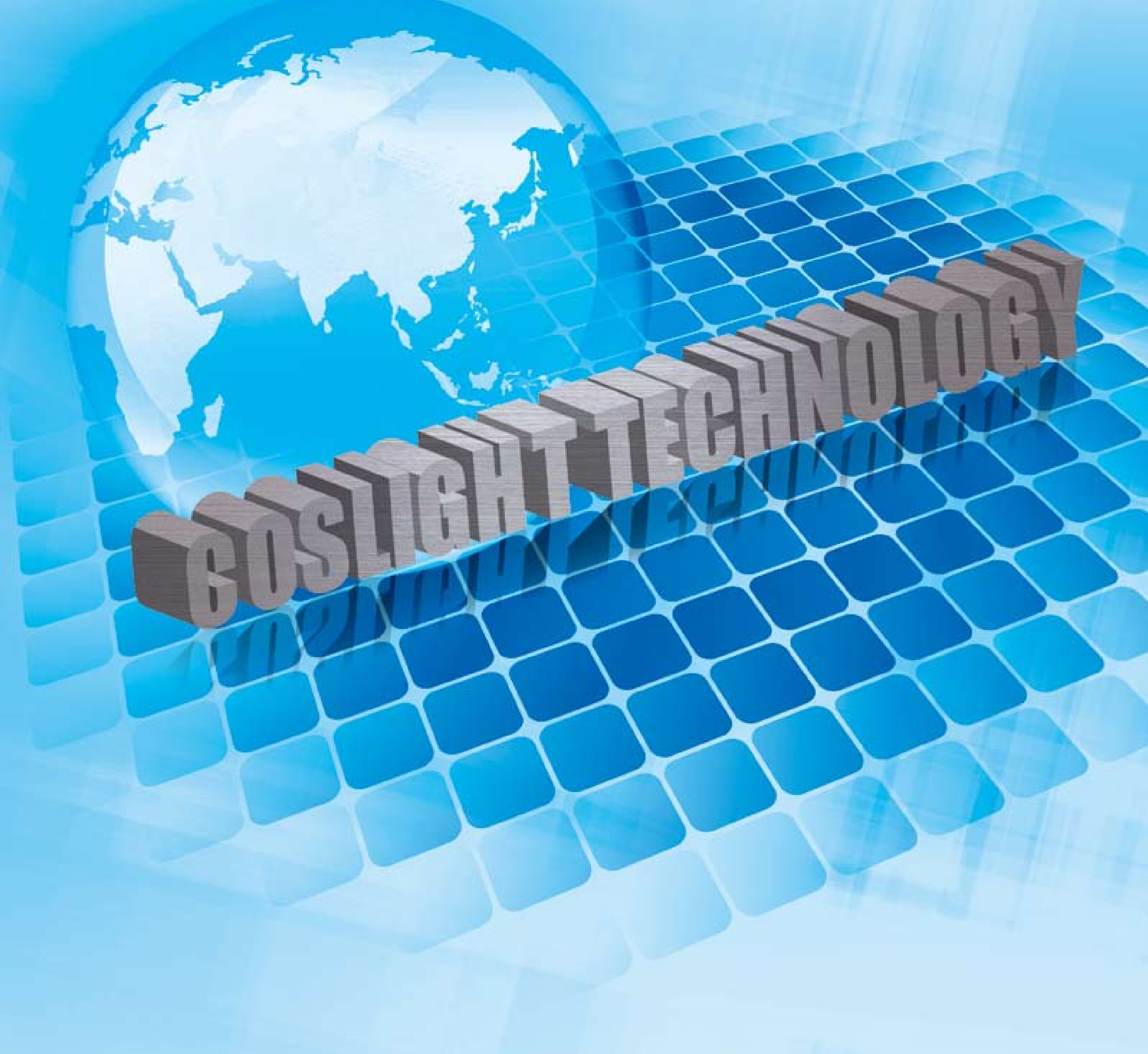
# 2007
## ANNUAL REPORT




**COSLIGHT TECHNOLOGY INTERNATIONAL GROUP LIMITED**

(incorporated in Bermuda with limited liability)

Stock Code : 1043

# Corporate Information

## Directors

### EXECUTIVE

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

### INDEPENDENT NON-EXECUTIVE

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

## Qualified Accountant and Company Secretary

Mr. CHOU Yung CPA

## Audit Committee

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

## Remuneration Committee

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

## Nomination Committee

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

## Legal Adviser

Dibb Lupton Alsop
40/F., Bank of China Tower
1 Garden Road, Central
Hong Kong

## Auditor

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

## Properties, Plant & Machinery Valuers

Jones Lang LaSalle Sallmanns Limited
22nd Floor, Siu On Centre
188 Lockhart Road
Wanchai
Hong Kong

## Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

## Head Office and Principal Place of Business

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

## Principal Bankers

Hang Seng Bank
Development Bank of Singapore
Bank of East Asia
CITIC Ka Wah Bank

## Principal Share Registrar and Transfer Office

Butterfield Corporate Services Limited
Rosebank Centre
11 Bermudiana Road
Pembroke
Bermuda

## Hong Kong Branch Share Registrar and Transfer Office

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

# Chairman's Statement

On behalf of the board of directors (the "Board") of Coslight Technology International Group Limited (the"Company"), I am pleased to present the annual report of the Company and its subsidiaries (hereafter collectively referred to as the "Group") for the year ended 31st December, 2007.

## Results

For the year ended 31st December, 2007, turnover of the Group amounted to approximately RMB2,193,632,000 (2006: RMB1,619,747,000), representing an increase of 35% as compared with last year. The profit attributable to equity holders of the Company for the year amounted to approximately RMB162,293,000 (2006: RMB144,575,000) which represents an increase of 12% over last year. Earnings per share for the year ended 31st December, 2007 was RMB0.3747 (2006: RMB0.3338).

## Dividends

The Board declares and proposes the final dividend of HK$0.05 per share for the year ended 31st December, 2007 to shareholders whose names appear in the register of members on 29th May, 2008 and a resolution to this effect will be proposed and subject to the shareholders' approval in the forthcoming annual general meeting.

## Business Review

### SEALED LEAD-ACID BATTERIES ("SLA") PRODUCTS

The Group's core business of SLA batteries maintained a satisfactory growth in 2007, with the turnover achieved another record high of RMB1,609,922,000 (2006: RMB1,052,586,000), representing an increase of approximately 53% over last year. The increase was mainly attributable to the constant growth of business of telecommunication operators in the PRC, strong growth recorded from the direct export business of sales to foreign companies such as Vodafone, and the strong demand from OEM customers such as Huawei Technologies Company Limited. Lead is the major raw materials for producing SLA batteries. In 2007, the market price of lead increased by an average of over 80%. As a lead time existed between the increase of the lead price and the sales price, which increase the production cost of SLA batteries, resulting in a decrease of gross profit margin over last year.

### LITHIUM ION BATTERIES

For the year ended 31st December, 2007, the annual sales of lithium ion batteries was approximately RMB 373,960,000 (2006: RMB319,507,000), representing an increase of approximately 17% over last year. As the lithium ion batteries exposed to the sustained upward price pressure of raw materials, the gross profit margin for the year decreased as compared to that of last year.

# Chairman's Statement

## ONLINE GAMES

The Group owns 35.9% shares of Beijing Guangyu Huaxia Technology Corporation Limited (「Guangyu Huaxia」), which is a company specialized in online games operation. In April 2006, the Guangyu Huaxia commenced the operation of domestic online games 「問道」 developed by 廈門吉比特公司, and the games ranked the third highest of the online players of massive online games in China by April 2007, with the number of the online players has been increasing, and the upward trend is expected to sustain. During the year, online games revenue was approximately RMB166,221,000, with the profit realized of approximately RMB86,643,000. Guangyu Huaxia contributed the net profit of approximately RMB16,616,000 to the Group for the year (2006: nil).

## MINERAL PRODUCTS

The Group has a permit to mine for lead, zinc and other metal deposits in certain mineral mines located in Faso Lane, Primorsky Territory of Russia (「Faso Lane Mines」) with approximately 300,000 tonnes of metal deposits. In addition, the Group also has a permit to mine for lead, zinc, copper and other metal deposits in certain mineral mines located in Altai Krai, Siberia of Russia (「Altai Krai Mines」) with approximately 545,000 tonnes of metal deposits. The Group expects that approximately 50,000 to 60,000 tonnes of metal can be mined each year and amongst which, the lead extracted will be consumed internally for the Group's core business. This upstream integration will be one of the major growth drivers in the future years, both as a new income source bringing significant profit contribution as well as helping the Group to secure a steady supply of raw materials. During the year under review, all pre-work of Faso Lane Mines was completed and the relevant approval was granted by Russian Government, and it is under pre-construction phase now. The pre-design plan of Altai Krai Mines was completed and is subject to the relevant approval from Russian Government.

## PROSPECTS

SLA batteries business will maintain strong growth in 2008 and the coming years. One of the reasons is the growth in market demand of PRC market, in particular the reorganization of PRC operators and the grant of 3G license, which are the major driving force behind the growth in demand of SLA batteries; and the second reason is the growth in direct export business of the Group, with the sales amount in 2007 increased by three times over last year, which is mainly attributable to the expansion of the telecommunication system of Russia and the strong demand for the SLA products from Vodafone and other customers in foreign countries such as Korea, Turkey and India, and it is expected that the growth will be sustained in 2008 and the coming years; and the third reason is the indirect export through the communication equipment manufacturers such as Huawei Technologies Company Limited will grow in a stable manner. The products exported indirectly through Huawei Technologies Company Limited increased by 52% over 2006, and Huawei Technologies Company Limited has announced that the business volume for 2008 is estimated to increase by approximately 40%, therefore, the Group expects the demand for the SLA batteries by the communications equipment manufacturers will increase significantly.

# Chairman's Statement

The Group has started the construction of a new SLA batteries production base in Xinqing Science and Technology Park of Doumen District, Zhuhai City, and it is anticipated to commence operation in the second half of 2008. Upon official commencement of operation of the new SLA batteries production base, the overall annual production capacity of the Group will be increased by 1,200,000 kVAH. It is expected that the SLA batteries produced in the new production base will mostly be sold to the OEM customers located in the Southern China, which can result in a saving of transportation cost and an enhancement of the profitability.

The Group has established a connection between the lead price and the sales price with all long-term customers since October 2007, and the impact of the increase of lead price over the cost was offset substantially. The Group expects the gross profit margin of SLA batteries will be improved.

In order to further facilitate the vertical integration of the Group and to add a new business segment to the portfolio of the Group, the Group has acquired two Russian lead and zinc resources in 2006. The Group has a permit to mine for lead, zinc and other metal deposits in certain mineral mines located in Faso Lane, Primorsky Territory of Russia. Such mineral mines have abundant mineral resources with approximately 300,000 tonnes of metal deposits. In addition, the Group also has a permit to mine for lead, zinc, copper and other metal deposits in certain mineral mines located in Altai Krai, Siberia of Russia. Such mineral mines have abundant mineral resources with approximately 545,000 tonnes of metal deposits. Such mineral mines will commence production by the end of 2008. The Group expects that approximately 50,000 to 60,000 tonnes of metal can be mined each year, and amongst which, the lead extracted will be consumed internally for the Group's core business. This upstream business integration will be one of the major growth drivers in the coming years, both as a new income source bringing significant profit contribution as well as helping the Group to secure a steady lead supply.

The Group expects the Lithium ion battery business will be improved in 2008. The operation of the PRC mobile phone company will be more stable, in particular the significant improvement of the mobile phone output of those companies such as Huawei and Zhongxing. The annual output of these two companies is expected to reach 40 million sets or above, accounted for the fifth and sixth place in the global mobile phone enterprises. The Group is one of the major suppliers of these two companies, and the Lithium ion battery business will be benefited from its significant development. In addition, The Group will extend its efforts and with a focus in the development of lithium polymer battery products, and a considerable development is expected in 2008. The Group will develop Lithium ion battery for bikes, and applies it to the electric bicycles to replace the lead-acid battery generally accepted in the market. It is expected that the electric bicycles produced by the Group will be officially launched in 2008 and a good business performance is anticipated.

# Chairman's Statement

The domestic internet game「問道」operated by Guangyu Huaxia has ranked the third highest in terms of online players among major internet games in PRC. The number of online players has been increasing and it is expected that there will be a significant increase in 2008. In 2008, The Group will have a new game put in operation, especially the major internet game「創世」developed by the Group, and it will be launched to the market in October 2008. The game has been under development for three years, which integrates the excellent content of domestic and overseas games and encompass the brilliant details. The Group is confident that the game project will achieve a great success.

In the coming years, the development and operation of internet games will bring greater contribution to the operating results of the Group and becomes one of the most important businesses of the Group .

## APPRECIATION

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

**SONG Dian Quan**
*Chairman*

Harbin, the PRC, 29th April, 2008

# Management Profile

## Directors

### EXECUTIVE DIRECTORS

**Mr. SONG Dian Quan**, aged 52, is the chairman of the Company and the key founder of the Group. He is responsible for the overall management and formulation of corporate policies and strategies. He is also responsible for the business development of the Group, and liaising with various levels of government authorities in the PRC. He has more than 23 years of experience in the research and development of electronics technology of rechargeable batteries. He graduated from the Harbin Institute of Technology in 1982 with a bachelor of engineering degree in electrochemistry.

