



TITANS

INTERIM REPORT 2013

Incorporated in the Cayman Islands with limited liability

Stock Code:2188

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

*For identification purpose only

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CORPORATE INFORMATION

Directors

Executive Directors

Li Xin Qing (*Chairman of the Board*)

An Wei (*Chief Executive Officer*)

Independent non-executive Directors

Li Wan Jun

Li Xiao Hui*

Yu Zhuo Ping

Zhang Bo[#]

Audit Committee

Li Wan Jun (*Chairman*)

Li Xiao Hui*

Yu Zhuo Ping

Zhang Bo[#]

Remuneration Committee

Li Xiao Hui (*Chairman*)*

Zhang Bo (*Chairman*)^{##}

Yu Zhuo Ping

Li Wan Jun

Nomination Committee

Li Xin Qing (*Chairman*)

Yu Zhuo Ping

Li Xiao Hui*

Zhang Bo[#]

Authorised representatives (for the purpose of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited)

Li Xin Qing

Room 201, No. 9

Xiang Zhou Hai Cheng Road

Xiang Zhou District

Zhuhai

Guangdong Province

the PRC

Wong Yiu Hung

Flat A, 15/F, Block 2


29 Lyttelton Road

Mid-level, Hong Kong

* Ms. Li Xiao Hui had retired from the office on 22 May 2013

[#] Mr. Zhang Bo was appointed for the office on 15 April 2013

^{##} Mr. Zhang Bo was appointed as a member of the remuneration committee on 15 April 2013 and as the chairman of that committee on 22 May 2013



Company Secretary

Wong Yiu Hung
*A member of Chartered Institute of
Management Accountants of
the United Kingdom, and
a member of the Hong Kong Institute of
Certified Public Accountants*

Auditor

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

Registered Office

Cricket Square
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Grand Cayman
KY1-1111
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Principal Place of Business
and Address of Headquarters in the PRC

Titans Science and Technology Park
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Guangdong Province
the PRC

Principal Place of Business in Hong Kong

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China Resources Building
26 Harbour Road
Wanchai
Hong Kong

Cayman Islands Principal Share Registrar
and Transfer Office

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

Hong Kong Share Registrar

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
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Hopewell Centre
183 Queen's Road East
Wanchai
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Legal Adviser to the Company

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P. C. Woo & Co.
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Stock Code

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Website

www.titans.com.cn

Principal Banker

Bank of Communications
Zhuhai Jida sub-branch
1/F, Zhong Dian Tech Building
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MANAGEMENT DISCUSSION AND ANALYSIS

The board of directors (the "Board") of China Titans Energy Technology Group Co., Limited (the "Company") presents the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2013 together with the comparative figures for the corresponding period in 2012. These interim financial statements have not been audited, but have been reviewed by the audit committee of the Company.

Business review

For the six months ended 30 June 2013, China Titans Energy Technology Group Co., Limited (the "Company") and its subsidiaries (collectively, the "Group") recorded a turnover of RMB63,673,000, representing a decrease of 35.47% over that of the corresponding period last year. Turnover was mainly derived from the Group's principal business including electrical direct current ("DC") products and charging equipment for electric vehicles. The table below shows the turnover of different series of products of the Group for the six months ended 30 June 2012 and 2013.

	For the six months ended 30 June			
	2013		2012	
	RMB'000	%	RMB'000	%
Electrical DC products	49,302	77.43	44,538	45.14
Charging equipment for electric vehicles	10,924	17.16	36,581	37.07
Power grid monitoring and management products	1,713	2.69	16,871	17.10
Wind and solar power generation balancing control systems	–	–	–	–
Plug and switch system ("PASS") products	1,734	2.72	683	0.69
Total	63,673	100.00	98,673	100.00

The Group recorded a loss for the period attributable to owners of the Company of approximately RMB7,349,000 for the six months ended 30 June 2013, representing a decrease of approximately RMB17,366,000 over the profit of approximately RMB10,017,000 of the corresponding period of last year. During the reporting period, the Group recorded a significant decrease in turnover when compared with the corresponding period of last year and incurred an operating loss. This was mainly due to the decrease in government investments in power grid and electric vehicles industries in the first half of the year in which it resulted less sales results than expected for the relevant products of the Group.

Electrical DC products

Our electrical DC products constitute our major line of products and are one of the major sources of revenue. These products include high frequency switch DC power supply systems, high frequency switch communication power supply systems and uninterruptible power supply (“UPS”) equipment. The electrical DC products are primarily supplied to power plants and transforming stations (including those owned by local governments and power companies) as well as enterprises from industries, such as railways, petrochemical plants, coal and metallurgy sectors. For the six months ended 30 June 2013, sales of electrical DC products amounted to approximately RMB49,302,000 (for the six months ended 30 June 2012: approximately RMB44,538,000), representing an increase of approximately 10.70%. The Directors consider that the sales increase in electrical DC products had demonstrated that the Group’s development in these products is relatively stable. The Group maintains its strong competitiveness in terms of such products.

Charging equipment for electric vehicles

The major customers of the Group’s charging equipment for electric vehicles include power grid corporations and other governmental or business institutions. For the six months ended 30 June 2013, sales of our charging equipment for electric vehicles amounted to approximately RMB10,924,000 (for the six months ended 30 June 2012: approximately RMB36,581,000), representing a decrease of approximately 70.14%. When compared with the previous period, the construction of charging stations in China was further slowed down in the first half year of 2013 as result of the decreased number of new projects, which caused significant impact on the sales of the Group’s charging equipment for electric vehicles.

Power grid monitoring and management products

For the six months ended 30 June 2013, sales of our power grid monitoring and management products amounted to approximately RMB1,713,000 (for the six months ended 30 June 2012: approximately RMB16,871,000), representing a decrease of approximately 89.85%. The Directors consider that despite the substantial decrease in the delivery amount in the first half year of 2013, the outstanding or implementing contractual amounts of these products have not decreased. The business development of such products remains steady.

Wind and solar power generation balancing control systems

For the six months ended 30 June 2013, our wind and solar power generation balancing control products did not achieve any sales (for the six months ended 30 June 2012: Nil). During the reporting period, the Group mainly emphasized on the further research and development of such products and deployed fewer resources in its marketing. The Directors believe that various restrictions on the integration of wind and solar power generation into the state power grid have curbed the effective application of these products in the market. The market of these products will be expanded along with the continuous improvement of our products and enhancement in market operation.

PASS products

For the six months ended 30 June 2013, the sales of our PASS products amounted to approximately RMB1,734,000 (for the six months ended 30 June 2012: approximately RMB683,000), representing an increase of approximately 153.88%. The Directors consider that this segment is not the Group's main operating business. We will from time to time make adjustment on market strategies based on market demand and our own resources.

Major operating activities in the first half year of 2013

In January 2013, the Group reviewed and concluded the business division management approach implemented in 2012 under the leadership of the Board and further improved the assessment criteria of the business divisions. The Directors consider that the Group had achieved better control in respect of the cost management, market expansion and research and development of new products through the continuous establishment of stringent division assessment system, thereby further enhanced the Group's profitability.

In the first half year of 2013, important progress was made in the development of new high-voltage DC power products targeting sectors including communication and data centers. At present, those products has passed the product accreditation and type tests performed by major communication operators in China. Meanwhile, the Group also joined "the standard setting group on 336 voltage high-voltage DC power of China Mobile Communications Corporation" (中國移動集團公司關於336伏特高壓直流電源標準制定小組) and participated in the standard setting of the company's products. The Directors believe that the products of the Group will have better market opportunities with the commencement of China's major communication operators in their procurement in the second half year.

In the first half year of 2013, one of the Group's key internal management focuses was "enhancing efficiency through downsizing". The Group optimized the number of staff through departmental adjustment, functional consolidation and multi-tasking of the staff. The Directors believe that the above measures can effectively control the Group's management cost and improve management efficiency.

Result analysis

Turnover

	For the six months ended 30 June	
	2013 RMB'000	2012 RMB'000
Turnover		
Electrical DC products	49,302	44,538
Charging equipment for electric vehicles	10,924	36,581
Power grid monitoring and management products	1,713	16,871
Wind and solar power generation balancing control systems	–	–
PASS products	1,734	683
Total	63,673	98,673

For the six months ended 30 June 2013, the Group recorded a turnover of approximately RMB63,673,000, representing a decrease of approximately 35.47% as compared to approximately RMB98,673,000 for the corresponding period in 2012. Such decrease was mainly due to decrease and slowdown in industry investment scale and change in sales of such products.

