ANNUAL REPORT 2011

COSLIGHT

COSLIGHT TECHNOLOGY INTERNATIONAL GROUP LIMITED

Incorporated in Bermuda with limited liability

Stock Code : 1043

Contents

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. NG Kar Keung, CPA

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

Legal Adviser

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

Auditor

SHINEWING (HK) CPA Limited
43/F., The Lee Gardens
33 Hysan Avenue
Causeway Bay
Hong Kong

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head Office and Principal Place of Business

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

Principal Bankers

Hang Seng Bank
DBS Bank (Hong Kong) Limited
CITIC Bank International Limited

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

Results

For the year ended 31 December 2011 (the "Year"), turnover from the Group's ongoing operations amounted to approximately RMB2,484,049,000 (2010: RMB2,191,336,000), representing an increase of 13% over the same period last year. Profit attributable to owners of the parent company during the Year was approximately RMB87,669,000 (2010: RMB6,756,000). During the Year, earnings per share were RMB23.43 cents (2010: RMB1.81 cents).

Dividend

The Board does not recommend the payment of a final dividend to shareholders for the year ended 31 December 2011 (2010: Nil).

BUSINESS REVIEW

Sealed lead-acid ("SLA") products

During the Year, turnover from the SLA battery products was about RMB1,487,134,000 (2010: RMB1,519,571,000), representing a decrease of 2% when compared to last year. Gross margin of communication base station batteries was still under pressure due to the weak capital expenditure of the major telecommunication operators in the PRC, the fierce competition within the industry and the rise in costs. Thanks to the speedy growth of China's auto market and greater growth of the demand for starter batteries, the Group continued to increase the production of starter batteries during the Year. Sales volume of starter batteries for the Year grew by 32% to approximately 1,070,000 KVAH when compared to the same period last year. The Group's battery production facility in India is basically completed, and is expected to be put into production in the second half of 2012.

Lithium-ion batteries

Sales of cell phone lithium-ion batteries for the Year was approximately RMB704,999,000 (2010: RMB354,958,000), representing an increase of about 99% over last year. The major customers was well-known enterprises including Huawei and ZTE. Lithium polymer batteries, which were manufactured by the Group's factory in Zhuhai, recorded a rapid growth in the Year. These batteries are mainly used in a wide variety of portable electronic devices including smart phones, tablet PCs and ultra-thin laptops. The production capacity of lithium polymer batteries in Zhuhai is 4 million pieces a month. The existing demand for products exceeds the supply. The Group is expanding the production facilities of lithium polymer batteries. Those facilities are expected to be put into production in the second half of 2012. Certifications have been obtained from several corporations, including Hewlett-Packard of the US, for the lithium polymer batteries. Sales of lithium-polymer batteries for the Year amounted to approximately RMB250,000,000 (2010: RMB113,502,000), representing an increase of 120% over last year.

Chairman's Statement

Lithium ferrite batteries

Lithium ferrite batteries, developed by the Group with its R&D efforts, are applicable for electric vehicles, electric bicycles and electric motorcycles. In respect of the applications in communications base stations, lithium ferrite batteries are more excellent in providing a continuous and reliable supply of electricity in regions where there is an unstable supply of electricity, in mountainous areas and in high temperature environment. Total sales amount of electric vehicle batteries, including batteries for pure electric passenger vehicles, hybrid passenger vehicles and pure electric sedans, was about 894 sets (2010: 134 sets). Total sales amount of electric bicycle batteries and electric motorcycle batteries during the Year was about 17,088 sets (2010: 7,629 sets). Sales amount of lithium ferrite batteries for the year reached RMB95,000,000, representing a surge of over 200% when compared to last year. In relation to the Group's development project relating to the manufacturing and sales of new energy passenger vehicles in Hangzhou, the newly-built annual production capacity will be 2,000 units of passenger vehicles. The land construction has been completed, and the project is expected to be put into operation in 2012.

