TITANS®

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 2012

FINANCIAL HIGHLIGHTS

– Turnover from operations decreased by 11.16% to approximately RMB238,670,000 as compared to the last year.

– Profit for the year attributable to owners of the Company decreased by 65.18% to approximately RMB11,795,000 as compared to that of last year.

– The Board does not recommend the payment of any dividend for the year ended 31 December 2012.

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 (the "Group") for the year ended 31 December 2012 together with comparative figures for the year ended 31 December 2011 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	Notes	**2012** **RMB'000**	2011 *RMB'000*
Turnover	*(4)*	**238,670**	268,660
Cost of sales		**(139,808)**	(146,707)
Gross profit		**98,862**	121,953
Other revenue	*(6)*	**13,750**	20,869
Selling and distribution expenses		**(32,318)**	(33,385)
Administrative and other expenses		**(60,739)**	(55,731)
Share of result of an associate		**6,368**	1,740
Finance costs	*(7)*	**(9,411)**	(3,783)
Profit before taxation		**16,512**	51,663
Income tax expense	*(8)*	**(4,760)**	(18,591)
Profit for the year	*(10)*	**11,752**	33,072
Other comprehensive expenses			
Fair value loss on available-for-sale financial assets		**(2,080)**	–
Income tax relating to the component of other comprehensive expenses		**339**	–
Other comprehensive expenses for the year, net of income tax		**(1,741)**	–
Total comprehensive income for the year		**10,011**	33,072
Profit for the year attributable to:			
Owners of the Company		**11,795**	33,872
Non-controlling interests		**(43)**	(800)
		11,752	33,072
Total comprehensive income attributable to:			
Owners of the Company		**10,054**	33,872
Non-controlling interests		**(43)**	(800)
		10,011	33,072
Earnings per share	*(12)*		
Basic *(RMB)*		**1.42 cents**	4.08 cents
Diluted *(RMB)*		**1.42 cents**	4.06 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
Non-current assets			
Property, plant and equipment		**32,085**	21,681
Deposits for acquisition of plant and equipment		**28,377**	23,216
Prepaid lease payments		**–**	12,817
Intangible assets		**947**	1,324
Interest in an associate		**26,053**	14,624
Available-for-sale financial assets		**6,021**	8,198
Deferred tax assets		**339**	–
		93,822	81,860
Current assets			
Inventories		**48,617**	61,471
Trade and bills receivables	*(13)*	**292,980**	268,089
Prepayments, deposits and other receivables		**69,927**	37,439
Prepaid lease payments		**–**	288
Amount due from an associate		**80,120**	91,873
Amount due from a non-controlling shareholder of a subsidiary		**89**	–
Restricted bank balances		**4,263**	10,081
Short-term bank deposits		**126,000**	101,000
Bank balances and cash		**58,331**	62,761
		680,327	633,002
Assets classified as held for sale		**28,620**	–
		708,947	633,002
Current liabilities			
Trade and bills payables	*(14)*	**94,646**	90,941
Receipts in advance		**11,464**	6,990
Accruals and other payables		**70,599**	56,478
Tax payable		**17,372**	20,477
Bank borrowings		**90,001**	54,773
		284,082	229,659
Liabilities classified as held for sale		**6,226**	–
		290,308	229,659
Net current assets		**418,639**	403,343
Total assets less current liabilities		**512,461**	485,203

	Notes	2012 RMB'000	2011 RMB'000
Non-current liabilities			
Deferred income		**1,037**	1,308
Deferred tax liabilities		**9,975**	10,194
		11,012	11,502
Net assets		**501,449**	473,701
Capital and reserves			
Share capital		**7,311**	7,311
Reserves		**472,366**	464,075
Equity attributable to owners of the Company		**479,677**	471,386
Non-controlling interests		**21,772**	2,315
Total equity		**501,449**	473,701

Notes:

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 Main Board of 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 Titans Science and Technology Park, No. 60 Shihua Road West, Zhuhai, Guangdong Province, the People's Republic of China (the "PRC").

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.

The Company's principal activity is investment holding.

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

In the current year, the Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Amendments to Hong Kong Accounting Standards ("HKAS") 12	Deferred Tax: Recovery of Underlying Asset
Amendments to HKFRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
Amendments to HKFRS 7	Financial Instruments: Disclosures – Transfers of Financial Assets

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

New and revised HKFRSs issued but not yet effective

The Group has not early applied any of the new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning on 1 January 2012.

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

4. TURNOVER

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

5. SEGMENT INFORMATION

The Group determines its operating segments based on the internal reports reviewed by the chief operating decision maker (i.e. executive directors of the Company) that are used to make strategic decisions.

The Group currently organises its operations into five operating and reportable segments, namely direct current power system ("DC Power System"), plug and switch system products ("PASS Products"), power monitoring and management equipment ("Power Monitoring"), charging equipment for electric vehicles ("Charging Equipment") and wind and solar power generating balancing control products ("Wind and Solar Power"). They represent five major lines of products sold by the Group. The principal activities of the operating and reportable segments are as follows:

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

The operation of high power light emitting diode ("LED") lighting products segment of the Group was discontinued with effect from 1 November 2011 (see Note 9 for details). No segment revenue and segment results were reported for the year ended 31 December 2011.

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

Year ended 31 December 2012

	DC Power System *RMB'000*	**PASS products** *RMB'000*	**Power Monitoring** *RMB'000*	**Charging Equipment** *RMB'000*	**Wind and Solar Power** *RMB'000*	**Total** *RMB'000*
Segment revenue	**109,629**	**4,392**	**14,890**	**109,759**	**–**	**238,670**
Segment results	**33,753**	**457**	**5,877**	**37,358**	**(58)**	**77,387**
Unallocated other revenue						**5,503**
Share of result of an associate						**6,368**
Loss on deemed disposal of partial interests in associates						**(1,089)**
Gain on disposal of available-for-sale financial assets						**3**
Unallocated head office and corporate expenses						**(62,249)**
Finance costs						**(9,411)**
Profit before taxation						**16,512**

Year ended 31 December 2011

	DC Power System *RMB'000*	PASS products *RMB'000*	Power Monitoring *RMB'000*	Charging Equipment *RMB'000*	Wind and Solar Power *RMB'000*	Total *RMB'000*
Segment revenue	114,477	3,585	28,497	122,101	–	268,660
Segment results	38,229	470	9,387	45,692	–	93,778
Unallocated other revenue						15,545
Share of result of an associate						1,740
Loss on disposal of property, plant and equipment						(284)
Loss on deemed disposal of partial interests in associates						(15)
Gain on deemed disposal of partial interests in associates						114
Unallocated head office and corporate expenses						(55,432)
Finance costs						(3,783)
Profit before taxation						51,663

