Regular emergency preparedness and rescue drills for serious workplace accidents are indispensable, as they allow employees to become familiar with incident responses and give the management an opportunity to review the incident responses for improvement. In the event of serious incident, we will set up an investigative team for workplace accidents to obtain evidence, analyze the cause of the accident, punish the person responsible for the accident and adopt measures to prevent reoccurrence.

Fire Control Safety Management

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

GENERATING MOMENTUM TO THE SOCIETY

The ancients said: "Improve yourself in adversity and serve the world when you succeed". Being the pioneer in the industry, the Group is in conformity with the management approach of "innovation-based, integrity-first", courageously taking the responsibility to contribute to the society by unleashing its own advantages and ingenuity, build a closer cooperation with the entire supply chain, expressly state our vision to suppliers, adopt zero tolerance approach to corruption and fraud, push forward global economy with integrity so as to achieve prosperity, stability and sustainable development, creating an honest corporate culture and constructing an inclusive community with a loving heart.

Cooperation with Suppliers

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

In addition, the performance of the qualified suppliers will be monitored on a continuous basis to ensure consistently high quality of products. Our existing suppliers are categorized by degree of importance and percentage of total purchase to determine the department responsible for, the frequency and the approach of performance evaluation of suppliers, evaluating the existing qualified suppliers systematically and regularly updating the "Qualified Suppliers' List". In the event of quality issues, ethics issues in business and supply incapability, etc., the disqualified suppliers involved may be disqualified and delisted from the "Qualified Suppliers' List". During the Reporting Period, all qualified suppliers are located in Mainland China, in particular in Guangdong, as to minimize carbon emissions generated from all types of transportation.

Anti-corruption

We are committed to maintaining a high standard of integrity and ethical behavior in our operation with the importance of uncompromising honesty. Therefore, principle of fairness is consistently applied to all of our internal departments and external business partners. As expressly stated in our internal "Code of Conduct", every employee is prohibited to involve in corrupt activities, such as misuse public power for personal benefit, engage in corrupt practices, conduct commercial bribery, embezzle and misappropriate the company's funds and leakage of confidential information. Upon receipt of any report on corrupt activities by Human Resources Department, a full investigation will be conducted for verification and the employees in question will also be given opportunity for clarification or explanation. Once a corrupt activity is confirmed, the employee will be issued a warning letter, required to make compensation and even dismissed for serious misconduct. For external business partners, we endeavor to facilitate anti-corruption and prevent illegal acts, such as accepting or offering bribes, in commercial transactions. We enter into an "Integrity Agreement" with subcontractors to conduct commercial transactions on the principles of fairness, justice, openness, equality, integrity and creditability, eradicating any fake contract, personal gains or bribery. Any non-compliance transactions will be terminated. In addition to the open and transparent approach to suppliers' selection, reputable suppliers will be selected to reduce the risk of money laundering and secure our corporate reputation. The Group strictly observes relevant law and regulations, including the Criminal Law of the PRC, the Anti-Money Laundering Law of the PRC and the Anti-Unfair Competition Law of the PRC, and there is no incident in breach of law in relation to bribery, extortion, defraud or money laundry took place during the Reporting Period. We are selected as an "Enterprise of Observing Contract and Valuing Credit of Guangdong Province" for 17 consecutive years, recognizing our long-term high performance in business compliance with a sound management system of contract and creditability as well as an impressive track record in performance of contract, we are an enterprise having considerable business efficiency without track record of serious breach of law and regulations.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Care for Community

Social responsibility is one of our strategies of sustainable development, and community services, the Group strongly believes, allow us to repay the society by sharing our success with the community, build a closer relationship with the community and promote green ideas, showing our care and concern for the community. As always, we uphold the core value of "creating value for the Company, its employees, its customers, its partners and the society" to step forward, striving to contribute to social harmony.

During the Reporting Period, on the day of Double Ninth Festival, committee members of our trade union visited to an elderly home with members of Zhuhai Care Association to offer elderly residents the daily supplies and festive gift packs, spreading warm blessings. Further, we have devoted efforts to poverty alleviation in different ways. COVID-19 had enormous impacts on the income of impoverished farmers due to poor sales of agricultural crops as a result of lockdowns, traffic obstruction, work stoppages and school closures, the crop buyers cut down their purchase to avoid overstocking and high logistic costs. We have responded to the call from local organizations for poverty alleviation to order agricultural crops directly from the impoverished farmers instead of donation, such move could reduce food waste as well as offer economic benefit to the farmer.

Childcare is one of the focuses of our community service, in particular the unprivileged children having no education opportunity. We believe every child has the right to receive proper education, rest, relax, play and take part in cultural activities as well as start a journey of self-discovery. Hence, the Group has provided financial assistance to unprivileged children through Zhuhai Care Association to support those in immediate need for survival and education.

MAJOR KEY PERFORMANCE INDICATORS

Environmental indicators	**2020**	2019
Air emissions		
Nitrogen oxide emission (kg)	**10**	9
Sulphur dioxide emission (kg)	**0.23**	0.19
Particulate matter emissions (kg)	**1**	1
Total emissions of nitrogen oxide avoided by the use of electric vehicles (kg)	**2**	1
Total emissions of sulphur dioxide avoided by the use of electric vehicles (kg)	**0.05**	0.02
Total emissions of particulate matter avoided by the use of electric vehicles (kg)	**0.16**	0.08
Greenhouse gases		
Total emission of greenhouse gases (tonnes of CO_2 equivalent)[1]	**1,463**	1,333[3]
Scope 1: Direct emissions (tonnes of CO_2 equivalent)	**72**	39
Scope 2: Energy indirect emissions (tonnes of CO_2 equivalent)	**1,306**	1,134[3]
Scope 3: Other indirect emissions (tonnes of CO_2 equivalent)	**85**	160
Emissions of greenhouse gases per million RMB revenue (tonnes of CO_2/million RMB)[4]	**5**	5
Total emissions of greenhouse gases avoided by the use of electric vehicles (tonnes of CO_2 equivalent)	**10**	2

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Environmental indicators	2020	2019
Wastes		
Total non-hazardous wastes disposed (tonnes)	**205**	102
Production of non-hazardous wastes per million RMB revenue (tonnes/million RMB)[4]	**0.75**	0.35
Total production of hazardous waste (kg)	**17**	82
Production of hazardous wastes per million RMB revenue (kg/million RMB)[4]	**0.06**	0.28
Use of resources		
Total energy consumption (MWh)	**1,729**	1,550
LPG (MWh)[2]	**20**	153
Petrol (MWh)[2]	**140**	
Purchased electricity (MWh)	**1,569**	1,397
Energy consumption per million RMB revenue (MWh/million RMB)[4]	**6**	5
Total water usage (m^3)	**14,065**	10,860
Water usage per million RMB revenue (m^3/million RMB)[4]	**52**	38
Paper packaging material used (tonnes)	**0.18[5]**	15
Paper packaging material used per product (kg/product)	**0.007**	5.27
Plastic packaging material used (tonnes)	**0.07[5]**	0.59
Plastic packaging material used per product (kg/product)	**0.003**	0.23
Wood-based packaging material used (tonnes)	**N/A[6]**	7
Wood-based packaging material used per product (kg/product)	**N/A[6]**	1.94

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

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

3 With reference to the emission factors for Mainland China based operations newly supplemented in "How to prepare an ESG report" published by the Stock Exchange, the scope 2 indirect emission in 2019 has also been restated.

4 To enhance the comparability of major key performance indicators among the same industry, the intensity of relevant major key performance indicators is calculated using the revenue of the Group since 2020. The data of 2019 has been restated so as to make comparison.

5 Due to the packaging material is provided by the outsource logistics company, and part of the products use the original packaging material provided by the suppliers, the usage of packaging material in 2020 has been decreased.

6 As the decrease in the demand of wood-based package, and the Group has recycled and reused the wooden pallet used for packaging, the usage of wood-based packaging material in this year is not significant.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Employment Indicator	2020	2019
Number of employees[7]	**410**	438
By gender		
Male	**287**	321
Female	**123**	117
By age		
51 years old or above	**31**	32
31 to 50 years old	**284**	300[8]
30 years old or below	**95**	106[8]
Employee turnover rate (%)		
By gender		
Male	**18**	N/A[9]
Female	**11**	N/A[9]
By age		
51 years old or above	**24**	N/A[9]
31 to 50 years old	**14**	N/A[9]
30 years old or below	**6**	N/A[9]
Average hours of training per employee (hour) and percentage of employees who received training (%)		
By gender		
Male	**5 (84)**	11 (98)
Female	**4 (81)**	11 (99)
By employee category		
Senior management level	**8 (100)**	11 (91)
Middle management level	**9 (97)**	11 (100)
Junior or technician	**4 (81)**	11 (98)

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Community Investment Indicators	**2020**	2019
Corporate charitable donations (RMB)	**20,000**	15,000
Number of employees participating in volunteer services	**7**	1
Number of volunteer hours of employees (hour)	**20**	6

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

[8] During the Reporting Period, we reclassify the age range that the related data of 2019 has been restated according to the new classification.

[9] In 2020, the Group started reporting on relevant data.

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 2020.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

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

Business segments

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

Geographical segments

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

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2020 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 84 to 85 of this annual report.

The Board does not recommend the payment of any dividend for the year ended 31 December 2020 (2019: 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, 18 June 2021, the register of members of the Company will be closed from Tuesday, 15 June 2021 to Friday, 18 June 2021, 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, 11 June 2021.

DIRECTORS' REPORT

BUSINESS REVIEW

Overview

A fair review of the business and outlook of the Company as well as a discussion and analysis of the Group's performance during the year ended 31 December 2020 and the material factors underlying its results and financial position can be found in the Chairman's Statement on page 6 and the Management Discussion and Analysis on pages 7 to 22 of this annual report. An analysis using financial key performance indicators can be found in the Financial Highlights on pages 4 to 5 of this annual report. These discussions and financial highlights form part of this Directors' Report.

Principal Risks and Uncertainties

1. The Risk of Industry Policies

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

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

2. Technology Risk

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

DIRECTORS' REPORT

3. Risk of Decrease in Gross Profit Margin

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

4. Recovery Risk on Accounts Receivables

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

DIRECTORS' REPORT

Environmental Policies and Performance

The Group shall strictly comply with the relevant environmental protection laws and regulations of the People's Republic of China in the process of production and management. As of the end of the Reporting Period, there is no environmental incident, and the Group was not suffered any significant environmental claims or litigations. A discussion and analysis of the Group's environmental policies can be found in the Environmental, Social and Governance Report on pages 37 to 60 of this annual report.

Compliance with Laws And Regulations

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

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

During the year ended 31 December 2020, there was no material breach of or non-compliance with the applicable laws and regulations by the Group that have a significant impact on the Group's business.

Relationships with Employees

Employees are regarded as the Group's most valuable asset. The Group's remuneration policy is determined based on the employee's experience, responsibility, workload and the time spending for the Group. The Group offers a competitive remuneration to employees, typically including basic salary, performance bonus, allowances and subsidies. The Group also adopted a share option scheme with 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 years of business relationship with the Group ranged from 1 to 3 years and the credit terms granted to the major customers ranged from 30 to 180 days. Details of the trade and bills receivables of the Group as at 31 December 2020 are set out in note 24 to the consolidated financial statements. Up to the date of this report, 22.44% of the trade and bills receivables from the major customers has been settled. The Group aims to provide customers with good quality products and services in order to strive for continued growth of sale revenue and profitability. The Group has strengthened communications between the customers and the Group by strengthening information management, so as to provide superior quality products and services.

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

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

The Group maintains a good relation with suppliers, at the same time, conducts regular assessment and management on suppliers, integrates suppliers resources, controls procurement costs and secures the effectiveness of the supply chain based on product quality, price, ability to deliver products on time, after-sale service and other factors. The Group's main suppliers are raw material suppliers, and had business relationship with the Group for over 3 years on average. The credit terms granted to the major suppliers ranged from 30 to 180 days. Details of the trade and bills payables of the Group as at 31 December 2020 are set out in note 30 to the consolidated financial statements. Up to the date of this report, 28.75% of the trade and bills payables to the major suppliers has been settled. For the procurement of bulk commodities or services, the Group has set bidding program with strict implementation.

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

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

MAJOR CUSTOMERS AND SUPPLIERS

During the Reporting Period, sales to the single largest customer of the Group and the five largest customers of the Group in aggregate accounted for approximately 27.92% and 38.15% of the total sales of the year, respectively.

During the Reporting Period, purchases from the five largest suppliers of the Group accounted for less than 30% of the total purchases for the year.

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

DIRECTORS' REPORT

RESERVES

Details of movements in the reserves of the Group and of the Company during the year ended 31 December 2020 are set out in the accompanying consolidated statement of changes in equity and note 44(b) to the consolidated financial statements.

PROPERTIES, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year ended 31 December 2020 are set out in note 16 to the accompanying consolidated financial statements.

CHARITABLE DONATIONS

Charitable donations made by the Group during the year amounted to RMB20,000 (2019: RMB15,000).

In 2020, the Group participated in activities organized by 珠海市關愛協會 (Zhuhai City Care Association*) and donated to several exceptionally poor children that are out of school in 土角村 (Tujiao Village*) in Fucheng Town, Leizhou City, Guangdong Province, and a nursing home in Zhuhai City, Guangdong Province.

SHARE CAPITAL

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

DISTRIBUTABLE RESERVES

As at 31 December 2020, the reserves of the Company available for distribution to shareholders of the Company amounted to approximately RMB273.4 million (2019: RMB276.7 million).

PRE-EMPTIVE RIGHTS

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

TAX RELIEF

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

FINANCIAL SUMMARY

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

DIRECTORS' REPORT

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2020.

EQUITY-LINKED AGREEMENTS

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

SHARE OPTION SCHEMES

2010 Share Option Scheme

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

The purpose of the 2010 Share Option Scheme is to enable the Group to grant share options to selected participants as incentives or rewards for their contributions to the Group. All officers, employees, agents, consultants or representatives of any member of the Group, (including any executive or non-executive Director) who the Board may determine in its absolute discretion, have made valuable contributions to the business of the Group based on their performance and/or years of service, or are regarded to be valuable human resources of the Group are eligible to participate in the 2010 Share Option Scheme subject to such conditions as the Board may think fit.

