2008
ANNUAL REPORT

COSLIGHT TECHNOLOGY INTERNATIONAL GROUP LIMITED

Incorporated in Bermuda with limited liability

Stock Code : 1043

Directors

Executive

Mr. SONG Dian Quan
Ms. LUO Ming Hua
Mr. LI Ke Xue
Mr. XING Kai
Mr. ZHANG Li Ming
Mr. LIU Xing Quan

Independent Non-executive

Mr. LI Zeng Lin
Dr. JIANG Zhao Hua
Mr. XIAO Jian Min

Qualified Accountant and Company Secretary

Mr. CHOU Yung CPA

Audit Committee

Mr. LI Zeng Lin
Dr. JIANG Zhao Hua
Mr. XIAO Jian Min

Remuneration Committee

Dr. JIANG Zhao Hua
Mr. LI Zeng Lin
Mr. ZHANG Li Ming

Nomination Committee

Mr. XIAO Jian Min
Mr. LI Zeng Lin
Mr. SONG Dian Quan

Legal Adviser

DLA Piper Hong Kong
40/F., Bank of China Tower
1 Garden Road, Central
Hong Kong

Auditor

Mazars CPA Limited
34th Floor, The Lee Gardens
33 Hysan Avenue
Causeway Bay
Hong Kong

Properties, Plant & Machinery Valuer

Jones Lang LaSalle Sallmanns Limited
17/F., Dorset House
Taikoo Place
979 King's Road
Quarry Bay
Hong Kong

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head Office and Principal Place of Business

Room 2501-2502, COSCO Tower
181-183 Queen's Road Central
Hong Kong

Principal Bankers

Hang Seng Bank
DBS Bank (Hong Kong) Limited
CITIC Ka Wah Bank

Principal Share Registrar and Transfer Office

Butterfield Corporate Services Limited
Rosebank Centre
11 Bermudiana Road
Pembroke
Bermuda

Hong Kong Branch Share Registrar and Transfer Office

Tricor Secretaries Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Hong Kong

Chairman's Statement

On behalf of the board of directors (the "Board") of Coslight Technology International Group Limited (the "Company"), I am pleased to present the annual report of the Company and its subsidiaries (hereafter collectively referred to as the "Group") for the year ended 31st December, 2008.

Results

For the year ended 31st December, 2008, turnover of the Group amounted to approximately RMB2,441,841,000 (2007: RMB2,193,632,000), representing an increase of 11% as compared with last year. The profit attributable to equity holders of the Company for the year amounted to approximately RMB203,523,000 (2007: RMB162,293,000) which represents an increase of 25% over last year. Earnings per share for the year ended 31st December, 2008 was RMB0.4946 (2007: RMB0.3747).

Dividends

The Board has proposed the distribution of final dividend of HK$0.07 per share for the year ended 31st December, 2008 (2007: HK$0.05) to shareholders whose names appear in the register of members on 3rd June, 2009 and a resolution to this effect will be proposed and subject to the shareholders' approval in the forthcoming annual general meeting. The final dividend is expected to be paid on or before 31st July, 2009.

Business Review

Sealed Lead-Acid Batteries ("SLA") Products

The Group's core business of SLA batteries maintained a satisfactory growth for 2008, with the turnover achieved another record high of RMB1,793,774,000 (2007: RMB1,609,922,000), representing an increase of approximately 11% over last year. The increase was mainly attributable to the constant growth of business of telecommunication operators in the PRC and the strong demand for SLA batteries from overseas customers such as Vodafone. Lead is the major raw materials for producing SLA batteries and its market prices reached historical high for 2007 and fell significantly during 2008, which decreased the pressure on the production cost of SLA batteries. The Group continued to adopt vertical method of production to actively reduce production cost and enhance production efficiency. Meanwhile, the Group established a pricing/cost linked system with individual customers to adjust the selling price of products based on the cost movements and successfully agreed with major customers to increase the selling price to shift the cost burden to customers to stabilize the gross profit margin of SLA products.

Lithium-ion Batteries

For the year ended 31st December, 2008, the annual sales of lithium-ion batteries was RMB390,709,000 (2007: RMB373,960,000), representing an increase of approximately 4% over last year. As the lithium ion batteries were exposed to the sustained upward price pressure of raw materials, the gross profit margin for the year decreased as compared to the corresponding period of last year.

Lithium-ion Batteries for Electric Bicycles (Bicycles Batteries)

The Group began the construction of production base for lithium-ion batteries for electric bicycles in Harbin Economic-Tech & High-Tech Development Zone during 2008. The part on civil construction was completed during the year. The entire project is expected to commence production in 2009. The batteries for fueling electric bicycles currently are lead-acid batteries, which are bigger, heavier and not environmental with shorter life. The lithium-ion batteries for electric bicycles produced by the Group possess strong competitive edges as they have a useful life of 5 years and their weight is only approximately 30% of that of lead-acid batteries.

Online Games

The Group effectively owns 46.16% shares of Beijing Guangyu Huaxia Technology Corporation Limited ("Guangyu Huaxia"), which is a company that specializes in online games operations. In April 2006, Guangyu Huaxia commenced the operation of the domestic online game "問道" developed by 廈門吉比特公司. The peak concurrent users increased drastically and reached 800,000, ranking in top position among major online games in China in terms of number of online players. In addition, the number of online players has been increasing and the upward trend is expected to sustain. During the year, there was additional profit contributed by Costar Software Limited ("Costar"), the Group's 46.16% indirectly owned associate, following the commenced operation of self-developed online game "創世" in August 2008. As a result, the game business contributed RMB72,538,000 (2007: RMB16,616,000) to the Group's profit for the year.

Mineral Products

During the year under review, all pre-work of the Faso Lane Mines was completed and the relevant approval was granted by the Russian Government, and it is under construction phase now. The pre-design plan of Altai Krai Mines was completed and the relevant approval was granted by the Russian Government. All pre-work was completed. During the year under review, part of the civil construction was completed. Construction work on mining shaft is expected to commence in the first half of 2009.

Prospects

SLA batteries business will maintain strong growth in 2009 and the coming years. One of the reasons is the growth in the demand of PRC market, in which the restructuring of the PRC operators and the grant of 3G license are the major driving force for the growth in demand of SLA batteries. Another reason is the growth of the Group's direct export business, which is attributable to the strong demand from the telecommunication system of Russia and Vodafone. It is expected that the growth will be sustained in 2009 and the coming years. The third reason is the indirect export through the communication equipment manufacturers such as Huawei Technologies will maintain its growth in a stable manner. For the year 2008, the products exported indirectly through Huawei Technologies increased by 17% over 2007 and are expected to continue to grow in 2009 and the coming years.

The Group's construction of a new SLA batteries production base in Zhuhai City is underway. It is anticipated to commence operation in the second half of 2009, and the annual production capacity of the Group will then be increased by 1,200,000 kVAH. In addition, the SLA batteries produced in the new production base will mostly be sold to the OEM customers located in Southern China, resulting in lower transportation costs and higher profitability.

Chairman's Statement

The market price of lead reached historical high in 2007 and fell significantly in 2008, which decreased the pressure on the production cost of SLA batteries. It is expected that the market price of lead will be maintained at a relatively low level. Since October 2007, the Group has established a connection between the lead price and the selling price with all long-term customers, and the impact of the increase of lead price on the cost can be offset substantially. The Group expects the gross profit of SLA will stabilize and even improve in 2009.

The Group expects the Lithium ion battery business will improve in 2009. The operation of the PRC mobile phone companies will become more stable. With the grant of 3G license, the production volume of the PRC mobile phone manufacturers has been growing rapidly. The Group is one of the major suppliers of the PRC mobile phone manufacturers, and the Lithium-ion battery business will benefit from their rapid development. The Group's production base of lithium polymer battery products in Zhuhai City is expected to see a more considerable growth in 2009. During 2008, the Group launched the Lithium-ion battery for bikes, and currently applies it to the electric bicycles to replace the lead-acid battery generally accepted in the market, foreseeing a satisfactory business performance.

The Group owns a multitude of online games, such as "問道", "神界", "希望OL", "爭霸天下", "西遊Q記", "幻想之翼", "狂想之都", "秦始皇OL", etc., which have attracted a huge player base. At present, the number of registered players reaches 120 million. The domestic online game "問道" operated by Guangyu Huaxia has achieved an excellent record of concurrent online users of 800,000, and the number of online players has been increasing. It is expected that the number will continue to maintain a significant growth, in particular the major internet game "創世" developed by the Group. The game has been developed for years and integrates the excellent content of various domestic and overseas games and encompasses brilliant details. We are confident that the game will achieve a great success.

In the coming years, the R & D and operation of internet games will continue to bring greater contribution to the operating results of the Group and maintain to be one of the most important businesses of the Group.

Appreciation

On behalf of the Board, I would like to take this opportunity to extend our sincere gratitude to all the shareholders for their continuous trust and support, to our customers for patronizing and supporting the Group's products, and to all our staff for their dedicated efforts and devotion.

SONG Dian Quan
Chairman

Harbin, the PRC, 20th April, 2009

Directors

Executive Directors

Mr. SONG Dian Quan, aged 53, is the chairman of the Company and the key founder of the Group. He is responsible for the overall management and formulation of corporate policies and strategies. He is also responsible for the business development of the Group, and liaising with various levels of government authorities in the PRC. He has more than 24 years of experience in the research and development of electronics technology of rechargeable batteries. He graduated from the Harbin Institute of Technology in 1982 with a bachelor of engineering degree in electrochemistry.

Ms. LUO Ming Hua, aged 45, is the deputy chairman and chief executive officer of the Company. She is responsible for the overall management and administration of the Group. She has extensive manufacturing experience in rechargeable battery materials. She graduated from Harbin Institute of Electrical Engineering in 1991 with a major in industrial and electrical automation. She joined the Group in May 1994.

Mr. LI Ke Xue, aged 61, is the co-founder of the Group and the deputy general manager of the Company, and is responsible for general administration of the Group. He has over 24 years of administrative and operational experience in the battery field in the PRC. He graduated from Central Communist Party College in 1988 specializing in management.

Mr. XING Kai, aged 52, is responsible for production and quality management of the Group. He has over 24 years' experience in the research and development of rechargeable battery products and over 11 years of managerial experience in the battery industry in the PRC. He graduated from Wu Chang Teachers' College in 1981 specializing in chemistry. He joined the Group in May 1994.

Mr. ZHANG Li Ming, aged 53, is responsible for the international trading activities of the Group. He has more than 31 years of entrepreneurial experience in product development, production and corporate management in the PRC. Prior to joining the Group in November 1997, he had worked as manager of the Chinese party in a Sino-foreign joint venture for battery production. He graduated from Huazhong Polytechnic University in 1980 with a bachelor degree in mechanics.

Mr. LIU Xing Quan, aged 76, is the chief engineer of the Company and is responsible for the product design, research and development and marketing of the Group. Mr. Liu has over 44 years' experience in the research and development of electronics technology of rechargeable batteries, and extensive managerial and operational experience in the battery industry in the PRC. He graduated from Qiqihar Institute of Light Industry in 1956. He joined the Group in May 1994.

Management Profile

Independent Non-executive Directors

Mr. LI Zeng Lin, aged 51, was appointed independent non-executive director of the Company in July 1999. He is the deputy general manager of an investment and trading company set up by Harbin Municipal Government in Hong Kong. Prior to assuming his current office in April 1998, he was an economist in the Planning Committee of Harbin Municipal Government for 15 years. He graduated from the Faculty of Statistics of People's University of China.

Dr. JIANG Zhao Hua, aged 53, was appointed independent non-executive director of the Company in October 1999. He is the chairman and lecturer of the Department of Applied Chemistry of Harbin Institute of Technology. He has extensive experience in teaching and research and holds a doctoral degree in environmental engineering.

Mr. XIAO Jian Min, aged 51, was appointed independent non-executive director of the Company in September 2004. Mr. Xiao is a senior auditor in Heilongjiang province since 1996 and is a member of The Chinese Institute of Certified Public Accountants. He has over 26 years' experience in the fields of finance, audit and accounting. He is currently the head of the Finance Department of Heilongjiang maritime Safety Administration. Prior to his service with Heilongjiang maritime Safety Administration, he was the deputy director of the Supervision Department of Heilonjiang Habour and Navigation Supervision Administration from 2000 to 2002; head of the Investigation Department and subsequently the head of the Audit Department of Heilongjiang River Administration of Navigation Affairs from 1991 to 2000; chief accountant of Harbin port Authority from 1990 to 1991; and the deputy director of the Finance Department of Heilongjiang River Administration of Navigation Affairs from 1981 to 1990.

Assets and Liabilities

As at 31st December, 2008, the Group has total assets of RMB3,845,286,000 (2007: RMB3,601,714,000) which were financed by current liabilities of RMB2,069,625,000 (2007: RMB1,803,027,000), non-current liabilities of RMB290,094,000 (2007: RMB341,182,000), shareholders' equity of RMB1,317,734,000 (2007: RMB1,303,894,000) and minority interests of RMB167,833,000 (2007: RMB153,611,000).

Liquidity, Financial Resources and Capital Structure

During the year, the Group adopted prudent treasury policies in managing cash resources and bank borrowings. As at 31st December, 2008, the Group has bank and cash balances amounted to RMB409,247,000 (2007: RMB362,243,000). The total bank and other borrowings of the Group as at 31st December, 2008 were approximately RMB1,429,041,000 (2007: RMB1,312,308,000), amongst which RMB1,173,041,000 will be due to repay within 12 months (2007: RMB1,010,308,000). RMB256,000,000 will be due to repay after 12 months (2007: RMB302,000,000). These borrowings carry interest ranging from 3.15% to 10.00% (2007: from 4% to 10%) per annum. As at 31st December, 2008, approximately 92% of the Group's bank and other borrowings were denominated in Renminbi and 8% were denominated in Hong Kong or United States dollars. All bank and other borrowings were used to finance the Group's capital expenditures and working capital requirements.

According to the Group's current level of cash balances, working capital resources and banking facilities, the Board is confident that the Group has sufficient resources to meet its future business expansion and repay bank borrowings on schedule.

Gearing and Liquidity Ratio

The Group's gearing ratio, defined as the ratio between total bank borrowings and shareholders' equity, was 1.08 (2007: 1.01). The current ratio of the Group, represented by a ratio between current assets over current liabilities, was 1.29 (2007: 1.44), reflecting the abundance of financial resources.

Charges on Group Assets

As at 31st December, 2008, certain land use rights and property, plant and equipment, and trade receivables of the Group with carrying values of RMB150,665,000 (2007: RMB140,752,000), and RMB50,000,000 (2007: RMB83,128,000), respectively, were pledged to secured bank borrowings of approximately RMB308,376,000 (2007: RMB399,495,000). In addition, pledged bank deposits were pledged to secure trade and loan financing facilities granted to the Group.

Foreign Currency Risk

The Group did not have any significant exposure to foreign currency risk as most of the Group's operations are in the PRC and transactions are denominated in Renminbi.