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

Segment results represent the profit earned or loss incurred by each segment without allocation of central administrative cost, directors' emoluments, share of result of an associate, gain or loss on deemed disposal of interests in associates, interest income and finance costs. This is the measure reported to the chief executive officer 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	**2012**	2011
	RMB'000	*RMB'000*
DC Power System	**216,278**	173,929
PASS Products	**31,719**	33,830
Power Monitoring	**47,633**	33,034
Charging Equipment	**246,108**	146,059
Wind and Solar Power	**–**	–
Total segment assets	**541,738**	386,852
Assets relating to discontinued operation		
– LED lighting products	**–**	1,306
Unallocated	**261,031**	326,704
Consolidated assets	**802,769**	714,862

Segment liabilities	**2012**	2011
	RMB'000	*RMB'000*
DC Power System	**48,739**	41,729
PASS Products	**8,179**	1,306
Power Monitoring	**6,620**	10,388
Charging Equipment	**49,835**	45,816
Wind and Solar Power	**–**	–
Total segment liabilities	**113,373**	99,239
Liabilities relating to discontinued operation		
– LED lighting products	**–**	–
Unallocated	**187,947**	141,922
Consolidated liabilities	**301,320**	241,161

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

- all assets are allocated to reportable segments other than deposits for acquisition of plant and equipment, interest in an associate, available-for-sale financial assets, deferred tax assets, other receivables, restricted bank balances, short-term bank deposits and bank balances and cash.

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

Other segment information

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

For the year ended 31 December 2012

	DC Power System *RMB'000*	PASS products *RMB'000*	Power Monitoring *RMB'000*	Charging Equipment *RMB'000*	Wind and Solar Power *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
Amounts included in the measure of segment profit or loss or segment assets:							
Additions to non-current assets *(Note)*	7,326	293	995	7,335	–	–	15,949
Allowance for trade receivables	952	–	770	1,625	–	–	3,347
Gain on disposal of property, plant and equipment	42	–	–	–	–	–	42
Depreciation and amortisation	2,662	107	362	2,665	–	–	5,796
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:							
Interest in an associate	–	–	–	–	–	26,053	26,053
Share of result of an associate	–	–	–	–	–	6,368	6,368
Interest income	–	–	–	–	–	657	657
Finance costs	–	–	–	–	–	9,411	9,411
Income tax expense	–	–	–	–	–	4,760	4,760

For the year ended 31 December 2011

	DC Power System *RMB'000*	PASS products *RMB'000*	Power Monitoring *RMB'000*	Charging Equipment *RMB'000*	Wind and Solar Power *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
Amounts included in the measure of segment profit or loss or segment assets:							
Additions to non-current assets *(Note)*	5,077	13,458	1,264	5,414	–	–	25,213
Loss on disposal of property, plant and equipment	–	–	–	–	–	284	284
Depreciation and amortisation	1,951	360	610	1,863	–	–	4,784
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:							
Interest in an associate	–	–	–	–	–	14,624	14,624
Share of result of an associate	–	–	–	–	–	1,740	1,740
Interest income	–	–	–	–	–	1,974	1,974
Finance costs	–	–	–	–	–	3,783	3,783
Income tax expense	–	–	–	–	–	18,591	18,591

Note:

Non-current assets excluded deposits for acquisition of plant and equipment, interest in an associate, available-for-sale financial assets and deferred tax assets.

Geographical information

All revenues from external customers and non-current assets 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:

	2012 ***RMB'000***	2011 *RMB'000*
Customer A[1]	**32,025**	39,268
Customer B[1]	**N/A[2]**	57,462

[1] *Revenue mainly from Charging Equipment*

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

6. OTHER REVENUE

	2012	2011
	RMB'000	*RMB'000*
Value added tax ("VAT") refunds *(Note a)*	**8,244**	5,210
Interest income	**657**	1,974
Deemed gain on deregistration of a subsidiary	**–**	78
Gain on deemed disposal of partial interests in associates	**–**	114
Consultancy service income	**1,765**	688
Government grants *(Note b)*	**2,557**	12,201
Gain on disposal of property, plant and equipment	**42**	–
Gain on disposal of available-for-sale financial assets	**3**	–
Rental income *(Note c)*	**27**	47
Repairs and maintenance services provided	**44**	307
Commission income	**168**	–
Other income	**243**	250
	13,750	20,869

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 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 of which there are no unfulfilled conditions or contingencies relating to those subsidies during the years ended 31 December 2011 and 2012.

(c) There was no outgoings for rental income in 2012 and 2011.

7. FINANCE COSTS

	2012	2011
	RMB'000	*RMB'000*
Interest on:		
Bank borrowings wholly repayable within five years	**3,991**	1,465
Factoring cost on trade receivables	**5,420**	2,318
	9,411	3,783

8. INCOME TAX EXPENSE

	2012	2011
	RMB'000	*RMB'000*
Current tax:		
– PRC Corporate Income Tax	**3,829**	8,397
– Withholding tax for dividend from PRC subsidiaries	**1,150**	–
	4,979	8,397
Deferred tax:		
– Provision on withholding tax from undistributed profit from PRC subsidiaries	**931**	10,194
– Reversal on withholding tax from distribution on dividend from PRC subsidiaries	**(1,150)**	–
– Current year	**(219)**	10,194
	4,760	18,591

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.

Zhuhai Titans Technology Co., Ltd. ("Titans Technology") was established in Zhuhai, the special economic zone, and the income tax rates applicable to them was 15% pursuant to the relevant PRC laws in 2007, Titans Technology and Zhuhai Titans New Energy Systems Co., Ltd. ("Titans New Energy") were recognised as High and New Technology Enterprises by Department of Science and Technology of Guangdong Province in 2008 and the income tax rate applicable to them is 15% for the year ended 31 December 2012.

Zhuhai Titans Power Electronics Company Limited (formerly known as Zhuhai Titans Automatic Technology Company Limited) ("Titans Power"), Titans Technology and Titans New Energy were established in Zhuhai, the special economic zone, and the income tax rate applicable to them was 15% pursuant to the relevant PRC laws in 2007, Titans Technology and Titans New Energy were recognised as High and New Technology Enterprises by Department of Science and Technology of Guangdong Province in 2008 and the income tax rate applicable to them is 15% for the year ended 31 December 2011.

Starting from May 2008, Titans Power in the PRC is exempted from the PRC income tax for two years starting from their first profit-making year, followed by a 50% reduction for the next three years. Provision for PRC income tax has been made based on 50% reduction in Titans Power for the years ended 31 December 2011 and 2012.

The relevant tax rate for the Group's subsidiaries in the PRC other than Titans Technology and Titans Power was 25% for the year ended 31 December 2012.

9. DISCONTINUED OPERATION

Pursuant to a resolution passed on 1 November 2011, the directors decided to cease the operation of LED lighting products with immediate effect.