Cost of sales

Our cost of sales mainly included raw material costs, direct labour costs and manufacturing expenses. Our cost of sales decreased from approximately RMB51,623,000 for the six months ended 30 June 2012 to approximately RMB36,641,000 for the six months ended 30 June 2013, which was primarily attributable to decrease in sales and increase in some raw materials and direct labour costs.

Gross profit and gross profit margin

The Group's gross profit decreased by approximately RMB20,018,000 to approximately RMB27,032,000 for the six months ended 30 June 2013 from approximately RMB47,050,000 for the corresponding period in 2012. Sales of our electrical DC products contributed approximately RMB20,684,000 to our gross profit, whereas, sales of charging equipment for electric vehicles and sales of power grid monitoring and management products contributed approximately RMB5,225,000 and approximately RMB978,000 respectively to our gross profit for the six months ended 30 June 2013. Gross profit from our sales of PASS products amounted to approximately RMB145,000 for the six months ended 30 June 2013. We will endeavour to enhance and improve the technology of our products and the management of the Company in order to maintain our competitiveness and gross profit margin.

Gross profit margin of respective reportable segments

	Six months ended 30 June	
	2013	2012
Segment		
Electrical DC products	41.95%	44.27%
Charging equipment for electric vehicles	47.83%	47.15%
Power grid monitoring and management products	57.09%	58.42%
Wind and solar power generation balancing control systems	–	–
PASS products	8.36%	33.62%

The Group's overall gross profit margin decreased to approximately 42.45% for the six months ended 30 June 2013 from approximately 47.68% for the corresponding period in 2012, but increased by approximately 1.03% as compared to approximately 41.42% for the year ended 31 December 2012.

The gross profit margin of our electrical DC products for the six months ended 30 June 2013 decreased by approximately 2.32% as compared to that of the corresponding period in 2012, which was due to intensifying product competition in the industry.

The gross profit margin of our charging equipment for electric vehicles for the six months ended 30 June 2013 increased slightly by approximately 0.68% as compared to that of the corresponding period in 2012, which basically maintained at the level in the corresponding period in 2012.

The gross profit margin of our power grid monitoring and management products for the six months ended 30 June 2013 decreased by approximately 1.33% as compared to that of the corresponding period in 2012, which basically maintained at the level in the corresponding period in 2012.

The gross profit margin of our PASS products for the six months ended 30 June 2013 decreased by approximately 25.26% as compared to that of the corresponding period in 2012. The Directors considered that fluctuation of gross profit margin was within reasonable range because of the relatively less turnover from our PASS products.

Other revenue

Other revenue of the Group, which mainly included value added tax refunds and government grants, increased by approximately 17.52% from approximately RMB5,292,000 for the six months ended 30 June 2012 to approximately RMB6,219,000 for the six months ended 30 June 2013.

Selling and distribution expenses

Selling and distribution expenses increased by approximately RMB1,449,000, or approximately 10.62% from approximately RMB13,648,000 for the six months ended 30 June 2012 to approximately RMB15,097,000 for the six months ended 30 June 2013. The increase was primarily due to the following reasons: (1) an increase in sales-related expenses such as salaries and wages, benefits, social security expenditure and traveling expenses of approximately RMB516,000; (2) an increase in the expenses in transportation, agency, tender services and installation testing relating to sales and after-sales services of approximately RMB1,020,000; (3) an increase in office and other expenses relating to sales of approximately RMB222,000; (4) a decrease in business entertainment and tender expenses relating to sales of approximately RMB309,000.

Administrative expenses

Administrative expenses increased by approximately RMB2,262,000, or approximately 10.20%, from approximately RMB22,176,000 for the six months ended 30 June 2012 to approximately RMB24,438,000 for the six months ended 30 June 2013. The increase in the administrative expenses of the Group was primarily due to (1) an increase in wages and retirement benefit contributions of approximately RMB1,534,000 during the reporting period; (2) an increase in the expenses such as depreciation, material consumption, transportation and repairment of approximately RMB2,474,000; (3) an increase in research and development expenses, business entertainment expenses and sundry expenses of approximately RMB626,000; (4) expenses in disposal of a subsidiary of approximately RMB1,021,000; (5) a decrease in equity settled share-based payments of approximately RMB1,554,000 in respect of the share options granted pursuant to the pre-IPO share option scheme of the Company adopted on 8 May 2010 (the "Pre-IPO Share Option Scheme") and the new share options granted on 17 February 2011 pursuant to the share option scheme of the Company adopted on 8 May 2010 (the "Share Option Scheme"); (6) a decrease in expenses such as office, travel and professional services of approximately RMB1,544,000; (7) a decrease in banking expenses, exchange loss and share management expenses of approximately RMB295,000.

Gain on disposal of interest in a subsidiary

On 5 January 2013, the Group transferred the entire 93.55% shares held by it in Jiangyin Titans High Voltage Electric Co., Ltd.* (江陰泰坦高壓電氣有限公司), a subsidiary of the Group, to two independent third parties, and recorded a gain of approximately RMB4,446,000. Details of the disposal were set out in the Company's announcement dated 7 December 2012. As described in the announcement, the reasons for disposal of the subsidiary were to further optimise and rationalise the operation management of the Group, and at the same time, to enable the Group to focus its resources on its main operating business.

Share of results of an associate

As at 30 June 2013, the Group owned 35% (as at 31 December 2012 : 35%) equity interest in Beijing Hua Shang Clear New Energy Technology Co., Ltd.* (北京華商三優新能源科技有限公司). This company was accounted for as the Group's associate company, and the Group's attributable loss from this company for the six months ended 30 June 2013 was approximately RMB1,118,000, representing a decrease of approximately RMB2,296,000 over the profit of approximately RMB1,178,000 of the same period last year.

Finance costs

Finance costs of the Group increased by approximately 26.98% from approximately RMB3,781,000 for the six months ended 30 June 2012 to approximately RMB4,801,000 for the six months ended 30 June 2013. Finance costs of the Group as a percentage of turnover increased from 3.83% for the six months ended 30 June 2012 to 7.54% for the six months ended 30 June 2013. The increase in finance costs of the Group was mainly due to increase in total average bank borrowings during the reporting period.

Profit (loss) attributable to non-controlling interests

For the six months ended 30 June 2013, profit attributable to the non-controlling interests of our non wholly-owned subsidiaries was approximately RMB36,000 as compared to an attributable (loss) of approximately RMB(486,000) in the corresponding period of last year, representing their share of profit (loss) in our non wholly-owned subsidiaries.

(Loss) profit attributable to the owners of the Company

The Group recorded a (loss) attributable to the owners of the Company of approximately RMB(7,349,000) for the six months ended 30 June 2013 as compared to a profit of approximately RMB10,017,000 for the corresponding period in 2012 with a year-on-year decrease of approximately RMB17,366,000.

For the six months ended 30 June 2013, the Group recorded a (loss) attributable to the owners of the Company as compared with the profit for the corresponding period of 2012, as certain products of the Group was unable to achieve the sales performance as expected, which was mainly attributable to the decrease and slowdown in industry investment scale during the reporting period, while at the same time being affected by factors like increasing labour costs, increase in sales and distribution expenses and administrative expenses.

(Loss) earnings per share

For the six months ended 30 June 2013, basic (loss) per share of the Company (the "Share") and diluted (loss) per share were RMB(0.89) cents and RMB(0.89) cents respectively whilst the basic and diluted earnings per share for the corresponding period in 2012 were RMB1.21 cents and RMB1.21 cents respectively. The decrease in the basic earnings per share and diluted earnings per share over the corresponding period of last year was due to the (loss) generated in the reporting period as compared to profit recorded by the Company in the corresponding period of 2012.

Employees and remuneration

As at 30 June 2013, the Group had 428 employees (as at 30 June 2012: 525). The remuneration paid to our employees and Directors is based on their experience, responsibility, workload and the time devoted to the Group.

The Group participates in various employees' benefit plans such as a retirement benefit scheme and medical insurance. The Group also makes contributions to the retirement funds 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, the premium in respect of which is undertaken by the Group and the employees respectively based on percentages fixed by relevant PRC laws.

The Group and its employees in Hong Kong contribute to the mandatory provident fund in accordance with the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) and relevant requirements.