Deemed Disposal/Disposal of a Subsidiary

In July 2008, the Group had entered into a share swap agreement with Harbin Coslight Group Co. Limited ("HCG") to which HCG agreed to transfer 50.17% equity interest in Beijing Guangyu Huaxia Technology Corporation Limited ("Guangyu Huaxia") to the Group plus a cash consideration of RMB8,700,000 in consideration of which a subsidiary, Coslight Interactive Company Limited ("Coslight Interactive") agreed to issue 50.17% of its share capital to Global Universe Development Limited, a nominee of HCG. Upon the completion of the transaction, the Group was deemed to have disposed of 50.17% interest of Coslight Interactive which became an associate and no longer be a subsidiary of the Group, and a gain on deemed disposal of RMB14,517,000 was recognised in the consolidated income statement. The Group's effective interests in Coslight Network Company Limited and Costar software Limited were then decreased from 100% to 46.16% and these indirect wholly-owned subsidiaries became the associates of the Group. In addition, Guangyu Huaxia became the wholly-owned subsidiary of Coslight Interactive with the Group's effective interest in Guangyu Huaxia remains at 46.16% after the share swap transaction.

In addition, during the year, the Group disposed of it's entire interest in a subsidiary, 瀋陽藍火炬軟件有限公司 ("瀋陽藍火炬"), to an indirectly owned associate, at a consideration of RMB6,050,000, resulting in a decrease of the Group's effective interest in 瀋陽藍火炬 from 80% to 36.93%. This subsidiary became an associate of the Group then.

Acquisition of a Subsidiary

In July 2008, the Group acquired 58% of the equity interest of Coslight Newgen Limited, a company engaged in trading of sealed lead acid batteries, at a consideration of RMB159,000.

Capital Commitments

	2008 **RMB'000**	2007 RMB'000
Capital expenditure authorised but not contracted for in respect of acquisition of property, plant and equipment	**583,005**	205,742
Capital expenditure contracted for but not provided in the financial statements in respect of acquisition of property, plant and equipment	**61,274**	98,661

Employees and Remuneration Policies

As at 31st December, 2008, the Group has employed 9,228 (2007: 9,210) staff in the PRC. The Group has adopted continuous human resources development and training programs to maintain high level of product quality and customer services. Remuneration package is generally structured by reference to market conditions and individual performance.

Directors' Report

The directors (the "Directors") of Coslight Technology International Group Limited (the "Company") are pleased to present their annual report and the audited consolidated financial statements for the year ended 31st December, 2008.

Principal Activities

The Company is an investment holding company.

The principal activities of the Company's principal subsidiaries as at 31st December, 2008 are set out in note 43 to the consolidated financial statements.

Results and Appropriations

The results of the Group for the year ended 31st December, 2008 are set out in the consolidated income statement on page 28.

The Directors now recommend the payment of a final dividend of 7 Hong Kong cents per share to shareholders whose names appear in the register of members on 3rd June, 2009.

Property, Plant and Equipment

Certain of the Group's property, plant and equipment were revalued at 31st December, 2008. The surplus arising on revaluation was approximately RMB15,081,000 (2007: RMB4,976,000), of which approximately RMB11,758,000 (2007: RMB4,004,000) (net of approximately RMB3,342,000 (2007: RMB1,386,000) shared by the minority interests) was credited to the revaluation reserve and approximately RMB19,000 (2007: RMB414,000) was charged to the consolidated income statement for the year ended 31st December, 2008.

Details of movements in property, plant and equipment of the Group during the year are set out in note 14 to the consolidated financial statements.

Share Capital

Details of movements in the Company's share capital are set out in note 29 to the consolidated financial statements.

Directors

The Directors of the Company during the year and up to the date of this report were:

Executive directors:
SONG Dian Quan
LUO Ming Hua
LI Ke Xue
XING Kai
ZHANG Li Ming
LIU Xing Quan

Independent non-executive directors:
LI Zeng Lin
JIANG Zhao Hua
XIAO Jian Min

In accordance with by-law 87(1) of the by-laws of the Company, Mr. Song Dian Quan, Ms. Luo Ming Hua and Mr. Xing Kai will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Directors' Service Contracts

Each of the executive directors has entered into a service contract with the Company for an initial period of three years commencing from 1st October, 2005, and renewable annually upon expiry, unless and until terminated by either party by three months' written notice.

The term of office of each independent non-executive director is the period up to his retirement by rotation in accordance with the Company's by-laws.

Save as disclosed above, none of the directors being proposed for the re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

Directors' Interests in Contracts of Significance

Save as disclosed under the heading "Connected Transactions", no contracts of significance to which the Company or its subsidiaries was a party and in which a Director had a material beneficial interest, whether directly or indirectly, subsisted at the end of the year and at any time during the year.

Remunerations of Directors and Five Highest Paid Employees

The aggregate remunerations of the Directors and the five highest paid employees for year ended 31st December, 2008 are set out in note 8 to the consolidated financial statements.

Remuneration Committee

The Company has established a Remuneration Committee on 1st June, 2005 in accordance with the requirements of the Code of Corporate Governance Practice (the "Code") as contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") with written terms of reference. Its primary responsibility is to make proposals to the Board with respect to the overall remuneration policy and framework for directors and senior management of the Company and the establishment of formal and transparent procedure for formulating the remuneration policy. The Remuneration Committee comprises two independent non-executive directors, namely Dr. Jiang Zhao Hua and Mr. Li Zeng Lin and one executive director, namely Mr. Zhang Li Ming. Dr. Jiang Zhao Hua is the chairman of the Remuneration Committee.

Nomination Committee

The Company has established a Nomination Committee on 18th November, 2005 in accordance with the requirements of the Code as contained in Appendix 14 of the Listing Rules with written terms of reference. Its primary responsibilities include reviewing and supervising the framework, number of members and composition of the Board, identifying and nominating suitable persons for appointment of director and making recommendations to the Board relating to appointment and re-appointment of directors. The Nomination Committee comprises two independent non-executive directors, namely Mr. Xiao Jian Min and Mr. Li Zeng Lin and one executive director, namely Mr. Song Dian Quan. Mr. Xiao Jian Min is the chairman of the Nomination Committee.

Disclosure of Interests

(1) Directors

As at 31st December, 2008, the interests of each Director in the shares, underlying shares and debentures of the Company (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") which have been notified to the Company pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such Director was taken or deemed to have under such provisions of the SFO) or as recorded in the register to be kept under section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

Long Position
Ordinary shares of HK$0.10 each of the Company

Name of Director	Type of interests	Capacity	No. of shares held	Percentage of interest
SONG Dian Quan	Personal	Beneficial owner	260,323,300	65.68%
LUO Ming Hua	Personal	Beneficial owner	3,186,027	0.80%
LIU Xing Quan	Personal	Beneficial owner	1,092,793	0.28%
XING Kai	Personal	Beneficial owner	826,793	0.21%
LI Ke Xue	Personal	Beneficial owner	668,793	0.17%

Save as disclosed above, as at 31st December, 2008, there were no other interests or short positions of the Directors and chief executive of the Company in any shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which have been notified to the Company pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such Director was taken or deemed to have under such provisions of the SFO) or recorded in the register maintained by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

(2) Substantial Shareholders and Others

As at 31st December, 2008, there were no other interest and short positions of every person, other than the Directors and chief executive of the Company, in the shares and underlying shares of the Company which have been notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or recorded in the register required to be kept under section 336 of the SFO.

Share Options

Pursuant to the resolution passed on the annual general meeting held on 27th May, 2004, the Company has adopted a new share options scheme (the "New Scheme") and the old share options scheme of the Company was terminated on 27th May, 2004. According to the New Scheme, the Company may grant to its employee (including directors of the Company and any of its subsidiaries) share options to subscribe shares of the Company.

An option may be accepted by a participant within 28 business days from the date of the offer of grant of the option and by payment of HK$1.00 as consideration for the grant of an option. An option may be exercised in accordance with the terms of the New Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence from the date of acceptance of the offer for the grant of the options but shall end in any event not later than 10 years from the date of adoption of the New Scheme.

The subscription price for the share option under the New Scheme shall be at least the highest of:

(a) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant of an option, which must be a trading day;

(b) the average closing price of the shares as stated in the Stock Exchange's daily quotations for the 5 trading days immediately preceding the date of the offer of grant of an option; and

(c) the nominal value of the shares.

The total number of shares subject to the New Scheme and any other share option schemes must not exceed 30% of the issued share capital of the Company from time to time. The total number of share available for issue under option granted under the New Scheme must not exceed 10% of the share capital of the Company from time to time. The Company may seek approval from shareholders in general meeting for renewing the 10% limit or for granting further options beyond the 10% limit.

The total number of shares issued and to be issued upon exercise of the options granted to each participant (including exercised, cancelled and outstanding options) under the New Scheme in any 12-month period must not exceed 1% of the relevant class of securities in issue. Where any further grant of options to a participant would result in the shares issued and to be issued upon exercise of all options granted and to be granted to such participant (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the share capital of the Company in issue, such further grant must be separately approved by the shareholders in general meeting.

No option was granted under the New Scheme by the Company since its adoption.

Directors' Rights to Acquire Shares or Debentures

Save as disclosed under the heading "Share Options" above, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of shares in, or debenture of, the Company or any other body corporate and none of the Directors, their spouse or children under the age of 18 had any right to subscribe for securities of the Company or had exercised any such right.

Reserves

In addition to accumulated profits, under the Companies Act 1981 of Bermuda, contributed surplus is also available for distribution to shareholders. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus, if:

(a) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realizable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

In the opinion of the Directors, the Company's reserves available for distribution to shareholders as at 31st December, 2008 comprised contributed surplus and retained profits in aggregate amounting to RMB28,074,000 (2007: RMB51,195,000).

Major Customers and Suppliers

Sales to the five largest customers of the Group accounted for less than 34% of the Group's turnover for the year.

Purchases from the five largest suppliers accounted for less than 26% of the Group's total purchases for the year.

Save as disclosed above, none of the Directors, their associates, or any shareholder which, to the knowledge of the Directors, owned more than 5% of the Company's share capital had any beneficial interest in the share capital of any of the five largest customers or suppliers of the Group.

Connected Transactions

During the year, certain transactions that had been entered into by the Group became connected transactions under the Listing Rules. Details are set out as below:

I. Sale of Finished Goods

The Group had sold some finished goods to one of its affiliated companies, Harbin Switch Company Limited ("HBS") in relation to its production of the SLA batteries. For the year ended 31st December, 2008, the total value of the Group's sale of finished goods to HBS amounted to RMB407,000 (2007: RMB893,000).

II. Purchase of Raw Materials

The Group had purchased some raw materials amounted to RMB861,000 (2007: RMB444,000) in relation to SLA batteries from HBS.

The Group had purchased some raw materials from one of its affiliated companies, Harbin Guangyu Electric Wire and Cable Co. Ltd. ("HGEWC") in relation to its production of SLA products. For the year ended 31st December, 2008, the total value of the Group's purchase of raw material from HGEWC amounted to RMB2,609,000 (2007: RMB8,820,000).

III. Guarantee of Bank Borrowings

RMB429,288,000 (2007: RMB397,905,000) of the Group's bank borrowings were guaranteed by Mr. Song Dian Quan, a director of the Company.

IV. Deemed Disposal of a Subsidiary

In July 2008, the Group had entered into a share swap agreement with Harbin Coslight Group Co. Limited ("HCG") to which HCG agreed to transfer 50.17% equity interest in Beijing Guangyu Huaxia Technology Corporation Limited ("Guangyu Huaxia") to the Group plus a cash consideration of RMB8,700,000 in consideration of which a subsidiary, Coslight Interactive Company Limited ("Coslight Interactive") agreed to issue 50.17% of its share capital to Global Universe Development Limited, a nominee of HCG. Upon the completion of the transaction, the Group was deemed to have disposed of 50.17% interest of Coslight Interactive which became an associate and no longer be a subsidiary of the Group, and a gain on deemed disposal of RMB14,517,000 was recognised in the consolidated income statement.

Purchase, Sale or Redemption of Listed Securities

During the year, the Company repurchased its own ordinary shares on the Stock Exchange as follows:

Month of repurchase	Number of shares repurchased	Highest price paid per share	Lowest price paid per share	Aggregate price paid
	'000	HK$	HK$	HK$'000
January 2008	5,836	4.47	4.28	25,461
March 2008	10,990	4.15	3.92	44,296
May 2008	4,750	4.00	3.94	18,868
September 2008	15,166	3.60	3.47	53,679

Subsequent to the balance sheet date, the Company repurchased its own ordinary shares on the Stock Exchange as follows:

Month of repurchase	Number of shares repurchased	Highest price paid per share	Lowest price paid per share	Aggregate price paid
	'000	HK$	HK$	HK$'000
January 2009	12,898	3.37	3.30	43,108
March 2009	6,750	3.39	3.37	22,891

Apart from the above repurchases of shares, there was no other purchase, sale or redemption of listed securities of the Company by the Company or any of its subsidiaries during the year.

Corporate Governance

A report on the corporate governance practices adopted by the Company is set out on pages 18 to 25 of the annual report.

Independent Non-Executive Directors

The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors are independent.

Audit Committee

The Audit Committee of the Company comprises three independent non-executive Directors, namely Mr. Li Zeng Lin, Dr. Jiang Zhao Hua and Mr. Xiao Jian Min with Mr. Li Zeng Lin as the chairman. The primary duties of the Audit Committee is to review and monitor the Group's financial reporting process and internal control system, as well as to provide relevant recommendations and advises to the Board. The annual results of the Group for the year ended 31st December, 2008 have been reviewed by the Audit Committee. As verified by the Company, none of the members had served as a partner or a former partner to the existing auditors.

Pre-Emptive Rights

There are no provisions for pre-emptive rights under the Company's by-laws, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Sufficiency of Public Float

The Company has maintained a sufficient public float throughout the year ended 31st December, 2008.

Auditor

A resolution will be submitted to the annual general meeting to re-appoint Mazars CPA Limited as auditor of the Company.

On behalf of the Board
SONG Dian Quan
Chairman

Harbin, the PRC, 20th April, 2009

The Company is committed to a high standard of corporate governance in conducting its business. The board of directors (the "Board") believes that good corporate governance is essential for enhancing the performance of the Group and safeguarding the interests of shareholders.

The Code on Corporate Governance Practices

In November 2004, The Stock Exchange of Hong Kong Limited (the "Stock Exchange") introduced the Code on Corporate Governance Practices (the "Code") to replace the Code of Best Practice in Appendix 14 of the Rules Governing the Listing Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and a new Appendix 23 stipulating the rules on the Corporate Governance Report. The Code which provides the code provisions and recommended best practices for corporate governance became effective on 1st January, 2005. The Company has complied throughout the year ended 31st December, 2008 with the Code as set out in Appendix 14 of the Listing Rules, except for the deviation from Code provision A.4.1 in respect of the service term of directors.

Code provision A.4.1 stipulates that non-executive directors should be appointed for a specific term and subject to re-election. None of the existing independent non-executive directors of the Company is appointed for specific term and this constitutes a deviation from Code provision A.4.1. However, in accordance with the by-laws of the Company, at each annual general meeting one-third of the directors for the time being (or, if their number is not a multiply of three, the number nearest to but not less than one-third) shall retire from office by rotation such that each director (including those appointed for a specific term) will be subject to retirement by rotation at least once every three years at the annual general meeting. As such, the Company considers that sufficient measures have been taken to ensure the Company's corporate governance practices are similar to those in the Code.

Directors' Securities Transactions

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules. Having made specific enquiry of all directors, the Company was not aware of any non-compliance with the required standard set out in the Model Code and its code of conduct regarding directors' securities transactions.

