China Titans Energy Technology Group Co., Limited

中國泰坦能源技術集團有限公司*

(Incorporated in the Cayman Islands with members' limited liability)

(Stock code: 2188)

FINAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2019

FINANCIAL HIGHLIGHTS

– Revenue increased by approximately 11.48% to RMB301,214,000 as compared to last year.

– Loss for the year attributable to owners of the Company amounted to approximately RMB47,603,000 as compared to loss of approximately RMB40,168,000 in 2018.

– The Board did not recommend the payment of any final dividend for the year ended 31 December 2019.

FINANCIAL RESULTS

The board (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 (collectively referred to as the "Group") for the year ended 31 December 2019 together with comparative figures for the year ended 31 December 2018 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	**2019** **RMB'000**	2018 RMB'000
Revenue	*4*	**301,214**	270,204
Cost of revenue		**(212,932)**	(187,973)
Gross profit		**88,282**	82,231
Other revenue and income	*6*	**20,821**	30,416
Selling and distribution expenses		**(46,885)**	(50,814)
Administrative and other expenses		**(61,544)**	(78,879)
Other gains and losses	*7*	**(1,989)**	(8,387)
Impairment loss recognised in respect of goodwill		**–**	(449)
Impairment losses of financial assets		**(38,355)**	(170)
Share of results of associates		**(510)**	(4,977)
Finance costs	*8*	**(9,655)**	(11,074)
Loss before tax		**(49,835)**	(42,103)
Income tax credit (expenses)	*9*	**1,043**	(1,601)
Loss for the year		**(48,792)**	(43,704)

	Note	**2019**	2018
		RMB'000	*RMB'000*
Other comprehensive income (expense)			
Items that will not be reclassified subsequently to profit or loss:			
Net fair value gain (loss) on financial assets at fair value through other comprehensive income		**5,256**	(1,960)
Income tax relating to items that will not be reclassified subsequently to profit or loss		**767**	(132)
		6,023	(2,092)
Other comprehensive income (expense) for the year, net of income tax		**6,023**	(2,092)
Total comprehensive expense for the year		**(42,769)**	(45,796)
Loss for the year attributable to:			
– Owners of the Company		**(47,603)**	(40,168)
– Non-controlling interests		**(1,189)**	(3,536)
		(48,792)	(43,704)
Total comprehensive expense for the year attributable to:			
– Owners of the Company		**(41,580)**	(42,260)
– Non-controlling interests		**(1,189)**	(3,536)
		(42,769)	(45,796)
LOSS PER SHARE	*11*		
Basic (RMB)		**(5.15 cents)**	(4.34 cents)
Diluted (RMB)		**(5.15 cents)**	(4.34 cents)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Note	**2019** *RMB'000*	2018 *RMB'000*
Non-current assets			
Property, plant and equipment		**186,929**	125,951
Right-of-use assets		**8,238**	–
Prepaid lease payments		**–**	7,989
Goodwill		**–**	–
Prepayment for the construction of property, plant and equipment		**–**	23,533
Intangible assets		**38,769**	41,712
Interests in associates		**14,386**	6,290
Financial assets at fair value through other comprehensive income		**27,905**	22,649
Financial asset at fair value through profit or loss		**12,449**	17,242
Finance lease receivable		**492**	615
Deferred tax assets		**9,505**	9,493
		298,673	255,474
Current assets			
Inventories		**80,836**	80,814
Trade and bills receivables	*12*	**266,922**	238,024
Contract assets		**39,628**	42,817
Loan receivables		**1,160**	150,228
Prepayments, deposits and other receivables		**67,541**	92,128
Prepaid lease payments		**–**	312
Amounts due from associates		**1,275**	1,232
Finance lease receivable		**123**	107
Tax recoverable		**3,061**	–
Restricted bank balances		**19,393**	38,451
Short-term bank deposits		**64,400**	24,000
Bank balances and cash		**35,752**	59,955
		580,091	728,068

	Note	2019 RMB'000	2018 RMB'000
Current liabilities			
Trade and bills payables	13	**116,106**	83,490
Contract liabilities		**7,469**	7,691
Accruals and other payables		**12,982**	5,757
Lease liabilities		**204**	–
Amounts due to associates		**222**	698
Tax payable		**1,209**	510
Bank and other borrowings		**107,891**	180,944
		246,083	279,090
Net current assets		**334,008**	448,978
Total assets less current liabilities		**632,681**	704,452
Non-current liabilities			
Lease liabilities		**55**	–
Deferred tax liabilities		**11,989**	17,959
Bank and other borrowings		**76,293**	94,480
		88,337	112,439
Net assets		**544,344**	592,013
Capital and reserves			
Share capital		**8,087**	8,087
Share premium and reserves		**518,314**	562,775
Equity attributable to owners of the Company		**526,401**	570,862
Non-controlling interests		**17,943**	21,151
Total equity		**544,344**	592,013

1. GENERAL

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

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

The principal activities of the Group are (i) supply of power electric products and equipment; (ii) the sales and leases of electric vehicles; (iii) provision of charging services for electric vehicles; and (iv) construction services of charging poles for electric vehicles under Build-Operate-Transfer ("BOT") arrangements. The Company's principal activity is investment holding.

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

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

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

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

The adoption of HKFRS 16 *Leases* resulted in changes in the Group's accounting policies and adjustments to the amounts recognised in the consolidated financial statements as set out below. The directors of the Company consider that, the application of other new and revised HKFRSs in the current year has had no material effect on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these consolidated financial statements.

2.1 Impacts on adoption of HKFRS 16 Leases

HKFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating lease and finance lease and requiring the recognition of right-of-use asset and a lease liability for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new accounting policies are described in note 3 of the annual report. The Group has applied HKFRS 16 Leases retrospectively with the cumulative effect of initial application as an adjustment to the opening balance of equity, where appropriate, at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17 *Leases*.

On transition to HKFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which arrangements are, or contain, leases. It applied HKFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-4 *Determining whether an Arrangement contains a Lease* were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

The Group as lessee

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 (except for lease of low value assets and lease with remaining lease term of 12 months or less). These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rates applied to the lease liabilities on 1 January 2019 were ranging from 8.06% to 9.46% per annum.