During the year ended 31 December 2011, the discontinued operation did not affect the Group's turnover, profit for that year and net operating cash flows.

10. PROFIT FOR THE YEAR

	2012 *RMB'000*	2011 *RMB'000*
Profit for the year have been arrived at after charging:		
Staff costs		
Directors' emoluments	**1,526**	1,983
Other staff		
– share based payments for other staff	**4,716**	6,922
– salaries and other allowances	**23,279**	24,130
– retirement benefits scheme contributions (excluding directors)	**4,759**	3,822
Total staff costs	**34,280**	36,857
Allowance for trade receivables	**3,347**	–
Amortisation of intangible assets	**377**	378
Amortisation of prepaid lease payments	**291**	194
Auditor's remuneration	**704**	705
Cost of inventories recognised as an expense	**139,808**	146,707
Depreciation of property, plant and equipment	**5,128**	4,212
Exchange loss	**102**	157
Loss on deemed disposal of partial interests in associates	**1,089**	15
Loss on disposal of property, plant and equipment	**–**	284
Operating lease rentals in respect of rented premises	**1,955**	1,070
Research and development costs (included in administrative and other expenses) *(Note)*	**20,397**	16,369

Note:

Research and development costs included staff costs of employees and depreciation of property, plant and equipment for the purpose of research and development activities.

11. DIVIDENDS

	2012	2011
	RMB'000	*RMB'000*
Dividends recognised as distribution during the year:		
– Interim dividend paid for 2012 – nil (2011: HK3 cents per share)	**–**	20,425
– Final dividend in respect of the previous financial year, approved and paid of HK1 cent per share (2011: nil)	**6,763**	–
	6,763	20,425

No dividend has been declared by the Company for the year ended 31 December 2012 nor has any dividend been proposed since the end of the reporting period (2011: HK1 cent per share).

12. EARNINGS PER SHARE

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

	2012	2011
	RMB'000	*RMB'000*
Earnings		
Earnings for the purpose of basic and diluted earnings per share		
Profit for the year attributable to owners of the Company	**11,795**	33,872
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**830,000,000**	830,000,000
Effect of dilutive potential ordinary shares:		
Share options	**–**	3,497,673
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**830,000,000**	833,497,673

During the year ended 31 December 2011, the discontinued operation did not affect the Group's profit for the year attributable to owners of the Company.

The computation of diluted earnings per share does not assume the exercise of the Company's options because the exercise price of those options was higher than the average market price for shares for the year ended 31 December 2012.

13. TRADE AND BILLS RECEIVABLES

	2012	2011
	RMB'000	*RMB'000*
Trade receivables	**305,450**	279,770
Less: allowance for trade receivables	**(16,778)**	(13,431)
	288,672	266,339
Bills receivables	**4,308**	1,750
Total trade and bills receivables	**292,980**	268,089

Included in the balances of trade receivables as at 31 December 2012 were retention receivables of approximately RMB47,130,000 (2011: RMB36,538,000).

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

	2012	2011
	RMB'000	*RMB'000*
0 – 90 days	**103,671**	101,099
91 – 180 days	**6,578**	20,145
181 – 365 days	**48,443**	53,787
1 – 2 years	**104,331**	76,426
2 – 3 years	**19,584**	11,732
Over 3 years	**6,065**	3,150
	288,672	266,339

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 separated into initial deposit payment which is due upon signing of sales contracts, the payment after installation and testing and retention money which is 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 assessed for impairment. 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 2012, included in the Group's trade receivable balances were receivables with aggregate carrying amounts of approximately RMB185,001,000 (2011: RMB165,240,000) 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.

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

	2012	2011
	RMB'000	*RMB'000*
Duration of past due		
0 – 90 days	**6,578**	20,146
91 – 180 days	**12,111**	13,447
181 – 365 days	**62,415**	59,447
1 – 2 years	**83,144**	60,252
2 – 3 years	**16,204**	9,586
Over 3 years	**4,549**	2,362
	185,001	165,240
Neither past due nor impaired	**103,671**	101,099
	288,672	266,339

Movement in the allowance for trade receivables:

	2012	2011
	RMB'000	*RMB'000*
Balance at beginning of the year	**13,431**	13,431
Allowance for trade receivables	**3,347**	–
Balance at end of the year	**16,778**	13,431

As at 31 December 2012, included in the allowance for trade receivables are individually impaired trade receivables with aggregate balances of approximately RMB16,778,000 (2011: RMB13,431,000) which have been placed in severe financial difficulties.

As at 31 December 2011, Titans Technology pledged trade receivables of approximately RMB50,000,000 for credit facilities of RMB50,000,000 granted to Titans Technology by a bank. The pledge of trade receivables has been released during the year ended 31 December 2012.

14. TRADE AND BILLS PAYABLES

	2012	2011
	RMB'000	*RMB'000*
Trade payables	**88,795**	70,226
Bills payables	**5,851**	20,715
Total trade and bills payables	**94,646**	90,941

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

	2012	2011
	RMB'000	*RMB'000*
0 – 90 days	**50,529**	57,043
91 – 180 days	**6,807**	4,511
181 – 365 days	**27,961**	7,022
1 – 2 years	**2,267**	952
Over 2 years	**1,231**	698
	88,795	70,226

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 are within the credit timeframe.

DIVIDEND

The Board did not recommend the payment of any dividend for the year ended 31 December 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the year ended 31 December 2012, the Group recorded a turnover of RMB238,670,000, representing a decrease of 11.6% over the same period last year. Turnover was mainly derived from the Group's principal businesses including electrical direct current ("DC") products, charging equipment for electric vehicles and power grid monitoring and management products business. The table below shows the turnover of different series of products of the Group for the years ended 31 December 2011 and 2012.

	For the year ended 12 December			
	2012		2011	
	RMB'000	*%*	*RMB'000*	*%*
Electrical direct current products	**109,629**	**45.94**	114,477	42.61
Charging equipment for electric vehicles	**109,759**	**45.99**	122,101	45.45
Power grid monitoring and management products	**14,890**	**6.23**	28,497	10.61
Wind and solar power generation balancing control systems	**–**	**–**	–	–
Plug and switch system products	**4,392**	**1.84**	3,585	1.33
Total	**238,670**	**100.00**	268,660	100.00

The Group recorded a profit of RMB11,752,000 and a total comprehensive income of RMB10,011,000 in 2012, representing the decreases of 64.47% and 69.73% in comparison with RMB33,072,000 and RMB33,072,000 of the same period last year respectively.