Board of Directors

The Board of the Company comprises:

Chairman

Mr. Song Dian Quan

Executive Directors

Ms. Luo Ming Hua
Mr. Li Ke Xue
Mr. Xing Kai
Mr. Zhang Li Ming
Mr. Liu Xing Quan

Independent Non-executive Directors

Mr. Li Zeng Lin
Dr. Jiang Zhao Hua
Mr. Xiao Jian Min

As at the date of this report, the Board comprises 9 directors, of which 6 are executive directors, including the Chairman and the Chief Executive Officer ("CEO") and 3 are independent non-executive directors. There is no financial, business, family or other material/relevant relationship amongst the directors. All the directors have sufficient requisite experience essential for them to discharge their duties efficiently and the biographical details of the directors are set out in the section "Management Profile".

For the year ended 31st December, 2008, the Board fulfilled the minimum requirement of appointing at least three independent non-executive directors as required by the Listing Rules and the recommended best practice under the Code that the number of independent non-executive directors is one-third of the Board. It also met the requirement of having one independent non-executive director with appropriate professional qualification, accounting and related financial management expertise.

The Company has received from each of the independent non-executive directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive directors are independent.

The principal functions of the Board include:

- To approve the Group's overall strategies and policies and to monitor and evaluate the performance of management;
- To oversee the processes for evaluating the adequacy of internal controls, risk management, financial reporting and compliance;
- To approve annual budgets, business plans, investment proposals and major funding proposals; and
- To assume responsibility for corporate governance.

A detailed agenda together with sufficient relevant information are circulated with a reasonable notice period before each board meeting to enable the directors to make informed and appropriate decisions on matters to be discussed at the board meetings. The Company Secretary attends all regular board meetings to advise on corporate governance and statutory compliance when necessary. The directors may seek independent professional advice, in appropriate circumstances, at the Company's expenses in discharging their duties and responsibilities as directors. All directors are given an opportunity to include matters of their concern in the agenda of board meetings. The Company Secretary prepares minutes and maintains records for all matters discussed and decisions resolved at all board meetings, which are open for inspection at any reasonable time on reasonable notice by any director.

During the year, seven board meetings were held and the details of attendance of the Board are as follows:

Directors	**Attendance/Number of meetings**
Mr. Song Dian Quan *(Chairman)*	7/7
Ms. Luo Ming Hua *(Chief Executive Officer)*	7/7
Mr. Li Ke Xue	7/7
Mr. Xing Kai	7/7
Mr. Zhang Li Ming	7/7
Mr. Liu Xing Quan	7/7
Mr. Li Zeng Lin	7/7
Dr. Jiang Zhao Hua	7/7
Mr. Xiao Jian Min	7/7

Chairman and the Chief Executive Officer

The role of the Chairman, Mr. Song Dian Quan and the CEO, Ms. Luo Ming Hua are segregated. This segregation ensures a clear distinction between the responsibilities of the Chairman and the CEO which allows a balance of power between the Board and the management of the Group, and ensures their independence and accountability. There is no financial, business, family or other material/relevant relationship between the Chairman and the CEO.

The role of the Chairman includes assuming overall responsibility for providing leadership, vision and direction in the development of the business of the Group.

The CEO is responsible for the day-to-day management of the business of the Group, attends to formulation and successful implementation of policies and strategies approved by the Board, and assumes full accountability to the Board for all operations of the Group.

Appointment of Directors

In accordance with the by-laws of the Company, at each annual general meeting one-third of the directors for the time being (or, if their number is not a multiply of three, the number nearest to but not less than one-third) shall retire from office by rotation such that each director (including those appointed for a specific term) will be subject to retirement by rotation at least once every three years at the annual general meeting. The directors who will retire, and being eligible, will offer themselves for re-election at the forthcoming annual general meeting of the Company include Mr. Song Dian Quan, Ms. Luo Ming Hua and Mr. Xing Kai.

Supply and Access to Information

Newly appointed directors of the Company will receive induction packages containing the duties and responsibilities of directors under the Listing Rules and other applicable rules and regulations. Each of Directors is briefed and updated from time to time on the latest development of the operation, business of the Company and the relevant legal requirements.

Audit Committee

The Company has established an Audit Committee in 2002 with terms of reference pursuant to Rule 3.21 of the Listing Rules and in accordance with "A Guide for Effective Audit Committee" published by the Hong Kong Institute of Certified Public Accountants. The primary duties of the audit committee are to review and monitor the Company's financial reporting process, internal control systems and completeness of financial reports of the Company. The Audit Committee of the Company comprises three independent non-executive directors, namely Mr. Li Zeng Lin, Dr. Jiang Zhao Hua and Mr. Xiao Jian Min with Mr. Li Zeng Lin as the chairman. As verified by the Company, none of the members had served as a partner or a former partner to the existing auditor.

The Audit Committee held two meetings in 2008, which were attended by all members. The Audit Committee has reviewed the accounting principles and methods adopted by the Group and discussed, inter alia, matters relating to internal control and financial statements of the Company (i.e. 2007 annual and 2008 interim results) prepared in accordance with the applicable accounting standards and has made relevant recommendations. The Audit Committee also monitored the Company's progress in implementing the Code as required under the Listing Rules.

Details of attendance of the members at meetings of the Audit Committee held in 2008 are as follows:

Committee members	**Attendance/Number of meetings**
Mr. Li Zeng Lin *(Chairman)*	2/2
Dr. Jiang Zhao Hua	2/2
Mr. Xiao Jian Min	2/2

The annual results of the Group for the year ended 31st December, 2008 have been reviewed by the Audit Committee.

Remuneration Committee

The Company has established a Remuneration Committee on 1st June, 2005 in accordance with the requirements of the Code as contained in Appendix 14 of the Listing Rules with written terms of reference. Its primary responsibility is to make proposals to the Board with respect to the overall remuneration policy and framework for directors and senior management of the Company and the establishment of formal and transparent procedure for formulating the remuneration policy. The Remuneration Committee comprises two independent non-executive directors, namely Mr. Jiang Zhao Hua and Mr. Li Zeng Lin and one executive director, namely Mr. Zhang Li Ming. Mr. Jiang Zhao Hua is the chairman of the Remuneration Committee.

The principal functions of the Remuneration Committee include:

- To make recommendation to the Board of the Company's policies and structure for the remuneration of the directors and senior management of the Group;
- To determine the remuneration packages of all executive directors and senior management of the Group;
- To make recommendation to the Board of the remuneration of independent non-executive directors;
- To review and approve the performance-based remuneration of all executive directors and senior management of the Group; and
- To ensure that no director is involved in deciding his own remuneration.

The Remuneration Committee has convened one meeting in 2008, in which duties of the Remuneration Committee were identified, the appraisal system of the Company was reviewed, and all matters regarding the determination of remuneration of the directors and senior management were discussed.

Details of attendance of the members at the meeting of Remuneration Committee held in 2008 are as follows:

Committee members	Attendance/Number of meetings
Dr. Jiang Zhao Hua *(Chairman)*	1/1
Mr. Li Zeng Lin	1/1
Mr. Zhang Li Ming	1/1

Directors' Remuneration

The principal elements of executive remuneration package include basic salary, discretionary bonus and share options. The emoluments of executive directors are based on the skill, knowledge and involvement in the Company's affairs of each director and are determined by reference to the performance and profitability of the Company, as well as remuneration benchmark in the industry and the prevailing market conditions.

The Company has adopted a share option scheme in 2004. Details of the scheme are set out in note 30 to the consolidated financial statements.

Nomination Committee

The Company has established a Nomination Committee on 18th November, 2005 in accordance with the requirements of the Code as contained in Appendix 14 of the Listing Rules with written terms of reference. Its primary responsibilities include reviewing and supervising the framework, number of members and composition of the Board, identifying and nominating suitable persons for appointment of director and making recommendations to the Board relating to appointment and re-appointment of directors. The Nomination Committee comprises two independent non-executive directors, namely Mr. Xiao Jian Min and Mr. Li Zeng Lin and one executive director, namely Mr. Song Dian Quan. Mr. Xiao Jian Min is the chairman of the Nomination Committee.

The principal functions of the Nomination Committee include:

- To review the structure, size and composition of the Board on a regular basis and make recommendations to the Board regarding any proposed changes;
- To identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of, individuals nominated for directorships;
- To assess the independence of independent non-executive directors; and
- To make recommendations to the Board on relevant matters relating to the appointment or reappointment of directors and succession planning for directors in particular the Chairman and the CEO.

The Nomination Committee has convened one meeting in 2008. The Nomination Committee considered and resolved that all the existing directors shall be recommended to be retained by the Company. Further, in accordance with the Company's by-laws, Mr. Song Dian Quan, Ms. Luo Ming Hua and Mr. Xing Kai will retire, and being eligible, will offer themselves for reelection at the forthcoming annual general meeting of the Company.

Details of attendance of the members at the meeting of Nomination Committee held in 2008 are as follows:

Committee members	Attendance/Number of meetings
Mr. Xiao Jian Min *(Chairman)*	1/1
Mr. Li Zeng Lin	1/1
Mr. Song Dian Quan	1/1

There was no nomination of directors during the year.

Auditor's Remuneration

The performance and remuneration of the external auditors, Mazars CPA Limited ("Mazars"), have been reviewed by the Audit Committee. Auditors' remuneration payable to Mazars by the Company in respect of audit services for the year ended 31st December, 2008 amounted to approximately HK$1,500,000. Non-audit service charges amounted to approximately HK$395,000, which mainly included those for reviewing the interim financial report. The Board will propose a resolution at the forthcoming annual general meeting for the re-appointment of Mazars as the auditor of the Company.

Responsibility of Preparation of the Accounts

The Directors acknowledged their responsibilities for the preparation of the financial statements of the Group, and ensured that the financial statements are prepared in accordance with the requirements of laws and regulations and applicable accounting standards. The Directors also ensured the timely publication of the Group's financial statements.

Internal Controls

Internal control system, being an integral part of the Group's operations, is a process effected by the Board and management team to provide reasonable assurance on the effectiveness and efficiency of operations in achieving the established corporate objectives, safeguarding Group assets, providing reliable financial reporting, and complying with applicable laws and regulations.

The Board is responsible to ensure that the Company maintains a sound and effective internal controls and risk management procedures in the Group and for reviewing its effectiveness through the Audit Committee on an on-going basis. The Board is responsible to ensure management's implementation of the Group's internal controls covering financial, operational and compliance aspects, as well as risk management procedures. Through the Audit Committee, the Board has regularly reviewed the effectiveness of risk management and internal control activities within the Group's business operations.

Investor Relations

The Company places strong emphasis on its communications with investors, and considers that maintaining an on-going and open communications with investors can promote investors' understanding and confidence in the Company. The Company disclosed all necessary information to the shareholders in compliance with the Listing Rules and met with media, securities analysts, fund managers and investors on a regular basis to respond to their enquiries so as to provide them with a clearer picture of the Company's achievements in business, management and other aspects.

The general meeting of the Company is also an effective communication channel between the Board and shareholders. The Company will meet with its shareholders and respond to their enquiries in the general meetings. The Chairman had attended the annual general meeting of 2007.

MAZARS

To the shareholders of
Coslight Technology International Group Limited
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Coslight Technology International Group Limited and its subsidiaries (collectively referred to as the "Group") set out on pages 28 to 88, which comprise the consolidated balance sheet as at 31st December, 2008, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion the consolidated financial statements give a true and fair view of the state of the Group's affairs as at 31st December, 2008 and of its profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Mazars CPA Limited
Certified Public Accountants
Hong Kong, 20th April, 2009

Or Ming Chiu
Practising Certificate number: P04786

Consolidated Income Statement

Year ended 31st December, 2008

	Notes	2008 RMB'000	2007 RMB'000
Turnover	4	**2,441,841**	2,193,632
Cost of sales		**(1,861,570)**	(1,712,215)
Gross profit		**580,271**	481,417
Other net income	5	**23,742**	17,622
Distribution and selling costs		**(182,169)**	(166,749)
Gain on disposal of property, plant and equipment and prepaid lease payments in relation to factory relocation	6	**27,425**	–
Administrative expenses		**(196,970)**	(180,065)
Gain on disposal of a subsidiary	34	**2,167**	–
Gain on deemed disposal of a subsidiary	34	**14,517**	–
Gain on deemed disposal of partial interests in subsidiaries		**–**	63,847
Finance costs	7	**(77,245)**	(54,608)
Share of results of associates		**72,538**	16,616
Profit before taxation		**264,276**	178,080
Income tax expense	9	**(37,000)**	(12,912)
Profit for the year	10	**227,276**	165,168
Attributable to:			
Equity holders of the Company		**203,523**	162,293
Minority interests		**23,753**	2,875
		227,276	165,168
Dividend recognised as distribution during the year	11	**18,199**	21,757
Earnings per share	12		
— Basic		**RMB49.46 cents**	RMB37.47 cents
— Diluted		**N/A**	N/A

Consolidated Balance Sheet

At 31st December, 2008

	Notes	2008 RMB'000	2007 RMB'000
Non-current assets			
Property, plant and equipment	14	**820,492**	699,939
Mining rights	15	**178,073**	205,171
Other intangible assets	16	**6,604**	18,813
Goodwill	17	**4,193**	6,495
Prepaid lease payments	18	**65,856**	59,365
Interests in associates	19	**99,061**	16,616
Deferred tax assets	31	**2,161**	2,181
		1,176,440	1,008,580
Current assets			
Inventories	20	**341,528**	384,587
Trade and other receivables	21	**1,729,468**	1,706,868
Prepaid lease payments	18	**1,456**	8,922
Amounts due from directors	22	**758**	701
Amounts due from related companies	35	**32,652**	20,556
Amounts due from minority shareholders	35	**1,702**	1,000
Amounts due from associates	23	**48,241**	—
Pledged bank deposits	24	**103,794**	108,257
Bank balances and cash	25	**409,247**	362,243
		2,668,846	2,593,134
Current liabilities			
Trade and other payables	26	**675,491**	733,728
Amounts due to related companies	35	**15,356**	14,671
Amounts due to minority shareholders	35	**5,874**	27,468
Amounts due to associates	23	**180,627**	7,157
Current tax liabilities		**19,236**	9,695
Other borrowings — due within one year	27	**108**	1,120
Bank borrowings — due within one year	28	**1,172,933**	1,009,188
		2,069,625	1,803,027
Net current assets		**599,221**	790,107
		1,775,661	1,798,687

Consolidated Balance Sheet

At 31st December, 2008

	Notes	2008 RMB'000	2007 RMB'000
Capital and reserves			
Share capital	29	**42,379**	46,308
Reserves		**1,275,355**	1,257,586
Equity attributable to equity holders of the Company		**1,317,734**	1,303,894
Minority interests		**167,833**	153,611
Total equity		**1,485,567**	1,457,505
Non-current liabilities			
Other borrowings — due after one year	27	**5,000**	—
Bank borrowings — due after one year	28	**251,000**	302,000
Deferred tax liabilities	31	**7,094**	12,182
Deferred government grants	32	**27,000**	27,000
		290,094	341,182
		1,775,661	1,798,687

Approved and authorised for issue by the Board of Directors on 20th April, 2009.