The Group recognises right-of-use assets and measures them at an amount equal to the lease liability.

The Group as lessor

The Group leases some of the machineries. The accounting policies applicable to the Group as lessor are not different from those under HKAS 17.

The following table summarises the impact of transition to HKFRS 16 at 1 January 2019. Line items that were not affected by the adjustments have not been included.

	Notes	Carrying amount previously reported at 31 December 2018 *RMB'000*	Impact on adoption of HKFRS 16 *RMB'000*	Carrying amount as restated at 1 January 2019 *RMB'000*
Right-of-use assets	*(a) & (b)*	–	8,776	8,776
Prepaid lease payments	*(b)*	8,301	(8,301)	–
Lease liabilities	*(a)*	–	475	475

Notes:

(a) As at 1 January 2019, right-of-use assets were measured at an amount equal to the lease liability of approximately RMB475,000.

(b) Prepaid lease payments of approximately RMB8,301,000 which represent the upfront payments for leasehold lands in the People's Republic of China ("PRC") were reclassified to right-of-use assets.

In the consolidated statement of cash flows, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. The total cash flows are unaffected.

Differences between operating lease commitments as at 31 December 2018, the date immediately preceding the date of initial application, discounted using the incremental borrowing rate, and the lease liabilities recognised as at 1 January 2019 are as follow:

	RMB'000
Operating lease commitment disclosed as at 31 December 2018	2,096
Less: Short-term leases and other leases with remaining lease term ended on or before 31 December 2019	(1,571)
	525
Less: Total future interest expenses	(50)
Discounted using the incremental borrowing rate and lease liabilities recognised as at 1 January 2019	475
Analysed as:	
Current portion	246
Non-current portion	229
	475

Practical expedients applied

On the date of initial application of HKFRS 16, the Group has also used one of the practical expedients permitted by the standard to account for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases.

New and revised HKFRSs issued but not yet effective

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

HKFRS 17	Insurance Contracts[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKAS 1 and HKAS 8	Definition of Material[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[1]
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting[1]

1 Effective for annual periods beginning on or after 1 January 2020.
2 Effective for annual periods beginning on or after 1 January 2021.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for business combinations and assets acquisition for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

4. REVENUE

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

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

	2019	2018
	RMB'000	*RMB'000*
Revenue from contract with customers within the scope of HKFRS 15		
Disaggregated by major products or services lines		
Sales of electric products	**279,185**	233,067
Construction revenue under BOT arrangements	**1,292**	16,874
Provision of charging services for electric vehicles	**18,200**	17,793
Sales of electric vehicles	**–**	53
	298,677	267,787
Revenue from other source		
Rental income from operating leases of electric vehicles		
– Fixed lease payments	**2,537**	2,417
	301,214	270,204

5. SEGMENT INFORMATION

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

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

(i)	DC Power System	Manufacturing and sales of direct current power system
(ii)	Charging Equipment	Manufacturing and sales of charging equipment for electric vehicles
(iii)	Charging Services and Construction	Provision of charging services for electric vehicles and construction services of charging poles for electric vehicles under BOT arrangements
(iv)	Others	Including two operating segments namely (i) Power Storage Equipment; and (ii) Electric Vehicles – sales and leases of electric vehicles

Segment revenues and results

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

Year ended 31 December 2019

	DC Power System	**Charging Equipment**	**Charging Services and Construction**	**Others**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
Segment revenue	**133,064**	**144,915**	**19,492**	**3,743**	**301,214**
Segment profit	**40,057**	**48,426**	**4,546**	**257**	**93,286**
Unallocated other revenue					**20,821**
Other gains and losses					**(2,016)**
Share of results of associates					**(510)**
Unallocated expenses					**(151,791)**
Finance costs					**(9,625)**
Loss before tax					**(49,835)**

Year ended 31 December 2018

	DC Power System	Charging Equipment	Charging Services and Construction	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Segment revenue	120,687	112,380	34,667	2,470	270,204
Segment profit (loss)	28,695	39,194	10,103	(578)	77,414
Unallocated other revenue					30,416
Other gains and losses					(9,520)
Share of results of associates					(4,977)
Unallocated expenses					(124,362)
Finance costs					(11,074)
Loss before tax					(42,103)

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

6. OTHER REVENUE AND INCOME

	2019	2018
	RMB'000	*RMB'000*
Value added tax ("VAT") refunds *(note (a))*	**10,073**	9,066
Interest income on loan receivables	**5,259**	5,858
Interest income on amounts due from directors	**–**	328
Interest income on finance lease receivable	**110**	–
Bank interest income	**814**	1,051
Government grants *(note (b))*	**4,565**	14,078
Rental income	**–**	35
	20,821	30,416

Notes:

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

(b) The government grants are subsidies received from Zhuhai Finance Bureau ("珠海市財政局"), Department of Finance of Guangdong Province ("廣東省財政廳") and The Ministry of Science and Technology of the People's Republic of China ("中華人民共和國科學技術部") regarding the research and development on technology innovation and promotion of electric vehicles. There are no unfulfilled conditions or contingencies relating to those subsidies and they are recognised upon receipt during the years ended 31 December 2019 and 2018.

7. OTHER GAINS AND LOSSES

	2019	2018
	RMB'000	*RMB'000*
Loss on write-off of property, plant and equipment	**(316)**	–
Fair value loss on financial assets at fair value through profit and loss	**(4,793)**	(10,919)
Net exchange gain	**2,987**	–
Gain on disposal of plant and equipment	**27**	–
Gain on disposal of an associate	**106**	–
Gain on partial disposal of an associate	**–**	1,869
Gain on deemed disposal of a subsidiary	**–**	651
Fair value change on derivative components and gain on redemption of convertible notes	**–**	12
	(1,989)	(8,387)

8. FINANCE COSTS

	2019	2018
	RMB'000	*RMB'000*
Effective interest expense on the convertible notes	**–**	3,870
Interest on:		
Bank borrowings	**8,559**	4,526
Other borrowings	**4,380**	5,263
Lease liabilities	**30**	–
Amounts due to directors	**–**	333
	12,969	13,992
Less: amounts capitalised *(note)*	**(3,314)**	(2,918)
	9,655	11,074

Note: Borrowing costs capitalised during the year ended 31 December 2019 arose as general borrowing pool and are calculated by applying a capitalisation rate of 5.88% (2018: 6.22%) per annum.

