The following is the text of a report, prepared for inclusion in this Prospectus, received from the reporting accountants, Deloitte Touche Tohmatsu, Certificated Public Accountants, Hong Kong.

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24 June 2010

The Directors
Chaowei Power Holdings Limited
BNP Paribas Capital (Asia Pacific) Limited

Dear Sirs,

We set out below our report on the financial information (the "**Financial Information**") relating to Chaowei Power Holdings Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") for each of the three years ended 31 December 2009 and the three months ended 31 March 2010 (the "**Track Record Period**") for inclusion in the prospectus of the Company dated 24 June 2010 (the "**Prospectus**") in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The Company was incorporated in the Cayman Islands on 18 January 2010 as an exempted company with limited liability under the Cayman Islands Companies Law. Pursuant to a group reorganization, as more fully explained in the section headed "Corporate Reorganization" in Appendix VI to the Prospectus (the "**Reorganization**"), the Company became the holding company of the companies now comprising the Group on 9 March 2010.

Throughout the Track Record Period and as at the date of this report, the Company had the following subsidiaries:

Name of company	Place and date of incorporation/ establishment	Issued and fully paid-up share capital/registered capital	Equity interest attributable to the Company as at 31 December 2007	31 December 2008	31 December 2009	31 March 2010	Date of this report	Principal activity
			%	%	%	%	%	
Chaowei Power Group Limited 超威動力集團有限公司 ("**Chaowei BVI**")	British Virgin Islands ("**BVI**") 15 January 2010	US$100	–	–	–	100	100	Investment holding
Chaowei Power (Hong Kong) Limited 超威動力(香港)有限公司 ("**Chaowei HK**")	Hong Kong 22 January 2010	HK$10,000	–	–	–	100	100	Investment holding

Name of company	Place and date of incorporation/ establishment	Issued and fully paid-up share capital/registered capital	Equity interest attributable to the Company as at 31 December 2007	31 December 2008	31 December 2009	31 March 2010	Date of this report	Principal activity
			%	%	%	%	%	
Chaowei Power Technology Limited 超威動力科技有限公司 ("**Chaowei Technology**")	Hong Kong 29 January 2010	HK$10,000	–	–	–	100	100	Research and development
超威電源有限公司 (Chaowei Power Co., Ltd) *(note i)* ("**Chaowei Power**")	The People's Republic of China ("**PRC**") 1 January 1998	RMB210,000,000	100	100	100	100	100	Manufacture and sales of motive batteries
長興眾成電源有限公司 (Changxing Zhongcheng Power Co., Ltd.) *(note i)* ("**Changxing Zhongcheng**")	PRC 1 March 2002	RMB10,000,000	100	100	100	100	100	Manufacture and sales of electrode plates
河南超威電源有限公司 (Henan Chaowei Power Co., Ltd.) *(note i)* ("**Henan Chaowei**")	PRC 25 February 2004	RMB10,000,000	60	60	60	60	60	Manufacture of motive batteries
山東超威電源有限公司 (Shandong Chaowei Power Co., Ltd.) *(note i)* ("**Shandong Chaowei**")	PRC 11 October 2005	RMB10,000,000	90	90	100	100	100	Manufacture of motive batteries
江蘇超威電源有限公司 (Jiangsu Chaowei Power Co., Ltd.) *(note i)* ("**Jiangsu Chaowei**")	PRC 24 May 2006	RMB5,000,000	100	100	100	100	100	Manufacture of motive batteries
安徽超威電源有限公司 (Anhui Chaowei Power Co., Ltd.) *(note i)* ("**Anhui Chaowei**")	PRC 23 April 2007	RMB10,000,000	–	–	80	80	80	Manufacture and sales of motive batteries and electrode plates

(i) The English names of these companies are for reference only and have not been registered.

Other than Chaowei BVI, all subsidiaries are indirectly held by the Company.

The financial year end date of all the companies now comprising the Group is 31 December.

No audited financial statements have been prepared for the Company and Chaowei BVI since their incorporation as there is no statutory audit requirement in the Cayman Islands and BVI. No audited financial statements have been prepared for Chaowei HK and Chaowei Technology since their incorporation.

For the purpose of this report, we have, however, reviewed all the relevant transactions of the Company, Chaowei BVI, Chaowei HK and Chaowei Technology since their respective dates of incorporation and carried out such procedures as we considered necessary for inclusion of the financial information relating to these companies in this report.

The statutory financial statements of the Company's subsidiaries established in the PRC were prepared in accordance with the relevant accounting policies and financial regulations in the PRC (the "**PRC GAAP**"). They were audited by the following certified public accountants registered in the PRC:

Name of subsidiary	**Financial year**	**Name of auditors**
Chaowei Power	Financial year ended 31 December 2007	湖州天衡聯合會計師事務所 (Huzhou Tianheng Lianhe Certified Public Accountants Limited)
	Financial years ended 31 December 2008 and 2009	湖州金平會計師事務所 (Huzhou Jinping Certified Public Accountants Limited)
Changxing Zhongcheng	Financial years ended 31 December 2007, 2008 and 2009	湖州金平會計師事務所 (Huzhou Jinping Certified Public Accountants Limited)
Henan Chaowei	Financial years ended 31 December 2007 and 2008	沁陽華鑫會計師事務所有限公司 (Qinyang Huaxin Certified Public Accountants Limited)
	Financial year ended 31 December 2009	中瑞岳華會計師事務所有限公司河南分所(RSM China Certified Public Accounts Limited Henan Branch)

Name of subsidiary	Financial year	Name of auditors
Shandong Chaowei	Financial years ended 31 December 2007, 2008 and 2009	泰安天立明信有限責任會計師事務所 (Tai'an Tianli Mingxin Certified Public Accountants Limited)
Jiangsu Chaowei	Financial years ended 31 December 2007, 2008 and 2009	湖州金平會計師事務所 (Huzhou Jinping Certified Public Accountants Limited)
Anhui Chaowei	Financial year ended 31 December 2009	安徽求實會計師事務所(Anhui Qiushi Certified Public Accountants Limited)

For the purpose of this report, the directors of the Company have prepared the consolidated financial statements of the Company for the Track Record Period (the "**Underlying Financial Statements**") in accordance with International Financial Reporting Standards ("**IFRSs**"). Deloitte Touche Tohmatsu CPA Ltd. has carried out an independent audit on the Underlying Financial Statements in accordance with International Standards on Auditing. We have examined the Underlying Financial Statements in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

The Financial Information of the Group for the Track Record Period as set out in this report has been prepared from the Underlying Financial Statements, on the basis set out in Note 1 of section B below to the Financial Information. No adjustments are considered necessary to the Underlying Financial Statements for the preparation of the Financial Information.

The Underlying Financial Statements are the responsibility of the directors of the Company who approved their issue. The directors of the Company are also responsible for the contents of the Prospectus in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, on the basis of presentation set out in Note 1 of section B below to the Financial Information, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Group as at 31 December 2007, 2008, 2009 and 31 March 2010, and the Company as at 31 March 2010 and of the consolidated results and consolidated cash flows of the Group for the Track Record Period.

The comparative consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity of the Group for the three months ended 31 March 2009 together with the notes thereon have been extracted from the Group's unaudited consolidated financial information for the same period (the "**Interim Financial Information**") which was prepared by the directors of the Company solely for the purpose of this report. We conducted our review in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the International Auditing and Assurance Standards Board. Our review of the Interim Financial Information consists of making enquires, primarily of persons responsible for the financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion on the Interim Financial Information. Based on our review, nothing has come to our attention that causes us to believe that the Interim Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information which conform with IFRSs.

A. FINANCIAL INFORMATION

Consolidated Statements of Comprehensive Income

		Year ended 31 December			Three months ended 31 March	
		2007	2008	2009	2009	2010
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
Revenue	5	1,466,108	2,316,911	2,433,889	562,610	710,548
Cost of sales		(1,133,652)	(1,835,025)	(1,729,886)	(390,179)	(529,310)
Gross profit		332,456	481,886	704,003	172,431	181,238
Other income	6	5,745	13,268	13,721	3,947	16,253
Distribution and selling expenses		(137,892)	(212,607)	(321,906)	(79,890)	(70,590)
Administrative expenses		(64,048)	(63,068)	(83,652)	(16,614)	(22,036)
Research and development expenses		(3,504)	(10,712)	(15,754)	(3,693)	(6,315)
Other expenses		(815)	(3,533)	(4,177)	(731)	(928)
Finance costs	7	(22,791)	(26,189)	(9,582)	(2,662)	(4,119)
Gain on disposal of a subsidiary	41	–	–	3,202	–	–
Share of result of an associate		–	–	(2,151)	(158)	–
Profit before taxation	8	109,151	179,045	283,704	72,630	93,503
Income tax expense	11	(16,888)	(35,417)	(57,657)	(16,274)	(14,633)
Profit and total comprehensive income for the year/period		92,263	143,628	226,047	56,356	78,870
Profit and total comprehensive income attributable to:						
Owners of the Company		84,223	128,107	201,912	48,010	74,045
Non-controlling interests		8,040	15,521	24,135	8,346	4,825
		92,263	143,628	226,047	56,356	78,870
Earnings per share, in RMB						
Basic	12	0.26	0.17	0.27	0.06	0.10

Statements of Financial Position

		The Group				The Company
		At 31 December			At 31 March	At 31 March
		2007	2008	2009	2010	2010
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS						
Property, plant and equipment	*14*	169,147	225,377	364,418	418,388	–
Prepaid lease payments-non-current portion	*15*	9,184	34,540	64,899	65,609	–
Investments in subsidiary		–	–	–	–	1
Investment property	*16*	–	–	9,904	9,758	–
Available-for-sale investments		260	280	–	–	–
Deferred tax assets	*17*	8,590	18,481	22,478	21,775	–
Deposits paid for acquisition of property, plant and equipment		10,895	3,363	21,727	19,906	–
Deposit paid for leased machinery		5,000	5,000	–	–	–
Goodwill	*18*	–	–	14,956	14,956	–
		203,076	287,041	498,382	550,392	1
CURRENT ASSETS						
Inventories	*19*	215,147	227,335	470,734	324,521	–
Trade receivables	*20*	56,063	37,149	19,368	43,055	–
Bills receivable	*21*	217,220	161,939	176,330	249,414	–
Prepayments and other receivables	*22*	68,521	62,309	84,550	82,722	7
Amounts due from related parties	*44*	3,365	8,112	4,449	5,855	–
Prepaid lease payments-current portion	*15*	425	932	1,451	1,472	–
Money market funds	*23*	–	100,000	–	–	–
Restricted bank deposits	*24*	82,407	119,006	7,861	200	–
Bank balances and cash	*24*	70,682	177,087	150,842	345,667	2
		713,830	893,869	915,585	1,052,906	9
CURRENT LIABILITIES						
Trade payables	*25*	122,662	159,210	220,159	204,071	–
Bills payable	*26*	3,895	106,157	7,070	–	–
Other payables	*27*	41,081	124,973	140,039	113,544	2
Amounts due to related parties	*44*	8,711	3,656	2,071	60	33
Income tax payable		8,597	14,312	29,017	19,604	–
Dividend payable		–	–	–	65,000	–
Obligations under finance leases-current portion	*28*	5,596	6,174	–	–	–
Deferred income-current portion	*29*	984	1,451	350	350	–
Provision	*30*	33,542	45,164	57,539	64,280	–
Bank borrowings-due within one year	*31*	150,080	116,000	55,000	45,000	–
Other borrowings	*32*	131,511	83,985	–	–	–
		506,659	661,082	511,245	511,909	35
NET CURRENT ASSETS (LIABILITIES)		207,171	232,787	404,340	540,997	(26)
TOTAL ASSETS LESS CURRENT LIABILITIES		410,247	519,828	902,722	1,091,389	(25)