Online Games

During the Year, "問道", for which the Group's associates participated in its operation and technical services, released an updated version and attracted increasing number of online users. In addition, we issued three new products, which were namely "問道外傳", "天驕3" and "蜀山劍俠傳". These products are currently in their early development stage of operation. Online game business contributed a profit of RMB103,280,000 (2010: RMB66,590,000) for the Group, representing an increase of approximately 55% over the corresponding period last year.

Mineral Products

During the Year, the civil construction works, construction work on mining shaft and all pre-works of ore dressing and mining facilities of the Altai Krai Mines continued to proceed.

Prospects

SLA battery products

China Mobile has begun to step into the construction of 4G networks. With the expected increase in the capital expenditure of the PRC telecommunications operators in 2012, coupled with the improvement in export situation and external sales, it is anticipated that the market condition during the Year can be improved when compared to 2011. The Group will continue to dedicate more vigorous endeavours on promoting the production of automotive starter batteries in 2012. Sales volume is expected to register a continued growth throughout the Year.

Lithium-ion batteries

Lithium-ion batteries, including lithium-ion batteries for cell phones, lithium-polymer batteries and electric vehicle lithium ferrite batteries, are expected to achieve a substantial growth throughout the Year.

The production volume of cell phone lithium-ion batteries in 2012 will be maintained at a stable level comparable to 2011.

The Group is extending the production facilities of lithium polymer batteries. Our production capacity is expected to increase from the current level of 4 million pieces per month to 6 million pieces per month. The facilities expansion is expected to be completed in the second half of 2012. Lithium-polymer batteries will attain a swift growth in 2012, with sales amount of more than RMB450 million, which was a growth of more than 80%.

According to the country's "12th Five-Year Plan", new energy-powered electric vehicles will become a focused project. Auto factories and public transport systems in various provinces and municipalities have made great efforts to encourage the application of electric vehicles. Grids and other companies across the country are also building charging facilities in full swing. The demand for small-sized vehicles has been created due to the financial subsidies from the central government and local governments. Lithium ferrite batteries are expected to maintain the growth momentum of the previous years in 2012. Sales throughout the Year are expected to reach more than RMB180 million, representing an increase of more than 90% over last year.

Coslight's online game

In 2012, we will continue to roll out new games. It is expected that new games will bring revenue contribution for the Company. In the next few years, the R&D and operation of online games will continue to make greater contribution to the Group's operating results, and will continue to generate promising returns for our shareholders.

Appreciation

In appreciation of the trust and support towards the Group from our shareholders, the support for our products from our customers and the unwavering efforts and dedication from all of our staff, I would like to take this opportunity to extend my heartfelt gratitude to our shareholders, customers and employees on behalf of the Board of Directors.

SONG Dian Quan
Chairman

Harbin, the PRC, 30 March 2012

Management Profile

Directors

Executive Directors

Mr. SONG Dian Quan, aged 56, 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 27 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 48, 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 64, 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 27 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 55, is responsible for production and quality management of the Group. He has over 27 years' experience in the research and development of rechargeable battery products and over 14 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 56, is responsible for the international trading activities of the Group. He has more than 34 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 79, 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 47 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 54, 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 56, 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 54, 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 29 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

Financial Review

Assets and liabilities

As at 31 December 2011, the Group has total assets of RMB5,178,684,000 (2010: RMB4,509,696,000) which were financed by current liabilities of RMB3,409,926,000 (2010: RMB2,754,836,000), non-current liabilities of RMB79,328,000 (2010: RMB104,797,000), shareholders' equity of RMB1,520,890,000 (2010: RMB1,465,871,000) and non-controlling interests of RMB168,540,000 (2010: RMB184,192,000).

Liquidity, financial resources and capital structure

During the year, the Group adopted prudent treasury policies in managing cash resources and bank borrowings. As at 31 December 2011, the Group has bank and cash balances amounted to RMB403,247,000 (2010: RMB529,697,000). The total bank and other borrowings of the Group as at 31 December 2011 were approximately RMB1,355,759,000 (2010: RMB1,632,292,000), amongst which RMB1,355,759,000 will be due to repay within 12 months (2010: RMB1,591,692,000). Nil will be due to repay after 12 months (2010: RMB40,600,000). These borrowings carry interest ranging from 3.51% to 8.85% (2010: from 3.17% to 6.14%) per annum. As at 31 December 2011, approximately 80% of the Group's bank and other borrowings were denominated in Renminbi and 20% were denominated in US 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 and other borrowings and shareholders' equity, was 89% (2010: 111%). The current ratio of the Group, represented by a ratio between current assets over current liabilities, was 97% (2010: 106%), reflecting the abundance of financial resources.