In 2012, the Group recorded a substantial decrease in turnover, profit and total comprehensive income as compared with those of last year. It was mainly due to further decrease or slowdown of investment in certain industries in the People's Republic of China (the "PRC"). As a result, the market demand for the main products of the Group, especially the charging and discharging equipment for electric vehicles has shown a downward trend in 2012 as compared with 2011. As affected by this, the market competition for the related products of the Group became more and more intense, and the selling prices of certain products dropped. At the same time, as affected by factors such as the increase in selling and distribution expenses, administrative and other expenses and finance costs, the overall operating costs of the Group increased to a larger extent.

Electrical DC products

During this reporting period, the turnover of the Group's electrical DC products was RMB109,629,000, representing a decrease of approximately 4.23% as compared with that of 2011. The Directors consider that the sales of electricial DC products were generally stable, and a slight decrease in sales was due to the fluctuation of market demand. The Group still maintained a relatively strong competitiveness in such products.

Charging equipment for electric vehicles

During this reporting period, turnover of the Group's charging equipment for electric vehicles was RMB109,759,000, representing a decrease of approximately 10.10% when compared with that of 2011. In 2012, although domestic policies in the PRC continued to encourage the development of electric vehicles business, there was no significant increase in the construction projects commenced by the PRC government in the whole year and market demand was not effectively amplified.

During this reporting period, the battery formation, capacity grading and testing equipment for product line system of the Group, which was designed for power battery manufacturers, achieved a better result in turnover, thus providing a good foundation for the rapid growth in results of such products in 2013.

Power grid monitoring and management products

During this reporting period, sales of power grid monitoring and management products of the Group were RMB14,890,000, representing a decrease of approximately 47.74% as compared with 2011. The Directors consider that the proportion of sales of such products relative to the total sales of the Group was low, and the decrease of sales was due to the fluctuation of market demand.

Wind and solar power generation balancing control products

During this reporting period, wind and solar power generation balancing control products of the Group did not achieve any sales. The Group mainly emphasised on the further research and development of this product series and deployed fewer resources in its marketing. The Directors consider that in 2012, under the weak sentiment of the overall domestic investment, investing more resources and manpower into other major products of the Group was of better interest to the Group as a whole.

Plug and switch system ("PASS") products

During this reporting period, sales of the Group's PASS products was RMB4,392,000, representing an increase of approximately 22.51% as compared with 2011. The Directors consider that, although this business segment is not the principal business of the Group, the Group will still adjust appropriately the corresponding market strategies based on market demand and its own resources conditions.

Below are some of major operating activities of the Group in 2012:

In January 2012, the Group implemented a management model of business by segment. The Directors consider that it could better expand sales of products and control costs and expenses through business segment management according to product lines, and at the same time, benefit the optimisation of business control, process construction and talents development of the Group, in eventual enhancement of the profitability of the Group. As at the date of the Announcement, the business divisions of the Group include power business division, charging and discharging equipment for electric vehicles business division and battery formation business division.

In April 2012, the Group with three independent parties jointly contributed capital to establish Henan Hong Zheng Electric Technology Co., Ltd.*（河南弘正電氣科技有限公司）("Henan Hong Zheng"). The Group contributed RMB10,500,000, holding 35% of its equity interest, being the largest shareholder of Henan Hong Zheng and controls its board of directors and is responsible for its specific operation and management. Henan Hong Zheng is a subsidiary and under the control of the Group. The Group established Henan Hong Zheng for the purpose of better conducting the existing power grid monitoring and management products business of the Group. The Directors consider that it will provide strong support for its existing power grid monitoring and management products business and accelerates the development of this business by leveraging on the technologies and market resources from other independent third parties.

In June 2012, the Group entered into a capital contribution agreement with the substantial shareholder of Beijing Hua Shang Clear New Energy Technology Co., Ltd.*（北京華商三優新能源科技有限公司）(“Beijing Hua Shang”), by which the contributed capital of Beijing Hua Shang would be increased by RMB26,150,000. According to the agreement, the Group had contributed RMB6,150,000 of the additional contributed capital and the rest of RMB20,000,000 had been contributed by the substantial shareholder of Beijing Hua Shang in October 2012. As a result, the interest in Beijing Hua Shang was diluted from 45% to 35%. As the number of representatives of the Group in the board of directors remained two seats out of total five seats, Beijing Hua Shang is classified as an associate of the Group as it was before.

In December 2012, Titans Holdings Co. Limited (“Titans HK”) and Zhuhai Titans Power Electronics Company Limited*（珠海泰坦電力電子集團有限公司）(“Titans Power”) , the two indirect wholly-owned subsidiaries of the Company, signed two equity interest transfer agreements with two independent third parties respectively to transfer the entire 93.55% equity interest of registered capital (representing 90.04% of its paid-up capital) in Jiangyin Titans High Voltage Electric Co., Ltd.*（江陰泰坦高壓電氣有限公司）(“Jiangyin Titans”) to the aforementioned independent third parties. The PASS products business which was originally conducted by Jiangyin Titans will be taken up by other business division of the Group. The Directors believe that this transfer can optimise and rationalise the operation management of the Group, and at the same time, enable the Group to focus its resources on its main operating business. Details of the disposal was set out in the Company’s announcement on 7 December 2012.

In 2012, the Group continued to pay more efforts on the research, development and marketing of products, especially for certain new products, which mainly included:

1. The marketing work of battery formation, capacity grading and testing equipment for the charging equipment of electric vehicles series were completed smoothly, which have established a complete product series according to market demand with further improvement on standard of products technology. During this reporting period, the battery formation, capacity grading and testing equipment for product line system of the Group achieved a better result in turnover. Meanwhile, through the verification of specific projects, the technical indicators for this product in terms of energy-saving and efficiency have more advantageous position over similar domestic products. Through nearly one year of marketing, such products of the Group have established a very strong competitive advantage in the industry with its market share increasing gradually.

2. The work of the National 863 Plan and the strategic emerging industry development projects in the Guangdong Province undertaken by the Group were carried on smoothly. Based on these projects, the Group completed the research and development of new products such as integrated charging and discharging equipment and high power photovoltaic and power storage inverter products and achieved sales during this reporting period.

3. For traditional DC power products, in order to expand new market segments such as communication and data centre, the Group developed new high-voltage DC power system which is applicable to those segments. As at the date of this Announcement, the research and development for such products was completed, and the marketing work for such products will soon commence in 2013.

In 2012, under the management of the Board, the Group performed steadily its internal control works and conducted special internal control audits for procurement, inventory, fixed assets management and research and development projects management. Based on the internal control audits, the Group improved and revised the relevant systems and working procedures. In addition, the Group has completed and commenced the online operation of the Customer Relationship Management System implemented by the Group since 2011.