		The Group				The Company
		At 31 December			At 31 March	At 31 March
		2007	2008	2009	2010	2010
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
CAPITAL AND RESERVES						
Paid-in capital/Share capital	*33*	208,107	210,000	210,000	7	7
Reserves	*34*	142,834	270,941	470,190	744,126	(32)
Equity attributable to owners of the Company		350,941	480,941	680,190	744,133	(25)
Non-controlling interests		17,042	32,563	47,555	52,380	–
TOTAL EQUITY		367,983	513,504	727,745	796,513	(25)
NON-CURRENT LIABILITIES						
Obligations under finance leases-non-current portion	*28*	8,518	4,029	–	–	–
Deferred income-non-current portion	*29*	3,746	2,295	16,829	16,742	–
Deferred tax liabilities	*17*	–	–	2,148	2,134	–
Bank borrowings – due after one year	*31*	30,000	–	156,000	276,000	–
		42,264	6,324	174,977	294,876	–
		410,247	519,828	902,722	1,091,389	(25)

Consolidated Statements of Changes in Equity

	Attributable to owners of the Company						
	Paid-in capital/ share capital *RMB'000*	Statutory surplus reserve *RMB'000*	Other reserves *RMB'000*	Retained earnings *RMB'000*	Subtotal *RMB'000*	Non-controlling interests *RMB'000*	Total *RMB'000*
At 1 January 2007	20,000	4,482	57,398	20,211	102,091	9,002	111,093
Capital contribution from owners	188,107	–	–	–	188,107	–	188,107
Profit and total comprehensive income for the year	–	–	–	84,223	84,223	8,040	92,263
Transfer to reserves	–	9,311	–	(9,311)	–	–	–
Dividend paid by Chaowei Power *(Note 13)*	–	–	–	(23,480)	(23,480)	–	(23,480)
At 31 December 2007	208,107	13,793	57,398	71,643	350,941	17,042	367,983
Capital contribution from owners	1,893	–	–	–	1,893	–	1,893
Profit and total comprehensive income for the year	–	–	–	128,107	128,107	15,521	143,628
Transfer to reserves	–	13,053	–	(13,053)	–	–	–
At 31 December 2008	210,000	26,846	57,398	186,697	480,941	32,563	513,504
Acquisition of a subsidiary	–	–	–	–	–	4,962	4,962
Disposal of partial interest in a subsidiary	–	–	296	–	296	1,987	2,283
Capital contribution from non-controlling shareholders	–	–	250	–	250	1,000	1,250
Acquisition of additional interest in a subsidiary	–	–	(3,209)	–	(3,209)	(9,092)	(12,301)
Dividend paid to non-controlling shareholders	–	–	–	–	–	(8,000)	(8,000)
Profit and total comprehensive income for the year	–	–	–	201,912	201,912	24,135	226,047
Transfer to reserves	–	22,056	–	(22,056)	–	–	–
At 31 December 2009	210,000	48,902	54,735	366,553	680,190	47,555	727,745
Profit and total comprehensive income for the period	–	–	–	74,045	74,045	4,825	78,870
Dividend declared by Chaowei Power *(Note 13)*	–	–	–	(65,000)	(65,000)	–	(65,000)
Issue of shares	7	–	–	–	7	–	7
Arising on the Reorganization	(210,000)	–	210,000	–	–	–	–
Debt waived by a related party	–	–	54,891	–	54,891	–	54,891
At 31 March 2010	7	48,902	319,626	375,598	744,133	52,380	796,513
Unaudited							
At 1 January 2009	210,000	26,846	57,398	186,697	480,941	32,563	513,504
Acquisition of additional interest in a subsidiary	–	–	(3,209)	–	(3,209)	(9,092)	(12,301)
Dividend paid to non-controlling shareholders	–	–	–	–	–	(8,000)	(8,000)
Profit and total comprehensive income for the period	–	–	–	48,010	48,010	8,346	56,356
At 31 March 2009	210,000	26,846	54,189	234,707	525,742	23,817	549,559

Consolidated Statements of Cash Flows

	Notes	Year ended 31 December			Three months ended 31 March	
		2007	2008	2009	2009	2010
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
OPERATION ACTIVITIES						
Profit before taxation		109,151	179,045	283,704	72,630	93,503
Adjustments for:						
Dividend income from available for sale investments		(38)	(66)	(74)	–	–
Interest income		(2,440)	(6,334)	(3,653)	(1,189)	(514)
Finance costs		22,791	26,189	9,582	2,662	4,119
Depreciation of property, plant and equipment		13,059	19,524	28,534	5,917	7,666
Depreciation of investment property		–	–	747	–	146
Deferred income arising from sales and leaseback credited to income		(466)	(933)	(1,400)	(233)	–
Amortization of prepaid lease payments		245	426	988	213	313
Loss on disposal of property, plant and equipment		540	2,280	642	195	258
Gain on disposal of prepaid lease payments		–	(1,480)	–	–	–
Share of result of an associate		–	–	2,151	158	–
Gain on disposal of a subsidiary		–	–	(3,202)	–	–
Government grants credited to income		(51)	(51)	(126)	(13)	(87)
Allowance for bad and doubtful debts		2,123	55	1,413	254	554
Allowance for inventories		1,825	6,733	1,754	2,663	4,112
Operating cash flows before movements in working capital		146,739	225,388	321,060	83,257	110,070
(Increase) decrease in inventories		(73,160)	(18,921)	(221,577)	36,322	142,101
(Increase) decrease in receivables, deposits and prepayments		(177,810)	85,746	2,310	5,689	(97,694)
Decrease (increase) in amounts due from related companies		9,471	1,250	1,703	(1,018)	(5,513)
Increase (decrease) in payables, deposits received and accrued charges		44,645	222,826	(54,020)	(68,779)	(50,086)
Decrease in amounts due to related companies		(305)	–	–	–	–
Increase in provision		19,802	11,622	12,375	4,311	6,741
Cash (used in) generated from operations		(30,618)	527,911	61,851	59,782	105,619
Income tax paid		(21,701)	(39,593)	(47,916)	(4,808)	(23,357)
Net cash (used in) generated from operating activities		(52,319)	488,318	13,935	54,974	82,262

	Notes	Year ended 31 December 2007 RMB'000	2008 RMB'000	2009 RMB'000	Three months ended 31 March 2009 RMB'000 (Unaudited)	2010 RMB'000
INVESTING ACTIVITIES						
Purchase of property, plant and equipment		(73,116)	(73,252)	(168,128)	(29,923)	(60,329)
Purchases of available for sale investments		–	(20)	(28)	–	–
Purchases of money market funds		–	(265,000)	(157,000)	(157,000)	–
Addition to prepaid lease payments		–	(25,141)	(17,072)	–	(1,044)
Proceeds on disposal of property, plant and equipment		4,498	2,750	2,723	35	256
Acquisition of subsidiaries	41 & 42	–	–	(50,577)	–	–
Proceeds on disposal of available for sale investments		150	–	308	–	–
Proceeds on disposal of money market funds		–	165,000	257,000	257,000	–
Acquisition of interest in associate		–	–	(10,000)	(10,000)	–
Disposal of a subsidiary	42	–	–	19,583	–	–
Government grants received		–	–	14,959	–	–
Interest received		2,778	6,334	3,653	1,189	514
Dividend received from available for sale investments		38	66	74	–	–
Advance to loans receivable		(679)	(5,394)	–	–	–
Repayment of advance to loans receivable		–	–	3,876	2,908	2,197
Advance to related parties		(70)	(9,831)	(1,874)	(300)	(60)
Repayment from related parties		1,979	3,834	6,117	934	1,884
(Increase) decrease in restricted bank deposits		(62,407)	(36,599)	111,145	14,643	7,661
Net cash (used in) from investing activities		(126,829)	(237,253)	14,759	79,486	(48,921)
FINANCING ACTIVITIES						
Proceeds from issue of shares		–	–	–	–	7
Capital contribution from equity holders		188,107	1,893	1,250	–	–
New bank borrowings raised		290,380	156,000	445,000	70,000	120,000
New other borrowings raised		316,037	311,135	100,000	100,000	–
Repayment of bank borrowings		(279,407)	(220,080)	(352,000)	(40,000)	(10,000)
Repayment of other borrowings		(214,787)	(358,661)	(183,985)	(80,000)	–
Proceeds from a sale and finance leaseback transaction		15,000	–	–	–	–
Dividends paid		(23,480)	–	(8,000)	(8,000)	–
Acquisition of additional interest in a subsidiary		–	–	(12,301)	(12,301)	–
Interest paid		(21,544)	(23,050)	(7,789)	(1,506)	(3,686)
Disposal of partial interest in a subsidiary		–	–	–	–	2,283
Advance from related parties		4,617	71	13,376	–	54,891
Repayment to related parties		(43,570)	(5,126)	(38,461)	(2,000)	(2,011)
Repayments of obligations under finance leases		(8,487)	(6,842)	(12,029)	(3,852)	–
Net cash from (used in) financing activities		222,866	(144,660)	(54,939)	22,341	161,484
Net increase (decrease) in cash and cash equivalents		43,718	106,405	(26,245)	156,801	194,825
Cash and cash equivalents at beginning of the year/period		26,964	70,682	177,087	177,087	150,842
Cash and cash equivalents at end of the year/period, represented by bank balances and cash		70,682	177,087	150,842	333,888	345,667

B. NOTES TO THE FINANCIAL INFORMATION

1. GENERAL INFORMATION AND BASIS OF PRESENTATION OF FINANCIAL INFORMATION

The Company was incorporated in the Cayman Islands on 18 January 2010 as an exempted company with limited liability under the Cayman Islands Companies Law. The registered office of the Company is located at Scotia Centre, 4th Floor, P.O. Box 2804, George Town, Grand Cayman, KY1-1112, Cayman Islands, and its principal place of business is located at Xinxing Industry Park Zhicheng, Changxing, Zhejiang Province, PRC. The Company is an investment holding company and its subsidiaries are mainly engaged in manufacture and sales of motive batteries and other related products.