9. INCOME TAX (CREDIT) EXPENSES

	2019	2018
	RMB'000	*RMB'000*
Current tax:		
PRC Enterprise Income Tax	**4,172**	510
Deferred tax:	**(5,215)**	1,091
	(1,043)	1,601

10. DIVIDEND

No dividend was paid or proposed during the year ended 31 December 2019 (2018: nil), nor has any dividend been proposed since the end of the reporting period (2018: nil).

11. LOSS PER SHARE

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

	2019	2018
	RMB'000	*RMB'000*
Loss for the purpose of basic and diluted loss per share	**(47,603)**	(40,168)

Number of shares

	2019	2018
	'000	*'000*
Number of ordinary shares for the purpose of basic and diluted loss per share	**925,056**	925,056

12. TRADE AND BILLS RECEIVABLES

	2019	2018
	RMB'000	*RMB'000*
Trade receivables	**322,598**	306,416
Less: allowance for impairment loss of trade receivables	**(63,842)**	(69,962)
	258,756	236,454
Bills receivables	**8,166**	1,570
Total trade and bills receivables	**266,922**	238,024

The bills receivables as at 31 December 2019 were fallen within the aged group of 0-90 days and 91-180 days with approximately RMB8,166,000 (2018: RMB248,000) and nil (2018: RMB1,322,000) respectively, based on the dates of delivery of goods which approximately the respective revenue recognition dates.

At 31 December 2019, the carrying amount of the trade receivables which have been pledged as security for the borrowing, is approximately RMB85,431,000 (2018: RMB70,106,000).

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

	2019	2018
	RMB'000	*RMB'000*
0 – 90 days	**131,302**	87,901
91 – 180 days	**23,425**	18,884
181 – 365 days	**57,180**	56,748
1 – 2 years	**24,809**	62,682
2 – 3 years	**22,040**	9,857
Over 3 years	**–**	382
	258,756	236,454

13. TRADE AND BILLS PAYABLE

	2019	2018
	RMB'000	*RMB'000*
Trade payables	**88,010**	72,453
Bills payables	**28,096**	11,037
	116,106	83,490

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

	2019	2018
	RMB'000	*RMB'000*
0 – 90 days	**72,126**	55,367
91 – 180 days	**21,743**	9,552
181 – 365 days	**13,314**	12,918
1 – 2 years	**4,430**	2,978
Over 2 years	**4,493**	2,675
	116,106	83,490

The average credit period on purchases of goods is 90 days (2018: 90 days). The Group has financial risk management policy in place to ensure that all payables are settled within the credit timeframe.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the year ended 31 December 2019 (the "Reporting Period"), the Group recorded revenue of approximately RMB301,241,000, representing an increase of approximately 11.48% over that of last year. Revenue was mainly derived from the Group's principal businesses including various products such as direct current power system products (the "DC Power System products" or "electrical DC products"), charging equipment for electric vehicles and charging services for electric vehicles. The table below shows the revenue of different series of products of the Group for the years ended 31 December 2018 and 2019:

	For the year ended 31 December			
	2019		2018	
	RMB'000	*%*	*RMB'000*	*%*
Electrical DC products	**133,064**	**44.18**	120,687	44.67
Charging equipment for electric vehicles	**144,915**	**48.11**	112,380	41.59
Construction under BOT arrangements	**1,292**	**0.43**	16,874	6.24
Charging services for electric vehicles	**18,200**	**6.04**	17,793	6.59
Others	**3,743**	**1.24**	2,470	0.91
Total	**301,214**	**100**	270,204	100

In 2019, the Group recorded the loss attributable to owners of the Company and total comprehensive expense attributable to owners of the Company of approximately RMB47,603,000 and RMB41,580,000, respectively, representing an increase of approximately RMB7,435,000 and a decrease of approximately RMB680,000 over the loss of approximately RMB40,168,000 and RMB42,260,000 of the corresponding period last year.

Compared with 2018, the increase in the loss of the Group was mainly due to: (1) the loss from the fair value change of financial asset at fair value through profit or loss held during the year; and (2) impairment losses on loan receivables.

Electrical DC products

During the Reporting Period, the Group's revenue of the electrical DC products was approximately RMB133,064,000, representing an increase of approximately 10.26% over 2018. The Directors consider that the main reason for the increase in revenue during the Reporting Period was that, the power products, based on their original customers, the Company has developed markets in the photovoltaic, wind power and pumped-storage fields and achieved good sales performance. At the same time, the increase is also benefitted from the optimization of the Group's sales model and the continuous improvement of product performance.

Charging equipment for electric vehicles

During the Reporting Period, the Group's revenue of the charging equipment for electric vehicles amounted to approximately RMB144,915,000, representing an increase of approximately 28.95% over 2018. The Directors consider that the sales results of charging equipment for electric vehicles exceeded our expectations during the Reporting Period. Benefitting from the further improvement of the Group's sales policies and the active arrangement of sales staff, the original customer market has been expanded and achieved good results. Also, the more comprehensive customer service program and excellent product quality has provided strong support for the sales growth of such products.

Construction under BOT arrangements

During the Reporting Period, the Group has recorded revenue of approximately RMB1,292,000 from construction under BOT arrangements. The Group has adopted more prudent investment and operation strategies, resulting in a substantial decrease as compared to the revenue of approximately RMB16,874,000 from construction under BOT arrangements in the previous year.

Charging services for electric vehicles

During the Reporting Period, the Group recorded revenue from charging services fees for electric vehicles of approximately RMB18,200,000 (2018: approximately RMB17,793,000). The Directors are of the view that the charging services fees for electric vehicles had a growth of 2.29% during the Reporting Period, which met the expectation of the Group, while indicating that the Group's operating charging facilities have entered stable profit cycles.