Charges on group assets

As at 31 December 2011, certain prepaid lease payments and property, plant and equipment, and trade receivables of the Group with carrying values of RMB163,405,000 (2010: RMB250,521,000), and RMB292,913,000 (2010: RMB324,479,000), respectively, were pledged to secured bank borrowings of approximately RMB324,200,000 (2010: RMB477,800,000). In addition, pledged bank deposits were pledged to secure trade and loan financing facilities granted to the Group.

Foreign currency risk

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

Capital Commitments

	The Group	
	2011	2010
	RMB'000	RMB'000
Capital expenditure authorised but not contracted for in respect of acquisition of property, plant and equipment and land use rights	**601,000**	1,275,118
Capital expenditure contracted for but not provided in the financial statements in respect of acquisition of property, plant and equipment and land use rights	**128,097**	161,171

Employees and remuneration policies

As at 31 December 2011, the Group has employed 9,406 (2010: 9,290) employees in the PRC. The Group has adopted continuous human resources development and training programs to maintain high level of product quality and customer services. Remuneration package is generally structured by reference to market conditions and individual performance

Directors' Report

The directors (the "Directors") of Coslight Technology International Group Limited (the "Company") present their annual report and the audited consolidated financial statements for the year ended 31 December 2011.

Principal Activities

The Company is an investment holding company.

The principal activities of the Company's principal subsidiaries as at 31 December 2011 are set out in note 49 to the consolidated financial statements.

Results and Appropriations

The results of the Group for the year ended 31 December 2011 are set out in the consolidated statement of comprehensive income on page 28.

The Board does not propose final dividend for the year ended 31 December 2011 (2010: nil) to shareholders.

Property, Plant and Equipment

Certain of the Group's property, plant and equipment were revalued at 31 December 2011. The deficit arising on revaluation was approximately RMB16,074,000 (2010: surplus of RMB57,633,000), of which approximately RMB10,212,000 (2010: RMB51,403,000) (net of approximately RMB6,210,000 (2010: RMB6,088,000) shared by the non-controlling interests) was credited to the revaluation reserve and approximately RMB348,000 was credited (2010: RMB142,000) was charged to the consolidated income statement for the year ended 31 December 2011.

Details of movements in property, plant and equipment of the Group during the year are set out in note 18 to the consolidated financial statements.

Share Capital

Details of movements in the Company's share capital are set out in note 35 to the consolidated financial statements.

Directors

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

Executive directors:	*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. SONG Dian Quan, Ms. LUO Ming Hua and Mr. XING Kai will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Directors' Service Contracts

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

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

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

Directors' Interests in Contracts of Significance

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

Remunerations of Directors and Five Highest Paid Employees

The aggregate remunerations of the Directors and the five highest paid employees for year ended 31 December 2011 are set out in note 15 to the consolidated financial statements.

Remuneration Committee

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

Nomination Committee

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

Disclosure of Interests

(1) Directors

As at 31 December 2011, the interests of each Director in the shares, underlying shares and debentures of the Company (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") which have been notified to the Company pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such Director was taken or deemed to have under such provisions of the SFO) or as recorded in the register to be kept under section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

Long Position

Ordinary shares of HK$0.10 each of the Company

Name of Director	Type of interests	Capacity	No. of shares held	Percentage of interest
SONG Dian Quan	Personal	Beneficial owner	260,323,300	69.57%
LUO Ming Hua	Personal	Beneficial owner	3,186,027	0.85%
LI Ke Xue	Personal	Beneficial owner	668,793	0.18%
XING Kai	Personal	Beneficial owner	526,793	0.14%
LIU Xing Quan	Personal	Beneficial owner	20,793	0.01%

Save as disclosed above, as at 31 December 2011, there were no other interests or short positions of the Directors and chief executive of the Company in any shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which have been notified to the Company pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such Director was taken or deemed to have under such provisions of the SFO) or recorded in the register maintained by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

(2) Substantial Shareholders and Others

As at 31 December 2011, there were no other interest and short positions of every person, other than the Directors and chief executive of the Company, in the shares and underlying shares of the Company which have been notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or recorded in the register required to be kept under section 336 of the SFO.