Prior to the Reorganization, Chaowei Power was a wholly owned subsidiary of United Holdings Worldwide Limited ("**United Holdings**"). Pursuant to the Reorganization, (1) the Company was incorporated and with various transfer of interest agreements, owned by the same shareholders of United Holdings, (2) Chaowei BVI and Chaowei HK were also incorporated and became subsidiaries of the Company and (3) United Holdings transferred its equity interest in Chaowei Power to Chaowei HK. The Company became the holding company of Chaowei Power and its subsidiaries on 9 March 2010. The Group comprising the Company and its subsidiaries resulting from the Reorganization is regarded as a continuing entity.

The consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the Track Record Period include the results, changes in equity and cash flows of the companies now comprising the Group as if the Company had always been the holding company of the Group and the current group structure had been in existence throughout the Track Record Period, or since their respective dates of incorporation/establishment or acquisition where there is a shorter period. The consolidated statements of financial position of the Group as at 31 December 2007, 2008 and 2009 have been prepared to present the consolidated assets and liabilities of the companies now comprising the Group as at 31 December 2007, 2008 and 2009 as if the current group structure had been in existence at that dates, taking into account the effective date of acquisitions of entity from outsiders.

Acquisitions of subsidiaries during the Track Record Period are accounted for from their respective dates of acquisitions by the purchase/acquisition method. Details of the acquisition of subsidiaries during the Track Record Period are set out in Notes 41 and 42.

The Financial Information is presented in Renminbi ("**RMB**"), the currency of the primary economic environment in which the principal subsidiaries of the Company operate (the functional currency of the principal subsidiaries).

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the Financial Information for the Track Record Period, the Group has consistently adopted International Accounting Standards ("**IASs**"), IFRSs, amendments and the related Interpretations ("**IFRICs**"), which are effective for the accounting period beginning on 1 January 2010 throughout the Track Record Period, except for IFRS 3 (revised 2008), which has been applied for business combination for which the acquisition date is on or after 1 January 2010 and IAS 27 (revised 2008) which has been applied for accounting period beginning on 1 January 2010.

At the date of this report, the following new and revised standards, amendments and interpretations have been issued which are not yet effective:

IFRSs (Amendments)	Improvements to IFRSs May 2010[1]
IAS 24 (Revised)	Related Party Disclosures[4]
IAS 32 (Amendment)	Classification of Right Issues[2]
IFRS 1 (Amendment)	Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopter[3]
IFRS 9	Financial Instruments[5]
IFRIC 14 (Amendment)	Prepayments of a Minimum Funding Requirement[4]
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments[3]

1 Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate
2 Effective for annual periods beginning on or after 1 February 2010
3 Effective for annual periods beginning on or after 1 July 2010
4 Effective for annual periods beginning on or after 1 January 2011
5 Effective for annual periods beginning on or after 1 January 2013

The Group has not early adopted these new and revised standards, amendments and interpretations in the preparation of the Financial Information.

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

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared on the historical cost basis, except for certain financial instrument which is measured at fair value, and in accordance with accounting policies set out below.

In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of consolidation

The Financial Information incorporates the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the Track Record Period are included in the consolidated statements of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the equity of the owners of the Company.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Prior to 1 January 2010, losses applicable to the non-controlling interests in excess of the non-controlling interests in the subsidiary's equity were allocated against the interests of the Group except to the extent that the non-controlling interests had a binding obligation and were able to make an additional investment to cover the losses.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interest in a subsidiary that do not result in the Group losing control over the subsidiary are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest determined at the date when control is lost and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognized in other comprehensive income and accumulated in equity, the amounts previously recognized in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings at the date when control is lost). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

Business combinations

Business combinations prior to 1 January 2010

Acquisition of businesses was accounted for using the purchase method. The cost of the acquisition was measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that met the relevant conditions for recognition were generally recognized at their fair values at the acquisition date.

Goodwill arising on acquisition was recognized as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognized immediately in profit or loss.

The non-controlling interest in the acquiree was initially measured at the non-controlling interest's proportion of the net fair value of the assets, liabilities and contingent liabilities recognized.

Business combinations achieved in stages were accounted for as separate steps. Goodwill was determined at each step. Any additional acquisition did not affect previously recognized goodwill.

Business combinations on or after to 1 January 2010

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognized in profit or loss as incurred.

At the acquisition date, the acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3(2008) are recognized at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognized and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;

- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with IFRS 2 Share-based Payment; and

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with IFRS 5.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after assessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests was initially measured at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets.

Where a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognized in profit or loss.

Changes in the value of the previously held equity interest recognized in other comprehensive income and accumulated in equity before the acquisition date are reclassified to profit or loss when the Group obtains control over the acquiree.

Goodwill

Goodwill arising in a business combination is recognized as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date fair value of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant 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, or more frequently when there is an indication that the unit may be impaired. 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 recognized directly in the profit or loss. An impairment loss for goodwill is not reversed in subsequent periods.

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

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from sale of goods is recognized when the goods are delivered and title has passed.

Deposits received from customers prior to meeting the above criteria for revenue recognition are included in the consolidated statements of financial position under current liabilities.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognized when the shareholders' rights to receive payment have been established.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes other than construction in progress are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment other than construction in progress over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

Construction in progress includes 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 any recognized impairment loss. 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, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognized 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 profit or loss in the period in which the item is derecognized.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

If an item of property, plant and equipment carried at cost model becomes an investment property because its use has been changed, evidenced by end of owner-occupation. The carrying amount of the property at the date of transfer is considered as the deemed cost of the investment property at initial recognition. Subsequent to the initial recognition, the investment properties are stated at deemed cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is charged so as to write off the cost of investment property over its estimated useful lives and after taking into account its estimated residual value, using the straight-line method.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. 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 asset) is included in the profit or loss in the period in which the item is derecognized.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognized in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Assets held under finance leases are recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statements of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

Operating lease payments are recognized as an expense on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognized as a reduction of rental expense over the lease term on a straight-line basis.

Sale and leaseback transaction that results in a finance lease continues to recognize the asset at its previous carrying amount. Any excess of sales proceeds over the carrying amount of sold assets shall be deferred and amortized over the lease term.

Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency, i.e. RMB).

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognized in profit or loss in the period in which they arise.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing cost eligible for capitalization.

All other borrowing costs are recognized in profit or loss for the period in which they are incurred.

Government grants

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Government grants related to depreciable assets are recognized as deferred income in the consolidated statements of financial position and transferred to profit or loss over the useful lives of the related assets. Other government grants are recognized as revenue over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

Retirement benefits costs

Payments to defined contribution retirement benefits schemes under the state-managed retirement benefits schemes in PRC are charged as an expense when employees have rendered service entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statements of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of each reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognized in profit or loss, except when it relates to items that are recognized in other comprehensive income or directly in equity, in which case the deferred tax is also recognized in other comprehensive income or directly in equity respectively.

Research and development expenditure

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

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

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

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses (if any), on the same basis as intangible assets acquired separately.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, directs labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

Impairment of tangible assets excluding goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Financial instruments

Financial assets and financial liabilities are recognized on the consolidated statements of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transactions costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are classified into one of the following categories. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Loan and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, bills receivable, other receivables, amounts due from related parties, restricted bank deposits and bank balances) are carried at amortized cost using the effective interest method, less any identified impairment losses (see accounting policy in respect of impairment loss on loans and receivables below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as any of the other categories.

Available-for-sale financial assets are measured at fair value at the end of each reporting period. Changes in fair value are recognized in other comprehensive income and accumulated in investment revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at the end of each reporting period.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognized on an effective interest basis for debt instruments, of which interest income is included in other income.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables and other receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period of 15 days, observable changes in national or local economic conditions that correlate with default on receivables.

An impairment loss is recognized in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss. When a trade receivable and other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognized directly in other comprehensive income and accumulated in investment revaluation reserve.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognized on an effective interest basis.

Financial liabilities

Financial liabilities including bank and other borrowings, trade payables, bills payable, other payables, amounts due to related parties and obligations under finance leases are subsequently measured at amortized cost, using the effective interest method.

Equity instruments

Equity instruments issued by the group entities are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognized when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

Financial liabilities are derecognized when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Provisions

Provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the consideration required to settle the present obligation at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect is material).

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The Group makes estimates and assumptions concerning the future. Estimates and judgments are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Nevertheless, the resulting accounting estimates will seldom equal the related actual results. The estimates and assumptions 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.

Estimated impairment of receivables

Trade receivables and other receivables are measured at initial recognition at fair value, and are subsequently measured at amortized cost using the effective interest method. Appropriate allowances for estimated irrecoverable amounts are recognized in profit and loss when there is objective evidence that the asset is impaired.

In making the estimates, management considered detailed procedures have been in place to monitor this risk. In estimating whether allowance for bad and doubtful debts is required, the Group takes into consideration the ageing status and the likelihood of collection. Following the identification of doubtful debts, the responsible sales personnel discuss with the relevant customers and report on the recoverability. When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the 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. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2007, 2008, 2009 and 31 March 2010, the carrying amounts of trade and other receivables are approximately RMB62,135,000, RMB58,508,000, RMB72,166,000 and RMB79,443,000. Details of movements of allowance for trade receivables and other receivables are disclosed in Notes 20 and 22 respectively.

Warranty

The Group provides a warranty up to fifteen months on all lead-acid motive battery products. Under the terms of warranty, the Group undertakes to repair or replace the battery free of charge in the event of any malfunctioning within the warranty period.

Estimated costs related to product warranty are accrued at the time of sale and are based upon past warranty claims and unit sales history and adjusted as required to reflect actual costs incurred, as information becomes available.

5. REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in the manufacture and sales of motive batteries. The Group's revenue represents the amount received and receivable for sale of motive batteries during the Track Record Period.

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to segments and to assess their performance. The information reported to the President of the Company, who is the Group's chief operating decision maker for the purpose of resource allocation and assessment of performance, does not contain profit or loss information of each product line and the President reviewed the gross profit of the Group as a whole reported under PRC GAAP, which has no any significant differences as compared with gross profit reported under IFRS. Therefore, the operation of the Group constitutes one single reportable segment. Accordingly, no operating segment is presented.