**Ms. LUO Ming Hua**, aged 44, is the deputy chairman and chief executive officer of the Company. She is responsible for the overall management and administration of the Group. She has extensive manufacturing experience in rechargeable battery materials. She graduated from Harbin Institute of Electrical Engineering in 1991 with a major in industrial and electrical automation. She joined the Group in May 1994.

**Mr. LI Ke Xue**, aged 60, is the co-founder of the Group and the deputy general manager of the Company, and is responsible for general administration of the Group. He has over 23 years of administrative and operational experience in the battery field in the PRC. He graduated from Central Communist Party College in 1988 specializing in management.

**Mr. XING Kai**, aged 51, is responsible for production and quality management of the Group. He has over 23 years' experience in the research and development of rechargeable battery products and over 10 years of managerial experience in the battery industry in the PRC. He graduated from Wu Chang Teachers' College in 1981 specializing in chemistry. He joined the Group in May 1994.

**Mr. ZHANG Li Ming**, aged 52, is responsible for the international trading activities of the Group. He has more than 30 years of entrepreneurial experience in product development, production and corporate management in the PRC. Prior to joining the Group in November 1997, he had worked as manager of the Chinese party in a Sino-foreign joint venture for battery production. He graduated from Huazhong Polytechnic University in 1980 with a bachelor degree in mechanics.

**Mr. LIU Xing Quan**, aged 75, is the chief engineer of the Company and is responsible for the product design, research and development and marketing of the Group. Mr. Liu has over 43 years' experience in the research and development of electronics technology of rechargeable batteries, and extensive managerial and operational experience in the battery industry in the PRC. He graduated from Qiqihar Institute of Light Industry in 1956. He joined the Group in May 1994.

# Management Profile

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. LI Zeng Lin**, aged 50, was appointed independent non-executive director of the Company in July 1999. He is the deputy general manager of an investment and trading company set up by Harbin Municipal Government in Hong Kong. Prior to assuming his current office in April 1998, he was an economist in the Planning Committee of Harbin Municipal Government for 15 years. He graduated from the Faculty of Statistics of People's University of China.

**Dr. JIANG Zhao Hua**, aged 52, was appointed independent non-executive director of the Company in October 1999. He is the chairman and lecturer of the Department of Applied Chemistry of Harbin Institute of Technology. He has extensive experience in teaching and research and holds a doctoral degree in environmental engineering.

**Mr. XIAO Jian Min**, aged 50, was appointed independent non-executive director of the Company in September 2004. Mr. Xiao is a senior auditor in Heilongjiang province since 1996 and is a member of The Chinese Institute of Certified Public Accountants. He has over 25 years' experience in the fields of finance, audit and accounting. He is currently the head of the Finance Department of Heilongjiang maritime Safety Administration. Prior to his service with Heilongjiang maritime Safety Administration, he was the deputy director of the Supervision Department of Heilonjiang Habour and Navigation Supervision Administration from 2000 to 2002; head of the Investigation Department and subsequently the head of the Audit Department of Heilongjiang River Administration of Navigation Affairs from 1991 to 2000; chief accountant of Harbin port Authority from 1990 to 1991; and the deputy director of the Finance Department of Heilongjiang River Administration of Navigation Affairs from 1981 to 1990.

# Management Discussion and Analysis

## Assets and Liabilities

As at 31st December, 2007, the Group has total assets of RMB3,601,714,000 (2006: RMB2,851,046,000) which were financed by current liabilities of RMB1,803,027,000 (2006: RMB1,438,206,000), non-current liabilities of RMB341,182,000 (2006: RMB140,168,000), shareholders' equity of RMB1,303,894,000 (2006: RMB1,159,298,000) and minority interests of RMB153,611,000 (2006: RMB113,374,000).

## Liquidity, Financial Resources and Capital Structure

During the year, the Group adopted prudent treasury policies in managing cash resources and bank borrowings. As at 31st December, 2007, the Group has bank and cash balances amounted to RMB362,243,000 (2006: RMB274,555,000). The total bank and other borrowings of the Group as at 31st December, 2007 were approximately RMB1,312,308,000 (2006: RMB882,649,000), amongst which RMB1,010,308,000 will be due to repay within 12 months (2006: RMB751,649,000). RMB302,000,000 will be due to repay after 12 months (2006: RMB131,000,000). These borrowings carry interest ranging from 4% to 10% (2006: from 2.34% to 10.00%) per annum. As at 31st December, 2007, approximately 83% of the Group's bank and other borrowings were denominated in Renminbi and 17% were denominated in Hong Kong dollars or United States dollars. All bank and other borrowings were used to finance the Group's capital expenditures and working capital requirements.

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

## Gearing and Liquidity Ratio

The Group's gearing ratio, defined as the ratio between total bank borrowings and shareholders' equity, was 1.01 (2006: 0.75). The current ratio of the Group, represented by a ratio between current assets over current liabilities, was 1.44 (2006: 1.41), reflecting the abundance of financial resources.

## Charges on Group Assets

As at 31st December, 2007, certain land use rights and property, plant and equipment, and trade receivables of the Group with carrying values of RMB140,752,000 (2006: RMB237,608,000), and RMB83,128,000 (2006: RMB94,966,000), respectively, were pledged to secured bank borrowings of approximately RMB399,495,000 (2006: RMB731,679,000).

## Foreign Currency Risk

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

# Management Discussion and Analysis

## Gain on Deemed Disposal of Interests in Subsidiaries

During the year, the Group recognised a gain of RMB1,895,000 on deemed disposal of a subsidiary following the dilution of the Group's interest in HCP from 91.45% to 87.49% as a result of subscription of newly issued share capital of HCP by independent third parties.

In May 2007, the Group's interest in a subsidiary, Harbin Coslight Storage Battery Company Limited ("HSB"), was diluted from 100% to 89.48% as a result of capital injection into HSB by independent third parties of approximately RMB155.6 million. As a result, a gain on deemed disposal of RMB61,952,000 was recognised in the consolidated income statement.

## Acquisition of a Subsidiary

During the year, the Group acquired 80% equity interest in a subsidiary which was engaged in the business of online games development, namely 瀋陽藍火炬軟件有限公司, for an aggregate consideration of RMB4,000,000.

## Capital Commitments

| | **2007**<br>**RMB'000** | 2006<br>RMB'000 |
|---|---|---|
| Capital expenditure authorised but not contracted for in respect of acquisition of property, plant and equipment | **205,742** | 242,900 |
| Capital expenditure contracted for but not provided in the financial statements in respect of acquisition of property, plant and equipment | **98,661** | 54,677 |

## Employees and Remuneration Policies

As at 31st December, 2007, the Group has employed 9,210 (2006: 8,840) staff in the PRC. The Group has adopted continuous human resources development and training programs to maintain high level of product quality and customer services. Remuneration package is generally structured by reference to market conditions and individual performance.

# Directors' Report

The directors (the "Directors") of Coslight Technology International Group Limited (the "Company") are pleased to present their annual report and the audited consolidated financial statements for the year ended 31st December, 2007.

## Principal Activities

The Company is an investment holding company.

The principal activities of the Company's principal subsidiaries as at 31st December, 2007 are set out in note 43 to the consolidated financial statements.

## Results and Appropriations

The results of the Group for the year ended 31st December, 2007 are set out in the consolidated income statement on page 28.

The Directors now recommend the payment of a final dividend of 5 Hong Kong cents per share to shareholders whose names appear in the register of members on 29th May, 2008.

## Property, Plant and Equipment

Certain of the Group's property, plant and equipment were revalued at 31st December, 2007. The surplus arising on revaluation was approximately RMB4,976,000 (2006: RMB24,495,000), of which approximately RMB4,004,000 (2006: RMB24,516,000) (net of approximately RMB1,386,000 (2006: RMB168,000) shared by the minority interests) was credited to the revaluation reserve and approximately RMB414,000 was debited (2006: RMB147,000 was credited) to the consolidated income statement for the year ended 31st December, 2007.

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

## Share Capital

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

# Directors' Report

## Directors

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

| *Executive directors:* | *Independent non-executive directors:* |
|---|---|
| SONG Dian Quan | LI Zeng Lin |
| LUO Ming Hua | JIANG Zhao Hua |
| LI Ke Xue | XIAO Jian Min |
| XING Kai | |
| ZHANG Li Ming | |
| LIU Xing Quan | |

In accordance with bye-law 87(1) of the bye-laws of the Company, Mr. Li Zeng Lin, Mr. Jiang Zhao Hua and Mr. Xiao Jian Min will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

## Directors' Service Contracts

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

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

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

## Directors' Interests in Contracts of Significance

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

## Remunerations of Directors and Five Highest Paid Employees

The aggregate remunerations of the Directors and the five highest paid employees for year ended 31st December, 2007 are set out in note 9 to the consolidated financial statements.

# Directors' Report

## Remuneration Committee

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

## Nomination Committee

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

## Disclosure of Interests

### (1) DIRECTORS

As at 31st December, 2007, the interests of each Director in the shares, underlying shares and debentures of the Company (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which have been notified to the Company pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such Director was taken or deemed to have under such provisions of the SFO) or as recorded in the register to be kept under section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

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

| Name of Director | Type of interests | Capacity | No. of shares held | Percentage of interest |
|---|---|---|---|---|
| SONG Dian Quan | Personal | Beneficial owner | 260,323,300 | 60.11% |
| LUO Ming Hua | Personal | Beneficial owner | 3,186,027 | 0.74% |
| LIU Xing Quan | Personal | Beneficial owner | 1,132,793 | 0.26% |
| XING Kai | Personal | Beneficial owner | 826,793 | 0.19% |
| LI Ke Xue | Personal | Beneficial owner | 668,793 | 0.15% |

Save as disclosed above, as at 31st December, 2007, there were no other interests or short positions of the Directors and chief executive of the Company in any shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which have been notified to the Company pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such Director was taken or deemed to have under such provisions of the SFO) or recorded in the register maintained by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

### (2) SUBSTANTIAL SHAREHOLDERS AND OTHERS

As at 31st December, 2007, there were no other interest and short positions of every person, other than the Directors and chief executive of the Company, in the shares and underlying shares of the Company which have been notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or recorded in the register required to be kept under section 336 of the SFO.

## Share Options

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

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

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

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

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

(c) the nominal value of the shares.

# Directors' Report

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

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

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

## Directors' Rights to Acquire Shares or Debentures

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

## Reserves

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

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

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

In the opinion of the Directors, the Company's reserves available for distribution to shareholders as at 31st December, 2007 comprised contributed surplus and retained profits in aggregate amounting to RMB51,195,000 (2006: RMB102,501,000).

# Directors' Report

## Major Customers and Suppliers

Sales to the five largest customers of the Group accounted for less than 25% of the Group's turnover for the year.

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

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

## Connected Transactions

During the year, certain transactions that had been entered into by the Group became connected transactions under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). Details are set out as below:

### I. SALE OF FINISHED GOODS

The Group had sold some finished goods to one of its affiliated companies, Harbin Switch Company Limited ("HBS") in relation to its production of the SLA batteries. For the year ended 31st December, 2007, the total value of the Group's sale of finished goods to HBS amounted to RMB893,000 (2006: RMB4,530,000).

The Group had sold some finished goods to one of its affiliated companies, Tianjin Bike Third Factory Technology Development Centre ("TDC") in relation to its production of electric bike batteries. For the year ended 31st December 2007, the total value of the Group's sale of finished goods to TDC amounted to RMB836,000 (2006: NIL).

### II. PURCHASE OF RAW MATERIALS

The Group had purchased some raw materials amounted to RMB444,000 (2006: NIL) in relation to SLA batteries from HBS.

The Group had purchased some raw materials amounted to RMB2,190,000 (2006: NIL) in relation to electric bike batteries from TDC.

The Group had purchased some raw materials from one of its affiliated companies, Harbin Guangyu Electric Wire and Cable Co. Ltd. ("HGEWC") in relation to its production of SLA products. For the year ended 31st December 2007, the total value of the Group's purchase of raw material from HGEWC amounted to RMB8,820,000 (2006: RMB8,653,000).

# Directors' Report

## III. PURCHASE OF A LAND USE RIGHT

During the year ended 31st December, 2007, the Group had purchased a land use right amounted to RMB7,300,000 (2006: NIL) from HBS.

## IV. GUARANTEE OF BANK BORROWINGS

RMB397,905,000 (2006: RMB242,000,000) of the Group's bank borrowings were guaranteed by Mr. Song Dian Quan, a director of the Company.

In addition, at 31st December, 2007, RMB6,500,000 (2006: RMB12,500,000) of the Group's bank borrowing was guaranteed by Mr. Gao Xue Feng, who is a minority shareholder of a subsidiary.

Certain Directors have beneficial interests in HBS and HGEWC.

## Purchase, Sale or Redemption of Listed Securities

There was no purchase, sale or redemption of listed securities of the Company by the Company or any of its subsidiaries during the year.

Subsequent to the balance sheet date, the Company repurchased its own ordinary shares on the Stock Exchange as detailed in noted 29 to the financial statements.

## Corporate Governance

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

## Independent Non-Executive Directors

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

## Audit Committee

The Audit Committee of the Company comprises three independent non-executive Directors, namely Mr. Li Zeng Lin, Dr. Jiang Zhao Hua and Mr. Xiao Jian Min with Mr. Li Zeng Lin as the chairman. The primary duties of the Audit Committee is to review and monitor the Group's financial reporting process and internal control system, as well as to provide relevant recommendations and advises to the Board. The annual results of the Group for the year ended 31st December, 2007 have been reviewed by the Audit Committee. As verified by the Company, none of the members had served as a partner or a former partner to the existing auditors.