Business prospect and planning

In 2013, the operation focus and corresponding planning of the Group are as follows:

According to the deployment of the "12th Five-Year Plan" of the PRC, the infrastructural investment such as road, railway, metro, power and water resources still possess certain development potential this year. At the same time, the PRC government continues to implement a proactive supporting and encouraging policy in new energy, energy saving and environmental protection. The Group expects that the external market environment in 2013 will improve gradually, and market opportunities will increase gradually. To grasp the market opportunities, the Group has formulated different works focus and planning according to different products:

Electrical DC products: (1) For its traditional electrical DC power products systems, the Group will focus on increasing the volume and maintaining for the markets of its existing clients: on the one hand, it will further strengthen its competiveness in power system through technical upgrading and product costs reduction; on the other hand, the Group has had over 10,000 sets of electrical DC products systems that have been put into operation, of which the earliest systems have already been operated for over 15 years. These equipment has entered gradually the reconstruction stage. The Group will allocate relevant resources to actively replace such equipment and provide spare parts. Assuming 5% of the systems that have been put into operation would enter into the reconstruction stage every year, this volume maintaining market will increase part of the Group's profit annually. (2) The traditional un-interrupted power supply ("UPS") system applied in certain sectors such as communication and information data centre will be replaced by high-voltage electrical DC power products. The market capacity of such sectors is tremendous, and this will generate new market opportunities for the Group as it possesses leading technology and design capability. In 2013, the Group will improve its product series to accelerate the marketing pace for such products.

Charging and discharging equipment for electric vehicles: (1) The Group will further improve its products to increase the supply capacity of a complete set of power and electric equipment: through technical upgrading and product costs reduction, consolidating existing channels and ensuring its position as main provider for the power and electric equipment for electric vehicles charging stations. (2) The Group will continue to maintain the leading advantage in technology and product integration and actively participate in the formulation of relevant national and industrial standards. The Group will emphasise the research on technical breakthrough and innovation in operation model and technical route for electric vehicle charging station to grasp opportunities to enter the supplier market of system solution and complete sets of equipment. (3) The merging of electric vehicle charging station and energy storage function will become one of important development trends, and the Group will strive to attain new system breakthrough by combining the advantages of wind and solar power generation balancing control technology and energy storage technology, and launch into the market as and when appropriate.

The battery formation, capacity grading and testing equipment production line system: Under the PRC government's planning, the PRC will gradually become the world's power battery manufacturing centre. Currently, the production and assembly level of domestic power battery manufacturers is still at development stage; in terms of quality and stability of the products, they are unable to participate in global competition. As such, the investment of domestic battery manufactures in the construction of new battery formation, capacity grading and testing equipment and automatic production line will become an inevitable trend. Such products of the Group will generate tremendous market opportunities in the near future. Therefore, the Group will enhance the following works: (1) the marketing work, leverage on the Group's sound market foundation established in 2012 to expand sales rapidly. (2) The Group will integrate the external resources to form a complete battery formation technology for automatic production line, and gradually minimise the product costs and optimise the product quality to enhance the competiveness as and when the opportunity arises. At the same time, the Group will also actively take part in the formulation of national standard in full battery formation for automatic production line.

Power grid monitoring and management products: (1) Increase the corporate governance standard of Henan Hong Zheng and enhance the assessment to the operation team of Henan Hong Zheng; (2) Better leverage on the advantages of the co-operating party of Henan Hong Zheng in capital, technology and market to increase the market share of such products rapidly.

The internal management work of the Group: (1) Subject to continuous investment in research and development and marketing, the Group will take stringent control on expenses in other aspects internally, and strive to reduce overall management expenses of the Group while increase sales and hence the profitability of the Group; (2) to Strengthen the management work of accounts receivables with a view to improve the fund utilisation rate of the Group, and to reduce the financial costs of the Group; (3) To further improve the management mechanism of the business divisions, fully leverage on the functionality of the business divisions as "profit centres and cost centres", and thereby providing organisation and system guarantee for the profit growth of the Group in 2013.

The Directors believe that through the above measures, and with joint efforts of all of the staff, the Group will achieve growth in 2013.

Financial Review

Turnover

Our turnover decreased from RMB268,660,000 for the year ended 31 December 2011 to RMB238,670,000 for the year ended 31 December 2012, representing a decrease of 11.16%. As mentioned above, the decrease in turnover of the Group was mainly due to market demand for the Group's major products showed drop tendency as a result of the further decrease or postponement in investment in certain industries in the PRC as compared with the year 2011, which lead to intense market competition of the Group's product resulting in decrease in selling price of certain of its products. In addition, as is affected by factors such as increases in labour costs and costs of certain raw materials, the Company's overall operating results were below expected target.

Cost of sales

Our cost of sales, which mainly included raw material costs, direct labour costs and manufacturing expenses, decreased by 4.70% from RMB146,707,000 for the year ended 31 December 2011 to RMB139,808,000 for the year ended 31 December 2012 which was primarily attributable to the decrease in sales with a direct effect on decrease in cost of sales. Raw material costs were the principal component of our cost of sales.

Gross profit

The table below sets out our gross profit and gross profit margin for the years ended 31 December 2011 and 2012:

	For the year ended 31 December					
	2012			2011		
	Gross profit *RMB'000*	**Percentage of total gross profit** *%*	**Gross profit margin** *%*	Gross profit *RMB'000*	Percentage of total gross profit *%*	Gross profit margin *%*
Electrical DC products	**40,238**	**40.70**	**36.70**	47,243	38.74	41.27
Charging equipment for electric vehicles	**49,587**	**50.16**	**45.18**	60,866	49.91	49.85
Power grid monitoring and management products	**7,933**	**8.02**	**53.28**	12,928	10.60	45.37
Wind and solar power generation balancing control systems	**–**	**–**	**–**	–	–	–
PASS products	**1,104**	**1.12**	**25.14**	916	0.75	25.55
Total/Average	**98,862**	**100.00**	**41.42**	121,953	100.00	45.39

Our gross profit decreased by 18.91% from RMB121,953,000 for the year ended 31 December 2011 to RMB98,862,000 for the year ended 31 December 2012. Our gross profit margin decreased from 45.39% for the year ended 31 December 2011 to 41.42% for the year ended 31 December 2012. The decrease in gross profit margin was mainly due to the reduction of selling price to accommodate market competition in the reporting period.

Other revenue

Our other revenue, which mainly included VAT refunds, government subsidies and interest income, decreased by 34.11% from RMB20,869,000 for the year ended 31 December 2011 to RMB13,750,000 for the year ended 31 December 2012.

The decrease in other revenue of the Group was mainly attributable to the government subsidies received from 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）, Department of Finance of Guangdong Province（廣東省財政廳）and Zhuhai Finance Bureau（珠海市財政局）respectively during the reporting period. The subsidy income of RMB2,557,000 can be recognised by nature of government subsidies during the reporting period, representing a decrease of RMB9,644,000 when compared to RMB12,201,000 in 2011.

