# 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)*

**(Stock code: 2188)**

# FINAL RESULTS
# FOR THE YEAR ENDED 31 DECEMBER 2010

## FINANCIAL HIGHLIGHTS

– Turnover increased by 33.26% to RMB288,448,000 as compared to that of the last year.

– Profit for the year and total comprehensive income attributable to owners of the Company increased by 11.36% to RMB60,253,000 as compared to that of last year.

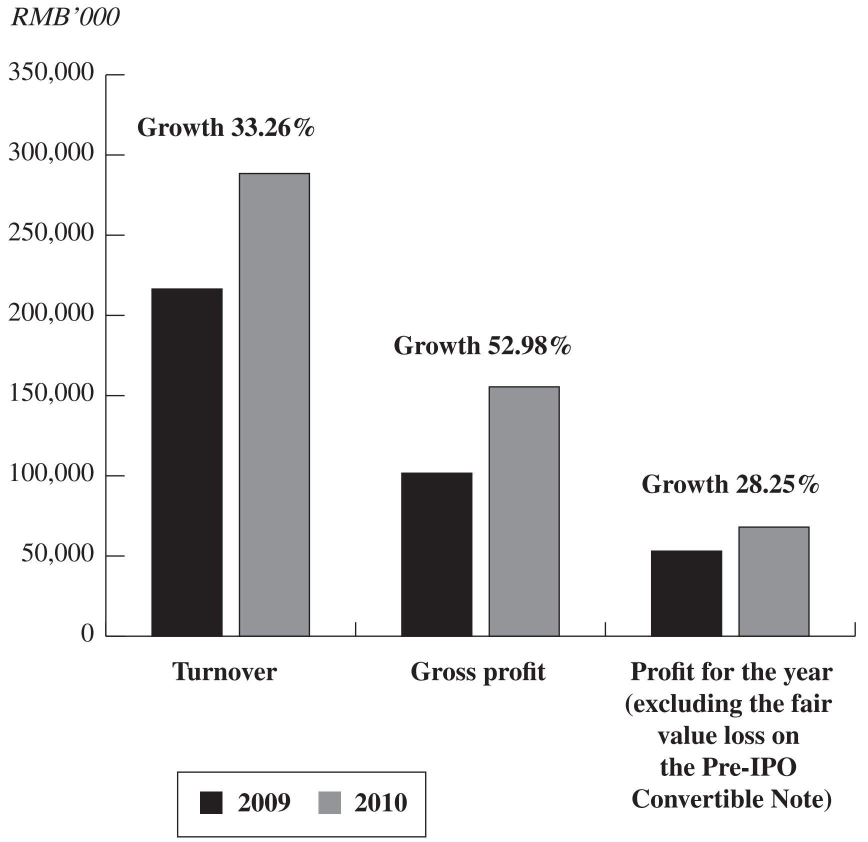
– Net profit for the year and total comprehensive income attributable to owners of the Company (before loss from fair value change on Pre-IPO Convertible Note) increased by 19.07% to RMB64,209,000 as compared to that of last year.

– The Board does not propose to declare any final dividend.

Due to an increase in the value of our Shares upon Listing as compared with the estimated value of our Shares before Listing as at 31 December 2009, we recorded a loss from an increase in fair value of the Pre-IPO Convertible Note. The entire Pre-IPO Convertible Note was converted into 19,746,548 Shares of the Company upon Listing (after the capitalisation issue in connection with the Listing).

* *For identification purpose only*

The chart below set out the growth of our turnover, gross profit and our net profit (excluding any fair value of change on the Pre-IPO Convertible Note) for the two years ended 31 December 2009 and 2010.



## FINANCIAL RESULTS

The board of directors (the "Directors") of China Titans Energy Technology Group Co., Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2010 together with comparative figures for the year ended 31 December 2009 as follows:

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the year ended 31 December 2010*

| | Notes | 2010<br>*RMB'000* | 2009<br>*RMB'000* |
|---|---|---|---|
| Turnover | *(4)* | **288,448** | 216,452 |
| Cost of sales | | **(132,980)** | (114,825) |
| Gross profit | | **155,468** | 101,627 |
| Other revenue | *(6)* | **8,295** | 7,582 |
| Fair value change on convertible loan note | | **(3,956)** | 179 |
| Negative goodwill | | **–** | 830 |
| Selling and distribution expenses | | **(21,490)** | (22,614) |
| Administrative and other expenses | | **(39,694)** | (23,824) |
| Share of results of associates | | **(770)** | – |
| Other expenses | | **(13,844)** | (2,739) |
| Finance costs | *(7)* | **(5,312)** | (1,386) |
| Profit before taxation | | **78,697** | 59,655 |
| Income tax expense | *(8)* | **(14,621)** | (6,431) |
| Profit for the year and total comprehensive income for the year | *(9)* | **64,076** | 53,224 |
| Profit for the year and total comprehensive income attributable to: | | | |
| Owners of the Company | | **60,253** | 54,106 |
| Non-controlling interests | | **3,823** | (882) |
| | | **64,076** | 53,224 |
| **Earnings per Share** | *(11)* | | |
| Basic *(RMB)* | | **8.3 cents** | 9.3 cents |
| Diluted *(RMB)* | | **8.2 cents** | 9.0 cents |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*At 31 December 2010*

| | Notes | 2010 RMB'000 | 2009 RMB'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | **15,260** | 13,358 |
| Deposits for acquisition of plant and equipment | | **6,843** | – |
| Intangible assets | | **1,702** | 2,079 |
| Interests in associates | | **20,983** | – |
| | | **44,788** | 15,437 |
| **Current assets** | | | |
| Inventories | | **35,354** | 11,921 |
| Trade and bills receivables | *(12)* | **254,946** | 221,938 |
| Prepayments, deposits and other receivables | | **21,310** | 14,444 |
| Amount due from a shareholder | | **–** | 202 |
| Amounts due from associates | | **48,826** | – |
| Restricted bank balances | | **11,441** | 15,667 |
| Short-term bank deposits | | **65,000** | – |
| Bank balances and cash | | **151,615** | 27,081 |
| | | **588,492** | 291,253 |
| **Current liabilities** | | | |
| Trade and bills payables | *(13)* | **63,270** | 58,868 |
| Receipts in advance | | **4,600** | 2,561 |
| Accruals and other payables | | **51,195** | 43,136 |
| Dividend payables | | **142** | 2,942 |
| Amount due to a shareholder | | **–** | 1,519 |
| Amounts due to directors | | **–** | 7,447 |
| Tax payable | | **20,053** | 11,247 |
| Bank and other borrowings | | **40,000** | 24,000 |
| Convertible loan note | | **–** | 8,581 |
| | | **179,260** | 160,301 |
| **Net current assets** | | **409,232** | 130,952 |
| **Net assets** | | **454,020** | 146,389 |
| **Capital and reserves** | | | |
| Share capital | | **7,311** | 2 |
| Reserves | | **440,660** | 144,023 |
| **Equity attributable to owners of the Company** | | **447,971** | 144,025 |
| Non-controlling interests | | **6,049** | 2,364 |
| **Total equity** | | **454,020** | 146,389 |

*Notes:*

## 1. GENERAL

China Titans Energy Technology Group Co., Limited (the "Company") was incorporated and registered as an exempted company in the Cayman Islands with limited liability. The address of the registered office is P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Island. 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") since 28 May 2010.

The consolidated 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 PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

Under a corporate reorganisation (the "Corporate Reorganisation") in preparation for the listing of the Company's shares in the Stock Exchange, the Company became the holding company of the companies comprising the Group on 8 May 2010. Details of the Corporate Reorganisation were set out in the prospectus dated 18 May 2010 issued by the Company (the "Prospectus").