# Directors' Report

## Pre-Emptive Rights

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

## Sufficiency of Public Float

The Company has maintained a sufficient public float throughout the year ended 31st December, 2007.

## Auditors

During the year, the auditors, Deloitte Touche Tohmatsu resigned and Mazars CPA Limited, Certified Public Accountants, were appointed as auditors of the Company to fill the vacancy until the next annual general meeting.

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

On behalf of the Board
**SONG Dian Quan**
*Chairman*

Harbin, the PRC, 29th April, 2008

# Corporate Governance Report

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

## The Code on Corporate Governance Practices

In November 2004, The Stock Exchange of Hong Kong Limited (the "Stock Exchange") introduced the Code on Corporate Governance Practices (the "Code") to replace the Code of Best Practice in Appendix 14 of the Rules Governing the Listing Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and a new Appendix 23 stipulating the rules on the Corporate Governance Report. The Code which provides the code provisions and recommended best practices for corporate governance became effective on 1st January, 2005. The Company has complied throughout the year ended 31st December, 2007 with the Code as set out in Appendix 14 of the Listing Rules, except for the deviation from Code provision A.4.1 in respect of the service term of directors.

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

## Directors' Securities Transactions

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

# Corporate Governance Report

## Board of Directors

The Board of the Company comprises:

### CHAIRMAN

Mr. Song Dian Quan

### EXECUTIVE DIRECTORS

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

### INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

For the year ended 31st December, 2007, the Board fulfilled the minimum requirement of appointing at least three independent non-executive directors as required by the Listing Rules and the recommended best practice under the Code that the number of independent non-executive directors is one-third of the Board. It also met the requirement of having one independent non-executive director with appropriate professional qualification, accounting and related financial management expertise.

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

# Corporate Governance Report

The principal functions of the Board include:

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

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

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

| **Directors** | **Attendance/Number of meetings** |
|---|---|
| Mr. Song Dian Quan *(Chairman)* | 4/4 |
| Ms. Luo Ming Hua *(Chief Executive Officer)* | 4/4 |
| Mr. Li Ke Xue | 4/4 |
| Mr. Xing Kai | 4/4 |
| Mr. Zhang Li Ming | 4/4 |
| Mr. Liu Xing Quan | 4/4 |
| Mr. Li Zeng Lin | 4/4 |
| Dr. Jiang Zhao Hua | 4/4 |
| Mr. Xiao Jian Min | 4/4 |

# Corporate Governance Report

## Chairman and the Chief Executive Officer

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

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

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

## Appointment of Directors

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

## Supply and Access to Information

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

## Audit Committee

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

# Corporate Governance Report

The Audit Committee held two meetings in 2007, which were attended by all members. The Audit Committee has reviewed the accounting principles and methods adopted by the Group and discussed, inter alia, matters relating to internal control and financial statements of the Company (i.e. 2006 annual and 2007 interim results) prepared in accordance with the applicable accounting standards and has made relevant recommendations. The Audit Committee also monitored the Company's progress in implementing the Code as required under the Listing Rules.

Details of attendance of the members at meetings of the Audit Committee held in 2007 are as follows:

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

The annual results of the Group for the year ended 31st December, 2007 have been reviewed by the Audit Committee.

## Remuneration Committee

The Company has established a Remuneration Committee in June 2005 in accordance with the requirements of the Code as contained in Appendix 14 of the Listing Rules with written terms of reference. The Remuneration Committee comprises two independent non-executive directors, namely Dr. Jiang Zhao Hua and Mr. Li Zeng Lin and one executive director, namely Mr. Zhang Li Ming. Dr. Jiang Zhao Hua is the chairman of the Remuneration Committee.

The principal functions of the Remuneration Committee include:

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

The Remuneration Committee has convened one meeting in 2007, in which duties of the Remuneration Committee were identified, the appraisal system of the Company was reviewed, and all matters regarding the determination of remuneration of the directors and senior management were discussed.

# Corporate Governance Report

Details of attendance of the members at the meeting of Remuneration Committee held in 2007 are as follows:

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

## Directors' Remuneration

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

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

## Nomination Committee

The Company has established a Nomination Committee in November 2005 in accordance with the requirements of the Code as contained in Appendix 14 of the Listing Rules with written terms of reference. The Nomination Committee comprises two independent non-executive directors, namely Mr. Xiao Jian Min and Mr. Li Zeng Lin and one executive director, namely Mr. Song Dian Quan. Mr. Xiao Jian Min is the chairman of the Nomination Committee.

The principal functions of the Nomination Committee include:

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

# Corporate Governance Report

The Nomination Committee has convened one meeting in 2007. The Nomination Committee considered and resolved that all the existing directors shall be recommended to be retained by the Company. Further, in accordance with the Company's bye-laws, Mr. Li Zeng Lin, Mr. Jiang Zhao Hua and Mr. Xiao Jian Min will retire, and being eligible, will offer themselves for reelection at the forthcoming annual general meeting of the Company.

Details of attendance of the members at the meeting of Nomination Committee held in 2007 are as follows:

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

There was no nomination of directors during the year.

## Auditors' Remuneration

The performance and remuneration of the external auditors, Mazars CPA Limited ("Mazars"), have been reviewed by the Audit Committee. Auditors' remuneration payable to Mazars by the Company in respect of audit services for the year ended 31st December, 2007 amounted to approximately HK$1,300,000. Non-audit service charges amounted to approximately HK$260,000, which mainly included those for reviewing the interim financial report. The Board will propose a resolution at the forthcoming annual general meeting for the re-appointment of Mazars as the auditor of the Company.

## Responsibility of Preparation of the Accounts

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

## Internal Controls

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

# Corporate Governance Report

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

## Investor Relations

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

The general meeting of the Company is also an effective communication channel between the Board and shareholders. The Company will meet with its shareholders and respond to their enquiries in the general meetings. The Chairman had attended the annual general meeting of 2006.

# Independent Auditor's Report

MAZARS

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

We have audited the consolidated financial statements of Coslight Technology International Group Limited and its subsidiaries (collectively referred to as the "Group") set out on pages 28 to 84, which comprise the consolidated balance sheet as at 31st December, 2007, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

## Directors' responsibility for the financial statements

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

## Auditor's responsibility

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

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

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

# Independent Auditor's Report

## Opinion

In our opinion the financial statements give a true and fair view of the state of the Group's affairs as at 31st December, 2007 and of its profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**Mazars CPA Limited**
*Certified Public Accountants*
Hong Kong, 29th April, 2008

**Or Ming Chiu**
Practising Certificate number: P04786

# Consolidated Income Statement

Year ended 31st December, 2007

| | Notes | 2007<br>RMB'000 | 2006<br>RMB'000 |
|---|---|---|---|
| **Turnover** | 5 | **2,193,632** | 1,619,747 |
| Cost of sales | | **(1,712,215)** | (1,149,617) |
| Gross profit | | **481,417** | 470,130 |
| Other net income | 6 | **17,622** | 23,648 |
| Distribution and selling costs | | **(166,749)** | (156,852) |
| Administrative expenses | | **(180,065)** | (131,201) |
| Gain on disposal of a subsidiary | | **—** | 5,056 |
| Gain on deemed disposal of interests in subsidiaries | 7 | **63,847** | — |
| Finance costs | 8 | **(54,608)** | (44,910) |
| Share of results of an associate | | **16,616** | — |
| **Profit before taxation** | | **178,080** | 165,871 |
| Income tax expense | 10 | **(12,912)** | (14,021) |
| **Profit for the year** | 11 | **165,168** | 151,850 |
| **Attributable to:** | | | |
| Equity holders of the Company | | **162,293** | 144,575 |
| Minority interests | | **2,875** | 7,275 |
| | | **165,168** | 151,850 |
| **Dividends recognised as distribution during the year** | 12 | **21,757** | 22,520 |
| **Earnings per share** | 13 | | |
| — Basic | | **RMB37.47 cents** | RMB33.38 cents |
| — Diluted | | **N/A** | N/A |

# Consolidated Balance Sheet

At 31st December, 2007

| | Notes | 2007 RMB'000 | 2006 RMB'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 14 | **699,939** | 561,210 |
| Mining rights | 15 | **205,171** | 205,171 |
| Other intangible assets | 16 | **18,813** | 16,717 |
| Goodwill | 17 | **6,495** | 4,193 |
| Prepaid lease payments | 18 | **59,365** | 33,308 |
| Interest in an associate | 19 | **16,616** | — |
| Deferred tax assets | 31 | **2,181** | 4,619 |
| | | **1,008,580** | 825,218 |
| **Current assets** | | | |
| Inventories | 20 | **384,587** | 336,334 |
| Trade and other receivables | 21 | **1,706,868** | 1,310,264 |
| Prepaid lease payments | 18 | **8,922** | 917 |
| Amounts due from directors | 22 | **701** | 655 |
| Amounts due from related companies | 34 | **20,556** | 23,282 |
| Amounts due from minority shareholders | 34 | **1,000** | 279 |
| Amount due from an associate | 23 | **—** | 24,725 |
| Pledged bank deposits | 24 | **108,257** | 54,817 |
| Bank balances and cash | 25 | **362,243** | 274,555 |
| | | **2,593,134** | 2,025,828 |
| **Current liabilities** | | | |
| Trade and other payables | 26 | **733,728** | 664,632 |
| Amounts due to related companies | 34 | **14,671** | 10,031 |
| Amounts due to minority shareholders | 34 | **27,468** | 4,547 |
| Amount due to an associate | 23 | **7,157** | — |
| Current tax liabilities | | **9,695** | 7,347 |
| Other borrowings — due within one year | 27 | **1,120** | 7,681 |
| Bank borrowings — due within one year | 28 | **1,009,188** | 743,968 |
| | | **1,803,027** | 1,438,206 |
| **Net current assets** | | **790,107** | 587,622 |
| | | **1,798,687** | 1,412,840 |

# Consolidated Balance Sheet

At 31st December, 2007

| | Notes | 2007 RMB'000 | 2006 RMB'000 |
|---|---|---|---|
| **Capital and reserves** | | | |
| Share capital | 29 | **46,308** | 46,308 |
| Reserves | | **1,257,586** | 1,112,990 |
| Equity attributable to equity holders of the Company | | **1,303,894** | 1,159,298 |
| Minority interests | | **153,611** | 113,374 |
| **Total equity** | | **1,457,505** | 1,272,672 |
| **Non-current liabilities** | | | |
| Other borrowings — due after one year | 27 | **—** | 1,000 |
| Bank borrowings — due after one year | 28 | **302,000** | 130,000 |
| Deferred tax liabilities | 31 | **12,182** | 9,168 |
| Deferred government grants | 32 | **27,000** | — |
| | | **341,182** | 140,168 |
| | | **1,798,687** | 1,412,840 |

Approved and authorised for issue by the Board of Directors on 29th April, 2008

**Mr. Song Dian Quan**
*Director*

**Mr. Zhang Li Ming**
*Director*

# Consolidated Statement of Changes in Equity

Year ended 31st December, 2007

| | Attributable to equity holders of the Company | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital RMB'000 | Share premium RMB'000 | Special reserve RMB'000 | Statutory reserves RMB'000 | Revaluation reserve RMB'000 | Exchange reserve RMB'000 | Accumulated profits RMB'000 | Total RMB'000 | Minority interests RMB'000 | Total RMB'000 |
| At 1st January, 2006 | 46,308 | 245,111 | 34,583 | 160,148 | 27,892 | (335) | 504,055 | 1,017,762 | 94,007 | 1,111,769 |
| Surplus (Deficit) on revaluation of property, plant and equipment | — | — | — | — | 24,516 | — | — | 24,516 | (168) | 24,348 |
| Deferred tax liability arising on revaluation of property, plant and equipment (note 31) | — | — | — | — | (3,696) | — | — | (3,696) | — | (3,696) |
| Exchange difference arising on translation of financial statements of operations outside the People's Republic of China (the "PRC") | — | — | — | — | — | (1,339) | — | (1,339) | — | (1,339) |
| Net income and expense recognised directly in equity | — | — | — | — | 20,820 | (1,339) | — | 19,481 | (168) | 19,313 |
| Profit for the year | — | — | — | — | — | — | 144,575 | 144,575 | 7,275 | 151,850 |
| Total recognised income and expense for the year | — | — | — | — | 20,820 | (1,339) | 144,575 | 164,056 | 7,107 | 171,163 |
| Transfers | — | — | — | 30,431 | — | — | (30,431) | — | — | — |
| Realised on depreciation of property, plant and equipment | — | — | — | — | (4,204) | — | 4,204 | — | — | — |
| Dividends | — | — | — | — | — | — | (22,520) | (22,520) | — | (22,520) |
| Capital contributions by minority shareholders of subsidiaries | — | — | — | — | — | — | — | — | 21,200 | 21,200 |
| Acquisition of additional interest in a subsidiary | — | — | — | — | — | — | — | — | (8,940) | (8,940) |
| At 31st December, 2006 | 46,308 | 245,111 | 34,583 | 190,579 | 44,508 | (1,674) | 599,883 | 1,159,298 | 113,374 | 1,272,672 |
| Surplus on revaluation of property, plant and equipment | — | — | — | — | 4,004 | — | — | 4,004 | 1,386 | 5,390 |
| Deferred tax liability arising on revaluation of property, plant and equipment (note 31) | — | — | — | — | (6,325) | — | — | (6,325) | — | (6,325) |
| Exchange difference arising on translation of financial statements of operations outside the PRC | — | — | — | — | — | 6,381 | — | 6,381 | — | 6,381 |
| Net income and expense recognised directly in equity | — | — | — | — | (2,321) | 6,381 | — | 4,060 | 1,386 | 5,446 |
| Profit for the year | — | — | — | — | — | — | 162,293 | 162,293 | 2,875 | 165,168 |
| Total recognised income and expense for the year | — | — | — | — | (2,321) | 6,381 | 162,293 | 166,353 | 4,261 | 170,614 |
| Transfers | — | — | — | 16,856 | — | — | (16,856) | — | — | — |
| Realised on depreciation of property, plant and equipment | | | | | (5,184) | — | 5,184 | — | — | — |
| Dividends to minority shareholders | — | — | — | — | — | — | — | — | (2,602) | (2,602) |
| Dividends | — | — | — | — | — | — | (21,757) | (21,757) | — | (21,757) |
| Deemed disposal of interests in subsidiaries | — | — | — | — | — | — | — | — | 91,734 | 91,734 |
| Acquisition of a subsidiary | — | — | — | — | — | — | — | — | 424 | 424 |
| Capital contributions by minority shareholders of subsidiaries | — | — | — | — | — | — | — | — | 1,452 | 1,452 |
| Acquisition of additional interest in a subsidiary | — | — | — | — | — | — | — | — | (55,032) | (55,032) |
| At 31st December, 2007 | 46,308 | 245,111 | 34,583 | 207,435 | 37,003 | 4,707 | 728,747 | 1,303,894 | 153,611 | 1,457,505 |