Most of the external revenues of the Group during the Track Record Period are contributable to customers established in the PRC, the place of domicile of the Group's operating entities. Meanwhile, the Group's non-current assets are all located in the PRC.

No revenues from a single external customer amount to 10 percent or more of the Group's revenue during the Track Record Period.

An analysis of revenue by products is as follows:

	Year ended 31 December			Three months ended 31 March	
	2007	**2008**	**2009**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Lead-acid motive batteries for electric bikes	1,297,694	2,051,324	2,335,835	520,257	690,531
Lead-acid motive batteries for electric cars and storage batteries	5,656	9,401	5,752	475	1,633
Materials include lead and active additives	106,188	242,791	92,302	41,878	18,384
Electrode plates	56,570	13,395	–	–	–
	1,466,108	2,316,911	2,433,889	562,610	710,548

6. OTHER INCOME

	Year ended 31 December			Three months ended 31 March	
	2007	2008	2009	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Government grants					
– grants related to income *(note i)*	3,060	3,407	6,970	2,661	14,835
– grants related to assets *(note 29)*	51	51	126	13	87
Interest income	2,440	6,334	3,653	1,189	514
Dividend income from available for sale investments	38	66	74	–	–
Gain on disposal of prepaid lease payments	–	1,480	–	–	–
Insurance compensation *(note ii)*	–	1,444	80	18	11
Rental income	–	–	480	–	300
Others	156	486	2,338	66	506
	5,745	13,268	13,721	3,947	16,253

(i) Government grants include various government subsidies received by the Company's subsidiaries from relevant government bodies in connection with enterprise expansion, technology advancement, environmental protection measures enhancement and product development.

(ii) Insurance compensation for the year ended 31 December 2008 represents the amount received from an insurance company for the operating loss suffered from snow disaster.

7. FINANCE COSTS

	Year ended 31 December			Three months ended 31 March	
	2007	2008	2009	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Interest expenses on:					
Bank borrowings wholly repayable within five years	12,977	14,252	7,615	1,990	4,119
Other borrowings wholly repayable within five years	8,567	9,006	141	39	–
Finance leases	1,247	2,931	1,826	633	–
	22,791	26,189	9,582	2,662	4,119

8. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging (crediting):

	Year ended 31 December			Three months ended 31 March	
	2007	2008	2009	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Wages and salaries	80,542	120,555	159,882	33,844	30,757
Retirement benefits scheme contributions	3,463	5,107	5,031	1,354	737
Labour cost *(Note iii)*	–	–	–	–	16,450
Total staff costs	84,005	125,662	164,913	35,198	47,944
Allowance for (reversal of allowance for) trade receivables *(Note i)*	1,181	(285)	2,466	254	222
Allowance for (reversal of allowance for) other receivables *(Note i)*	942	340	(1,053)	–	332
Allowance for inventories *(Note ii)*	1,825	6,733	1,754	2,663	4,112
Amortization of prepaid lease payments	245	426	988	213	313
Auditors' remuneration	1,932	179	544	49	300
Depreciation of property, plant and equipment	13,059	19,524	28,534	5,917	7,666
Depreciation of investment property	–	–	747	–	146
Loss on disposal of property, plant and equipment	540	2,280	642	195	258

Notes:

(i) The Group assessed at the end of each reporting period the exposure of trade and other receivables with reference to the credit risk of each specific debtors and their aging analysis. Allowance of receivables which were previously provided for was subsequently reversed upon settlement.

(ii) The Group makes allowance for inventories based on assessment of the net realisable value of inventories. Allowances are provided to inventories where events or changes in circumstances indicate that the net realisable value is lower than the cost of inventories at the end of each reporting period. The amount of the inventory allowance was reversed in the period when the net realisable value is recovered subsequently.

(iii) During the three months ended 31 March 2010, the Group entered into labor dispatch agreements with several service organizations, and some of the former employees of the Group are employed by these service organizations and provide service to the Group.

9. DIRECTORS' EMOLUMENTS

Details of emoluments paid by the Group to the directors of the Company during the Track Record Period are as follows:

	Year ended 31 December			Three months ended 31 March	
	2007	**2008**	**2009**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Executive directors					
– Salaries and other allowances	360	1,040	648	269	130
– Performance bonuses	–	–	–	–	–
– Retirement benefits scheme contributions	4	4	4	1	1
Non-executive directors	–	–	–	–	–
Independent non-executive directors	–	–	–	–	–
	364	1,044	652	270	131
Executive directors					
Mr. Zhou Mingming	124	542	288	128	34
Mr. Zhou Longrui	120	251	174	66	44
Ms. Yang Yunfei	120	251	190	76	53
Non-executive directors					
Ms. Deng Xihong	–	–	–	–	–
Independent non-executive directors					
Mr. Wang Jiqiang	–	–	–	–	–
Prof. Ouyang Minggao	–	–	–	–	–
Mr. Lee Conway Kong Wai	–	–	–	–	–
	364	1,044	652	270	131

10. EMOLUMENTS OF THE FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals of the Group during the Track Record Period, included three, three, three and three directors, respectively, for the years ended 31 December 2007, 2008, 2009 and the three months ended 31 March 2010 (three months ended 31 March 2009: three directors), details of their emoluments are set out above. The emoluments of the remaining two, two, two and two individuals respectively for the years ended 31 December 2007, 2008, 2009 and the three months ended 31 March 2010 (three months ended 31 March 2009: two individuals) are as follows:

	Year ended 31 December			Three months ended 31 March	
	2007	**2008**	**2009**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Salaries and other allowances	135	378	479	81	79
Retirement benefits scheme contributions	4	8	8	1	1
	139	386	487	82	80

During the Track Record Period, no emoluments were paid by the Group to the directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived any emoluments during the Track Record Period.

11. INCOME TAX EXPENSES

	Year ended 31 December			Three months ended 31 March	
	2007	**2008**	**2009**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
The charge comprises:					
PRC current income tax	24,420	45,308	62,026	16,612	13,944
Deferred tax *(Note 17)*	(7,532)	(9,891)	(4,369)	(338)	689
	16,888	35,417	57,657	16,274	14,633

The tax charge for the Track Record Period represents income tax in the PRC which is calculated at the prevailing tax rate on the taxable income of subsidiaries established in the PRC.

On 16 March 2007, the National People's Congress promulgated the Law of the People's Republic of China on Enterprise Income Tax (the "**New EIT Law**") by order No. 63 of the President of the PRC which is effective from 1 January 2008.

On 6 December 2007, the State Council issued Implementation Regulation of the New EIT Law. Pursuant to the New EIT Law and Implementation Regulation, a uniform income tax rate of 25% was imposed for both domestic and foreign-invested enterprises. Prior to the New EIT Law, the subsidiaries in the PRC are subject to statutory income tax rate of 33% before taking into account the entitled concessionary tax rates and exemption. The deferred tax in 2007 has been adjusted to reflect the tax rates that are expected to reverse in the respective periods when the asset is realized or the liability is settled.

On 26 December 2007, the New EIT Law's Detailed Implementation Rules and the details of the transitional arrangement were promulgated, respectively. They contemplate various transition periods and measures for previous preferential tax policies, including a grace period of a maximum of 5 years until 2012 for the enterprises which were entitled to a lower income tax rate under the previous tax law and continued implementation of preferential tax treatment with a fixed term until the expiration of such fixed term. In addition, the New EIT Law provides that qualified dividend income between two "resident enterprises" that have a direct investment relationship is exempted from income tax. Otherwise, such dividends will be subject to a 5% to 10% withholding tax under the tax treaty or the domestic law.

Pursuant to the approval of the Zhejiang State Tax Bureau, Chaowei Power which became a foreign investment enterprise in 2006, is exempted from paying PRC income tax for two years starting from the first profit-making year followed by a 50% reduction in income tax rate in the next three years. Chaowei Power commenced its first profit-making year in 2006 and accordingly, income tax has been exempted for year 2006 and 2007, and the applicable income tax rate for 2008 to 2010 was 12.5%.

In accordance with the "Notice of the State Tax Bureau of the Ministry of Finance Regarding Certain Preferential Treatment Policies on Enterprise Income Tax", New and High Technical Enterprise was subject to income tax at a tax rate of 15%. Anhui Chaowei was recognized as New and High Technical Enterprises on 11 November 2009 for 3 years in accordance with the applicable enterprise income tax law of the PRC and was subject to income tax at a tax rate of 15% from 2009 to 2011.

Other subsidiaries established in the PRC were subject to income tax rate of 33% for the year ended 31 December 2007 and 25% for the years ended 31 December 2008, 2009 and the three months ended 31 March 2010. The Company and its subsidiaries incorporated in BVI and Hong Kong had no assessable profits since their incorporation.

The income tax expense for the Track Record Period can be reconciled to the profit before taxation per the consolidated statements of comprehensive income as follows:

	Year ended 31 December			Three months ended 31 March	
	2007	**2008**	**2009**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Profit before taxation	109,151	179,045	283,704	72,630	93,503
Tax at the applicable income tax rate (2007: 33%, 2008, 2009 and three months ended 31 March 2010: 25%)	36,020	44,761	70,926	18,158	23,376
Tax effect of income tax credit granted to a subsidiary in research and development expenditure	(564)	(1,396)	(1,969)	(462)	(789)
Tax effect of expenses not deductible	1,411	1,479	2,233	280	278
Effect of tax exemption and preferential tax rates on income of certain subsidiaries	(20,878)	(9,427)	(13,533)	(1,702)	(8,232)
Tax effect of changes of tax rate	899	–	–	–	–
Income tax expense for the year/period	16,888	35,417	57,657	16,274	14,633

The details of deferred tax for the Track Record Period are set out in Note 17.

12. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to owners of the Company for the Track Record Period is based on the following data:

	Year ended 31 December			Three months ended 31 March	
	2007	**2008**	**2009**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Profit for the year/period attributable to owners of the Company	84,223	128,107	201,912	48,010	74,045

	Year ended 31 December			Three months ended 31 March	
	2007	**2008**	**2009**	**2009**	**2010**
	'000	*'000*	*'000*	*'000*	*'000*
Weighted average number of shares	327,269	748,910	750,000	750,000	750,000

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share has been determined assuming the capitalization issue as disclosed in Appendix VI of the Prospectus occurred on the first day of the Track Record Period, and the assumption that the Reorganization had been effective on 1 January 2007.

No diluted earnings per share is presented as the Company did not have potential ordinary shares outstanding during the Track Record Period.

13. DIVIDENDS

On 30 May 2007, a dividend in the total amount of approximately RMB23,480,000 was declared by Chaowei Power and paid to its then owners.