The consolidated statement of comprehensive income of the Group for the year ended 31 December 2009 has been prepared on the basis as if the Company had always been the holding company of the companies now comprising the Group throughout the year ended 31 December 2009, or since the respective dates of incorporation of the relevant entity, where there is a shorter period.

The consolidated statement of financial position of the Group as at 31 December 2009 has been prepared to present the assets and liabilities of the companies now comprising the Group as at 31 December 2009 as if the current group structure had been in existence at that date.

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

In the current year, the Group has applied, the following new and revised standards, amendments and interpretations ("new and revised HKFRS") issued by the HKICPA.

| | |
|---|---|
| HKFRSs (Amendments) | Amendments to HKFRS 5 as part of Improvements to HKFRSs 2008 |
| HKFRSs (Amendments) | Improvements to HKFRSs 2009 |
| HKAS 27 (Revised) | Consolidated and Separate Financial Statements |
| HKAS 39 (Amendment) | Eligible Hedge Items |
| HKFRS 1 (Revised) | First-time Adoption of Hong Kong Financial Reporting Standards |
| HKFRS 1 (Amendment) | Additional Exemptions from First-time Adopters |
| HKFRS 2 (Amendment) | Group Cash-settled Share-based Payment Transactions |
| HKFRS 3 (Revised) | Business Combinations |
| HK – Int 5 | Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause |
| HK (IFRIC) – Int 17 | Distribution of Non-cash Assets to Owners |

The application of these new and revised HKFRS had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

The Group has not early applied the following new or revised standards, amendments or interpretations that have been issued but are not yet effective:

| | |
|---|---|
| HKFRSs (Amendments) | Improvements to HKFRSs 2010 except for the amendments to HKFRS 3 (Revised in 2008), HKFRS 7, HKAS 1 and HKAS 28[1] |
| HKFRS 1 (Amendment) | Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[3] |
| HKFRS 1 (Amendment) | Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[5] |
| HKFRS 7 (Amendments) | Disclosures – Transfers of Financial Assets[5] |
| HKFRS 9 | Financial Instruments[7] |
| HKAS 12 (Amendment) | Deferred Tax: Recovery of Underlying Assets[6] |
| HKAS 24 (Revised) | Related Party Disclosures[4] |
| HKAS 32 (Amendment) | Classification of Rights Issues[2] |
| HK(IFRIC) – Int 14 (Amendment) | Prepayment of a Minimum Funding Requirement[4] |
| HK(IFRIC) – Int 19 | Extinguishing Financial Liabilities with Equity Instruments[3] |

[1] *Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.*

[2] *Effective for annual periods beginning on or after 1 February 2010.*

[3] *Effective for annual periods beginning on or after 1 July 2010.*

[4] *Effective for annual periods beginning on or after 1 January 2011.*

[5] *Effective for annual periods beginning on or after 1 July 2011.*

[6] *Effective for annual periods beginning on or after 1 January 2012.*

[7] *Effective for annual periods beginning on or after 1 January 2013.*

HKFRS 9 Financial Instruments issued in November 2009 and amended in October 2010 introduces new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition.

- HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

- The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was recognised in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that HKFRS 9 that will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new standard will have a significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

The amendments to HKFRS 7 titled Disclosures – Transfers of Financial Assets increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

The directors do not anticipate that these amendments to HKFRS 7 will have a significant effect on the Group's disclosures regarding transfers of trade receivables previously effected. However, if the Group enters into other types of transfers of financial assets in the future, disclosures regarding those transfers may be affected.

HKAS 24 Related Party Disclosures (as revised in 2009) modifies the definition of a related party and simplifies disclosures for government-related entities.

The disclosure exemptions introduced in HKAS 24 (as revised in 2009) do not affect the Group because the Group is not a government-related entity. However, disclosures regarding related party transactions and balances in these consolidated financial statements may be affected when the revised version of the standard is applied in future accounting periods.

The amendments to HKAS 32 titled Classification of Rights Issues address the classification of certain rights issues denominated in a foreign currency as either an equity instrument or as a financial liability. To date, the Group has not entered into any arrangements that would fall within the scope of the amendments. However, if the Group does enter into any rights issues within the scope of the amendments in future accounting periods, the amendments to HKAS 32 will have an impact on the classification of those rights issues.

HK(IFRIC) – Int 19 provides guidance regarding the accounting for the extinguishment of a financial liability by the issue of equity instruments. To date, the Group has not entered into transactions of this nature. However, if the Group does enter into any such transactions in the future, HK(IFRIC)-Int 19 will affect the required accounting. In particular, under HK(IFRIC)-Int 19, equity instruments issued under such arrangements will be measured at their fair value, and any difference between the carrying amount of the financial liability extinguished and the fair value of equity instruments issued will be recognised in profit or loss.

The directors of the Company anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

## 4. TURNOVER

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

## 5. SEGMENT INFORMATION

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

The Group currently organises its operations into six reportable segments, namely direct current power system ("DC Power System"), distribution of plug and switch system ("PASS") products and other segments which are power monitoring and management equipment, charging equipment for electric vehicles, wind and solar power generating balancing control products and high power light-emitting diode ("LED") lighting products. They represent six major lines of products sold by the Group. The principal activities of the reportable segments are as follows:

| | | |
|---|---|---|
| DC Power System | – | Sales of DC Power System products |
| PASS Products | – | Distribution of PASS products |
| Power Monitoring | – | Sales of power monitoring and management equipment |
| Charging Equipment | – | Sales of charging equipment for electric vehicles |
| Wind and Solar Power | – | Sales of wind and solar power generating balancing control products |
| LED products | – | Sales of high power LED lighting products |

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

**Year ended 31 December 2010**

| | DC Power System *RMB'000* | PASS products *RMB'000* | Power Monitoring *RMB'000* | Charging Equipment *RMB'000* | Wind and Solar Power *RMB'000* | LED products *RMB'000* | Total *RMB'000* |
|---|---|---|---|---|---|---|---|
| Segment revenue | **129,030** | **9,797** | **26,960** | **83,727** | **37,889** | **1,045** | **288,448** |
| Segment results | **46,217** | **1,646** | **13,855** | **38,720** | **19,721** | **97** | **120,256** |
| Other revenue | | | | | | | **8,295** |
| Share of results of associates | | | | | | | **(770)** |
| Fair value change on convertible loan note | | | | | | | **(3,956)** |
| Unallocated head office and corporate expenses | | | | | | | **(45,128)** |
| Profit before taxation | | | | | | | **78,697** |

Year ended 31 December 2009

| | DC Power System *RMB'000* | PASS products *RMB'000* | Power Monitoring *RMB'000* | Charging Equipment *RMB'000* | Wind and Solar Power *RMB'000* | LED products *RMB'000* | Total *RMB'000* |
|---|---|---|---|---|---|---|---|
| Segment revenue | 130,840 | 45,466 | 16,231 | 15,157 | – | 8,758 | 216,452 |
| Segment results | 48,826 | 11,611 | 9,182 | 7,776 | – | 1,613 | 79,008 |
| Other revenue | | | | | | | 7,582 |
| Fair value change on convertible loan note | | | | | | | 179 |
| Unallocated head office and corporate expenses | | | | | | | (27,114) |
| Profit before taxation | | | | | | | 59,655 |

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

Segment results represent the profit earned by each segment without allocation of central administrative cost, directors' emoluments, share of results of associates, fair value change on convertible loan note, negative goodwill and finance costs. This is the measure reported to the executive directors for the purpose of resource allocation and performance assessment.