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

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

Loss for the year of the Company of RMB8,446,000 (2006: RMB86,802,000) has been dealt with in the consolidated income statement.

# Consolidated Cash Flow Statement

Year ended 31st December, 2007

| | 2007 RMB'000 | 2006 RMB'000 |
|---|---|---|
| **OPERATING ACTIVITIES** | | |
| Profit before taxation | **178,080** | 165,871 |
| Adjustments for: | | |
| Depreciation of property, plant and equipment | **59,288** | 51,097 |
| Amortisation of intangible assets | **951** | 2,280 |
| Release of prepaid lease payments | **1,213** | 917 |
| Deficit (Surplus) arising on revaluation of property, plant and equipment | **414** | (147) |
| Gain on disposal of a subsidiary | **—** | (5,056) |
| Gain on deemed disposal of interests in subsidiaries | **(63,847)** | — |
| Discount on acquisition of additional interest in a subsidiary | **(2,287)** | (3,140) |
| Share of results of an associate | **(16,616)** | — |
| Loss on disposal of property, plant and equipment | **262** | 128 |
| Impairment loss on other intangible assets | **4,807** | — |
| Impairment losses on trade receivables | **21,584** | 17,147 |
| Interest income | **(5,282)** | (7,249) |
| Interest expense | **54,608** | 44,910 |
| Operating cash flows before movements in working capital | **233,175** | 266,758 |
| Movements in working capital: | | |
| Inventories | **(48,253)** | (68,633) |
| Trade and other receivables | **(417,950)** | (127,998) |
| Amounts due from related companies | **2,726** | (1,204) |
| Investment held for trading | **—** | 350 |
| Trade and other payables | **58,273** | (33,773) |
| Amounts due to related companies | **4,640** | 159 |
| Cash (used in) generated from operations | **(167,389)** | 35,659 |
| PRC enterprise income tax paid | **(11,437)** | (16,133) |
| **Net cash (used in) generated from operating activities** | **(178,826)** | 19,526 |

# Consolidated Cash Flow Statement

Year ended 31st December, 2007

| | Notes | 2007 RMB'000 | 2006 RMB'000 |
|---|---|---|---|
| **INVESTING ACTIVITIES** | | | |
| Acquisition of mining rights | | **—** | (205,171) |
| Purchases of property, plant and equipment | | **(166,840)** | (3,244) |
| Purchases of prepaid lease payments | | **(35,275)** | — |
| Acquisition of additional interest in a subsidiary | | **(29,006)** | (5,800) |
| Acquisition of other intangible assets | | **(7,854)** | (5,747) |
| Consideration paid for disposal/deemed disposal of subsidiaries (net of cash and cash equivalents) | | **—** | (37) |
| Repayment from an associate | | **24,725** | 16,019 |
| Interest received | | **5,282** | 7,249 |
| (Increase) Decrease in pledged bank deposits | | **(53,440)** | 6,516 |
| Proceeds on disposal of property, plant and equipment | | **109** | 1,584 |
| (Advanced to) Repayment from minority shareholders | | **(721)** | 377 |
| (Advanced to) Repayment from directors | | **(46)** | 170 |
| Acquisition of a subsidiary (net of cash and cash equivalents) | 33 | **(1,578)** | — |
| Deferred government grants received | | **27,000** | — |
| **Net cash used in investing activities** | | **(237,644)** | (188,084) |
| **FINANCING ACTIVITIES** | | | |
| New bank and other borrowings raised | | **796,302** | 804,974 |
| Capital contributions by minority shareholders | | **157,033** | 21,200 |
| Repayment of bank and other borrowings | | **(360,262)** | (507,815) |
| Interest paid | | **(71,390)** | (44,910) |
| Dividends paid | | **(21,757)** | (22,520) |
| Dividends paid to minority shareholders | | **(2,602)** | — |
| Advance from (Repayment to) an associate | | **7,157** | (1,586) |
| Repayment to minority shareholders | | **(179)** | (411) |
| **Net cash generated from financing activities** | | **504,302** | 248,932 |
| **Net increase in cash and cash equivalents** | | **87,832** | 80,374 |
| **Cash and cash equivalents beginning of year** | | **274,555** | 197,299 |
| Effect of foreign exchange rate changes | | **(144)** | (3,118) |
| **Cash and cash equivalents at end of year, represented by bank balances and cash** | | **362,243** | 274,555 |

# Notes to the Financial Statements

Year ended 31st December, 2007

## 1. General

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporation Information" section in the annual report.

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

## 2. Principal Accounting Policies

### BASIS OF PREPARATION

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

These financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2006 financial statements except for change in accounting policies as detailed in note 3. A summary of the principal accounting policies adopted by the Group is set out below.

### BASIS OF MEASUREMENT

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

### BASIS OF CONSOLIDATION

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

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

## 2. Principal Accounting Policies (Continued)

### BASIS OF CONSOLIDATION (Continued)

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

### SUBSIDIARIES

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

### ASSOCIATES

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

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

### GOODWILL

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

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

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

# Notes to the Financial Statements

Year ended 31st December, 2007

## 2. Principal Accounting Policies (Continued)

### GOODWILL (Continued)

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

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

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

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

### PROPERTY, PLANT AND EQUIPMENT

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

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

## 2. Principal Accounting Policies (Continued)

### PROPERTY, PLANT AND EQUIPMENT (Continued)

Construction in progress represents property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less accumulated impairment losses. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets commences when the assets are ready for their intended use.

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

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

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

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

### PREPAID LEASE PAYMENTS

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

# Notes to the Financial Statements

Year ended 31st December, 2007

## 2. Principal Accounting Policies (Continued)

### INTANGIBLE ASSETS

**Research and development expenditure**

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

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

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

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

**Mining rights**

Mining rights are stated at cost less accumulated amortisation and accumulated impairment losses. The mining rights will be amortised when the mining activities commence.

**Patents, trademarks and licensing rights**

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

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

## 2. Principal Accounting Policies (Continued)

### FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instruments and on a trade date basis. A financial asset is derecognised when the Group's contractual rights to future cash flows from the financial asset expire or when the Group transfers the contractual rights to future cash flows to a third party. A financial liability is derecognised only when the liability is extinguished.

**Loans and receivables**

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

**Impairment of financial assets**

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

**Financial liabilities**

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

# Notes to the Financial Statements

Year ended 31st December, 2007

## 2. Principal Accounting Policies (Continued)

### FINANCIAL INSTRUMENTS (Continued)

**Financial guarantee contracts**

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

### CASH EQUIVALENTS

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

### REVENUE RECOGNITION

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

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

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

### FOREIGN CURRENCY TRANSLATION

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

## 2. Principal Accounting Policies (Continued)

### FOREIGN CURRENCY TRANSLATION (Continued)

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

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

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet date;

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

- All resulting exchange differences arising from the above translation and exchange differences arising from a monetary item that forms part of the Group's net investment in a foreign operation are recognised as a separate component of equity and recognised in consolidated income statement on disposal of foreign operations.

### INVENTORIES

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

### IMPAIRMENT OF OTHER ASSETS

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

# Notes to the Financial Statements

Year ended 31st December, 2007

## 2. Principal Accounting Policies (Continued)

### IMPAIRMENT OF OTHER ASSETS (Continued)

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

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

### BORROWING COSTS

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

### GOVERNMENT GRANTS

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

### LEASES

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

### RETIREMENT BENEFITS COSTS

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

# Notes to the Financial Statements

Year ended 31st December, 2007

## 2. Principal Accounting Policies (Continued)

### TAXATION

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

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

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

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

### RELATED PARTIES

A party is related to the Group if

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

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

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

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

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

## 2. Principal Accounting Policies (Continued)

### RELATED PARTIES (Continued)

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

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

### FUTURE CHANGES IN HKFRS

At the date of authorisation of these financial statements, the HKICPA has issued a number of new/revised HKFRS that are not yet effective for the current year, which the Group has not early adopted except for HKAS 23 (Revised) "Borrowing costs" as detailed in note 3. The directors are in the process of making an assessment of what the impact of these HKFRS is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results and financial position.

## 3. Changes in Accounting Policies

The HKICPA has issued a number of new and revised HKFRS that are first effective for the current accounting period of the Group. There have been no significant changes to the accounting policies applied in these financial statements for the years presented as a result of these developments. However, as a result of the adoption of HKAS 1 (Amendment) "Presentation of Financial Statements: Capital Disclosures" and HKFRS 7 "Financial Instruments: Disclosures", there have been some additional disclosures provided as follows:

### HKAS 1 (AMENDMENT) "PRESENTATION OF FINANCIAL STATEMENTS: CAPITAL DISCLOSURES"

The amendment requires financial statements to provide additional disclosures in relation to the Group's objectives, policies and processes for managing capital. These new disclosures are shown in note 36 to the financial statements.

### HKFRS 7 "FINANCIAL INSTRUMENTS: DISCLOSURES"

HKFRS 7 superseded HKAS 30 "Disclosures in the Financial Statements of Banks and Similar Financial Institutions" and incorporated all the disclosure requirements previously in HKAS 32, while the presentation requirements in HKAS 32 remain unchanged. HKFRS 7 requires financial statements to disclose information for the purpose of evaluating the significance of the Group's financial instruments, the nature and risks arising from those financial instruments to which the Group is exposed to and how the entity manages them. The new disclosures are included throughout the financial statements.

## 3. Changes in Accounting Policies (Continued)

In addition, the Group has early adopted HKAS 23 (Revised) "Borrowing costs" prospectively with effect from 1st January, 2007. The revised HKAS 23 requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs previously allowed under the old HKAS 23 will be removed.

As a result of the early adoption of the revised HKAS 23, both the Group's profit for the year and total equity as at 31st December, 2007 have been increased by RMB16,782,000.

## 4. Critical Accounting Estimates and Judgements

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

### INCOME TAXES

At 31st December, 2007, a deferred tax asset of RMB2,181,000 have been recognised in respect of deductible temporary differences in the Group's consolidated balance sheet. On the other hand, no deferred tax asset has been recognised in respect of the tax losses of RMB198,684,000 due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less or more than expected, a material reversal or recognition of deferred tax assets may arise, which would be recognised in the consolidated income statement in the period in which such a reversal or recognition takes place.

### IMPAIRMENT OF TRADE RECEIVABLES

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

# Notes to the Financial Statements

Year ended 31st December, 2007

## 4. Critical Accountining Estimates and Judgements (Continued)

### IMPAIRMENT OF MINING RIGHTS

Management assessed the recoverable amount of the mining rights which have remaining operation periods ranging from 20 to 25 years. The assessment involves an estimation of mineral reserves and market prices of the minerals and other financial factors. Should the actual mineral reserves and other market conditions change, impairment loss may arise.

### IMPAIRMENT OF DEVELOPMENT COSTS FOR ONLINE GAMES

Management assessed the carrying amount of development costs for online games as at 31st December, 2007 on the basis of future cash flow forecasts. The preparation of cash flow forecasts involves key estimations, including the number of future customers and the spending per customer for each of the online game under development. Should the actual financial performance of the online games differs from the estimation, impairment loss may arise. Since the development of relevant online games continues to progress in a satisfactory manner, management is confident that the carrying amount of the assets will be recovered in full and no impairment loss is recognised in this respect.