On 5 March 2010, Chaowei Power declared dividend in the total amount of RMB65,000,000 to its then owners, in which RMB32,500,000 was paid on 8 April 2010.

The rates of distribution and the number of shares ranking for distribution are not presented as such information is not meaningful for the purpose of this report.

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings *RMB'000*	Plant and machinery *RMB'000*	Motor vehicles *RMB'000*	Furniture, fixtures and equipment *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
COST						
At 1 January 2007	60,037	48,432	3,033	9,521	16,190	137,213
Additions	4,529	17,482	1,926	3,020	35,364	62,321
Transfers	8,508	10,692	–	221	(19,421)	–
Disposals	(1,564)	(4,829)	–	–	–	(6,393)
At 31 December 2007	71,510	71,777	4,959	12,762	32,133	193,141
Additions	3,347	39,422	1,144	4,662	32,209	80,784
Transfers	47,779	2,251	–	1,235	(51,265)	–
Disposals	(546)	(5,028)	(1,173)	(737)	–	(7,484)
At 31 December 2008	122,090	108,422	4,930	17,922	13,077	266,441
Additions	4,527	32,492	6,896	2,810	103,039	149,764
Transfers	57,665	4,667	–	2	(62,334)	–
Acquired on acquisition of subsidiaries	16,415	24,529	545	1,563	1,280	44,332
Disposal of a subsidiary	(1,830)	(11,440)	(395)	(1,192)	–	(14,857)
Transfers to investment property	(12,232)	–	–	–	–	(12,232)
Disposals	–	(3,556)	(211)	(2,194)	–	(5,961)
At 31 December 2009	186,635	155,114	11,765	18,911	55,062	427,487
Additions	886	12,057	670	1,224	47,313	62,150
Transfers	6,416	12,984	–	–	(19,400)	–
Disposals	–	(969)	–	(47)	–	(1,016)
At 31 March 2010	193,937	179,186	12,435	20,088	82,975	488,621
DEPRECIATION						
At 1 January 2007	3,506	6,532	792	1,460	–	12,290
Provided for the year	4,029	6,216	751	2,063	–	13,059
Eliminated on disposals	(417)	(938)	–	–	–	(1,355)
At 31 December 2007	7,118	11,810	1,543	3,523	–	23,994
Provided for the year	5,953	9,460	986	3,125	–	19,524
Eliminated on disposals	(46)	(1,313)	(655)	(440)	–	(2,454)
At 31 December 2008	13,025	19,957	1,874	6,208	–	41,064
Provided for the year	8,684	14,258	1,680	3,912	–	28,534
Disposal of a subsidiary	(183)	(1,905)	(66)	(198)	–	(2,352)
Transfers to investment property	(1,581)	–	–	–	–	(1,581)
Eliminated on disposals	–	(1,300)	(83)	(1,213)	–	(2,596)
At 31 December 2009	19,945	31,010	3,405	8,709	–	63,069
Provided for the period	2,146	3,895	682	943	–	7,666
Eliminated on disposals	–	(482)	–	(20)	–	(502)
At 31 March 2010	22,091	34,423	4,087	9,632	–	70,233
CARRYING AMOUNT						
At 31 December 2007	64,392	59,967	3,416	9,239	32,133	169,147
At 31 December 2008	109,065	88,465	3,056	11,714	13,077	225,377
At 31 December 2009	166,690	124,104	8,360	10,202	55,062	364,418
At 31 March 2010	171,846	144,763	8,348	10,456	82,975	418,388

The above items of property, plant and equipment, other than construction in progress, are depreciated on a straight-line basis at the following rates per annum:

Buildings	6.33%–9.5%
Plant and machinery	9.5%
Motor vehicles	19%
Furniture, fixtures and equipment	9.5-19%

Details of property, plant and equipment pledged are set out in Note 37.

15. PREPAID LEASE PAYMENTS

	At 31 December			At 31 March
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepaid lease payments related to land use rights analysed for reporting purposes as:				
Current assets	425	932	1,451	1,472
Non-current assets	9,184	34,540	64,899	65,609
	9,609	35,472	66,350	67,081

The amount represents the prepayment of rentals for land use rights in the PRC for a period of 50 years.

Details of land use rights pledged are set out in Note 37.

16. INVESTMENT PROPERTY

	RMB'000
COST	
At 1 January 2009	–
Transfer from property, plant and equipment	10,651
At 31 December 2009 and 31 March 2010	10,651
DEPRECIATION	
At 1 January 2009	–
Depreciation	747
At 31 December 2009	747
Depreciation	146
At 31 March 2010	893
CARRYING VALUES	
At 31 December 2009	9,904
Ar 31 March 2010	9,758

The fair value of the Group's investment property at 31 March 2010 was RMB21,550,000. The fair value has been arrived at based on a valuation carried out by Jones Lang LaSalle Sallmanns Limited, independent valuers not connected with the Group. The valuation was determined by reference to recent market prices for similar properties in the same locations and conditions.

The above investment property is depreciated on a straight-line basis at 6.33% per annum.

17. DEFERRED TAXATION

The deferred tax assets (liabilities) recognized by the Group and the movements thereon, during the Track Record Period are as follows:

	Allowance for doubtful debts and inventories	Deferred income	Accrual/ provision	Finance lease	Others	Fair value adjustment on assets	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2007	61	808	–	–	189	–	1,058
Credit to profit or loss	772	375	5,648	229	508	–	7,532
At 31 December 2007	833	1,183	5,648	229	697	–	8,590
Credit (charge) to profit or loss	1,558	(246)	8,695	581	(697)	–	9,891
At 31 December 2008	2,391	937	14,343	810	–	–	18,481
Acquisition of a subsidiary	–	–	18	–	–	(2,538)	(2,520)
Credit (charge) to profit or loss	(1,350)	3,358	609	304	1,058	390	4,369
At 31 December 2009	1,041	4,295	14,970	1,114	1,058	(2,148)	20,330
Credit (charge) to profit or loss	589	(22)	(1,940)	(34)	704	14	(689)
At 31 March 2010	1,630	4,273	13,030	1,080	1,762	(2,134)	19,641

The following is the analysis of the deferred tax balances for financial reporting purposes:

	At 31 December			At 31 March
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax assets	8,590	18,481	22,478	21,775
Deferred tax liabilities	–	–	(2,148)	(2,134)
	8,590	18,481	20,330	19,641

Under the new EIT Law, withholding tax is imposed on dividends declared to foreign investors in respect of profit earned by PRC subsidiaries from 1 January 2008 onward. Deferred taxation has not been provided for in the Financial Information in respect of undistributed profits of relevant PRC subsidiaries, as the management confirmed that profits generated in 2008, 2009 and 2010 will not be distributed in the foreseeable future. The aggregate amount of temporary differences associated with undistributed earnings of PRC subsidiaries for which deferred tax liabilities have not been recognized was approximately RMB141,811,000 and RMB387,472,000 and RMB469,699,000 as at 31 December 2008, 31 December 2009 and 31 March 2010 respectively.

On 5 March 2010, Chaowei Power declared dividend amounting to RMB65,000,000. As the amount is paid out of retained earnings generated before 1 January 2008, no withholding tax is required.

18. GOODWILL

	At 31 December			At 31 March
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
COST				
At 1 January	–	–	–	14,956
Arising from acquisition of subsidiaries *(Notes 41 and 42)*	–	–	19,444	–
Eliminated on disposal of a subsidiary *(Note 42)*	–	–	(4,488)	–
At 31 December	–	–	14,956	14,956

On 1 April 2009, Chaowei Power acquired 85% equity interests in Anhui Chaowei from independent third parties at a consideration of approximately RMB43,072,000, resulting in goodwill of RMB14,956,000.

For the purposes of impairment testing, goodwill set out above has been allocated to one individual cash generating unit ("**CGU**"). During the year ended 31 December 2009 and the three months ended 31 March 2010, management of the Group determines that there is no impairment of its CGU. The basis of the recoverable amount of the above CGU and their major underlying assumptions are summarized below:

The recoverable amount has been determined based on a value-in-use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and discount rate of 15.12%. The CGU's cash flows beyond the 5- year period are extrapolated using a steady 5% growth rate. The growth rate used is based on management's best estimation on growth forecasts and does not exceed the average long-term growth rate for the relevant markets. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin. Such estimation is based on the unit's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the CGU to exceed the aggregate recoverable amount.

19. INVENTORIES

	At 31 December			At 31 March
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials	38,703	53,925	220,680	95,205
Work in process	151,301	145,319	219,461	198,086
Finished goods	25,143	28,091	30,593	31,230
	215,147	227,335	470,734	324,521

20. TRADE RECEIVABLES

	At 31 December			At 31 March
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	57,736	38,537	23,222	47,131
Less: allowance for doubtful debts	(1,673)	(1,388)	(3,854)	(4,076)
	56,063	37,149	19,368	43,055

The Group normally allows a credit period of 15 days to its trade customers with trading history, or otherwise sales on cash terms are required.

The aged analysis of trade receivables net of allowance for doubtful debts presented based on the delivery date at the respective reporting dates is as follows:

	At 31 December			At 31 March
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0 – 15 days	43,550	22,167	14,643	36,530
16 – 90 days	8,409	11,782	2,697	4,673
91 – 180 days	3,905	2,787	1,478	1,094
181 – 365 days	199	413	550	758
	56,063	37,149	19,368	43,055

Before accepting any new customer, the Group will internally assess the credit quality of the potential customer and define appropriate credit limits.

Management closely monitors the credit quality of trade receivables and considers the trade receivables that are neither past due nor impaired to be of a good credit quality.

The aged analysis of trade receivables which are past due but not impaired is as follows:

	At 31 December			At 31 March
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
16 – 90 days	8,409	11,782	2,697	4,673
91 – 180 days	3,905	2,787	1,478	1,094
181 – 365 days	199	413	550	758
	12,513	14,982	4,725	6,525

The Group does not hold any collateral over those balances which are past due but not impaired.

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

Impairment for trade receivables over credit period are provided for based on estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience and objective evidences of impairment.

Movements in allowance for trade receivables during the Track Record Period:

	At 31 December			At 31 March
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
1 January	492	1,673	1,388	3,854
Provided	1,181	–	2,466	222
Reversed	–	(285)	–	–
31 December	1,673	1,388	3,854	4,076

In determining the recoverability of the trade receivables, the Group reassesses the credit quality of the trade receivables since the credit was granted and up to the reporting date. Based on the historical experience of the Group, the directors believe that no further allowance is required.