The Company adopted the Pre-IPO Share Option Scheme on 8 May 2010 and options carrying rights to subscribe for a total of 23,920,000 shares were granted to 53 employees of the Group on 8 May 2010, including two executive Directors, under the Pre-IPO Share Option Scheme. The purpose of the Pre-IPO Share Option Scheme is to recognise the contribution of eligible persons (including employees, officers, agents, consultants or representatives and sales partners of the Group) who have contributed or will contribute to the Group and to provide incentives to them. For the six months ended 30 June 2013, under the Pre-IPO Share Option Scheme, share options to subscribe for 320,000 shares were lapsed as a result of the departure of some employees and options to subscribe for 5,730,000 shares were lapsed as a result of the share options past due and the employees did not exercise such share options vested to them during the period. As at the date of this report, share options carrying rights to subscribe for a total of 11,140,000 shares remained outstanding under the Pre-IPO Share Option Scheme.

The Company also adopted the Share Option Scheme on 8 May 2010. The purpose of the Share Option Scheme is to provide incentives to the eligible persons (including but not limited to employees, officers, agents, consultants or representatives of any members of the Group (including the executive or non-executive directors of any members of the Group)) for their contributions to the Company and to enable the Company to recruit and retain high-calibre employees and attract and retain human resources that are valuable to the Group. On 17 February 2011, the Company published an announcement relating to the grant of share options where share options carrying rights to subscribe for a total of 19,430,000 shares were granted to 61 employees of the Group on the same day under the Share Option Scheme. For the six months ended 30 June 2013, under the Share Option Scheme, options to subscribe for 300,000 shares were lapsed as a result of the departure of some employees and options to subscribe for 6,096,666 shares were lapsed as a result of the share options past due and the employees did not exercise such share options vested to them during the period. As at the date of this report, share options carrying rights to subscribe for a total of 11,893,334 shares remained outstanding under the Share Option Scheme.

Liquidity, financial resources and capital structure

The Group generally finances its operation through internal resources and bank borrowings. As at 30 June 2013, the Group had short-term bank deposits, bank balances and cash of approximately RMB114,732,000 (as at 31 December 2012: approximately RMB184,331,000), excluding restricted bank balances of approximately RMB3,268,000 (as at 31 December 2012: approximately RMB4,263,000).

The net current assets as at 30 June 2013 were approximately RMB413,271,000 (as at 31 December 2012: approximately RMB418,639,000).

The Group did not hold any significant financial investment during the six months ended 30 June 2013 save for currency held.

Bank borrowings

As at 30 June 2013, total bank borrowings amounted to approximately RMB65,001,000 (as at 31 December 2012: approximately RMB90,001,000), of which RMB13,000,000 were secured loans (as at 31 December 2012: approximately RMB50,000,000), and the balance of RMB52,001,000 were unsecured loans (as at 31 December 2012: approximately RMB40,001,000). Secured bank loans as at 30 June 2013 were subject to the floating interest rates ranging from 6.30% to 6.60% per annum. The Group recorded a decrease of approximately RMB25,000,000 in total bank borrowings as at 30 June 2013 as compared with as at 31 December 2012. The decrease was mainly due to the Company's decreased demand of liquidity.

As at 30 June 2013, the Group's current ratio (current assets divided by current liabilities) was 2.65 as compared with 2.44 as at 31 December 2012, and the gearing ratio (borrowings divided by total assets x 100%) was 8.62% as compared with 11.21% as at 31 December 2012.

Trade and bills receivables

As at 30 June 2013, the Group recorded trade and bills receivables (net of allowance) of approximately RMB303,478,000 (as at 31 December 2012: approximately RMB292,980,000). The Group did not make additional specific doubtful debts provision for trade and bills receivables during the first six months of 2013 (for the six months ended 30 June 2012: Nil; for the year ended 31 December 2012: RMB3,347,000). As at 30 June 2013, the Group made an allowance of approximately RMB16,778,000 for trade receivables.

The increase in trade receivables for the six months ended 30 June 2013 was mainly due to the fact that certain projects of the Company were required to undergo equipment life-run adjustment and testing after delivery and conditions for collection had not been met.

The table below sets out the ageing analysis of trade and bills receivables (net of allowance for doubtful debts) as at 30 June 2013.

	30 June 2013 RMB'000	31 December 2012 RMB'000
Trade receivables		
Within 90 days	59,698	103,671
91 days to 180 days	7,847	6,578
181 days to 365 days	100,382	48,443
Over 1 year to 2 years	62,811	104,331
Over 2 years to 3 years	70,073	19,584
Over 3 years	2,567	6,065
	303,378	288,672
Bills receivables	100	4,308
	303,478	292,980

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

We consider that longer trade and bills receivables turnover days and the high proportion of overdue trade and bills receivables were mainly due to (1) the time lag between our accounting policy to recognise the full sales amount and trade receivables amount upon delivery of product until the due dates of trade receivables; (2) some of our customers in the power generation or transmission sectors settle the amounts payable to their suppliers, including us, after completion of the construction of their whole power generation units or transforming stations; and (3) delay in the schedule of some of the customers' projects.

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

Pledge of assets

As at 30 June 2013, the Group's leasehold land and buildings with carrying values of approximately RMB5,895,000 (31 December 2012: RMB6,049,000) were pledged to secure bank borrowings and other facilities.

Capital commitments and contingent liabilities

As at 30 June 2013, the Group had capital expenditure contracted for but not provided in the consolidated financial statements in respect of the acquisition of property, plant and equipment of approximately RMB10,357,000 (31 December 2012: approximately RMB11,863,000).

On 16 August 2013, the Group entered into share transfer agreements with three independent third parties to acquire the remaining 65% of equity interest in Henan Hongzheng Electric Technology Co., Ltd* (河南弘正電氣科技有限公司), a subsidiary of the Group, at a total consideration of RMB19,500,000. The acquisition has not been completed as at the date of this report.

As at 30 June 2013 and the date of this report, the Group had no significant contingent liabilities.

Non-controlling interests

	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
Equity attributable to the owners of the Company	473,685	479,677
Non-controlling interests	19,753	21,772
Total equity	493,438	501,449

For the six months ended 30 June 2013, the non-controlling interests of the Group were decreased by approximately RMB2,019,000 as compared to the year ended 31 December 2012. The decrease was mainly due to reduction in non-controlling interest as result of the disposal of shares in a subsidiary of the Group during the period.

Foreign exchange

The Group conducts its business primarily in the PRC with substantially all of its transactions are denominated and settled in Renminbi. The Group's consolidated financial statements are expressed in Renminbi, whereas dividends on 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 RMB48,000 (the corresponding period in 2012: loss of approximately RMB125,000). Such foreign exchange loss arose as a result of the difference between the exchange rate on the date of transaction and the exchange rate as at 30 June 2013. As at 30 June 2013, the Group had no hedging arrangement in place with respect to foreign currency exchange.

The Group adopted a conservative approach towards its treasury policies. Our treasury function mainly involves the management of our cash flow. Cash is mainly deposited in banks in Renminbi for our working capital purposes. We did not have any material holding in financial securities or foreign exchange (except for business purposes) during the six months ended 30 June 2013.

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

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

Future business prospect and plans

The Directors consider that despite the unsatisfactory operating performance of the Group in the first half year which was mainly due to insufficient market demand for some of our products, the overall operating conditions of the Group remain well with our products still maintained strong market competitiveness with solid market position. Once the external market environment becomes promising, the Group will be able to achieve sound operating revenue and profit.

In view of the current market environment, in the second half year of 2013, the focus of operation and management work of the Group will lie on:—

1. The Directors believe that with the further certainty of national policies on the encouragement of electric vehicles applications, in the second half year of 2013, the construction of electric vehicles charging stations will be reactivated gradually after the dormant period. As such, the Group will grasp such opportunity through: (1) increasing its market investment in participating actively key projects construction; (2) improving its product quality; and (3) maintaining advanced technology for its products and etc. It will strive to achieve rapid development in the sales of electric vehicles charging equipments. In addition, during the reporting period, battery formation, capacity grading and testing equipment of the Group achieved its sales performance as expected. In the second half year, we will continue to expand the market to achieve further growth in selling such product.
2. Based on the market information currently available, the major operators in the communication industry in the PRC will commence the procurement of high-voltage DC power system one after another in the second half year of 2013. Hence, the Group will strive to achieve selling the high-voltage DC power systems in the market by (1) improving its product series; (2) enhancing the stability and technology indicators of its products; and (3) increasing its market investments.