Others

During the Reporting Period, the Group's revenue of other businesses amounted to approximately RMB3,743,000 (2018: approximately RMB2,470,000), being the income from the sales of power storage products and the leasing business in relation to electric vehicles, representing an increase of approximately 51.54%.

The Group's major operating activities in 2019:

In 2019, the downward pressure on the overall economy in the PRC was still immense and the financial market was tightened. The electrical and new energy vehicle market where the Group operates underwent stable development in overall and the investment in charging of new energy vehicles grew relatively rapidly. Despite the overall demands in the industry rose, as the market competitions were fierce and the market was disorderly, the overall operating environment of the Group in 2019 remained critical.

In the face of the abovementioned environment, the Group adjusted sales strategies and product structures on one hand and carried out refined management to enhance management efficiency on the other hand, thus the Group's sales income has achieved stable growth in 2019. During the Reporting Period, the incomes of the Group's principal businesses amounted to approximately RMB301,214,000, representing a year-on-year growth of 11.48%. Among which, power DC power supply, charging equipment and charging operation recorded growth to different extents. The principal operating activities are as follows:

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

1. Electrical DC products

   During the Reporting Period, the electrical DC products recorded revenue of approximately RMB133,064,000, representing an increase of 10.26% as compared to the corresponding period last year. Such products have recorded sales growth for four consecutive years. This was mainly benefitted from the optimization of sales models, expansion of new market sectors as well as the continuous improvements of product quality and functions.

   During the Reporting Period, leveraging on the foundation of stable agency sales, the Group further put more efforts in direct sales, thus the proportion of sales amounts of such model was gradually increasing. This indicated that the model of "direct sales + agency" of such products has been increasingly stable and achieved fruitful results.

During the Reporting Period, based on the stable foundation of original customers, the Group further expanded new markets in photovoltaic, wind power and pumped-storage fields which have achieved favorable sales results. These new sectors could help maintain the tendency of stable growth of electrical DC products in the coming years.

2. Charging equipment for electric vehicles

During the Reporting Period, the revenue of such products amounted to approximately RMB144,915,000, representing an increase of 28.95% as compared to the corresponding period last year. When compared with 2018, not only did the sales of charging equipment for electric vehicles of the Group halted the downward trend, but also achieved growth to a relatively considerable extent. This situation was mainly benefitted from the following aspects:

(1) While stabilizing the sales channels of original grid companies (principally was national grid companies) and public transport companies, we strived to expand the market of charging operators in different types. The further expansion of sales channels contributed to the increase in the sales of charging equipment for electric vehicles.

(2) Further established and optimised a complete business chain covering "planning, design, construction, equipment supply and intelligent services", so as to provide equipment and integrated service solutions which are multi-faceted, accurate and high cost performance.

(3) Developed and standardized "blockbuster products", so as to enhance the brand value of "Titans" while driving the sales of other products.

(4) Improved sales strategies, enhanced sales rewards and increased in the motivation of frontline sales staff facilitates the rise of sales.

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

During the Reporting Period, the revenue from charging service fees went up by 2.29% year-on-year to RMB18,200,000 thus becoming a stable and sustained source of income for the Group. In 2019, under the influence of capital, the amounts of new investments in charging stations from the Group was relatively small. Nevertheless, the Group still managed to achieve a relatively large growth in charging service fees, the main reason of which was the Group's refined management of the operation of charging stations, mainly demonstrated by the following aspects:

1. The standard for the refined management of charging stations, namely "dual core for doubling efficiency", which the Group has been adhering played an important role. Such standard optimizes power utilization efficiency with the least input, the fastest service provision and the lowest consumption to achieve the leading power utilization efficiency in terms of equipment and enhance the facility utilization efficiency in terms of users by virtue of enhancing vehicle and user adhesiveness to better improve the utilization efficiency of charging facilities;

2. Through improving the management platforms and marketing activities, we were able to get closer to users in the "operation of and experience in platform terminals", thus the customers can enjoy a more convenient and relaxed experience. The brand value of "Yilian" – professional equipment and convenient service, is further built;

3. We will leverage on the expansion edge of current operating platforms to introduce franchisee proactively and increase the number of charging equipment of the operating platforms. At the same time, appropriate franchise fees will be charged to expand the source of operating incomes. Despite the current amounts of franchise income are still relatively low, the Group believes such income will gradually become a major component of the Group's income from charging operation.

III. *Fundamental management*

1. The construction of the Group's manufacturing base in Zhuhai Hi-tech Zone was completed and has put into use in 2019. The new base will provide the Group with a more reliable and safe workplace for research, development, production and operation, where the R&D function and manufacturing function are placed together in an attempt to achieve higher efficiency and support sustainable development.

2. In the beginning of 2019, the Group carried out business integration with regards to the product lines of charging products. The originally separated "investment and operation" and "sales of equipment" sectors have been combined to reduce business components and improve operating efficiency. After operating for one year, the new business structure has facilitated the increase of sales income while reducing the management fees substantially.

3. During the Reporting Period, the Group has commenced works in "reducing headcounts and heightening efficiency". By means of streamlining business processes and adjustment of organizational agencies, certain staff and management fees have been reduced. Such measure protected the enhancement of the Company's profitability.

The Group's Business Focuses and Related Plans for 2020

As of the date of this announcement, the sudden epidemic of Novel Coronavirus is not over yet. Such epidemic has brought greater uncertainties to the economic development in China. With respect to the Group, the impacts are set out as follows:

I. Normal operating activities will be delayed

As of now, being affected by the external environment, some of the project progress borne by the Company will be delayed; some new tender and bidding activities will be postponed. Despite a majority of employees of the Group have returned to work, the supply capability of some suppliers have not been restored and the delivery of industrial products nationwide has not yet fully recovered. In addition, some customers who have signed orders has postponed the delivery requirement.

II. New investment demands will be delayed

According to the information currently available, there is no clear message about whether adjustments of the purchase of direct current from the major customers of the Group's electrical DC products are necessary. However, it can be sure that the overall demands will be delayed. At the same time, the demand for the charging infrastructures of electric vehicles will be delayed in the first half of the year.