## 5. Business and Geographical Segments

### BUSINESS SEGMENTS

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

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

Principal activities are as follows:

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

# Notes to the Financial Statements

Year ended 31st December, 2007

## 5. Business and Geographical Segments (Continued)

### BUSINESS SEGMENTS (Continued)

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

**2007**

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

## 5. Business and Geographical Segments (Continued)

### BUSINESS SEGMENTS (Continued)

**Balance sheet**

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

**Other Information**

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

# Notes to the Financial Statements

Year ended 31st December, 2007

## 5. Business and Geographical Segments (Continued)

### BUSINESS SEGMENTS (Continued)

**2006**

| | Sealed lead acid batteries and related accessories RMB'000 | Lithium-ion batteries RMB'000 | Nickel batteries RMB'000 | Others RMB'000 | Elimination RMB'000 | Consolidated RMB'000 |
|---|---|---|---|---|---|---|
| **Revenue** | | | | | | |
| External sales | 1,052,586 | 319,507 | 190,100 | 57,554 | — | 1,619,747 |
| Inter-segment sales | 2,980 | 464 | 3,643 | 48,330 | (55,417) | — |
| Total | 1,055,566 | 319,971 | 193,743 | 105,884 | (55,417) | 1,619,747 |
| **Result** | | | | | | |
| Segment result | 159,114 | 52,464 | 3,137 | 5,046 | — | 219,761 |
| Unallocated income | | | | | | 16,464 |
| Unallocated expenses | | | | | | (30,500) |
| Gain on disposal of a subsidiary | | | | | | 5,056 |
| Finance costs | | | | | | (44,910) |
| Profit before taxation | | | | | | 165,871 |
| Income tax expense | | | | | | (14,021) |
| Profit for the year | | | | | | 151,850 |

# Notes to the Financial Statements

Year ended 31st December, 2007

## 5. Business and Geographical Segments (Continued)

### BUSINESS SEGMENTS (Continued)

**Balance sheet**

| | Sealed lead acid batteries and related accessories RMB'000 | Lithium-ion batteries RMB'000 | Nickel batteries RMB'000 | Others RMB'000 | Consolidated RMB'000 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Segment assets | 1,573,862 | 410,739 | 101,876 | 200,117 | 2,286,594 |
| Mining rights | | | | | 205,171 |
| Unallocated assets | | | | | 359,281 |
| Consolidated total assets | | | | | 2,851,046 |
| **LIABILITIES** | | | | | |
| Segment liabilities | 404,989 | 158,831 | 59,733 | 47,287 | 670,840 |
| Unallocated liabilities | | | | | 907,534 |
| Consolidated total liabilities | | | | | 1,578,374 |

**Other Information**

| | Sealed lead acid batteries and related accessories RMB'000 | Lithium-ion batteries RMB'000 | Nickel batteries RMB'000 | Mining RMB'000 | Others RMB'000 | Consolidated RMB'000 |
|---|---|---|---|---|---|---|
| Capital additions | 47,635 | 21,174 | 1,435 | 208,432 | 16,986 | 295,662 |
| Depreciation and amortisation | 24.718 | 18,125 | 2,938 | — | 7,596 | 53,377 |

### GEOGRAPHICAL SEGMENTS

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

## 6. Other Net Income

| | **2007** **RMB'000** | 2006 RMB'000 |
|---|---|---|
| Bank interest income | **5,282** | 7,249 |
| Discount on acquisition of additional interest in a subsidiary (note) | **2,287** | 3,140 |
| Net foreign exchange gains | **—** | 2,049 |
| Government grants | **4,149** | 3,933 |
| Sundry income | **5,004** | 2,254 |
| Subsidy income in relation to value-added tax | **900** | 5,023 |
| | **17,622** | 23,648 |

Note: In April 2007, the Group acquired further equity interest in Harbin Coslight Power Company Limited ("HCP") at a cash consideration of RMB52,745,000, resulting in an increase in the Group's shareholding in HCP from 87.49% to 99.84% and a discount on acquisition amounting to RMB2,287,000. At the balance sheet date, approximately RMB23,739,000 of the consideration had not been paid, of which RMB23,100,000 was recorded in amounts due to minority shareholders and RMB639,000 was recorded in other payables.

## 7. Gain on Deemed Disposal of Interests in Subsidiaries

During the year, the Group recognised a gain of RMB1,895,000 on deemed disposal of a subsidiary following the dilution of the Group's interest in HCP from 91.45% to 87.49% as a result of subscription of newly issued share capital of HCP by independent third parties.

In May 2007, the Group's interest in a subsidiary, Harbin Coslight Storage Battery Company Limited ("HSB"), was diluted from 100% to 89.48% as a result of capital injection into HSB by independent third parties of approximately RMB155.6 million. As a result, a gain on deemed disposal of RMB61,952,000 was recognised in the consolidated income statement.

# Notes to the Financial Statements

Year ended 31st December, 2007

## 8. Finance Costs

| | 2007 RMB'000 | 2006 RMB'000 |
|---|---|---|
| Interest on: | | |
| Bank borrowings wholly repayable within five years | **71,028** | 44,661 |
| Other borrowings wholly repayable within five years | **362** | 249 |
| Total borrowing costs | **71,390** | 44,910 |
| Less: Borrowing costs capitalised at a rate of 6.97% per annum | **(16,782)** | — |
| | **54,608** | 44,910 |

## 9. Directors' and Employees' Emoluments

### (A) DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the 9 (2006: 9) directors were as follows:

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

| 2006 | Mr. Song Dian Quan RMB'000 | Ms. Luo Ming Hua RMB'000 | Mr. Li Ke Xue RMB'000 | Mr. Xing Kai RMB'000 | Mr. Zhang Li Ming RMB'000 | Mr. Liu Xing Quan RMB'000 | Mr. Li Zeng Lin RMB'000 | Dr. Jiang Zhao Hua RMB'000 | Mr. Xiao Jian Min RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|---|---|---|---|
| Fees | — | — | — | — | — | — | 20 | — | — | 20 |
| Other emoluments: | | | | | | | | | | |
| Salaries and other benefits | 83 | 83 | 78 | 71 | 291 | 64 | — | — | — | 670 |
| Retirement benefit scheme contributions | 2 | 2 | — | 2 | — | — | — | — | — | 6 |
| Total emoluments | 85 | 85 | 78 | 73 | 291 | 64 | 20 | — | — | 696 |

## 9. Directors' and Employees' Emoluments (Continued)

### (B) EMPLOYEES' EMOLUMENTS

The five highest paid individuals of the Group included two (2006: one) directors of the Company, details of whose emoluments are set out in (A) above. The emoluments of the remaining three (2006: four) individuals are as follows:

| | **2007** **RMB'000** | 2006 RMB'000 |
|---|---|---|
| Salaries and other benefits | **1,752** | 1,548 |
| Retirement benefit | **33** | 28 |
| | **1,785** | 1,576 |

The emoluments of the three (2006: four) individuals with the highest emoluments are within the following bands:

| | **2007** **Number of individuals** | 2006 Number of individuals |
|---|---|---|
| Nil — HK$1,000,000 (equivalent to Nil — RMB937,000) | **2** | 4 |
| HK$1,000,001 — HK$1,500,000 (equivalent to RMB937,000 — RMB1,406,000) | **1** | — |

During each of the year ended 31st December, 2007 and 2006, no emoluments were paid by the Group to any of the directors or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, no directors waived any emoluments for each of the year ended 31st December, 2007 and 2006.

# Notes to the Financial Statements

Year ended 31st December, 2007

## 10. Income Tax Expense

| | Note | 2007 RMB'000 | 2006 RMB'000 |
|---|---|---|---|
| The charge comprises: | | | |
| PRC enterprise income tax | | **13,785** | 13,876 |
| Deferred taxation (credit) charge | 31 | **(873)** | 145 |
| | | **12,912** | 14,021 |

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

Pursuant to the relevant laws and regulations in the PRC, certain of the Group's PRC subsidiaries are entitled to exemption from PRC enterprise income tax for the first two years commencing from their first profit-making years of operation and, thereafter, a 50% reduction for the following three years. In addition, one of the Company's PRC subsidiaries is entitled to exemption from PRC enterprise income tax for the three years commencing from 2005.

Major operating subsidiaries of the Company are subject to PRC enterprise income tax in the current year. These subsidiaries have been officially designated by the local tax authority as "New and Technologically-Advanced Enterprises" and foreign invested enterprises engaged in manufacturing activities. As a result, the effective tax rate for these major operating subsidiaries was 10% for the year (2006: 10%).

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

| | 2007 RMB'000 | 2006 RMB'000 |
|---|---|---|
| Profit before taxation | **178,080** | 165,871 |
| Tax at the domestic income tax rate at 15% (2006: 15%) | **26,712** | 24,881 |
| Tax effect of income subject to tax holidays | **(17,209)** | (11,029) |
| Tax effect of income not taxable and expenses not deducible | **(8,779)** | (5,111) |
| Tax effect of tax losses not recognised | **14,456** | 5,280 |
| Tax effect of change in tax rate (note) | **(2,268)** | — |
| Tax charge for the year | **12,912** | 14,021 |

# Notes to the Financial Statements

Year ended 31st December, 2007

## 10. Income Tax Expense (Continued)

Note:

In March 2007, the National People's Congress enacted a new Enterprise Income Tax Law, which became effective on 1st January, 2008 (the "New EIT Law"). In December 2007, the State Council promulgated the "Implementation Regulations to the EIT Law and the Notice to Enterprise Income Tax Transition Incentive Policy", which also became effective on 1st January, 2008.

Under these laws and regulations, a unified income tax rate of 25% will apply to all domestic and foreign invested enterprises, unless they qualify for special tax benefits under certain limited exceptions. From 1st January, 2008, the income tax rate for the major operating subsidiaries mentioned above will be gradually changed to the standard rate of 25% over a five-year transition period. Since the deferred tax assets and deferred tax liabilities shall be measured at the tax rates that are expected to apply to the periods when the asset is realised or the liability is settled, the change in the applicable tax rate affects the determination of the carrying values of deferred tax assets and deferred tax liabilities of the Group as at 31st December, 2007. The change in the PRC enterprise income tax rate has led to recognition of both additional deferred tax liabilities of RMB5,139,000, with corresponding charge to revaluation reserve of property, plant and equipment, and additional deferred tax assets of RMB2,268,000, with corresponding credit to the consolidated income statement.

Details of deferred taxation are set out in note 31.

## 11. Profit for the Year

| | Note | 2007 RMB'000 | 2006 RMB'000 |
|---|---|---|---|
| Profit for the year has been arrived at after charging and (crediting): | | | |
| Directors' emoluments | 9(A) | **899** | 696 |
| Retirement benefit scheme contributions (excluding contributions for directors) | | **6,809** | 6,361 |
| Other staff costs | | **151,631** | 129,311 |
| Total employee benefit expenses | | **159,339** | 136,368 |
| Depreciation of property, plant and equipment | | **59,288** | 51,097 |
| Amortisation of intangible assets (included in administrative expenses and cost of sales) | | **951** | 2,280 |
| Total depreciation and amortisation | | **60,239** | 53,377 |
| Release of prepaid lease payments | | **1,213** | 917 |
| Net foreign exchange losses | | **377** | — |
| Auditors' remuneration | | **1,642** | 1,889 |
| Research and development costs | | **2,606** | 1,018 |
| Deficit (Surplus) arising on revaluation of property, plant and equipment | 14 | **414** | (147) |
| Loss on disposal of property, plant and equipment | | **262** | 128 |
| Impairment losses on trade receivables | | **21,584** | 17,147 |
| Impairment loss on other intangible assets | | **4,807** | — |
| Cost of inventories recognised as an expense | | **1,712,215** | 1,149,617 |
| Gain on disposal of investment held for trading | | **—** | (120) |

# Notes to the Financial Statements

Year ended 31st December, 2007

## 12. Dividends Recognised as Distribution During the Year

Dividends recognised as distribution during the year represent dividends payable to equity holders of the Company attributable to the previous financial year, which was approved and paid during the year:

| | **2007** | 2006 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| 2005 final — HK$0.05 (shown as RMB0.05200) | **—** | 22,520 |
| 2006 final — HK$0.05 (shown as RMB0.05024) | **21,757** | — |
| | **21,757** | 22,520 |

The directors have declared a final dividend of HK$0.05 (2006: HK$0.05) per share, totalling approximately RMB20,300,000 (2006: RMB21,757,000), which will be paid to the shareholders of the Company whose names appear in the register of members on 29th May, 2008. The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

## 13. Earnings Per Share

The calculation of the basic earnings per share is based on the profit attributable to ordinary equity holders of the Company of RMB162,293,000 (2006: RMB144,575,000) and the weighted average number of ordinary shares in issue of 433,080,000 (2006: 433,080,000) shares.

Diluted earnings per share has not been presented because there were no potential ordinary shares in issue for the years ended 31st December, 2007 and 2006.