3. the work focuses of the Group's internal management include (1) under the foundation of the works in "enhancing efficiency through downsizing" in the first half year, it will continue to adjust its organization structure and position deployment, while at the same time adjust and improve part of its management processes, stringently control the increase in management costs, and thus eventually enhance the profitability of the Group; (2) accelerate the implementation of Enterprise Resource Planning ("ERP") System to improve corporate operating management and increase corporate management efficiency to strive for the online application of the ERP System by the end of 2013; and (3) building on the foundation of our previous internal control works, in the second half year of 2013, it will mainly carry on the research and development of project management and control and improve its existing research and development management system, and thereby achieve the optimization of product development process in the three areas of "progressing, quality and costs".

UP-TO-DATE INFORMATION REGARDING DIRECTORS

According to the service agreement entered into between each of Mr. Li Xin Qing and Mr. An Wei, two executive directors of the Company, and the Company on 8 May 2010 and the letter of appointment entered into between each of Mr. Li Wan Jun and Mr. Yu Zhuo Ping, two independent non-executive directors of the Company, and the Company on 8 May 2010, their terms of service expired on 27 May 2013. Each of them has entered into service agreement or letter of appointment with the Company for a term of three years with effect from 28 May 2013, the terms of which are substantially similar to those set out in the 2012 Annual Report of the Company.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2013.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2013

	Notes	Six months ended 30 June	
		2013 RMB'000 (unaudited)	2012 RMB'000 (unaudited)
Turnover	(4)	63,673	98,673
Cost of sales		(36,641)	(51,623)
Gross profit		27,032	47,050
Other revenue		6,219	5,292
Selling and distribution expenses		(15,097)	(13,648)
Administrative expenses		(24,438)	(22,176)
Gain on disposal of a subsidiary	(17)	4,446	–
Share of results of an associate		(1,118)	1,178
Finance costs		(4,801)	(3,781)
(Loss) profit before taxation		(7,757)	13,915
Income tax credit (expense)	(5)	444	(4,384)
(Loss) profit for the period	(6)	(7,313)	9,531
(Loss) profit and total comprehensive (expense) income for the period attributable to:			
Owners of the Company		(7,349)	10,017
Non-controlling interests		36	(486)
		(7,313)	9,531
(Loss) earnings per share	(8)		
Basic (RMB)		(0.89 cents)	1.21 cents
Diluted (RMB)		(0.89 cents)	1.21 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2013

	Notes	30 June 2013 RMB'000 (unaudited)	31 December 2012 RMB'000 (audited)
Non-current assets			
Property, plant and equipment	(9)	29,362	32,085
Deposits for acquisition of plant and equipment		29,279	28,377
Intangible assets		759	947
Interest in an associate	(10)	24,935	26,053
Available-for-sale financial assets		6,021	6,021
Deferred tax assets		339	339
		90,695	93,822
Current assets			
Inventories		73,449	48,617
Trade and bills receivables	(11)	303,478	292,980
Prepayments, deposits and other receivables		77,763	69,927
Amount due from an associate	(12)	79,822	80,120
Amount due from a non-controlling shareholder of a subsidiary		10,589	89
Restricted bank balances		3,268	4,263
Short-term bank deposits		90,000	126,000
Bank balances and cash		24,732	58,331
		663,101	680,327
Assets classified as held for sale	(13)	–	28,620
		663,101	708,947
Current liabilities			
Trade and bills payables	(14)	95,650	94,646
Receipts in advance		15,027	11,464
Accruals and other payables		60,278	70,599
Tax payable		13,874	17,372
Bank borrowings	(15)	65,001	90,001
		249,830	284,082
Liabilities classified as held for sale		–	6,226
		249,830	290,308
Net current assets		413,271	418,639
Total assets less current liabilities		503,966	512,461
Non-current liabilities			
Deferred income		997	1,037
Deferred tax liabilities		9,531	9,975
		10,528	11,012
Net assets		493,438	501,449
Capital and reserves			
Share capital	(16)	7,311	7,311
Reserves		466,374	472,366
Equity attributable to owners of the Company		473,685	479,677
Non-controlling interests		19,753	21,772
Total equity		493,438	501,449

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2013

	Attributable to owners of the Company												
	Share capital	Share premium	Share Option reserve	Merger reserve	Exchange translation reserve	Available-for-sale financial assets revaluation reserve	Capital reserve	Statutory reserve fund	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2012 (audited)	7,311	232,139	11,840	8,640	504	-	(1,539)	38,717	2,334	171,440	471,386	2,315	473,701
Total comprehensive income for the period	-	-	-	-	-	-	-	-	-	10,017	10,017	(486)	9,531
Appropriation to reserves	-	-	-	-	-	-	-	23	-	(23)	-	-	-
Capital contribution from non-controlling interests of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	19,500	19,500
Recognition of share-based payments (note 20)	-	-	2,911	-	-	-	-	-	-	-	2,911	-	2,911
Lapsed of share options	-	-	(2,898)	-	-	-	-	-	-	2,898	-	-	-
Forfeiture of share options	-	-	(235)	-	-	-	-	-	-	235	-	-	-
Dividend paid (note 7)	-	-	-	-	-	-	-	-	-	(6,763)	(6,763)	-	(6,763)
At 30 June 2012 (unaudited)	7,311	232,139	11,618	8,640	504	-	(1,539)	38,740	2,334	177,804	477,551	21,329	498,880
At 1 January 2013 (audited)	7,311	232,139	13,414	8,640	504	(1,741)	(1,539)	38,740	2,334	179,875	479,677	21,772	501,449
Total comprehensive expense for the period	-	-	-	-	-	-	-	-	-	(7,349)	(7,349)	36	(7,313)
Release upon disposal of a subsidiary	-	-	-	-	-	-	-	(107)	-	107	-	-	-
Disposal of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	(2,055)	(2,055)
Recognition of share-based payments (note 20)	-	-	1,357	-	-	-	-	-	-	-	1,357	-	1,357
Lapsed of share options	-	-	(4,339)	-	-	-	-	-	-	4,339	-	-	-
Forfeiture of share options	-	-	(323)	-	-	-	-	-	-	323	-	-	-
At 30 June 2013 (unaudited)	7,311	232,139	10,109	8,640	504	(1,741)	(1,539)	38,633	2,334	177,295	473,685	19,753	493,438

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2013

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(unaudited)	(unaudited)
NET CASH USED IN OPERATING ACTIVITIES	(48,790)	(58,923)
INVESTING ACTIVITIES		
Withdrawal of short-term bank deposits	36,000	9,000
Net cash inflow from disposal of a subsidiary (Note 17)	18,170	–
Withdrawal of restricted bank balances	3,662	7,047
Interest received	289	158
Proceeds on disposal of property, plant and equipment	–	37
Purchase of property, plant and equipment	(761)	(9,311)
Deposits paid for acquisition of plant and equipment	(902)	(3,010)
Placement of restricted bank balances	(2,667)	–
Advance to non-controlling shareholders of a subsidiary	(10,500)	–
NET CASH FROM INVESTING ACTIVITIES	43,291	3,921
FINANCING ACTIVITIES		
Repayment of bank loans	(45,000)	–
Interest paid	(4,801)	(3,781)
Dividends paid	–	(6,763)
Capital contribution from non-controlling interests of a subsidiary	–	19,500
Net cash inflow from a government grant	1,701	1,220
New bank loans raised	20,000	25,000
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(28,100)	35,176
NET DECREASE IN CASH AND CASH EQUIVALENTS	(33,599)	(19,826)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	58,331	62,761
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, represented by bank balances and cash	24,732	42,935

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

1. GENERAL INFORMATION

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 address of the registered office is P.O. Box 2681, Grand Cayman, KY1-1111, the Cayman Islands. The address of the principal place of business and headquarters in the PRC is Titans Science and Technology Park, No. 60 Shihua Road West, Zhuhai, Guangdong Province, the PRC. The address of the principal place of business in Hong Kong is Room 09-10, 41/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.

The shares of the Company have been listed on The Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The condensed consolidated interim financial statements of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") are presented in Renminbi ("RMB") which is the same as the functional currency of the Company.