Mr. Song Dian Quan
Director

Mr. Zhang Li Ming
Director

	Attributable to equity holders of the Company									
	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000	Statutory reserves RMB'000	Revaluation reserve RMB'000	Exchange reserve RMB'000	Accumulated profits RMB'000	Total RMB'000	Minority interests RMB'000	Total RMB'000
At 1st January, 2007	46,308	245,111	34,583	190,579	44,508	(1,674)	599,883	1,159,298	113,374	1,272,672
Surplus on revaluation of property, plant and equipment	–	–	–	–	4,004	–	–	4,004	1,386	5,390
Deferred tax liability arising on revaluation of property, plant and equipment (note 31)	–	–	–	–	(6,325)	–	–	(6,325)	–	(6,325)
Exchange difference arising on translation of financial statements of operations outside the People's Republic of China (the "PRC")	–	–	–	–	–	6,381	–	6,381	–	6,381
Net income and expense recognised directly in equity	–	–	–	–	(2,321)	6,381	–	4,060	1,386	5,446
Profit for the year	–	–	–	–	–	–	162,293	162,293	2,875	165,168
Total recognised income and expense for the year	–	–	–	–	(2,321)	6,381	162,293	166,353	4,261	170,614
Transfers	–	–	–	16,856	–	–	(16,856)	–	–	–
Realised on depreciation of property, plant and equipment	–	–	–	–	(5,184)	–	5,184	–	–	–
Dividends to minority shareholders	–	–	–	–	–	–	–	–	(2,602)	(2,602)
Dividends	–	–	–	–	–	–	(21,757)	(21,757)	–	(21,757)
Deemed disposal of partial interests in subsidiaries	–	–	–	–	–	–	–	–	91,734	91,734
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	424	424
Capital contributions by minority shareholders of subsidiaries	–	–	–	–	–	–	–	–	1,452	1,452
Acquisition of additional interest in a subsidiary	–	–	–	–	–	–	–	–	(55,032)	(55,032)
At 31st December, 2007 and at 1st January, 2008	46,308	245,111	34,583	207,435	37,003	4,707	728,747	1,303,894	153,611	1,457,505
Surplus on revaluation of property, plant and equipment	–	–	–	–	11,758	–	–	11,758	3,342	15,100
Deferred tax liability arising on revaluation of property, plant and equipment (note 31)	–	–	–	–	6,282	–	–	6,282	–	6,282
Exchange difference arising on translation of financial statements of operations outside the PRC	–	–	–	–	–	(64,251)	–	(64,251)	–	(64,251)
Net income and expense recognised directly in equity	–	–	–	–	18,040	(64,251)	–	(46,211)	3,342	(42,869)
Profit for the year	–	–	–	–	–	–	203,523	203,523	23,753	227,276
Total recognised income and expense for the year	–	–	–	–	18,040	(64,251)	203,523	157,312	27,095	184,407
Transfers	–	–	–	30,013	–	–	(30,013)	–	–	–
Realised on depreciation of property, plant and equipment	–	–	–	–	(5,326)	–	5,326	–	–	–
Repurchase of share capital (note 29)	(3,929)	(123,071)	–	–	–	–	–	(127,000)	–	(127,000)
Realised on disposal of property, plant and equipment	–	–	–	–	(6,992)	–	9,323	2,331	(2,331)	–
Dividends to minority shareholders	–	–	–	–	–	–	–	–	(10,778)	(10,778)
Dividends	–	–	–	–	–	–	(18,199)	(18,199)	–	(18,199)
Deemed disposal/Disposal of a subsidiary (note 34)	–	–	–	–	–	(604)	–	(604)	(788)	(1,392)
Acquisition of a subsidiary (note 33)	–	–	–	–	–	–	–	–	177	177
Capital contributions by minority shareholders of subsidiaries	–	–	–	–	–	–	–	–	847	847
At 31st December, 2008	**42,379**	**122,040**	**34,583**	**237,448**	**42,725**	**(60,148)**	**898,707**	**1,317,734**	**167,833**	**1,485,567**

The application of the share premium account is governed by Section 46(2) of the Bermuda Companies Act.

The special reserve represents the difference between the nominal value of the share capital of the subsidiaries acquired and the nominal amount of the share capital issued for their acquisition.

The statutory reserves are reserves required by the relevant laws of the PRC applicable to the Company's PRC subsidiaries.

The revaluation reserve has been set up and dealt with in accordance with the accounting policies adopted for the revaluation of buildings, plant and machinery, furniture, fixtures and equipment, and motor vehicles, net of deferred tax.

The exchange reserve comprise all foreign exchange differences arising from the translation of the financial statements of foreign operations.

The consolidated profit attributable to the equity holders of the Company includes a loss of RMB4,922,000 (2007: RMB8,446,000), which has been dealt with in the financial statements of the Company.

Consolidated Cash Flow Statement

Year ended 31st December, 2008

	2008 RMB'000	2007 RMB'000
OPERATING ACTIVITIES		
Profit before taxation	**264,276**	178,080
Adjustments for:		
Depreciation of property, plant and equipment	**66,220**	59,288
Amortisation of intangible assets	**476**	951
Release of prepaid lease payments	**1,444**	1,213
Deficit arising on revaluation of property, plant and equipment	**19**	414
Gain on disposal of a subsidiary	**(2,167)**	—
Gain on deemed disposal of a subsidiary	**(14,517)**	—
Gain on deemed disposal of partial interests in subsidiaries	**—**	(63,847)
Discount on acquisition of additional interest in an associate/a subsidiary	**(2,507)**	(2,287)
Gain on disposal of property, plant and equipment and prepaid lease payments in relation to factory relocation	**(27,425)**	—
Discount on acquisition of a subsidiary	**(85)**	—
Exchange difference	**(11,676)**	—
Share of results of associates	**(72,538)**	(16,616)
Loss on disposal of other property, plant and equipment	**3,082**	262
Impairment loss of intangible assets	**—**	4,807
Impairment loss on trade receivables	**21,081**	21,584
Impairment loss on trade receivables recovered	**(6,474)**	—
Interest income	**(9,688)**	(5,282)
Interest expense	**77,245**	54,608
Operating cash flows before movements in working capital	**286,766**	233,175
Movements in working capital:		
Inventories	**43,824**	(48,253)
Trade and other receivables	**(48,125)**	(417,950)
Amounts due from related companies	**(12,096)**	2,726
Trade and other payables	**16,923**	58,273
Amounts due to related companies	**546**	4,640
Cash generated from (used in) operations	**287,838**	(167,389)
PRC enterprise income tax paid	**(26,245)**	(11,437)
Net cash generated from (used in) operating activities	**261,593**	(178,826)

	Notes	2008 RMB'000	2007 RMB'000
INVESTING ACTIVITIES			
Acquisition of mining rights		**(8,800)**	—
Acquisition of exploration and evaluation assets		**(1,190)**	—
Purchases of property, plant and equipment		**(189,607)**	(166,840)
Purchases of prepaid lease payments		**—**	(35,275)
Acquisition of additional interest in an associate/a subsidiary		**(3,834)**	(29,006)
Acquisition of other intangible assets		**(4,662)**	(7,854)
Deemed disposal/disposal of a subsidiary	34	**4,828**	—
(Advance to) repayment from associates		**(20,838)**	24,725
Interest received		**9,688**	5,282
Decrease (increase) in pledged bank deposits		**4,463**	(53,440)
Proceeds on disposal of property, plant and equipment		**597**	109
Advances to minority shareholders		**(702)**	(721)
Advances to directors		**(57)**	(46)
Acquisition of a subsidiary	33	**16**	(1,578)
Deferred government grants received		**—**	27,000
Net cash used in investing activities		**(210,098)**	(237,644)
FINANCING ACTIVITIES			
New bank and other borrowings raised		**745,003**	796,302
Capital contributions by minority shareholders		**847**	157,033
Repayment of bank and other borrowings		**(623,240)**	(360,262)
Interest paid		**(96,563)**	(71,390)
Dividends paid		**(18,199)**	(21,757)
Dividends paid to minority shareholders		**(10,778)**	(2,602)
Advances from associates		**152,596**	7,157
Repurchase of shares		**(127,000)**	—
Repayment to minority shareholders		**(21,594)**	(179)
Net cash generated from financing activities		**1,072**	504,302
Net increase in cash and cash equivalents		**52,567**	87,832
Cash and cash equivalents at beginning of year		**362,243**	274,555
Effect of foreign exchange rate changes		**(5,563)**	(144)
Cash and cash equivalents at end of year, represented by bank balances and cash		**409,247**	362,243

1. General

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company's registered office is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its head office and principal place of business in Hong Kong is located at Room 2501-2502, COSCO Tower, 181-183 Queen's Road Central, Hong Kong.

The principal activities of the Company and its subsidiaries (the "Group") are research and development, manufacture and sales of rechargeable batteries and battery related accessories.

2. Principal Accounting Policies

Basis of Preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual HKFRS, Hong Kong Accounting Standards ("HKAS") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

These financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2007 financial statements. A summary of the principal accounting policies adopted by the Group is set out below.

Basis of Measurement

The measurement basis used in the preparation of these financial statements is historical cost, except for certain property, plant and equipment and financial instruments, which are measured at revalued amount or fair value, as explained in the accounting policies set out below.

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries as at 31st December each year. The financial statements of the subsidiaries are prepared for the same reporting year as the Company using consistent accounting policies.

All intra-group balance, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full. The results of subsidiaries are consolidated from the date on which the Group obtains control and continue to be consolidated until the date that such control ceased.

2. Principal Accounting Policies (Continued)

Basis of Consolidation (Continued)

Minority interest represents the portion of profit or loss and net assets not held by the Group and are presented separately in the consolidated income statement and within equity in the consolidated balance sheet, separately from equity holders of the Company. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Subsidiaries

A subsidiary is an entity in which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

Associates

An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Goodwill

Goodwill arising on an acquisition of a subsidiary for which the agreement date is before 1st January, 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the relevant subsidiary at the date of acquisition.

For previously capitalised goodwill, the Group has discontinued amortisation from 1st January, 2005 onwards, and the unamortised portion of such goodwill is tested for impairment annually, and whenever there is an indication that the cash generating unit to which the goodwill relates may be impaired.

2. Principal Accounting Policies (Continued)

Goodwill (Continued)

Goodwill arising on an acquisition of a subsidiary for which the agreement date is on or after 1st January, 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant subsidiary at the date of acquisition. Such goodwill is carried at cost less accumulated impairment losses.

Goodwill arising on an acquisition of a subsidiary is presented separately in the consolidated balance sheet.

For the purposes of impairment testing, all goodwill arising from an acquisition of a subsidiary is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Any excess of the Group's share of the net fair value of an acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the business combination, after reassessment, is recognised immediately in profit or loss as discount on acquisition.

Property, Plant and Equipment

Buildings, plant and machinery, furniture, fixtures and equipment, and motor vehicles are stated in the consolidated balance sheet at their revalued amount, being the fair value at the date of revaluation less subsequent accumulated depreciation and accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

2. Principal Accounting Policies (Continued)

Property, Plant and Equipment (Continued)

Any revaluation increase arising on revaluation of buildings, plant and machinery, furniture, fixtures and equipment, and motor vehicles is credited to the revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense, in which case the increase is credited to the consolidated income statement to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of an asset is dealt with as an expense to the extent that it exceeds the balance, if any, on the revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to accumulated profits.

Construction in progress represents property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less accumulated impairment losses. Cost includes all construction expenditure and other direct costs, including interest costs, attributable to such projects. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets commences when the assets are ready for their intended use.

Leasehold improvements are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost or fair value less accumulated impairment losses of property, plant and equipment, other than construction in progress, over their estimated useful lives as set out below from the date on which they are available for use and after taking into account their estimated residual value, using the straight-line method. Where parts of an item of property, plant and equipment have different useful lives, the cost or fair value of the item is allocated on a reasonable basis and depreciated separately:

Leasehold improvements	Over the shorter of the term of the lease, or 50 years
Buildings	20 to 50 years, or over the remaining term of the relevant land use rights, if shorter
Plant and machinery	10 years
Furniture, fixtures and equipment	10 years
Motor vehicles	5 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

2. Principal Accounting Policies (Continued)

Prepaid Lease Payments

Prepaid lease payments are up-front payments to acquire fixed term interests in lessee-occupied land. The premiums are stated at cost and are amortised over the period of the lease on a straight-line basis to the consolidated income statement.

Intangible Assets

Research and Development Expenditure

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

An internally-generated intangible asset arising from development expenditure is recognised only if it is anticipated that the development costs incurred on a clearly-defined project will be recovered through future commercial activity. The resultant asset is amortised on a straight-line basis over its useful life, and carried at cost less subsequent accumulated amortisation and accumulated impairment losses.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria. Where no internally generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible asset is reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as acquired intangible assets.

Mining Rights

Mining rights are stated at cost less accumulated amortisation and accumulated impairment losses. The mining rights will be amortised over the remaining term of the relevant rights on a straight-line basis when the mining activities commence.

Patents, Trademarks and Licensing Rights

Patents, trademarks and licensing rights acquired separately and with finite useful lives are measured initially at purchase cost and amortised on a straight-line basis over their estimated useful lives and carried at cost less accumulated amortisation and accumulated impairment losses.

An item of intangible asset is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

2. Principal Accounting Policies (Continued)

Exploration and Evaluation Assets

Exploration, evaluation and development assets are accumulated in respect of each area of interest.

Exploration and evaluation assets are carried forward in line with HKFRS 6 "Exploration for and Evaluation of Mineral Resources" where the right to tenure of the area of interest is current and they are expected to be recouped through sale or successful development and exploitation of the area of interest or, where exploration and evaluation activities in the area of interest have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

When an area of interest is abandoned or the directors decide that it is not capable of commercial production, any accumulated costs in respect of that area are written off in the financial period the decision is made. Each area of interest is also reviewed at the end of each accounting period and accumulated costs written off to the extent that they will not be recoverable in future.

When it can be reasonably ascertained that an area of interest is capable of commercial production, exploration and evaluation assets are transferred to mining rights and are amortised based on the accounting policy as stated in "Intangible assets" above.

Amortisation is not charged on costs carried forward in respect of areas of interest in the exploration and evaluation phase until transfer to other applicable assets.

Financial Instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instruments and on a trade date basis.

A financial asset is derecognised when the Group's contractual rights to future cash flows from the financial asset expire or when the Group transfers the financial asset and the Group has transferred substantially all the risks and rewards of ownership of the financial asset. A financial liability is derecognised only when the liability is extinguished, that is, when the obligation specified in the relevant contract is discharged, cancelled or expires.

Loans and Receivables

Loans and receivables including trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are not held for trading. They are measured at amortised cost using the effective interest method, except where receivables are interest-free loans and without any fixed repayment term or the effect of discounting would be insignificant. In such case, the receivables are stated at cost less impairment loss. Amortised cost is calculated by taking into account any discount or premium on acquisition, over the year to maturity. Gains and losses arising from derecognition, impairment or through the amortisation process are recognised in the consolidated income statement.

2. Principal Accounting Policies (Continued)

Financial Instruments (Continued)

Impairment of Financial Assets

At each balance sheet date, the Group assesses whether there is objective evidence that financial assets are impaired. The impairment loss of financial assets carried at amortised cost is measured as the difference between the asset's carrying amount and the present value of estimated future cash flow discounted at the financial asset's original effective interest rate. Such impairment loss is reversed in subsequent periods through consolidated income statement when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial Liabilities

The Group's financial liabilities include trade and other payables, amounts due to related parties, bank loans and other borrowings. All financial liabilities except for derivatives are recognised initially at their fair value and subsequently measured at amortised cost, using effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

Financial Guarantee Contracts

A financial guarantee contract is a contract that requires the issuer of the contract to make specified payments to reimburse the holder of the contract for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee contract is initially recognised as deferred income within trade and other payable at fair value, where such information is available, otherwise, it is recognised at consideration received and receivable. Subsequently, it is measured at the higher of the amount initially recognised, less accumulated amortisation, and the amount of the provision, if any, that is required to settle the commitment at the balance sheet date.