# Notes to the Financial Statements

Year ended 31st December, 2007

## 14. Property, Plant and Equipment

| | Leasehold improvements | Buildings situated in the PRC | Plant and machinery | Furniture, fixtures and equipment | Motor vehicles | Construction in progress | Total |
|---|---|---|---|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| **Cost or valuation** | | | | | | | |
| At 1st January, 2006 | 1,597 | 198,043 | 250,950 | 13,753 | 12,664 | 29,770 | 506,777 |
| Exchange adjustments | (11) | — | — | (1) | — | — | (12) |
| Additions | — | 76 | 23,003 | 2,712 | 1,324 | 57,629 | 84,744 |
| Transfers | — | 19,274 | 924 | — | — | (20,198) | — |
| Disposal of a subsidiary | — | — | — | (1,488) | — | (107) | (1,595) |
| Disposals | — | (280) | (88) | (636) | (708) | — | (1,712) |
| Revaluation | — | 8,200 | (25,510) | (3,737) | (5,183) | — | (26,230) |
| At 31st December, 2006 | 1,586 | 225,313 | 249,279 | 10,603 | 8,097 | 67,094 | 561,972 |
| Additions | 3,112 | 4,525 | 51,101 | 2,321 | 3,260 | 128,676 | 192,995 |
| Acquisition of a subsidiary | — | — | 202 | 168 | 47 | — | 417 |
| Transfers | — | 8,972 | 10,007 | 25 | — | (19,004) | — |
| Disposals | — | — | (178) | — | (193) | — | (371) |
| Revaluation | — | (14,913) | (35,570) | (5,023) | 1,427 | — | (54,079) |
| **At 31st December, 2007** | **4,698** | **223,897** | **274,841** | **8,094** | **12,638** | **176,766** | **700,934** |
| Comprising: | | | | | | | |
| At cost | 4,698 | — | — | — | — | 176,766 | 181,464 |
| At fair value | — | 223,897 | 274,841 | 8,094 | 12,638 | — | 519,470 |
| | **4,698** | **223,897** | **274,841** | **8,094** | **12,638** | **176,766** | **700,934** |
| **Accumulated depreciation** | | | | | | | |
| At 1st January, 2006 | 394 | — | — | — | — | — | 394 |
| Exchange adjustments | (4) | — | — | — | — | — | (4) |
| Charge for the year | 372 | 13,997 | 32,128 | 2,471 | 2,129 | — | 51,097 |
| Eliminated on revaluation | — | (13,997) | (32,128) | (2,471) | (2,129) | — | (50,725) |
| At 31st December, 2006 | 762 | — | — | — | — | — | 762 |
| Charge for the year | 233 | 12,862 | 39,215 | 4,730 | 2,248 | — | 59,288 |
| Eliminated on revaluation | — | (12,862) | (39,215) | (4,730) | (2,248) | — | (59,055) |
| **At 31st December, 2007** | **995** | **—** | **—** | **—** | **—** | **—** | **995** |
| **Carrying value** | | | | | | | |
| **At 31st December, 2007** | **3,703** | **223,897** | **274,841** | **8,094** | **12,638** | **176,766** | **699,939** |
| At 31st December, 2006 | 824 | 225,313 | 249,279 | 10,603 | 8,097 | 67,094 | 561,210 |

# Notes to the Financial Statements

Year ended 31st December, 2007

## 14. Property, Plant and Equipment (Continued)

Property, plant and equipment other than leasehold improvements and construction in progress were revalued at 31st December, 2007 by Jones Lang LaSalle Sallmanns Limited, Chartered Surveyors, using the market value for existing use. Jones Lang LaSalle Sallmanns Limited has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation of buildings, which conforms to the RICS Valuation Standards published by the Royal Institution of Chartered Surveyors and the HKIS Valuation Standard on Properties published by the Hong Kong Institute of Surveyors, was arrived at using the direct comparison approach or depreciated replacement cost if there are no market sales comparables readily available.

The surplus arising on revaluation was approximately RMB4,976,000 (2006: RMB24,495,000), of which approximately RMB4,004,000 (2006: RMB24,516,000) (net of approximately RMB1,386,000 (2006: RMB168,000) shared by the minority interests) was credited to the revaluation reserve and approximately RMB414,000 was debited (2006: RMB147,000 was credited) to the consolidated income statement for the year ended 31st December, 2007.

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

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

| **2006** | **Buildings situated in the PRC** | **Plant and machinery** | **Furniture, fixtures and equipment** | **Motor vehicles** |
|---|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Cost | 222,586 | 357,185 | 21,956 | 19,991 |
| Accumulated depreciation | (47,183) | (149,972) | (10,826) | (8,851) |
| | 175,403 | 207,213 | 11,130 | 11,140 |

# Notes to the Financial Statements

Year ended 31st December, 2007

## 15. Mining Rights

| | **2007** **RMB'000** | 2006 RMB'000 |
|---|---|---|
| **Cost and carrying value** | | |
| At beginning of year | **205,171** | — |
| Additions | **—** | 205,171 |
| At balance sheet date | **205,171** | 205,171 |

The mining rights represent the rights to conduct mining activities in Russia. The mining rights have legal lives of 20 to 25 years.

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

## 16. Other Intangible Assets

| | **Development costs** RMB'000 (Note a) | **Patents, trademarks and licensing rights** RMB'000 (Note b) | **Total** RMB'000 |
|---|---|---|---|
| **Cost** | | | |
| At 1st January, 2006 | 4,781 | 17,723 | 22,504 |
| Additions | 4,316 | 1,431 | 5,747 |
| Disposal of a subsidiary | — | (4,741) | (4,741) |
| At 31st December, 2006 | 9,097 | 14,413 | 23,510 |
| Additions | 7,832 | 22 | 7,854 |
| **At 31st December, 2007** | **16,929** | **14,435** | **31,364** |
| **Accumulated amortisation and impairment losses** | | | |
| At 1st January, 2006 | — | 4,899 | 4,899 |
| Charge for the year | — | 2,280 | 2,280 |
| Eliminated on disposal of a subsidiary | — | (386) | (386) |
| At 31st December, 2006 | — | 6,793 | 6,793 |
| Charge for the year | — | 951 | 951 |
| Impairment losses (Note (c)) | — | 4,807 | 4,807 |
| **At 31st December, 2007** | **—** | **12,551** | **12,551** |
| **Carrying values** | | | |
| **At 31st December, 2007** | **16,929** | **1,884** | **18,813** |
| At 31st December, 2006 | 9,097 | 7,620 | 16,717 |

# Notes to the Financial Statements

Year ended 31st December, 2007

## 16. Other Intangible Assets (Continued)

Notes:

(a) Development costs represent costs of development of a number of new online games, which have not been put into commercial use as at 31st December, 2007. During the year, the Group entered into an agreement with Beijing Guangyu Online Technology Company Limited, a company in which certain directors of the Company have beneficial interests, to grant it an exclusive right for launching of one of the online games under development in the PRC regions. In return the Group will receive a lump sum payment of RMB7 million and a monthly royalty fee calculated at 20% of the revenue generated by the online game. At 31st December, 2007, RMB0.5 million of the lump sum payment was received.

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

(c) Impairment loss has been recognised during the year in respect of a licensing right for production of mobile phones.

## 17. Goodwill

| | 2007<br>RMB'000 | 2006<br>RMB'000 |
|---|---|---|
| **Cost** | | |
| Unamortised cost at beginning of year (Note a) | 4,193 | 4,193 |
| Addition during the year (Note 33) | 2,302 | — |
| At balance sheet date | 6,495 | 4,193 |
| **Accumulated impairment losses** (Note b) | | |
| At beginning of year and at balance sheet date | — | — |
| Carrying amount at balance sheet date | 6,495 | 4,193 |

Notes:

(a) The goodwill arose on the Group's acquisition of Shenzhen Kdcoms Technology Co., Ltd. 深圳光宇通訊設備有限公司 ("SKT") (formerly known as 深圳市中科典科技有限公司) during the year ended 31st December, 2004. Before 1st January, 2005, the goodwill of RMB4,590,000 was amortised on a straight-line basis over seven years.

(b) The recoverable amounts of the cash generating units containing goodwill have been determined based on a value in use calculation. The value in use is calculated based on discounted cash flow projections, which are prepared on the basis of financial budgets approved by management covering a 5-year period. Discount rates of 6.17% per annum and 4.68% per annum were applied to SKT and 瀋陽藍火炬軟件有限公司 respectively, which represent the risks involved to the business. According to the value in use calculation, the recoverable amounts are higher than the carrying value of the cash generating units containing goodwill. Therefore, management determines that there is no impairment of the cash generating units containing the goodwill during the year ended 31st December, 2007. Management believes that any reasonably foreseeable change in any of the above key assumptions would not cause the aggregate carrying amount to exceed aggregate recoverable amount.

# Notes to the Financial Statements

Year ended 31st December, 2007

## 18. Prepaid Lease Payments

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

During the year, the Group acquired a land use right at a consideration of RMB7,300,000. The land use right was disposed of on 5th January, 2008 at a consideration of RMB7,500,000.

The amount to be amortised within the next twelve months after the balance sheet date of RMB1,622,000 (2006: RMB917,000) and the land use right mentioned above are included in current assets.

## 19. Interest in an Associate

| | **2007 RMB'000** | 2006 RMB'000 |
|---|---|---|
| Cost of investment in an unlisted associate | **19,724** | 19,724 |
| Share of post-acquisition results | **(3,108)** | (19,724) |
| | **16,616** | — |

At 31st December, 2007, the Group had interest in the following associate:

| **Name of entity** | **Form of business** | **Place of establishment** | **Proportion of registered capital and voting power held by the Group** | **Principal activities** |
|---|---|---|---|---|
| 北京光宇華夏科技有限責任公司 | Incorporated | PRC | 35.86% | Sales and distribution of online games |

# Notes to the Financial Statements

Year ended 31st December, 2007

## 19. Interest in an Associate (Continued)

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

| | 2007<br>RMB'000 | 2006<br>RMB'000 |
|---|---|---|
| Total assets | **49,594** | 14,963 |
| Total liabilities | **(3,257)** | (52,528) |
| Net assets (liabilities) | **46,337** | (37,565) |
| Group's share of net assets of an associate | **16,616** | — |
| Revenue | **166,221** | 50,782 |
| Profit (Loss) for the year | **86,643** | (16,155) |
| Group's share of profit of an associate, after deducting accumulated losses not previously shared | **16,616** | — |

The amounts of unrecognised share of results of an associate, extracted from the PRC statutory audited accounts of the associate, both for the year and cumulatively, are as follows:

| | 2007<br>RMB'000 | 2006<br>RMB'000<br>(Restated) |
|---|---|---|
| Unrecognised share of profit (loss) for the year | **14,454** | (5,793) |
| Accumulated unrecognised share of losses | **—** | (14,454) |

## 20. Inventories

| | 2007<br>RMB'000 | 2006<br>RMB'000 |
|---|---|---|
| Raw materials | **143,437** | 109,457 |
| Work in progress | **124,463** | 127,492 |
| Finished goods | **116,687** | 99,385 |
| | **384,587** | 336,334 |

# Notes to the Financial Statements

Year ended 31st December, 2007

## 21. Trade and Other Receivables

Credit term given to customers varies from 3 months to 9 months from the final acceptance and are generally based on the financial strength of individual customers. The following is an ageing analysis of trade and bills receivables, net of impairment losses of RMB77,412,000 (2006: RMB55,828,000) (see (B) below), at the balance sheet date:

### (A) AGEING ANALYSIS

| | **2007 RMB'000** | 2006 RMB'000 |
|---|---|---|
| Within 90 days | **879,930** | 625,108 |
| More than 90 days, but not exceeding 180 days | **326,915** | 300,233 |
| More than 180 days, but not exceeding 270 days | **152,497** | 154,748 |
| More than 270 days, but not exceeding 360 days | **79,930** | 60,400 |
| More than 360 days, but not exceeding 540 days | **80,900** | 54,015 |
| More than 540 days, but not exceeding 720 days | **5,660** | 28,102 |
| Trade and bills receivables | **1,525,832** | 1,222,606 |
| Other receivables | **181,036** | 87,658 |
| | **1,706,868** | 1,310,264 |

During the year, the Group discounted bills receivable to banks in exchange for cash with recourse in the ordinary course of business. The Group continues to recognise the full carrying amount of bills receivable and has recognised the cash received as secured bank borrowings included in note 28. At the balance sheet date, the carrying amount of discounted bills receivable was RMB59.528.000 (2006: RMB96,049,000).

# Notes to the Financial Statements

Year ended 31st December, 2007

## 21. Trade and Other Receivables (Continued)

### (B) IMPAIRMENT OF TRADE AND BILLS RECEIVABLES

Movement in the allowance for doubtful debts during the year is as follows:

| | 2007 RMB'000 | 2006 RMB'000 |
|---|---|---|
| At beginning of year | **55,828** | 38,681 |
| Impairment loss recognised | **21,584** | 17,147 |
| At balance sheet date | **77,412** | 55,828 |

All allowances for doubtful debts as at 31st December, 2007 and 2006 were made for specific unsecured trade receivables, which recoverability is considered doubtful by management. The amount of impairment represents the difference between the carrying amount of the specific trade receivables and the present value of expected future cash flows.

### (C) TRADE AND BILLS RECEIVABLES NOT IMPAIRED

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

| | 2007 RMB'000 | 2006 RMB'000 |
|---|---|---|
| Neither past due nor impaired | **1,442,060** | 1,162,984 |
| Less than 3 months past due | **44,154** | 29,200 |
| 3 months to 6 months past due | **16,381** | 16,110 |
| 6 months to 9 months past due | **10,320** | 6,064 |
| 9 months to 12 months past due | **5,418** | 5,441 |
| 12 months to 18 months past due | **7,499** | 2,807 |
| Past due but not impaired | **83,772** | 59,622 |
| | **1,525,832** | 1,222,606 |

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

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

## 22. Amounts due from Directors

Particulars of the amounts due from directors are as follows:

| Name of director | Balance at 31.12.2007<br>RMB'000 | Balance at 1.1.2007<br>RMB'000 | Maximum amount outstanding during the year<br>RMB'000 |
|---|---|---|---|
| Song Dian Quan | 334 | 248 | 493 |
| Li Ke Xue | 197 | 222 | 222 |
| Xing Kai | — | 3 | 8 |
| Zhang Li Ming | — | 12 | 23 |
| Liu Xing Quan | 170 | 170 | 170 |
| | 701 | 655 | |

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

## 23. Amount due from (to) an Associate

The amount is unsecured, interest-free and repayable on demand.