***Segment assets and liabilities***

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

| **Segment assets** | **2010** | 2009 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| DC Power System | **139,969** | 166,031 |
| PASS products | **19,648** | 47,937 |
| Power Monitoring | **27,512** | 15,495 |
| Charging Equipment | **91,300** | 14,469 |
| Wind and Solar Power | **32,934** | – |
| LED products | **3,427** | 8,361 |
| Total segment assets | **314,790** | 252,293 |
| Unallocated | **318,490** | 54,397 |
| Consolidated assets | **633,280** | 306,690 |

| **Segment liabilities** | **2010** | 2009 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| DC Power System | **20,939** | 43,975 |
| PASS products | **474** | 961 |
| Power Monitoring | **6,139** | 3,187 |
| Charging Equipment | **39,599** | 7,703 |
| Wind and Solar Power | **6,139** | – |
| LED products | **–** | 6,906 |
| Total segment liabilities | **73,290** | 62,732 |
| Unallocated | **105,970** | 97,569 |
| Consolidated liabilities | **179,260** | 160,301 |

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

- all assets are allocated to reportable segments other than property, plant and equipment, interests in associates, prepayments, deposit and other receivables, amount due from a shareholder, restricted bank balance, short-term bank deposits and bank balances and cash. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments; and

- all liabilities are allocated to reportable segments other than dividend payables, amounts due to directors, tax payable, bank and other borrowings and convertible loan note. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

***Other segment information***

The following is an analysis of the Group's other segment information by reportable segments.

**For the year ended 31 December 2010**

| | **DC Power System** *RMB'000* | **PASS products** *RMB'000* | **Power Monitoring** *RMB'000* | **Charging Equipment** *RMB'000* | **Wind and Solar Power** *RMB'000* | **LED products** *RMB'000* | **Total** *RMB'000* |
|---|---|---|---|---|---|---|---|
| Additions to non-current assets | **1,420** | **95** | **58** | **1,530** | **1,753** | **93** | **4,949** |
| Amortisation | **257** | **120** | **–** | **–** | **–** | **–** | **377** |
| Allowance for trade receivables | **1,325** | **490** | **859** | **277** | **–** | **11** | **2,961** |

For the year ended 31 December 2009

| | DC Power System *RMB'000* | PASS products *RMB'000* | Power Monitoring *RMB'000* | Charging Equipment *RMB'000* | Wind and Solar Power *RMB'000* | LED products *RMB'000* | Total *RMB'000* |
|---|---|---|---|---|---|---|---|
| Additions to non-current assets | 1,003 | 443 | 985 | 284 | – | 21 | 2,736 |
| Amortisation | 257 | 120 | – | – | – | – | 377 |
| Allowance for trade receivables | 1,134 | 20 | 615 | 680 | – | 490 | 2,939 |

***Geographical information***

All revenues from external customers and property, plant and equipment are derived from the PRC.

***Major customers***

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

| | **2010** | 2009 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Customer A[1] | **N/A[4]** | 39,018 |
| Customer B[2] | **N/A[4]** | 27,082 |
| Customer C[3] | **34,682** | N/A[4] |

[1] Revenue mainly from PASS Products

[2] Revenue mainly from DC Power System

[3] Revenue mainly from Charging Equipment

[4] The corresponding revenue did not contribute over 10% of the total sales of the Group in the respective year

## 6. OTHER REVENUE

| | **2010** | 2009 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Value added tax ("VAT") refunds *(note a)* | **5,739** | 5,749 |
| Interest income | **1,559** | 132 |
| Gain on deemed disposal of a subsidiary | **509** | – |
| Gain on deemed disposal of partial interest in an associate | **77** | – |
| Consultancy service income | **109** | 747 |
| Government grants *(note b)* | **103** | 893 |
| Reversal of allowance for other receivables | **87** | – |
| Rental income *(note c)* | **50** | 32 |
| Repairs and maintenance services provided | **35** | 6 |
| Other income | **27** | 10 |
| Net proceeds from sales of raw materials | **–** | 13 |
| | **8,295** | 7,582 |

*Notes:*

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

(b) Government grants represent the subsidy received from Zhuhai People's Government (「珠海市人民政府」) regarding Titans Technology was one of the top ten civil enterprises of Zhuhai City (「珠海市十大民營企業」) during the year. For the year ended 31 December 2009, the subsidies received from Zhuhai City Science and Technology Bureau and Zhuhai City Department of Finance for the research and development work performed by Titans Technology in the improvement of the power grid electricity quality. There was no further condition needed to be fulfilled by the Group to entitle the government grants.

(c) Rental income is net of outgoings of RMB22,000 for the year ended 31 December 2010 (2009: RMB14,000).

## 7. FINANCE COSTS

| | **2010** | 2009 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Interest on: | | |
| Bank and other borrowings wholly repayable within five years | **2,551** | 1,260 |
| Advance from staff | **6** | 56 |
| Amount due to a shareholder | **–** | 28 |
| Factoring cost on trade receivables | **2,755** | – |
| Discounted bills | **–** | 42 |
| | **5,312** | 1,386 |

## 8. INCOME TAX EXPENSE

| | **2010** | 2009 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Current tax: | | |
| PRC Corporate Income Tax | **14,621** | 6,431 |

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.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The relevant tax rate for the Group's subsidiaries in the PRC was 25% for the year ended 31 December 2010 (2009: 25%).

Zhuhai Titans Automatic Technology Company Limited ("Titans Automatic"), Zhuhai Titans Technology Co., Ltd. ("Titans Technology") and Zhuhai Titans New Energy Systems Co., Ltd. ("Zhuhai Clear") were established in Zhuhai, the special economic zone, the income tax rates applicable to them was 15% pursuant to the relevant PRC laws in 2007, Titans Technology and Zhuhai Clear 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 year ended 31 December 2010 (2009: 15%).

Starting from May 2008, Titans Automatic 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. No provision for PRC income tax has been made in the consolidated statement of financial position as the PRC subsidiary was exempted from PRC income tax during the year ended 31 December 2009 and 50% reduction for the year ended 31 December 2010.

## 9. PROFIT FOR THE YEAR

| | **2010** | 2009 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Profit for the year has been arrived at after charging: | | |
| Staff costs | | |
| Directors' emoluments | **2,091** | 466 |
| Other staff | | |
| – share based payments for other staff | **3,960** | – |
| – salaries and other allowances | **16,097** | 11,388 |
| – retirement benefits scheme contributions (excluding directors) | **1,182** | 670 |
| Total staff costs | **23,330** | 12,524 |
| Depreciation of property, plant and equipment | **2,199** | 1,850 |
| Amortisation of intangible assets | **377** | 377 |
| Auditor's remuneration | **717** | 746 |
| Research and development costs | **13,362** | 9,156 |
| Operating lease rentals in respect of rented premises | **1,486** | 278 |
| Loss on disposal of property, plant and equipment | **–** | 2 |
| Allowance for trade receivables (included in administrative expenses) | **2,961** | 2,939 |
| Allowance for other receivables (included in administrative expenses) | **–** | 57 |
| Reversal of allowance for inventories (included in cost of sales) | **(128)** | – |
| Cost of inventories recognised as an expense | **133,108** | 114,825 |

## 10. DIVIDENDS

No dividend has been paid or declared by the Company for the year ended 31 December 2010 (2009: nil).

## 11. EARNINGS PER SHARE

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

| | **2010** | 2009 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **Earnings** | | |
| Earnings for the purpose of basic earnings per share | | |
| Profit for the year attributable to owners of the Company | **60,253** | 54,106 |
| Effect of dilutive potential ordinary shares: | | |
| Fair value change on convertible loan note | **–** | (179) |
| Earnings for the purpose of diluted earnings per share | **60,253** | 53,927 |
| **Number of shares** | | |
| Weighted average number of ordinary shares for the purpose of basic earnings per share | **729,082,959** | 580,240,000 |
| Effect of dilutive potential ordinary shares: | | |
| Convertible loan note | **–** | 19,760,000 |
| Share options | **2,289,268** | – |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share | **731,372,227** | 600,000,000 |

For the year ended 31 December 2009, the weighted average number of ordinary shares for calculation of basic earnings per share had been determined after taking into consideration of 580,240,000 shares issued pursuant to the corporate reorganisation and the capitalisation issue of the Company as detailed in Appendix V to the Prospectus of the Company dated 18 May 2010 but excluding any share to be issued pursuant to the public offering and adjusted for the effect of shares to be issued upon conversion of convertible loan note.