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 3.20% from RMB33,385,000 for the year ended 31 December 2011 to RMB32,318,000 for the year ended 31 December 2012. Our selling and distribution expenses as a percentage of turnover increased from 12.43% for the year ended 31 December 2011 to 13.54% for the year ended 31 December 2012. The decrease in selling and distribution expenses was mainly due to: (1) an increase in sales staff-related expenses such as salaries and wages and benefit expenses of approximately RMB1,053,000; (2) an increase in sales-related expenses such as travelling and transportation expenses of approximately RMB943,000; and (3) a decrease in installation testing, tender service fees, entertainment expenses and other expenses relating to sales of approximately RMB3,063,000.

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, allowance for bad debts and foreign exchange gain and loss etc., increased by 8.99% from RMB55,731,000 for the year ended 31 December 2011 to RMB60,739,000 for the year ended 31 December 2012. Our administrative and other expenses as a percentage of turnover increased from 20.74% for the year ended 31 December 2011 to 25.45% for the year ended 31 December 2012. The increase of our administrative and other expenses was mainly due to: (1) an increase in the research and development expenses of approximately RMB4,028,000; (2) an increase in the provision of trade and other receivables of approximately RMB2,909,000; (3) an increase in other expenses such as sundry expenses of approximately RMB4,157,000; (4) a decrease in salaries and wages and retirement benefit contributions of approximately RMB2,263,000 due to staff decrease during the period; (5) a decrease in staff-related travelling expenses and entertainment expense of approximately RMB1,188,000; (6) a decrease in equity settled share-based payments of approximately RMB2,635,000 in respect of the share options granted pursuant to the pre-IPO share option scheme of the Company adopted on 8 May 2010 (the "Pre-IPO Share Option Scheme") and the new share options granted on 17 February 2011 pursuant to the share option scheme of the Company adopted on 8 May 2010 (the "Share Option Scheme").

Share of results of associates

During the year ended 31 December 2011, the Group owned two associates in Beijing, namely Beijing Hua Shang and Beijing New Clear Energy Equipment Co., Ltd.*（北京優科利爾能源設備有限公司）("Beijing New Clear"), and one associate in Henan, namely Henan Longyuan New Energy Equipment Co., Ltd.*（河南龍源新能源裝備有限公司）("Henan Longyuan"), which engage in marketing and sales of charging equipment for electric vehicles and power grid monitoring and management products. On 22 December 2011 and 5 May 2011, the Group's equity interest in Beijing New Clear and Henan Longyuan was diluted from 20% to 12% and from 26% to 10.4% respectively as a result of a capital expansion and injection of new capital by other investors in the registered capital of Beijing New Clear and Henan Longyuan. As at 31 December 2011, the Group still owned a 45% interest in Beijing Hua Shang. The three above-mentioned companies were accounted as the Group's associates, and the Group's share of profit and loss from those companies according to the equity interest in them was a gain of RMB1,740,000 for the year ended 31 December 2011.

During the year ended 31 December 2012, the Group owned 35% equity interest in Beijing Hua Shang. This company was accounted as the Group's associate, and the Group's share of profit from this company according to the equity interest in it was RMB6,368,000 for the year ended 31 December 2012.

Finance costs

Our finance costs increased by 148.77% from RMB3,783,000 for the year ended 31 December 2011 to RMB9,411,000 for the year ended 31 December 2012. Our finance costs as a percentage of turnover increased from 1.41% for the year ended 31 December 2011 to 3.94% for the year ended 31 December 2012. The increase in our finance costs was mainly due to an increase in our average bank borrowings during the reporting period.

Income tax expense

Our income tax expense decreased by 74.40% from RMB18,591,000 for the year ended 31 December 2011 to RMB4,760,000 for the year ended 31 December 2012. The effective tax rates (being the ratio of our tax expenses to our profit before tax) for the year ended 31 December 2011 and 2012 were 35.99% and 28.83% respectively. The decrease in effective tax rate was due to the effect of the following factors: (1) as compared with that of 2011, a one-off provision of deferred tax liability was made in 2011 for the dividend tax from 2008 to 2011 pursuant to the new tax regulation introduced in 2008, whilst in 2012 provision was made only in respect of that year; (2) selling and distribution expenses, administrative and other expenses and finance costs in 2012 increased as compared with that of 2011.

Loss attributable to non-controlling interests

For the year ended 31 December 2012, loss attributable to non-controlling interests of our non-wholly owned subsidiaries was RMB43,000, as compared with a loss of RMB800,000 for the year ended 31 December 2011. This amount represents their share of loss in our non-wholly owned subsidiaries.

Profit and total comprehensive income attributable to owners of the Company

Our profit for the year attributable to owners of the Company decreased by 65.18% from RMB33,872,000 for the year ended 31 December 2011 to RMB11,795,000 for the year ended 31 December 2012. Net profit margin with respect to profit for the year attributable to owners of the Company decreased from 12.60% for the year ended 31 December 2011 to 4.94% for the year ended 31 December 2012.

Our total comprehensive income for the year attributable to owners of the Company decreased by 70.31% from RMB33,872,000 for the year ended 31 December 2011 to RMB10,054,000 for the year ended 31 December 2012. Net profit margin with respect to total comprehensive income for the year attributable to owners of the Company decreased from 12.60% for the year ended 31 December 2011 to 4.21% for the year ended 31 December 2012.

Inventory Analysis

The table below sets out information on our inventory for the years ended 31 December 2011 and 2012:

	Year ended 31 December			
	2012		2011	
	RMB'000	***%***	*RMB'000*	*%*
Materials	**24,072**	**49.51**	25,355	41.25
Work-in-progress	**4,222**	**8.68**	2,563	4.17
Finished goods	**20,323**	**41.80**	33,553	54.58
	48,617	**100.00**	61,471	100.00

Our Group's inventory balances decreased from RMB61,471,000 as at 31 December 2011 to RMB48,617,000 as at 31 December 2012.

Our average inventory turnover days increased from approximately 121 days for the year ended 31 December 2011 to approximately 144 days for the year ended 31 December 2012 because the Group increased a greater amount of its inventory in terms of materials and finished goods in 2011.

We have not made any general or special provision for the inventory as at 31 December 2012.

Analysis on Trade and Bills Receivables

As at 31 December 2011 and 2012, our trade and bills receivables (net of allowance) amounted to RMB268,089,000 (comprising trade receivables of RMB266,339,000 and bills receivables of RMB1,750,000) and RMB292,980,000 (comprising trade receivables of RMB288,672,000 and bills receivables of RMB4,308,000) respectively. The increase in trade and bills receivables was mainly because certain projects requires life run adjustment and testing after delivery and the conditions for collection have not been met.