III. The Group's working capital will be affected to a certain extent

Being affected by the two reasons above, the Group's working capital will be affected to a certain extent:

1. The possible decline of shipment during the first half of the year will affect the inflow of new capital; and

2. If the overall economic conditions remained sluggish, it may result in the deterioration of the operation and credit profile of some enterprises and lead to the increase in the credit risks of some customers which may affect the customers' ability to make payments, thus enhance the recovery risk on the Group's receivables.

Despite the Novel Coronavirus has brought the above-mentioned negative impacts to the Group, the Group noticed that, after the outbreak of Novel Coronavirus, the State has enlisted seven sectors, such as charging piles of new energy vehicles, 5G base station developments, artificial intelligence and industrial networks, in the new infrastructure construction that should speed up development, with an aim to boosting economic development. The business of charging poles for electric vehicles and the "Titan OS Artificial Intelligence (AI) system platform" invested and developed by the Group will benefit from this policy. This indicates that the difficulties the Group is facing are temporary and the Group will still enjoy a broad market prospect and growth potential in the long run.

As a result of the foregoing, the main management idea of the Group is "the refined management and control as the main operating means and strives to achieve operating profits", while at the same time, the Group will continue to keep abreast of the market and adjust operating strategies timely, so as to achieve stable operation. Particular measures are set out as follows:

I. Streamlines existing customers and implements hierarchical management. Ensures and endeavors to enhance the sales volume of customers who have strong payment ability and make fast payments, while forgoing some of the operating projects which takes a long time to recover funds and with insignificant profitability, which specifically includes large EPC projects and projects which need to advance larger purchase amounts.

II. Actively expands sales channels and cultivates sales team according to the State's new infrastructure initiatives, so as to endeavor to expand market shares in such sector.

III. Adopts more prudent investment and operating strategies for the investments in new electric vehicle charging station business.

IV. Based on the works commenced in 2019, continues to integrate business chains, optimizes business management procedures, optimizes organizational structures and further decreases the management fee expenses.

V. Based on the works commenced in 2019, will further optimize the supply chain management, the particular measures include (1) standardizing products and services and reduction of the changes in design; and (2) shortening the supply chain and enhancing the delivery efficiency of products and services to achieve a faster and better delivery than competitors.

VI. In order to ensure the sustainability of the long-term development of the Company, in spite of being affected in aspects like working capital in 2020, the Group will continue to invest in research and development and be unswerving in the development as a leading technology enterprise. The research and development investments mainly include two aspects: (1) the research and development in water-cooled charging modules; and (2) the technological improvement and marketing of the system that integrates power storage and photovoltaic power, storage and charging.

FINANCIAL REVIEW

Revenue

Our revenue increased from RMB270,204,000 for the year ended 31 December 2018 to RMB301,214,000 for the year ended 31 December 2019, representing an increase of approximately 11.48%. The increase in the Group's revenue is mainly attributable to the influence of the adjustments of the Group's sales policies to the major products of the Group, as well as arranging our sales staff to the largest extent. While trustworthy product quality and excellent product services are well recognized by our customers and markets, thus the revenue of the Group has recorded an increase as compared to last year. Among which, electrical DC products increased by 10.26%, electric vehicle equipment increased by 28.95%, charging services for electric vehicles increased by 2.29% and others increased by 51.54%.

Cost of sales

Our cost of sales, which mainly included raw material costs, direct labour costs and manufacturing expenses, increased by approximately 13.28% from RMB187,973,000 for the year ended 31 December 2018 to RMB212,932,000 for the year ended 31 December 2019. The increase in cost of sales was main attributable to the increase in turnover during the Reporting Period.

Gross Profit

The table below sets out our gross profit and gross profit margin for the years ended 31 December 2018 and 2019:

	For the year ended 31 December 2019			For the year ended 31 December 2018		
	Gross Profit	Percentage of total gross profit	Gross profit margin	Gross Profit	Percentage of total gross profit	Gross profit margin
	RMB'000	%	%	*RMB'000*	%	%
Electrical DC products	**33,515**	**37.96**	**25.19**	30,218	36.75	25.04
Charging equipment for electric vehicles	**49,916**	**56.54**	**34.45**	41,135	50.02	36.60
Construction under BOT arrangements	**351**	**0.40**	**27.17**	5,976	7.27	35.41
Charging services for electric vehicles	**4,235**	**4.80**	**23.27**	4,737	5.76	26.62
Others	**265**	**0.30**	**7.08**	165	0.20	6.69
Total/average	**88,282**	**100**	**29.31**	82,231	100	30.43

Our gross profit increased by approximately 7.36% from RMB82,231,000 for the year ended 31 December 2018 to RMB88,282,000 for the year ended 31 December 2019. Our gross profit margin decreased from approximately 30.43% for the year ended 31 December 2018 to approximately 29.31% for the year ended 31 December 2019. The decrease in gross profit margin as compared to that of the corresponding period of last year was primarily due to the intensified market competition in respect of the sales of charging equipment for electric vehicles, resulting in the adjustment of the product pricing by the Company during the Reporting Period.

Other revenue and income

Our other revenue, which mainly included VAT refunds, government grants and bank interest income, decreased by approximately 31.55% from RMB30,416,000 for the year ended 31 December 2018 to RMB20,821,000 for the year ended 31 December 2019.

The decrease in other revenue of the Group was mainly attributable to the combined effect of factors such as the decrease in government grants of approximately RMB9,513,000 during the year.

Selling and distribution expenses

Our selling and distribution expenses, which mainly comprised the relevant expenses in sales and after-sales services, salaries of sales personnel, benefits and travelling expenses, and office expenses, entertainment expenses and other expenses, decreased by approximately 7.73% from RMB50,814,000 for the year ended 31 December 2018 to RMB46,885,000 for the year ended 31 December 2019. Our selling and distribution expenses as a percentage of revenue decreased from approximately 18.81% for the year ended 31 December 2018 to approximately 15.57% for the year ended 31 December 2019. The decrease in the Group's selling and distribution expenses was mainly due to the following integrated factors during the Reporting Period: (1) sales-related expenses such as salaries, travelling and entertainment expenses decreased by approximately RMB5,620,000; (2) sales-related expenses such as office and advertising expenses increased by approximately RMB205,000; (3) sales-related fees such as bid-winning services fees increased by approximately RMB148,000; (4) sales-related expenses such as transportation, installing and testing expenses increased by approximately RMB1,385,000; and (5) sales-related expenses such as amortization, depreciation and other miscellaneous expenses decreased by approximately RMB47,000.