When the 2010 Share Option Scheme was approved by the shareholders of the Company on 8 May 2010, it was also approved that the total number of Shares which may be allotted and issued upon exercise of all options to be granted under the 2010 Share Option Scheme and any other share option scheme adopted by the Group must not in aggregate exceed 10% of the Shares in issue on the Listing Date, i.e. 80,000,000 Shares (the "Scheme Mandate Limit"). The Company may renew the Scheme Mandate Limit with shareholders' approval provided that each such renewal may not exceed 10% of the Shares in issue as at the date of the shareholders' approval.

The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2010 Share Option Scheme and any other share option scheme adopted by the Group must not in aggregate exceed 30% of the Shares in issue from time to time.

Unless approved by shareholders of the Company, the total number of Shares issued and to be issued upon exercise of the options granted under the 2010 Share Option Scheme and any other share option scheme of the Group (including both exercised or outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued Shares of the Company for the time being.

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

DIRECTORS' REPORT

An option may be exercised in accordance with the terms of the 2010 Share Option Scheme at any time during a period to be notified by the Board to each grantee, which period must expire no later than 10 years from the date of the grant (subject to acceptance) of the option.

The right to exercise an option is not subject to or conditional upon the achievement of any performance target unless otherwise stated in the grant letter which is to be made by the Company to the participant of the 2010 Share Option Scheme upon granting of the option.

The subscription price for the Shares under the 2010 Share Option Scheme will be a price determined by the Directors, but shall not be less than the highest of (i) the closing price of Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a business day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the Shares.

The Share Option Scheme was expired on 7 May 2020.

No options were granted, exercised, lapsed or cancelled by the Company under the 2010 Share Option Scheme during the year ended 31 December 2020. There were no outstanding options under the 2010 Share Option Scheme at the beginning and at the end of the year ended 31 December 2020.

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

2020 Share Option Scheme

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

The purpose of the 2020 Share Option Scheme is to enable the Group to grant share options to selected participants as incentives or rewards for their contributions to the Group. All officers, employees, agents, consultants or representatives of any member of the Group, (including any executive or non-executive Director) who the Board may determine in its absolute discretion, have made valuable contributions to the business of the Group based on their performance and/or years of service, or are regarded to be valuable human resources of the Group are eligible to participate in the 2020 Share Option Scheme subject to such conditions as the Board may think fit.

The remaining life of 2020 Share Option Scheme is 10 years.

When the 2020 Share Option Scheme was approved by the shareholders of the Company on 18 December 2020, it was also approved that the total number of Shares which may be allotted and issued upon exercise of all options to be granted under the 2020 Share Option Scheme and any other 2020 Share Option Scheme adopted by the Group must not in aggregate exceed 10% of the Shares in issue as at the date of the 2020 extraordinary general meeting, i.e. 925,056,000 Shares (the "2020 Scheme Mandate Limit"). The Company may renew the 2020 Scheme Mandate Limit with shareholders' approval provided that each such renewal may not exceed 10% of the Shares in issue as at the date of the shareholders' approval.

DIRECTORS' REPORT

The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2020 Share Option Scheme and any other 2020 Share Option Scheme adopted by the Group must not in aggregate exceed 30% of the Shares in issue from time to time. Unless approved by shareholders of the Company, the total number of Shares issued and to be issued upon exercise of the options granted under the 2020 Share Option Scheme and any other share option scheme of the Group (including both exercised or outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued Shares of the Company for the time being.

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

An option may be exercised in accordance with the terms of the 2020 Share Option Scheme at any time during a period to be notified by the Board to each grantee, which period must expire no later than 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 2020 Share Option Scheme upon granting of the option.

The subscription price for the Shares under the 2020 Share Option Scheme will be a price determined by the Directors, but shall not be less than the highest of (i) the closing price of Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a business day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the Shares.

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

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

DIRECTORS

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

DIRECTORS' REPORT

DIRECTORS' SERVICE CONTRACTS

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

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

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2020.

REMUNERATION OF DIRECTORS

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

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

PERMITTED INDEMNITY PROVISION

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

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENT OR CONTRACTS

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

DIRECTORS' REPORT

EXECUTIVE DIRECTORS' INTEREST IN COMPETING BUSINESS

As at 31 December 2020, 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 2020.

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

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

RETIREMENT BENEFIT SCHEMES

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

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

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

As at 31 December 2020, the interests and short positions of the Directors and the chief executive of the Company and their associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules were as follows:

Name of Director	Nature of interest	Number of Shares or underlying Shares	Approximate percentage of existing issued share capital of the Company
Mr. Li Xin Qing	Interest of controlled corporations	205,709,875 *(Note 2)*	22.24%
	Beneficial owner	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 Mr. Li Xin Qing ("Mr. Li") who is deemed to be interested in 197,724,457 Shares held by Genius Mind by virtue of the SFO. Among 197,724,457 Shares, a total of 40,000,000 Shares were provided as security to a person other than a qualified lender. In addition, by virtue of the SFO, Mr. Li is also deemed to be interested in 7,985,418 Shares held by Rich Talent Management Limited ("Rich Talent"), a company which shareholding is owned as to 50% by him.

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

Save as disclosed above, as at 31 December 2020 none of the Directors or chief executive of the Company nor their associates had any interest or short positions in the shares, underlying shares or debentures of the Company, its specified undertakings or any of its other associated corporations (within the meaning of Part XV of the SFO) which had to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which were required, pursuant to Section 352 of the SFO and the Hong Kong Companies Ordinance (Cap.622), to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

DIRECTORS' REPORT

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

As at 31 December 2020, as far as known to the Directors, the following persons or entities (not being a Director or a chief executive of the Company) who had interests 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%
Broad-Ocean Motor (Hong Kong) Co. Limited *(Note 6)*	Beneficial owner	84,096,000	9.09%
Zhongshan Broad-Ocean Motor Co., Ltd. *(Note 6)*	Interest of controlled corporations	84,096,000	9.09%
Mr. Lu Chuping *(Note 6)*	Interest of controlled corporations	84,096,000	9.09%
Honor Boom Investments Limited *(Note 7)*	Beneficial owner	82,458,117	8.91%
Mr. Li Xiao Bin *(Note 7)*	Interest of controlled corporations	82,458,117	8.91%
Ms. Zhang Lina *(Note 8)*	Interests of spouse	82,458,117	8.91%
Mr. Thomas Karl Amade Pilscheur	Beneficial owner	66,244,818	7.16%
Ms. Feng Yanlin *(Note 9)*	Interests of spouse	66,244,818	7.16%

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 entire issued share capital of Broad-Ocean Motor (Hong Kong) Co. Limited is owned by Zhongshan Broad-Ocean Motor Co. Ltd, which is in turn 43.82% of its interest was beneficially owned by Mr. Lu Chuping.

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

8. 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.

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

Save as disclosed above, as at 31 December 2020, the Company has not been notified by any person (other than directors or the chief executive of the Company) who had interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

ARRANGEMENT FOR DIRECTORS TO PURCHASE SHARES OR DEBENTURES

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

DIRECTORS' REPORT

RELATED PARTY TRANSACTIONS

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

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors at the latest practicable date prior to the issue of this annual report, there was a sufficient prescribed public float of the issued shares of the Company under the Listing Rules at any time during the year ended 31 December 2020.

CORPORATE GOVERNANCE

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

AUDITOR

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

AGM

The Company proposed that the AGM will be held on Friday, 18 June 2021. 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, 26 March 2021

INDEPENDENT AUDITOR'S REPORT

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

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

OPINION

We have audited the consolidated financial statements of China Titans Energy Technology Group Co., Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages 84 to 188, which comprise the consolidated statement of financial position as at 31 December 2020, 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 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS

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

Valuation of inventories

Refer to note 23 to the consolidated financial statements and the accounting policies on page 110.

The key audit matter	How the matter was addressed in our audit
As at 31 December 2020, the carrying amount of the inventories was approximately RMB106,878,000. We have identified the carrying amount of the inventories as a key audit matter since the carrying amount of inventories was significant to the consolidated financial statements and the assessment on the allowance for inventories involves significant judgements and estimates made by the management.	Our procedures in relation to the carrying amount of inventories were designed to review the judgements and estimates made by the management on the assessment of the allowance for inventories as at 31 December 2020. We have discussed with the management for the long-aged inventories identified at 31 December 2020 and challenged their judgements and estimates on whether allowance need to be made. We have reviewed the utilisation of inventories and sales contracts entered into between the Group and the customers on the long-aged inventories. We have also compared the latest selling price with carrying amount of the inventories to consider whether the inventories were stated at lower of their costs or net realisable values.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (Continued)

Valuation and impairment of trade receivables

Refer to note 24 to the consolidated financial statements and the accounting policies on pages 113 to 116.

The key audit matter	How the matter was addressed in our audit
As at 31 December 2020, the carrying amount of trade receivables, net of loss allowance for expected credit loss ("ECL"), was approximately RMB247,503,000. Loss allowance for ECL in respect of trade receivables of approximately RMB3,995,000 has been recognised and approximately RMB1,297,000 has been reversed for the year ended 31 December 2020. The ECL on trade receivables are estimated by the management using a provision matrix based on the Group's historical credit loss experience, and forward looking information at the end of the reporting period. Independent valuer was engaged by the management for the ECL estimations of trade receivables as at 31 December 2020. We have identified the recoverability and impairment of the trade receivables as a key audit matter in view of the significance of the carrying amount of trade receivables and the ECL estimation performed by the management involved significant judgements and estimates.	Our audit procedures were designed to assess the management estimation on ECL of trade receivables and challenge the reasonableness of the significant judgements and estimates, including use of significant unobservable inputs adopted in the ECL estimation by the management and the independent valuer. We have also assessed the appropriateness of the methodology and reviewed the inputs data used with reference to the latest available general economic data and the repayment record against the Group's historical trends and credit loss experience.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (Continued)

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

Refer to note 21 to the consolidated financial statements and the accounting policies on page 112.

The key audit matter	How the matter was addressed in our audit
As at 31 December 2020, the financial assets at fair value through other comprehensive income are investments in unlisted equity securities of approximately RMB26,137,000. Independent valuer was engaged by the management for the fair value measurement of each of the unlisted equity securities as at 31 December 2020. We have identified the valuation of the investments in unlisted equity securities included in financial assets at fair value through other comprehensive income as a key audit matter since significant judgements and estimates, including use of significant unobservable inputs, have been used in fair value measurement.	Our procedures were designed to challenge the reasonableness of judgements and estimates, including use of significant unobservable inputs adopted in the fair value estimations by the management and the independent valuer. We have also evaluated the appropriateness of the valuation methodology and the reasonableness of 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 19 and 34 to the consolidated financial statements and the accounting policies on page 109.

The key audit matter	How the matter was addressed in our audit
The impairment assessment on the carrying amount of charging services concession rights of approximately RMB32,452,000 as at 31 December 2020 performed by the management included the identification of objective evidence of impairment and calculation of recoverable amount, 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 calculation of value-in-use, derived from profit forecasts and cash flows projections. We have identified the impairment of charging services concession rights under intangible assets as a key audit matter in view of the significance and the involvement of significant judgements and estimates made by the management in 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 impairment assessment on the charging service concession rights at the end of the reporting period. We have discussed the indication of possible impairment with 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 projection, including the revenue growth rates and gross profit margins, against latest market expectations. 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.

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. Wong Hon Kei, Anthony.

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

Hong Kong
26 March 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	**2020** **RMB'000**	2019 RMB'000
Revenue	*5*	**275,592**	301,214
Cost of revenue		**(207,328)**	(212,932)
Gross profit		**68,264**	88,282
Other revenue and income	*7*	**13,070**	20,821
Selling and distribution expenses		**(48,946)**	(46,885)
Administrative and other expenses		**(59,029)**	(61,544)
Other gains and losses	*8*	**(595)**	(1,989)
Reversal of impairment losses (impairment losses) of financial assets	*11*	**5,142**	(38,355)
Share of results of associates		**2,040**	(510)
Finance costs	*9*	**(11,226)**	(9,655)
Loss before tax		**(31,280)**	(49,835)
Income tax credit	*10*	**1,069**	1,043
Loss for the year	*11*	**(30,211)**	(48,792)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Note	**2020** **RMB'000**	2019 RMB'000
Other comprehensive (expense) income			
Items that will not be reclassified subsequently to profit or loss:			
Net fair value (loss) gain on financial assets at fair value through other comprehensive income		**(1,768)**	5,256
Income tax relating to items that will not be reclassified subsequently to profit or loss		**105**	767
		(1,663)	6,023
Other comprehensive (expense) income for the year, net of income tax		**(1,663)**	6,023
Total comprehensive expense for the year		**(31,874)**	(42,769)
Loss for the year attributable to:			
– Owners of the Company		**(29,622)**	(47,603)
– Non-controlling interests		**(589)**	(1,189)
		(30,211)	(48,792)
Total comprehensive expense for the year attributable to:			
– Owners of the Company		**(31,285)**	(41,580)
– Non-controlling interests		**(589)**	(1,189)
		(31,874)	(42,769)
LOSS PER SHARE	*15*		
Basic (RMB)		**(3.20 cents)**	(5.15 cents)
Diluted (RMB)		**(3.20 cents)**	(5.15 cents)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
Non-current assets			
Property, plant and equipment	16	**176,010**	186,929
Right-of-use assets	17	**7,727**	8,238
Goodwill	18	**–**	–
Intangible assets	19	**32,452**	38,769
Interests in associates	20	**15,710**	14,386
Financial assets at fair value through other comprehensive income	21	**26,137**	27,905
Financial asset at fair value through profit or loss	21	**9,066**	12,449
Finance lease receivable	22	**350**	492
Deferred tax assets	33	**9,907**	9,505
		277,359	298,673
Current assets			
Inventories	23	**106,878**	80,836
Trade and bills receivables	24	**248,509**	266,922
Contract assets	25	**33,908**	39,628
Loan receivables	26	**5,025**	1,160
Prepayments, deposits and other receivables	27	**59,360**	67,541
Amounts due from associates	28	**171**	1,275
Finance lease receivable	22	**142**	123
Tax recoverable		**3,061**	3,061
Restricted bank balances	29	**19,224**	19,393
Short-term bank deposits	29	**27,500**	64,400
Bank balances and cash	29	**45,303**	35,752
		549,081	580,091
Current liabilities			
Trade and bills payables	30	**117,605**	116,106
Contract liabilities	25	**13,311**	7,469
Accruals and other payables	30	**8,439**	12,982
Lease liabilities	17	**55**	204
Amounts due to associates	31	**2,081**	222
Tax payable		**–**	1,209
Bank and other borrowings	32	**113,215**	107,891
		254,706	246,083
Net current assets		**294,375**	334,008
Total assets less current liabilities		**571,734**	632,681