The table below sets forth the ageing analysis of our trade receivables as of 31 December 2011 and 2012:

	Year ended 31 December							
	2012				2011			
	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	**103,671**	**–**	**103,671**	**35.91**	101,099	–	101,099	37.96
91 days to 180 days	**6,578**	**–**	**6,578**	**2.28**	20,145	–	20,145	7.56
181 days to 365 days	**48,443**	**–**	**48,443**	**16.78**	53,795	8	53,787	20.19
Over 1 year to 2 years	**114,071**	**9,740**	**104,331**	**36.14**	81,513	5,087	76,426	28.70
Over 2 years to 3 years	**24,604**	**5,020**	**19,584**	**6.78**	15,211	3,479	11,732	4.40
Over 3 years	**8,083**	**2,018**	**6,065**	**2.10**	8,007	4,857	3,150	1.18
Total	**305,450**	**16,778**	**288,672**	**100.00**	279,770	13,431	266,339	100.00

Our trade and bills receivables' turnover days for the years ended 31 December 2011 and 2012 were approximately 304 days and approximately 367 days respectively.

Our key products namely electrical DC product series, are supplied to, among others, power generation plants and power grid companies. Sales are recognised upon product delivery which may be before the date when 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, and 80% of the contract sum by the customer after our products have been delivered and satisfactorily installed and tested. It is normally stipulated that the balance of 10% will be withheld, being retention money as a form of product performance surety, and be paid by the customer to us 12 to 18 months after the on-site installation and testing.

We 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 receivables turnover days are 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 be considered to have been tested by the customers only upon the completion of the whole project by the customers or their contractors.

For the year end 31 December 2012, we made a specific provision for trade receivables as allowance for doubtful trade receivables of RMB3,347,000 (2011: Nil). Up to 22 March 2013, about 10.51% of the trade and bill receivables outstanding as at 31 December 2012 have been settled.

Analysis on Trade and Bills Payables

As at 31 December 2011 and 2012, our trade and bills payables amounted to RMB90,941,000 (comprising trade payables of RMB70,226,000 and bills payables of RMB20,715,000) and RMB94,646,000 (comprising trade payables of RMB88,795,000 and bills payables of RMB5,851,000) respectively. The increase in trade and bills payables was mainly due to increase in raw materials purchase during the reporting period. For the two years ended 31 December 2011 and 2012, our trade and bills payable turnover days were approximately 164 days and approximately 207 days respectively.

The table below sets forth ageing analysis of our trade payables as of 31 December 2011 and 2012:

	Year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
Within 90 days	**50,529**	57,043
91 days to 180 days	**6,807**	4,511
181 days to 365 days	**27,961**	7,022
Over 1 year to 2 years	**2,267**	952
Over 2 years to 3 years	**1,231**	698
	88,795	70,226

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 2011 and 2012. All our indebtedness were denominated in Renminbi.

	Year ended 31 December			
	2012		2011	
	RMB'000	***Applicable/ effective interest rates***	*RMB'000*	*Applicable/ effective interest rates*
Bank and other borrowings	**90,001**	**5.60% to 7.87%**	54,773	4.86% to 7.87%
	90,001		54,773	

As at 31 December 2012, total bank and other borrowings amounted to approximately RMB90,001,000 (as at 31 December 2011: approximately RMB54,773,000), of which secured loans amounted to RMB13,000,000 (as at 31 December 2011: approximately RMB19,773,000), and unsecured borrowings amounted to RMB77,001,000 (as at 31 December 2011: approximately RMB35,000,000). Bank loans as at 31 December 2012 were subject to variable interest rates ranging from 5.60% to 7.87% per annum (as at 31 December 2011: ranging from 4.86% to 7.87% per annum).

As at 31 December 2012, the Group's gearing ratio (total indebtedness divided by total assets) was 11.21% (2011: 7.66%).

Liquidity, Financial Resources and Capital Structure

As at 31 December 2012, the total equity of the Group amounted to RMB501,449,000 (2011: RMB473,701,000), the Group's current assets were RMB708,947,000 (2011: RMB633,002,000) and current liabilities were RMB290,308,000 (2011: RMB229,659,000). As at 31 December 2012, the Group had short-term bank deposits, bank balances and cash of RMB184,331,000, excluding restricted bank balances of RMB4,263,000. Our total assets less our total liabilities equals to our net assets, which was RMB501,449,000 as at 31 December 2012.

The Group finances its operations with internally generated cash flows and bank loans. As at 31 December 2012, the Group had outstanding bank borrowings of RMB90,001,000 (as at 31 December 2011: RMB54,773,000).

Material Acquisition and Disposal of Subsidiaries and Associates

In April 2012, the Group together with three independent parties jointly contributed capital to establish Henan Hong Zheng. The Group contributed RMB10,500,000, holding 35% of its equity interest, is the largest shareholder of Henan Hong Zheng and controls its board of directors and is responsible for its specific operation and management. Henan Hong Zheng is a subsidiary and under the control of the Group. The Group established Henan Hong Zheng for the purpose of better conducting the current power grid monitoring and managing the business of the Group. The Directors consider that it will provide strong support for power grid monitoring and managing the business and accelerates the development of this business by leverage on technologies and market resources from other independent third parties.

In June 2012, the Group entered into a capital contribution agreement with the substantial shareholder of Beijing Hua Shang by which the contributed capital of Beijing Hua Shang would be increased by approximately RMB26,150,000. According to the agreement, the Group had contributed approximately RMB6,150,000 of the additional contributed capital and the rest of approximately RMB20,000,000 had been contributed by the substantial shareholder of Beijing Hua Shang in October 2012. As a result, the interest in this associate of the Group was diluted from 45% to 35%. As the number of representative of the Group in the board of directors remained two seats out of total five seats, Beijing Hua Shang, is classified as an associate of the Group as it was before.

In December 2012, Titans Hong Kong and Titans Power, the two indirect wholly-owned subsidiaries of the Company, signed an equity interest transfer agreement with two independent third parties respectively to transfer the entire 93.55% equity interest of registered capital (representing 90.04% of paid-up capital) in Jiangyin Titans that was originally held by the Group to the aforementioned independent third parties. The PASS products business which was originally conducted by Jiangyin Titans will be taken up by other business division of the Group. The Group believes that this transfer can optimise and rationalise the operation management of the Group, and at the same time, enable the Group to focus its resources on its main operating business. Details of the disposal was set out in the Company's announcement on 7 December 2012.

Save from the above, as at 31 December 2012, the Group had no other material acquisition or disposal of its subsidiaries and associates.

Contingent Liabilities

As at 31 December 2012, the Group had no material contingent liabilities.

Capital Commitments

As at 31 December 2012, 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 RMB11,863,000 (as at 31 December 2011: approximately RMB27,406,000). The Group had no capital expenditure authorised but not contracted for in respect of the acquisition of property, plant and equipment as at 31 December 2012.