Administrative and other expenses

Our administrative and other expenses, which mainly comprised, inter alia, management and back office staff costs, research and development expenses, travelling expenses and entertainment expenses, and foreign exchange gain and loss etc., decreased by approximately 21.98% from RMB78,879,000 for the year ended 31 December 2018 to RMB61,544,000 for the year ended 31 December 2019. Our administrative and other expenses as a percentage of revenue decreased from approximately 29.19% for the year ended 31 December 2018 to approximately 20.43% for the year ended 31 December 2019. The decrease of approximately RMB17,335,000 in our administrative and other expenses during the Reporting Period was mainly due to the following integrated factors: (1) expenses such as benefits, travelling and entertainment expenses relating to management decreased by approximately RMB656,000; (2) bank charges and payment to lawyers and professional individuals decreased by approximately RMB5,959,000; (3) rental, transportation and other taxes decreased by approximately RMB143,000; (4) expenses such as office, maintenance, consumables, subscription and utility expenses relating to management decreased by approximately RMB596,000; (5) asset handling fees increased by approximately RMB2,922,000; (6) expenses such as salaries, research and development and depreciation expenses relating to management decreased by approximately RMB8,210,000; (7) amortization and other sundry expenses increased by approximately RMB583,000; and (8) exchange losses decreased by approximately RMB5,276,000.

Allowance for impairment losses recognised in respect of financial assets

As at 31 December 2019, the credit impairment losses of the current year was RMB47,258,000, among which, the impaired receivables included in trade receivables amounted approximately RMB1,107,000 (2018: RMB1,803,000). The decrease of approximately RMB696,000 in the impairment loss of trade receivables was mainly due to the effectiveness of the establishment of the trade receivables collection department. Impaired loan receivables and interest receivables of approximately RMB46,151,000 (2018: RMB1,133,000) was included in the provision for loan receivables. The increase of approximately RMB45,018,000 in the allowance for impairment loss of loan receivables and interest receivables was mainly due to the loan receivables and interest receivables are overdue and cannot be recovered on time.

Share of results of associates

As at 31 December 2019, the Group owned 35% (as at 31 December 2018: 35%) equity interest in Beijing Pangda Yilian New-energy Technology Co., Limited* (北京龐大驛聯新能源科技有限公司) ("Pangda Yilian"). Pangda Yilian was accounted for as the Group's associate, and the Group's share of loss from Pangda Yilian for the Reporting Period was approximately RMB812,000.

As at 31 December 2019, the Group owned 20% (as at 31 December 2018: 20%) equity interests in Beijing Aimeisen Information Technology Co., Ltd* (北京埃梅森資訊技術有限公司) ("Beijing Aimeisen"), which principally engaged in the construction of charging equipment network for electric vehicles business. Beijing Aimeisen was accounted for as the Group's associate, and the Group's share of loss from Beijing Aimeisen for the Reporting Period was approximately RMB3,000.

As at 31 December 2019, the Group owned 49% (as at 31 December 2018: 49%) equity interests in Qingdao Jiaoyun Titans New Energy Vehicle Leasing Service Co., Ltd* (青島交運泰坦新能源汽車租賃服務有限公司) ("Jiaoyun Titans"). Jiaoyun Titans is mainly engaged in the construction of charging equipment network for electric vehicles and lease business for electric vehicles. Jiaoyun Titans was accounted for as the Group's associate, and the Group's share of loss from Jiaoyun Titans during the Reporting Period was approximately RMB54,000.

As at 31 December 2019, the Group owned 20% (as at 31 December 2018: 20%) equity interests in Qingdao Titans Yilian New Energy Technology Co., Limited* (青島泰坦驛聯新能源科技有限公司) ("Qingdao Titans"). Qingdao Titans is engaged in the construction of charging network for electric vehicles, as well as the sale, lease and maintenance business of electric vehicles. Qingdao Titans was accounted for as the Group's associate, and the Group's share of profit from Qingdao Titans during the Reporting Period was approximately RMB76,000.

As at 31 December 2019, the Group owned 36% (as at 31 December 2018: 36%) equity interests in Guangdong Titans Intelligent Power Co., Ltd* (廣東泰坦智能動力有限公司) ("Guangdong Titans"). Guangdong Titans is principally engaged in the research and development, sales and manufacturing of charging equipment for Automated Guided Vehicles ("AGV"). Guangdong Titans was accounted for as the Group's associate, and the Group's share of profit from Guangdong Titans during the Reporting Period was approximately RMB950,000.

As at 31 December 2019, the Group owned 11% (as at 31 December 2018: 11%) equity interests in Zhuhai Huada Taineng Smart Energy Co., Ltd* (珠海華大泰能智慧能源有限公司) ("Huada Taineng"). Huada Taineng is principally engaged in the research and development, manufacturing and sales of photovoltaic power and microgrid equipment. Huada Taineng was accounted for as the Group's associate, and the Group's share of loss from Guangdong Titans during the Reporting Period was approximately RMB8,000.

As at 31 December 2019, the Group owned 20% equity interests in Wuhan Titans Smart Technology Co,. Limited* (武漢泰坦智慧科技有限公司) ("Wuhan Titans"). Wuhan Titans is primarily engaged in the technology development, technology transfer and technology consultancy of computer software and hardware; computer system integration; development and subcontracting of computer software and sales of computer equipment. Wuhan Titans is accounted for as an associate of the Company and the Group's share of loss from Wuhan Titans during the Reporting Period amounted to approximately RMB613,000.

As at 10 July 2019, the Group no longer held (as at 31 December 2018: 10%) equity interest in Tongren City Green Travelling New Energy Transportation Operation Co., Limited* (銅仁市綠色出行新能源交通營運有限公司) ("Tongren Green Travelling"). Tongren Green Travelling is principally engaged in the construction of charging network for electric vehicles and lease business for electric vehicles. Tongren Green Travelling was accounted for as the Group's associate, and the Group's share of loss from Tongren Green Travelling during the Reporting Period was approximately RMB46,000.