21. BILLS RECEIVABLE

	At 31 December			At 31 March
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bills receivable	217,220	161,939	176,330	249,414

The Group has discounted bills receivable of approximately RMB16,280,000 at 31 December 2007 to banks with full recourse. There were no discounted bills receivable to banks at 31 December 2008, 2009 and 31 March 2010. The Group continues to recognize the full carrying amount of the receivables and has recognized the cash received on the discounting as bank borrowings (see Notes 31 and 37).

The Group has discounted bills receivable of approximately RMB130,226,000, RMB82,700,000, nil and nil at 31 December 2007, 2008, 2009 and 31 March 2010 respectively to third parties with full recourse. The Group continues to recognize the full carrying amount of the receivables and has recognized the cash received on the discounting as other borrowings. (see Notes 32 and 37).

Bills receivable of approximately RMB59,901,000, RMB27,500,000, RMB101,342,000 and RMB93,985,000 at 31 December 2007, 2008, 2009 and 31 March 2010 respectively were endorsed with recourse to third parties and corresponding trade payables of RMB59,901,000, RMB27,500,000, RMB101,342,000 and RMB93,985,000 at 31 December 2007, 2008, 2009 and 31 March 2010 respectively were included in the consolidated statements of financial position accordingly.

The aged analysis of bills receivable presented based on the issue date at the respective reporting dates is as follows:

	At 31 December			At 31 March
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0 – 90 days	98,582	47,039	10,362	169,115
91 – 180 days	118,638	114,900	165,968	80,299
	217,220	161,939	176,330	249,414

22. PREPAYMENTS AND OTHER RECEIVABLES

An analysis of prepayments and other receivables is as follows:

	At 31 December			At 31 March
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepayments to suppliers	62,449	40,950	31,752	46,334
Other receivables	6,072	21,359	52,798	36,388
	68,521	62,309	84,550	82,722

An analysis of other receivables is as follows:

	At 31 December			At 31 March
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Value-added tax recoverable	–	8,951	46,296	18,987
Prepayments to employees	2,087	1,123	2,068	3,244
Loans receivable *(note)*	679	6,073	2,197	–
Others	3,306	5,212	2,237	14,157
	6,072	21,359	52,798	36,388

Note: Loans receivable at the end of each reporting period are unsecured, interest-free and are repayable on demand.

Movements in allowance for other receivables during the Track Record Period:

	At 31 December			At 31 March
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
1 January	–	942	1,282	229
Provided	942	340	–	332
Reversed	–	–	(1,053)	–
31 December	942	1,282	229	561

23. MONEY MARKET FUNDS

The balance represents investment in money funds of a few regulated financial institutions in the PRC. These investments are redeemable based on quoted market price and are carried at fair value at the end of each reporting period.

24. RESTRICTED BANK DEPOSITS AND BANK BALANCES

Restricted bank deposits represent the Group's bank deposits pledged to banks to secure certain facilities granted to the Group by banks.

The restricted bank deposits carry market interest rate of 0.72%, 0.36%, 0.36% and 0.36% per annum as at 31 December 2007, 2008, 2009 and 31 March 2010 respectively.

Bank balances and cash comprise cash and short-term deposits with an original maturity of three months or less which are held with financial institutions and carry interest at prevailing market rate.

Bank balances and cash at 31 December 2007, 2008, 2009 and 31 March 2010 were mainly denominated in RMB which is not a freely convertible currency in the international market. The exchange rate of RMB is determined by the Government of the PRC and the remittance of these funds out of the PRC is subject to exchange restrictions imposed by the Government of the PRC.

25. TRADE PAYABLES

Trade payables principally comprise amounts outstanding for trade purchases and ongoing costs. The Group normally settles its trade payables within 30 days.

The aged analysis of trade payables presented based on the material receiving date at the respective reporting dates is as follows:

	At 31 December			At 31 March
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0 – 30 days	40,751	43,094	72,047	71,982
31 – 90 days	35,106	49,209	68,010	60,066
91 – 180 days	42,129	59,789	66,503	55,669
180 – 365 days	2,659	4,208	9,142	10,050
1 – 2 years	2,017	2,893	2,717	4,427
Over 2 years	–	17	1,740	1,877
	122,662	159,210	220,159	204,071

26. BILLS PAYABLE

The aged analysis of bills payable presented based on issue date at the respective reporting dates is as follows:

	At 31 December			At 31 March
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0 – 90 days	3,895	10,000	6,070	–
91 – 180 days	–	96,157	1,000	–
	3,895	106,157	7,070	–

27. OTHER PAYABLES

An analysis of other payables is as follows:

	At 31 December			At 31 March
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deposits received from distributors and others	2,991	22,531	38,466	38,359
Other payables	16,091	49,921	41,573	20,664
Advance from customers	5,690	25,788	32,594	30,871
Accrued payroll and welfare	11,635	17,833	25,072	12,418
Other tax payable	4,623	8,641	2,108	10,799
Interest payable	51	259	226	433
	41,081	124,973	140,039	113,544

28. OBLIGATIONS UNDER FINANCE LEASES

The Group had leased certain buildings for a term of 3 years with a transfer of ownership upon the end of the lease period. This was recognized as finance lease.

During the year ended 31 December 2007, the Group has entered into one sales and leaseback transaction with an independent third party by way of sales of and leasing back machineries with sales proceeds of RMB15,000,000. In accordance with the lease agreement, the term of the lease was 3 years and the Group has the option to purchase the assets at a nominal consideration upon the end of the lease term. Such transaction was considered as sales and finance leaseback. During the year ended 31 December 2009, the Group has early terminated the lease arrangement and acquired the assets.

Interest rates underlying all obligations under finance leases are floated based on the borrowing rates announced by the People's Bank of China.

	Minimum lease payments			
	At 31 December			At 31 March
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amounts payable under finance leases				
Within one year	6,846	7,505	–	–
In more than one year but not more than two years	12,029	4,524	–	–
	18,875	12,029	–	–
Less: future finance charges	(4,761)	(1,826)	–	–
Present value of lease obligations	14,114	10,203	–	–

	Present value of minimum lease payment			
	At 31 December			At 31 March
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	5,596	6,174	–	–
In more than one year but not more than two years	8,518	4,029	–	–
Present value of lease obligations	14,114	10,203	–	–
Less: Amount due for settlement with 12 months (shown under current liabilities)	5,596	6,174	–	–
Amount due for settlement after 12 months	8,518	4,029	–	–

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets.

29. DEFERRED INCOME

	Arising from government grants	**Arising from sales and finance leaseback**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2007	2,448	–	2,448
Additions	–	2,799	2,799
Release to income	(51)	(466)	(517)
At 31 December 2007	2,397	2,333	4,730
Release to income	(51)	(933)	(984)
At 31 December 2008	2,346	1,400	3,746
Additions	14,959	–	14,959
Release to income	(126)	(1,400)	(1,526)
At 31 December 2009	17,179	–	17,179
Release to income	(87)	–	(87)
At 31 March 2010	17,092	–	17,092

Deferred income arising from government grant represents the government subsidies obtained in relation to the acquisition of land use right of Henan Chaowei, which was included in the consolidated statements of financial position as deferred income and credited to the consolidated statements of comprehensive income on a straight-line basis over the lease term of the land use right.

Deferred income arising from sales and finance leaseback represents the difference between the sales proceeds and the carrying amount of property, plant and equipment in a sales and leaseback transaction during the Track Record Period, which was recorded in the consolidated statements of financial position as deferred income and credited to the consolidated statements of comprehensive income on a straight-line basis over the lease term of the property, plant and equipment.

The following is the analysis of the deferred income balances for financial reporting purposes:

	At 31 December			At 31 March
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current portion	984	1,451	350	350
Non-current portion	3,746	2,295	16,829	16,742
	4,730	3,746	17,179	17,092

30. PROVISION

	At 31 December			At 31 March
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of year/period	13,740	33,542	45,164	57,539
Provision for the year/period	61,704	95,180	123,440	35,488
Utilization of provision	(41,902)	(83,558)	(111,065)	(28,747)
At end of year/period	33,542	45,164	57,539	64,280

The warranty provision represents management's best estimate of the Group's liability within fifteen months' warranty granted on motive battery products, based on prior experience for defective products.

31. BANK BORROWINGS

	At 31 December			At 31 March
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Secured bank borrowings	95,080	56,000	101,000	151,000
Unsecured bank borrowings	85,000	60,000	110,000	170,000
	180,080	116,000	211,000	321,000
Included in the unsecured bank borrowings, the balance of borrowings which are guaranteed by the following parties are as follows:				
– related party	25,000	–	–	–
– third party	30,000	10,000	–	–
	55,000	10,000	–	–
The borrowings are repayable as follows:				
Within one year	150,080	116,000	55,000	45,000
In the second year	30,000	–	–	–
More than two years but not more than five years	–	–	156,000	276,000
	180,080	116,000	211,000	321,000
Less: Amount due for settlement within one year and shown under current liabilities	150,080	116,000	55,000	45,000
Amount due after one year	30,000	–	156,000	276,000
Total borrowings				
– at fixed rates	180,080	116,000	45,000	15,000
– at floating rates	–	–	166,000	306,000
	180,080	116,000	211,000	321,000
Analysis of borrowings by currency:				
– denominated in RMB	180,080	116,000	211,000	321,000

Fixed interest rate borrowings are charged at the rates ranging from 6.44% to 8.02%, 5.91% to 8.22%, 5.84% and 5.84% per annum for the years ended 31 December 2007, 2008, 2009 and the three months ended 31 March 2010 respectively.

Interest on borrowings at floating rates are calculated based on the borrowing rates announced by the People's Bank of China. The effective weighted average annual rate for the years ended 31 December 2007, 2008, 2009 and the three months ended 31 March 2010 were 6.87%, 7.46%, 4.66% and 5.03% per annum respectively.

Details of pledge of assets for the Group's secured bank borrowings and guarantees from other parties are set out in Notes 37 and 40 respectively.

32. OTHER BORROWINGS

	At 31 December			At 31 March
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Secured other borrowings *(Note 21)*	130,226	82,700	–	–
Unsecured other borrowings	1,285	1,285	–	–
	131,511	83,985	–	–

Secured other borrowings represent the proceeds received by way of bills receivable discounted through several independent financial consultants, which are repayable within six months, carry interest at fixed rates which range from 4.20% to 6.89% and 2.86% per annum for the years ended 31 December 2007 and 2008 respectively.

Unsecured other borrowings are repayable to an independent third party, the local county government, which are on demand, carried interest rate of 12% per annum and were fully repaid during the year ended 31 December 2009.