The computation of diluted earnings per share for the year ended 31 December 2010 does not include the effect of the convertible loan note since it would result in an increase in earnings per share.

## 12. TRADE AND BILLS RECEIVABLES

| | **2010** | 2009 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Trade receivables | **265,077** | 232,088 |
| *Less:* allowance for trade receivables | **(13,431)** | (11,150) |
| | **251,646** | 220,938 |
| Discounted bills receivables | **–** | 1,000 |
| Bills receivables | **3,300** | – |
| Total trade and bills receivables | **254,946** | 221,938 |

Included in the balances of trade receivables as at 31 December 2010 were retention receivables of approximately RMB37,757,000 (2009: RMB25,877,000).

The following is an aged analysis of trade receivables net of allowance for trade receivables at the end of the reporting period:

| | **2010** | 2009 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| 0 – 90 days | **128,489** | 116,558 |
| 91 – 180 days | **17,234** | 39,883 |
| 181 – 365 days | **55,876** | 45,661 |
| 1 – 2 years | **39,081** | 15,716 |
| 2 – 3 years | **10,966** | 2,635 |
| Over 3 years | **–** | 485 |
| | **251,646** | 220,938 |

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.

Before accepting any new customer, the Group assesses the credit quality of the potential customers and determines the credit terms and limits for them. Credit quality of the existing customers and recoverability of the trade receivables is monitored by the Group regularly.

The Group's trade receivables neither past due nor impaired mainly represent sales made to recognised and creditworthy customers. These customers, who trade on credit terms, are subject to credit verification procedures. The Group does not hold any collateral over these balances.

At the end of the reporting period, the Group's trade receivables are individually determined to be impaired. In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. In view of the good repayment history from those major debtors of the Group, the directors of the Company consider that there is no further allowance for doubtful debts required in excess of the impairment loss recognised for each of the reporting period.

As at 31 December 2010, included in the Group's trade receivable balances were receivables with aggregate carrying amounts of approximately RMB123,157,000 (2009: RMB81,243,000) which are past due as at the end of the reporting period for which the Group has not provided for impairment loss as these balances were either subsequently settled or there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

Ageing of trade receivables which are past due but not impaired:

| | **2010** | 2009 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Duration of past due | | |
| 0 – 90 days | **17,234** | 21,703 |
| 91 – 180 days | **13,969** | 15,632 |
| 181 – 365 days | **51,677** | 26,538 |
| 1 – 2 years | **32,052** | 13,881 |
| 2 – 3 years | **8,225** | 3,004 |
| Over 3 years | **–** | 485 |
| | **123,157** | 81,243 |
| Neither past due nor impaired | **128,489** | 139,695 |
| | **251,646** | 220,938 |

Movement in the allowance for trade receivables:

| | **2010** | 2009 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Balance at beginning of the year | **11,150** | 8,211 |
| Deemed disposal of a subsidiary | **(680)** | – |
| Allowance for trade receivables | **2,961** | 2,939 |
| Balance at end of the year | **13,431** | 11,150 |

As at 31 December 2010, included in the allowance for trade receivables are individually impaired trade receivables with aggregate balances of approximately RMB13,431,000 (2009: RMB11,150,000) which have been placed in severe financial difficulties. The Group does not hold any collateral over these balances.

## 13. TRADE AND BILLS PAYABLES

| | **2010** | 2009 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Trade payables | **51,941** | 29,355 |
| Bills payables | **11,329** | 29,513 |
| Total trade and bills payables | **63,270** | 58,868 |

The following is an aged analysis of trade and bills payables at the reporting date:

| | **2010** | 2009 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| 0 – 90 days | **47,537** | 25,064 |
| 91 – 180 days | **2,344** | 746 |
| 181 – 365 days | **452** | 2,719 |
| 1 – 2 years | **1,608** | 751 |
| Over 2 years | **–** | 75 |
| | **51,941** | 29,355 |

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

**14. EVENT AFTER THE REPORTING PERIOD**

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 adopted on 8 May 2010 to subscribe for a total of 19,430,000 ordinary shares of HK$0.01 each in the share capital of the Company at an exercise price of HK$1.10 per share. For more details, please refer to the Company's announcement dated 17 February 2011.

## NO FINAL DIVIDEND

The Board of Directors does not propose to declare a final dividend for the year ended 31 December 2010. The Board considers that it would be in the better interests of the Company and its shareholders for the Group to retain more cash for its growing business. The Company may consider paying dividend after the six months period ending 30 June 2011 or other financial periods thereafter subject to the then business environment and financial performance and position of the Group.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business review

For the year ended 31 December 2010, the Group recorded turnover of RMB288,448,000, representing an increase of 33.26% over that of last year. We believe that our growth in turnover was stimulated by the strong market demand generated from the favourable industry policies regarding domestic consumption and new energy development. The table below shows the turnover of our different groups of product for the two years ended 31 December 2009 and 2010.

| | **Year ended 31 December** | | | |
|---|---|---|---|---|
| | **2010** | | 2009 | |
| | ***RMB'000*** | *%* | *RMB'000* | *%* |
| Electrical DC products | **129,030** | **44.73** | 130,840 | 60.45 |
| Power grid monitoring and management products | **26,960** | **9.34** | 16,231 | 7.50 |
| Charging equipment for electric vehicles | **83,727** | **29.03** | 15,157 | 7.00 |
| Wind and solar power generation balancing control systems | **37,889** | **13.14** | – | 0 |
| High-power LED lighting equipment | **1,045** | **0.36** | 8,758 | 4.05 |
| PASS products | **9,797** | **3.40** | 45,466 | 21.00 |
| Total | **288,448** | **100.00** | 216,452 | 100.00 |

We recorded a profit and total comprehensive income of RMB64,076,000 for 2010, representing an increase of 20.39% over that of last year.

Due to an increase in the value of the shares of the Company (the "Shares") upon listing (the "Listing") on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as compared with the estimated value of our Shares before Listing as at 31 December 2009, we recorded a loss from an increase in fair value of a convertible note with a principle value of HK$10,000,000 (the "Pre-IPO Convertible Note") issued prior to our Listing. The entire Pre-IPO Convertible Note was converted into 19,746,548 Shares upon Listing (after the capitalisation issue in connection with the Listing).

Sales of Group's traditional products – electrical DC products amounted to RMB129,030,000 for the year ended 31 December 2010, which remained relatively stable as compared with that of the previous year. The Directors believe that electrical DC products are relatively mature, and have a relatively stable market structure. In addition, due to the rapid growth of our new products, we have placed more capacity and resources into the development of new products. As a result, the percentage of sales from electrical DC products to the Group's total turnover decreased from 60.45% in 2009 to 44.73% in 2010. Sales of charging equipment for electric vehicles increased from RMB15,157,000 in 2009 to RMB83,727,000 in 2010 representing a significant increase of 452.40%. We believe that such strong growth was mainly driven by China's strong investments in the construction of electric vehicle charging stations. The State Grid Corporation of China ("State Grid"), the China Southern Power Grid and their affiliated companies have been the Group's major customers for many years. They have also been investing in various electric vehicles charging station projects. In 2010, the charging station equipment sold by the Group for the Shanghai World Expo were well-received. The Group also provided charging equipment to some other major projects in China, such as the Guangzhou Asian Games electric vehicles charging stations and the State Grid's electric vehicle charging demonstration projects in Shandong Linyi, the PRC. The Group's electric vehicle charging equipment has been used by various projects located in different provinces, cities and regions (including Hong Kong). We believe that we have built a strong track record which demonstrates our remarkable market position in the electric vehicles charging equipment market.

Sales of power grid monitoring and management products increased from RMB16,231,000 in 2009 to RMB26,960,000 in 2010, representing an increase of 66.1%. This was mainly due to the increase in our sales to some provincial and municipal power grid companies. Our cooperation with Henan Electricity Company in respect of the demonstration project of power quality monitoring system for electrified railway centralized connection to the regional power grid (“電鐵集中接入地區電能質量監測系統示範工程”) passed the appraisal test in 2010. The appraisal results showed that the project, in the area of power quality management systems products, is considered as hi-tech, innovative and practical, and the related research results have reached international advanced standards. Experts from the appraisal committee recommended the promotion of active construction of quality management sub-systems for power companies in different cities in order to achieve on-line entire power grid monitoring and management. We believe that leveraging on the rapid growth of this product segment and the Group’s advancement in technology, our power gird monitoring and management products will continue its high growth momentum.

In 2010, we sold our wind and solar power generation balancing control systems to provincial and municipal power grid companies and generated sales of RMB37,889,000 (2009: nil).

Sales of high-power LED lighting equipment decreased from RMB8,758,000 in 2009 to RMB1,045,000 in 2010. Competition within this market segment continued to be fierce. This market segment lacks of much synergy with our long-term stable customers base of our business. Profit margin of this product series is low as compared with the profit margin for other products. In 2010, the Group made a timely market adjustment and reduced our effort on the marketing and sale of high-power LED lighting equipment in order to ensure more efficient utilization of resources. We believe that this is consistent with the Group’s business strategy.

Sales of PASS products reduced from RMB45,466,000 in 2009 to RMB9,797,000 in 2010. We purchase PASS products from a well-known Italian company. In connection with the sale of a PASS product, we bundle it with ancillary products and provide our customer with technical services. PASS products are not our self developed products using our proprietary technology. It is not the Group’s main business. We adopt appropriate marketing strategies based on market demand and our available internal resources.

Below are some of our other major business and management activities in 2010.

1. In 2010, we increased our investment in research and development in the charging equipment for electric vehicles, power grid monitoring and management and wind and solar power generation balancing control systems. The Group's research and development expenses increased from RMB9.16 million in 2009 to RMB13.36 million in 2010. We have increased our research and development personnel to 44 members. In addition, in order to attract high calibre research and development personnel, the Group has set up a research and development branch in Shenzhen, the PRC. In 2010, we strengthened cooperation with colleges and research institutes and partnered with Shanghai Donghua University and set up "Titans Group – Donghua University Industrial Design Center." The Group has continued to progress on our technology research and innovation. From 1 January 2010 to the date of this announcement, we were granted 10 new patents and made 9 new patents application, which are in the review process.

2. In 2010, we increased our investment in sales and marketing. Whilst ensuring the stability of our existing regional sales and marketing structure, we have strengthened our sales force and technical support team. This helps enhance the Group's overall sales capabilities to meet the rapidly growing sales demand for our new products. In 2010, we increased our sales and technical staff by 24 people. We also expanded our sales network by establishing joint venture companies. In 2010, the Group invested in a 45% interest in Beijing Hua Shang Clear New Energy Technology Co., Ltd. and a 26% interest in Henan Longyuan New Energy Equipment Co., Ltd. The two companies provide additional sales channels for the new products such as charging equipment for electric vehicles.

3. We have actively been expanding our production capacity. As stated in our prospectus dated 18 May 2010, we have been in close contact with the Zhuhai Hengqin Economic Development Zone. However, we understand that the planning and policy formulation of the Hengqin Economic Development Zone, being a State level economic zone, is still in progress. The Group's plans for the acquisition of land in the Hengqin Economic Development Zone is still under further discussion and negotiations. In order to meet the expending demand for new production capacity, the Group has leased a factory facility with an area of about 3,600 square meters in the proximity of its existing plant area.

4. In 2010, the Group strengthened its internal management system to improve the overall management standard and efficiency. In view of the rapid development of the Group's new products, the Group's has applied the product chain management model in its research and development and sale. We have reorganised the resources available to research and development, sales planning, sales channels, sales personnel, technical support and funding with a view to enhancing efficiency and reducing management costs. We have also upgraded our information technology hardware platform to enhance our internal information flow.

5. In 2010, environmental protection and application of new energy, the Group has established a wholly-owned subsidiary, Anhui Titan Liancheng Energy Technology Co., Ltd. to engage in the energy conservation services business by integrating the Group's resources in terms of products and human resources with a view to capturing the demand from the favourable State's policy on energy conservation. We believe that this new company will effectively complement and improve the Group's business model, and thus will gradually improve the Group's financial and cash flow positions.

**Prospects**

2011 is the first year of China's "Twelfth Five-Year Plan". According to public information, it is the State's target to maintain a steady rapid growth, and to substantially develop in the energy-saving, environmental protection, new energy, electric vehicles, intelligent power grid and other strategic and emerging industries. For example, during the "Twelfth Five-Year Plan" period, State Grid plans to construct 2,351 transforming stations and 220,000 electricity re-charging piles for building a foundation for an intelligent power transforming charging network that covers the operating region of State Grid. In addition, in the next 10 years, State Grid will invest more than RMB3,000 billion in building an intelligent power grid system. Among such funding, 88% will be used in invest in electricity transforming, distributing and usage which relate to the Group related products. Investments of State Grid will include construction and modification of intelligent transforming stations, building of intelligent management support systems for automated power distribution, strengthening of the power usage collection system（用電採集系統）, charging stations, etc. Such plans and environment will provide the Group with good development opportunities, great market prospects and growth potential.

In 2011, we will try to capture the market opportunities by focusing on the two fundamental elements of "operation and sales" and "innovation" and the execution of our operation management.

1. In accordance with our strategic plan, we will continue to steadily consolidate and increase our market position and market share in respect of electrical DC products. We will also enhance our research and development, manufacturing and sales of the new products, with a view to, in particular, consolidating and further improving the market position of our charging equipment for electric vehicles. We will firmly establish the "Titans" brand connotation and maintain market share leadership. In respect of our power grid monitoring and management products, we will try to capture the opportunity in respect of the construction of a nation-wide intelligent power grid, and establish a good market position in this power system industry sector. We will also steadily progress with the promotion and marketing of wind and solar power generation balancing control systems in order to achieve better sales.

2. We will further increase our investment in research and development, expedite commercialisation of our research and development results and maintain, in terms of technology, our leadership in the PRC. We will also continue to step up our effort in partnering with universities or research institutes to strengthen our research and development capability.

3. We will further enhance our sales channels and sales force.

4. We will continue to enhance the Group's production capacity. Before construction of a new production base, as a transitional arrangement, the Group leases additional premises as and when appropriate to address our expanding production needs. Apart from the 3,600 square meters premises rented in 2010, the Group has entered into an agreement to lease 9,110 square meters in Zhuhai City Guoxin Enterprise Zone, which can be put into use in May 2011.

5. We will continue to strengthen the building of our human resources. On the one hand, we will continue to attract talented staff, especially those in research and development and sales. On the other hand, we will improve employee training and conduct career planning for employees to provide them with better prospects. We will work jointly with universities in our training programs to our research and development team, sales leaders and other key functional teams.

6. We will strengthen our internal management systems and implement Office Automation, Enterprise Resource Planning, Product Lifecycle Management and other information platform.

7. In 2011, we will actively seek potential business partners based on the principle of creating synergy in terms of market and technology to quickly enhance the Group's market and research and development, and thus achieve rapid business development by leveraging on their technology and market position.

Based on the above favourable external factors, market conditions and the Group's well formulated strategy, the Directors believe that the Group will be able to maintain its continuing growth in 2011.

**Financial review**

**Comparison of our results for the years ended 31 December 2010 and 2009**

***Turnover***

Our turnover increased from RMB216,452,000 for the year ended 31 December 2009 to RMB288,448,000 for the year ended 31 December 2010, representing an increase of 33.26% and a compound annual growth rate from 2008 to 2010 of 28.26%.

***Cost of sales***

Our cost of sales increased by 15.81% from RMB114,825,000 for the year ended 31 December 2009 to RMB132,980,000 for the year ended 31 December 2010. The increase was primarily attributable to the increase in sales during the year. Materials costs were the principal component of our cost of sales, which amounted to RMB107,376,000 and RMB120,475,000 for the year ended 31 December 2009 and 2010 respectively and accounted for 93.51% and 90.60% of our costs of sales for the year ended 31 December 2009 and 2010 respectively.

### *Gross profit*

The table below sets out our gross profit and gross profit margin for the years indicated.

| | For the year ended 31 December | | | | | |
|---|---|---|---|---|---|---|
| | **2010** | | | 2009 | | |
| | **Gross profit** | **% to total gross profit** | **Gross profit margin** | Gross profit | % to total gross profit | Gross profit margin |
| | ***RMB'000*** | ***%*** | ***%*** | *RMB'000* | *%* | *%* |
| Electrical DC products | **61,967** | **39.86** | **48.03** | 68,024 | 66.93 | 51.99 |
| Power grid monitoring and management products | **17,146** | **11.03** | **63.60** | 10,030 | 9.87 | 61.80 |
| Charging equipment for electric vehicles | **48,940** | **31.48** | **58.45** | 8,569 | 8.43 | 56.53 |
| Wind and solar power generation balancing control systems | **24,347** | **15.66** | **64.26** | – | – | – |
| High-power LED lighting equipment | **226** | **0.14** | **21.57** | 2,073 | 2.04 | 23.67 |
| PASS products | **2,842** | **1.83** | **29.10** | 12,931 | 12.73 | 28.44 |
| Total | **155,468** | **100.00** | **53.90** | 101,627 | 100.00 | 46.95 |

As our turnover increased, our gross profit increased by 52.98% from RMB101,627,000 for the year ended 31 December 2009 to RMB155,468,000 for the year ended 31 December 2010. Our gross profit margin increased from 46.95% for the year ended 31 December 2009 to 53.90% for the year ended 31 December 2010. The significant improvement in our gross profit margin was a result of the increase in the sales of our new products, including the power grid monitoring and management products, charging equipment for electric vehicles and wind and solar power generation balancing control systems, which were sold at a higher average gross profit margin than that of our electrical DC products.

### *Other revenue*

Our other revenue, which mainly included, among other things, value added tax refunds, government grants and interest income, increased by 9.40% from RMB7,582,000 for the year ended 31 December 2009 to RMB8,295,000 for the year ended 31 December 2010.

### *Selling and distribution expenses*

Our selling and distribution expenses, which mainly included, among other things, marketing related travelling expenses and entertainment expenses, decreased by 4.97% from RMB22,614,000 for the year ended 31 December 2009 to RMB21,490,000 for the year ended 31 December 2010 as a result of our cost controlling effort. Our selling and distribution expenses as a percentage of turnover decreased from 10.44% for the year ended 31 December 2009 to 7.45% for the year ended 31 December 2010.

### *Administrative and other expenses*

Our administrative and other expenses, which mainly included, among other things, management and back office staff cost, management travelling and entertainment expenses, office expenses, research and development expenses and allowance for doubtful trade receivables, increased by 66.61% from RMB23,824,000 for the year ended 31 December 2009 to RMB39,694,000 for the year ended 31 December 2010. Our administrative and other expenses as a percentage of turnover increased from 11.0% for the year ended 31 December 2009 to 13.76% for the year ended 31 December 2010. The increase in administrative and other expenses was mainly a result of an expansion of our business structure in view of our improved prospects after the Listing. During the year 2010, our research and development expenses also increased from RMB9,156,000 to RMB13,362,000.

### *Share of results of associates*

During the year ended 31 December 2010, we established Beijing Hua Shang Clear New Energy Technology Co., Ltd. on 8 February 2010, in which we held a 45% interest as at 31 December 2010 and Henan Longyuan New Energy Equipment Co. Ltd on 27 April 2010, in which we held a 26% interest as at 31 December 2010. Both companies are established to engage in the marketing and sale of our new products, such as charging equipment for electric vehicles. During the year, our Group's equity interest in Beijing New Clear Energy Equipment Co. Ltd. ("Beijing New Clear") decreased from 55% to 20% as a result of a capital enlargement and injection of new capital by other investors in the registered capital of Beijing New Clear. The above three companies are accounted for as our associates and we shared RMB770,000 from the losses of such three companies based on our equity interests in them.

***Other expenses***

Other expenses for the year ended 31 December 2009 amounted to RMB2,739,000 relating to the preparation for the Listing. Other expenses increased to RMB13,844,000 for the year ended 31 December 2010 relating to expenses incurred in connection with the Listing of RMB8,054,000 and a book loss on foreign exchange of RMB5,790,000.

***Finance costs***

Our finance costs increased by 283.26% from RMB1,386,000 for the year ended 31 December 2009 to RMB5,312,000 for the year ended 31 December 2010. Our finance costs as a percentage of turnover increased from 0.64% for the year ended 31 December 2009 to 1.84% for the year ended 31 December 2010. The increase in our finance cost was mainly due to an increase in our bank borrowings and trade receivable factoring during the reporting year.

***Taxation***

Our income tax expenses increased by 127.35% from RMB6,431,000 for the year ended 31 December 2009 to RMB14,621,000 for the year ended 31 December 2010. The effective tax rates (being the ratio of our tax expenses to our profit before tax) for the year ended 31 December 2009 and 2010 were 10.78% and 18.58% respectively. The increase in effective tax rate was due to an increase in expenses which are not tax deductible and a reduction in certain tax exemptions enjoyed by the Group.

***Profit attributable to non-controlling interests***

For the year ended 31 December 2010, profit attributable to non-controlling interests of our non-wholly owned subsidiaries amounted to RMB3,823,000 representing their share of the profit/(loss) of our non-wholly owned subsidiaries.

***Profit attributable to owners of the Company***

As a result of the increase in our turnover and gross profit margin, even after taken into account the non-operating non-recurring fair value loss from the Pre-IPO Convertible Note of RMB3,956,000, profit for the year and total comprehensive income for the year attributable to owners of the Company still increased by 11.36% from RMB54,106,000 for the year ended 31 December 2009 to RMB60,253,000 for the year ended 31 December 2010. In addition, we also incurred RMB8,054,000 non-recurring expenses in relation to our Listing for the year ended 31 December 2010 (2009: RMB2,739,000). Net profit margin with respect to profit for the year and total comprehensive income for the year attributable to owners of the Company decreased from 25.00% for the year ended 31 December 2009 to 20.89% for the year ended 31 December 2010. We believe that this was mainly due to an increase in our expenses in connection with our Listing, including among other things, the fair value loss from the Pre-IPO Convertible Note and other Listing related expenses.

Excluding the fair value loss from the Pre-IPO Convertible Note, our profit for the year and total comprehensive income for the year attributable to owners of the Company would be RMB64,209,000 for the year ended 31 December 2010 (2009: RMB53,927,000).

If we further exclude the above mentioned non-recurring Listing expenses, our profit for the year and total comprehensive income for the year attributable to owners of the Company would have been RMB72,263,000, representing an increase of 27.52% from that for the year ended 31 December 2009 (2009: RMB56,666,000).

**Inventory analysis**

The table below sets out information on our inventory for the years indicated:

| | Year ended 31 December | | | |
|---|---|---|---|---|
| | **2010** | | 2009 | |
| | ***RMB'000*** | *%* | *RMB'000* | *%* |
| Materials | **13,752** | **38.90** | 3,704 | 31.07 |
| Work-in-progress | **12,183** | **34.46** | 3,360 | 28.19 |
| Finished goods | **9,419** | **26.64** | 4,857 | 40.74 |
| | **35,354** | **100.00** | 11,921 | 100.00 |

Our Group's inventory balances increased from RMB11,921,000 as at 31 December 2009 to RMB35,354,000 as at 31 December 2010.

Our average inventory turnover days increased from 49.59 days for the year ended 31 December 2009 to 64.88 days for the year ended 31 December 2010. We have a better working capital position after Listing. This helped enhance our production and thus increased our inventory level as of the end of the reporting period including raw materials and semi-finished goods.

We have not made any general or special provision for the inventory as at 31 December 2010.

**Analysis of trade and bills receivables**

As at 31 December 2009 and 2010, our trade and bills receivables (net of allowance) amounted to RMB221,938,000 (comprising trade receivables of RMB220,938,000 and discounted bills receivables of RMB1,000,000) and RMB254,946,000 (comprising trade receivables of RMB251,646,000 and bills receivables of RMB3,300,000) respectively. The increase in trade and bills receivables was mainly due to the increase of our sales.

The table below sets forth the ageing analysis of our trade receivables as of 31 December 2009 and 2010.

| | For the year ended 31 December | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **2010** | | | | 2009 | | | |
| | **Gross amount** | **Allowance for bad debt** | **Net amount** | | Gross amount | Allowance for bad debt | Net amount | |
| | ***RMB'000*** | ***RMB'000*** | ***RMB'000*** | *%* | *RMB'000* | *RMB'000* | *RMB'000* | *%* |
| Within 90 days | **129,539** | **1,050** | **128,489** | **51.06** | 117,316 | 758 | 116,558 | 52.8 |
| 91 days to 180 days | **18,026** | **792** | **17,234** | **6.85** | 40,333 | 450 | 39,883 | 18.1 |
| 181 days to 365 days | **57,013** | **1,137** | **55,876** | **22.20** | 47,990 | 2,329 | 45,661 | 20.7 |
| Over 1 year to 2 years | **40,103** | **1,022** | **39,081** | **15.53** | 18,870 | 3,154 | 15,716 | 7.0 |
| Over 2 years to 3 years | **14,269** | **3,303** | **10,966** | **4.36** | 5,248 | 2,613 | 2,635 | 1.2 |
| Over 3 years | **6,127** | **6,127** | **–** | **–** | 2,331 | 1,846 | 485 | 0.2 |
| Total | **265,077** | **13,431** | **251,646** | **100** | 232,088 | 11,150 | 220,938 | 100 |

Our trade and bills receivables' turnover days for the years ended 31 December 2009 and 2010 were 258.66 days and 257.88 days respectively.

Our electrical DC product series, our key products, 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 the trade receivables are due for payment. Our customers are only required to pay us the purchase prices 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 approximately 10% of the total contract sum to be paid after signing of the contract, 80% of the contract sum may become payable 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 may grant a credit period in the range of 30 days to 90 days from the above installment payment due dates (including the payments of deposit, the payments due after testing and the payments of retention money). We consider that the time lag between the payment terms under our sales contracts and our accounting revenue recognition policy is a major reason for our relatively long trade and bills receivables turnover days.

We consider that the long trade receivable turnover days is also partly due to delays in the timetable of some of the customers' projects and/or that there are occasions where the products of the Group may only be considered finally tested by the customers upon completion of the other parts or even the whole project by the customers or their contractors.

For the year end 31 December 2010, we made an additional specific provision of RMB2,961,000 as allowance for doubtful trade receivables (2009: RMB2,939,000).

Up to 21 March 2011, about 12.22% of the trade and bill receivables outstanding as at 31 December 2010 have been settled.

**Analysis on trade and bills payables**

As at 31 December 2009 and 2010, our trade and bills payables amounted to RMB58,868,000 (comprising trade payables of RMB29,355,000 and bills payables of RMB29,513,000) and RMB63,270,000 (comprising trade payables of RMB51,941,000 and bills payables of RMB11,329,000) respectively. The increase in trade and bills payables from 31 December 2009 to 31 December 2010 was mainly due to an increase in our business activities. For the two years ended 31 December 2009 and 2010, our trade and bills payable turnover days were 132.33 days and 143.27 days respectively.

The table below sets forth ageing analysis of our trade payables as of 31 December 2009 and 2010.

| | Year ended 31 December | |
|---|---|---|
| | **2010** | 2009 |
| | ***RMB'000*** | *RMB'000* |
| Within 90 days | **47,537** | 25,064 |
| 91 days to 180 days | **2,344** | 746 |
| 181 days to 365 days | **452** | 2,719 |
| Over 1 year to 2 years | **1,608** | 751 |
| Over 2 years | **–** | 75 |
| | **51,941** | 29,355 |

**Debts**

All our debts were classified as short-term liabilities payable within 12 months from the respective balance sheet dates. The following table sets out our indebtedness as at 31 December 2009 and 2010. All our indebtedness were denominated in RMB except for the Pre-IPO Convertible Note which was denominated in HK$.

| | Year ended 31 December | | | |
|---|---|---|---|---|
| | **2010** | | 2009 | |
| | ***RMB'000*** | ***Applicable/ effective interest rates*** | *RMB'000* | *Applicable/ effective interest rates* |
| Amounts due to a shareholder | **–** | **–** | 1,519 | 2.5% |
| Amounts due to directors | **–** | **–** | 7,447 | 0% |
| Bank and other borrowings | **40,000** | **4.52% to 7%** | 24,000 | 5.83% to 7.34% |
| The Pre-IPO Convertible Note | **–** | **–** | 8,581 | 8.1% |
| | **40,000** | | 41,547 | |

As at 31 December 2010, we had a gearing ratio (total indebtedness divided by total assets) of 6.32% (2009: 13.6%).

**Liquidity, financial resources and capital structure**

As at 31 December 2010, the total equity of the Group amounted to RMB454.02 million (2009: RMB146.39 million), the Group's current assets were RMB588.49 million (2009: RMB291.25 million) and current liabilities were RMB179.26 million (2009: RMB160.30 million). As at 31 December 2010, the Group had short-term bank deposits, bank balances and cash of RMB216.62 million, not including the restricted bank balances of RMB11.44 million. As we did not have any non-current liability, our total assets less our total current liabilities equal our net assets which was RMB454,020,000 as at 31 December 2010.

The Group finances its operations with internally generated cash flows, bank loans and proceeds raised as part of its Listing. As at 31 December 2010, the Group had outstanding bank borrowings of RMB40 million (2009: RMB24 million).

**Material acquisition and disposal of subsidiaries and associates**

Pursuant to the share transfer agreement entered into between Shijiazhuang Guofu Titans New Energy Co., Ltd. ("Shijiazhuang Titans") (a wholly-owned subsidiary of our Group) and non-controlling interests of Zhuhai Titans Technology Co., Ltd. ("Titans Technology") on 26 July 2009, Shijiazhuang Titans acquired a 1% additional equity interest of Titans Technology at a consideration of RMB400,000 which is equivalent to 1% of the registered capital of Titans Technology. The consideration payable is included in other payables as at 31 December 2009. The resulted negative goodwill of RMB830,000 was recognised in the consolidated statement of comprehensive income. After the acquisition, Titans Technology has become a wholly-owned subsidiary of the Company.

On 11 October 2010, there were capital enlargement and injection of capital to Beijing New Clear Energy Equipmant Co., Ltd. ("Beijing New Clear"), a then subsidiary of the Group, by independent third parties and the Group in different proportion. The Group's equity interest in Beijing New Clear was diluted from 55% to 25%. Beijing New Clear has then become an associate of the Group.