Finance costs

Our finance costs decreased by approximately 12.81% from RMB11,074,000 for the year ended 31 December 2018 to RMB9,655,000 for the year ended 31 December 2019. Our finance costs as a percentage of revenue decreased from approximately 4.10% for the year ended 31 December 2018 to approximately 3.21% for the year ended 31 December 2019. The decrease in our finance costs was mainly due to the decrease in effective interest expense on the convertible notes.

Income tax credit (expense)

Our income tax credit was RMB1,043,000 for the year ended 31 December 2019 whereas income tax expense was RMB1,601,000 for the year ended 31 December 2018. The effective tax rate (being the ratio of our tax expense to our loss/profit before tax) for the year ended 31 December 2019 was -2.1% (2018: 3.8%).

Loss attributable to non-controlling interests

For the year ended 31 December 2019, loss attributable to non-controlling interests of the Group's non-wholly owned subsidiaries was approximately RMB1,189,000, as compared with a loss of approximately RMB3,536,000 for the year ended 31 December 2018. This amount represents the loss of the Company's non-wholly owned subsidiaries.

Loss attributable to owners of the Company

Loss attributable to owners of the Company for the year ended 31 December 2019 was RMB47,603,000 whilst loss for the year ended 31 December 2018 was RMB40,168,000, representing an increase of RMB7,435,000.

The significant increase in loss attributable to owners of the Company was mainly due to: (1) the loss from the value change of available-for-sale financial assets at fair value through profit or loss held during the year; and (2) impairment losses on loan receivables.

Total comprehensive expense attributable to owners of the Company for the year ended 31 December 2019 was approximately RMB41,580,000 whilst total comprehensive income for the year ended 31 December 2018 was approximately RMB42,260,000, representing a decrease of approximately RMB680,000.

Inventory Analysis

The table below sets out the information on our inventory for the years ended 31 December 2018 and 2019:

	Year ended 31 December			
	2019		2018	
	RMB'000	*%*	*RMB'000*	*%*
Raw materials	**14,243**	**17.62**	8,985	11.12
Work-in-progress	**9,407**	**11.64**	11,709	14.49
Finished goods	**57,186**	**70.74**	60,120	74.39
	80,836	**100.00**	80,814	100.00

The Group's inventory balances increased from RMB80,814,000 as at 31 December 2018 to RMB80,836,000 as at 31 December 2019.

Our average inventory turnover days increased from approximately 153 days for the year ended 31 December 2018 to approximately 139 days for the year ended 31 December 2019. The decrease was due to the higher increase in the revenue of electrical DC products and charging facilities for electric vehicles during the Reporting Period.

The Group has not made any general or special provision for inventories as at 31 December 2019.

Analysis on Trade and Bills Receivables

As at 31 December 2018 and 2019, our trade and bills receivables (net of allowance) amounted to RMB238,024,000 (comprising trade receivables of RMB236,454,000 and bills receivables of RMB1,570,000) and RMB266,922,000 (comprising trade receivables of RMB258,756,000 and bills receivables of RMB8,166,000) respectively. The increase in trade and bills receivables was mainly due to the increase in turnover during the Reporting Period.

The table below sets forth the ageing analysis of our trade receivables by due date as of 31 December 2018 and 2019:

	Year ended 31 December 2019		Year ended 31 December 2018	
	Net amount		Net amount	
	RMB'000	*%*	*RMB'000*	*%*
0 to 90 days	**131,302**	**50.74**	87,901	37.17
91 days to 180 days	**23,425**	**9.05**	18,884	7.99
181 days to 365 days	**57,180**	**22.10**	56,748	24.00
Over 1 year to 2 years	**24,809**	**9.59**	62,682	26.51
Over 2 years to 3 years	**22,040**	**8.52**	9,857	4.17
Over 3 years	**–**	**–**	382	0.16
Total	**258,756**	**100.00**	236,454	100.00

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

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

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

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

For the year ended 31 December 2019, we made an impairment loss on trade receivables of approximately RMB1,107,000 (2018: approximately RMB1,803,000).

Analysis on Trade and Bills Payables

As at 31 December 2018 and 2019, our trade and bills payables amounted to approximately RMB83,490,000 (comprising trade payables of approximately RMB72,453,000 and bills payables of approximately RMB11,037,000) and approximately RMB116,106,000 (comprising trade payables of approximately RMB88,010,000 and bills payables of approximately RMB28,096,000) respectively. The increase in trade and bills payables was mainly due to the relatively significant increase in revenue and the corresponding increase in purchase amounts in 2019. For the years ended 31 December 2018 and 2019, our trade and bills payable turnover days were approximately 155 days and approximately 151 days respectively.

The table below sets out the ageing analysis of our trade payables as of 31 December 2018 and 2019:

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Within 90 days	**72,126**	55,367
91 days to 180 days	**21,743**	9,552
181 days to 365 days	**13,314**	12,918
1 year to 2 years	**4,430**	2,978
Over 2 years	**4,493**	2,675
	116,106	83,490

Indebtedness

The following table sets out our indebtedness as at 31 December 2018 and 2019.

	For the year ended 31 December 2019		For the year ended 31 December 2018	
	RMB'000	***Interest rates***	*RMB'000*	*Interest rates*
Current				
Bank borrowings	**79,001**	**5.66% to 6.53%**	85,000	0.4% to 6.96%
Other borrowings	**28,890**	**7% to 14.44%**	95,944	5% to 10%
Non-current				
Bank borrowings	**64,238**	**5.88% to 6.64%**	66,953	6.64%
Other borrowings	**12,055**	**7% to 14.44%**	27,527	7% to 14.44%
	184,184		275,424	

As at 31 December 2019, total bank borrowings and other borrowings amounted to RMB184,184,000 (as at 31 December 2018: RMB275,424,000), among which RMB184,184,000 were secured loans (as at 31 December 2018: RMB179,481,000) and none of them were unsecured loans (as at 31 December 2018: RMB95,944,000). Bank borrowings as at 31 December 2019 were subject to the floating interest rates ranging from 5.66% to 6.64% per annum (as at 31 December 2018: from 0.4% to 6.96% per annum).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

There has been no change in the capital structure of the Group during the year ended 31 December 2019. The capital of the Group only comprises ordinary shares.