Cash Equivalents

For the purpose of consolidated cash flow statement, cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, net of bank overdrafts.

2. Principal Accounting Policies (Continued)

Revenue Recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue and costs, if applicable, can be measured reliably and on the following bases.

Sale of goods is recognised on transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and the title is passed.

Interest income from financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Foreign Currency Translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in the currency of Renminbi, which is the Company's functional and presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

The results and financial position of all the Group entities that have a functional currency different from the presentation currency ("foreign operations") are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented and, where applicable, goodwill and fair value adjustments on the carrying amounts of assets and liabilities arising on an acquisition of a foreign operation which are to be treated as assets and liabilities of that foreign operation, are translated at the closing rate at the balance sheet date;

- Income and expenses for each income statement are translated at average exchange rate;

- All resulting exchange differences arising from the above translation and exchange differences arising from a monetary item that forms part of the Group's net investment in a foreign operation are recognised as a separate component of equity. On disposal of a foreign operation, the cumulative amount of the exchange differences deferred in the separate component of equity relating to that foreign operation is recognised in income statement when the gain or loss on disposal is recognised.

2. Principal Accounting Policies (Continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, cost of conversion and other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the weighted average cost method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Impairment of Other Assets

At each balance sheet date, the Group reviews internal and external sources of information to determine whether its tangible and intangible assets (other than goodwill) have suffered an impairment loss or impairment loss previously recognised no longer exists or may be reduced. If any such indication exists, the recoverable amount of the asset is estimated, based on the higher of its fair value less costs to sell and value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the smallest group of assets that generates cash flows independently (i.e. cash-generating unit).

If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately, except where the relevant asset is carried at valuation, in which case the impairment loss is treated as a revaluation decrease.

A reversal of impairment loss is limited to the carrying amount of the asset or cash-generating unit that would have been determined had no impairment loss been recognised in prior years. Reversal of impairment loss is recognised as income immediately, except where the relevant asset is carried at valuation, in which case the reversal of impairment loss is treated as a revaluation increase.

Borrowing Costs

Borrowing costs incurred, net of any investment income on the temporary investment of the specific borrowings, that are directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised as an expense in the period in which they are incurred.

2. Principal Accounting Policies (Continued)

Government Grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the years necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the consolidated income statement over the expected useful life of the relevant asset by equal annual installments.

Leases

Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases. Rentals payable under operating leases are charged to the consolidated income statement on a straight-line basis over the term of the relevant lease.

Retirement Benefits Costs

The obligations for contributions to defined contribution retirement schemes are recognised as an expense in the consolidated income statement as incurred. The assets of the schemes are held separately from those of the Group in independently administered funds.

Taxation

The charge for current income tax is based on the results for the year as adjusted for items that are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting profit nor taxable profit or loss, it is not accounted for.

The deferred tax liabilities and assets are measured at the tax rates that are expected to apply to the period when the asset is recovered or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, tax losses and credits can be utilised.

Deferred tax is provided on temporary differences arising on investment in subsidiaries, associates and jointly controlled entities, except where the timing of the reversal of the temporary differences is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2. Principal Accounting Policies (Continued)

Related Parties

A party is related to the Group if

(a) directly, or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the Group; or has an interest in the Group that gives it significant influence over the Group; or has joint control over the Group;

(b) the party is an associate of the Group;

(c) the party is a joint venture in which the Group is a venturer;

(d) the party is a member of the key management personnel of the Group;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Company.

Future Changes in HKFRSs

At the date of authorisation of these financial statements, the HKICPA has issued a number of new/revised HKFRSs that are not yet effective for the current year, which the Group has not early adopted. The directors anticipate that the adoption of these new HKFRSs in the future periods will have no material impact on the results of the Group.

3. Critical Accounting Estimates and Judgements

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

3. Critical Accounting Estimates and Judgements (Continued)

Income Taxes

At 31st December, 2008, a deferred tax asset of RMB2,161,000 has been recognised in respect of deductible temporary differences in the Group's consolidated balance sheet. On the other hand, no deferred tax asset has been recognised in respect of the tax losses of RMB39,699,000 due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less or more than expected, a material reversal or recognition of deferred tax assets may arise, which would be recognised in the consolidated income statement in the period in which such a reversal or recognition takes place.

Impairment of Trade Receivables

In determining whether there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows by reference to current creditworthiness and past collection history of each customer. The amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). If the financial condition of these customers were to deteriorate, resulting in an impairment of their ability to make payments, additional impairment will be required.

Impairment of Mining Rights

Management assessed the recoverable amount of the mining rights which have remaining operation periods ranging from 4 to 25 years. The assessment involves an estimation of mineral reserves and market prices of the minerals and other financial factors. Should the actual mineral reserves and other market conditions change, impairment loss may arise.

4. Business and Geographical Segments

Business Segments

For management purposes, the Group is currently organised into three major operating divisions — sealed lead acid batteries and related accessories, lithium-ion batteries and nickel batteries. These divisions are the basis on which the Group reports its primary segment information.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Inter-segment sales transactions are charged at prevailing market rates.

4. Business and Geographical Segments (Continued)

Business Segments (Continued)

Principal activities are as follows:

Sealed lead acid batteries and related accessories	—	manufacture and sale of sealed lead acid batteries and related accessories
Lithium-ion batteries	—	manufacture and sale of lithium-ion batteries
Nickel batteries	—	manufacture and sale of nickel batteries

Segment information about these businesses is presented below. Turnover in the income statement represents revenue from external sales as included in the segment information.

2008

	Sealed lead acid batteries and related accessories RMB'000	Lithium-ion batteries RMB'000	Nickel batteries RMB'000	Others RMB'000	Elimination RMB'000	Consolidated RMB'000
Turnover						
External sales	1,793,774	390,709	169,536	87,822	–	2,441,841
Inter-segment sales	2,172	3,067	8,897	46,081	(60,217)	–
Total	1,795,946	393,776	178,433	133,903	(60,217)	2,441,841
Result						
Segment result	284,052	(11,520)	(6,104)	(5,851)	–	260,577
Unallocated income						921
Unallocated expenses						(9,199)
Gain on deemed disposal of a subsidiary						14,517
Gain on disposal of a subsidiary						2,167
Finance costs						(77,245)
Share of results of associates						72,538
Profit before taxation						264,276
Income tax expense						(37,000)
Profit for the year						227,276

4. Business and Geographical Segments (Continued)

Business Segments (Continued)

Balance Sheet

	Sealed lead acid batteries and related accessories RMB'000	Lithium-ion batteries RMB'000	Nickel batteries RMB'000	Others RMB'000	Consolidated RMB'000
ASSETS					
Segment assets	1,975,629	620,395	78,285	359,361	3,033,670
Mining rights					178,073
Interests in associates					99,061
Unallocated assets					534,482
Consolidated total assets					3,845,286
LIABILITIES					
Segment liabilities	490,951	247,460	59,194	96,332	893,937
Unallocated liabilities					1,465,782
Consolidated total liabilities					2,359,719

Other Information

	Sealed lead acid batteries and related accessories RMB'000	Lithium-ion batteries RMB'000	Nickel batteries RMB'000	Mining RMB'000	Others RMB'000	Consolidated RMB'000
Capital additions	96,099	58,463	1,520	13,990	87,921	257,993
Depreciation and amortisation	30,734	26,916	2,984	–	6,062	66,696

4. Business and Geographical Segments (Continued)

Business Segments (Continued)

2007

	Sealed lead acid batteries and related accessories RMB'000	Lithium-ion batteries RMB'000	Nickel batteries RMB'000	Others RMB'000	Elimination RMB'000	Consolidated RMB'000
Turnover						
External sales	1,609,922	373,960	164,670	45,080	–	2,193,632
Inter-segment sales	298	12,895	6,946	47,901	(68,040)	–
Total	1,610,220	386,855	171,616	92,981	(68,040)	2,193,632
Result						
Segment result	205,777	(1,250)	(19,195)	(31,344)	–	153,988
Unallocated income						8,161
Unallocated expenses						(9,924)
Gain on deemed disposal of partial interests in subsidiaries						63,847
Finance costs						(54,608)
Share of results of an associate						16,616
Profit before taxation						178,080
Income tax expense						(12,912)
Profit for the year						165,168

4. Business and Geographical Segments (Continued)

Business Segments (Continued)

Balance Sheet

	Sealed lead acid batteries and related accessories RMB'000	Lithium-ion batteries RMB'000	Nickel batteries RMB'000	Others RMB'000	Consolidated RMB'000
ASSETS					
Segment assets	1,832,001	677,151	108,634	281,055	2,898,841
Mining rights					205,171
Interest in an associate					16,616
Unallocated assets					481,086
Consolidated total assets					3,601,714
LIABILITIES					
Segment liabilities	426,120	222,645	65,288	58,688	772,741
Unallocated liabilities					1,371,468
Consolidated total liabilities					2,144,209

Other Information

	Sealed lead acid batteries and related accessories RMB'000	Lithium-ion batteries RMB'000	Nickel batteries RMB'000	Mining RMB'000	Others RMB'000	Consolidated RMB'000
Capital additions	89,465	58,964	4,862	21,150	63,985	238,426
Impairment loss on other intangible assets	–	–	–	–	4,807	4,807
Depreciation and amortisation	28,686	22,761	3,023	–	5,769	60,239

Geographical segments

The Group is principally engaged in the sale of sealed lead acid batteries and related accessories, lithium-ion batteries and nickel batteries, and substantially all of its activities are based in the PRC. Accordingly, no geographical analysis of financial information is provided.

5. Other Net Income

	2008 RMB'000	2007 RMB'000
Bank interest income	**9,688**	5,282
Discount on acquisition of additional interest in an associate/a subsidiary (Note 19)	**2,507**	2,287
Government grants	**6,760**	4,149
Sundry income	**4,787**	5,004
Subsidy income in relation to value-added tax	**–**	900
	23,742	17,622

6. Gain on Disposal of Property, Plant and Equipment and Prepaid Lease Payments In Relation To Factory Relocation

During the year, the Group relocated one of its factory premises situated in the PRC and effectively disposed of certain property, plant and equipment and prepaid lease payments with total carrying value of RMB34,531,000 at a consideration of RMB61,956,000, resulting in a net gain on disposal amounting to RMB27,425,000.

7. Finance Costs

	2008 RMB'000	2007 RMB'000
Interest on:		
Bank borrowings wholly repayable within five years	**96,563**	71,028
Other borrowings wholly repayable within five years	**–**	362
Total borrowing costs	**96,563**	71,390
Less: Borrowing costs capitalised at a rate of 6.40% (2007: 6.97%) per annum	**(19,318)**	(16,782)
	77,245	54,608

8. Directors' and Employees' Emoluments

(a) Directors' Emoluments

The emoluments paid or payable to each of the 9 (2007: 9) directors are as follows:

2008	**Mr. Song Dian Quan** RMB'000	**Ms. Luo Ming Hua** RMB'000	**Mr. Li Ke Xue** RMB'000	**Mr. Xing Kai** RMB'000	**Mr. Zhang Li Ming** RMB'000	**Mr. Liu Xing Quan** RMB'000	**Mr. Li Zeng Lin** RMB'000	**Dr. Jiang Zhao Hua** RMB'000	**Mr. Xiao Jian Min** RMB'000	**Total** RMB'000
Fees	**–**	**–**	**–**	**–**	**–**	**–**	**18**	**–**	**–**	**18**
Other emoluments:										
Salaries and other benefits	**192**	**180**	**168**	**144**	**159**	**84**	**–**	**–**	**32**	**959**
Retirement benefit scheme contributions	**3**	**3**	**–**	**3**	**5**	**–**	**–**	**–**	**–**	**14**
Total emoluments	**195**	**183**	**168**	**147**	**164**	**84**	**18**	**–**	**32**	**991**

2007	Mr. Song Dian Quan RMB'000	Ms. Luo Ming Hua RMB'000	Mr. Li Ke Xue RMB'000	Mr. Xing Kai RMB'000	Mr. Zhang Li Ming RMB'000	Mr. Liu Xing Quan RMB'000	Mr. Li Zeng Lin RMB'000	Dr. Jiang Zhao Hua RMB'000	Mr. Xiao Jian Min RMB'000	Total RMB'000
Fees	–	–	–	–	–	–	20	–	29	49
Other emoluments:										
Salaries and other benefits	149	138	127	113	232	74	–	–	–	833
Retirement benefit scheme contributions	2	2	–	2	11	–	–	–	–	17
Total emoluments	151	140	127	115	243	74	20	–	29	899

8. Directors' and Employees' Emoluments (Continued)

(b) Employees' Emoluments

The five highest paid individuals of the Group included two (2007: two) directors of the Company, details of whose emoluments are set out in (a) above. The emoluments of the remaining three (2007: three) individuals are as follows:

	2008 RMB'000	2007 RMB'000
Salaries and other benefits	**828**	1,752
Retirement benefit	**11**	33
	839	1,785

The emoluments of the three (2007: three) individuals with the highest emoluments are within the following bands:

	2008 Number of individuals	2007 Number of individuals
Nil — HK$1,000,000 (equivalent to Nil — RMB884,500)	**3**	2
HK$1,000,001 — HK$1,500,000 (equivalent to RMB884,500 — RMB1,326,750)	**–**	1

During each of the year ended 31st December, 2008 and 2007, no emoluments were paid by the Group to any of the directors or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, no directors waived any emoluments for each of the year ended 31st December, 2008 and 2007.

9. Income Tax Expense

	Notes	2008 RMB'000	2007 RMB'000
The charge comprises:			
PRC enterprise income tax		**35,786**	13,785
Deferred taxation charge (credit)	31	**1,214**	(873)
		37,000	12,912

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group's income neither arises in, nor is derived from, Hong Kong.

On 16th March, 2007, the National People's Congress approved the Enterprise Income Tax Law of the PRC (the "new EIT Law"), which is effective from 1st January, 2008. On 6th December, 2007, the State Council of the PRC promulgated the Implementation Regulations to the new EIT Law, or the EIT Implementation ("Implementation Regulations"), which is also effective from 1st January, 2008. Pursuant to the new EIT Law, the new enterprise income tax rates for domestic and foreign enterprises are unified at 25%, unless they qualify for special tax benefits under certain limited exceptions.

A PRC subsidiary of the Company is entitled to exemption from PRC enterprise income tax for the first two years commencing from its first profit-making year of operation in 2006 and thereafter, a 50% reduction for the following three years. The Implementation Regulations provide a five-year transition period for this subsidiary which is entitled to a preferential lower tax rate of 9%, 10%, 11%, 24% and 25% for the years ending from 2008 to 2012, respectively.

Major operating subsidiaries of the Company are subject to PRC enterprise income tax in the current year. Two of these subsidiaries have been officially designated by the local tax authority as "New and High Technology Enterprises". As a result, the effective tax rate for these major operating subsidiaries was 15% for the year (2007: 15%).