2. BASIS OF PREPARATION

The condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and Hong Kong Accounting Standard ("HKAS") 34, Interim Financial Reporting, issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

3. SIGNIFICANT ACCOUNTING POLICIES

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant to its operations and effective for its accounting period beginning on 1 January 2013. HKFRSs comprise HKFRS and HKAS and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current period and prior years.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

4. TURNOVER AND SEGMENT INFORMATION

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

The Group determines its operating segments based on the internal reports reviewed by the executive directors that are used to make strategic decisions.

During the six months ended 30 June 2013, the Group organises its operations into five reportable segments (six months ended 30 June 2012: five) as follows:

- | | | |
|--|---|---|
| Direct current power system
("DC Power System") | – | Sales of DC Power System products |
| Plug and switch system
("PASS") products | – | Distribution of PASS products |
| Power Monitoring | – | Sales of power monitoring and management equipment |
| Charging Equipment | – | Sales of charging equipment for electric vehicles |
| Wind and Solar Power | – | Sales of wind and solar power generating balancing control products |

4. TURNOVER AND SEGMENT INFORMATION (continued)

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

Six months ended 30 June 2013

	DC Power System RMB'000 (unaudited)	PASS products RMB'000 (unaudited)	Power Monitoring RMB'000 (unaudited)	Charging Equipment RMB'000 (unaudited)	Wind and Solar Power RMB'000 (unaudited)	Total RMB'000 (unaudited)
Segment revenue	49,302	1,734	1,713	10,924	-	63,673
Segment results	12,955	(400)	438	4,242	(134)	17,101
Unallocated other revenue						352
Share of results of an associate						(1,118)
Gain on disposal of a subsidiary						4,446
Unallocated head office and corporate expenses						(23,737)
Finance costs						(4,801)
Loss before taxation						(7,757)

Six months ended 30 June 2012

	DC Power System RMB'000 (unaudited)	PASS products RMB'000 (unaudited)	Power Monitoring RMB'000 (unaudited)	Charging Equipment RMB'000 (unaudited)	Wind and Solar Power RMB'000 (unaudited)	Total RMB'000 (unaudited)
Segment revenue	44,538	683	16,871	36,581	-	98,673
Segment results	16,782	136	7,522	12,673	-	37,113
Unallocated other revenue						1,581
Share of results of an associate						1,178
Unallocated head office and corporate expenses						(22,176)
Finance costs						(3,781)
Profit before taxation						13,915

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

4. TURNOVER AND SEGMENT INFORMATION (continued)

Segment results represent the profit (loss) from each segment without allocation of certain unallocated other revenue, central administrative cost, share of results of an associate and finance costs. This is the measure reported to the executive directors for the purpose of resource allocation and performance assessment.

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

	30 June 2013 RMB'000 (unaudited)	31 December 2012 RMB'000 (audited)
DC Power System	285,451	216,278
PASS products	15,719	31,719
Power Monitoring	59,182	47,633
Charging Equipment	197,135	246,108
Wind and Solar Power	–	–
Total segment assets	557,487	541,738
Unallocated	196,309	261,031
Consolidated assets	753,796	802,769

5. INCOME TAX CREDIT (EXPENSE)

	30 June 2013 RMB'000 (unaudited)	30 June 2012 RMB'000 (unaudited)
Current tax:		
PRC Corporate Income Tax	–	(5,011)
Deferred tax:		
Reversal on withholding tax from distribution on dividend from PRC subsidiaries	444	627
	444	(4,384)

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 the six months ended 30 June 2013 and 2012.

5. INCOME TAX CREDIT (EXPENSE) (continued)

Zhuhai Titans Technology Co., Ltd. ("Titans Technology") was established in Zhuhai, the special economic zone, and the income tax rates applicable to them was 15% pursuant to the relevant PRC laws in 2007, Titans Technology and Zhuhai Titans New Energy Systems Co., Ltd. ("Titans New Energy") were recognised as High and New Technology Enterprises by Department of Science and Technology of Guangdong Province in 2008 and the income tax rate applicable to them is 15% for the period ended 30 June 2013.

Zhuhai Titans Power Electronics Company Limited ("Titans Power"), Titans Technology and Titans New Energy were established in Zhuhai, the special economic zone, and the income tax rate applicable to them was 15% pursuant to the relevant PRC laws in 2007, Titans Technology and Titans New Energy were recognised as High and New Technology Enterprises by Department of Science and Technology of Guangdong Province in 2008 and the income tax rate applicable to them is 15% for the period ended 30 June 2012.

Starting from May 2008, Titans Power in the PRC is exempted from the PRC income tax for two years starting from their first profit-making year, followed by a 50% reduction for the next three years. Provision for PRC income tax has been made based on 50% reduction in Titans Power for the period ended 30 June 2012.

Save as mentioned at above, the relevant tax rate for the Group's subsidiaries in the PRC was 25% for the six months ended 30 June 2013 and 2012.

6. (LOSS) PROFIT FOR THE PERIOD

(Loss) profit for the period have been arrived at after charging (crediting) the following items:

	Six months ended	
	30 June 2013 RMB'000 (unaudited)	30 June 2012 RMB'000 (unaudited)
Depreciation of property, plant and equipment	3,461	2,105
Amortisation of prepaid lease payments	–	146
Amortisation of intangible assets	189	188
Loss on disposal of property, plant and equipment	18	26
Total staff costs	16,643	16,352
Share-based payments to staff (included in total staff costs)	1,357	2,911
Operating lease rentals in respect of rented premises	737	627
Interest income	(289)	(158)
Rental income	–	(26)
Value added tax ("VAT") refunds (<i>Note</i>)	(4,126)	(3,711)
Government grant	(1,741)	(1,176)

Note: VAT refunds represent the refund of VAT charged on qualified sales of software products by the PRC tax bureau.

7. DIVIDENDS

No dividend has been declared by the Group for the period ended 30 June 2013 nor has any dividend been proposed since the end of the reporting period.

During the six months ended 30 June 2012, a final dividend of HK1 cent per share in respect of the year ended 31 December 2011 was declared and paid to owners of the Company. The aggregate amount of the final dividend declared and paid during the six months ended 30 June 2012 and amounted to approximately HK\$6,763,000.

8. (LOSS) EARNINGS PER SHARE

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

	Six months ended	
	30 June 2013 RMB'000 (unaudited)	30 June 2012 RMB'000 (unaudited)
(Loss) earnings		
(Loss) profit for the period attributable to owners of the Company	(7,349)	10,017
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted (loss) earnings per share	830,000,000	830,000,000

The computation of diluted (loss) earnings per share does not assume the exercise of the Company's options because the exercise price of those options was higher than the average market price for shares for the six months ended 30 June 2013 and 2012.

9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2013, the Group disposed of certain furniture, fixtures and equipment, motor vehicles and machinery with an aggregate carrying amount of approximately RMB23,000 (six months ended 30 June 2012: RMB63,000), resulting in a loss on disposal of approximately RMB18,000 (six months ended 30 June 2012: RMB26,000).

During the six months ended 30 June 2013, the Group acquired property, plant and equipment with a cost of approximately RMB761,000 (six months ended 30 June 2012: RMB9,311,000).

10. INTEREST IN AN ASSOCIATE

	30 June 2013 RMB'000 (unaudited)	31 December 2012 RMB'000 (audited)
Cost of investment in an unlisted associate	19,650	19,650
Loss on deemed disposal of partial interests in an associate	(1,089)	(1,089)
Share of post acquisition results	6,374	7,492
	24,935	26,053
	30 June 2013 RMB'000 (unaudited)	31 December 2012 RMB'000 (audited)
Total assets	199,513	217,702
Total liabilities	(128,270)	(143,266)
Net assets	71,243	74,436
Group's share of net assets of an associate	24,935	26,053
Revenue	26,444	132,063
(Loss) profit for the period/year	(3,193)	15,789
Group's share of results of an associate for the period	(1,118)	6,368

Name of entity	Form of business structure	Place of incorporation/ operation	Class of share held	Proportion of nominal value of registered capital held		Proportion of voting power held		Principal activities
				by the Group 2013	2012	2013	2012	
Beijing Hua Shang Clear New Energy Technology Co., Ltd.* (北京華商三優新能源科技有限公司) ("Beijing HuaShang")	Registered	The PRC	Capital contribution	35%	35%	35%	35%	Promotion and sale of charging equipment for electric vehicles

* For identification purpose only

11. TRADE AND BILLS RECEIVABLES

The following is an aged analysis of trade receivables presented based on the dates of recognition of the sales and net of allowance for trade receivables at the end of the reporting period:

	30 June 2013 RMB'000 (unaudited)	31 December 2012 RMB'000 (audited)
0 – 90 days	59,698	103,671
91 – 180 days	7,847	6,578
181 – 365 days	100,382	48,443
1 – 2 years	62,811	104,331
2 – 3 years	70,073	19,584
Over 3 years	2,567	6,065
	303,378	288,672
Bills receivables	100	4,308
	303,478	292,980

All of the bills receivables are aged within 90 days.

The Group allows an average credit period of 90 days to its trade customers counted from the due date of each of their installment payments pursuant to the sales contracts. Installment payments are separate into initial deposit payment which due upon signing of sales contracts, the payment after installation and testing and retention money which due from the end of the product quality assurance period which is twelve to eighteen months after the installation and testing.

12. AMOUNT DUE FROM AN ASSOCIATE

The amount due from an associate is unsecured, interest-free and trading in nature.

The following is an aged analysis of amount due from an associate based on the dates of recognition of the sales at the end of the reporting period:

	30 June 2013 RMB'000 (unaudited)	31 December 2012 RMB'000 (audited)
0 – 90 days	–	19,301
91 – 180 days	–	34
181 – 365 days	19,308	–
1 – 2 years	39,642	52,747
Over 2 years	20,872	8,038
	79,822	80,120

The Group allows an average credit period of 90 days counted from the due date of each of its installment payments pursuant to the sales contracts.

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

13. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

On 7 December 2012, the Group entered into disposal agreements with Best Able Limited and Jiangyin City Siteersi Trading Co., Ltd., independent third parties, in respect of the disposal of 90.04% equity interests in Jiangyin Titans High Voltage Electric Co., Ltd. at a consideration of approximately RMB15,205,000. The principal activity of the Jiangyin Titans High Voltage Electric Co., Ltd. is marketing and sale of PASS products and the provision of engineering services. The transaction has been completed on 5 January 2013.

13. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE (continued)

The major classes of assets and liabilities classified as held for sale at 31 December 2012, which have been presented separately in the consolidated statement of financial position, are as follows:

	RMB'000
Property, plant and equipment	213
Prepaid lease payments	12,814
Inventories	1,405
Trade and bills receivables	11,932
Prepayments, deposits and other receivables	1,430
Bank balances and cash	826
Assets classified as held for sale	28,620
Trade payables	199
Receipts in advance	552
Accruals and other payables	5,475
Liabilities classified as held for sale	6,226

The net proceeds of the disposals are expected to exceed the net carrying amounts of the relevant assets and liabilities and accordingly, no impairment loss has been recognised.

14. TRADE AND BILLS PAYABLES

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

	30 June 2013 RMB'000 (unaudited)	31 December 2012 RMB'000 (audited)
0 – 90 days	33,664	50,529
91 – 180 days	12,605	6,807
181 – 365 days	26,113	27,961
1 – 2 years	12,516	2,267
Over 2 years	499	1,231
	85,397	88,795
Bills payables	10,253	5,851
	95,650	94,646

The average credit period on purchases of goods is 90 days.

15. BANK BORROWINGS

	30 June 2013 RMB'000 (unaudited)	31 December 2012 RMB'000 (audited)
Bank loans, secured	35,000	50,000
Bank loans, unsecured	30,001	40,001
	65,001	90,001
Carrying amounts repayable:		
Within one year, shown under current liabilities	65,001	90,001

During the six months ended 30 June 2013, the Group obtained a new bank loan amounting to RMB20,000,000 (31 December 2012: RMB120,000,000). The proceeds were used as the Group's working capital.

15. BANK BORROWINGS (continued)

All bank borrowings are arranged at floating rates. The effective interest rates (which also equal to contracted interest rates) on the Group's bank loans ranges from 6.30% to 7.22% per annum for the six months ended 30 June 2013 (31 December 2012: 5.60% to 7.87% per annum).

At 30 June 2013 and 31 December 2012, the secured bank loans are collateralised by pledging of the Group's leasehold land and buildings and trade receivables as set out in note 18.

At 30 June 2013 and 31 December 2012, the unsecured bank loans were guaranteed by the directors of the Group, details of the guarantees are set out at note 22.

16. SHARE CAPITAL

	Number of shares	Share capital HKD'000
<i>Authorised:</i>		
Ordinary shares of HK\$0.01 each		
At 1 January 2012, 31 December 2012 and 30 June 2013	10,000,000,000	100,000
		RMB'000
<i>Issued and fully paid:</i>		
At 1 January 2012, 31 December 2012 and 30 June 2013	830,000,000	7,311

17. DISPOSAL OF A SUBSIDIARY

The Group entered into an agreement to dispose of its entire equity interests in Jiangyin Titans High Voltage Electric Co., Ltd. ("Jiangyin Titans ") to independent third parties. The completion of the disposal took place on 5 January 2013, upon which Jiangyin Titans ceased to be a subsidiary of the Group.

17. DISPOSAL OF A SUBSIDIARY (continued)

The net assets of Jiangyin Titans at the date of disposal were as follows:

	RMB'000
Net assets disposed of	
Property, plant and equipment	210
Prepaid lease payments	12,814
Inventories	4,886
Trade and bills receivables	2,723
Prepayments, deposits and other receivables	702
Bank balances and cash	760
Trade payables	(264)
Accruals and other payables	(5,292)
	16,539
Gain on disposal of subsidiary	4,446
Non-controlling interests	(2,055)
	18,930
Total consideration, satisfied by cash	18,930
Net cash inflow arising on disposal:	
Cash consideration received	18,930
Bank balances and cash disposed of	(760)
	18,170

18. PLEDGE OF ASSETS

At 30 June 2013, the Group's leasehold land and buildings with an aggregate carrying value of approximately RMB5,895,000 (31 December 2012: RMB6,049,000) were pledged to secure bank borrowings and other facilities.

19. SHARE-BASED PAYMENTS

Pre-IPO share option scheme

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

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

Share option scheme

Pursuant to the resolution in writing of shareholders of the Company on 8 May 2010, the Company has adopted a new share option scheme (the "Share Option Scheme") for a period of 10 years commencing on 8 May 2010, the board of directors 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) for at a consideration of HK\$1 on acceptance of the option offer. The subscription of shares in the Company is subject to the terms and conditions as stipulated in the Share Option Scheme. No share options were granted during the six months ended 30 June 2013 and 2012.

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

19. SHARE-BASED PAYMENTS (continued)
Share option scheme (continued)

Details of the Pre-IPO share option granted on 8 May 2010 are as follows:

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

Details of the new share option granted on 17 February 2011 are as follows:

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

The Company has share option scheme for directors and eligible employees. Details of the share options outstanding during the periods are as follow:

	Number of share options
Outstanding at 1 January 2012	42,970,000
Lapsed during the period	(5,830,000)
Forfeited during the period	(1,000,000)
Outstanding at 30 June 2012	<u>36,140,000</u>
Outstanding at 1 January 2013	35,480,000
Lapsed during the period	(11,667,000)
Forfeited during the period	(780,000)
Outstanding at 30 June 2013	<u>23,033,000</u>

19. SHARE-BASED PAYMENTS (continued)

Share option scheme (continued)

Share options were granted on 8 May 2010 and 17 February 2011. The aggregate fair values of the options determined at the dates of grant using the binomial model were approximately HKD15,741,000 and HK\$7,365,000 (equivalent to approximately RMB13,760,000 and RMB6,178,000) respectively, based on the valuation report issued by an independence valuer, Avista Valuation Advisory.

Equity-settled share-based payments of approximately RMB1,357,000 (30 June 2012: RMB2,911,000) were recognised in the condensed consolidated statement of comprehensive income for the six months ended 30 June 2013.

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

	Pre-IPO Share Option granted on 8 May 2010	Share option granted on 17 February 2011
Grant date share price (HKD)	1.05 – 1.2	1.06 – 1.12
Exercise price (HKD)	0.525 – 0.6	1.1
Expected life (years)	2.058 – 5.058	4
Expected volatility	54.59% – 57.84%	46.50% – 52.70%
Dividend yield	1.17%	0%
Risk-free interest rate	0.58% – 1.82%	0.72% – 1.63%

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

20. OPERATING LEASE COMMITMENTS

The Group as a lessee

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

	30 June 2013 RMB'000 (unaudited)	31 December 2012 RMB'000 (audited)
Within one year	1,740	1,053
In the second to fifth year inclusive	181	538
	1,921	1,591

Operating lease payments represent rentals payable by the Group for certain of its offices and workshops. Leases are negotiated for an average of two (31 December 2012: two) years and rentals are fixed for one (31 December 2012: one) year for the six months ended 30 June 2013.

21. CAPITAL COMMITMENTS

	30 June 2013 RMB'000 (unaudited)	31 December 2012 RMB'000 (audited)
Capital expenditure in respect of the acquisition of property, plant and equipment:		
– contracted but not provided	10,357	11,863
Capital expenditure in respect of the acquisition of investment in a subsidiary:		
– authorised but not contracted for	19,500	–
	29,857	11,863

22. RELATED PARTY TRANSACTIONS

- (a) During the six months ended 30 June 2013 and 2012, the Group had entered into the following transaction with related parties.

	Six months ended	
	30 June 2013 RMB'000 (unaudited)	30 June 2012 RMB'000 (unaudited)
Sales to an associate	340	1,704
Rental income from a company in which a director of a subsidiary has beneficial interest	–	26
	<hr/>	<hr/>

- (b) Balances with the related parties are set out on the condensed consolidated statement of financial position and the respective terms are set out in note 12.

(c) **Compensation to key management personnel**

The directors of the Company consider that the executive directors are the only key management personnel of the Company. The remuneration of directors during the six months ended 30 June 2013 and 2012 was as follows:

	Six months ended	
	30 June 2013 RMB'000 (unaudited)	30 June 2012 RMB'000 (unaudited)
Short-term benefits	462	462
Share-based payments	61	142
Post-employment benefits	22	15
	<hr/>	<hr/>
	545	619

The remuneration of the directors and key executives is determined by the remuneration committee of the Company having regard to the performance of individuals and market trends.

22. RELATED PARTY TRANSACTIONS (continued)

(d) Guarantees from directors

At 30 June 2013 and 31 December 2012, certain banking facilities of the Group were guaranteed by Mr. Li Xin Qing and Mr. An Wei:

	30 June 2013 RMB'000 (unaudited)	31 December 2012 RMB'000 (audited)
To the extent of	130,000	130,000

23. EVENT AFTER THE REPORTING PERIOD

On 16 August 2013, Titans Power, a wholly-owned subsidiary of the Company, entered into share transfer agreements with three independent parties, Henan Zhongfen Instrument Co. Ltd ("Henan Zhongfen"), Mr. Tao Jie ("Mr. Tao") and Mr. Zhao Wei ("Mr. Zhao"), pursuant to which the Group acquired from Henan Zhongfen, Mr. Tao and Mr. Zhao their equity interest, which in aggregate amount to 65% of the equity interest of Henan Hongzheng Electric Technology Co., Ltd (a company jointly set up by the aforesaid parties on 16 April 2012) ("Henan Hongzheng"), at a consideration of approximately RMB9,000,000, RMB5,250,000 and RMB5,250,000 respectively. Henan Hongzheng is principally engaged in the research and development of equipment and software in the field of intellectual power grid, power electronics and automatic control industry, technology transfer, consultation and technical service. The acquisition has not been completed as at the date of these condensed consolidated interim financial statements.

Details of the acquisition were set out in the Company's announcement dated 19 August 2013.

CORPORATE GOVERNANCE

The Company has adopted the code provisions in the Corporate Governance Code and Corporate Governance Report (the "Code Provisions") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") as its own corporate governance code. During the six months ended 30 June 2013, the Company has complied with the Code Provisions and there have been no material deviations from the Code Provisions.

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

As at 30 June 2013, the interests and short positions of the Directors and the chief executive of the Company and their associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance ("SFO")) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuer (the "Model Code") as set out in Appendix 10 to the Listing Rules were as follows:–

Name of Director	Nature of interest	Number of Shares or underlying Shares of the Company	Approximate percentage of existing issued share capital of the Company
Li Xin Qing	Interest of controlled corporations	205,709,875 (L) <i>(Note 2)</i>	24.78%
	Beneficial owner	400,000 (L) <i>(Note 3)</i>	0.05%
An Wei	Interest of controlled corporations	205,869,875 (L) <i>(Note 4)</i>	24.80%
	Beneficial owner	400,000 (L) <i>(Note 5)</i>	0.05%

Notes:

1. The letter “L” stands for long position and the letter “S” stands for short position (both within the meaning stated in the form for notification specified pursuant to the SFO).
2. The entire issued share capital of Genius Mind Enterprises Limited (“Genius Mind”) is beneficially owned by Li Xin Qing who is deemed to be interested in 197,724,457 Shares held by Genius Mind by virtue of the SFO. In addition, Li Xin Qing is also deemed to be interested in 7,985,418 Shares held by Rich Talent Management Limited (“Rich Talent”) by virtue of the SFO, a company which shareholding is owned as to 50% by him.
3. The interest in 400,000 Shares represents the share options granted to Li Xin Qing pursuant to the Pre-IPO Share Option Scheme.
4. The entire issued share capital of Great Passion International Limited (“Great Passion”) is beneficially owned by An Wei who is deemed to be interested in 197,884,457 Shares held by Great Passion by virtue of the SFO. In addition, An Wei is also deemed to be interested in 7,985,418 Shares held by Rich Talent by virtue of the SFO, a company which shareholding is owned as to 50% by him.
5. The interest in 400,000 Shares represents the share options granted to An Wei pursuant to the Pre-IPO Share Option Scheme of the Company.

Save as disclosed above, as at 30 June 2013, none of the Directors or chief executive of the Company nor their associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

DIRECTORS’ RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than the Pre-IPO Share Option Scheme and Share Option Scheme detailed in note 19 to the unaudited interim financial statements, at no time during the six months ended 30 June 2013 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate and none of the Directors, their spouses or children under 18 years of age, had any rights to subscribe for securities of the Company, or had exercised any such rights.

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

As at 30 June 2013, 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 pursuant to 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 of the Company	Approximate percentage of existing issued share capital of the Company
Zeng Zhen (<i>Note 2</i>)	Interests of spouse	206,109,875 (L)	24.83%
Genius Mind (<i>Note 3</i>)	Beneficial owner	197,724,457 (L)	23.82%
Yan Kai (<i>Note 4</i>)	Interests of spouse	206,269,875 (L)	24.85%
Great Passion (<i>Note 5</i>)	Beneficial owner	197,884,457 (L)	23.84%
Honor Boom Investments Limited (<i>Note 6</i>)	Beneficial owner	82,458,117 (L)	9.93%
Li Xiao Bin (<i>Note 6</i>)	Interest of controlled corporations	82,458,117 (L)	9.93%
	Beneficial owner	800,000 (L)	0.10%
Zhang Lina (<i>Note 7</i>)	Interests of spouse	83,258,117 (L)	10.03%
Thomas Pilscheur	Beneficial owner	66,244,818 (L)	7.98%
Feng Yanlin (<i>Note 8</i>)	Interests of spouse	66,244,818 (L)	7.98%

Notes:

1. The letter "L" stands for long position and the letter "S" stands for short position (both within the meaning stated in the form for notification specified pursuant to the SFO).
2. Zeng Zhen is the spouse of Li Xin Qing. Therefore, Zeng Zhen is deemed to be interested in the Shares in which Li Xin Qing is interested for the purposes of the SFO.
3. The entire issued share capital of Genius Mind is beneficially owned by Li Xin Qing who is deemed to be interested in the Shares held by Genius Mind by virtue of the SFO. Li Xin Qing is the sole director of Genius Mind.
4. Yan Kai is the spouse of An Wei. Therefore, Yan Kai is deemed to be interested in the Shares in which An Wei is interested for the purposes of the SFO.
5. The entire issued share capital of Great Passion is beneficially owned by An Wei who is deemed to be interested in the Shares held by Great Passion by virtue of the SFO. An Wei is the sole director of Great Passion.
6. The issued share capital of Honor Boom Investments Limited ("Honor Boom") is owned as to 40% by Li Xiao Bin, 30% by Ou Yang Fen and 30% by Cui Jian respectively. Therefore, Li Xiao Bin is deemed to be interested in the 82,458,117 Shares held by Honor Boom by virtue of the SFO. The interest in 800,000 Shares represents the 400,000 share options and 400,000 share options granted to Li Xiao Bin under the Pre-IPO Share Option Scheme and the Share Option Scheme respectively.
7. Zhang Lina is the spouse of Li Xiao Bin. Therefore, Zhang Lina is deemed to be interested in the Shares in which Li Xiao Bin is interested for the purposes of the SFO.
8. Feng Yanlin is the spouse of Thomas Pilscheur. Therefore, Feng Yanlin is deemed to be interested in the Shares in which Thomas Pilscheur is interested for the purposes of the SFO.

Save as disclosed above, as at 30 June 2013, 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 pursuant to 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.

SHARE OPTION SCHEMES

PRE-IPO SHARE OPTION SCHEME

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

- (a) the Pre-IPO Share Option Scheme expired on the date immediately prior to 28 May 2010 (the "Listing Date") and save for the options which have been conditionally granted, no further options will be offered or granted or accepted under the Pre-IPO Share Option Scheme after the Listing Date;
- (b) the subscription price HK\$0.59 per Share has been determined by the Board at 50% discount to the final offer price of the listing of the Shares on the Stock Exchange on the Listing Date;
- (c) the option period of each option granted is: (a) in relation to 25% of the Shares comprised in the option, the period commencing on the expiration of 12 months after the Listing Date and ending on the expiration of 24 months after the Listing Date; (b) in relation to another 25% of the Shares comprised in the option, the period commencing on the expiration of 24 months after the Listing Date and ending on the expiration of 36 months after the Listing Date; (c) in relation to another 25% of the Shares comprised in the option, the period commencing on the expiration of 36 months after the Listing Date and ending on the expiration of 48 months after the Listing Date; and (d) in relation to the remaining 25% of the Shares comprised in the option, the period commencing on the expiration of 48 months after the Listing Date and ending on the expiration of 60 months after the Listing Date; and
- (d) if any of the grantees fails to exercise all or part of the 25% of the total number of options vested to him/her in each period, such 25% or remaining part of the 25% of the total number of options vested and exercisable during that period (as the case may be) shall lapse.

Options carrying rights to subscribe for a total of 23,920,000 Shares were granted to certain employees of the Group, including the two executive Directors, on 8 May 2010. All options were conditionally granted to the grantees.

During the six months ended 30 June 2013, share options carrying rights to subscribe for a total of 6,050,000 Shares have lapsed in accordance with the terms of the Pre-IPO Share Option Scheme. As at 30 June 2013, share options carrying rights to subscribe for 11,140,000 Shares in aggregate (representing about approximately 1.34% of the issued share capital of the Company) remained outstanding. Set out below is further information on the outstanding share options granted under the Pre-IPO Share Option Scheme as at 30 June 2013:

Name of participant	Date of share options granted	Number of share options				Outstanding as at 30 June 2013	Approximate percentage of issued share capital of the Company
		Outstanding as at 1 January 2013	Exercised during the period	Lapsed during the period	Cancelled during the period		
Li Xin Qing (Note 1)	8 May 2010	600,000	–	200,000	–	400,000	0.05%
An Wei (Note 1)	8 May 2010	600,000	–	200,000	–	400,000	0.05%
Li Xiao Bin (Note 2)	8 May 2010	600,000	–	200,000	–	400,000	0.05%
Other employees of the Group	8 May 2010	15,390,000	–	5,450,000	–	9,940,000	1.19%
Total for scheme		17,190,000	–	6,050,000	–	11,140,000	1.34%

Note: 1. Li Xin Qin and An Wei are the executive Directors of the Company.

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

Subsequent to 30 June 2013 and up to the date of this report, no further share options have lapsed. As at the date of this report, share options carrying rights to subscribe for a total of 11,140,000 Shares under the Pre-IPO Share Option Scheme remained outstanding.

Share Option Scheme

The Company has adopted a share option scheme (the "Share Option Scheme") pursuant to a written resolution of the shareholders of the Company on 8 May 2010.

The purpose of the 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 an absolute discretion, has made valuable contribution to the business of the Group based on his performance and/or years of service, or is regarded to be valuable human resources of the Group are eligible to participate in the Share Option Scheme subject to such conditions as the Board may think fit.

The Share Option Scheme will remain in force for a period of 10 years after 8 May 2010.

When the 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 Share Option Scheme and any other share option scheme adopted by the Group must not in aggregate exceed 10% of the Shares of the Company in issue on the Listing Date, i.e. 80,000,000 Shares ("Scheme Mandate Limit") which represented approximately 9.64% of the Shares in issue as at the date of interim report. The Company may renew the Scheme Mandate Limit with shareholders' approval provided that each such renewal may not exceed 10% of the Shares in the Company in issue as at the date of the shareholders' approval.

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

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

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

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

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

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

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

Date of grant	:	17 February 2011
Exercise price of share options granted	:	HK\$1.10 per Share
Number of share options granted	:	19,430,000 share options (each share option shall entitle the holder of the share option to subscribe for one Share)
Closing price of the Share on the date of grant	:	HK\$1.10 per Share
Validity period of the share options	:	4 years commencing from 17 February 2011 and expiring on 16 February 2015 (both days inclusive), to be exercised in the following manner:

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

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

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

During the six months ended 30 June 2013, share options carrying rights to subscribe for a total of 6,396,666 Shares have lapsed in accordance with the terms of the Share Option Scheme. As at 30 June 2013, share options carrying rights to subscribe for 11,893,334 Shares in aggregate (representing about approximately 1.43% of the issued share capital of the Company) remained outstanding. Set out below is further information on the outstanding share options granted under the Share Option Scheme as at 30 June 2012:

Name of participant	Date of share options granted	Number of share options					Outstanding as at 30 June 2013	Approximate percentage of issued share capital of the Company
		Outstanding as at 1 January 2013	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period		
Li Xiao Bin <i>(Note)</i>	17 February 2011	600,000	-	-	200,000	-	400,000	0.05%
Other employees of the Group	17 February 2011	17,690,000	-	-	6,196,666	-	11,493,334	1.38%
Total for scheme		18,290,000	-	-	6,396,666	-	11,893,334	1.43%

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

Subsequent to 30 June 2013 and up to the date of this report, no further share options have lapsed. As at the date of this report, share options carrying rights to subscribe for a total of 11,893,334 Shares under the Share Option Scheme remained outstanding.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its model code regarding director's securities transactions. Having made specific enquiry of all Directors, all Directors confirmed that they had complied with the provisions of the Model Code during the six months ended 30 June 2013.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2013.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

Disposal of subsidiary

On 7 December 2012, the Group entered into share transfer agreements with two independent third parties to dispose its entire 93.55% equity interests in Jiangyin Titans High Voltage Electric Co., Ltd.* (江陰泰坦高壓電氣有限公司) ("Jiangyin Titans"). The completion of the disposal took place on 5 January 2013, upon which Jiangyin Titans ceased to be a subsidiary of the Group.

Details of the disposal were set out in the Company's announcement dated 7 December 2012.

Save as disclosed above, the Group had no material acquisition and disposal of its subsidiaries and associated companies during the six months ended 30 June 2013.

Acquisition of subsidiary after the reporting period

On 16 April 2012, the Group established a company, Henan Hongzheng Electric Technology Co., Ltd* (河南弘正電氣科技有限公司) ("Henan Hongzheng"), in Zhengzhou, Henan Province with three independent third parties jointly. The Group contributed RMB10,500,000 for 35% of the equity interests of Henan Hongzheng. The Group is the largest shareholder of Henan Hongzheng and controls the board of directors and operation decisions of Henan Hongzheng. Henan Hongzheng is a subsidiary and under the control of the Group.

On 16 August 2013, the Group entered into share transfer agreements with each of the three independent third parties to acquire the remaining 65% of equity interest in Henan Hongzheng at a total consideration of RMB19,500,000. The acquisition has not been completed as at the date of this report.

Details of the acquisition were set out in the Company's announcement dated 19 August 2013.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within knowledge of the Directors, as at the date of this interim report, the Company has maintained the prescribed public float under the Listing Rules.

MAJOR LITIGATION AND ARBITRATION PROCEEDINGS

The Group had no major litigation or arbitration during the six months ended 30 June 2013.

REVIEW BY AUDIT COMMITTEE

The audit committee of the Company has reviewed and discussed with the management regarding the Company's interim financial information and interim results for the six months ended 30 June 2013.

By Order of the Board

China Titans Energy Technology Group Co., Limited

Li Xin Qing

Chairman

Hong Kong, 28 August 2013