33. PAID-IN CAPITAL/SHARE CAPITAL

The Company and the Group

The details of the Company's share capital are as follows:

	Number of shares	Shares capital
		US$'000
Authorized		
Ordinary shares of US$1.00 each		
At date of incorporation	50,000	50
Increase on subdivision of shares on 9 March 2010	4,950,000	–
Ordinary shares of US$0.01 each		
At 31 March 2010	5,000,000	50
Issued and fully paid		
Ordinary shares of US$1.00 each		
At date of incorporation	100	–
Increase on subdivision of shares on 9 March 2010	9,900	–
Issue of new shares on 9 March 2010	90,000	1
Ordinary shares of US$0.01 each		
At 31 March 2010	100,000	1
		RMB'000
Presented as		7

On 18 January 2010, the Company was incorporated in the Cayman Islands with an authorised share capital of US$50,000 divided into 50,000 shares of US$1 each. On the same date, 100 shares of US$1 each were issued.

On 9 March 2010, the par value of the shares of the Company was subdivided from US$1 each to US$0.01 each, and the authorized share capital was changed from US$50,000 divided into 50,000 shares of US$1.0 each to US$50,000 divided into 5,000,000 shares of US$0.01 each. The share capital then issued became 10,000 shares of US$0.01 each. On the same date, additional 90,000 shares of US$0.01 each was issued and fully paid, and the share capital of the Company became 100,000 shares of US$0.01 each.

For the purpose of the preparation of the Financial Information, the paid-in capital/share capital in the consolidated statements of financial position at 31 December 2007, 2008 and 2009 represented the paid in capital of Chaowei Power, the then holding company of the PRC subsidiaries now comprising the Group.

34. RESERVES

Reserves of the Group other than retained earnings include statutory surplus and other reserves, which form part of the equity holders' equity.

Statutory surplus reserve

In accordance with the Articles of Association of all subsidiaries established in the PRC, those subsidiaries are required to transfer 5% to 10% of the profit after taxation reported under the relevant accounting policies and financial regulations in the PRC to the statutory surplus reserve until the reserve reaches 50% of the registered capital. Transfer to this reserve must be made before distributing dividends to equity owners. The statutory surplus reserve can be used to make up previous year's losses, expand the existing operations or convert into additional capital of the subsidiaries.

Other reserves

Other reserves are mainly arising from (i) the difference between the fair value of the consideration paid/received and the carrying amount of the net assets attributable to the adjusted interest in a subsidiary being acquired from/disposal to the non-controlling shareholders and (ii) equity-settled share-based payment transactions entered into and fully vested prior to the Track Record Period (iii) debt waived by a related party (iv) paid in capital of Chaowei Power transferred during the Reorganization.

35. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged during the Track Record Period.

The capital structure of the Group consists of net debt, which comprising the bank borrowings disclosed in Note 31, other borrowings disclosed in Note 32, cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves as disclosed in Notes 33 and 34 and the consolidated statements of changes in equity.

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors consider the cost of capital and the risks associates with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt.

36. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	At 31 December			At 31 March
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Loans and receivables	440,809	520,701	365,352	661,592
Available-for-sale financial assets	260	100,280	–	–
Financial liabilities				
Liabilities at amortized cost	491,741	569,755	545,637	662,005

(b) Market risk

The Group's activities expose it primarily to the financial risks of interest rates.

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

(i) Foreign currency risk management

The Group collects most of the revenue in RMB and incurs most of the expenditures as well as capital expenditures in RMB.

The director considered that the Group's exposure to foreign currency exchange risk is insignificant as all of the Group's transactions are denominated in the functional currency of each individual group entity.

The directors consider that the sensitivity of the Group's exposure towards the change in foreign exchange rates is minimal as none of the assets and liabilities of the Group denominated in currency other than functional currency of a particular group entity as at each of the reporting dates.

(ii) Interest rate risk management

The Group's fair value interest rate risk relates primarily to its fixed-rate bank and other borrowings subject to negotiation on annual. The cash flow interest rate risk of the Group relates primarily to the restricted bank deposits, bank balances and cash, floating interest rate bank borrowings and obligations under finance lease. The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, management will consider hedging significant interest rate exposure should the need arise.

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for financial instruments at the end of each reporting period. For variable-rate bank borrowings and restricted bank deposits, bank balances and cash and obligations under finance lease, the analysis is prepared assuming the amount of liability outstanding at the end of each reporting period was outstanding for the whole year. A 27 basis points increase or decrease is used which represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 27 basis points higher/lower and all other variables were held constant the Group's:

Profit for the year ended 31 December 2007 and 2008 would increase/decrease by RMB375,000 and RMB772,000, respectively.

Profit for the year ended 31 December 2009 would decrease/increase by RMB20,000.

Profit for the three months ended 31 March 2010 would increase/decrease by RMB108,000.

(c) Credit risk

The Group's credit risk is primarily attributable to its trade receivables, bills receivable, other receivables, amounts due from related parties, bank balances and deposits. At the end of each reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognized financial assets stated in the consolidated statements of financial position.

In order to minimize the credit risk, the 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 debt at the end of each reporting period 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 on bills and trade receivables, with exposure spread over a large number of counterparties and customers.

The credit risk on liquid funds is limited because the counterparties are authorized banks in the PRC.

(d) Liquidity risk management

The Group manages liquidity risk by maintaining a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. Management monitors the utilization of bank borrowings from time to time.

The Group relies on bank borrowings as a significant source of liquidity. As at 31 March 2010, the Group has available unutilized short-term bank loan facilities of approximately RMB292,000,000.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of each reporting period.

	Weighted average interest rate	On demand	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years	Total undis-counted cash flows	Total carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2007									
Non-derivative financial liabilities									
Fixed-rate bank borrowings	7.73	–	83,827	74,004	30,052	–	–	187,883	180,080
Other borrowings	5.42	1,285	130,226	–	–	–	–	131,511	131,511
Trade payables		99,097	15,549	–	–	–	–	114,646	122,662
Bills payable		–	3,895	–	–	–	–	3,895	3,895
Other payables		21,926	6,943	1,899	–	–	–	30,768	30,768
Amounts due to related parties		8,711	–	–	–	–	–	8,711	8,711
Obligation under finance lease	8.25	1,436	1,436	3,974	12,029	–	–	18,875	14,114
Financial guarantee contract		–	5,000	–	–	–	–	5,000	–
		132,455	246,876	79,877	42,081	–	–	501,289	491,741
At 31 December 2008									
Non-derivative financial liabilities									
Fixed-rate bank borrowings	7.12	–	52,745	67,419	–	–	–	120,164	116,000
Other borrowings	2.86	–	72,700	11,285	–	–	–	83,985	83,985
Trade payables		120,490	23,771	14,948	–	–	–	159,209	159,210
Bills payable		106,157	–	–	–	–	–	106,157	106,157
Other payables		31,691	20,923	37,930	–	–	–	90,544	90,544
Amounts due to related parties		3,656	–	–	–	–	–	3,656	3,656
Obligation under finance lease	7.57	1,402	1,402	4,701	4,524	–	–	12,029	10,203
		263,396	171,541	136,283	4,524	–	–	575,744	569,755
At 31 December 2009									
Non-derivative financial liabilities									
Fixed-rate bank borrowings	5.84	–	46,095	–	–	–	–	46,095	45,000
Variable-rate bank borrowings	5.13	–	14,252	4,090	8,070	162,841	–	189,253	166,000
Trade payables		165,586	36,751	17,822	–	–	–	220,159	220,159
Bills payable		7,070	–	–	–	–	–	7,070	7,070
Other payables		39,147	24,357	41,833	–	–	–	105,337	105,337
Amounts due to related parties		2,071	–	–	–	–	–	2,071	2,071
		213,874	121,455	63,745	8,070	162,841	–	569,985	545,637
At 31 March 2010									
Non-derivative financial liabilities									
Fixed-rate bank borrowings	5.84	–	15,068	–	–	–	–	15,068	15,000
Variable-rate bank borrowings	5.20	–	37,455	7,085	14,170	286,181	–	344,891	306,000
Trade payables		40,147	163,924	–	–	–	–	204,071	204,071
Other payables		1,500	37,225	33,149	–	–	–	71,874	71,874
Amounts due to related parties		60	–	–	–	–	–	60	60
Dividend payable		65,000	–	–	–	–	–	65,000	65,000
		106,707	253,672	40,234	14,170	286,181	–	700,964	662,005

The amounts included above for variable interest rate non-derivative financial liabilities are subject to change if changes in interest rates differ to those estimates of interest rates determined at the end of each reporting period.

(e) Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- The fair value of financial assets and financial liabilities with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices and ask prices respectively; and

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

The money market funds held at 31 December 2008 are measured using level 1 fair value measurements which are derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

The directors of the Company consider that the carrying amounts of other financial assets and financial liabilities recorded at amortized cost in the consolidated financial statements approximate their fair values.

37. PLEDGE OF ASSETS

At the end of each reporting period, certain of the Group's assets were pledged to secure banking facilities granted to the Group. The aggregate carrying amount of the assets of the Group pledged at the end of each reporting period is as follows:

	At 31 December			At 31 March
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Buildings	43,985	46,068	45,692	43,590
Land use rights	5,392	6,701	33,229	33,077
Bills receivable	146,506	82,700	–	–
Restricted bank deposits	82,407	119,006	7,861	200
	278,290	254,475	86,782	76,867

38. OPERATING LEASES

The Group as lessee

	Year ended 31 December			Three months ended 31 March	
	2007	**2008**	**2009**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Minimum lease payments paid under operating leases for premises	3,230	3,721	4,961	1,164	1,050

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	At 31 December			At 31 March
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	3,219	1,755	2,998	3,605
In the second to fifth years inclusive	5,581	4,884	5,414	7,848
Over five years	3,627	2,418	1,787	1,400
	12,427	9,057	10,199	12,853

Operating lease payments represent rentals payable by the Group for certain of its properties. Leases are negotiated for terms of 2 to 8 years.

The Group as lessor

Property rental income earned for the year ended 31 December 2007, 2008, 2009 and the three months ended 31 March 2010 was approximately nil, nil, RMB480,000 and RMB300,000 respectively. The property held has committed tenants up to 2012.