## 24. Pledged Bank Deposits

At 31st December, 2007 and 2006, these bank deposits, which carry fixed interest rate, were pledged for securing trade financing facilities granted to the Group.

## 25. Bank Balances and Cash

Included in bank balances and cash are bank deposits of RMB360,842,000 (2006: RMB273,042,000) which bears interest at variable prevailing market rates.

# Notes to the Financial Statements

Year ended 31st December, 2007

## 26. Trade and Other Payables

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

| | **2007** **RMB'000** | 2006 RMB'000 |
|---|---|---|
| Within 30 days | **204,526** | 129,966 |
| More than 30 days, but not exceeding 60 days | **95,412** | 38,811 |
| More than 60 days, but not exceeding 90 days | **37,211** | 94,530 |
| More than 90 days, but not exceeding 180 days | **59,738** | 99,316 |
| Over 180 days | **26,524** | 32,902 |
| Trade and bills payables | **423,411** | 395,525 |
| Other payables | **310,317** | 269,107 |
| | **733,728** | 664,632 |

## 27. Other Borrowings

At 31st December, 2007, the other borrowings are unsecured and interest-free. At 31st December, 2006, the other borrowings are unsecured and interest-free except for amounts of RMB155,000 and RMB5,526,000, which bore fixed interests at 5% and 4.5% per annum respectively.

| | **2007** **RMB'000** | 2006 RMB'000 |
|---|---|---|
| The other borrowings are repayable as follows: | | |
| Within one year or on demand | **1,120** | 7,681 |
| More than one year, but not exceeding two years | **—** | 1,000 |
| | **1,120** | 8,681 |
| Less: Amounts due within one year shown under current liabilities | **(1,120)** | (7,681) |
| Amounts due after one year shown under non-current liabilities | **—** | 1,000 |

## 28. Bank Borrowings

| | 2007 RMB'000 | 2006 RMB'000 |
|---|---|---|
| The bank borrowings are repayable as follows: | | |
| Within one year or on demand shown under current liabilities | **1,009,188** | 743,968 |
| More than one year, but not exceeding two years | **100,000** | 4,000 |
| More than two years, but not exceeding three years | **50,000** | 106,000 |
| More than three years, but not exceeding four years | **126,000** | 8,000 |
| More than four years, but not exceeding five years | **26,000** | 12,000 |
| After one year shown under non-current liabilities | **302,000** | 130,000 |
| | **1,311,188** | 873,968 |
| Analysed as: | | |
| Secured | **399,495** | 731,679 |
| Unsecured | **911,693** | 142,289 |
| | **1,311,188** | 873,968 |

The bank borrowings carry interests ranging from 4% to 10% per annum during the year ended 31st December, 2007 (2006: 2.34% to 10.00%). The borrowings are used to finance the operations of the Group.

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

| | US$'000 | HK$'000 |
|---|---|---|
| At 31st December, 2007 | **13,700** | 120,000 |
| At 31st December, 2006 | **4,700** | 139,200 |

# Notes to the Financial Statements

Year ended 31st December, 2007

## 29. Share Capital

| | Number of shares 2006 & 2007 | Amount in original currency 2006 & 2007 | Shown in the financial statements 2006 & 2007 |
|---|---|---|---|
| | '000 | HK$'000 | RMB'000 |
| Ordinary share of HK$0.10 each: | | | |
| Authorised | 1,000,000 | 100,000 | 107,000 |
| Issued and fully paid | 433,080 | 43,308 | 46,308 |

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

| Month of repurchase | Number of shares repurchased | Highest price paid per share | Lowest price paid per share | Aggregate price paid |
|---|---|---|---|---|
| | '000 | HK$ | HK$ | HK$'000 |
| January 2008 | 5,836 | 4.47 | 4.28 | 25,461 |
| March 2008 | 10,990 | 4.15 | 3.92 | 44,296 |

## 30. Share Option Scheme

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

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

## 30. Share Option Scheme (Continued)

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

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

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

(iii) the nominal value of the shares.

No share option was granted under the Scheme since adoption.

## 31. Deferred Taxation

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

| | Note | **Revaluation of property, plant and equipment** RMB'000 | **Others** RMB'000 | **Total** RMB'000 |
|---|---|---|---|---|
| At 1st January, 2006 | | 2,006 | (1,298) | 708 |
| Charge (Credit) to consolidated income statement for the year | 10 | 596 | (451) | 145 |
| Charge to equity for the year | | 3,696 | — | 3,696 |
| At 31st December, 2006 | | 6,298 | (1,749) | 4,549 |
| (Credit) Charge to consolidated income statement for the year | 10 | (1,231) | 358 | (873) |
| Charge to equity for the year | | 6,325 | — | 6,325 |
| At 31st December, 2007 | | 11,392 | (1,391) | 10,001 |

At the balance sheet date, the Group had unused tax losses of approximately RMB198,684,000 (2006: RMB131,373,000) available for offsetting against future profits. No deferred tax asset has been recognised in respect of such tax losses due to the unpredictability of future profit streams. The tax losses will expire in 5 years from the year in which the losses were incurred.

# Notes to the Financial Statements

Year ended 31st December, 2007

## 31. Deferred Taxation (Continued)

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

| | **2007**<br>**RMB'000** | 2006<br>RMB'000 |
|---|---|---|
| Deferred tax liabilities | **12,182** | 9,168 |
| Deferred tax assets | **(2,181)** | (4,619) |
| | **10,001** | 4,549 |

## 32. Deferred Government Grants

During the year, the Group received a government grant of RMB27,000,000 for the purpose of subsidising its investment in a land use right and related production facilities to be constructed in an area located in the development zone of Harbin, the PRC.

## 33. Acquisition of a Subsidiary

In August 2007, the Group acquired 80% of the equity interest of 瀋陽藍火炬軟件有限公司, a company engaged in the business of online games development, at a consideration of RMB4,000,000.

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

| | Note | **Carrying value and fair value** RMB'000 |
|---|---|---|
| Property, plant and equipment | | 417 |
| Trade and other receivables | | 238 |
| Bank balances and cash | | 2,422 |
| Trade and other payables | | (955) |
| | | 2,122 |
| Minority interests | | (424) |
| | | 1,698 |
| Goodwill arising on acquisition | 17 | 2,302 |
| Total cash consideration | | 4,000 |
| Net cash outflow arising on acquisition | | |
| Cash consideration paid | | (4,000) |
| Bank balances and cash acquired | | 2,422 |
| | | (1,578) |

Since acquisition, the acquiree made no significant contribution to revenue and results of the Group.

The goodwill is attributable to the profitability and the synergies expected to arise from the acquisition.

# Notes to the Financial Statements

Year ended 31st December, 2007

## 34. Related Party Disclosures

During the year, the Group had certain transactions with related parties. Details of transactions and balances with these related parties are as follows:

### (A) TRANSACTIONS

| Name of related party | Nature of transactions | 2007 RMB'000 | 2006 RMB'000 |
|---|---|---|---|
| Related parties in which certain directors of the Company have beneficial interests: | | | |
| 光宇延邊蓄電池有限公司 Guangyu Yanbian Storage Battery Manufacturing Co. Ltd. ("GYSB") | Rental expenses paid | **—** | 270 |
| 哈爾濱光宇電綫電纜有限公司 Harbin Guangyu Electric Wire and Cable Co. Ltd. ("HGEWC") | Purchase of raw materials | **8,820** | 8,653 |
| | Sales of finished goods | **—** | 210 |
| 哈爾濱開關有限責任公司 Harbin Switch Company Limited ("HBS") | Purchase of raw materials | **444** | — |
| | Sales of finished goods | **893** | 4,530 |
| | Purchase of a land use right | **7,300** | — |
| 天津自行車三廠技術開發中心 Tianjin Bike Third Factory Technology Development Centre ("TDC") | Purchase of raw materials | **2,190** | — |
| | Sales of finished goods | **836** | — |

# Notes to the Financial Statements

Year ended 31st December, 2007

## 34. Related Party Disclosures (Continued)

### (B) BALANCES WITH RELATED COMPANIES

| Name of related company | Amount due from 2007 RMB'000 | Amount due from 2006 RMB'000 | Amount due to 2007 RMB'000 | Amount due to 2006 RMB'000 |
|---|---|---|---|---|
| Related parties in which certain directors of the Company have beneficial interests: | | | | |
| HBS | **14,027** | 18,832 | **—** | 910 |
| 石家莊光宇高能電池材料有限公司 Shijia Zhuang Guangyu Battery Material Co. Ltd. | **583** | 553 | **—** | — |
| GYSB | **—** | 751 | **3,302** | 3,759 |
| 哈爾濱光宇電源廠 Harbin Guangyu Power Supply Factory | **452** | 432 | **—** | — |
| 北京兆唐科技有限公司 Beijing Zhaotong Science And Technology Company Limited | **1,297** | — | **40** | 54 |
| 哈爾濱亞光新型隔板有限公司 Harbin Ya Guang Modern Separators Company Limited | **938** | 368 | **1,701** | 1,951 |
| HGEWC | **3,259** | 1,012 | **3,573** | 1,551 |
| 北京光宇在線科技有限責任公司 Beijing Guangyu Online Technology Company Limited | **—** | — | **4,070** | — |
| 光宇廢陽物資分公司 Guangyu Feiyeung Resources Company | **—** | — | **15** | — |
| 哈爾濱長興冶煉廠 Harbin Changxing Smelting Factory | **—** | — | **1** | — |
| 佳運科技有限公司 Easywin Technologies Limited | **—** | — | **163** | — |
| 哈爾濱光宇(集團)股份有限公司 Harbin Guangyu Group Company Ltd. | **—** | 1,334 | **1,806** | 1,806 |
| | **20,556** | 23,282 | **14,671** | 10,031 |

# Notes to the Financial Statements

Year ended 31st December, 2007

## 34. Related Party Disclosures (Continued)

### (C) BALANCES WITH MINORITY SHAREHOLDERS

| Name of related company | Amount due from 2007 RMB'000 | Amount due from 2006 RMB'000 | Amount due to 2007 RMB'000 | Amount due to 2006 RMB'000 |
|---|---|---|---|---|
| 沈陽東北蓄電池股份有限公司 | 721 | — | — | — |
| 昌都邦達工貿有限公司 Tibet Bangda Industrial & Trade Co. Ltd. | — | — | 3,947 | 3,947 |
| 深圳柏仁塑膠製品有限公司 Shenzhen Boren Plastic Ware Co. Ltd. | 279 | 279 | — | — |
| 哈爾濱格曼電氣自動化設備有限責任公司 | — | — | 31 | — |
| TDC | — | — | 390 | — |
| 黑龍江辰能哈工大高科技風險投資有限公司 | — | — | 23,100 | — |
| 高學峰 | — | — | — | 600 |
| | 1,000 | 279 | 27,468 | 4,547 |

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

### (D) OTHER ARRANGEMENTS

At 31st December, 2007, RMB397,905,000 (2006: RMB242,000,000) of the Group's bank borrowings were guaranteed by Mr. Song Dian Quan, a director of the Company.

Mr. Song Dian Quan, a director of the Company, also undertakes to indemnify the Group from and against all claims, liabilities, losses, costs and expenses which the Group may suffer or incur in connection with any underpayment, non-payment or late payment of social insurance contributions by the Company's PRC subsidiaries.

In addition, at 31st December, 2007, RMB6,500,000 (2006: RMB12,500,000) of the Group's bank borrowing was guaranteed by Mr. Gao Xue Feng, a minority shareholder of a subsidiary.

## 34. Related Party Disclosures (Continued)

### (E) COMPENSATION OF KEY MANAGEMENT PERSONNEL

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

| | 2007 RMB'000 | 2006 RMB'000 |
|---|---|---|
| Short-term benefits | **2,390** | 1,858 |
| Post-employment benefits | **40** | 22 |
| | **2,430** | 1,880 |

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

## 35. Financial Risk Management Objectives and Policies

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

### INTEREST RATE RISK

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

Since a majority of the Group's borrowings as at 31st December, 2007 bore fixed interest rates, management considers that the Group's exposure to interest rate risk is insignificant.

### CREDIT RISK

Except for the corporate guarantee provided by the Group to an independent third party to the extent of RMB131,000,000 (2006: Nil), the carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Group's exposure to credit risk. In order to minimise the credit risk, management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

# Notes to the Financial Statements

Year ended 31st December, 2007

## 35. Financial Risk Management Objectives and Policies (Continued)

### CREDIT RISK (Continued)

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

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

### FOREIGN CURRENCY RISK

The Group has transactional currency exposures. Such exposure arises from sales or purchases by an operating unit in currencies other than Renminbi, inter-company balances recorded in Group entities which functional currency is other than Renminbi, and bank borrowings and bank balances denominated in currencies other than Renminbi. The Group's exposure to foreign currency risk mainly arises from changes in exchange rate of United States dollar/Hong Kong dollar against Renminbi.