Under the new EIT Law, withholding tax is imposed at a rate of 10% on dividends distributed to foreign investors in respect of profits earned by PRC subsidiaries from 1st January, 2008 onwards. This has led to the recognition of additional deferred tax liabilities of RMB1,800,000 and a charge of the same amount in the consolidated income statement.

9. Income Tax Expense (Continued)

The tax charge for the year can be reconciled to the profit per the consolidated income statement as follows:

	2008 RMB'000	2007 RMB'000
Profit before taxation	**264,276**	178,080
Tax at the domestic income tax rate at 15% (2007: 15%)	**39,641**	26,712
Tax effect of income subject to tax holidays	**(1,979)**	(17,209)
Tax effect of income not taxable and expenses not deductible	**(6,320)**	(6,287)
Tax effect of share of results of associates	**(10,881)**	(2,492)
Tax effect of recognised withholding tax	**1,800**	—
Tax effect of tax losses not recognised	**12,469**	14,456
Tax effect of change in tax rate	**2,270**	(2,268)
Tax charge for the year	**37,000**	12,912

Details of deferred taxation are set out in note 31.

10. Profit For The Year

	Notes	2008 RMB'000	2007 RMB'000
Profit for the year has been arrived at after charging/(crediting):			
Directors' emoluments	8(a)	**991**	899
Retirement benefit scheme contributions (excluding contributions for directors)		**13,277**	6,809
Other staff costs		**182,102**	151,631
Total employee benefit expenses		**196,370**	159,339
Depreciation of property, plant and equipment		**66,220**	59,288
Amortisation of intangible assets (included in administrative expenses and cost of sales)		**476**	951
Total depreciation and amortisation		**66,696**	60,239
Release of prepaid lease payments		**1,444**	1,213
Net foreign exchange losses		**1,284**	377
Auditor's remuneration		**1,749**	1,642
Research and development costs		**1,558**	2,606
Deficit arising on revaluation of property, plant and equipment	14	**19**	414
Loss on disposal of other property, plant and equipment		**3,082**	262
Gain on disposal of other prepaid lease payments		**(400)**	—
Impairment loss on trade receivables		**21,081**	21,584
Impairment loss on trade receivables recovered		**(6,474)**	—
Impairment loss on other intangible assets		**—**	4,807
Cost of inventories recognised as an expense		**1,861,570**	1,712,215

11. Dividend Recognised as Distribution During The Year

Dividend recognised as distribution during the year represent final dividend payable to equity holders of the Company attributable to the previous financial year, which was approved during the year:

	2008 RMB'000	2007 RMB'000
2006 final — HK$0.05 (shown as RMB0.05024)	**–**	21,757
2007 final — HK$0.05 (shown as RMB0.04423)	**18,199**	—
	18,199	21,757

The directors have declared a final dividend of HK$0.07 (2007: HK$0.05) per share, totalling approximately RMB23,323,000 (2007: RMB20,300,000), which will be paid to the shareholders of the Company whose names appear in the register of members on 3rd June, 2009. The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

12. Earnings Per Share

The calculation of the basic earnings per share is based on the profit attributable to ordinary equity holders of the Company of RMB203,523,000 (2007: RMB162,293,000) and the weighted average number of ordinary shares in issue of 411,451,000 (2007: 433,080,000) shares.

Diluted earnings per share have not been presented because there were no potential ordinary shares in issue for the years ended 31st December, 2008 and 2007.

13. Financial Guarantees Issued

The Group has issued guarantees in respect of banking facilities granted to an independent third party of RMB148,400,000 (2007: RMB131,000,000) without charge. The Group has not recognised a value for the financial guarantees given in the financial statements as their fair values as assessed by Jones Lang LaSalle Sallmanns Limited, Chartered Surveyors, are insignificant and their transaction price is RMB Nil.

As at the balance sheet date, the directors do not consider it probable that a claim will be made against the Group under these guarantees. The maximum liability of the Group at the balance sheet date under these guarantees is RMB148,400,000 (2007: RMB131,000,000), representing the banking facilities drawn down by the independent third party as at the balance sheet date.

On the other hand, the independent third party also provided counter-guarantees of banking facilities granted to the Group to the extent of RMB160,000,000 (2007: RMB105,000,000).

14. Property, Plant and Equipment

	Leasehold improvements RMB'000	Buildings situated in the PRC RMB'000	Plant and machinery RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Cost or valuation							
At 1st January, 2007	1,586	225,313	249,279	10,603	8,097	67,094	561,972
Additions	3,112	4,525	51,101	2,321	3,260	128,676	192,995
Acquisition of a subsidiary	–	–	202	168	47	–	417
Transfers	–	8,972	10,007	25	–	(19,004)	–
Disposals	–	–	(178)	–	(193)	–	(371)
Revaluation	–	(14,913)	(35,570)	(5,023)	1,427	–	(54,079)
At 31st December, 2007	4,698	223,897	274,841	8,094	12,638	176,766	700,934
Exchange adjustments	(37)	–	13	(15)	(222)	(4,791)	(5,052)
Additions	556	3,119	45,887	2,645	8,662	162,922	223,791
Deemed Disposal/Disposal of a subsidiary	–	–	(1,211)	(566)	(50)	–	(1,827)
Transfers	–	76,499	25,001	580	482	(102,562)	–
Transfer to prepaid lease payments	–	–	–	–	–	(15,550)	(15,550)
Disposals	–	(25,224)	(3,836)	(141)	(495)	–	(29,696)
Revaluation	–	(2,335)	(38,893)	(3,646)	(5,616)	–	(50,490)
At 31st December, 2008	**5,217**	**275,956**	**301,802**	**6,951**	**15,399**	**216,785**	**822,110**
Comprising:							
At cost	5,217	–	–	–	–	216,785	222,002
At fair value	–	275,956	301,802	6,951	15,399	–	600,108
	5,217	**275,956**	**301,802**	**6,951**	**15,399**	**216,785**	**822,110**
Accumulated depreciation							
At 1st January, 2007	762	–	–	–	–	–	762
Charge for the year	233	12,862	39,215	4,730	2,248	–	59,288
Eliminated on revaluation	–	(12,862)	(39,215)	(4,730)	(2,248)	–	(59,055)
At 31st December, 2007	995	–	–	–	–	–	995
Exchange adjustments	(26)	–	–	–	–	–	(26)
Charge for the year	649	13,854	45,228	3,469	3,020	–	66,220
Eliminated on revaluation	–	(13,854)	(45,228)	(3,469)	(3,020)	–	(65,571)
At 31st December, 2008	**1,618**	**–**	**–**	**–**	**–**	**–**	**1,618**
Carrying value							
At 31st December, 2008	**3,599**	**275,956**	**301,802**	**6,951**	**15,399**	**216,785**	**820,492**
At 31st December, 2007	3,703	223,897	274,841	8,094	12,638	176,766	699,939

14. Property, Plant and Equipment (Continued)

Property, plant and equipment other than leasehold improvements and construction in progress were revalued at 31st December, 2008 by Jones Lang LaSalle Sallmanns Limited, Chartered Surveyors, using the market value for existing use. Jones Lang LaSalle Sallmanns Limited has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation of buildings, which conforms to the RICS Valuation Standards published by the Royal Institution of Chartered Surveyors and the HKIS Valuation Standard on Properties published by the Hong Kong Institute of Surveyors, was arrived at using the direct comparison approach or depreciated replacement cost if there are no market sales comparables readily available.

The surplus arising on revaluation was approximately RMB15,081,000 (2007: RMB4,976,000), of which approximately RMB11,758,000 (2007: RMB4,004,000) (net of approximately RMB3,342,000 (2007: RMB1,386,000) shared by the minority interests) was credited to the revaluation reserve and approximately RMB19,000 (2007: RMB414,000) was charged to the consolidated income statement for the year ended 31st December, 2008.

If the Group's property, plant and equipment were stated at cost less accumulated depreciation and accumulated impairment losses, the carrying values would have been as follows:

2008	**Buildings situated in the PRC RMB'000**	**Plant and machinery RMB'000**	**Furniture, fixtures and equipment RMB'000**	**Motor vehicles RMB'000**
Cost	**294,448**	**480,307**	**26,384**	**30,917**
Accumulated depreciation	**(66,218)**	**(223,434)**	**(17,739)**	**(13,111)**
	228,230	**256,873**	**8,645**	**17,806**

2007	Buildings situated in the PRC RMB'000	Plant and machinery RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000
Cost	236,083	418,317	24,470	23,105
Accumulated depreciation	(58,916)	(185,744)	(15,141)	(10,902)
	177,167	232,573	9,329	12,203

15. Mining Rights

	2008 RMB'000	2007 RMB'000
Cost and carrying value		
At beginning of year	**205,171**	205,171
Exchange adjustments	**(35,898)**	—
Additions	**8,800**	—
At balance sheet date	**178,073**	205,171

The mining rights represent the rights to conduct mining activities in Russia and the PRC. The mining rights have legal lives of 4 to 25 years.

No amortisation has been provided for the year as the mining activities have not been commenced yet.

16. Other Intangible Assets

	Exploration and evaluation assets RMB'000 (Note a)	Development costs RMB'000	Patents, trademarks and licensing rights RMB'000 (Note b)	Total RMB'000
Cost				
At 1st January, 2007	—	9,097	14,413	23,510
Additions	—	7,832	22	7,854
At 31st December, 2007	—	16,929	14,435	31,364
Additions	5,190	4,656	6	9,852
Disposal of a subsidiary	—	(21,585)	—	(21,585)
At 31st December, 2008	**5,190**	**—**	**14,441**	**19,631**
Accumulated amortisation and impairment losses				
At 1st January, 2007	—	—	6,793	6,793
Charge for the year	—	—	951	951
Impairment losses	—	—	4,807	4,807
At 31st December, 2007	—	—	12,551	12,551
Charge for the year	—	—	476	476
At 31st December, 2008	**—**	**—**	**13,027**	**13,027**
Carrying values				
At 31st December, 2008	**5,190**	**—**	**1,414**	**6,604**
At 31st December, 2007	—	16,929	1,884	18,813

Notes:

a) The exploration and evaluation assets related to the rights for exploration in certain locations in the PRC.

b) Patents, trademarks and licensing rights at balance sheet date related to a variety of the Group's existing products, which are amortised on a straight-line basis over 5 to 20 years.

17. Goodwill

	2008 RMB'000	2007 RMB'000
Cost		
Unamortised cost at beginning of year (Note a)	**6,495**	4,193
Addition during the year	**–**	2,302
Eliminated on deemed disposal of a subsidiary (note 34)	**(2,302)**	—
At balance sheet date	**4,193**	6,495
Accumulated impairment losses (Note b)		
At beginning of year and at balance sheet date	**–**	—
Carrying amount at balance sheet date	**4,193**	6,495

Notes:

(a) The goodwill arose on the Group's acquisition of Shenzhen Coslight Communication Equipment Co., Ltd. (深圳光宇通訊設備有限公司) ("SCC") during the year ended 31st December, 2004. Before 1st January, 2005, the goodwill of RMB4,590,000 was amortised on a straight-line basis over seven years.

(b) The recoverable amount of the cash generating unit containing goodwill has been determined based on a value in use calculation. The value in use is calculated based on discounted cash flow projection, which is prepared on the basis of financial budget approved by management covering a 5-year period. Discount rate of 6.17% per annum was applied to SCC, which represents the risk involved to the business. According to the value in use calculation, the recoverable amount is higher than the carrying value of the goodwill. Therefore, management determines that there is no impairment of the cash generating unit containing the goodwill during the year ended 31st December, 2008. Management believes that any reasonably foreseeable change in any of the above key assumptions would not cause the aggregate carrying amount of the goodwill to exceed its aggregate recoverable amount.

18. Prepaid Lease Payments

Prepaid lease payments represent costs paid for medium-term leasehold land use rights in the PRC, which are amortised over the leasehold periods.

During the year, the Group acquired a land use right at a consideration of RMB15,550,000.

The amount to be amortised more than twelve months after the balance sheet date amounted to RMB65,856,000 (2007: RMB59,365,000). The amount to be amortised within the next twelve months after the balance sheet date of RMB1,456,000 (2007: RMB1,622,000) is included in current assets.

19. Interests in Associates

	2008 RMB'000	2007 RMB'000
Share of net assets	**99,061**	16,616

Summary of financial information of the Group's associates accounted for using the equity method is set out below:

	2008 RMB'000	2007 RMB'000
Total assets	**316,597**	49,594
Total liabilities	**(101,993)**	(3,257)
Net assets	**214,604**	46,337
Group's share of net assets of associates	**99,061**	16,616
Share of associates' revenue and profit		
Revenue	**141,223**	59,607
Profit for the year	**72,538**	16,616

At 31st December, 2008, the Group had interests in the following associates:

Name of entity	Form of business	Place of establishment	Proportion of effective interest in registered capital held by the Group %	Principal activities
Coslight Interactive Company Limited ("Coslight Interactive")	Incorporated	Cayman Islands	46.16%	Investment holding
Coslight Network Company Limited ("Coslight Network")	Incorporated	British Virgin Islands	46.16%	Investment holding
Beijing Guangyu Huaxia Technology Corporation Limited ("Guangyu Huaxia")	Incorporated	PRC	46.16%	Sales and distribution of online games
瀋陽藍火炬軟件有限公司 ("瀋陽藍火炬")	Incorporated	PRC	36.93%	Software development
Costar Software Limited ("Costar")	Incorporated	PRC	46.16%	Sales and distribution of online games

19. Interests in Associates (Continued)

In January 2008, Coslight Network acquired an additional 6.97% equity interest in Guangyu Huaxia by acquiring a right to the 6.97% equity interest from another shareholder of Guangyu Huaxia and by making a capital contribution of RMB3,834,000 in relation to the 6.97% equity interest not previously paid up, resulting in an increase of the Group's effective interest in Guangyu Huaxia from 33.22% to 39.68%. In July 2008, the Group acquired an additional 7% equity interest in Guangyu Huaxia from the same shareholder at a consideration of RMB7,700,000 through Coslight Network. Upon the completion of the transaction, the Group held 46.16% effective interest in Guangyu Huaxia and a total discount on acquisition of RMB2,507,000 arising from these two additions was recognised in the consolidated income statement.

20. Inventories

	2008 **RMB'000**	2007 RMB'000
Raw materials	**126,300**	143,437
Work in progress	**92,221**	124,463
Finished goods	**123,007**	116,687
	341,528	384,587

21. Trade and Other Receivables

Credit term given to customers varies from 3 months to 9 months from the final acceptance and is generally based on the financial strength of individual customers. The following is an ageing analysis of trade and bills receivables, net of impairment losses of RMB92,019,000 (2007: RMB77,412,000) (see (b) below), at the balance sheet date:

(a) Ageing analysis

	2008 **RMB'000**	2007 RMB'000
Within 90 days	**878,197**	879,930
More than 90 days, but not exceeding 180 days	**385,063**	326,915
More than 180 days, but not exceeding 270 days	**148,288**	152,497
More than 270 days, but not exceeding 360 days	**59,364**	79,930
More than 360 days, but not exceeding 540 days	**76,604**	80,900
More than 540 days, but not exceeding 720 days	**20,625**	5,660
Trade and bills receivables	**1,568,141**	1,525,832
Other receivables and payments in advance	**161,327**	181,036
	1,729,468	1,706,868

21. Trade and Other Receivables (Continued)

(a) Ageing analysis (Continued)

During the year, the Group discounted bills receivable to banks in exchange for cash with recourse in the ordinary course of business. The Group continues to recognise the full carrying amount of bills receivable and has recognised the cash received as secured bank borrowings included in note 28. At the balance sheet date, the carrying amount of discounted bills receivable was RMB172,734,000 (2007: RMB59,528,000).