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
Non-current liabilities			
Lease liabilities	*17*	–	55
Deferred tax liabilities	*33*	**11,217**	11,989
Bank and other borrowings	*32*	**55,624**	76,293
		66,841	88,337
Net assets		**504,893**	544,344
Capital and reserves			
Share capital	*35*	**8,087**	8,087
Share premium and reserves		**484,612**	518,314
Equity attributable to owners of the Company		**492,699**	526,401
Non-controlling interests		**12,194**	17,943
Total equity		**504,893**	544,344

The consolidated financial statements on pages 84 to 188 were approved and authorised for issue by the board of directors on 26 March 2021 and are signed on its behalf by:

An Wei
Director

Li Xin Qing
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	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	Investments revaluation reserve RMB'000	Capital reserve RMB'000 *(note (b))*	Statutory reserve fund RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2019	8,087	325,141	8,640	504	(2,092)	527	63,416	166,639	570,862	21,151	592,013
Loss for the year	–	–	–	–	–	–	–	(47,603)	(47,603)	(1,189)	(48,792)
Other comprehensive income for the year:											
Net fair value gain on financial assets at fair value through other comprehensive income	–	–	–	–	5,256	–	–	–	5,256	–	5,256
Income tax relating to items that will not be reclassified subsequently	–	–	–	–	767	–	–	–	767	–	767
Total comprehensive expense for the year	–	–	–	–	6,023	–	–	(47,603)	(41,580)	(1,189)	(42,769)
Acquisition of additional interest in a subsidiary *(note 46)*	–	–	–	–	–	(2,881)	–	–	(2,881)	(2,019)	(4,900)
At 31 December 2019	8,087	325,141	8,640	504	3,931	(2,354)	63,416	119,036	526,401	17,943	544,344
Loss for the year	–	–	–	–	–	–	–	(29,622)	(29,622)	(589)	(30,211)
Other comprehensive income for the year:											
Net fair value loss on financial assets at fair value through other comprehensive income	–	–	–	–	(1,768)	–	–	–	(1,768)	–	(1,768)
Income tax relating to items that will not be reclassified subsequently	–	–	–	–	105	–	–	–	105	–	105
Total comprehensive expense for the year	–	–	–	–	(1,663)	–	–	(29,622)	(31,285)	(589)	(31,874)
Acquisition of additional interests in subsidiaries *(note 46)*	–	–	–	–	–	(2,417)	–	–	(2,417)	(4,448)	(6,865)
Disposal of a subsidiary *(note 47)*	–	–	–	–	–	–	–	–	–	(712)	(712)
At 31 December 2020	8,087	325,141	8,640	504	2,268	(4,771)	63,416	89,414	492,699	12,194	504,893

Notes:

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

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

* English name is for identification purpose only

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	2020	2019
	RMB'000	RMB'000
OPERATING ACTIVITIES		
Loss before tax	**(31,280)**	(49,835)
Adjustments for:		
Amortisation of intangible assets	**6,317**	4,235
Depreciation of right-of-use assets	**511**	538
Depreciation of property, plant and equipment	**13,817**	7,689
Bank interest income	**(355)**	(814)
Interest income on loan receivables	**(767)**	(5,259)
Interest income on finance lease receivables	**(93)**	(110)
Finance costs	**11,226**	9,655
Gain on disposal of an associate	**(4,550)**	(106)
Loss on partial disposal of an associate	**436**	–
Loss (gain) on disposal of property, plant and equipment	**933**	(27)
Loss on write-off of property, plant and equipment	**299**	316
Fair value loss on financial asset at fair value through profit or loss	**3,383**	4,793
Government grants	**(3,741)**	(4,565)
(Reversal of impairment loss) impairment losses of financial assets	**(5,142)**	38,355
Share of results of associates	**(2,040)**	510
Profit from construction under Build-Operate-Transfer ("BOT") arrangement	**–**	(352)
Gain from disposal of a subsidiary	**(30)**	–
Write back on a trade payable	**(360)**	–
Unrealised exchange loss (gain)	**484**	(2,987)
Operating cash (outflows) inflows before movements in working capital	**(10,952)**	2,036

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	2020 **RMB'000**	2019 RMB'000
OPERATING ACTIVITIES (Continued)		
Increase in inventories	**(31,039)**	(22)
Decrease (increase) in trade and bills receivables	**15,715**	(22,778)
Decrease in contract assets	**6,027**	4,865
(Increase) decrease in prepayments, deposits and other receivables	**(68)**	20,730
Decrease (increase) in amounts due from associates	**1,104**	(43)
Increase in trade and bills payables	**1,859**	32,616
Increase (decrease) in contract liabilities	**6,181**	(222)
Increase (decrease) in accruals and other payables	**2,757**	(292)
Increase (decrease) in amounts due to associates	**1,859**	(476)
Cash (used in) generated from operations	**(6,557)**	36,414
Income tax paid	**(1,209)**	(6,534)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	**(7,766)**	29,880

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	2020 **RMB'000**	2019 RMB'000
INVESTING ACTIVITIES		
Withdrawal of short-term bank deposits	**70,400**	24,000
Withdrawal of restricted bank balances	**8,209**	27,486
Repayment of loan receivables	**6,980**	112,033
Proceeds on disposal of an associate	**4,550**	1,500
Proceeds on disposal of property, plant and equipment	**1,317**	157
Loan interest received	**630**	–
Bank interest received	**355**	814
Proceeds on partial disposal of an associate	**280**	–
Decrease in finance lease receivable	**123**	107
Interest received from finance lease receivable	**93**	110
Placement of short-term bank deposits	**(33,500)**	(64,400)
Advance to loan receivables	**(9,685)**	–
Placement of restricted bank balances	**(8,040)**	(8,428)
Acquisition of additional equity interest in a subsidiary	**(900)**	(4,900)
Purchase of property, plant and equipment	**(460)**	(33,115)
Net cash outflow from disposal of a subsidiary	**(1)**	–
Acquisition of an associate	**–**	(10,000)
Additions to charging services concession rights under intangible assets	**–**	(940)
NET CASH FROM INVESTING ACTIVITIES	**40,351**	44,424

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	2020 RMB'000	2019 RMB'000
FINANCING ACTIVITIES		
Repayment of bank and other borrowings	**(118,228)**	(219,039)
Interest paid	**(11,226)**	(14,603)
Repayment of lease liabilities	**(204)**	(216)
New bank and other borrowings raised	**102,883**	130,786
Receipts from government grants	**3,741**	4,565
NET CASH USED IN FINANCING ACTIVITIES	**(23,034)**	(98,507)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**9,551**	(24,203)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**35,752**	59,955
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, REPRESENTED BY BANK BALANCES AND CASH	**45,303**	35,752

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

1. GENERAL AND BASIS OF PREPARATION

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

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

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

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

For the year ended 31 December 2020, the Group recorded a net loss of approximately RMB30,211,000 and a net operating cash outflow of approximately RMB7,766,000. As at 31 December 2020, the Group's total borrowings, bank balances and cash, and short-term bank deposits amounted to approximately RMB168,839,000, RMB45,303,000 and RMB27,500,000 respectively. These events and conditions indicate the existence of a material uncertainty which may cast doubt about the Group's ability to continue as a going concern. The consolidated financial statements have been prepared on a going concern basis which assumes the realisation of assets and satisfaction of liabilities in the ordinary business, as the directors of the Company are satisfied that the liquidity of the Group can be maintained in the coming year taking into consideration of the following matters:

(i) as at 31 December 2020, the Group has un-utilised available banking facilities of approximately RMB47,716,000, secured by its ownership interests in land and buildings with carrying value of approximately RMB1,375,000 and guaranteed by the directors of the Company with guaranteed amount of RMB110,000,000; and

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

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

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

In the current year, the Group has applied, for its first time, the Amendments to References to the Conceptual Framework in Hong Kong Financial Reporting Standards ("HKFRSs") and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") which are effective for the Group's financial year beginning 1 January 2020:

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

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

New and amendments to HKFRSs issued but not yet effective

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

HKFRS 17	Insurance Contracts and related Amendments[5]
Amendments to HKFRS 3	Reference to Conceptual Framework[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and the related amendments to Hong Kong Interpretation 5(2020) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[5]
Amendments to HKAS 16	Property, plant and Equipment: Proceeds before Intended Use[3]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[3]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform – Phase 2[1]
Amendment to HKFRS 16	COVID-19 – Related Rent Concessions[4]
Amendment to HKFRSs	Annual Improvements to HKFRSs 2018–2020 cycle[3]

1 Effective for annual periods beginning on or after 1 January 2021.
2 Effective for annual periods beginning on or after a date to be determined.
3 Effective for annual periods beginning on or after 1 January 2022.
4 Effective for annual periods beginning on or after 1 June 2020.
5 Effective for annual periods beginning on or after 1 January 2023.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

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 certain financial instruments that are measured at fair values at the end of each reporting period.

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

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

The principal accounting policies are set out below.

Basis of consolidation

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

Control is achieved where the Group has (i) power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) ability to use its power over the investee to affect the amount of the Group's return. 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 the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

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. When assets and liabilities of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets and liabilities (i.e. reclassified to profit or loss or transferred directly to retained profits as specified by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 *Financial Instruments* or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations or asset acquisitions

Effective from 1 January 2020, the Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

Assets acquisitions

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, except that:

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations (Continued)

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

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

Goodwill

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates (Continued)

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

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

Revenue recognition

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

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

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

- The Group' performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

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

Contract assets and contract liabilities

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Contract assets and contract liabilities (Continued)

The Group recognised revenue from the following major sources:

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

Sales of goods

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

Construction revenue from BOT arrangements

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

Provision of charging services for electric vehicles

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Warranties

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

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

Leasing

Definition of a lease

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

The Group as lessee

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

Lease liabilities

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing (Continued)

The Group as lessee (Continued)

Lease liabilities (Continued)

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

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

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

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

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

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing (Continued)

The Group as lessee (Continued)

Right-of-use assets

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

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

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

The Group as lessor

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

Foreign currencies

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Borrowing costs

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

Any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

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.

Retirement benefit costs

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

Short-term employee benefits

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation

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

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

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

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

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

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority on either (i) the same taxable entity; or (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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

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

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

Property, plant and equipment

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

Ownership interests in leasehold land and buildings

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Service Concession arrangements

Consideration given by the grantor

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

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

Operating services

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

Intangible assets

Intangible assets acquired separately

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

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

Research and development expenditure

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

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

Cash and cash equivalents

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

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

Investment in a subsidiary

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

Financial instruments

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

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

Financial assets

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Financial assets at amortised cost (debt instruments)

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

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

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

(i) Amortised cost and effective interest method

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Equity instruments designated as at FVTOCI

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

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

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

Financial assets at FVTPL

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Financial assets at FVTPL (Continued)

A financial asset is classified as held for trading if:

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

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

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

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

Significant increase in credit risk

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Significant increase in credit risk (Continued)

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

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

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Definition of default

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

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

The Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

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

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

Write-off policy

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Measurement and recognition of expected credit losses

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

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

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

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

Derecognition of financial assets

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

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

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (1) contingent consideration of an acquirer in a business combination to which HKFRS 3 applies, (2) held for trading, or (3) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Equity instruments (Continued)

Financial liabilities at FVTPL (Continued)

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKFRS 9 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liabilities and is included in profit or loss.

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not (1) contingent consideration of an acquirer in a business combination, (2) held-for-trading, or (3) designated as at FVTPL, are subsequently measured at amortised cost using the effective interest method.

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

Derecognition of financial liabilities

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Fair value measurement

When measuring fair value, except for the Group's 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgements in applying accounting policies

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

Control over a subsidiary

As disclosed in note 45, Shandong Huidian New Energy Technology Co., Ltd.* (山東匯電新能源科技有限公司) ("Shandong Huidian") was considered a subsidiary of the Group, in which only 45% equity interest in Shandong Huidian was held by the Group, since the Group had 51% of the voting rights in the shareholders' meeting of Shandong Huidian. The Group also had the power to appoint three out of the five directors of that company under the provisions stated in the Article of Association of Shandong Huidian.

The directors of the Company assessed the Group's control over Shandong Huidian on the basis of its practical ability to direct the relevant activities unilaterally. In making their judgement, the directors of the Company considered the Group held more than half of the voting rights in the shareholders' meeting so the Group had the control over Shandong Huidian.

During the year ended 31 December 2020, the Group acquired an additional 15% equity interest of Shandong Huidian, increasing its ownership interest to 60%. Details of the acquisition are set out in note 46.

Going concern basis

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

* English name is for identification purpose only.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

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

Key sources of estimation uncertainty

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

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 RMB32,452,000 (2019: RMB38,769,000) and identify if there is any 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 recoverable amounts of the assets is based on value in use calculation which require the use of estimations such as profit forecasts, cash flow projections and discount rates. For any instance where this evaluation process indicates impairment, the relevant intangible asset's carrying amount is written down to the recoverable amount and the amount of the write-down is recognised in the consolidated statement of profit or loss and other comprehensive income. Based on the estimated recoverable amounts, no impairment loss has been recognised for the years ended 31 December 2020 and 2019. Where the actual cashflows are less than expected, or change in facts and circumstances which results in downward revision of future cashflow, a material impairment loss may arise.

Income taxes

As at 31 December 2020, a deferred tax asset of approximately RMB8,590,000 (2019: RMB9,139,000) in relation to deductible temporary difference of allowance for impairment loss of trade receivables, contract assets, deposits and other receivables and loan receivables in aggregate of approximately RMB57,274,000 (2019: RMB60,927,000) has been recognised in the Group's consolidated statement of financial position. No deferred tax asset has been recognised on the remaining deductible temporary difference of (i) allowance for impairment loss of trade receivables, contract assets, deposits and other receivables and loan receivables of approximately RMB51,270,000 (2019: RMB52,759,000); and (ii) un-used tax losses amounting to approximately RMB117,554,000 (2019: RMB92,122,000) due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal takes place.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

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

Key sources of estimation uncertainty (Continued)

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

The impairment provisions for trade and bills receivables, contract assets, deposits and other receivables and loan receivables are based on assumptions about ECL. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, bases on the number of days that an individual receivable is outstanding as well as the Group's historical experience and forward-looking information at the end of the reporting period. Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional impairment charge to the consolidated statement of profit or loss and other comprehensive income. At 31 December 2020, the aggregate amount of carrying amount and accumulated impairment loss of trade and bills receivables, contract assets, deposits and other receivables and loan receivables are approximately RMB311,979,000 (2019: RMB343,481,000) and RMB108,544,000 (2019: RMB113,686,000), respectively.

Impairment of prepayments to suppliers

At the end of the reporting period, the directors of the Company review the carrying amount of the prepayments to suppliers of approximately RMB26,196,000 (2019: RMB24,505,000) and identify if there is impairment indication for the prepayments to suppliers. Accordingly, the recoverable amounts of the prepayments to suppliers are estimated in order to determine the extent of the impairment loss. The estimates of the recoverable amount of the prepayments to suppliers require the use of assumptions such as utilisation rate of the prepayments to suppliers subsequently to the end of the reporting period or refund from the suppliers subsequently as a result of the inability of filling up of the purchase orders by the suppliers.

Impairment of property, plant and equipment and right-of-use assets

Property, plant and equipment and right-of-use assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. 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 assets belongs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

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

Key sources of estimation uncertainty (Continued)

Impairment of property, plant and equipment and right-of-use assets (Continued)

The future cash flow is estimated based on past performance and expectation for market development, including but not limited to the impacts of COVID-19 pandemic. As the current environment is uncertain, the estimated cash flows and discount rate are subject to higher degree of estimation uncertainty. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the recoverable amounts.

As at 31 December 2020, the carrying amounts of property, plant and equipment and right-of-use assets were RMB176,010,000 and RMB7,727,000 (2019: RMB186,299,000 and RMB8,238,000) respectively. No impairment loss has been recognised in respect of the property, plant and equipment and right-of-use assets for both years.

Allowance for inventories

The management review the inventory ageing analysis on a periodical basis in order to determine whether allowance need to be made in respect of any obsolete and defective inventories identified, and estimate the net realisable value based primarily on the latest sales unit prices, sales contracts and current market conditions. As at 31 December 2020, the carrying amount of inventories is approximately RMB106,878,000 (2019: RMB80,836,000). No allowance for inventories was recognised for both years.

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

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

In estimating the fair value of the unlisted and listed equity investments of approximately RMB26,137,000 (2019: RMB27,905,000) and RMB9,066,000 (2019: RMB12,449,000) as at 31 December 2020, the Group uses market-observable data to the extent it is available.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

5. REVENUE

Revenue represents the amounts arising on (i) sales of electric products including direct current power system, power storage equipment and charging equipment for electric vehicles; (ii) 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:

	2020	2019
	RMB'000	RMB'000
Revenue from contract with customers within the scope of HKFRS 15		
Disaggregated by major products or services lines		
Sales of electric products	**254,335**	279,185
Construction revenue under BOT arrangements	**–**	1,292
Provision of charging services for electric vehicles	**18,836**	18,200
Sales of electric vehicles	**302**	–
	273,473	298,677
Revenue from other source		
Rental income from operating leases of electric vehicles		
– Fixed lease payments	**2,119**	2,537
	275,592	301,214

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

5. REVENUE (Continued)

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

For the year ended 31 December 2020

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

For the year ended 31 December 2019

	Segments				
	DC Power System RMB'000	Charging Equipment RMB'000	Charging Services and Construction RMB'000	Others RMB'000	Total RMB'000
Types of goods or service					
Sales of electric products	133,064	144,915	–	1,206	279,185
Construction revenue under BOT arrangements	–	–	1,292	–	1,292
Provision of charging services for electric vehicles	–	–	18,200	–	18,200
Revenue from contracts with customers	133,064	144,915	19,492	1,206	298,677
Lease of electric vehicles	–	–	–	2,537	2,537
Total	133,064	144,915	19,492	3,743	301,214

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

5. REVENUE (Continued)

Disaggregation of revenue by timing of recognition

	2020	2019
	RMB'000	RMB'000
Timing of revenue recognition		
At a point in time	**273,473**	297,385
Over time	**–**	1,292
Total revenue from contracts with customers	**273,473**	298,677

Transaction price allocated to the remaining performance obligations

As at 31 December 2020, the aggregate amount of transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) is approximately RMB106,623,000 (2019: RMB76,201,000). The amount represents revenue expected to be recognised in the future from sales of electric products.

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

6. SEGMENT INFORMATION

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

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

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

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

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

(iv) Others — Including two operating segments namely (i) Power Storage Equipment; and (ii) Electric Vehicles – sales and leases of electric vehicles

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

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 2020

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

6. SEGMENT INFORMATION (Continued)

Segment revenues and results (Continued)

Year ended 31 December 2019

	DC Power System RMB'000	Charging Equipment RMB'000	Charging Services and Construction RMB'000	Others RMB'000	Total RMB'000
Segment revenue	133,064	144,915	19,492	3,743	301,214
Segment profit	39,741	48,426	4,546	257	92,970
Unallocated other revenue					20,821
Other gains and losses					(1,700)
Share of results of associates					(510)
Unallocated expenses					(151,791)
Finance costs					(9,625)
Loss before tax					(49,835)

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

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

Segment assets and liabilities

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

Segment assets

	2020 RMB'000	2019 RMB'000
DC Power System	**282,972**	297,277
Charging Equipment	**323,411**	310,774
Charging Services and Construction	**54,614**	76,650
Others	**3,565**	5,369
Total segment assets	**664,562**	690,070
Unallocated	**161,878**	188,694
Consolidated assets	**826,440**	878,764

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

6. SEGMENT INFORMATION (Continued)

Segment assets and liabilities (Continued)

Segment liabilities

	2020	2019
	RMB'000	RMB'000
DC Power System	**59,198**	58,438
Charging Equipment	**61,144**	59,714
Charging Services and Construction	**11,195**	3,902
Others	**1,515**	2,002
Total segment liabilities	**133,052**	124,056
Unallocated	**188,495**	210,364
Consolidated liabilities	**321,547**	334,420

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

- all assets are allocated to operating segments other than interests in associates, financial assets at FVTOCI, financial asset at FVTPL, finance lease receivable, deferred tax assets, loan receivables, certain deposits and other receivables, tax recoverable, restricted bank balances, short-term bank deposits and bank balances and cash; and

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

6. SEGMENT INFORMATION (Continued)

Other segment information

For the year ended 31 December 2020

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

6. SEGMENT INFORMATION (Continued)

Other segment information (Continued)

For the year ended 31 December 2019

	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)*	34,077	34,551	1,727	50	–	70,405
Allowance for impairment loss recognised in respect of trade receivables	1,107	–	–	–	–	1,107
Reversal of impairment loss recognised in respect of trade receivables	(7,227)	–	–	–	–	(7,227)
Reversal of impairment loss recognised in respect of contract assets	(1,676)	–	–	–	–	(1,676)
Gain on disposal of plant and equipment	(27)	–	–	–	–	(27)
Loss on write-off of property, plant and equipment	316	–	–	–	–	316
Finance costs	10	20	–	–	9,625	9,655
Depreciation and amortisation	3,812	3,898	4,656	96	–	12,462
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss or segment assets:						
Interests in associates	–	–	–	–	14,386	14,386
Financial assets at FVTOCI	–	–	–	–	27,905	27,905
Financial asset at FVTPL	–	–	–	–	12,449	12,449
Allowance for impairment loss recognised in respect of loan receivables	–	–	–	–	37,035	37,035
Allowance for impairment loss recognised in respect of other receivables	–	–	–	–	9,116	9,116
Share of results of associates	–	–	–	–	510	510
Bank interest income	–	–	–	–	(814)	(814)
Loan interest income	–	–	–	–	(5,259)	(5,259)
Interest income on finance lease receivable	–	–	–	–	(110)	(110)
Government grants	–	–	–	–	(4,565)	(4,565)
Income tax credit	–	–	–	–	(1,043)	(1,043)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

6. SEGMENT INFORMATION (Continued)

Geographical information

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

Information about major customers

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

	2020	2019
	RMB'000	RMB'000
Customer A[1]	**76,940**	38,581

[1] Revenue from Charging Equipment

7. OTHER REVENUE AND INCOME

	2020	2019
	RMB'000	RMB'000
Value added tax ("VAT") refunds *(note (a))*	**8,114**	10,073
Interest income on loan receivables	**767**	5,259
Interest income on finance lease receivable	**93**	110
Bank interest income	**355**	814
Government grants *(note (b))*	**3,741**	4,565
	13,070	20,821

Notes:

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

(b) The government grants are subsidies received from Zhuhai Finance Bureau ("珠海市財政局"), Department of Finance of Guangdong Province ("廣東省財政廳") and The Ministry of Science and Technology of the People's Republic of China ("中華人民共和國科學技術部") regarding the research and development on technology innovation and promotion of electric vehicles. There are no unfulfilled conditions or contingencies relating to those subsidies and they are recognised upon receipt during the years ended 31 December 2020 and 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

8. OTHER GAINS AND LOSSES

	2020	2019
	RMB'000	RMB'000
Loss on write-off of property, plant and equipment	**(299)**	(316)
Fair value loss on financial assets at FVTPL *(note 21)*	**(3,383)**	(4,793)
Net exchange (loss) gain	**(484)**	2,987
(Loss) gain on disposal of plant and equipment	**(933)**	27
Write back on a trade payable	**360**	–
Gain on disposal of a subsidiary *(note 47)*	**30**	–
Loss on partial disposal of an associate *(note 20)*	**(436)**	–
Gain on disposal of an associate *(note 20)*	**4,550**	106
	(595)	(1,989)

9. FINANCE COSTS

	2020	2019
	RMB'000	RMB'000
Interest on:		
Bank borrowings	**7,906**	8,559
Other borrowings	**3,306**	4,380
Lease liabilities	**14**	30
	11,226	12,969
Less: amounts capitalised *(note)*	**–**	(3,314)
	11,226	9,655

Note: Borrowing costs capitalised during the year ended 31 December 2019 arose as general borrowing pool and were calculated by applying a capitalisation rate of 5.88% (2020: nil) per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

10. INCOME TAX CREDIT

	2020	2019
	RMB'000	RMB'000
Current tax:		
PRC Enterprise Income Tax ("EIT")	**–**	4,172
Deferred tax *(note 33)*:	**(1,069)**	(5,215)
	(1,069)	(1,043)

For the years ended 31 December 2020 and 2019, Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit. No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from, Hong Kong for both years.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the applicable tax rate of certain PRC subsidiaries is 25% (2019: 25%). No provision for EIT has been made for the year ended 31 December 2020 as the Group did not have any assessable profits subject to EIT.

Zhuhai Titans Technology Co., Ltd.* 珠海泰坦科技股份有限公司 ("Titans Technology") was recognised as an approved high technology enterprise and therefore is entitled to a tax concession period of reduction in EIT rate of 15% from 2020 to 2022.

* English name is for identification purpose only.

10. INCOME TAX CREDIT (Continued)

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

	2020 **RMB'000**	2019 RMB'000
Loss before tax	**(31,280)**	(49,835)
Tax at the applicable income tax rate of 15% (2019: 15%) *(note (i))*	**(4,692)**	(7,475)
Tax effect of expenses not deductible for tax purpose	**2,377**	4,870
Tax effect of income not taxable for tax purpose	**(1,305)**	(1,081)
Tax effect of share of results of associates	**(510)**	127
Tax effect of tax losses not recognised	**6,775**	1,788
Tax effect on withholding tax arising on undistributed profits of the PRC subsidiaries	**(772)**	(4,372)
Tax effect of deductible temporary difference not recognised	**108**	7,328
Utilisation of deductible temporary difference previously not recognised	**(479)**	–
Utilisation of tax losses previously not recognised	**–**	(164)
Effect of tax concession granted to a PRC subsidiary *(note (ii))*	**–**	(454)
Effect of different tax rates of subsidiaries operating in other jurisdictions or subsidiaries subject to statutory tax rate	**(2,571)**	(1,610)
Income tax credit	**(1,069)**	(1,043)

Notes:

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

(ii) On 18 January 2019, the Ministry of Finance in PRC issued notice no. 13 of on the Implementation of Inclusive Tax Reduction Policies for Small and Micro Enterprises. Corporations with annual taxable income of less than RMB 3 million are qualified for this tax concession. From 1 January 2019 to 31 December 2021, the first RMB 1 million of annual taxable income of the qualifying corporation will be taxed at 5%, and further RMB 2 million annual taxable income will be taxed at 10%. 韶關市驛聯新能源汽車運營服務有限公司, a wholly-owned subsidiary of the Group, was entitled to this tax concession during the year ended 31 December 2019.

Details of deferred taxation are set out in note 33.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

11. LOSS FOR THE YEAR

	2020 RMB'000	2019 RMB'000
Loss for the year have been arrived at after charging (crediting):		
Staff costs		
Directors' emoluments *(note 12)*	**1,930**	1,613
Other staff:		
– salaries and other allowances	**57,910**	44,891
– retirement benefits scheme contributions (excluding directors)	**5,915**	4,160
Total staff costs	**65,755**	50,664
Impairment losses of financial assets:		
– trade receivables	**3,995**	1,107
– deposits and other receivables	**–**	9,116
– loan receivables	**–**	37,035
	3,995	47,258
Reversal of impairment losses of financial assets		
– trade receivables	**(1,297)**	(7,227)
– contract assets	**(307)**	(1,676)
– deposits and other receivables	**(1,214)**	–
– loan receivables	**(6,319)**	–
Total (reversal of impairment losses) impairment losses of financial assets	**(5,142)**	38,355
Amortisation of intangible assets	**6,317**	4,235
Depreciation of property, plant and equipment	**13,817**	7,689
Depreciation of right-of-use assets	**511**	538
Total depreciation and amortisation	**20,645**	12,462
Auditors' remuneration	**1,057**	1,145
Cost of inventories recognised as an expense	**163,187**	173,744
Research and development expenses (included in administrative and other expenses) *(note (i))*	**24,848**	25,818

Note:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the five (2019: five) directors and the chief executive were as follows:

For the year ended 31 December 2020

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

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

For the year ended 31 December 2019

	Executive directors		Independent non-executive directors			
	Li Xin Qing RMB'000	An Wei RMB'000	Li Wan Jun RMB'000	Zhang Bo RMB'000	Pang Zhan RMB'000	Total RMB'000
Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking:						
Fees	–	–	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 or its subsidiary undertaking:						
Other emoluments						
Salaries	690	614	–	–	–	1,304
Total emoluments	690	614	103	103	103	1,613

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

No directors waived or agreed to waive any of their emoluments during the years ended 31 December 2020 and 2019.

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 2020 and 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

13. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (2019: two) were directors and the chief executives of the Company whose emoluments are included in the disclosures in note 12 above. The emoluments of the remaining three (2019: three) individuals were as follows:

	2020	2019
	RMB'000	RMB'000
Salaries and other allowances	**1,680**	1,376
Discretionary bonus *(note)*	**216**	206
Contributions to retirement benefits scheme	**82**	68
	1,978	1,650

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

The emoluments of the above remaining three individuals are within the band of nil to Hong Kong dollars ("HK$") 1,000,000 (equivalent to approximately RMB842,000 (2019: nil to HK$1,000,000 (equivalent to RMB895,000)).

14. DIVIDENDS

No dividend was paid or proposed during the year ended 31 December 2020 (2019: nil), nor has any dividend been proposed since the end of the reporting period.

15. LOSS PER SHARE

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

	2020	2019
	RMB'000	RMB'000
Loss for the purpose of basic and diluted loss per share	**(29,622)**	(47,603)

Number of shares

	2020	2019
	'000	'000
Number of ordinary shares for the purpose of basic and diluted loss per share	**925,056**	925,056

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2020

16. PROPERTY, PLANT AND EQUIPMENT

	Ownership interests in land and buildings RMB'000	Leasehold improvements RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Plant and machinery RMB'000	Construction in progress RMB'000	Total RMB'000
COST							
At 1 January 2019	15,683	14,340	17,785	16,424	41,035	90,799	196,066
Additions	–	69	998	–	3,526	64,520	69,113
Disposals	–	–	–	(368)	–	–	(368)
Write-off	–	–	(2,752)	–	(157)	–	(2,909)
Transfer	155,319	–	–	–	–	(155,319)	–
At 31 December 2019	171,002	14,409	16,031	16,056	44,404	–	261,902
Additions	–	–	410	–	50	–	460
Transfer from inventories *(note 48)*	–	–	2,146	2,851	–	–	4,997
Disposals	–	–	(422)	(1,851)	(1,696)	–	(3,969)
Write-off	–	–	(26)	–	(349)	–	(375)
Disposed through disposal of a subsidiary *(note 47)*	–	–	–	(199)	–	–	(199)
At 31 December 2020	171,002	14,409	18,139	16,857	42,409	–	262,816
ACCUMULATED DEPRECIATION							
At 1 January 2019	13,922	13,893	13,783	9,021	19,496	–	70,115
Provided for the year	193	149	1,752	1,507	4,088	–	7,689
Eliminated on disposals	–	–	–	(238)	–	–	(238)
Eliminated on write-off	–	–	(2,544)	–	(49)	–	(2,593)
At 31 December 2019	14,115	14,042	12,991	10,290	23,535	–	74,973
Provided for the year	7,182	149	1,934	1,974	2,578	–	13,817
Eliminated on disposals	–	–	(395)	(1,092)	(232)	–	(1,719)
Eliminated on write-off	–	–	(21)	–	(55)	–	(76)
Disposed through disposal of a subsidiary *(note 47)*	–	–	–	(189)	–	–	(189)
At 31 December 2020	21,297	14,191	14,509	10,983	25,826	–	86,806
CARRYING VALUES							
31 December 2020	149,705	218	3,630	5,874	16,583	–	176,010
31 December 2019	156,887	367	3,040	5,766	20,869	–	186,929

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

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

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

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

As at 31 December 2020, the Group has pledged its ownership interests in land and buildings, motor vehicles and plant and machinery with carrying values of approximately RMB149,705,000 (2019: RMB156,887,000), nil (2019: RMB1,634,000) and RMB1,543,000 (2019: RMB1,759,000) respectively to secure banking facilities and other borrowings granted to the Group. Details of bank and other borrowings are set out in note 32.

17. LEASES

(i) Right-of-use assets

	2020	2019
	RMB'000	RMB'000
Land	**7,676**	7,989
Buildings	**51**	249
	7,727	8,238

As at 31 December 2020, right-of-use assets of approximately RMB7,676,000 (2019: RMB7,989,000) represent land use rights located in the PRC.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

17. LEASES (Continued)

(ii) Lease liabilities

	2020	2019
	RMB'000	RMB'000
Non-current	**–**	55
Current	**55**	204
	55	259

Amounts payable under lease liabilities

	2020	2019
	RMB'000	RMB'000
Within one year	**55**	204
After one year but within two years	**–**	55
	55	259
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(55)**	(204)
Amount due for settlement after 12 months	**–**	55

(iii) Amounts recognised in profit or loss

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Depreciation expense on right-of-use assets:		
– Land	**312**	312
– Buildings	**199**	226
	511	538
Interest expense on lease liabilities	**14**	30
Expense relating to short-term leases	**1,475**	1,571

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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17. LEASES (Continued)

(iv) Others

During the year ended 31 December 2020, the total cash outflow for leases amount to approximately RMB1,693,000 (2019: RMB1,817,000).

As at 31 December 2020 and 2019, the Group has pledged its land use right to secure banking facilities granted to the Group. Details of bank and other borrowings are set out in note 32.

18. GOODWILL

	RMB'000
COST	
At 1 January 2019, 31 December 2019 and 2020	449
IMPAIRMENT	
At 1 January 2019, 31 December 2019 and 2020	449
CARRYING AMOUNT	
At 31 December 2020	–
At 31 December 2019	–

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

19. INTANGIBLE ASSETS

	Technical know-how RMB'000 *(note (i))*	Charging services concession rights RMB'000 *(note (ii))*	Total RMB'000
COST			
At 1 January 2019	3,000	50,401	53,401
Additions	–	1,292	1,292
At 31 December 2019 and 2020	3,000	51,693	54,693
AMORTISATION			
At 1 January 2019	3,000	8,689	11,689
Charge for the year	–	4,235	4,235
At 31 December 2019	3,000	12,924	15,924
Charge for the year	–	6,317	6,317
At 31 December 2020	3,000	19,241	22,241
CARRYING VALUES			
At 31 December 2020	–	32,452	32,452
At 31 December 2019	–	38,769	38,769

Notes:

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

(ii) For the BOT arrangement in Shaoguan, the charging services concession right for an exclusive period of 8 years with initial cost of approximately RMB20,912,000 was recognised during the year ended 31 December 2016. During the year ended 31 December 2020, amortisation expense of approximately RMB2,613,000 (2019: RMB2,613,000) has been recognised.

For the BOT arrangement in Baoding, the charging services concession right for an exclusive period of 10 years with initial cost of approximately RMB5,780,000 was recognised during the year ended 31 December 2016. During the year ended 31 December 2020, amortisation expense of approximately RMB578,000 (2019: RMB578,000) has been recognised.

For the BOT arrangements in Foshan, the charging services concession right for exclusive period of 8 years with initial cost of RMB23,709,000 was recognised as at 31 December 2018. During the year ended 31 December 2019, additional cost of approximately RMB1,292,000 was recognised. During the year ended 31 December 2020, amortisation expense of approximately RMB3,126,000 (2019: RMB1,044,000) has been recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

20. INTERESTS IN ASSOCIATES

	2020 RMB'000	2019 RMB'000
Cost of investment in unlisted associates	**19,762**	24,646
Share of post-acquisition results, net of dividend received	**(4,052)**	(10,260)
	15,710	14,386

Notes:

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

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

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

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

(iii) Acquisition of equity interest in Jiangsu Titans Intelligent Technology Co., Ltd. (Formerly known as Wuhan Titans Intelligent Technology Co., Ltd.)* (江蘇泰坦智慧科技有限公司"前稱武漢泰坦智慧科技有限公司") ("Jiangsu Titans")

On 3 April 2019, a wholly-owned subsidiary of the Company entered into agreement with an independent third party to acquire 20% equity interest in Jiangsu Titans at an agreed cash consideration of RMB10,000,000. The acquisition was completed on 9 July 2019.

(iv) Disposal of equity interest in Tongren City Green Travelling New Energy Transportation Operation Co., Ltd.* (銅仁市綠色出行新能源交通營運有限公司) ("Tongren City")

On 10 July 2019, a wholly-owned subsidiary of the Company entered into agreement with an independent third party, for the disposal of its equity interest in Tongren City at an agreed cash consideration of RMB1,500,000. Gain on disposal of an associate of approximately RMB106,000 had been recognised for the year ended 31 December 2019.

* English name is for identification purpose only.

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20. INTERESTS IN ASSOCIATES (Continued)

As at 31 December 2020 and 2019, the Group had interests in the following material associates:

Name of entity	Form of entity	Place of establishment/ operation	Class of shares held	Proportion of ownership interests indirectly held by the Group		Proportion of voting power held		Principal activities
				2020	2019	**2020**	2019	
Jiangsu Titans	Registered	The PRC	Contributed capital	**20%**	20%	**20%**	20%	Research and development of computer software
Guangdong Titans	Registered	The PRC	Contributed capital	**30.96%**	36%	**30.96%**	36%	Research and development, sales and manufacturing of automated guided vehicles

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

Jiangsu Titans

	2020 RMB'000	2019 RMB'000
Cost of investment in Jiangsu Titans	**10,000**	10,000

	2020 RMB'000	2019 RMB'000
Current assets	**402**	449
Non-current assets	**22,703**	17,101
Current liabilities	**12,830**	4,775

20. INTERESTS IN ASSOCIATES (Continued)

Jiangsu Titans (Continued)

	Year ended 31 December 2020 RMB'000	Period from 9 July 2019 to 31 December 2019 RMB'000
Revenue for the year/period	**611**	–
Loss and total comprehensive expense for the year/period	**(2,500)**	(3,065)

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

	2020 RMB'000	2019 RMB'000
Net assets of Jiangsu Titans	**10,275**	12,775
Proportion of the Group's ownership interest in Jiangsu Titans	**20%**	20%
	2,055	2,555
Goodwill	**6,832**	6,832
Carrying amount of the Group's interest in Jiangsu Titans	**8,887**	9,387

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20. INTERESTS IN ASSOCIATES (Continued)

Guangdong Titans

	2020 RMB'000	2019 RMB'000
Cost of investment in Guangdong Titans	**1,742**	2,026

	2020 RMB'000	2019 RMB'000
Current assets	**41,264**	19,510
Non-current assets	**467**	207
Current liabilities	**19,564**	11,759
Non-current liabilities	**7,000**	–

	2020 RMB'000	2019 RMB'000
Revenue for the year	**52,393**	28,682
Profit and total comprehensive income for the year	**7,210**	2,639

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

	2020 RMB'000	2019 RMB'000
Net assets of Guangdong Titans	**15,167**	7,958
Proportion of the Group's ownership interest in Guangdong Titans	**30.96%**	36%
Carrying amount of the Group's interest in Guangdong Titans	**4,696**	2,865

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20. INTERESTS IN ASSOCIATES (Continued)

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

	2020	2019
	RMB'000	RMB'000
The Group's share of loss	**(7)**	(847)

	2020	2019
	RMB'000	RMB'000
Carrying amount of the Group's interests in immaterial associates	**2,127**	2,134

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

	2020	2019
	RMB'000	RMB'000
Unrecognised share of losses of associates for the year	**5,283**	4,314
Accumulated unrecognised share of losses of associates	**10,326**	5,043

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

	Notes	**2020** **RMB'000**	2019 RMB'000
Financial asset at FVTPL comprises:			
– Equity security listed in the PRC	*(a)*	**9,066**	12,449
Financial assets at FVTOCI comprises:			
– Unlisted equity securities	*(b)*	**26,137**	27,905

Notes:

(a) As at 31 December 2020, the investment in equity security of company listed in the PRC, represented Sichuan Haote Precision Equipment Limited* (四川豪特精工裝備股份有限公司) ("Haote Precision"), which carries at fair value of approximately RMB9,066,000 (2019: RMB12,449,000). Fair value loss on financial asset at FVTPL of approximately RMB3,383,000 (2019: RMB4,793,000) has been recognised during the year ended 31 December 2020.

(b) As at 31 December 2020, the fair value of unlisted equity interests in Hong Kong and the United Sates, represented Juline (China) Energy Tech. Group Co., Ltd ("Juline (China)") and Aquion Energy LLC ("Aquion Energy"), amounting to approximately RMB17,002,000 and approximately US$1,400,000 (equivalent to approximately RMB9,135,000) (2019: RMB18,138,000 and approximately US$1,400,000 (equivalent to approximately RMB9,767,000)) respectively.

* English name is for identification purpose only

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For the year ended 31 December 2020

22. FINANCE LEASE RECEIVABLE

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

	2020	2019
	RMB'000	RMB'000
Analysed as:		
Current	**142**	123
Non-current	**350**	492
	492	615

	2020	2019
	RMB'000	RMB'000
Amounts receivable under finance lease:		
Within one year	**216**	216
After one year but within two years	**216**	216
After two years but within three years	**218**	216
After three years but within four years	**–**	218
Undiscounted lease payments and gross investment in leases	**650**	866
Less: unearned finance income	**(158)**	(251)
Present value of minimum lease payment receivable	**492**	615

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

	2020	2019
	RMB'000	RMB'000
Finance income on the net investment in finance leases	**93**	110

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

	2020	2019
	RMB'000	RMB'000
United States dollars ("US$")	**492**	615

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22. FINANCE LEASE RECEIVABLE (Continued)

As at 31 December 2020 and 2019, finance lease receivable is secured over the machinery leased.

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

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

23. INVENTORIES

	2020	2019
	RMB'000	RMB'000
Raw materials	**11,285**	14,243
Work-in-progress	**9,040**	9,407
Finished goods	**86,553**	57,186
	106,878	80,836

24. TRADE AND BILLS RECEIVABLES

	2020	2019
	RMB'000	RMB'000
Trade receivables	**314,043**	322,598
Less: allowance for impairment loss	**(66,540)**	(63,842)
	247,503	258,756
Bills receivables	**1,006**	8,166
Total trade and bills receivables	**248,509**	266,922

The bills receivables as at 31 December 2020 were fallen within the aged group of 0–90 days with approximately RMB1,006,000 (2019: RMB8,166,000), 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 2020

24. TRADE AND BILLS RECEIVABLES (Continued)

At 31 December 2020, the carrying amount of the trade receivables which have been pledged as security for the borrowing, is approximately RMB139,239,000 (2019: RMB85,431,000).

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

	2020	2019
	RMB'000	RMB'000
0–90 days	**137,812**	131,302
91–180 days	**24,719**	23,425
181–365 days	**49,164**	57,180
1–2 years	**23,050**	24,809
2–3 years	**12,758**	22,040
	247,503	258,756

The Group allows an average credit period of 90 days (2019: 90 days) to its trade customers. For certain customers with installment payments, initial payments are requested and due upon signing of sales contracts, while remaining payments are fallen due after installation and testing. Retention money will be fallen due from the end of the product quality assurance period. For the trade receivables from the state-owned enterprises, they normally settle their outstanding balances upon the completion of their constructions in accordance with the industry practice in the PRC.

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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24. TRADE AND BILLS RECEIVABLES (Continued)

For certain trade receivables of approximately RMB40,435,000 (2019: RMB41,732,000) for which the counterparty failed to make demanded repayments, the Group has made 100% provision. The Group recognised lifetime ECL for trade receivables based on individually significant customer or collectively for customers that are not individually significant as follows:

As at 31 December 2020	**Weighted average expected loss rate %**	**Gross carrying amount RMB'000**	**Loss allowance RMB'000**
Current (not past due)	**1.10%**	**123,573**	**1,364**
Less than 3 month past due	**1.96%**	**42,205**	**826**
More than 3 months but less than 6 months past due	**2.29%**	**14,161**	**325**
More than 6 months but less than 12 months past due	**2.63%**	**27,884**	**732**
More than 12 months but less than 24 months past due	**6.00%**	**39,623**	**2,376**
More than 24 months but less than 36 months past due	**21.34%**	**7,221**	**1,541**
More than 36 months past due	**100%**	**18,941**	**18,941**
Default receivable	**100%**	**40,435**	**40,435**
		314,043	**66,540**

As at 31 December 2019	Weighted average expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Current (not past due)	1.15%	133,255	1,529
Less than 3 month past due	2.06%	23,532	485
More than 3 months but less than 6 months past due	2.43%	11,986	291
More than 6 months but less than 12 months past due	2.80%	59,925	1,680
More than 12 months but less than 24 months past due	6.66%	16,415	1,094
More than 24 months but less than 36 months past due	26.55%	25,489	6,767
More than 36 months past due	100%	10,264	10,264
Default receivable	100%	41,732	41,732
		322,598	63,842

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24. TRADE AND BILLS RECEIVABLES (Continued)

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

	2020	2019
	RMB'000	RMB'000
1 January	**63,842**	69,962
Allowance for impairment loss	**3,995**	1,107
Reversal of impairment loss	**(1,297)**	(7,227)
31 December	**66,540**	63,842

25. CONTRACT ASSETS/CONTRACT LIABILITIES

(a) Contract assets

	2020	2019
	RMB'000	RMB'000
Retention receivables	**36,108**	42,135
Less: allowance for impairment loss	**(2,200)**	(2,507)
	33,908	39,628

Retentions receivable, prior to expiration of retention period, are classified as contract assets, which usually ranges from one to two years from the date of the completion of the project. The relevant amount of contract assets is reclassified to trade receivable when the retention period expires. The retention period serves as an assurance that the electric products sold comply with agreed upon specifications and such assurance cannot be purchased separately.

At 31 December 2020, contract assets of approximately RMB5,231,000 (2019: RMB14,832,000) are expected to be recovered after one year from the end of reporting period.

The Group recognised lifetime ECL for contract assets with gross carrying amount of approximately RMB36,108,000 (2019: RMB42,135,000) as at 31 December 2020 collectively by applying expected credit loss rates ranging from 1.60% to 21.41% (2019: from 2.20% to 25.44%). Loss allowance of approximately RMB2,200,000 (2019: RMB2,507,000) is made as at 31 December 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

25. CONTRACT ASSETS/CONTRACT LIABILITIES (Continued)

(a) Contract assets (Continued)

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

	Lifetime ECL
	RMB'000
At 1 January 2019	4,183
Reversal of impairment loss	(1,676)
At 31 December 2019	2,507
Reversal of impairment loss	(307)
At 31 December 2020	2,200

(b) Contract liabilities

	2020	2019
	RMB'000	RMB'000
Receipt in advance	**13,311**	7,469

Contract liabilities include advances received to deliver electric products.

The Group receives range from 5% to 10% of the contract values as initial payments from certain customers when they sign the contracts for sales of electric products. The receipt in advance results in contract liabilities being recognised until the customers obtain control of the electric products.

Revenue recognised during the year ended 31 December 2020 that was included in the contract liabilities at the beginning of the year is approximately RMB7,469,000 (2019: RMB7,691,000). There was no revenue recognised in the current year that related to performance obligations that were satisfied in a prior year.

The significant increase in contract liabilities in 2020 was mainly due to the continuous increase in number of new customers.

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For the year ended 31 December 2020

26. LOAN RECEIVABLES

	2020	2019
	RMB'000	RMB'000
Fixed-rate loan receivables	**36,927**	34,381
Variable-rate loan receivable	**–**	5,000
	36,927	39,381
Less: allowance for impairment loss	**(31,902)**	(38,221)
	5,025	1,160

Included in the carrying amount of loan receivables as at 31 December 2020 is a loan to an associate of RMB2,500,000 (2019: nil).

As at 31 December 2020 and 2019, in determining the expected credit losses for these assets on an individual basis, the directors of the Company have taken into account the financial position of the counterparties, considering various external sources of actual and forecast economic information, as appropriate, in estimating the probability of default of each of these financial assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case.

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

For certain loan receivables of approximately RMB31,902,000 (2019: RMB38,221,000) for which the counterparties failed to make demanded repayments on time and overdue, the Group treated these loan receivables as credit-impaired and recognised allowance for lifetime ECL of approximately RMB31,902,000 (2019: RMB38,221,000). As at 31 December 2020, the Group measures the loss allowance for the remaining loan receivables of approximately RMB5,025,000 (2019: RMB1,160,000) at an amount equal to 12-month ECL and no impairment loss was recognised.

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26. LOAN RECEIVABLES (Continued)

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

	12-month ECL	**Lifetime ECL-credit impaired**	**Total**
	RMB'000	RMB'000	RMB'000
At 1 January 2019	1,186	–	1,186
Transfer to lifetime ECL credit impaired	(1,186)	1,186	–
Allowance for impairment loss	–	37,035	37,035
At 31 December 2019	–	38,221	38,221
Reversal of impairment loss	–	(6,319)	(6,319)
At 31 December 2020	–	(31,902)	(31,902)

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

	2020	2019
Effective interest rate:		
Fixed-rate loan receivables	**4.35% to 10%**	5% to 10%
Variable-rate loan receivable	**–**	PRC base lending rate with increment by 30%

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

	At 31/12/2020	At 31/12/2019
	RMB'000	RMB'000
HKD	**2,525**	–

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27. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2020 **RMB'000**	2019 RMB'000
Other receivables *(note (i))*	**12,385**	18,350
Less: allowance for impairment loss	**(7,902)**	(9,116)
	4,483	9,234
Deposits	**20,054**	26,537
Other tax recoverable	**7,877**	6,297
Prepayments to suppliers *(note (ii))*	**26,196**	24,505
Other prepayments	**750**	968
	59,360	67,541

Notes:

(i) Loan interest receivables included in other receivables of approximately RMB7,902,000 (2019: RMB9,116,000) for which the counterparties failed to make demanded repayments on time and overdue, the Group treated these loan interest receivables as credit-impaired and recognised allowance for lifetime ECL of approximately RMB7,902,000 (2019: RMB9,116,000). The Group measures the loss allowance for the remaining deposits and other receivables at an amount equal to 12-month ECL.

The movement in the allowance for impairment loss of deposits and other receivables is set out below:

	2020 **RMB'000**	2019 RMB'000
1 January	**9,116**	–
Increase during the year	**–**	9,116
Reversal during the year	**(1,214)**	–
31 December	**7,902**	9,116

(ii) The prepayments of approximately RMB26,196,000 (2019: RMB24,505,000) were made to the other suppliers for the supplying of the raw materials and providing services to the Group.

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28. AMOUNTS DUE FROM ASSOCIATES

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

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

	2020	2019
	RMB'000	RMB'000
0–90 days	**141**	447
91–180 days	**–**	154
181–365 days	**30**	674
	171	1,275

The Group allows an average credit period of 90 days (2019: 90 days) to its associates for balances which are trading in nature.

The Group measures the loss allowance for amounts due from associates at an amount equal to 12-month ECL. The management considered that the amounts due from associates to be low credit risk and no recent history of default, and thus no impairment losses recognised during the years ended 31 December 2020 and 2019.

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

Restricted bank balances represented deposits required and restricted by banks in respect of the issue of letter of credit to certain suppliers of approximately RMB19,224,000 (2019: RMB19,393,000) and therefore are classified as current assets. As at 31 December 2020, the restricted bank balances carried interest at an average market rate of 0.3% (2019: 0.3% to 0.32%) per annum and will be released upon the completion of the respective transactions.

Short-term bank deposits represented the fixed bank deposits carry interest ranging from 1.1% to 4.3% (2019: 1.35% to 2.75%) per annum as at 31 December 2020 with original maturity of more than 3 months but within 12 months.

Bank balances carried interest at market rates ranged from 0.001% to 0.3% (2019: 0.001% to 0.3%) per annum as at 31 December 2020.

At 31 December 2020, bank balances and cash of approximately RMB198,000 (2019: RMB51,000) and RMB753,000 (2019: RMB5,256,000) were denominated in US$ and HK$ respectively that are currencies other than the functional currencies of the respective group entities.

Details of impairment assessment of restricted bank balances, short-term bank deposits and bank balances are set out in note 37(b).

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30. TRADE AND BILLS PAYABLES, ACCRUALS AND OTHER PAYABLES

	2020 RMB'000	2019 RMB'000
Trade payables	**79,355**	88,010
Bills payables	**38,250**	28,096
Trade and bills payables	**117,605**	116,106
Accruals and other payables:		
Construction fee payables	**–**	9,151
Accruals	**7,333**	3,129
Other payables	**1,106**	702
	8,439	12,982

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:

	2020 RMB'000	2019 RMB'000
0–90 days	**70,041**	72,126
91–180 days	**34,776**	21,743
181–365 days	**4,719**	13,314
1–2 years	**4,612**	4,430
Over 2 years	**3,457**	4,493
	117,605	116,106

The average credit period on purchases of goods is 90 days (2019: 90 days). The Group has financial risk management policy in place to ensure that all payables are settled within the credit timeframe.

31. AMOUNTS DUE TO ASSOCIATES

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

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32. BANK AND OTHER BORROWINGS

	2020	2019
	RMB'000	RMB'000
Bank borrowings, secured *(note (i))*	**143,284**	143,239
Other borrowings, secured *(note (ii))*	**25,555**	40,945
	168,839	184,184
Carrying amounts repayable (based on scheduled repayment dates set out in the borrowing agreements):		
Within one year	**113,215**	107,891
After one year but within two years	**14,558**	9,055
After two years but within five years	**35,653**	3,000
After five years	**5,413**	64,238
	168,839	184,184
Amounts shown under current liabilities	**113,215**	107,891
Amounts shown under non-current liabilities	**55,624**	76,293
	168,839	184,184

Notes:

(i) As at 31 December 2020, secured bank borrowings of approximately RMB143,284,000 (2019: RMB143,239,000) the Group were secured by its ownership interests in land and buildings, right-of-use assets, certain trade receivables, restricted bank balances with carrying values of approximately RMB1,375,000, RMB7,676,000, RMB139,239,000 and nil (2019: approximately RMB1,568,000, RMB7,989,000, RMB85,431,000 and RMB4,052,000) respectively.

As at 31 December 2020, secured bank borrowings of approximately RMB143,284,000 (2019: RMB137,238,000) were guaranteed by the Company and the directors of the Company with guaranteed amount of RMB315,000,000 (2019: RMB180,000,000). Details of the guarantees by the directors of the Company are set out in note 43(c).

(ii) As at 31 December 2020, other borrowings of nil (2019: RMB1,228,000), approximately RMB11,500,000 (2019: RMB12,500,000) and RMB2,000,000 (2019: nil) are secured by motor vehicles with carrying amount of nil (2019: RMB1,634,000), pledged with ownership interests in land and buildings of with carrying amount of approximately RMB148,330,000 (2019: RMB151,593,000) and fully guaranteed by the directors of the Company respectively.

As at 31 December 2020, other borrowings of approximately RMB2,655,000 (2019: RMB8,417,000), RMB3,400,000 (2019: RMB7,400,000) and RMB6,000,000 (2019: RMB11,400,000) are secured by plant and machinery with carrying amount of approximately RMB1,543,000 (2019: RMB1,759,000) and operating income derived from new BOT in Foshan and Baoding respectively.

32. BANK AND OTHER BORROWINGS (Continued)

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

	2020 **RMB'000**	2019 RMB'000
Fixed rate borrowings	**81,555**	83,945
Variable-rate borrowings	**87,284**	100,239
	168,839	184,184

During the year ended 31 December 2020, the Group obtained new bank borrowings and other borrowings in the amount of approximately RMB102,883,000 (2019: RMB130,786,000) and repaid approximately RMB118,228,000 (2019: RMB219,039,000) respectively.

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

	2020	2019
Fixed-rate borrowings	**4.79% to 14.40%**	7% to 14.40%
Variable-rate borrowings	**PRC base lending rate with increment by 15% and Loan Prime Rate ("LPR") with increment by 0.94% to 1.00%**	PRC base lending rate with increment by 15% and LPR with increment by 1.35% to 2.33%

As at 31 December 2020, the Group has available un-utilised overdraft and short-term bank loan facilities of approximately RMB137,224,000 (2019: RMB145,262,000).

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33. DEFERRED TAXATION

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

	2020 RMB'000	2019 RMB'000
Deferred tax assets	**9,907**	9,505
Deferred tax liabilities	**(11,217)**	(11,989)
At 31 December	**(1,310)**	(2,484)

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

	Allowance for impairment loss of trade receivables, contract assets, deposits and other receivables and loan receivables RMB'000	**Revaluation of listed and unlisted investments in equity securities** RMB'000	**Undistributable profits of subsidiaries** RMB'000	**Total** RMB'000
At 1 January 2019	9,493	(1,598)	(16,361)	(8,466)
(Debited) credited to profit or loss *(note 10)*	(354)	1,197	4,372	5,215
Credited to investment revaluation reserve	–	767	–	767
At 31 December 2019	9,139	366	(11,989)	(2,484)
(Debited) credited to profit or loss *(note 10)*	(549)	846	772	1,069
Credited to investment revaluation reserve	–	105	–	105
At 31 December 2020	8,590	1,317	(11,217)	(1,310)

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33. 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 RMB224,329,000 (2019: RMB239,767,000) 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 RMB117,554,000 (2019: RMB92,122,000) as at 31 December 2020, 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 (2019: RMB1,677,000) may be carried forward indefinitely. The remaining tax losses of approximately RMB115,877,000 (2019: RMB90,445,000) will expire five years from the year of origination. As at 31 December 2020, tax losses of approximately RMB14,156,000, RMB60,251,000, RMB7,211,000 and RMB34,259,000 will expire in 2021, 2022, 2023 and 2024 respectively (2019: RMB8,827,000, RMB14,156,000, RMB60,251,000 and RMB7,211,000 will expire in 2020, 2021, 2022 and 2023 respectively).

At 31 December 2020, the Group had temporary differences of approximately RMB108,544,000 (2019: RMB113,686,000) in respect of allowance for impairment of trade receivables, contract assets, deposits and other receivables and loan receivables. Deferred tax asset of approximately RMB8,590,000 (2019: RMB9,139,000) had been recognised on temporary difference of approximately RMB57,274,000 (2019: RMB60,927,000). No deferred tax asset has been recognised on the remaining deductible temporary difference of approximately RMB51,270,000 (2019: RMB52,759,000) due to the unpredictability of future profit streams will be available against which the deductible temporary differences can be utilised.

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For the year ended 31 December 2020

34. SERVICE CONCESSION ARRANGEMENTS

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

As at 31 December 2020, the Group had 4 (2019: 4) service concession arrangements on charging equipments with governmental authorities in the PRC and a summary of the major terms of the principal service concession arrangements, is set out as follows:

Name of company as operator	Location	Name of grantor	Type of service concession arrangement	Designed processing capacity	Service concession period
Zhuhai Yilian New Energy Motor Company Ltd.* ("Zhuhai Yilian") 珠海驛聯新能源汽車有限公司	Baoding	Baoding Public Transport Corporation	BOT on charging equipments for electric vehicles	Provide charging services at RMB0.5kWh	10 years from October 2016 to September 2026
	Foshan	Foshan Chancheng District Public Transportation Management Company Limited* 佛山市禪城區公共交通管理有限公司	BOT on charging equipments for electric vehicles	Provide charging services at RMB0.6kWh	8 years from December 2017 to November 2025
	Foshan	Foshan Chancheng District Public Transportation Management Company Limited*	BOT on charging equipments for electric vehicles	Provide charging services at RMB0.6kWh	8 years from December 2019 to November 2027
Shaoguan Yilian	Shaoguan	Shaoguan Public Transportation Company Limited* 韶關市公共汽車有限公司	BOT on charging equipments for electric vehicles	Provide charging services to 110 electric vehicles of the grantor with average distance of 5,000km per month	8 years from July 2016 to June 2024

* English name is for identification purpose only

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For the year ended 31 December 2020

35. SHARE CAPITAL

	Number of shares	Share capital
		HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January 2019, 31 December 2019 and 31 December 2020	10,000,000,000	100,000
		RMB'000
Issued and fully paid:		
At 1 January 2019, 31 December 2019 and 31 December 2020	925,056,000	8,087

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

36. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debt, which includes bank borrowings disclosed in note 32, net of restricted bank balances, short-term bank deposits and bank balances and cash disclosed in note 29 and equity attributable to owners of the Company, comprising issued share capital and reserves.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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37. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2020 RMB'000	2019 RMB'000
Financial assets		
Financial assets at amortised cost	**370,269**	424,673
Financial assets at FVTOCI	**26,137**	27,905
Financial asset at FVTPL	**9,066**	12,449
Financial liabilities		
Financial liabilities at amortised cost	**296,964**	313,494

(b) Financial risk management objectives and policies

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

Market risk

(i) Currency risk

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

37. FINANCIAL INSTRUMENTS (Continued)

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

Market risk (Continued)

(i) *Currency risk* (Continued)

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

	Assets	
	2020	2019
	RMB'000	RMB'000
HK$	**3,278**	5,256
US$	**9,333**	10,433

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

Sensitivity analysis

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

The following table details the Group's sensitivity to a 5% (2019: 5%) increase and decrease in RMB against the relevant foreign currencies. 5% (2019: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of the reporting period for a 5% (2019: 5%) change in foreign currency rates.

A positive (negative) number below indicates a decrease (an increase) in post-tax loss where RMB strengthen 5% (2019: 5%) against the relevant currency. For a 5% (2019: 5%) weakening of RMB against the relevant currency, there would be an equal and opposite impact on the loss.

	2020	2019
	RMB'000	RMB'000
Effect on post-tax loss		
HK$	**(137)**	(219)
US$	**(390)**	(436)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

37. FINANCIAL INSTRUMENTS (Continued)

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

Market risk (Continued)

(ii) Interest rate risk

As at 31 December 2020 and 2019, the Group is exposed to fair value interest rate risk in relation to loan receivables disclosed in note 26, short-term deposits and restricted bank balances disclosed in note 29, certain fixed-rate bank and other borrowings disclosed in note 32.

As at 31 December 2020 and 2019, the Group is exposed to cash flow interest rate risk in relation to bank balances disclosed in note 29 and certain variable-rate bank borrowings disclosed in note 32. It is the Group's policy to keep its borrowings at floating rate of interest so as to minimise the fair value interest rate risk.

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

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for variable rate bank borrowings, loan receivables and bank balances. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 (2019: 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 (2019: 50) basis points higher or lower and all other variables were held constant, the Group's post-tax loss for the year ended 31 December 2020 would increase/decrease by approximately RMB207,000 (2019: RMB291,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

37. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk

As at 31 December 2020, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

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

In response to the COVID-19 pandemic, the Group monitors closely the economic environment and where appropriate, takes actions to limit its exposure to customers that are severely impacted.

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

For trade and bills receivables, contract assets and lease receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL on an individual basis for customer with significant balances and/or collectively by using a provision matrix, estimated based on historical credit loss experience, as well as the general economic conditions of the industry in which the debtors operate. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced. In addition, the Group reviews the collectability of other receivables, loan receivables and amounts due from associates 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

37. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk (Continued)

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

The Group's concentration of credit risk by geographical locations is in the PRC, which accounted for all of the trade and bills receivables as at 31 December 2020 and 2019.

The Group has concentration of credit risk as 21% and 37% (2019: 12% and 35%) of the total trade and bills receivables before allowance for impairment loss of trade receivables was due from the Group's largest debtor and top five debtors respectively within the DC Power System and Charging Equipment segments as at 31 December 2020.

Liquidity risk

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

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

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

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For the year ended 31 December 2020

37. FINANCIAL INSTRUMENTS (Continued)

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

Liquidity risk (Continued)

Liquidity table

	Within 1 year or on demand RMB'000	More than 1 year and within 2 years RMB'000	More than 2 years and within 5 years RMB'000	More than 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying Amount RMB'000
At 31 December 2020						
Non-derivative financial liabilities:						
Trade and bills payables	117,605	–	–	–	117,605	117,605
Accruals and other payables	8,439	–	–	–	8,439	8,439
Amounts due to associates	2,081	–	–	–	2,081	2,081
Bank borrowings						
– fixed rate	57,488	–	–	–	57,488	56,000
– variable rate	38,927	14,652	38,068	15,577	107,224	87,284
Other borrowing						
– fixed rate	18,746	8,554	–	–	27,300	25,555
	243,286	23,206	38,068	15,577	320,137	296,964
Lease liabilities	59	–	–	–	59	55

	Within 1 year or on demand RMB'000	More than 1 year and within 2 years RMB'000	More than 2 years and within 5 years RMB'000	More than 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying Amount RMB'000
At 31 December 2019						
Non-derivative financial liabilities:						
Trade and bills payables	116,106	–	–	–	116,106	116,106
Accruals and other payables	12,982	–	–	–	12,982	12,982
Amounts due to associates	222	–	–	–	222	222
Bank borrowings						
– fixed rate	44,076	–	–	–	44,076	43,000
– variable rate	41,398	3,777	3,777	76,636	125,588	100,239
Other borrowing						
– fixed rate	31,314	9,576	3,008	–	43,898	40,945
	246,098	13,353	6,785	76,636	342,872	313,494
Lease liabilities	218	57	–	–	275	259

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

37. FINANCIAL INSTRUMENTS (Continued)

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

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

	31 December	
	2020	2019
	Level 3	Level 3
	RMB'000	RMB'000
Financial asset at FVTPL		
Listed equity security	**9,066**	12,449
Financial assets at FVTOCI		
Unlisted equity securities	**26,137**	27,905

As at 31 December 2020, the directors of the Company determine that, for the listed equity security, valuation under market approach to determine the fair value is considered as more appropriate method to reflect the movement on stock price of the listed equity security. Hence, there has been a change in level of fair value hierarchy from level 1 to level 3 in the current year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

37. FINANCIAL INSTRUMENTS (Continued)

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

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

Financial instruments	Fair value as at		Fair value hierarchy	Valuation technique and key inputs	Significant unobservable inputs	Relationship of key inputs and significant unobservable inputs to fair value
	31/12/2020	31/12/2019				
	RMB'000	RMB'000				
Listed equity security at FVTPL	**9,066**	12,449	Level 3	Market approach – by applying market multiples from comparable companies and adjusted by marketability discount	(i) Price-to-earnings ratio of 8.75 (2019: 7.63); (ii) Enterprise value ("EV")-to-earnings before interest, taxation, depreciation and amortisation ("EBITDA") ratio of 5.70 (2019:5.56); and (iii) Marketability discount of 20.6% (2019: 20.6%)	(i) The higher the price-to-earnings ratio, the higher the fair value. (ii) The higher the EV-to-EBITDA ratio, the higher the fair value. (iii) The higher of marketability discount, the lower the fair value.
Unlisted equity securities at FVTOCI	**26,137**	27,905	Level 3	Market approach – by reference to the asset with identical or similar assets in the market	(i) Price-to-book ratio of 2.03 to 2.26 (2019: 2.13); (ii) Marketability discount of 35% (2019: 35%); and (iii) Specific business risk discount of 56% (2019: 56%)	(i) The higher the price-to-book ratio, the higher the fair value. (ii) The higher of marketability discount, the lower the fair value. (iii) The higher the specific business risk discount, the lower the fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

37. FINANCIAL INSTRUMENTS (Continued)

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

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to unobservable inputs at the end of the reporting period. For sensitivity analysis purpose, the sensitivity rate is increased to 10% (2019: 10%) in current year as a result of the volatile financial market.

For the year ended 31 December 2020, if the unobservable inputs of the listed equity instrument had been 10% (2019: 10%) higher/lower, loss for the year would decrease/increase by RMB1,354,000 (2019: RMB1,456,000) while total equity would increase/decrease by approximately RMB1,354,000 (2019: RMB1,456,000) as a result of the changes in fair value of financial assets at FVTPL.

For the year ended 31 December 2020, if the unobservable inputs of the respective unlisted equity instrument had been 10% (2019: 10%) higher/lower, loss for the year would decrease/increase by RMB5,780,000 (2019: RMB5,280,000) while total equity would increase/decrease by approximately RMB5,780,000 (2019: RMB5,280,000) as a result of the changes in fair value of financial assets at FVTOCI.

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

	Listed equity security RMB'000	**Unlisted equity securities** RMB'000
At 1 January 2019	–	22,649
Transfer into of level 3	17,242	–
Changes in fair value through profit or loss	(4,793)	–
Changes in fair value through other comprehensive income	–	5,256
At 31 December 2019	12,449	27,905
Changes in fair value through profit or loss	(3,383)	–
Changes in fair value through other comprehensive income	–	(1,768)
At 31 December 2020	9,066	26,137

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

38. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the consolidated statement of cash flows as cash flows from financing activities.

			Non-cash change	
	1 January 2020 RMB'000	**Financing cash flows RMB'000**	**Finance cost incurred RMB'000**	**31 December 2020 RMB'000**
Bank and other borrowings	**184,184**	**(15,345)**	**–**	**168,839**
Lease liabilities *(note 17)*	**259**	**(204)**	**–**	**55**
Interest payable included in accruals and other payable	**–**	**(11,226)**	**11,226**	**–**
	184,443	**(26,775)**	**11,226**	**168,894**

			Non-cash changes		
	1 January 2019 RMB'000	Financing cash flows RMB'000	Finance cost incurred RMB'000	Foreign exchange movements RMB'000	31 December 2019 RMB'000
Bank and other borrowings	275,424	(88,253)	–	(2,987)	184,184
Lease liabilities *(note 17)*	475	(216)	–	–	259
Interest payable included in accruals and other payable	1,634	(14,603)	12,969	–	–
	277,533	(103,072)	12,969	(2,987)	184,443

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39. OPERATING LEASE COMMITMENTS

The Group as a lessor

The property held has committed tenants for the one year. While the contract periods for the operating lease of electric vehicles are one year.

Undiscounted lease payments under non-cancellable operating leases in place at the reporting date will be receivable by the Group in future periods as follows:

	31/12/2020	31/12/2019
	RMB'000	RMB'000
Within one year	**103**	35

40. CAPITAL COMMITMENTS

	2020	2019
	RMB'000	RMB'000
Capital expenditures contracted for but not provided in the consolidated financial statements in respect of:		
– Establishment of associates	**26,921**	16,930

41. RETIREMENT BENEFITS SCHEMES

The employees of the PRC subsidiaries are members of the state-managed retirement benefits schemes (the "Schemes") operated by the PRC government. The PRC subsidiaries are required to contribute certain amount of payroll costs to the Schemes to fund the benefits. The only obligation of the Group with respect to the Schemes is to make the required contributions under the Schemes.

The amount of contributions made by the Group in respect of the retirement benefits schemes during the years ended 31 December 2020 and 2019 are set in notes 11 and 13 respectively.

42. SHARE OPTIONS SCHEME

Share Option Scheme adopted on 8 May 2010 (the "Previous Share Option Scheme")

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

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

The Previous Share Option Scheme was expired on 7 May 2020.

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

Pursuant to a written resolution passed by the shareholders of the Company on 18 December 2020, the Company has adopted a new Share Option Scheme (the "New Share Option Scheme") for a period of 10 years commencing on 18 December 2020, the Board of the Company may, at its discretion, grant share options to any individual being an employee, executive or officer or director (including executive, non-executive and independent non-executive director) of the Company or any of the subsidiaries and any supplier, customer, consultant, agent and adviser who, in the sole opinion of the Board, will contribute or have contributed to the Group, at a consideration of HK$1 on acceptance of the option offer. The subscription of shares in the Company is subject to the terms and conditions as stipulated in the New Share Option Scheme.

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

No share options were granted and outstanding during the years ended 31 December 2020 and 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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43. RELATED PARTY TRANSACTIONS

Other than as disclosed elsewhere in these consolidated financial statements, during the year, the Group had the following material transactions with related parties:

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

(i) Interest income on a loan to an associate of approximately RMB234,000 (2019: RMB386,000) has been recognised during the year ended 31 December 2020.

(ii) Interest income on a loan to non-controlling shareholder of a PRC subsidiary of approximately RMB348,000 (2019: RMB309,000) has been recognised during the year ended 31 December 2020.

(iii) Sales of charging equipment for electric vehicles to the associates, of approximately RMB1,007,000 (2019: RMB2,256,000) for the year ended 31 December 2020, 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:

	2020 **RMB'000**	2019 RMB'000
Short-term benefits	**1,930**	1,613

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:

	2020 **RMB'000**	2019 RMB'000
To the extent of	**315,000**	180,000

Details of the borrowings of the Group are set out in note 32.

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

	Notes	**2020** **RMB'000**	2019 RMB'000
Non-current asset			
Investment in a subsidiary		**1**	1
Current assets			
Amounts due from subsidiaries	*44(a)*	**282,136**	285,498
Bank balances and cash		**183**	184
		282,319	285,682
Current liabilities			
Accruals and other payable		**842**	898
		842	898
Net current assets		**281,477**	284,784
Net assets		**281,478**	284,785
Capital and reserves			
Share capital	*35*	**8,087**	8,087
Reserves	*44(b)*	**273,391**	276,698
		281,478	284,785

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 2019	325,141	(45,078)	280,063
Loss and total comprehensive expense for the year	–	(3,365)	(3,365)
At 31 December 2019	325,141	(48,443)	276,698
Loss and total comprehensive expense for the year	–	(3,307)	(3,307)
At 31 December 2020	325,141	(51,750)	273,391

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45. PRINCIPAL SUBSIDIARIES OF THE COMPANY

At the end of the reporting period, the Company has the following principal subsidiaries, all of which adopted a same financial year end date of 31 December:

Name of subsidiary	Place of establishment and operation	Class of shares held	Issued and fully paid share capital		Percentage of equity interest and voting power attributable to the Company				Principal activities
			2020	2019	**2020**		2019		
					Direct	**Indirect**	Direct	Indirect	
Titans Power Electronics *(note i)*	The PRC	Contributed	**RMB232,000,000**	RMB232,000,000	**–**	**100%**	–	100%	Research, development, manufacture and sales of wind and solar power generation balancing control products, charging equipment for electrical vehicles and power grid monitoring and management products
Zhuhai Titans New Energy Systems Co., Ltd.* 珠海泰坦新能源系統有限公司 *(note ii)*	The PRC	Contributed	**RMB3,000,000**	RMB3,000,000	**–**	**100%**	–	100%	Research, development, manufacture and sales of electrical power generation balancing control and other products
Zhuhai Yilian *(note ii)*	The PRC	Contributed	**RMB10,000,000**	RMB10,000,000	**–**	**100%**	–	100%	Sales and leases of electric vehicles and provision of charging services
Titans Technology.* *(note ii)*	The PRC	Contributed	**RMB200,000,000**	RMB200,000,000	**–**	**100%**	–	100%	Research, development, manufacture and sales of electrical direct current products
Shaoguan Yilian *(note ii)*	The PRC	Contributed	**RMB10,000,000**	RMB10,000,000	**–**	**100%**	–	100%	Sales and leases of electric vehicles; and provision of charging services
Hebei Jidong Titans Technology Co., Ltd.* 河北冀東泰坦科技有限公司 *(note ii)*	The PRC	Contributed	**RMB10,000,000**	RMB10,000,000	**–**	**50%**	–	50%	Design, manufacture and sales of charging equipments for electric vehicles
Shandong Huidian *(notes ii and iii)*	The PRC	Contributed	**RMB33,333,000**	RMB33,333,000	**–**	**60%**	–	45%	Design, manufacture and sales of charging equipments

Notes:

(i) This entity is wholly foreign owned entity established in the People's Republic of China.

(ii) These entities are domestic enterprises.

(iii) During the year ended 31 December 2019, the Group owned 45% equity interest in Shandong Huidian. However, the Group had the power to appoint three out of the five directors of that company under the provisions stated in the Article of Association of Shandong Huidian. The directors of the Company also assessed the Group's control over Shandong Huidian on the basis of its practical ability to direct the relevant activities unilaterally. In making their judgement, the directors of the Company considered the Group held more than half of the voting rights in the shareholders' meeting so the Group had the control over Shandong Huidian. Therefore, the directors of the Company concluded that the Group had control over Shandong Huidian and Shandong Huidian was consolidated in the consolidated financial statements. During the year ended 31 December 2020, the Group acquired an additional 15% equity interest of Shandong Huidian, increasing its ownership interest to 60%. Details of the acquisition are set out in note 46.

* English name is for identification purpose only

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

45. PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

The above table lists the subsidiaries of the Group which, in the opinion of the directors of the Company, principally affected the results or assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excess length.

At the end of the reporting period, the Group has other subsidiaries that are not individually material to the Group. The principal activities of these subsidiaries are sales of charging equipment of electric vehicles and investment holding. A summary of these subsidiaries are set out as follows:

Principal activity	Principal place of business	Number of subsidiaries 2020	2019
Sales of charging equipment for electric vehicles	– The PRC	**2**	2
Sales and leases of electric vehicles and provision of charging services	– The PRC	**1**	1
Investment holding	– Hong Kong	**2**	2
	– BVI	**1**	1
	– The PRC	**1**	1
Inactive	– The PRC	**7**	6
		14	13

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 2020 %	2019 %	Proportion of voting power held by non-controlling interests 2020 %	2019 %	Loss attributable to non-controlling interests 2020 RMB'000	2019 RMB'000	Accumulated non-controlling interests 2020 RMB'000	2019 RMB'000
Shandong Huidian	The PRC	**40**	55	**40**	49	**(759)**	(480)	**9,514**	13,866

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For the year ended 31 December 2020

45. PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

	2020 RMB'000	2019 RMB'000
Non-current assets	**2,786**	4,227
Current assets	**23,532**	23,951
Current liabilities	**(2,532)**	(2,966)
Equity attributable to owners of the Company	**14,272**	11,346
Non-controlling interests	**9,514**	13,866

	2020 RMB'000	2019 RMB'000
Revenue	**159**	375
Expenses	**(1,585)**	(1,248)
Loss for the year	**(1,426)**	(873)
Loss attributable to owners of the Company	**(667)**	(393)
Loss attributable to non-controlling interests	**(759)**	(480)
Loss for the year	**(1,426)**	(873)
Net cash outflows from operating activities	**(982)**	(269)
Net cash inflows from investing activities	**109**	500
Net cash inflows from financing activities	**1,576**	1,440
Net cash inflows	**703**	1,671

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For the year ended 31 December 2020

46. CHANGE IN OWNERSHIP INTERESTS IN SUBSIDIARIES

During the years ended 31 December 2020 and 2019, the Group had the following changes in its ownership interests in subsidiaries.

Acquisition of additional interests in subsidiaries

(i) Zhang Jiakou Yulian New Energy Technology Company Ltd.* (張家口驛聯新能源科技有限公司) ("Zhang Jiakou Yulian")

On 29 September 2020, Zhuhai Yilian acquired an additional 30% equity interest of Zhang Jiakou Yulian, increasing its ownership interest to 100% at cash consideration of RMB900,000.

An amount of approximately RMB45,000 was recognised in capital reserve, which represents the difference between consideration paid for acquisition of additional interest in Zhang Jiakou Yilian of RMB900,000 and carrying amount of non-controlling interest acquired of approximately RMB855,000.

(ii) Shandong Huidian

On 4 December 2020, Titans Technology acquired an additional 15% equity interest of Shandong Huidian, increasing its ownership interest to 60%, settled by loan receivable and loan interest receivable of approximately RMB5,000,000 and RMB965,000 respectively.

An amount of approximately RMB2,372,000 was recognised in capital reserve, which represents the difference between consideration payable for acquisition of additional interest in Shandong Huidian of approximately RMB5,965,000 and carrying amount of non-controlling interest acquired of approximately RMB3,593,000.

(iii) Zhuhai Yilian New Energy Motor Operation Services Company Ltd.* (珠海驛聯新能源汽車運營服務有限公司) ("Zhuhai Yilian Operation")

On 23 September 2019, Zhuhai Yilian acquired an additional 22.4% equity interest of Zhuhai Yilian Operation, increasing its ownership interest to 100% at cash consideration of RMB4,900,000.

An amount of approximately RMB2,881,000 was recognised in capital reserve, which represents the difference between consideration paid for acquisition of additional interest in Zhuhai Yilian Operation of RMB4,900,000 and carrying amount of non-controlling interest acquired of approximately RMB2,019,000.

* English name is for identification purpose only

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

47. DISPOSAL OF A SUBSIDIARY

On 12 November 2020, the Group disposed of entire equity interest in Hunan Yizhihang New Energy Technology Development Company Ltd.* (湖南易智行新能源科技發展有限公司) ("Hunan Yizhihang") to an independent third party for consideration of RMB7,300,000. The Group lost its control over Hunan Yizhihang and Hunan Yizhihang ceased to be a subsidiary of the Group after the completion of abovementioned disposal on 12 November 2020. The net assets of Hunan Yizhihang at the date of disposal were as follows:

Consideration receivable:

	RMB'000
Consideration receivable	**7,300**

Analysis of assets and liabilities over which control was lost:

	12 November 2020 RMB'000
Plant and equipment	**10**
Prepayments, deposits and other receivables	**8,310**
Bank balances and cash	**1**
Contract liabilities	**(339)**
Net assets disposed of	**7,982**

Gain on disposal of Hunan Yizhihang:

	12 November 2020 RMB'000
Consideration receivable	**7,300**
Net assets disposed of	**(7,982)**
Non-controlling interests	**712**
Gain on disposal of Hunan Yizhihang	**30**

* English name is for identification purpose only

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47. DISPOSAL OF A SUBSIDIARY (Continued)

Net cash flows on disposal of Hunan Yizhihang:

	12 November 2020 RMB'000
Bank balances and cash disposed of	**(1)**

48. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2020, the Group acquired an additional 15% equity interest of a subsidiary of the Group, Shandong Huidian, settled by loan receivable and loan interest receivable of approximately RMB5,000,000 and RMB965,000 respectively.

During the year ended 31 December 2020, the consideration receivable of RMB7,300,000 from disposal of a subsidiary was offset by the other payable to the disposed subsidiary.

During the year ended 31 December 2020, inventories of approximately RMB4,997,000 were transferred to property, plant and equipment upon change in intention of use.