The sensitivity analysis below has been determined assuming that the change in foreign exchange rates had occurred at the balance sheet date and had been applied to Group's exposure to currency risk for all financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant. The 10% change of Renminbi against United States dollar/Hong Kong dollar represents management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual balance sheet date. The analysis is performed on the same basis for 2006.

| | **Increase (Decrease) in profit or loss** | | **Increase (Decrease) in equity** | |
|---|---|---|---|---|
| | **10% increase** | **10% decrease** | **10% increase** | **10% decrease** |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| As at 31st December, 2007 | (1,091) | 1,091 | 3,461 | (3,461) |
| As at 31st December, 2006 | 12,548 | (12,548) | (2,682) | 2,682 |

# Notes to the Financial Statements

Year ended 31st December, 2007

## 35. Financial Risk Management Objectives and Policies (Continued)

### LIQUIDITY RISK

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

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

| | On demand RMB'000 | Less than 3 months RMB'000 | 3-12 months RMB'000 | 1-5 years RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|
| **Year ended 31st December, 2006** | | | | | |
| Trade and other payables | 493,803 | 145,002 | 25,806 | 21 | 664,632 |
| Amounts due to related companies | 10,031 | — | — | — | 10,031 |
| Amounts due to minority shareholders | 4,547 | — | — | — | 4,547 |
| Current tax liabilities | 7,347 | — | — | — | 7,347 |
| Other borrowings | 2,155 | 5,526 | — | 1,000 | 8,681 |
| Bank borrowings | 39,750 | 255,775 | 475,854 | 150,440 | 921,819 |
| | 557,633 | 406,303 | 501,660 | 151,461 | 1,617,057 |

# Notes to the Financial Statements

Year ended 31st December, 2007

## 36. Capital Management

The objectives of the Group's capital management are to safeguard the entity's ability to continue as a going concern and to provide returns for shareholders. The Group manages its capital structure and makes adjustments, including payment of dividend to shareholders, return capital to shareholders or issue new shares or sell assets to reduce debts, if necessary. No changes were made in the objectives, policies or processes during the years ended 31st December, 2007 and 2006.

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

| | **2007 RMB'000** | 2006 RMB'000 |
|---|---|---|
| Trade and other payables | **733,728** | 664,632 |
| Amounts due to related companies, minority shareholders and an associate | **49,296** | 14,578 |
| Bank and other borrowings | **1,312,308** | 882,649 |
| Total debt | **2,095,332** | 1,561,859 |
| Add: Proposed dividends | **20,300** | 21,757 |
| Less: Pledged bank deposits | **(108,257)** | (54,817) |
| Bank balances and cash | **(362,243)** | (274,555) |
| Net debt | **1,645,132** | 1,254,244 |
| Total equity | **1,457,505** | 1,272,672 |
| Less: Proposed dividends | **(20,300)** | (21,757) |
| Adjusted capital | **1,437,205** | 1,250,915 |
| Net debt-to-adjusted capital ratio | **114%** | 100% |

## 37. Fair Value

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

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

## 38. Retirement Benefit Plans

### DEFINED CONTRIBUTION PLANS

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

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

The total cost charged to consolidated income statement of approximately RMB6,826,000 (2006: RMB6,367,000) represents contributions payable to these schemes by the Group in respect of the current accounting period.

## 39. Pledge of Assets

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

(i) certain of the Group's land use rights and property, plant and equipment with an aggregate carrying value of approximately RMB140,752,000 (2006: RMB237,608,000).

(ii) personal and corporate guarantees given by a director and certain related parties as set out in note 34(D).

(iii) certain of the trade receivables with an aggregate amount of approximately RMB83,128,000 (2006: RMB94,966,000).

# Notes to the Financial Statements

Year ended 31st December, 2007

## 40. Operating Leases

### THE GROUP AS LESSEE

During the year, rentals payable by the Group for certain of its office premises amounted to RMB8,127,000 (2006: RMB4,920,000).

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

| | **2007** | 2006 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Within one year | **6,193** | 3,006 |
| In the second to fifth year inclusive | **15,086** | 2,045 |
| Over five years | **15,086** | — |
| | **36,365** | 5,051 |

Leases are negotiated for a term of one to ten years (2006: average of three years) and rentals are fixed during the lease period.

## 41. Capital Commitments

| | **2007** | 2006 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Capital expenditure authorised but not contracted for in respect of acquisition of property, plant and equipment | **205,742** | 242,900 |
| Capital expenditure contracted for but not provided in the financial statements in respect of acquisition of property, plant and equipment | **98,661** | 54,677 |

## 42. Contingent Liabilities

At the balance sheet date, the Group had contingent liabilities not provided for in the financial statements in respect of guarantees of banking facilities granted to an independent third party to the extent of RMB131,000,000 (2006: Nil). On the other hand, the independent third party also provided counter-guarantees of banking facilities granted to the Group to the extent of RMB105,000,000 (2006: Nil). The Group has not recognised any deferred income for the financial guarantees issued as their fair values are not significant.

## 43. Principal Subsidiaries of the Company

Details of the Company's principal subsidiaries at 31st December, 2007 are as follows:

| Name of subsidiary | Place of incorporation or registration/ operation | Issued and fully paid share capital/ registered capital | Percentage of nominal value of issued ordinary share capital held by the Company | | Forms of legal entity | Principal activities |
|---|---|---|---|---|---|---|
| | | | Directly % | Indirectly % | | |
| Coslight International (B.V.I.) Company Limited | British Virgin Islands/ Hong Kong | US$50,000 | 100 | — | Private limited company | Investment holding |
| Cosstone Limited Liability Company | Russia | RMB13,561,000 | — | 100 | Private limited company | Mining for production of battery products for group companies |
| 光宇國際有限公司 (前稱金利投資有限公司) Coslight International Company Limited (formerly known as China Gold Profits Limited) | Hong Kong | HK$2 | — | 100 | Private limited company | Provision of management services for the Group |
| 哈爾濱光宇電源股份有限公司 Harbin Coslight Power Company Limited | PRC | RMB231,023,000 | — | 99.84 | Joint stock limited company | Manufacture and sale of lithium ion batteries and sealed lead acid batteries and its accessories |

# Notes to the Financial Statements

Year ended 31st December, 2007

## 43. Principal Subsidiaries of the Company (Continued)

| Name of subsidiary | Place of incorporation or registration/ operation | Issued and fully paid share capital/ registered capital | Percentage of nominal value of issued ordinary share capital held by the Company Directly % | Indirectly % | Forms of legal entity | Principal activities |
|---|---|---|---|---|---|---|
| 哈爾濱科斯萊特實業有限公司 Harbin Coslight Industrial Company Limited | PRC | US$1,400,000 | 71.4 | 28.6 | Wholly-owned foreign enterprise | Manufacture and sale of sealed lead acid batteries and its accessories |
| 哈爾濱光宇蓄電池有限公司 Harbin Coslight Storage Battery Company Limited | PRC | HK$640,190,000 | — | 89.48 | Joint stock limited company | Manufacture and sole of sealed lead acid batteries |
| 沈陽東北蓄電池有限公司 Dongbei Storage Battery Company Limited | PRC | RMB60,000,000 | 50 | 25 | Sino-foreign equity joint venture | Manufacture and sale of sealed lead acid batteries |
| 哈爾濱光宇電氣自動化有限公司 Harbin Coslight Electric Automation Company Limited | PRC | RMB20,000,000 | 16.2 | 63.8 | Sino-foreign equity joint venture | Manufacture of electricity control devices |
| 西藏昌都光宇利民藥業有限公司 Tibet Changdu Guangyu Limin Pharmaceutical Company Limited | PRC | RMB6,600,000 | — | 80 | Domestic equity joint venture | Manufacture of pharmaceutical products |

# Notes to the Financial Statements

Year ended 31st December, 2007

## 43. Principal Subsidiaries of the Company (Continued)

| Name of subsidiary | Place of incorporation or registration/ operation | Issued and fully paid share capital/ registered capital | Percentage of nominal value of issued ordinary share capital held by the Company Directly % | Indirectly % | Forms of legal entity | Principal activities |
|---|---|---|---|---|---|---|
| 哈爾濱光宇開關有限公司<br>Harbin Coslight Switch Company Limited | PRC | RMB2,000,000 | — | 100 | Wholly-owned foreign enterprise | Manufacture of high and low voltage switch |
| Russia (Golden Stone) Limited Liability Company | Russia | RMB29,930,000 | — | 100 | Private limited company | Mining for production of battery products for group companies |
| 深圳光宇通信設備有限公司（前稱深圳市中科典科技有限公司）<br>Shenzhen Coslight Communication Equipment Co., Limited (formerly known as Shenzhen Kdcoms Technology Co., Ltd.) | PRC | RMB10,500,000 | — | 60 | Sino-foreign equity joint venture | Manufacture and sale of signal strength systems |
| 深圳市力可興電池有限公司<br>Lexel Battery (ShenZhen) Co., Ltd. | PRC | RMB10,000,000 | — | 70 | Sino-foreign equity joint venture | Manufacture and sale of small-size and sealed rechargeable Nickel batteries |

# Notes to the Financial Statements

Year ended 31st December, 2007

## 43. Principal Subsidiaries of the Company (Continued)

| Name of subsidiary | Place of incorporation or registration/ operation | Issued and fully paid share capital/ registered capital | Percentage of nominal value of issued ordinary share capital held by the Company | | Forms of legal entity | Principal activities |
|---|---|---|---|---|---|---|
| | | | Directly % | Indirectly % | | |
| 延邊光宇電池有限公司 Yanbian Guangyu Battery Co., Limited | PRC | RMB500,000 | — | 98 | Domestic equity joint venture | Manufacture and sales of automobile batteries |
| 哈爾濱光宇電子有限公司 Harbin Coslight Electronics Co., Limited | PRC | RMB5,000,000 | — | 100 | Wholly-owned foreign enterprise | Manufacture and sales of lead-acid battery for fueling electronic bicycles |

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

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

# Financial Summary

Year ended 31st December, 2007

## Consolidated Income Statement

| | For the year ended 31st December, | | | | |
|---|---|---|---|---|---|
| | 2003 RMB'000 | 2004 RMB'000 | 2005 RMB'000 | 2006 RMB'000 | **2007 RMB'000** |
| **Turnover** | 974,097 | 1,125,046 | 1,307,449 | 1,619,747 | **2,193,632** |
| Cost of sales | (602,580) | (743,311) | (882,461) | (1,149,617) | **(1,712,215)** |
| **Gross profit** | 371,517 | 381,735 | 424,988 | 470,130 | **481,417** |
| Other net income | 5,239 | 12,629 | 22,037 | 23,648 | **17,622** |
| Distribution and selling costs | (127,145) | (149,133) | (148,334) | (156,852) | **(166,749)** |
| Administrative expenses | (61,090) | (67,465) | (131,618) | (131,201) | **(180,065)** |
| Gain on disposal of a subsidiary | — | 778 | — | 5,056 | **—** |
| Gain on disposal of an associate | — | 25 | — | — | **—** |
| Gain on disposal of interests in subsidiaries | 3,447 | — | — | — | **—** |
| Gain on deemed disposal of interests in subsidiaries | — | — | — | — | **63,847** |
| Finance costs | (26,220) | (34,488) | (38,576) | (44,910) | **(54,608)** |
| Share of results of an associate | (34) | — | (3,906) | — | **16,616** |
| **Profit before taxation** | 165,714 | 144,081 | 124,591 | 165,871 | **178,080** |
| Income tax expense | (11,542) | (10,990) | (8,642) | (14,021) | **(12,912)** |
| **Profit for the year from continuing operations** | 154,172 | 133,091 | 115,949 | 151,850 | **165,168** |
| (Loss) Profit for the year from discontinued operation | — | (6,933) | 147 | — | **—** |
| **Profit for the year** | 154,172 | 126,158 | 116,096 | 151,850 | **165,168** |
| Attributable to: | | | | | |
| Equity holders of the Company | 150,454 | 122,024 | 110,927 | 144,575 | **162,293** |
| Minority interests | 3,718 | 4,134 | 5,169 | 7,275 | **2,875** |
| | 154,172 | 126,158 | 116,096 | 151,850 | **165,168** |

# Financial Summary

Year ended 31st December, 2007

## Consolidated Balance Sheet

| | At 31st December, | | | | |
|---|---|---|---|---|---|
| | 2003<br>RMB'000 | 2004<br>RMB'000 | 2005<br>RMB'000 | 2006<br>RMB'000 | **2007<br>RMB'000** |
| Total assets | 1,726,510 | 2,077,182 | 2,356,205 | 2,851,046 | **3,601,714** |
| Total liabilities | (809,448) | (1,097,759) | (1,244,436) | (1,578,374) | **(2,144,209)** |
| Total equity | 917,062 | 979,423 | 1,111,769 | 1,272,672 | **1,457,505** |
| Minority interests | (60,774) | (70,810) | (94,007) | (113,374) | **(153,611)** |
| Equity attributable to equity holders of the Company | 856,288 | 908,613 | 1,017,762 | 1,159,298 | **1,303,894** |

Note: The above financial summary prior to 2004 has not been adjusted for the effect on the changes in the accounting policies for the year ended 31st December, 2005 as the directors considered that it is not practicable to do so.