(b) Impairment of trade and bills receivables

Movements in the allowance for doubtful debts during the year are as follows:

	2008 RMB'000	2007 RMB'000
At beginning of year	**77,412**	55,828
Impairment loss recognised	**21,081**	21,584
Amount recovered	**(6,474)**	—
At balance sheet date	**92,019**	77,412

All allowances for doubtful debts as at 31st December, 2008 and 2007 were made for specific unsecured trade receivables, which recoverability is considered doubtful by management. The amount of impairment represents the difference between the carrying amount of the specific trade receivables and the present value of expected future cash flows.

21. Trade and Other Receivables (Continued)

(c) Trade and bills receivables not impaired

The ageing analysis of trade and bills receivables that are neither individually nor collectively considered to be impaired are as follows:

	2008 RMB'000	2007 RMB'000
Neither past due nor impaired	**1,514,405**	1,442,060
Less than 3 months past due	**28,719**	44,154
3 months to 6 months past due	**5,641**	16,381
6 months to 9 months past due	**3,465**	10,320
9 months to 12 months past due	**1,793**	5,418
12 months to 18 months past due	**14,118**	7,499
Past due but not impaired	**53,736**	83,772
	1,568,141	1,525,832

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no history of default.

The Group has not impaired the trade receivables that were past due at the balance sheet date because there has not been a significant change in credit quality and the management believes that the amounts are recoverable based on past collection history and current creditworthiness of the customers. The Group does not hold any collateral over these balances.

22. Amounts Due From Directors

Particulars of the amounts due from directors are as follows:

Name of director	Balance at 31.12.2008 RMB'000	Balance at 1.1.2008 RMB'000	Maximum amount outstanding during the year RMB'000
Song Dian Quan	**400**	334	400
Li Ke Xue	**186**	197	197
Xing Kai	**1**	—	1
Zhang Li Ming	**1**	—	1
Liu Xing Quan	**170**	170	170
	758	701	

The amounts are unsecured, interest-free and repayable on demand.

23. Amounts Due From (To) Associates

The amounts are unsecured, interest-free and repayable on demand.

24. Pledged Bank Deposits

At 31st December, 2008 and 2007, these bank deposits, which carry fixed interest rate, were pledged to banks for securing trade financing facilities granted to the Group.

25. Bank Balances and Cash

Included in bank balances and cash are bank deposits of RMB400,949,000 (2007: RMB360,842,000) which bears interest at variable prevailing market rates.

26. Trade and Other Payables

The following is an ageing analysis of trade and bills payables at the balance sheet date:

	2008 RMB'000	2007 RMB'000
Within 30 days	**87,660**	204,526
More than 30 days, but not exceeding 60 days	**72,689**	95,412
More than 60 days, but not exceeding 90 days	**60,586**	37,211
More than 90 days, but not exceeding 180 days	**123,680**	59,738
Over 180 days	**43,341**	26,524
Trade and bills payables	**387,956**	423,411
Other payables	**287,535**	310,317
	675,491	733,728

27. Other Borrowings

At 31st December, 2008 and 2007, the other borrowings are unsecured and interest-free.

	2008 RMB'000	2007 RMB'000
The other borrowings are repayable as follows:		
Within one year or on demand	**108**	1,120
More than one year, but not exceeding two years	**5,000**	—
	5,108	1,120
Less: Amounts due within one year shown under current liabilities	**(108)**	(1,120)
Amounts due after one year shown under non-current liabilities	**5,000**	—

28. Bank Borrowings

	2008 RMB'000	2007 RMB'000
The bank borrowings are repayable as follows:		
Within one year or on demand shown under current liabilities	**1,172,933**	1,009,188
More than one year, but not exceeding two years	**58,000**	100,000
More than two years, but not exceeding three years	**193,000**	50,000
More than three years, but not exceeding four years	**–**	126,000
More than four years, but not exceeding five years	**–**	26,000
After one year shown under non-current liabilities	**251,000**	302,000
	1,423,933	1,311,188
Analysed as:		
Secured	**308,376**	399,495
Unsecured	**1,115,557**	911,693
	1,423,933	1,311,188

The bank borrowings carried interests ranging from 3.15% to 10.00% per annum as at 31st December, 2008 (2007: 4% to 10%). The borrowings are used to finance the operations of the Group.

The Group's borrowings denominated in currencies other than Renminbi are set out below:

	US$'000	HK$'000
At 31st December, 2008	**4,700**	**86,236**
At 31st December, 2007	13,700	120,000

29. Share Capital

	Number of shares '000	Amount in original currency HK$'000	Shown in the financial statements as RMB'000
Ordinary shares of HK$0.10 each			
Authorised:			
At 31st December, 2008 and 2007	1,000,000	100,000	107,000
Issued and fully paid:			
At 31st December, 2007	433,080	43,308	46,308
Shares repurchased during the year	(36,742)	(3,674)	(3,929)
At 31st December, 2008	**396,338**	**39,634**	**42,379**

During the year, the Company repurchased its own ordinary shares on the Stock Exchange as follows:

Month of repurchase	**Number of shares repurchased** '000	**Highest price paid per share** HK$	**Lowest price paid per share** HK$	**Aggregate price paid** HK$'000
January 2008	5,836	4.47	4.28	25,461
March 2008	10,990	4.15	3.92	44,296
May 2008	4,750	4.00	3.94	18,868
September 2008	15,166	3.60	3.47	53,679

Subsequent to the balance sheet date, the Company repurchased its own ordinary shares on the Stock Exchange as follows:

Month of repurchase	**Number of shares repurchased** '000	**Highest price paid per share** HK$	**Lowest price paid per share** HK$	**Aggregate price paid** HK$'000
January 2009	12,898	3.37	3.30	43,108
March 2009	6,750	3.39	3.37	22,891

30. Share Option Scheme

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 27th May, 2004 for the primary purpose of providing incentives to directors and eligible employees and will expire on 26th May, 2014. Under the Scheme, the Board of Directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares in respect of which options may be granted to any individual at the grant date is not permitted to exceed 1% of the number of shares issued and issuable under the Scheme.

Options granted must be taken up within 28 days of the date of grant, upon payment of HK$1 per option. Options may be exercised at any time from the date of grant of the share option but shall end in any event not later than 10 years from the date of adoption of the Scheme. The exercise price shall be at least the highest of:

(i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the day when the offer is made;

(ii) the average of the closing prices of shares on the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date when an offer is made;

(iii) the nominal value of the shares.

No share option has been granted under the Scheme since adoption.

31. Deferred Taxation

The following are the analysis of major deferred taxation liabilities (assets) recognised by the Group and movements thereon:

	Note	Revaluation of property, plant and equipment RMB'000	Others RMB'000	Total RMB'000
At 1st January, 2007		6,298	(1,749)	4,549
(Credit) Charge to consolidated income statement for the year	9	(1,231)	358	(873)
Charge to equity for the year		6,325	—	6,325
At 31st December, 2007		11,392	(1,391)	10,001
(Credit) Charge to consolidated income statement for the year	9	(796)	2,010	1,214
Credit to equity for the year		(6,282)	—	(6,282)
At 31st December, 2008		**4,314**	**619**	**4,933**

At the balance sheet date, the Group had unused tax losses of approximately RMB39,699,000 (2007: RMB45,171,000) available for offsetting against future profits. No deferred tax asset has been recognised in respect of such tax losses due to the unpredictability of future profit streams. The expiry of unrecognised tax losses are as follows:

	2008 RMB'000	2007 RMB'000
Tax losses without expiry date	**5,587**	5,922
Tax losses expiring on 31st December, 2013	**1,897**	—
Tax losses expiring on 31st December, 2012	**18,879**	18,879
Tax losses expiring on 31st December, 2011	**1,891**	1,891
Tax losses expiring on 31st December, 2010	**6,712**	6,712
Tax losses expiring on 31st December, 2009	**4,733**	4,733
Tax losses expiring on 31st December, 2008	**—**	7,034
	39,699	45,171

Deferred taxation assets and liabilities have not been offset for the purpose of balance sheet presentation as they relate to different taxation authorities. The following is an analysis of the deferred taxation balances for financial reporting purposes:

	2008 RMB'000	2007 RMB'000
Deferred tax liabilities	**7,094**	12,182
Deferred tax assets	**(2,161)**	(2,181)
	4,933	10,001

32. Deferred Government Grants

In 2007, the Group received a government grant of RMB27,000,000 for the purpose of subsidising its investment in a land use right and related production facilities to be constructed in an area located in the development zone of Harbin, the PRC. None of deferred government grants was credited to the income statement for the year ended 31st December, 2008 (2007: Nil)

33. Acquisition of a Subsidiary

In July 2008, the Group acquired 58% of the equity interest of Coslight Newgen Limited, a company engaged in trading of sealed lead acid batteries, at a consideration of RMB159,000.

The fair value of the identifiable assets and liabilities of the acquiree at the date of acquisition and their carrying value determined in accordance with HKFRS immediately before the acquisition are as follows:

	Carrying value and fair value RMB'000
Trade and other receivables	1,313
Inventories	765
Bank balances and cash	175
Trade and other payables	(1,832)
	421
Minority interests	(177)
	244
Discount on acquisition	(85)
Total cash consideration	159
Net cash inflow arising on acquisition	
Cash consideration paid	(159)
Bank balances and cash acquired	175
	16

The subsidiary acquired contributed RMB26,892,000 to the Group's revenue and contributed RMB579,000 to the Group's profit before tax for the year ended 31st December, 2008. The discount on acquisition has been recognised in other net income in the consolidated income statement.

34. Deemed Disposal/Disposal of a Subsidiary

In July 2008, the Group had entered into a share swap agreement with Harbin Coslight Group Co. Limited ("HCG") to which HCG agreed to transfer 50.17% equity interest in Guangyu Huaxia to the Group plus a cash consideration of RMB8,700,000 in consideration of which a subsidiary, Coslight Interactive agreed to issue 50.17% of its share capital to Global Universe Development Limited, a nominee of HCG. Upon the completion of the transaction, the Group was deemed to have disposed of 50.17% interest of Coslight Interactive which became an associate and no longer be a subsidiary of the Group, and a gain on deemed disposal of RMB14,517,000 was recognised in the consolidated income statement. The Group's effective interests in Coslight Network and Costar were then decreased from 100% to 46.16% and these indirect wholly-owned subsidiaries became the associates of the Group. In addition, Guangyu Huaxia became the wholly-owned subsidiary of Coslight Interactive with the Group's effective interest in Guangyu Huaxia remains at 46.16% after the share swap transaction.

In addition, during the year, the Group disposed of it's entire interest in a subsidiary, 瀋陽藍火炬, to an indirectly owned associate, at a consideration of RMB6,050,000, resulting in a decrease of the Group's effective interest in 瀋陽藍火炬 from 80% to 36.93%. This subsidiary became an associate of the Group then.

The disposals had the following effects on the Group's assets and liabilities:

	Coslight Interactive RMB'000	瀋陽藍火炬 RMB'000	2008 RMB'000
Net assets disposal of			
Property, plant and equipment	892	935	**1,827**
Intangible assets	21,585	—	**21,585**
Interest in an associate	59,589	—	**59,589**
Other receivables	427	3,812	**4,239**
Amount due from related companies	20,874	—	**20,874**
Bank balances and cash	790	432	**1,222**
Amount due to related companies	(35,183)	—	**(35,183)**
Other payables	(29,222)	(249)	**(29,471)**
Deferred government grants	—	(990)	**(990)**
Minority interest	—	(788)	**(788)**
	39,752	3,152	**42,904**
Share of net assets upon the completion of deemed disposal/disposal and reclassified as interests in associates	(44,965)	(1,571)	**(46,536)**
Release of exchange reserve upon deemed disposal	(604)	—	**(604)**
Release of goodwill upon disposal	—	2,302	**2,302**
Gain on deemed disposal/disposal	14,517	2,167	**16,684**
Total consideration satisfied by cash consideration	8,700	6,050	**14,750**

34. Deemed Disposal/Disposal of a Subsidiary (Continued)

	Coslight Interactive RMB'000	瀋陽藍火炬 RMB'000	2008 RMB'000
Satisfied by			
Cash received	—	6,050	**6,050**
Consideration receivable included in amount due from related companies	8,700	—	**8,700**
	8,700	6,050	**14,750**
Analysis of net inflow of cash and cash equivalents in respect of the deemed disposal/disposal of a subsidiary			
Cash consideration	—	6,050	**6,050**
Cash and cash equivalents disposed	(790)	(432)	**(1,222)**
Net (outflow)/inflow of cash and cash equivalents	(790)	5,618	**4,828**

35. Related Party Disclosures

During the year, the Group had certain transactions with related parties. Other than those disclosed in notes 19, 22 and 33, details of transactions and balances with these related parties are as follows:

(a) Transactions

Name of related party	Nature of transactions	2008 RMB'000	2007 RMB'000
Related parties in which certain directors of the Company have beneficial interests:			
哈爾濱光宇電綫電纜有限公司 Harbin Guangyu Electric Wire and Cable Company Limited ("HGEWC")	Purchase of raw materials	**2,609**	8,820
哈爾濱開關有限責任公司 Harbin Switch Company Limited ("HBS")	Purchase of raw materials	**861**	444
	Sales of finished goods	**407**	893
	Purchase of a land use right	**–**	7,300
天津自行車三廠技術開發中心 Tianjin Bike Third Factory Technology Development Centre ("TDC")	Purchase of raw materials	**–**	2,190
	Sales of finished goods	**–**	836

35. Related Party Disclosures (Continued)

(b) Balances with related companies

Name of related company	Amount due from 2008 RMB'000	Amount due from 2007 RMB'000	Amount due to 2008 RMB'000	Amount due to 2007 RMB'000
Related parties in which certain directors of the Company have beneficial interests:				
HBS	**15,958**	14,027	**1,696**	–
石家莊光宇高能電池材料有限公司 Shijiazhuang Guangyu Battery Material Company Limited	**553**	583	**–**	–
光宇延邊蓄電池有限公司 Guangyu Yanbian Storage Battery Manufacturing Company Limited	**–**	–	**4,432**	3,302
哈爾濱光宇電源廠 Harbin Guangyu Power Supply Factory	**478**	452	**–**	–
北京兆唐科技有限公司 Beijing Zhaotong Science and Technology Company Limited	**846**	1,297	**54**	40
哈爾濱亞光新型隔板有限公司 Harbin Ya Guang Modern Separators Company Limited	**938**	938	**1,651**	1,701
HGEWC	**5,179**	3,259	**4,813**	3,573

35. Related Party Disclosures (Continued)

(b) Balances with related companies (Continued)

	Amount due from		Amount due to	
Name of related company	**2008 RMB'000**	2007 RMB'000	**2008 RMB'000**	2007 RMB'000
北京光宇在線科技有限責任公司 Beijing Guangyu Online Technology Company Limited	**–**	–	**–**	4,070
光宇廢陽物資分公司 Guangyu Feiyeung Resources Company	**–**	–	**16**	15
哈爾濱長興冶煉廠 Harbin Changxing Smelting Factory	**–**	–	**–**	1
佳運科技有限公司 Easywin Technologies Limited	**–**	–	**738**	163
HCG	**–**	–	**1,956**	1,806
Global Universe Development Limited	**8,700**	–	**–**	–
	32,652	20,556	**15,356**	14,671

35. Related Party Disclosures (Continued)

(c) Balances with minority shareholders

Name of minority shareholder	Amount due from 2008 RMB'000	Amount due from 2007 RMB'000	Amount due to 2008 RMB'000	Amount due to 2007 RMB'000
沈陽東北蓄電池股份有限公司	**1,423**	721	**875**	—
昌都邦達工貿有限公司 Tibet Bangda Industrial & Trade Company Limited	**—**	—	**3,547**	3,947
深圳柏仁塑膠製品有限公司 Shenzhen Boren Plastic Ware Company Limited	**279**	279	**—**	—
哈爾濱格曼電氣自動化設備有限責任公司	**—**	—	**926**	31
TDC	**—**	—	**526**	390
黑龍江辰能哈工大高科技風險投資有限公司	**—**	—	**—**	23,100
	1,702	1,000	**5,874**	27,468

The amounts due from (to) related companies and minority shareholders are unsecured, interest-free and repayable on demand. Details of the amounts due from (to) directors and associates are set out in notes 22 and 23 respectively.

(d) Other arrangements

At 31st December, 2008, RMB429,288,000 (2007: RMB397,905,000) of the Group's bank borrowings were guaranteed by Mr. Song Dian Quan, a director of the Company.

In addition, at 31st December, 2008, none (2007: RMB6,500,000) of the Group's bank borrowings was guaranteed by Mr. Gao Xue Feng, a minority shareholder of a subsidiary.

35. Related Party Disclosures (Continued)

(e) Compensation of key management personnel

The remunerations of directors and other members of key management during the year are as follows:

	2008 RMB'000	2007 RMB'000
Short-term benefits	**1,617**	2,390
Post-employment benefits	**24**	40
	1,641	2,430

The remunerations of directors and key management were determined by the remuneration committee having regard to the performance of individuals and market trends.

36. Financial Risk Management Objectives and Policies

The Group's major financial instruments include trade and other receivables, pledged bank deposits, bank balances, trade and other payables, bank and other borrowings and amounts due from/to related parties/associates. Details of these financial instruments are disclosed in the respective notes to the financial statements. The risks associated with certain of these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Interest rate risk

The Group is exposed to interest rate risk through variable interest rates borrowings and bank deposits. The Group currently does not have an interest rate hedging policy. However, management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arises.

Since a majority of the Group's borrowings as at 31st December, 2008 bore fixed interest rates, management considers that the Group's exposure to interest rate risk is insignificant.

36. Financial Risk Management Objectives and Policies (Continued)

Credit risk

Except for the corporate guarantee provided by the Group to an independent third party to the extent of RMB148,400,000 (2007: RMB131,000,000), the carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Group's exposure to credit risk. In order to minimise the credit risk, management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

The credit risk on bank deposits is limited because the counterparties are banks with good reputation.

Foreign currency risk

The Group has transactional currency exposures. Such exposure mainly arises from sales or purchases by an operating unit in currencies other than Renminbi and bank borrowings and bank balances denominated in currencies other than Renminbi. The Group's exposure to foreign currency risk mainly arises from changes in exchange rates of United State dollar/Hong Kong dollar against Renminbi.

The sensitivity analysis below has been determined assuming that a change in foreign exchange rates had occurred at the balance sheet date and had been applied to Group's exposure to currency risk for all financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant. The 10% change of Renminbi against United State dollar/Hong Kong dollar represents management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual balance sheet date. The analysis is performed on the same basis for 2007.

	Increase (Decrease) in profit	
	10% increase	**10% decrease**
	RMB'000	RMB'000
As at 31st December, 2008	**(181)**	**181**
As at 31st December, 2007	(1,091)	1,091

36. Financial Risk Management Objectives and Policies (Continued)

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank borrowings and financing from related parties. The maturity profile of the Group's financial liabilities at the balance sheet date based on contractual undiscounted payments are summarised below:

	On demand RMB'000	Less than 3 months RMB'000	3-12 months RMB'000	1-5 years RMB'000	Total RMB'000
At 31st December, 2008					
Trade and other payables	**419,910**	**191,545**	**64,036**	**–**	**675,491**
Amounts due to related companies	**15,356**	**–**	**–**	**–**	**15,356**
Amounts due to minority shareholders	**5,874**	**–**	**–**	**–**	**5,874**
Amounts due to associates	**180,627**	**–**	**–**	**–**	**180,627**
Current tax liabilities	**19,236**	**–**	**–**	**–**	**19,236**
Other borrowings	**108**	**–**	**–**	**5,000**	**5,108**
Bank borrowings	**–**	**464,911**	**754,200**	**270,818**	**1,489,929**
	641,111	**656,456**	**818,236**	**275,818**	**2,391,621**

	On demand RMB'000	Less than 3 months RMB'000	3-12 months RMB'000	1-5 years RMB'000	Total RMB'000
At 31st December, 2007					
Trade and other payables	384,425	150,972	198,331	–	733,728
Amounts due to related companies	13,556	74	1,041	–	14,671
Amounts due to minority shareholders	27,468	–	–	–	27,468
Amount due to an associate	7,157	–	–	–	7,157
Current tax liabilities	9,695	–	–	–	9,695
Other borrowings	1,120	–	–	–	1,120
Bank borrowings	–	396,825	664,852	328,369	1,390,046
	443,421	547,871	864,224	328,369	2,183,885

37. Capital Management

The objectives of the Group's capital management are to safeguard the entity's ability to continue as a going concern and to provide returns for shareholders. The Group manages its capital structure and makes adjustments, including payment of dividend to shareholders, return capital to shareholders or issue new shares or sell assets to reduce debts, if necessary. No changes were made in the objectives, policies or processes during the years ended 31st December, 2008 and 2007.

The Group monitors capital on the basis of debt-to-adjusted capital ratio, which is net debt divided by adjusted capital. The debt-to-adjusted capital ratio at the balance sheet date is as follows:

	2008 RMB'000	2007 RMB'000
Trade and other payables	**675,491**	733,728
Amounts due to related companies, minority shareholders and associates	**201,857**	49,296
Bank and other borrowings	**1,429,041**	1,312,308
Total debt	**2,306,389**	2,095,332
Add: Proposed dividends	**23,323**	20,300
Less: Pledged bank deposits	**(103,794)**	(108,257)
Bank balances and cash	**(409,247)**	(362,243)
Net debt	**1,816,671**	1,645,132
Total equity	**1,485,567**	1,457,505
Less: Proposed dividends	**(23,323)**	(20,300)
Adjusted capital	**1,462,244**	1,437,205
Net debt-to-adjusted capital ratio	**124%**	114%

38. Fair Value

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices from observable current market transactions.

The directors consider that the carrying amounts of financial assets and financial liabilities in the consolidated financial statements approximate their fair values.

39. Retirement Benefit Plans

Defined contribution plans

The Group operates the MPF Scheme for its qualifying employees in Hong Kong. The assets of the MPF schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes at the lower of HK$1,000 or 5% of the relevant payroll costs per month to the Scheme, which contribution is matched by employees.

The employees of certain subsidiaries in the PRC are members of a state-managed retirement benefit scheme operated by the government. These subsidiaries are required to contribute a certain percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

The total cost charged to consolidated income statement of approximately RMB13,291,000 (2007: RMB6,826,000) represents contributions payable to these schemes by the Group in respect of the current accounting period.

40. Pledge of Assets

At the balance sheet date, the Group's banking facilities were secured by the following:

(i) certain of the Group's land use rights and property, plant and equipment with an aggregate carrying value of approximately RMB150,665,000 (2007: RMB140,752,000).

(ii) personal guarantee given by a director as set out in note 35(d).

(iii) certain of the trade receivables with an aggregate amount of approximately RMB50,000,000 (2007: RMB83,128,000).

(iv) Pledged bank deposits with an aggregate amount of approximately RMB103,794,000 (2007: RMB108,257,000).

41. Operating Leases

During the year, rentals payable by the Group for certain of its office premises amounted to RMB4,914,000 (2007: RMB8,127,000).

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2008 **RMB'000**	2007 RMB'000
Within one year	**5,962**	6,193
In the second to fifth year inclusive	**17,376**	15,086
Over five years	**12,138**	15,086
	35,476	36,365

Leases are negotiated for a term of one to ten years (2007: one to ten years) and rentals are fixed during the lease period.

42. Capital Commitments

	2008 **RMB'000**	2007 RMB'000
Capital expenditure authorised but not contracted for in respect of acquisition of property, plant and equipment	**583,005**	205,742
Capital expenditure contracted for but not provided in the financial statements in respect of acquisition of property, plant and equipment	**61,274**	98,661

43. Principal Subsidiaries of the Company

Details of the Company's principal subsidiaries at 31st December, 2008 are as follows:

Name of subsidiary	Place of incorporation or registration/ operation	Issued and fully paid share capital/registered capital	Percentage of nominal value of issued ordinary share capital held by the Company		Forms of legal entity	Principal activities
			Directly %	Indirectly %		
Coslight International (B.V.I.) Company Limited	British Virgin Islands/ Hong Kong	US$50,000	100	–	Private limited company	Investment holding
Cosstone Limited Liability Company	Russia	RMB13,561,000	–	100	Private limited company	Mining for production of battery products for group companies
光宇國際有限公司 Coslight International Company Limited	Hong Kong	HK$2	–	100	Private limited company	Provision of management services for the Group

43. Principal Subsidiaries of the Company (Continued)

Name of subsidiary	Place of incorporation or registration/ operation	Issued and fully paid share capital/registered capital	Percentage of nominal value of issued ordinary share capital held by the Company Directly %	Indirectly %	Forms of legal entity	Principal activities
哈爾濱光宇電源股份有限公司 Harbin Coslight Power Company Limited	PRC	RMB231,023,000	–	99.84	Joint stock limited company	Manufacture and sale of lithium ion batteries and sealed lead acid batteries and its accessories
哈爾濱科斯萊特實業有限公司 Harbin Coslight Industrial Company Limited	PRC	US$1,400,000	71.4	28.6	Wholly-owned foreign enterprise	manufacture and sale of sealed lead acid batteries and its accessories
哈爾濱光宇蓄電池股份有限公司 Harbin Coslight Storage Battery Company Limited	PRC	RMB640,190,000	–	89.48	Joint stock limited company	Manufacture and sale of sealed lead acid batteries
沈陽東北蓄電池有限公司 Shenyang Dongbei Storage Battery Company Limited	PRC	RMB80,000,000	50	25	Sino-foreign equity joint venture	Manufacture and sale of sealed lead acid batteries
哈爾濱光宇電氣自動化有限公司 Harbin Coslight Electric Automation Company Limited	PRC	RMB20,000,000	16.2	63.8	Sino-foreign equity joint venture	Manufacture of electricity control devices
西藏昌都光宇利民藥業有限公司 Tibet Changdu Guangyu Limin Pharmaceutical Company Limited	PRC	RMB6,600,000	–	80	Domestic equity joint venture	Manufacture of pharmaceutical products
哈爾濱光宇開關有限公司 Harbin Coslight Switch Company Limited	PRC	RMB2,000,000	–	100	Wholly-owned foreign enterprise	Manufacture of high and low voltage switch

43. Principal Subsidiaries of the Company (Continued)

Name of subsidiary	Place of incorporation or registration/ operation	Issued and fully paid share capital/registered capital	Percentage of nominal value of issued ordinary share capital held by the Company Directly %	Indirectly %	Forms of legal entity	Principal activities
Russia (Golden Stone) Limited Liability Company	Russia	RMB29,930,000	–	100	Private limited company	Mining for production of battery products for group companies
深圳光宇通信設備有限公司 Shenzhen Coslight Communication Equipment Company Limited	PRC	RMB10,500,000	–	100	Sino-foreign equity joint venture	Manufacture and sale of signal strength systems
深圳市力可興電池有限公司 Lexel Battery (Shenzhen) Company Limited	PRC	RMB10,000,000	–	70	Sino-foreign equity joint venture	Manufacture and sale of small-size and sealed rechargeable nickel batteries
延邊光宇電池有限公司 Yanbian Guangyu Battery Company Limited	PRC	RMB500,000	–	98	Domestic equity joint venture	Manufacture and sales of automobile batteries
哈爾濱光宇電子有限公司 Harbin Coslight Electronics Company Limited	PRC	RMB50,000,000	–	100	Wholly-owned foreign enterprise	Manufacture and sales of lead-acid battery for fueling electronic bicycles

43. Principal Subsidiaries of the Company (Continued)

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had any debt securities outstanding at the end of the year.

Consolidated Income Statement

	For the year ended 31st December,				
	2004 RMB'000	2005 RMB'000	2006 RMB'000	2007 RMB'000	**2008** **RMB'000**
Turnover	1,125,046	1,307,449	1,619,747	2,193,632	**2,441,841**
Cost of sales	(743,311)	(882,461)	(1,149,617)	(1,712,215)	**(1,861,570)**
Gross profit	381,735	424,988	470,130	481,417	**580,271**
Other net income	12,629	22,037	23,648	17,622	**23,742**
Distribution and selling costs	(149,133)	(148,334)	(156,852)	(166,749)	**(182,169)**
Administrative expenses	(67,465)	(131,618)	(131,201)	(180,065)	**(196,970)**
Gain on disposal of property, plant and equipment and prepaid lease payments in relation to factory relocation	—	—	—	—	**27,425**
Gain on disposal of a subsidiary	778	—	5,056	—	**2,167**
Gain on disposal of an associate	25	—	—	—	**—**
Gain on deemed disposal of a subsidiary	—	—	—	—	**14,517**
Gain on deemed disposal of partial interests in subsidiaries	—	—	—	63,847	**—**
Finance costs	(34,488)	(38,576)	(44,910)	(54,608)	**(77,245)**
Share of results of associates	—	(3,906)	—	16,616	**72,538**
Profit before taxation	144,081	124,591	165,871	178,080	**264,276**
Income tax expense	(10,990)	(8,642)	(14,021)	(12,912)	**(37,000)**
Profit for the year from continuing operations	133,091	115,949	151,850	165,168	**227,276**
(Loss) Profit for the year from discontinued operation	(6,933)	147	—	—	**—**
Profit for the year	126,158	116,096	151,850	165,168	**227,276**
Attributable to:					
Equity holders of the Company	122,024	110,927	144,575	162,293	**203,523**
Minority interests	4,134	5,169	7,275	2,875	**23,753**
	126,158	116,096	151,850	165,168	**227,276**

Consolidated Balance Sheet

	At 31st December,				
	2004 RMB'000	2005 RMB'000	2006 RMB'000	2007 RMB'000	**2008** **RMB'000**
Total assets	2,077,182	2,356,205	2,851,046	3,601,714	**3,845,286**
Total liabilities	(1,097,759)	(1,244,436)	(1,578,374)	(2,144,209)	**(2,359,719)**
Total equity	979,423	1,111,769	1,272,672	1,457,505	**1,485,567**
Minority interests	(70,810)	(94,007)	(113,374)	(153,611)	**(167,833)**
Equity attributable to equity holders of the Company	908,613	1,017,762	1,159,298	1,303,894	**1,317,734**