On 27 December 2010, six independent third parties in aggregate and the Group injected RMB11.2 million and RMB2 million respectively into Beijing New Clear, as equity investment. As a result, the Group's equity interest in Beijing New Clear was further diluted from 25% to 20%.

We recorded a gain arising from this deemed disposal of partial interest in Beijing New Clear of RMB77,000 as a result.

Save from the above, as at 31 December 2010, the Group had no material acquisition or disposal of its subsidiaries and associates.

**Contingent liabilities**

As at 31 December 2010, the Group had no material contingent liabilities.

**Capital commitments**

As at 31 December 2010, 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 RMB28,667,000. The Group also had capital expenditure authorised but not contracted for in respect of the acquisition of property, plant and equipment of RMB12,800,000.

**Pledge of assets**

As at 31 December 2010, our leasehold land and building of carrying values of approximately RMB7,676,000 were pledged to secure bank borrowings and other facilities. In addition, we also pledged the relevant leasehold land and buildings and RMB500,000 (2009: RMB500,000) refundable deposits as security for a guarantee given by an independent guarantee company in respect of credit facilities of RMB5,000,000 granted to us.

As at 31 December 2010, the Group pledged trade receivables of approximately RMB11,509,000 (2009: nil) for credit facilities of RMB38,400,000 (2009: nil) granted to us by a bank.

## EMPLOYEES AND REMUNERATION

As at 31 December 2010, the Group had about 448 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 insurance operated by the Ministry of Labour and Social Security, the premium in respect of which is undertaken between the Group and the employees based on percentages fixed by relevant PRC laws.

The Group and its employee 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. A Pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") was adopted on 8 May 2010 to motivate staff members to contribute to the success of the Group and to help retain high calibre staff. As at 31 December 2010, there were outstanding options carrying rights to subscribe for a total of 23,920,000 Shares at an exercise price of HK$0.59 per Share which were granted to 53 employees of the Group, including the two executive Directors, under the Pre-IPO Share Option Scheme.

A share option scheme was adopted on 8 May 2010 (the "Share Option Scheme") to provide incentives to eligible persons (including employees, officers, agents, consultants or representatives of any member of the Group (including any executive or non-executive director of any member of the Group)) for their contribution to the Company and to enable the Company to recruit and retain high calibre employees. As at 31 December 2010, no option was granted by the Company under the Share Option Scheme.

On 17 February 2011, the Company granted 19,430,000 share options to certain employees and a substantial shareholder of the Company under the Share Option Scheme to subscribe for a total of 19,430,000 Shares in the share capital of the Company at an exercise price of HK$1.10 per Share.

## 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 results are expressed in Renminbi, whereas the 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 RMB5,790,000 (2009: loss of approximately RMB80,000). As at 31 December 2010, the Group did not have significant foreign exchange hedges. Such foreign exchange book loss arose as a result of a change in the historical exchange rate as at the date when the net proceeds of HK$243.6 million were raised from the share offer in connection with the Listing and the exchange rate as at 31 December 2010.

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 year ended 31 December 2010. Our accounts department projects monthly cash receipts and plans for cash payments based on the information provided by our marketing management and support team 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 condition 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.

## MAJOR LITIGATION AND ARBITRATION PROCEEDINGS

The Group has no major litigation or arbitration during the year ended 31 December 2010.

## USE OF PROCEEDS

We set out below the status of the usage of the net proceeds from the issue of new Shares in connection with the Listing.

| Proposed use of proceeds | Proposed amount to be used | Actual amount used up to 31 December 2010 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Support and enhance manufacturing capacity and acquire new production facility | 66,737 | 183 |
| Further establish and consolidate the Group's position in the market | 80,470 | 9,380 |
| Support and strengthen the Group's product research and development capability | 19,742 | 1,314 |
| Support and enhance the Group's marketing ability | 28,755 | 140 |
| Working capital | 18,884 | 18,884 |
| | 214,588 | 29,901 |

The unused balance of approximately RMB185 million was kept as bank deposits in the PRC.

Shares of the Company were listed on the Stock Exchange on 28 May 2010 raising net proceeds of approximately HK$243.6 million (approximately RMB215 million). However, such proceeds were only transferred to the Group's account in the PRC and become available for use in September 2010 due to the PRC foreign exchange approval process. We will prudently use the proceeds in accordance with our plan with a view to fueling our growth momentum and enhancing our competitive strength.

As set out in our prospectus dated 18 May 2010, we propose to spend part of our proceeds to acquire a piece of land in the Hengqin Economic Development Zone, Zhuhai and build a new factory there. As the planning work in respect of the development of the Hengqin Economic Development Zone by the relevant government authority is still ongoing, we are still discussing with the relevant authority regarding details of the proposed acquisition. We have therefore not yet acquired land in the Hengqin Economic Development Zone. To cope with our current expansion, we have rented a factory with an additional area of 3,600 square metres nearby our production base at Titans Science and Technology Park. We have also entered into an agreement to lease premises of 9,110 square meters which can be put into use in May 2011. If we do not acquire land in the Hengqin Economic Development Zone, we will identify another suitable place for the expansion of our production facilities.

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

The Listing took place on 28 May 2010. The Company has issued 230,000,000 new Shares in connection with its Listing. In connection with our Listing, we have also issued 1,600,000 Shares to OSK Capital Hong Kong Limited, as sponsor to our Company, as part of its remuneration. Save for the above and the Shares issued by us under the Corporate Reorganisation and capitalisation issue for the Listing, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2010.

## COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the directors, the Company has complied with the code provision of the Code of Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 December 2010 except where stated and explained below.

The Company was listed on the Stock Exchange on 28 May 2010. Before the Listing, three physical Board meetings were held in respect of various Listing matters. After Listing, the Board held one meeting in August 2010 for, among other things, discussing and approval the interim results of the Group for the six months ended 30 June 2010. Going forward, the Company will continue to comply with the Code that Board meeting should be held regularly at least four times a year at approximately quarterly intervals.

No individual was appointed as a chief executive officer prior to our Board meeting today. Our executive Directors with the assistance of the Group's senior management team oversee and manage the Group's business. In order to further improve our internal management accountability, our Board has resolved to appoint Mr An Wei, one of our executive Directors, as our chief executive office. The other executive Director, Mr. Li Xin Qing, will continue to be the Chairman of our Board. Not having clearly segregate the role of our Chairman and chief executive officer deviated from the code provision of the Code. With the appointment of Mr An Wei as our chief executive officer, we will comply with the relevant code provision of the Code.

## MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules regarding securities transactions by Directors on terms no less exacting than the required standard set out in the Model Code. Having made specific enquiries with all Directors, all the Directors confirm that they have complied with the provisions of the Model Code and the Company's code of conduct regarding Directors' securities transactions for the year ended 31 December 2010 and up to the date of this announcement.

## AUDIT COMMITTEE

The audit committee has reviewed with the management and the Group's external auditors, SHINEWING (HK) CPA Limited, the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including the review of connected transactions and the consolidated financial statements.

## ANNUAL GENERAL MEETING

It is proposed that the annual general meeting of the Company (the "Annual General Meeting") will be held on 25 May 2011. This results announcement 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 Annual General Meeting will be despatched to shareholders of the Company and will be made available on the websites of the Company and the Stock Exchange in due course.

By Order of the Board
**China Titans Energy Technology Group Co., Limited**
**Li Xin Qing**
*Chairman*

Hong Kong, 28 March 2011

*As at the date of this Announcement, the Board comprises two executive directors, namely Li Xin Qing and An Wei; and three independent non-executive directors, namely Li Wan Jun, Li Xiao Hui and Yu Zhuo Ping.*