At the end of the each reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	At 31 December			At 31 March
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	–	–	1,230	1,230
In the second to fifth years inclusive	–	–	2,303	1,845
	–	–	3,533	3,075

39. CAPITAL COMMITMENTS

	At 31 December			At 31 March
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted but not provided for				
– acquisition of property, plant and equipment	9,505	36,191	15,325	45,655

40. CONTINGENT LIABILITIES AND GUARANTEES

At the end of each reporting period, the Group had the following guarantees:

	At 31 December			At 31 March
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Guarantees given to banks in respect of banking facilities granted to:				
– Third parties				
長興昌盛電氣有限公司 ("Changxing Changsheng Co., Ltd")	5,000	–	–	–
Guarantees received from other parties in respect of banking facilities granted to the Group:				
– Related party				
Mr. Zhou Mingming	25,000	–	–	–
– Third party				
浙江永達電力實業股份有限公司 ("Zhejiang Yongda Electric Power Industry Co., Ltd.")	30,000	10,000	–	–
	55,000	10,000	–	–

41. ACQUISITION OF A SUBSIDIARY

On 1 April 2009, the Group acquired 85% equity interests of Anhui Chaowei for a cash consideration of approximately RMB43,072,000 from independent third parties.

Details of the net assets acquired and the goodwill arising on acquisition are set out as below:

	Acquiree's carrying amount before combination *RMB'000*	**Fair value adjustments** *RMB'000*	**Fair value** *RMB'000*
Net assets acquired:			
Property, plant and equipment	30,313	1,445	31,758
Prepaid lease payments	14,794	–	14,794
Deferred tax assets	18	–	18
Inventories	21,291	2,403	23,694
Trade receivables	20,300	–	20,300
Bills receivable	150	–	150
Prepayments and other receivables	820	–	820
Bank balances and cash	2,066	–	2,066
Trade payables	(30,099)	–	(30,099)
Other payables	(1,790)	–	(1,790)
Amounts due to related parties	(23,500)	–	(23,500)
Deferred income	(13,071)	13,071	–
Bank borrowings-due within one year	(2,000)	–	(2,000)
Income tax payable	(595)	–	(595)
Deferred tax liabilities	–	(2,538)	(2,538)
	18,697	14,381	33,078
Non-controlling interests			(4,962)
Goodwill			14,956
Total consideration, transferred by cash			43,072
Net cash flow arising on acquisition:			
Cash consideration paid			(43,072)
Cash and cash equivalents acquired			2,066
			(41,006)

Non-controlling interest is determined at the non-controlling interest's proportionate share of the fair value of the acquiree's identifiable net assets.

Anhui Chaowei contributed approximately RMB15,600,000 to the Group's profit for the period between the date of acquisition and 31 December 2009.

If the acquisition had been completed on 1 January 2009, the Group's revenue for the year ended 31 December 2009 would have been approximately RMB2,484,937,000 and profit attributable to owners of the Company for the year ended 31 December 2009 would have been approximately RMB205,787,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2009, nor is it intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had Anhui Chaowei been acquired on 1 January 2009, the directors have calculated depreciation of plant and equipment acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognized in the pre-acquisition financial statements.

On 25 October 2009, the Group disposed of 5% equity interests in Anhui Chaowei to one of the non-controlling shareholders for a cash consideration of approximately RMB2,283,000. On the same date, the registered and paid up capital of Anhui Chaowei was increased by RMB5,000,000. Afterwards, the Group's equity interests in Anhui Chaowei were diluted to 80%.

42. ACQUISITION AND DISPOSAL OF A SUBSIDIARY

On 8 February 2009, the Group made a capital contribution to 北京鋰先鋒科技發展有限公司 ("Beijing Lixianfeng Technology Development Co., Ltd") ("**Beijing Lixianfeng**") of RMB10,000,000 which represented 33.33% of its equity interests and after then, the Group accounted for Beijing Lixianfeng as interests in an associate.

On 1 September 2009, the Group acquired the remaining equity interests in Beijing Lixianfeng for a consideration of approximately RMB9,714,000 and Beijing Lixianfeng subsequently became its wholly owned subsidiary.

Details of the net assets acquired and the goodwill arising on acquisition are set out as below:

	Acquiree's carrying amount before combination	**Fair value adjustments**	**Fair value**
	RMB'000	*RMB'000*	*RMB'000*
Net assets acquired:			
Property, plant and equipment	11,843	731	12,574
Inventories	970	–	970
Trade receivables	105	–	105
Prepayments and other receivables	895	–	895
Bank balance and cash	143	–	143
Trade payables	(1,147)	–	(1,147)
Other payables	(465)	–	(465)
	12,344	731	13,075
Reclassified from the Group's interests in an associate			(7,849)
Goodwill included in interest in an associate			3,491
Goodwill generated on acquisition of the remaining equity interests			997
Total consideration, transferred by cash			9,714

Net cash flow arising on acquisition:	
Cash consideration paid	(9,714)
Cash and cash equivalents acquired	143
	(9,571)

Beijing Lixianfeng is mainly engaged to the research and development of Lithium motive battery. However, upon taking control of Beijing Lixianfeng, management changed its plan. On 30 October 2009, the Group transferred its entire interest in Beijing Lixianfeng to one of the predecessor owners of Beijing Lixianfeng at a consideration of approximately RMB19,714,000.

Details of net assets disposed of and gain on disposal are as follows:

	30 October 2009
	RMB'000
Net assets disposed:	
Property, plant and equipment	12,505
Inventories	1,088
Trade receivables	105
Prepayments and other receivables	715
Bank balances and cash	131
Trade payables	(603)
Other payables	(1,917)
	12,024
Goodwill	4,488
Gain on disposal	3,202
Consideration in cash	19,714
Net cash inflow on disposal:	
Cash received	19,714
Cash and cash equivalents disposed of	(131)
	19,583

The above disposal of the subsidiary has no material impact on the Group's cash flow, revenue and profit for the year ended 31 December 2009.

43. MAJOR NON-CASH TRANSACTIONS

In 2007, the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of RMB12,201,000.

In 2008, the Group disposed of prepaid lease payments to the local government at a consideration of approximately RMB3,149,000 which is satisfied by a waiver of other payables to the local government.

On 25 October 2009, the Group disposed of 5% equity interests in Anhui Chaowei to one of the non-controlling shareholders at a consideration of approximately RMB2,283,000 which was unsettled and included in amounts due from related parties as at 31 December 2009. Such consideration was received on 30 January 2010.

During the three months ended 31 March 2010, loan of RMB54,891,000 from a related party of the Company, United holdings, was waived.

44. RELATED PARTY TRANSACTIONS

(a) Name and relationship with related parties

Name	Relationship
河南屹峰電動車制造有限公司 ("Henan Yifeng Electric Cars Manufacture Co., Ltd.") ("**Henan Yifeng**")	Controlled by non-controlling party of Henan Chaowei
河南省屹林商貿有限公司 ("Henan Yilin Commerce & Trade Co., Ltd") ("**Henan Yilin**")	Controlled by Henan Yifeng
浙江超威超勝金屬材料有限公司 ("Zhejiang Chaowei Chaosheng Metal Materials Co., Ltd.") ("**Zhejiang Chaosheng**")	Controlled by Mr. Zhou Mingming's immediate family member *(Note i)*
河南高遠鋁業發展有限公司 ("Henan Gaoyuan Aluminium Development Co., Ltd.") ("**Henan Gaoyuan**")	Controlled by non-controlling party of Henan Chaowei
United holdings	Controlled by Mr. Zhou Mingming
柴成雷 ("Chai Chenglei")	Non-controlling party of Henan Chaowei
李杰 ("Li Jie")	Non-controlling party of Shandong Chaowei
錢海春 ("Qian Haichun")	Non-controlling party of Anhui Chaowei

Note:

(i) The company ceased to be related party of the Company since 28 April 2007.

(b) The Group has entered into the following significant transactions with its related parties during the Track Record Period:

	Year ended 31 December			Three months ended 31 March	
	2007	**2008**	**2009**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Sales of goods					
– Henan Yifeng	13,511	24,046	9,675	3,434	4,732
– Henan Yilin *(Note i)*	10,687	4,733	779	252	–
	24,198	28,779	10,454	3,686	4,732
Purchase of raw materials					
– Zhejiang Chaosheng	252	–	–	–	–

Notes:

(i) The related party transactions with Henan Yilin were terminated subsequent to 31 December 2009.

(ii) In the opinion of the Directors, the related party transactions were conducted on normal commercial terms and in the ordinary and usual course of the Company's business.

(c) Balances with related parties

	At 31 December			At 31 March
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amounts due from related entities:				
Trade nature				
– Henan Yifeng	3,295	2,045	342	5,855
Non-trade nature				
– Chai Chenglei *(Note iii)*	70	421	1,698	–
– Qian Haichun *(Note iii)*	–	–	2,379	–
	3,365	2,466	4,419	5,855
Amount due from a director *(Note i)*				
– Zhou Mingming *(Note ii)*	–	5,646	30	–
Total	3,365	8,112	4,449	5,855

All amounts due from related parties were denominated in RMB, unsecured, interest free and repayable on demand.

Amounts due to related entities:				
Non-trade nature				
– Henan Yifeng	3,616	–	–	–
– Henan Gaoyuan	595	585	–	–
– United holdings *(Note iv)*	–	71	71	60
– Chai Chenglei	2,500	1,000	–	–
– Li Jie	2,000	2,000	–	–
– Qian Haichun *(Note iii)*	–	–	2,000	–
Total	8,711	3,656	2,071	60

All amounts due to related parties are unsecured, interest free and to be settled in accordance with agreed credit term or payable on demand.

Note:

(i) The maximum balance outstanding for amount due from a director during the Track Record Period was:

	Year ended 31 December 2007 RMB'000	2008 RMB'000	2009 RMB'000	Three months ended 31 March 2010 RMB'000
Zhou Mingming	2	9,205	5,646	73

(ii) The amount due from a director of the Company was settled before 31 March 2010.

(iii) The amounts due from/to the related parties were settled before 31 March 2010.

(iv) The amount due to United Holdings was settled in April 2010.

(d) Compensation of key management personnel

	Year ended 31 December			Three months ended 31 March	
	2007	2008	2009	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Short term employee benefit	535	1,578	1,347	440	285
Retirement benefits scheme contributions	15	16	16	4	4
	550	1,594	1,363	444	289

(e) Guarantees and security

At the end of each reporting period, details of amount of bank borrowings of the Group guaranteed by its equity holders and related parties were as follows:

	At 31 December			At 31 March
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
A director of the Company				
Zhou Mingming	25,000	–	–	–

45. RETIREMENT BENEFITS SCHEME CONTRIBUTIONS

The Group has participated in certain defined contribution retirement schemes managed by the respective municipal governments where the Group operates, covering all permanent staff of the Group. The Group has no obligation beyond the contributions which are calculated based on 17% to 20% of permanent staff basic salaries during the Track Record Period.

C. DIRECTORS' REMUNERATION

Saved as disclosed in this report, no remuneration has been paid or is payable by the Company or any of its subsidiaries to the Company's directors in respect of the Track Record Period.

D. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by any companies comprising the Group in respect of any period subsequent to 31 March 2010.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong