2009
ANNUAL REPORT

COSLIGHT

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
17th Floor, Edinburgh Tower
The Landmark
15 Queen's Road
Central
Hong Kong

Auditor

Mazars CPA Limited
42/F., Central Plaza
18 Harbour Road
Wanchai
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

Results

For the year ended 31 December 2009, turnover of the Group amounted to RMB2,402,857,000 (2008: RMB2,441,841,000). The profit attributable to equity holders of the Company for the year amounted to RMB200,924,000 (2008: RMB203,523,000). By the exclusion of non-recurrent gains of RMB44,109,000 in last year, the profit arising from the Group's principal business in fact enjoyed an increase of 26% over that of last year. Earnings per share for the year ended 31 December 2009 was RMB0.5331 (2008: RMB0.4946).

Dividends

The Board has proposed the distribution of final dividend of HK$0.05 per share for the year ended 31 December 2009 (2008: HK$0.07) to shareholders whose names appear in the register of members on 2 June 2010 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 31 July 2010.

Business Review

Sealed Lead-Acid Batteries ("SLA") Products

Turnover of the Group's core business of SLA batteries for 2009 remained at a similar level of last year, amounting to RMB1,781,011,000 (2008: RMB1,793,774,000). Average lead prices were down in 2009, causing a price drop of our products and thus the sales volume of 2009 maintained a good growth over 2008. During the year, our overseas markets were affected by the financial crisis and their sluggish demand resulted in over 50% drop in our export business. Thanks to the robust demand from China's telecom operators for their 3G operations, our sales volume managed to achieve positive growth in 2009.

Mobile Lithium-ion Batteries

For the year ended 31 December 2009, the sales of lithium-ion batteries amounted to approximately RMB345,373,000 (2008: RMB390,709,000), representing a decrease of approximately 11% over last year. Our sales orders were negatively affected by the financial crisis at the beginning of 2009, which caused a year-on-year decrease of sales volume during the year under review. The lithium polymer batteries manufactured by the Company's factory in Zhuhai experienced a significant growth in sales during the year under review, reaching 4.50 million pieces. Lithium polymer batteries can be used in more diverse applications such as various kinds of portable electronic devices, laptops and Bluetooth earphones. For the year ended 31 December 2009, the sales of lithium polymer batteries amounted to approximately RMB87,195,000 (2008: RMB40,325,000), a 116% surge over last year.

Online Games

The Group effectively owns 46.16% shares of Beijing Guangyu Huaxia Technology Corporation Limited ("Guangyu Huaxia"), and Costar Software Limited, both companies specialize in online games operation. During the year under review, the online game "問道" operated by Guangyu Huaxia launched a digital upgrade version and attracted increasing number of online players. The open beta tests of our self-developed games of "創世" and "炫舞吧" were launched and received an overwhelming response. At the 2009 China Game Industry Annual Conference, Coslight's games won the major award of Top 10 Game Operators, whilest "問道" won the Top 10 Most Popular Games Award and Top 10 Most Popular Chinese Culture Games Award. Our dancing-themed game "炫舞吧" was awarded the Top 10 Most Popular Leisure Games Award. The recently contracted game "天驕3" was also voted as one of the Top 10 Most Anticipated Games. During the year under review, the game business contributed RMB87,011,000 (2008: RMB72,538,000) to the Group's profit.

Lithium Ferrite Batteries

In recent years, the Group have invested resources on the R&D of lithium ferrite batteries which are specially designed for electric vehicles and now we have fully developed the know-how that allow us to manufacture products of stable and high performance. Our 70% DOD batteries have a long cycle life of as many as over 3,000 cycles and if used on battery electric vehicles, they can basically last for 8 to 10 years. Thus, they have reached the standard of commercialization. As encouraged by many countries with government subsidy programmes, faster development and growth of application of electric vehicles can be expected, which will bring significant business opportunities to the Group.

The Group's production base for lithium ferrite batteries in the Harbin Economic-Tech & High-Tech Development Zone covers an area of 100,000 square metres. Phase I facilities of 60,000 square metres has been completed and production machineries and equipment have been installed and will commence operation in the first half of 2010.

The Group will self-develop the components and parts, separators, cathode materials, copper foils and aluminium cases to be used for production, and the production facilities are already in place and the calibration is in progress. Once the production facilities commence operation, the Group can greatly benefit from the potential cost-saving and assurance of quality.

The 10Ah battery for use on electric bicycles and motorcycles developed by the Group has been on bulk sales and the market response is satisfactory.

The 40Ah battery for use on hybrid cars developed by the Group has passed client's trials and has been approved by them.

Mineral Products

During the year under review, the civil construction works of the Altai Krai Mines were partly completed, and the construction work on mining shaft formally commenced. It is expected that the construction of ore dressing and mining facilities will be completed in 2010.

Prospects

As all China's telecom operators will cut down their capital expenditures for 2010 and due to the fact that the global economy has not fully recovered from the financial crisis, our exports for 2010 will expect a positive growth as compared to the export sales in 2009, but will not reach the 2008 level. It is expected that China's SLA product market will see keen competition, posting great challenges to both our sales volume and gross margin.

The Group's new SLA battery production base in India is under construction and is expected to commence operation in 2010. India is a huge market with a population of over 1 billion people and its base station construction is in a phase of rapid growth. Moreover, India's power supply system has not fully developed and it is expected that its SLA market will surpass that of China in the future. The completion and operation of our India production base will become a new driver behind the growth of Group's SLA business.

The Group will increase further our production of starter batteries in 2010. In view of the rapid growth of China's auto market, greater growth of demand for starter batteries can be expected. In the coming few years, we will see starter batteries become one of the businesses providing contributions to the Group.

Lithium Ferrite Batteries for Electric Vehicles

Our 10Ah batteries are for use on electric bicycles and motorcycles and we expect to see higher sales in 2010.

Our 40Ah batteries for use on hybrid cars have passed the trials by a number of automakers and all their responses were positive. We also expect that this series of products will have satisfactory sales results in 2010.

Our 100Ah batteries for use on hybrid buses will commence trial runs in the first half of 2010. It is expected that the product will start to generate sales in 2010.

Our 300Ah, 400Ah, 500Ah and 600Ah batteries for use on pure electric buses are expected to commence trial runs in the second half of 2010.

Our 40Ah, 60Ah and 80Ah batteries for use on electric sedans are expected to commence trial runs in the second half of 2010.

We anticipate that in the coming few years, our development and sale of lithium ferrite batteries for electric vehicles will turn into significant growth of our business.

The associates of the Group operate a number of online games, such as "問道", "秦始皇", "炫舞吧", "創世", "幻想之翼", "希望OL", "爭霸天下", "神界", "夢幻蜀山", which have attracted a huge player base. At present, the number of registered users of Coslight's game platform has reached 150 million. On top of maintaining our existing MMORPG games and operating as agent of leisure games, we will continue to develop more large-scale 3D game products and expand our product lines. Apart from offering sophisticated games in China and Korea, we have started to contact some other overseas markets. The Group plans to launch three to five new games in 2010, including the turn-based "夢幻蜀山" and other two leisure games. The internally developed "創世" game will be exported to Taiwan market. Moreover, the Group intends to launch the much awaited "天驕3" game in 2011. With more new games being launched, it is expected that the number of our online players will continue to surge in 2010.

The Group expects that in the next few years, the R&D and operation of online games will have a bigger contribution to our results and continue to provide good return to our shareholders.

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 tireless efforts and devotion.

SONG Dian Quan
Chairman

Harbin, the PRC, 23 April 2010

Management Profile

Directors

Executive Directors

Mr. SONG Dian Quan, aged 54, 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 25 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 46, 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 62, 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 25 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 53, is responsible for production and quality management of the Group. He has over 25 years' experience in the research and development of rechargeable battery products and over 12 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 54, is responsible for the international trading activities of the Group. He has more than 32 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 77, 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 45 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.

Independent Non-executive Directors

Mr. LI Zeng Lin, aged 52, 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 54, 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 52, 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 27 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.

Management Discussion and Analysis

Assets and Liabilities

As at 31 December 2009, the Group has total assets of RMB4,276,895,000 (2008: RMB3,845,286,000) which were financed by current liabilities of RMB2,261,931,000 (2008: RMB2,069,625,000), non-current liabilities of RMB379,107,000 (2008: RMB290,094,000), shareholders' equity of RMB1,435,322,000 (2008: RMB1,317,734,000) and non-controlling interests of RMB200,535,000 (2008: RMB167,833,000).

Liquidity, Financial Resources and Capital Structure

During the year, the Group adopted prudent treasury policies in managing cash resources and bank borrowings. As at 31 December 2009, the Group has bank and cash balances amounted to RMB566,670,000 (2008: RMB409,247,000). The total bank and other borrowings of the Group as at 31 December 2009 were approximately RMB1,591,702,000 (2008: RMB1,429,041,000), amongst which RMB1,269,702,000 will be due to repay within 12 months (2008: RMB1,173,041,000). RMB322,000,000 will be due to repay after 12 months (2008: RMB256,000,000). These borrowings carry interest ranging from 0.16% to 7.23% (2008: from 3.15% to 10.00%) per annum. As at 31 December 2009, 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 1.11 (2008: 1.08). The current ratio of the Group, represented by a ratio between current assets over current liabilities, was 1.26 (2008: 1.29), reflecting the abundance of financial resources.

Charges on Group Assets

As at 31 December 2009, certain prepaid lease payments and property, plant and equipment, and trade receivables of the Group with carrying values of RMB75,637,000 (2008: RMB150,665,000), and RMB265,459,000 (2008: RMB50,000,000), respectively, were pledged to secured bank borrowings of approximately RMB502,762,000 (2008: RMB308,376,000). 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.

Acquisition of a Subsidiary

In September 2009, the Group acquired 100% of the equity interest of Hangzhou Yue Xi Passenger Coach Limited, a company engaged in manufacturing and trading of passenger coach, at a consideration of RMB1,000,000.

Capital Commitments

	The Group	
	2009 RMB'000	2008 RMB'000
Capital expenditure authorised but not contracted for in respect of acquisition of property, plant and equipment	**1,442,273**	583,005
Capital expenditure contracted for but not provided in the financial statements in respect of acquisition of property, plant and equipment	**76,577**	61,274

Employees and Remuneration Policies

As at 31 December 2009, the Group has employed 9,272 (2008: 9,228) employees 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 31 December 2009.

Principal Activities

The Company is an investment holding company.

The principal activities of the Company's principal subsidiaries as at 31 December 2009 are set out in note 43 to the consolidated financial statements.

Results and Appropriations

The results of the Group for the year ended 31 December 2009 are set out in the consolidated income statement on page 28.

The Board has proposed the distribution of final dividend of HK$0.05 per share for the year ended 31 December 2009 to shareholders whose names appear in the register of member on 2 June 2010.

Property, Plant and Equipment

Certain of the Group's property, plant and equipment were revalued at 31 December 2009. The surplus arising on revaluation was approximately RMB39,349,000 (2008: RMB15,081,000), of which approximately RMB35,130,000 (2008: RMB11,758,000) (net of approximately RMB3,777,000 (2008: RMB3,342,000) shared by the non-controlling interests) was credited to the revaluation reserve and approximately RMB442,000 was credited (2008: RMB19,000 was charged) to the consolidated income statement for the year ended 31 December 2009.

Details of movements in property, plant and equipment of the Group during the year are set out in note 13 to the consolidated financial statements.

Share Capital

Details of movements in the Company's share capital are set out in note 28 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 bye-law 87(1) of the bye-laws of the Company, Mr. Li Ke Xue, Mr. Zhang Li Ming and Mr. Liu Xing Quan 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 1 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 bye-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 31 December 2009 are set out in note 7 to the consolidated financial statements.

Remuneration Committee

The Company has established a Remuneration Committee on 1 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 18 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 31 December 2009, 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	69.57%
LUO Ming Hua	Personal	Beneficial owner	3,186,027	0.85%
LI Ke Xue	Personal	Beneficial owner	668,793	0.18%
XING Kai	Personal	Beneficial owner	526,793	0.14%
LIU Xing Quan	Personal	Beneficial owner	118,793	0.03%

Save as disclosed above, as at 31 December 2009, 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 31 December 2009, 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 27 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 27 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 has been 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 31 December 2009 comprised contributed surplus (as classified as special reserve in the financial statements) and retained profits in aggregate amounting to RMB41,480,000 (2008: RMB28,074,000).

Major Customers and Suppliers

Sales to the largest customer and five largest customers of the Group accounted for 14% and 26% of the Group's turnover for the year respectively.

Purchases from the largest supplier and five largest suppliers accounted for 5% and 15% of the Group's total purchases for the year respectively.

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 31 December 2009, the total value of the Group's sale of finished goods to HBS amounted to RMB545,000 (2008: RMB407,000).

II. Purchase of Raw Materials

The Group had purchased some raw materials amounted to RMB878,000 (2007: RMB861,000) 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 31 December 2009, the total value of the Group's purchase of raw material from HGEWC amounted to RMB6,831,000 (2008: RMB2,609,000).

III. Guarantee of Bank Borrowings

RMB422,741,000 (2008: RMB429,288,000) of the Group's bank borrowings were guaranteed by Mr. Song Dian Quan, a director of the Company.

In addition, at 31 December 2009, RMB13,600,000 (2008: RMB Nil) of the Group's bank borrowings was guaranteed by Mr. Gao Xue Feng, a non-controlling shareholder of a subsidiary.

These transactions also constitute related party transactions of the Group during the year and are set out in note 33 to the financial statements pursuant to the requirements under the Hong Kong Accounting Standard 24.

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 '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
May 2009	2,510	3.60	3.56	8,956

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 financial statements of the Group for the year ended 31 December 2009 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 bye-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 31 December 2009.

Auditor

Mazars CPA Limited were first appointed as auditor of the Company in 2007 upon resignation of Deloitte Touche Tohmatsu.

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, 23 April 2010

Corporate Governance Report

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 1 January 2005. The Company has complied throughout the year ended 31 December 2009 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 bye-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 31 December 2009, 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, five 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)*	5/5
Ms. Luo Ming Hua *(Chief Executive Officer)*	5/5
Mr. Li Ke Xue	5/5
Mr. Xing Kai	5/5
Mr. Zhang Li Ming	5/5
Mr. Liu Xing Quan	5/5
Mr. Li Zeng Lin	5/5
Dr. Jiang Zhao Hua	5/5
Mr. Xiao Jian Min	5/5

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 bye-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. Li Ke Xue, Mr. Zhang Li Ming and Mr. Liu Xing Quan.

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 2009, 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. 2008 annual and 2009 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 2009 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 31 December 2009 have been reviewed by the Audit Committee.

Remuneration Committee

The Company has established a Remuneration Committee on 1 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 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.

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 2009, 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 2009 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 42 to the consolidated financial statements.

Nomination Committee

The Company has established a Nomination Committee on 18 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 2009. 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 bye-laws, Mr. Li Ke Xue, Mr. Zhang Li Ming and Mr. Liu Xing Quan 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 2009 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 auditor, Mazars CPA Limited ("Mazars"), have been reviewed by the Audit Committee. auditor's remuneration payable to Mazars by the Company in respect of audit services for the year ended 31 December 2009 amounted to approximately HK$1,650,000. Non-audit service charges amounted to approximately HK$480,000, 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 2008.

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 (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 28 to 98, which comprise the consolidated and the Company's balance sheet as at 31 December 2009, and the consolidated income statement, consolidated statement of comprehensive income, 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 of the Company 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 Company's and Group's affairs as at 31 December 2009 and of the Group's 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, 23 April 2010

Or Ming Chiu
Practising Certificate number: P04786

Consolidated Income Statement

Year ended 31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
Turnover	4	**2,402,857**	2,441,841
Cost of sales		**(1,764,875)**	(1,861,570)
Gross profit		**637,982**	580,271
Other net income	5	**19,518**	23,742
Distribution and selling costs		**(194,882)**	(182,169)
Administrative and other operating expenses		**(229,150)**	(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		**–**	2,167
Gain on deemed disposal of a subsidiary		**–**	14,517
Finance costs	6	**(54,100)**	(77,245)
Share of results of associates		**87,011**	72,538
Profit before taxation		**266,379**	264,276
Income tax expense	8	**(33,981)**	(37,000)
Profit for the year	9	**232,398**	227,276
Attributable to:			
Equity holders of the Company		**200,924**	203,523
Non-controlling interests		**31,474**	23,753
		232,398	227,276
Dividend recognised as distribution during the year	10	**23,167**	18,199
Earnings per share	11		
— Basic and diluted		**RMB53.31 cents**	RMB49.46 cents

Consolidated Statement of Comprehensive Income

Year ended 31 December 2009

	2009 RMB'000	2008 RMB'000
Profit for the year	**232,398**	227,276
Other comprehensive income (loss) for the year, net of tax:		
Exchange difference arising from translation of financial statements of operations outside the People's Republic of China (the "PRC")	**(23,067)**	(64,251)
Deferred tax effects arising on revaluation of property, plant and equipment and change of applicable tax rate (note 30)	**(5,285)**	6,282
Surplus on revaluation of property, plant and equipment	**38,907**	15,100
Other comprehensive income (loss) for the year, net of tax	**10,555**	(42,869)
Total comprehensive income for the year	**242,953**	184,407
Total comprehensive income attributable to:		
Equity holders of the Company	**207,702**	157,312
Non-controlling interests	**35,251**	27,095
	242,953	184,407

Consolidated Balance Sheet

At 31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
Non-current assets			
Property, plant and equipment	13	**1,000,829**	820,492
Mining rights	14	**167,418**	178,073
Other intangible assets	15	**1,028**	6,604
Goodwill	16	**7,248**	4,193
Prepaid lease payments	17	**88,061**	65,856
Interests in associates	18	**146,207**	99,061
Deferred tax assets	30	**13,389**	2,161
		1,424,180	1,176,440
Current assets			
Inventories	19	**377,664**	341,528
Trade and other receivables	20	**1,689,820**	1,729,468
Prepaid lease payments	17	**1,946**	1,456
Amounts due from directors	21	**389**	758
Amounts due from related companies	33	**20,156**	32,652
Amounts due from non-controlling shareholders	33	**1,976**	1,702
Amounts due from associates	22	**66,843**	48,241
Pledged bank deposits	23	**127,251**	103,794
Bank balances and cash	24	**566,670**	409,247
		2,852,715	2,668,846
Current liabilities			
Trade and other payables	25	**682,610**	675,491
Amounts due to related companies	33	**41,342**	15,356
Amounts due to non-controlling shareholders	33	**13,674**	5,874
Amount due to directors	22	**4,502**	—
Amounts due to associates	22	**239,979**	180,627
Current tax liabilities		**10,122**	19,236
Other borrowings — due within one year	26	**15,635**	108
Bank borrowings — due within one year	27	**1,254,067**	1,172,933
		2,261,931	2,069,625
Net current assets		**590,784**	599,221
Total assets less current liabilities		**2,014,964**	1,775,661

	Notes	2009 RMB'000	2008 RMB'000
Capital and reserves			
Share capital	28	40,010	42,379
Reserves		1,395,312	1,275,355
Equity attributable to equity holders of the Company		1,435,322	1,317,734
Non-controlling interests		200,535	167,833
Total equity		1,635,857	1,485,567
Non-current liabilities			
Other borrowings — due after one year	26	–	5,000
Bank borrowings — due after one year	27	322,000	251,000
Deferred tax liabilities	30	13,757	7,094
Deferred government grants	31	43,350	27,000
		379,107	290,094
		2,014,964	1,775,661

Approved and authorised for issue by the Board of Directors on 23 April 2010.

Mr. Song Dian Quan	**Mr. Zhang Li Ming**
Director	*Director*

Balance Sheet

At 31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
Non-current assets			
Investments in subsidiaries	12	298,738	297,449
Property, plant and equipment	13	216	278
		298,954	297,727
Current assets			
Trade and other receivables	20	1,605	1,733
Amount due from related companies	33	1,089	—
Cash and bank balances		27,881	393
		30,575	2,126
Current liabilities			
Trade and other payables	25	2,312	2,180
Amounts due to related companies	33	35,433	8,504
Amounts due to directors	22	4,423	—
		42,168	10,684
Net current liabilities		(11,593)	(8,558)
Total assets less current liabilities		287,361	289,169
Capital and reserves			
Share capital	28	40,010	42,379
Reserves	29	41,480	132,355
Total equity		81,490	174,734
Non current liabilities			
Amounts due to subsidiaries	12	205,871	114,435
		287,361	289,169

Approved and authorised for issue by the Board of Directors on 23 April 2010.

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	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2008	46,308	245,111	34,583	207,435	37,003	4,707	728,747	1,303,894	153,611	1,457,505
Total comprehensive income attributable to equity holders of the Company	–	–	–	–	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	(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 non-controlling shareholders	–	–	–	–	–	–	–	–	(10,778)	(10,778)
Dividends	–	–	–	–	–	–	(18,199)	(18,199)	–	(18,199)
Deemed disposal/Disposal of a subsidiary	–	–	–	–	–	(604)	–	(604)	(788)	(1,392)
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	177	177
Capital contributions by non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	847	847
At 31 December 2008 and 1 January 2009	42,379	122,040	34,583	237,448	42,725	(60,148)	898,707	1,317,734	167,833	1,485,567
Total comprehensive income attributable to equity holders of the Company	–	–	–	–	29,845	(23,067)	200,924	207,702	35,251	242,953
Transfers	–	–	–	41,946	–	–	(41,946)	–	–	–
Realised on depreciation of property, plant and equipment	–	–	–	–	(4,556)	–	4,556	–	–	–
Reduction of share premium and transfer to special reserve (note)	–	(122,040)	122,040	–	–	–	–	–	–	–
Repurchase of share capital (note 28)	(2,369)	–	(64,578)	–	–	–	–	(66,947)	–	(66,947)
Dividends to non-controlling shareholders	–	–	–	–	–	–	–	–	(2,173)	(2,173)
Dividends	–	–	–	–	–	–	(23,167)	(23,167)	–	(23,167)
Acquisition of additional interest in a subsidiary	–	–	–	–	–	–	–	–	(376)	(376)
At 31 December 2009	**40,010**	**–**	**92,045**	**279,394**	**68,014**	**(83,215)**	**1,039,074**	**1,435,322**	**200,535**	**1,635,857**

Note: The application of the share premium account is governed by Section 46(2) of the Bermuda Companies Act. During the year, a special resolution was passed on 4 June 2009 to approve the share premium reduction and the balance of share premium account as at 31 December 2008 of RMB122,040,000 was transferred to special reserve.

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 and the amount transferred from share premium accounts during the year.

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 comprises 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 RMB3,107,000 (2008: RMB4,922,000), which has been dealt with in the financial statements of the Company.

The aggregate amount of the Company's reserves available for distribution to shareholders as at 31 December 2009 was RMB41,480,000 (2008: RMB28,074,000).

	2009 RMB'000	2008 RMB'000
OPERATING ACTIVITIES		
Profit before taxation	266,379	264,276
Adjustments for:		
Depreciation of property, plant and equipment	74,057	66,220
Amortisation of intangible assets	481	476
Amortisation of prepaid lease payments	1,784	1,444
(Surplus) Deficit arising on revaluation of property, plant and equipment	(442)	19
Gain on disposal of a subsidiary	–	(2,167)
Gain on deemed disposal of a subsidiary	–	(14,517)
Discount on acquisition of additional interest in an associate	–	(2,507)
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	(7,110)	(11,676)
Share of results of associates	(87,011)	(72,538)
Deferred income in respect of government grants	(1,350)	—
Loss on disposal of other property, plant and equipment	132	3,082
Impairment loss on exploration and evaluation assets	5,190	—
Impairment loss on trade receivables	29,092	21,081
Impairment loss on trade receivables recovered	(1,341)	(6,474)
Provision for inventories	4,036	1,649
Reversal of provision for inventories	(842)	—
Interest income	(2,646)	(9,688)
Interest expense	54,100	77,245
Operating cash flows before movements in working capital	334,509	288,415
Movements in working capital:		
Inventories	(36,738)	42,175
Trade and other receivables	(39,441)	(48,125)
Amounts due from related companies	12,496	(12,096)
Trade and other payables	(1,671)	16,923
Amounts due to related companies	25,986	546
Cash generated from operations	295,141	287,838
PRC enterprise income tax paid	(52,945)	(26,245)
Net cash generated from operating activities	242,196	261,593

	Notes	2009 RMB'000	2008 RMB'000
INVESTING ACTIVITIES			
Acquisition of mining rights		–	(8,800)
Acquisition of exploration and evaluation assets		–	(1,190)
Purchases of property, plant and equipment		(177,690)	(189,607)
Purchases of prepaid lease payments		(18,480)	–
Acquisition of a subsidiary	32	3,417	16
Acquisition of additional interest in an associate		–	(3,834)
Acquisition of other intangible assets		(95)	(4,662)
Deemed disposal/disposal of a subsidiary		–	4,828
Repayment from (Advance to) associates		21,263	(20,838)
Interest received		2,646	9,688
(Increase) Decrease in pledged bank deposits		(23,457)	4,463
Proceeds on disposal of property, plant and equipment		1,627	597
Advances to non-controlling shareholders		(274)	(702)
Repayment from (Advances to) directors		369	(57)
Deferred government grants received		17,700	–
Net cash used in investing activities		(172,974)	(210,098)
FINANCING ACTIVITIES			
New bank and other borrowings raised		1,081,364	745,003
Capital contributions by non-controlling shareholders		–	847
Repayment of bank and other borrowings		(918,703)	(623,240)
Interest paid		(54,100)	(96,563)
Dividends paid		(18,665)	(18,199)
Dividends paid to non-controlling shareholders		(2,173)	(10,778)
Advances from associates		59,352	152,596
Repurchase of shares		(66,947)	(127,000)
Advances from (Repayment to) non-controlling shareholders		7,800	(21,594)
Net cash generated from financing activities		87,928	1,072
Net increase in cash and cash equivalents		157,150	52,567
Cash and cash equivalents at beginning of year		409,247	362,243
Effect of foreign exchange rate changes		273	(5,563)
Cash and cash equivalents at end of year, represented by bank balances and cash		566,670	409,247

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 HM11, 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 activity of the Company is investment holding. The principal activities of the Company's principal subsidiaries are set out in note 43.

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 2008 financial statements. The adoption of following new/revised HKFRSs that are relevant to the Group effective from the current year had no significant effects on the Group's result and financial position for the current and prior years. A summary of the principal accounting policies adopted by the Group is set out below.

Adoption of new/revised HKFRSs

HKAS 1 (Revised): Presentation of Financial Statements

The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the standard introduces the statement of comprehensive income which presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Group has elected to present two statements: an income statement and a statement of comprehensive income. The adoption has had no impact on the reported results or financial position of the Group.

2. Principal Accounting Policies (Continued)

Adoption of new/revised HKFRSs (Continued)

HKFRS 8: Operating Segments

This standard replaces HKAS 14: Segment Reporting. It requires segment information to be reported based on internal information used by the Group's chief operating decision maker to evaluate the performance of operating segments and allocate resources to those segments and replaces the requirement to determine primary (business) and secondary (geographical) reporting segments previously identified under HKAS 14. Adoption of this standard did not have any effect on the financial position or performance of the Group. The Group determined that the operating segments were the same as the business segments previously identified under HKAS 14.

HKAS 23 (Revised): Borrowing costs

HKAS 23 (Revised) eliminated the option to expenses borrowing costs and requires that borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset should be capitalised as part of the cost of that asset. Since the Group has already been capitalising such borrowing costs, the change has no impact on the financial statements.

Amendments to HKAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate

Amendments to HKAS 27 remove the distinction between dividends distributed from pre- and post-acquisition profits from the definition of the cost method and replace it with a requirement to recognise all dividends received in profit or loss once the entity's right to receive the dividend is established. As from 1 January 2009, all dividends receivable from subsidiaries, associates and jointly controlled entities are recognised in the Company's profit or loss regardless of whether they are made out of the pre- or post-acquisition profits. The carrying amount of the investment in the investee however is assessed for impairment as a result of the investee declaring the dividend. In accordance with the transitional provision in the Amendment, the new policy is applied only prospectively from the current period and thus no restatement to prior periods is necessary.

Improvements to HKFRS (2008)

Improvements to HKFRS (2008) contain improvements to a number of standards aiming to remove inconsistencies and clarify wording in the standards. The adoption of those improvements had resulted in a number of changes in the details of the Company's accounting policies. Of those changes, only those as described below are considered more significant to the Company.

2. Principal Accounting Policies (Continued)

Basis of preparation (Continued)

Amendments to HKFRS 7 Financial Instruments: Disclosures

Amendments to HKFRS 7 require additional disclosure about fair value measurements and liquidity risk. The fair value measurement disclosures and the liquidity risk disclosures are not significantly impacted by the amendments.

Amendments to HKAS 36: Impairment of Assets

The Amendments require additional disclosures to be made when discounted cash flows are used to estimate “fair value less cost to sell”, which are consistent with the disclosures required when the discounted cash flows are used to estimate “value in use”.

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 31 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.

Non-controlling 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, consolidated statement of comprehensive income and within equity in the consolidated balance sheet, separately from equity holders of the Company. Losses applicable to the non-controlling interest in excess of the non-controlling’s interest in the subsidiary’s equity are allocated against the interests of the Group except to the extent that the non-controlling shareholder has a binding obligation and is able to make an additional investment to cover the losses.

2. Principal Accounting Policies (Continued)

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.

In the Company's balance sheet, investments in subsidiaries are stated at cost less accumulated impairment loss. The carrying amount of the investment is reduced to its recoverable amount on an individual basis. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

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 1 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 1 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.

Goodwill arising on an acquisition of a subsidiary for which the agreement date is on or after 1 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.

2. Principal Accounting Policies (Continued)

Goodwill (Continued)

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.

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.

2. Principal Accounting Policies (Continued)

Property, plant and equipment (Continued)

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.

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.

2. Principal Accounting Policies (Continued)

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 at cost in respect of each area of interest.

Costs of 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 are 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 they are transferred 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.

2. Principal Accounting Policies (Continued)

Financial instruments (Continued)

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.

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.

2. Principal Accounting Policies (Continued)

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.

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.

2. Principal Accounting Policies (Continued)

Foreign currency translation (Continued)

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.

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.

2. Principal Accounting Policies (Continued)

Impairment of other assets (Continued)

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.

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.

2. Principal Accounting Policies (Continued)

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.

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.

2. Principal Accounting Policies (Continued)

Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

Future changes in HKFRSs

At the date of authorisation of these financial statements, the HKICPA has issued the following new/ revised HKFRS that are not yet effective for the current year, which the Group has not early adopted.

HKFRS 3 (Revised)	Business Combinations[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
Amendments to HKAS 39	Eligible Hedged Items[1]
Improvements to HKFRS 2009	Improvements to HKFRS 2009[2]
Amendments to HKFRS 2	Share-based Payment — Group Cash-settled Share-based Payment Transaction[3]
Amendments to HKAS 32	Financial Instruments: Presentation — Classification of Rights Issues[4]
HKAS 24 (Revised)	Related Party Disclosures[5]
HKFRS 9	Financial Instruments[6]
HK(IFRIC) — Int 17	Distributions of non-cash Assets to Owners[1]

1 Effective for annual periods beginning on or after 1 July 2009
2 Effective for annual periods beginning on or after 1 July 2009 or 1 January 2010
3 Effective for annual periods beginning on or after 1 January 2010
4 Effective for annual periods beginning or after 1 February 2010
5 Effective for annual periods beginning on or after 1 January 2011
6 Effective for annual periods beginning on or after 1 January 2013

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.

Income taxes

At 31 December 2009, a deferred tax asset of RMB13,389,000 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 RMB39,994,000 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.

Impairment of goodwill

The Company determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Company to make an estimate of the expected cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Details of the estimates used to calculate the recoverable amount are given in note 16.

4. Segment Information

Operating 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.

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. Segment Information

Operating segments

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.

2009

	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	1,781,011	345,373	165,243	111,230	–	2,402,857
Inter-segment sales	1,289	–	–	1,651	(2,940)	–
Total	1,782,300	345,373	165,243	112,881	(2,940)	2,402,857
Interest income	2,352	7	76	211	–	2,646
Result						
Segment result	288,665	(8,631)	7,423	(36,807)	–	250,650
Unallocated expenses						(17,182)
Finance costs						(54,100)
Share of results of associates						87,011
Profit before taxation						266,379
Income tax expense						(33,981)
Profit for the year						232,398

4. Segment Information (Continued)

Operating 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	2,117,319	713,735	98,743	289,823	3,219,620
Mining rights					167,418
Interests in associates					146,207
Unallocated assets					743,650
Consolidated total assets					4,276,895
LIABILITIES					
Segment liabilities	542,059	290,312	86,518	79,078	997,967
Unallocated liabilities					1,643,071
Consolidated total liabilities					2,641,038

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	110,570	64,170	1,379	2,141	94,963	273,223
Depreciation and amortisation	34,796	33,227	2,943	–	5,356	76,322
Provision for inventories	464	–	–	–	3,572	4,036
Reversal of provision for inventories	–	–	–	–	(842)	(842)
Impairment loss on trade receivables	729	10,944	2,940	–	14,479	29,092
Impairment loss on trade receivables recovered	–	(1,341)	–	–	–	(1,341)

4. Segment Information (Continued)

Operating segments (Continued)

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
Interest income	2,323	638	247	6,470	–	9,678
Result						
Segment result	284,052	(11,520)	(6,104)	(5,851)	–	260,577
Unallocated income						911
Unallocated interest income						10
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. Segment Information (Continued)

Operating 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
Provision for inventories	–	–	–	–	1,649	1,649
Impairment loss on trade receivables	8,844	12,221	–	–	16	21,081
Impairment loss on trade receivables recovered	(3,539)	(2,931)	–	–	(4)	(6,474)

4. Segment Information (Continued)

Geographical information

The Group operates in two principal geographical areas: The PRC (country of domicile) and Russia.

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's non-current assets including property, plant and equipment, mining rights, other intangible assets and prepaid lease payments. The geographical location of customers is based on the location at which the services were provided or the goods are delivered. The geographical location of the non-current assets is based on the physical location of the assets.

	Revenue from external customers		Non-current assets	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
The PRC	**2,104,964**	1,989,677	**944,903**	831,730
Russia	**85,946**	220,899	**287,485**	238,999
Other countries	**211,947**	231,265	**24,948**	296
	2,402,857	2,441,841	**1,257,336**	1,071,025

Information about major customers

Included in revenues arising from external sales of sealed lead acid batteries and related accessories and lithium-ion batteries of approximately RMB2,126,384,000 (2008: approximately RMB2,184,483,000) is revenue of approximately RMB344,461,000 (2008: approximately RMB431,437,000) which arose from sales to the Group's largest customer.

5. Other Net Income

	2009 RMB'000	2008 RMB'000
Bank interest income	2,646	9,688
Discount on acquisition of additional interest in an associate/a subsidiary	—	2,507
Surplus arising on revaluation of property, plant and equipment	442	—
Other government grants	4,791	6,760
Deferred income — amortisation of government grants (note 31)	1,350	—
Sundry income	10,289	4,787
	19,518	23,742

6. Finance Costs

	2009 RMB'000	2008 RMB'000
Interest on:		
Bank borrowings wholly repayable within five years	71,779	96,563
Other borrowings wholly repayable within five years	—	—
Total borrowing costs	71,779	96,563
Less: Borrowing costs capitalised at a rate of 5.83% (2008: 6.40%) per annum	(17,679)	(19,318)
	54,100	77,245

7. Directors' and Employees' Emoluments

(a) Directors' emoluments

The emoluments paid or payable to each of the 9 (2008: 9) directors are as follows:

2009	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	204	192	179	154	27	96	–	–	–	852
Retirement benefit scheme contributions	3	3	–	3	–	–	–	–	–	9
Total emoluments	207	195	179	157	27	96	–	–	18	879

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

7. Directors' and Employees' Emoluments (Continued)

(b) Employees' emoluments

The five highest paid individuals of the Group included four (2008: two) directors of the Company, details of whose emoluments are set out in (a) above. The emoluments of the remaining one individual (2008: three individuals) are as follows:

	2009 RMB'000	2008 RMB'000
Salaries and other benefits	294	828
Retirement benefit	—	11
	294	839

The emoluments of the one individual (2008: three individuals) with the highest emoluments are within the following bands:

	2009 Number of individuals	2008 Number of individuals
Nil — HK$1,000,000 (equivalent to Nil — RMB884,500)	1	3

During each of the year ended 31 December 2009 and 2008, 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 31 December 2009 and 2008.

8. Income Tax Expense

	Notes	2009 RMB'000	2008 RMB'000
The amount charged to consolidated income statement comprises:			
PRC enterprise income tax		**43,831**	35,786
Deferred taxation (credit) charge	30	**(9,850)**	1,214
		33,981	37,000

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

Pursuant to the Enterprise Income Tax Law of the PRC (the "EIT Law"), the 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 to the EIT Law provide a five-year transition period for this subsidiary which is entitled to a preferential lower tax rate of 9%, 10%, 11% and 24% for the years ending from 2008 to 2011, 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 (2008: 15%).

Under the 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 1 January 2008 onwards. This has led to the recognition of additional deferred tax liabilities of RMB2,317,000 and a charge of the same amount in the consolidated income statement.

8. Income Tax Expense (Continued)

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

	2009 RMB'000	2008 RMB'000
Profit before taxation	**266,379**	264,276
Tax at the domestic income tax rate at 15% (2008: 15%)	**39,957**	39,641
Tax effect of income subject to tax holidays	**(3,335)**	(1,979)
Tax effect of income not taxable and expenses not deductible	**(4,473)**	(6,320)
Tax effect of share of results of associates	**(13,052)**	(10,881)
Tax effect of recognised withholding tax	**2,317**	1,800
Tax effect of tax losses not recognised	**12,567**	12,469
Tax effect of change in tax rate	**–**	2,270
Tax charge for the year	**33,981**	37,000

Details of taxation recognised in other comprehensive income are set out in note 30.

9. Profit for the Year

	Notes	2009 RMB'000	2008 RMB'000
Profit for the year has been arrived at after charging/(crediting):			
Directors' emoluments	7(a)	**879**	991
Retirement benefit scheme contributions (excluding contributions for directors)		**14,165**	13,277
Other staff costs		**198,229**	182,102
Total employee benefit expenses		**213,273**	196,370
Depreciation of property, plant and equipment		**74,057**	66,220
Amortisation of intangible assets (included in administrative expenses and cost of sales)		**481**	476
Total depreciation and amortisation		**74,538**	66,696
Amortisation of prepaid lease payments		**1,784**	1,444
Net foreign exchange losses		**6,467**	1,284
Auditor's remuneration		**1,459**	1,749
Research and development costs		**5,140**	1,558
(Surplus) Deficit arising on revaluation of property, plant and equipment	13	**(442)**	19
Loss on disposal of other property, plant and equipment		**132**	3,082
Gain on disposal of other prepaid lease payments		**—**	(400)
Impairment loss on trade receivables		**29,092**	21,081
Impairment loss on trade receivables recovered		**(1,341)**	(6,474)
Impairment loss on exploration and evaluation assets (included in administrative expenses)		**5,190**	—
Provision for inventories		**4,036**	1,649
Reversal of provision for inventories		**(842)**	—
Cost of inventories recognised as an expense		**1,764,875**	1,861,570

10. Dividend Recognised as Distribution During the Year

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

	2009 RMB'000	2008 RMB'000
2008 final — HK$0.07 (shown as RMB0.06191)	**23,167**	—
2007 final — HK$0.05 (shown as RMB0.04423)	**—**	18,199
	23,167	18,199

The directors have proposed a final dividend of HK$0.05 (2008: HK$0.07) per share for 2009, totalling approximately RMB16,548,000 (2008: RMB23,323,000), which upon approval by the shareholders at the forthcoming annual general meeting, will be paid to the shareholders of the Company whose names appear in the register of members on 2 June 2010. The final dividend, which was proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

11. Earnings Per Share

The calculation of the basic earnings per share is based on the profit attributable to equity holders of the Company of RMB200,924,000 (2008: RMB203,523,000) and the weighted average number of ordinary shares in issue of 376,893,000 (2008: 411,451,000) shares.

Since there were no potential dilutive shares in issue during years ended 31 December 2009 and 2008, basic and diluted earnings per share are the same for both years.

12. Investments in Subsidiaries

	The Company	
	2009 RMB'000	2008 RMB'000
Unlisted shares, at cost	**245,210**	244,857
Due from subsidiaries	**53,528**	52,592
	298,738	297,449
Due to subsidiaries	**205,871**	114,435

The amounts due from (to) subsidiaries are unsecured, interest-free and the settlement of which is neither planned nor likely to occur in the foreseeable future.

Details of subsidiaries which principally affected the results, assets or liabilities of the Group as at 31 December 2009 are set out in note 43.

13. Property, Plant and Equipment

The Group

	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 1 January 2008	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 31 December 2008	5,217	275,956	301,802	6,951	15,399	216,785	822,110
Exchange adjustments	–	–	(52)	(5)	(96)	(2,375)	(2,528)
Additions	–	7,264	54,576	2,843	6,012	148,032	218,727
Acquisition of subsidiary	–	–	548	36	21	–	605
Transfers	–	94,427	30,479	264	1,832	(127,002)	–
Disposals	–	–	–	(32)	(1,727)	–	(1,759)
Revaluation	–	2,111	(32,522)	(1,135)	(2,531)	–	(34,077)
At 31 December 2009	**5,217**	**379,758**	**354,831**	**8,922**	**18,910**	**235,440**	**1,003,078**
Comprising:							
At cost	5,217	–	–	–	–	235,440	240,657
At fair value	–	379,758	354,831	8,922	18,910	–	762,421
	5,217	**379,758**	**354,831**	**8,922**	**18,910**	**235,440**	**1,003,078**
Accumulated depreciation							
At 1 January 2008	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 31 December 2008	1,618	–	–	–	–	–	1,618
Charge for the year	631	17,177	49,900	3,150	3,199	–	74,057
Eliminated on revaluation	–	(17,177)	(49,900)	(3,150)	(3,199)	–	(73,426)
At 31 December 2009	**2,249**	**–**	**–**	**–**	**–**	**–**	**2,249**
Carrying value							
At 31 December 2009	**2,968**	**379,758**	**354,831**	**8,922**	**18,910**	**235,440**	**1,000,829**
At 31 December 2008	3,599	275,956	301,802	6,951	15,399	216,785	820,492

Note: All the buildings are held under medium-term leases and situated in the PRC.

13. Property, Plant and Equipment (Continued)

The Company

	Motor vehicles RMB'000
Valuation	
At 1 January 2008	—
Additions	310
Revaluation	(32)
At 31 December 2008	278
Revaluation	(62)
At 31 December 2009	**216**
Accumulated depreciation	
At 1 January 2008	—
Charge for the year	32
Eliminated on revaluation	(32)
At 31 December 2008	—
Charge for the year	62
Eliminated on revaluation	(62)
At 31 December 2009	**—**
Carrying value	
At 31 December 2009	**216**
At 31 December 2008	278

Property, plant and equipment other than leasehold improvements and construction in progress were revalued at 31 December 2009 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.

13. Property, Plant and Equipment (Continued)

The surplus arising on revaluation of property, plant and equipment was approximately RMB39,349,000 (2008: RMB15,081,000), which are summarised as follows:

	The Group	
	2009 RMB'000	2008 RMB'000
Surplus credited (Deficit charged) to consolidated income statement	**442**	(19)
Surplus credited to other comprehensive income statement		
— attributable to equity holders of the Company	**35,130**	11,758
— attributable to non-controlling interests	**3,777**	3,342
	38,907	15,100
Total surplus arising on revaluation of property, plant and equipment	**39,349**	15,081

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

The Group

2009	**Buildings situated in the PRC RMB'000**	**Plant and machinery RMB'000**	**Furniture, fixtures and equipment RMB'000**	**Motor vehicles RMB'000**
Cost	**396,139**	**549,688**	**29,413**	**35,970**
Accumulated depreciation	**(82,488)**	**(252,897)**	**(20,973)**	**(15,778)**
	313,651	**296,791**	**8,440**	**20,192**

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

13. Property, Plant and Equipment (Continued)

The Company

2009	**Motor vehicles RMB'000**
Cost	310
Accumulated depreciation	(94)
	216

2008	Motor vehicles RMB'000
Cost	310
Accumulated depreciation	(32)
	278

14. Mining Rights

	2009 RMB'000	2008 RMB'000
Cost and carrying value		
At beginning of year	**178,073**	205,171
Exchange adjustments	**(12,796)**	(35,898)
Additions	**2,141**	8,800
At balance sheet date	**167,418**	178,073

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.

15. 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 1 January 2008	—	16,929	14,435	31,364
Additions	5,190	4,656	6	9,852
Disposal of a subsidiary	—	(21,585)	—	(21,585)
At 31 December 2008	5,190	—	14,441	19,631
Additions	—	—	95	95
Write-off	—	—	(310)	(310)
At 31 December 2009	**5,190**	**—**	**14,226**	**19,416**
Accumulated amortisation and impairment losses				
At 1 January 2008	—	—	12,551	12,551
Charge for the year	—	—	476	476
At 31 December 2008	—	—	13,027	13,027
Impairment	5,190	—	—	5,190
Write-off	—	—	(310)	(310)
Charge for the year	—	—	481	481
At 31 December 2009	**5,190**	**—**	**13,198**	**18,388**
Carrying values				
At 31 December 2009	**—**	**—**	**1,028**	**1,028**
At 31 December 2008	5,190	—	1,414	6,604

15. Other Intangible Assets (Continued)

Notes:

a) The exploration and evaluation assets related to the rights for mineral exploration in certain locations in PRC. During the year, the Group carried out a review of the recoverable amount of its explanation and evaluation assets and determined that the assets were fully impaired due to the expiry of exploration license while the status of the renewal application is uncertain as at the balance sheet date.

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.

16. Goodwill

	2009 RMB'000	2008 RMB'000
Cost		
Unamortised cost at beginning of year (note a)	**4,193**	6,495
Addition during the year (note 32)	**3,055**	—
Eliminated on deemed disposal of a subsidiary	**—**	(2,302)
At balance sheet date	**7,248**	4,193
Accumulated impairment losses (note b)		
At beginning of year and at balance sheet date	**—**	—
Carrying amount at balance sheet date	**7,248**	4,193

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 31 December 2004. Before 1 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 11% per annum and 9% per annum were applied to SCC and Hangzhou Yue Xi Passengers Coach Manufactory Co. Ltd. (杭州越西客車製造有限公司) ("HYX") respectively, which represent the risk involved to the business. According to the value in use calculation, the recoverable amounts are 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 31 December 2009. 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.

17. 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 several land use rights at a total consideration of RMB24,480,000.

The amount to be amortised more than twelve months after the balance sheet date amounted to RMB88,061,000 (2008: RMB65,856,000). The amount to be amortised within the next twelve months after the balance sheet date of RMB1,946,000 (2008: RMB1,456,000) is included in current assets.

18. Interests in Associates

	2009 **RMB'000**	2008 RMB'000
Share of net assets	**146,207**	99,061

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

	2009 **RMB'000**	2008 RMB'000
Total assets	**375,088**	316,597
Total liabilities	**(64,486)**	(101,993)
Net assets	**310,602**	214,604
Group's share of net assets of associates	**146,207**	99,061
Share of associates' revenue and profit		
Revenue	**149,342**	141,223
Profit for the year	**87,011**	72,538

18. Interests in Associates (Continued)

At 31 December 2009, the Group had interests in the following associates:

Name of entity	Form of business	Place of establishment	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Indirectly held by subsidiaries	Principal activities
Hong Kong Coslight Network Limited	Incorporated	Hong Kong	46.16%	49.83%	Investment holding
Coslight Interactive Company Limited	Incorporated	Cayman Islands	46.16%	49.83%	Investment holding
Coslight Network Company Limited	Incorporated	British Virgin Islands	46.16%	49.83%	Investment holding
Beijing Guangyu Huaxia Technology Corporation Limited	Incorporated	PRC	46.16%	49.83%	Sales and distribution of online games
瀋陽藍火炬軟件有限公司	Incorporated	PRC	36.93%	39.86%	Software development
Costar Software Limited	Incorporated	PRC	46.16%	49.83%	Sales and distribution of online games
天津盤龍科技有限責任公司	Incorporated	PRC	46.16%	49.83%	Inactive

19. Inventories

	2009 RMB'000	2008 RMB'000
Raw materials	**121,193**	126,300
Work in progress	**112,473**	92,221
Finished goods	**143,998**	123,007
	377,664	341,528

20. 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 by delivery date of trade and bills receivables, net of impairment losses of RMB119,770,000 (2008: RMB92,019,000) (see (b) below), at the balance sheet date:

(a) Ageing analysis

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within 90 days	**760,935**	878,197	**–**	–
More than 90 days, but not exceeding 180 days	**359,303**	385,063	**–**	–
More than 180 days, but not exceeding 270 days	**224,541**	148,288	**–**	–
More than 270 days, but not exceeding 360 days	**122,658**	59,364	**–**	–
More than 360 days, but not exceeding 540 days	**88,346**	76,604	**–**	–
More than 540 days, but not exceeding 720 days	**10,453**	20,625	**–**	–
Trade and bills receivables	**1,566,236**	1,568,141	**–**	–
Other receivables and payments in advance	**123,584**	161,327	**1,605**	1,733
	1,689,820	1,729,468	**1,605**	1,733

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 27. At the balance sheet date, the carrying amount of discounted bills receivable was RMB179,962,000 (2008: RMB172,734,000).

20. Trade and Other Receivables (Continued)

(b) Impairment of trade and bills receivables

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

	The Group	
	2009 RMB'000	2008 RMB'000
At beginning of year	**92,019**	77,412
Impairment loss recognised	**29,092**	21,081
Amount recovered	**(1,341)**	(6,474)
At balance sheet date	**119,770**	92,019

All allowances for doubtful debts as at 31 December 2009 and 2008 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.

(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:

	The Group	
	2009 RMB'000	2008 RMB'000
Neither past due nor impaired	**1,529,288**	1,514,405
Less than 3 months past due	**25,346**	28,719
3 months to 6 months past due	**6,094**	5,641
6 months to 9 months past due	**3,101**	3,465
9 months to 12 months past due	**2,165**	1,793
12 months to 18 months past due	**242**	14,118
Past due but not impaired	**36,948**	53,736
	1,566,236	1,568,141

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.

21. Amounts Due from Directors

Particulars of the amounts due from directors are as follows:

Name of director	Balance at 31.12.2009 RMB'000	Balance at 1.1.2009 RMB'000	Maximum amount outstanding during the year RMB'000
Song Dian Quan	**–**	400	400
Li Ke Xue	**212**	186	212
Xing Kai	**–**	1	1
Zhang Li Ming	**7**	1	20
Liu Xing Quan	**170**	170	170
	389	758	

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

22. Amounts Due From (to) Associates/Directors

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

23. Pledged Bank Deposits

At 31 December 2009 and 2008, these bank deposits, which carry fixed interest rate, were pledged to banks for securing trade financing facilities granted to the Group.

24. Bank Balances and Cash

Included in bank balances and cash are bank deposits of RMB565,517,000 (2008: RMB400,949,000) which bears interest at variable prevailing market rates.

25. Trade and Other Payables

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

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within 30 days	**123,052**	87,660	**–**	–
More than 30 days, but not exceeding 60 days	**68,776**	72,689	**–**	–
More than 60 days, but not exceeding 90 days	**38,439**	60,586	**–**	–
More than 90 days, but not exceeding 180 days	**90,479**	123,680	**–**	–
Over 180 days	**62,895**	43,341		
Trade and bills payables	**383,641**	387,956	**–**	–
Other payables	**298,969**	287,535	**2,312**	2,180
	682,610	675,491	**2,312**	2,180

26. Other Borrowings

At 31 December 2009 and 2008, the other borrowings are unsecured and interest-free.

	2009	2008
	RMB'000	RMB'000
The other borrowings are repayable as follows:		
Within one year or on demand	**15,635**	108
More than one year, but not exceeding two years	**–**	5,000
	15,635	5,108
Less: Amounts due within one year shown under current liabilities	**(15,635)**	(108)
Amounts due after one year shown under non-current liabilities	**–**	5,000

27. Bank Borrowings

	2009 RMB'000	2008 RMB'000
The bank borrowings are repayable as follows:		
Within one year or on demand shown under current liabilities	**1,254,067**	1,172,933
More than one year, but not exceeding two years	**42,000**	58,000
More than two years, but not exceeding three years	**280,000**	193,000
After one year shown under non-current liabilities	**322,000**	251,000
	1,576,067	1,423,933
Analysed as:		
Secured	**502,762**	308,376
Unsecured but guaranteed	**1,073,305**	1,115,557
	1,576,067	1,423,933

The bank borrowings carried interests ranging from 0.16% to 7.23% per annum as at 31 December 2009 (2008: 3.15% to 10.00%). 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 31 December 2009	**11,700**	**56,236**
At 31 December 2008	4,700	86,236

28. 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 31 December 2009 and 2008	1,000,000	100,000	107,000
Issued and fully paid:			
At 31 December 2008	396,338	39,634	42,379
Shares repurchased during the year	(22,158)	(2,216)	(2,369)
At 31 December 2009	**374,180**	**37,418**	**40,010**

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 2009	12,898	3.37	3.30	43,108
March 2009	6,750	3.39	3.37	22,891
May 2009	2,510	3.60	3.56	8,956

29. Reserves

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company

	Share premium RMB'000 (note a)	Special reserve RMB'000 (note b)	Exchange reserve RMB'000 (note c)	Accumulated losses RMB'000	Total RMB'000
At 1 January 2008	245,111	169,764	(7,592)	(118,569)	288,714
Repurchase of shares	(123,071)	–	–	–	(123,071)
Exchange difference arising from translation of financial statements	–	–	(10,167)	–	(10,167)
Dividend paid	–	(18,199)	–	–	(18,199)
Loss for the year	–	–	–	(4,922)	(4,922)
At 31 December 2008 and at 1 January 2009	122,040	151,565	(17,759)	(123,491)	132,355
Transfer	(122,040)	122,040	–	–	–
Repurchase of shares (note 28)	–	(64,578)	–	–	(64,578)
Exchange difference arising from translation of financial statements	–	–	(23)	–	(23)
Dividend paid	–	(23,167)	–	–	(23,167)
Loss for the year	–	–	–	(3,107)	(3,107)
At 31 December 2009	**–**	**185,860**	**(17,782)**	**(126,598)**	**41,480**

Notes:

(a) The application of the share premium account is governed by Section 46(2) of the Bermuda Companies Act. During the year, a special resolution was passed on 4 June 2009 to approve the share premium reduction and the balance of share premium account as at 31 December 2008 of RMB122,040,000 was transferred to special reserve.

(b) 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 and the amount transferred from share premium accounts during the year.

(c) The exchange reserve comprises all foreign exchange differences arising from the translation of financial statements from functional currency to presentation currency.

30. 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 1 January 2008		11,392	(1,391)	10,001
(Credit) Charge to consolidated income statement for the year	8	(796)	2,010	1,214
Credit to other comprehensive income for the year		(6,282)	—	(6,282)
At 31 December 2008		4,314	619	4,933
Credit to consolidated income statement for the year	8	(750)	(9,100)	(9,850)
Charge to other comprehensive income for the year		5,285	—	5,285
At 31 December 2009		**8,849**	**(8,481)**	**368**

At the balance sheet date, the Group had unused tax losses of approximately RMB39,994,000 (2008: RMB39,699,000) 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:

	2009 RMB'000	2008 RMB'000
Tax losses without expiry date	**5,587**	5,587
Tax losses expiring on 31 December 2014	**10,716**	—
Tax losses expiring on 31 December 2013	**39**	1,897
Tax losses expiring on 31 December 2012	**18,049**	18,879
Tax losses expiring on 31 December 2011	**1,891**	1,891
Tax losses expiring on 31 December 2010	**3,712**	6,712
Tax losses expiring on 31 December 2009	**—**	4,733
	39,994	39,699

30. Deferred Taxation (Continued)

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:

	2009 RMB'000	2008 RMB'000
Deferred tax liabilities	**13,757**	7,094
Deferred tax assets	**(13,389)**	(2,161)
	368	4,933

31. Deferred Government Grants

	Notes	2009 RMB'000	2008 RMB'000
At the beginning of year	(a)	**27,000**	—
Received during the year	(b)	**17,700**	27,000
Credited to the income statement	(a)	**(1,350)**	—
At balance sheet date		**43,350**	27,000

Note a: The government grants have been received for the purpose of subsidising its investment in a land use right and related first phrase production facilities to be constructed in an area located in the development zone of Harbin, the PRC. In the second half of 2009, the construction works for related first phrase production facilities has been completed and the government grant shall be amortised as income on a straight-line basis over 20 years (the estimated useful lives of the production plant) to match them with the depreciation on the costs of the related production facilities charged to consolidated income statement. A total of RMB1,350,000 has been credited to the consolidated income statement during the year.

Note b: During the year, the Group received a subsidy of RMB17,700,000 for the purpose of acquiring another land use right and related second phrase production facilities to be constructed in an area located in the development zone of Harbin, the PRC. Since the construction has not yet commenced as at balance sheet date, none of the above subsidy was credited to the consolidated income statement for the year ended 31 December 2009 and no amortisation/depreciation charge was made for the relevant assets.

32. Acquisition of a Subsidiary

In September 2009, the Group acquired 100% of the equity interest of HYX, a company engaged in manufacturing and trading of passenger coach, at a consideration of RMB1,000,000.

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
Property, plant and equipment	605
Trade and other receivables	582
Inventories	2,687
Bank balances and cash	4,417
Trade and other payables	(10,346)
	(2,055)
Goodwill arising on acquisition (note 16)	3,055
Total cash consideration	1,000
Net cash inflow arising on acquisition	
Cash consideration paid	(1,000)
Bank balances and cash acquired	4,417
	3,417

The subsidiary acquired contributed RMB9,911,000 to the Group's revenue and contributed RMB526,000 to the Group's loss before tax for the year ended 31 December 2009. The goodwill on acquisition has been recognised in the consolidated balance sheet.

If the business combination effected during the year had been taken place at the beginning of the year, the revenue and loss attributable to the Group would have been RMB21,933,000 and RMB1,137,000 respectively.

33. Related Party Disclosures

The Group

During the year, the Group had certain transactions with related parties. Other than those disclosed elsewhere in these financial statements, details of transactions and balances with these related parties are as follows:

(a) Transactions

Name of related party	Nature of transactions	2009 RMB'000	2008 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	**6,831**	2,609
哈爾濱開關有限責任公司	Purchase of raw materials	**878**	861
Harbin Switch Company Limited ("HBS")	Sales of finished goods	**545**	407

33. Related Party Disclosures (Continued)

(b) Balances with related companies

Name of related company	Amount due from 2009 RMB'000	Amount due from 2008 RMB'000	Amount due to 2009 RMB'000	Amount due to 2008 RMB'000
Related parties in which certain directors of the Company have beneficial interests:				
HBS	**13,546**	15,958	**673**	1,696
石家莊光宇高能電池材料有限公司 Shijiazhuang Guangyu Battery Material Company Limited	**553**	553	**–**	–
光宇延邊蓄電池有限公司 Guangyu Yanbian Storage Battery Manufacturing Company Limited	**–**	–	**4,432**	4,432
哈爾濱光宇電源廠 Harbin Guangyu Power Supply Factory	**478**	478	**–**	–
北京兆唐科技有限公司 Beijing Zhaotong Science and Technology Company Limited	**785**	846	**54**	54
哈爾濱亞光新型隔板有限公司 Harbin Ya Guang Modern Separators Company Limited	**938**	938	**3**	1,651

33. Related Party Disclosures (Continued)

(b) Balances with related companies (Continued)

Name of related company	Amount due from 2009 RMB'000	Amount due from 2008 RMB'000	Amount due to 2009 RMB'000	Amount due to 2008 RMB'000
HGEWC	**3,553**	5,179	**3,632**	4,813
光宇廢陽物資分公司 Guangyu Feiyeung Resources Company	**—**	—	**16**	16
佳運科技有限公司 Easywin Technologies Limited	**—**	—	**—**	738
HCG	**—**	—	**4,025**	1,956
Global Universe Development Limited	**303**	8,700	**28,507**	—
	20,156	32,652	**41,342**	15,356

33. Related Party Disclosures (Continued)

(c) Balances with non-controlling shareholders

Name of non-controlling shareholder	Amount due from 2009 RMB'000	Amount due from 2008 RMB'000	Amount due to 2009 RMB'000	Amount due to 2008 RMB'000
沈陽東北蓄電池股份有限公司	**1,423**	1,423	**875**	875
昌都邦達工貿有限公司 Tibet Bangda Industrial & Trade Company Limited	**–**	–	**3,547**	3,547
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	**274**	–	**–**	926
天津自行車三廠技術開發中心 Tianjin Bike Third Factory Technology Development Centre	**–**	–	**2,260**	526
Best Chance Technology Limited	**–**	–	**6,992**	–
	1,976	1,702	**13,674**	5,874

The amounts due from (to) related companies and non-controlling shareholders are unsecured, interest-free and repayable on demand. Details of the amounts due from (to) directors and associates are set out in notes 21 and 22 respectively.

33. Related Party Disclosures (Continued)

(d) Other arrangements

At 31 December 2009, RMB422,741,000 (2008: RMB429,288,000) of the Group's bank borrowings were guaranteed by Mr. Song Dian Quan, a director of the Company.

In addition, at 31 December 2009, RMB13,600,000 (2008: RMB Nil) of the Group's bank borrowings was guaranteed by Mr. Gao Xue Feng, a non-controlling shareholder of a subsidiary.

(e) Compensation of key management personnel

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

	2009 RMB'000	2008 RMB'000
Short-term benefits	**870**	1,617
Post-employment benefits	**9**	24
	879	1,641

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

The Company

The amounts due from (to) related companies are unsecured, interest-free and repayable on demand.

34. 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.

34. Financial Risk Management Objectives and Policies (Continued)

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 31 December 2009 bore fixed interest rates, management considers that the Group's exposure to interest rate risk is insignificant.

Credit risk

Except for the corporate guarantee provided by the Group to an independent third party to the extent of RMB125,100,000 (2008: RMB148,400,000), 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.

34. Financial Risk Management Objectives and Policies (Continued)

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 2008.

	Increase (Decrease) in profit or loss	
	10% increase RMB'000	10% decrease RMB'000
As at 31 December 2009	**(4,673)**	**4,673**
As at 31 December 2008	(181)	181

34. 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 and the Company's financial liabilities at the balance sheet date based on contractual undiscounted payments are summarised below:

The Group

	On demand RMB'000	Less than 3 months RMB'000	3-12 months RMB'000	1-5 years RMB'000	Total RMB'000
At 31 December 2009					
Trade and other payables	460,939	155,131	66,382	158	682,610
Amounts due to related companies	41,342	–	–	–	41,342
Amounts due to non-controlling shareholders	13,674	–	–	–	13,674
Amounts due to directors	4,502	–	–	–	4,502
Amount due to associates	239,979	–	–	–	239,979
Current tax liabilities	10,122	–	–	–	10,122
Other borrowings	1,735	8,100	5,800	–	15,635
Bank borrowings	–	505,316	788,309	336,086	1,629,711
Financial guarantee issued	125,100	–	–	–	125,100
	897,393	668,547	860,491	336,244	2,762,675

	On demand RMB'000	Less than 3 months RMB'000	3-12 months RMB'000	1-5 years RMB'000	Total RMB'000
At 31 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 non-controlling 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
Financial guarantee issued	148,400	–	–	–	148,400
	789,511	656,456	818,236	275,818	2,540,021

34. Financial Risk Management Objectives and Policies (Continued)

Liquidity risk (Continued)

The Company

	On demand RMB'000
At 31 December 2009	
Trade and other payables	**2,312**
Amounts due to subsidiaries	**205,871**
Amounts due to related companies	**35,433**
Amounts due to a director	**4,423**
Financial guarantees issued (note 41)	**229,965**
	478,004

	On demand RMB'000
At 31 December 2008	
Trade and other payables	2,180
Amounts due to subsidiaries	114,435
Amounts due to related companies	8,504
Financial guarantees issued (note 41)	286,373
	411,492

35. 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 monitors capital on the basis of net debt-to-adjusted capital ratio, which is net debt divided by adjusted capital. 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, and has maintained the net debt-to-adjusted capital ratio at a range considered as reasonable by management. No changes were made in the objectives, policies or processes during the years ended 31 December 2009 and 2008.

The net debt-to-adjusted capital ratio at the balance sheet date is as follows:

	2009 RMB'000	2008 RMB'000
Trade and other payables	**682,610**	675,491
Amounts due to related companies, non-controlling shareholders, directors and associates	**299,497**	201,857
Bank and other borrowings	**1,591,702**	1,429,041
Total debt	**2,573,809**	2,306,389
Less: Pledged bank deposits	**(127,251)**	(103,794)
Bank balances and cash	**(566,670)**	(409,247)
Net debt	**1,879,888**	1,793,348
Adjusted capital (Comprise all components of equity)	**1,635,857**	1,485,567
Net debt-to-adjusted capital ratio	**115%**	121%

36. 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.

37. 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 RMB14,174,000 (2008: RMB13,291,000) represents contributions payable to these schemes by the Group in respect of the current accounting period.

38. Pledge of Assets

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

(i) certain of the Group's prepaid lease payments and property, plant and equipment with an aggregate carrying value of approximately RMB75,637,000 (2008: RMB150,665,000).

(ii) personal guarantee given by a director as set out in note 33(d).

(iii) certain of the trade receivables with an aggregate amount of approximately RMB265,459,000 (2008: RMB50,000,000).

(iv) Pledged bank deposits with an aggregate amount of approximately RMB127,251,000 (2008: RMB103,794,000).

39. Operating Leases

During the year, rentals payable by the Group for certain of its office premises amounted to RMB5,818,000 (2008: RMB4,914,000).

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

	The Group	
	2009	2008
	RMB'000	RMB'000
Within one year	**7,023**	5,962
In the second to fifth year inclusive	**17,712**	17,376
Over five years	**–**	12,138
	24,735	35,476

Leases are negotiated for a term of one to ten years (2008: one to ten years) and rentals are fixed during the lease period.

40. Capital Commitments

	The Group	
	2009	2008
	RMB'000	RMB'000
Capital expenditure authorised but not contracted for in respect of acquisition of property, plant and equipment	**1,442,273**	583,005
Capital expenditure contracted for but not provided in the financial statements in respect of acquisition of property, plant and equipment	**76,577**	61,274

41. Financial Guarantees Issued

The Group

The Group has issued guarantees in respect of banking facilities granted to an independent third party of RMB125,100,000 (2008: RMB148,400,000) 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 RMB125,100,000 (2008: RMB148,400,000), 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 (2008: RMB160,000,000). As at balance sheet date, the Group has utilised the banking facilities of RMB135,000,000 (2008: RMB160,000,000).

The Company

The Company has issued several guarantees and joint guarantees in respect of banking facilities granted to the subsidiaries to the total extent of RMB229,965,000 (2008:RMB286,373,000) without charge. The Company has not recognised a value for the financial guarantees given in the financial statements as their fair values are insignificant and their transaction price is RMB Nil.

As at 31 December 2009, the directors do not consider it probable that a claim will be made against the Company under these guarantees. The maximum liability of the Company at the balance sheet date under these guarantees is RMB229,965,000 (2008:RMB286,373,000), representing the banking facilities drawn down by the subsidiaries as at balance sheet date.

42. Share Option Scheme

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 27 May 2004 for the primary purpose of providing incentives to directors and eligible employees and will expire on 26 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.

43. Principal Subsidiaries of the Company

Details of the Company's principal subsidiaries at 31 December 2009 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 Directly %	Indirectly %	Forms of legal entity	Principal activities
Coslight Hong Kong Limited	Hong Kong	HK$400,000	100	–	Private limited company	Investment holding
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
哈爾濱光宇電源股份有限公司 Harbin Coslight Power Company Limited	PRC	RMB231,023,000	–	100	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

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
Russia (Golden Stone) Limited Liability Company	Russia	RMB29,930,000	–	100	Private limited company	Mining for production of battery products for group companies

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
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
珠海光宇電池有限公司 Zhuhai Coslight Battery Company Limited	PRC	RMB5,000,000	–	80%	Sino-foreign equity joint venture	Manufacture and sales of lithium-polymer batteries
Coslight Newgen Limited	Russia	RMB274,000	–	58%	Private limited company	Trading of sealed lead acid batteries

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 %	Percentage of nominal value of issued ordinary share capital held by the Company Indirectly %	Forms of legal entity	Principal activities
珠海光宇電源有限公司 Zhuhai Coslight Power Company Limited	PRC	RMB60,184,000	35.44%	64.56%	Sino-foreign equity joint venture	Manufacture and sales of sealed lead acid batteries
杭州越西客車製造有限公司	PRC	RMB1,000,000	–	100%	Wholly-owned domestic enterprise	Manufacture and sales of passengers coach

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 31 December				
	2005 RMB'000	2006 RMB'000	2007 RMB'000	2008 RMB'000	**2009** **RMB'000**
Turnover	1,307,449	1,619,747	2,193,632	2,441,841	**2,402,857**
Cost of sales	(882,461)	(1,149,617)	(1,712,215)	(1,861,570)	**(1,764,875)**
Gross profit	424,988	470,130	481,417	580,271	**637,982**
Other net income	22,037	23,648	17,622	23,742	**19,518**
Distribution and selling costs	(148,334)	(156,852)	(166,749)	(182,169)	**(194,882)**
Administrative expenses and other operating expenses	(131,618)	(131,201)	(180,065)	(196,970)	**(229,150)**
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	—	5,056	—	2,167	**–**
Gain on disposal of an associate	—	—	—	—	**–**
Gain on deemed disposal of a subsidiary	—	—	—	14,517	**–**
Gain on deemed disposal of partial interests in subsidiaries	—	—	63,847	—	**–**
Finance costs	(38,576)	(44,910)	(54,608)	(77,245)	**(54,100)**
Share of results of associates	(3,906)	—	16,616	72,538	**87,011**
Profit before taxation	124,591	165,871	178,080	264,276	**266,379**
Income tax expense	(8,642)	(14,021)	(12,912)	(37,000)	**(33,981)**
Profit for the year from continuing operations	115,949	151,850	165,168	227,276	**232,398**
Profit for the year from discontinued operation	147	—	—	—	**–**
Profit for the year	116,096	151,850	165,168	227,276	**232,398**
Attributable to:					
Equity holders of the Company	110,927	144,575	162,293	203,523	**200,924**
Non-controlling interests	5,169	7,275	2,875	23,753	**31,474**
	116,096	151,850	165,168	227,276	**232,398**

Consolidated Balance Sheet

	At 31 December				
	2005 RMB'000	2006 RMB'000	2007 RMB'000	2008 RMB'000	**2009** **RMB'000**
Total assets	2,356,205	2,851,046	3,601,714	3,845,286	**4,276,895**
Total liabilities	(1,244,436)	(1,578,374)	(2,144,209)	(2,359,719)	**(2,641,038)**
Total equity	1,111,769	1,272,672	1,457,505	1,485,567	**1,635,857**
Non-controlling interests	(94,007)	(113,374)	(153,611)	(167,833)	**(200,535)**
Equity attributable to equity holders of the Company	1,017,762	1,159,298	1,303,894	1,317,734	**1,435,322**