As at 31 December 2019, the total equity of the Group amounted to RMB544,344,000 (as at 31 December 2018: RMB592,013,000), the Group's current assets were RMB580,091,000 (as at 31 December 2018: RMB728,068,000) and current liabilities were RMB246,083,000 (as at 31 December 2018: RMB279,090,000). As at 31 December 2019, the Group had short-term bank deposits, bank balances and cash of RMB100,152,000 (as at 31 December 2018: RMB83,955,000), excluding restricted bank balances of RMB19,393,000 (as at 31 December 2018: RMB38,451,000). Our total assets less our total liabilities equals to our net assets, which was RMB544,344,000 as at 31 December 2019 (as at 31 December 2018: RMB592,013,000).

The Group finances its operations with internally generated cash flow and bank borrowings. As at 31 December 2019, the Group had aggregate amount of outstanding bank borrowings and other borrowings of RMB184,184,000 (as at 31 December 2018: RMB275,424,000).

The gearing ratio (i.e. borrowings divided by total assets x 100%) was 20.96% as at 31 December 2019.

SIGNIFICANT INVESTMENTS

The Group did not hold any significant investment during the year ended 31 December 2019.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the year ended 31 December 2019, the Group had no material acquisitions or disposals of subsidiaries, associates or joint ventures.

CONTINGENT LIABILITIES

As at 31 December 2019 and the date of this announcement, the Group had no material contingent liability.

CAPITAL COMMITMENTS

As at 31 December 2019, the Group had capital expenditure contracted for but not provided in the consolidated financial statements of approximately RMB16,930,000 (as at 31 December 2018: approximately RMB75,620,000) in respect of investment, factory renovation and purchase of equipment.

Save as disclosed above, as at 31 December 2019 and the date of this announcement, the Group did not have other capital expenditure authorised but not contracted for in respect of investment, factory renovation and purchase of equipment.

PLEDGE OF ASSETS

The Group's leasehold land and buildings with carrying amounts of approximately RMB1,568,000 as at 31 December 2019 (as at 31 December 2018: approximately RMB1,761,000) were pledged to secure the bank borrowings and other facilities.

EMPLOYEES AND REMUNERATION

As at 31 December 2019, the Group had 438 employees in total (as at 31 December 2018: 523 employees). The remuneration paid to our employees and Directors is based on experience, responsibility, workload and the time devoted to the Group.

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

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

SHARE OPTION SCHEME

The Company adopted the share option scheme on 8 May 2010 (the "Share Option Scheme"). 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.

Details of the Share Option Scheme is set out in the section headed "Share Option Scheme" in the annual report of the Company.

FOREIGN EXCHANGE

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

During the Reporting Period, the Group recorded an exchange gain of RMB2,987,000 (2018: exchange loss of RMB5,276,000). Such foreign exchange gain arose as a result of the difference between the exchange rate for accounting purpose on the date of transaction and the exchange rate as at 31 December 2019. As at 31 December 2019, the Group did not have significant foreign exchange hedging.

The Group adopted a prudent approach toward its treasury policies. Our treasury function mainly involves the management of our cash flows. Cash is mainly deposited in banks in Renminbi for working capital purposes. We did not have any material holding in financial securities or foreign exchange (except for business purposes) during the year ended 31 December 2019.

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

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

FINAL DIVIDEND

The Board did not recommend the payment of any final dividend for the year ended 31 December 2019.

ANNUAL GENERAL MEETING

It is proposed that the annual general meeting (the "AGM") of the Company will be held on Friday, 19 June 2020. A notice convening the AGM will be published and despatched to the shareholders of the Company (the "Shareholders") in the manner as required by the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

In order to ascertain the entitlement to attend and vote at the AGM, which is proposed to be held on Friday, 19 June 2020, the register of members of the Company will be closed from Monday, 15 June 2020 to Friday, 19 June 2020 (both days inclusive), during which period no transfer of shares will be registered. In order to be entitled to attend and vote at the AGM, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on Friday, 12 June 2020.

CORPORATE GOVERNANCE

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

The Company has complied with all applicable code provisions (the "Code Provisions") of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules throughout the year ended 31 December 2019 and there have been no material deviations from the Code Provision.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its model code regarding directors' securities transactions. Having made specific enquiry of all Directors, all the Directors confirm that they had complied with the required standards of the Model Code during the year ended 31 December 2019.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2019.

AUDIT COMMITTEE

The Company has established the Audit Committee on 8 May 2010 with written terms of reference in compliance with the Listing Rules. The Audit Committee comprises three independent non-executive Directors, namely Mr. Li Wan Jun, Mr. Zhang Bo and Mr. Pang Zhan. Mr. Li Wan Jun is the chairman of the Audit Committee. The Audit Committee is responsible for, amongst others, reviewing and supervising the Group's financial reporting process as well as risk management and internal control system and providing advice and recommendations to the Board.

The Audit Committee has reviewed and discussed with the management the accounting principles and practices adopted by the Group and the Group's internal controls and financial reporting matters, including the review of the audited final results of the Group for the year ended 31 December 2019.

SCOPE OF WORK OF SHINEWING (HK) CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2019 have been agreed by the Company's auditor, SHINEWING (HK) CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by SHINEWING (HK) CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by SHINEWING (HK) CPA Limited on this annual results announcement.

IMPORTANT EVENT AFTER THE REPORTING PERIOD

No important events took place subsequent to 31 December 2019.

PUBLICATION OF FINAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The final 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 annual report of the Company for the year ended 31 December 2019 will be despatched to the Shareholders 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, 27 March 2020

As at the date of this announcement, the Board comprises two executive Directors, namely Mr. Li Xin Qing and Mr. An Wei; and three independent non-executive Directors, namely Mr. Li Wan Jun, Mr. Zhang Bo and Mr. Pang Zhan.

* *For identification purpose only*