Pledge of Assets

The Group's leasehold land and buildings of carrying values of approximately RMB6,049,000 as at 31 December 2012 (as at 31 December 2011: RMB6,863,000) were pledged to secure bank borrowings and facilities.

As at 31 December 2012, Zhuhai Titans Technology Co., Ltd.*（珠海泰坦科技股份有限公司）("Titans Technology") has not pledged any trade receivables (as at 31 December 2011: pledge of trade receivable RMB50,000,000) for credit facilities (as at 31 December 2011: RMB50,000,000) granted to Titans Technology from bank.

Employees and Remuneration

As at 31 December 2012, the Group had about 460 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(s) 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.

Pre-IPO share option scheme

The Pre-IPO Share Option Scheme which had been adopted pursuant to a written resolution approved by the shareholders of the Company on 8 May 2010 and expired on the date immediately prior to the listing date of the shares of the Company (the "Shares"). The purpose of the Pre-IPO Share Option Scheme is to recognise the contribution of, and to provide an incentive to, the employees, officers, agents, consultants, representatives and sales partners of the Group who have contributed or will contribute to the Group.

Outstanding options carrying rights to subscribe for a total of 23,920,000 Shares at an exercise price of HK$0.59 per Share were granted to certain employees of the Group, including the two executive Directors, under the Pre-IPO Share Option Scheme on 8 May 2010.

During the respective year ended 31 December 2011 and 2012, share options carrying rights to subscribe for a total of 200,000 Shares and 6,530,000 Shares have lapsed in accordance with the terms of the Pre-IPO Share Option Scheme respectively. As at 31 December 2012, share options carrying rights to subscribe for 17,190,000 Shares in aggregate (representing approximately 2.06% of the issued share capital of the Company) remained outstanding.

Subsequent to the year ended 31 December 2012 and up to the date of this Announcement, no share options have lapsed. As at the date of this Announcement, share options carrying rights to subscribe for a total of 17,190,000 Shares under the Pre-IPO Share Option Scheme remained outstanding.

Share Option Scheme

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

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

On 17 February 2011, the Company granted share options carrying rights to subscribe for a total of 19,430,000 Shares at the exercise price of HK$1.10 per Share to certain employees and a substantial shareholder (who is also an employee) of the Company.

During the respective year ended 31 December 2011 and 2012, share options carrying rights to subscribe for a total of 180,000 Shares and 960,000 Shares have lapsed in accordance with the terms of the Share Option Scheme respectively. As at 31 December 2012, share options carrying rights to subscribe for 18,290,000 Shares in aggregate (representing approximately 2.20% of the issued share capital of the Company) remained outstanding.

Subsequent to the year ended 31 December 2012, and up to the date of this Announcement, share options carrying rights to subscribe for a total of 6,096,666 shares have lapsed. As at the date of this Announcement, share options carrying rights to subscribe for a total of 12,193,334 Shares remained outstanding under the Share Option Scheme.

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 RMB102,000 (2011: RMB157,000). As at 31 December 2012, the Group did not have significant foreign exchange hedges. Such foreign exchange loss arose as a result of the difference between the exchange rate on the date of transaction and the exchange rate as at 31 December 2012.

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 2012.

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. Subsequently, our accounts department then plans for cash payments based on the projections.

The Group endeavours 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, together with our sales partners monitor the development of our customers' projects and communicate with our customers regarding the settlement of our trade and bills receivables on a timely basis.

Major Litigation and Arbitration Proceedings

The Group has no major litigation or arbitration during the year ended 31 December 2012.

USE OF PROCEEDS

The net proceeds raised from the listing of the Shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 28 May 2010 (the "Listing") were approximately HK$243,600,000 (equivalent to approximately RMB214,588,000).

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

Proposed use of proceeds	**Proposed amount to be used**	**Actual amount used up to 31 December 2012**
	RMB'000	*RMB'000*
Support and enhance manufacturing capacity and acquire new production facility	66,737	30,696
Further establish and consolidate the Group's position in the market	80,470	59,186
Support and strengthen the Group's product research and development capability	19,742	29,859
Support and enhance the Group's marketing ability	28,755	11,370
Working capital	18,884	21,000
	214,588	152,111

The unused balance of approximately RMB62,477,000 was kept as bank deposits in the PRC.

As set out in the prospectus of the Company dated 18 May 2010, we propose to spend part of our proceeds on acquiring a piece of land in the Hengqin Economic Development Zone, Zhuhai and building a new factory thereon. The parcel of land has still not been acquired. The Group is actively evaluating such factors such as price and formalities, etc of the parcel of land. The Group will not rule out the possibility of seeking new lands in other regions of Zhuhai City.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Corporate Governance Code and Corporate Governance Report (the "Code Provisions") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The Board regularly reviews the Group's corporate governance guidelines and developments. Save as disclosed in the paragraph immediately below, the Company has complied with the Code Provisions throughout the year ended 31 December 2012 in the opinion of the Directors.

Under the code provision A.6.7, independent non-executive directors and non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. As this code provision took effect on 1 April 2012, two independent non-executive Directors were unable to arrange their work itineraries to attend the annual general meeting of the Company held on 25 May 2012, a date shortly after the effective date of this new code provision. The Company will strengthen its planning process, by giving all Directors sufficient time to arrange their work in advance and providing any necessary support for their presence and participation in the meeting, so as to facilitate all Directors attending the Company's future general meetings.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules regarding securities transactions by Directors. Specific enquiries have been made with all Directors and all Directors confirm that they have complied with the provisions of the Model Code for the year ended 31 December 2012.

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

The Company and its subsidiaries did not purchase, sell or redeem any of the Company's listed securities during the year ended 31 December 2012.

AUDIT COMMITTEE

The Company has established the Audit Committee which comprises three independent non-executive Directors, namely Mr. Li Wan Jun, Ms. Li Xiao Hui and Mr. Yu Zhuo Ping. Mr. Li Wan Jun is the chairman of the Audit Committee. The rights and duties of the Audit Committee have complied with the Code. The audit committee is responsible for reviewing and supervising the Group's financial reporting process and internal control system and providing advice and recommendations to the Board.

The Audit Committee had reviewed the audited results of the Group for the financial year ended 31 December 2012.

SCOPE OF WORK OF SHINEWING (HK) CPA LIMITED

The figures in respect of the Company's annual results announcement for the year ended 31 December 2012 have been granted by the Company's auditor, SHINEWING (HK) CPA Limited ("SHINEWING"), to the amounts set out in the Group's consolidated financial statements for the year. The work performed by SHINEWING in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by SHINEWING on the annual results announcement.

ANNUAL GENERAL MEETING

The Company proposed that the Annual General Meeting will be held on 22 May 2013. 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, 27 March 2013

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.

* *for identification purposes only*