Share Options

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

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

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

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

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

(c) the nominal value of the shares.

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

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

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

Directors' Rights to Acquire Shares or Debentures

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

Reserves

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

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

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

In the opinion of the Directors, the Company's reserves available for distribution to shareholders as at 31 December 2011 comprised contributed surplus (as classified as special reserve in the financial statements) and accumulated losses in aggregate amounting to RMB22,347,000 (2010: RMB27,722,000).

Major Customers and Suppliers

Sales to the largest customer and five largest customers of the Group accounted for 15% and 34% of the Group's turnover for the year respectively.

Purchases from the largest supplier and five largest suppliers accounted for 23% and 39% of the Group's total purchases for the year respectively.

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

Connected Transactions

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

I. Sale of Finished Goods

	2011 RMB'000	2010 RMB'000
Habrin Switch Company Limited ("HBS")	**545**	288
Lexel Battery (Japan) Company Limited	**12,360**	4,948

II. Purchase of Raw Materials

	2011 RMB'000	2010 RMB'000
HBS	**1,481**	372
光宇延邊蓄電池有限責任公司光宇廢舊物資分公司	**8**	–
哈爾濱光宇電綫電纜有限公司 Harbin Guangyu Electric Wire and Cable Company Limited ("HGEWC")	**7,456**	8,791

III. Guarantee of Bank Borrowings

RMB115,000,000 (2010: RMB410,903,000) of the Group's bank borrowings were guaranteed by Mr. Song Dian Quan, a director of the Company.

In addition, at 31 December 2011, RMB10,000,000 (2010: RMB10,000,000) of the Group's bank borrowings was guaranteed by Mr. Gao Xue Feng, a non-controlling shareholder of a subsidiary.

These transactions also constitute related party transactions of the Group during the year and are set out in note 41 to the financial statements pursuant to the requirements under the Hong Kong Accounting Standard 24 (Revised).

Purchase, Sale or Redemption of Listed Securities

During the year, there was no purchase, sales or redemption of listed securities of the Company by the Company or any of its subsidiaries during the year.

Corporate Governance

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

Independent Non-Executive Directors

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

Audit Committee

The Audit Committee of the Company comprises three independent non-executive Directors, namely Mr. Li Zeng Lin, Dr. Jiang Zhao Hua and Mr. Xiao Jian Min with Mr. Li Zeng Lin as the chairman. The primary duties of the Audit Committee is to review and monitor the Group's financial reporting process and internal control system, as well as to provide relevant recommendations and advises to the Board. The financial statements of the Group for the year ended 31 December 2011 have been reviewed by the Audit Committee. As verified by the Company, none of the members had served as a partner or a former partner to the existing auditors.

Pre-Emptive Rights

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

Sufficiency of Public Float

The Company has maintained a sufficient public float throughout the year ended 31 December 2011.

Auditor

SHINEWING (HK) CPA Limited were first appointed as auditor of the Company in 2011 upon resignation of Mazars CPA Limited.

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

On behalf of the Board
SONG Dian Quan
Chairman

Harbin, the PRC, 30 March 2012

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 the opinion of the Board, the Company has complied throughout the year ended 31 December 2011 with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing Securities on The Stock Exchange of Hong Kong Limited (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, subject to re-election. None of the existing independent non-executive directors of the Company is appointed for specific term and this constitutes a deviation from Code provision A.4.1. 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 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.

Compliance with the Model Code for Securities Transactions by Directors

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

Board of Directors

The Board of the Company comprises:

Chairman

Mr. Song Dian Quan

Executive Directors

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

Independent Non-executive Directors

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

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

For the year ended 31 December 2011, the Board fulfilled the minimum requirement of appointing at least three independent non-executive directors as required by the Listing Rules and the recommended best practice under the Code that the number of independent non-executive directors is one-third of the Board. It also met the requirement of having one independent non-executive director with appropriate professional qualification, accounting and related financial management expertise.

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

The principal functions of the Board include:

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

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

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

Directors	**Attendance/Number of meetings**
Mr. Song Dian Quan *(Chairman)*	5/5
Ms. Luo Ming Hua *(Chief Executive Officer)*	5/5
Mr. Li Ke Xue	5/5
Mr. Xing Kai	5/5
Mr. Zhang Li Ming	5/5
Mr. Liu Xing Quan	5/5
Mr. Li Zeng Lin	5/5
Dr. Jiang Zhao Hua	5/5
Mr. Xiao Jian Min	5/5

Chairman and the Chief Executive Officer

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

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

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

Appointment of Directors

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

Supply and Access to Information

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

Audit Committee

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

The Audit Committee held two meetings in 2011, 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. 2010 annual and 2011 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 2011 are as follows:

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

The annual results of the Group for the year ended 31 December 2011 have been reviewed by the Audit Committee.

Remuneration Committee

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

The principal functions of the Remuneration Committee include:

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

The Remuneration Committee has convened one meeting in 2011, in which duties of the Remuneration Committee were identified, the appraisal system of the Company was reviewed, and all matters regarding the determination of remuneration of the directors and senior management were discussed.

Details of attendance of the members at the meeting of Remuneration Committee held in 2011 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 48 to the consolidated financial statements.

Nomination Committee

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

The principal functions of the Nomination Committee include:

- To review the structure, size and composition of the Board on a regular basis and make recommendations to the Board regarding any proposed changes;

- To identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of, individuals nominated for directorships;

- To assess the independence of independent non-executive directors; and
- To make recommendations to the Board on relevant matters relating to the appointment or reappointment of directors and succession planning for directors in particular the Chairman and the CEO.

The Nomination Committee has convened one meeting in 2011. 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, Dr. 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 2011 are as follows:

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

There was no nomination of directors during the year.

Auditor's Remuneration

The performance and remuneration of the external auditor, SHINEWING (HK) CPA Limited ("SHINEWING"), have been reviewed by the Audit Committee. Auditor's remuneration payable to SHINEWING by the Company in respect of audit services for the year ended 31 December 2011 amounted to HK$1,600,000. Non-audit service charges amounted to HK$300,000 which is for agreed-upon procedures performed on the interim financial report. The Board will propose a resolution at the forthcoming annual general meeting for the re-appointment of SHINEWING as the auditor of the Company.

Responsibility of Preparation of the Accounts

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

Internal Controls

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

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

Investor Relations

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

The general meeting of the Company is also an effective communication channel between the Board and shareholders. The Company will meet with its shareholders and respond to their enquiries in the general meetings. The Chairman had attended the annual general meeting of 2010.

Independent Auditor's Report

信永中和
ShineWing

SHINEWING (HK) CPA Limited
43/F., The Lee Gardens
33 Hysan Avenue
Causeway Bay, Hong Kong

TO THE MEMBERS OF
COSLIGHT TECHNOLOGY INTERNATIONAL GROUP LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Coslight Technology International Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 28 to 128, which comprise the consolidated statement of financial position as at 31 December 2011, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view 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, and for such internal control as the directors of the Company determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view 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 of the Company, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion the consolidated financial statements give a true and fair view of the state of the Group’s affairs as at 31 December 2011, 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.

As part of our audit of the 2011 consolidated financial statements, we also audited the adjustments described in note 3 to the consolidated financial statements that were applied to amend the 2010 consolidated financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2010 consolidated financial statements of the Group other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2010 consolidated financial statements taken as a whole.

Other matters

The consolidated financial statements of the Group for the year ended 31 December 2010 were audited by another auditor who expressed an unqualified opinion on those statements on 30 March 2011.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Wong Hon Kei, Anthony
Practising Certificate Number: P05591

Hong Kong
30 March 2012

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000 (Restated)
Revenue	9	**2,484,049**	2,191,336
Cost of sales		**(2,059,321)**	(1,814,195)
Gross profit		**424,728**	377,141
Other income	11	**41,005**	31,531
Distribution and selling expenses		**(162,164)**	(179,604)
Administrative and other operating expenses		**(251,823)**	(209,968)
Finance costs	12	**(80,482)**	(65,863)
Impairment on goodwill	21	**–**	(4,193)
Gain on disposal of a subsidiary	40	**20,790**	–
Share of results of associates		**103,280**	66,590
Profit before tax		**95,334**	15,634
Income tax expense	13	**(11,981)**	(4,570)
Profit for the year	14	**83,353**	11,064
Other comprehensive (expense) income for the year, net of tax:			
Exchange difference arising on translation		**(19,460)**	(10,565)
Exchange reserve realised on disposal of a subsidiary		**(1,021)**	–
(Deficit) surplus on revaluation of property, plant and equipment		**(16,422)**	57,491
Deferred tax effects arising on revaluation of property, plant and equipment	37	**1,152**	(7,326)
Other comprehensive (expense) income for the year, net of tax		**(35,751)**	39,600
Total comprehensive income for the year		**47,602**	50,664
Profit for the year attributable to:			
Owners of the Company		**87,669**	6,756
Non-controlling interests		**(4,316)**	4,308
		83,353	11,064
Total comprehensive income attributable to:			
Owners of the Company		**60,295**	41,574
Non-controlling interests		**(12,693)**	9,090
		47,602	50,664
Earnings per share			
– Basic and diluted	17	**RMB23.43 cents**	RMB1.81 cents

Consolidated Statement of Financial Position

As at 31 December 2011

	Notes	31/12/2011 RMB'000	31/12/2010 RMB'000 (Restated)	1/1/2010 RMB'000 (Restated)
Non-current assets				
Property, plant and equipment	18	**1,269,998**	1,133,037	1,000,611
Mining rights	19	**107,000**	160,804	167,418
Other intangible assets	20	**4,289**	542	1,028
Goodwill	21	**29,012**	3,055	7,248
Prepaid lease payments	22	**143,260**	106,923	88,061
Deposits paid for acquisition of land	23	**28,500**	19,260	–
Interests in associates	24	**242,349**	152,174	141,203
Amount due from a non-controlling interest	29	**39,123**	–	–
Deferred tax assets	37	**23,919**	22,748	13,389
		1,887,450	1,598,543	1,418,958
Current assets				
Inventories	25	**515,249**	486,848	377,664
Trade and other receivables	26	**1,906,103**	1,691,755	1,692,478
Prepaid lease payments	22	**3,177**	2,372	1,946
Amounts due from directors	27	**566**	770	389
Amounts due from related companies	28	**45,454**	25,249	20,821
Amounts due from non-controlling interests	29	**3,192**	3,011	1,976
Amounts due from associates	30	**139,621**	116,891	66,843
Pledged bank deposits	31	**274,625**	54,560	127,251
Bank balances and cash	32	**403,247**	529,697	566,670
		3,291,234	2,911,153	2,856,038
Current liabilities				
Trade and other payables	33	**1,386,056**	830,121	682,610
Amounts due to directors	30	**2,747**	1,699	4,502
Amounts due to related companies	30	**54,349**	20,065	41,342
Amounts due to non-controlling interests	30	**21,567**	15,040	13,674
Amounts due to associates	30	**573,848**	292,555	239,979
Tax payables		**15,600**	3,664	10,891
Bank and other borrowings				
– due within one year	34	**1,355,759**	1,591,692	1,269,702
		3,409,926	2,754,836	2,262,700
Net current (liabilities) assets		**(118,692)**	156,317	593,338
		1,768,758	1,754,860	2,012,296

Consolidated Statement of Financial Position

As at 31 December 2011

	Notes	31/12/2011 RMB'000	31/12/2010 RMB'000 (Restated)	1/1/2010 RMB'000 (Restated)
Capital and reserves				
Share capital	35	**40,010**	40,010	40,010
Reserves		**1,480,880**	1,425,861	1,407,727
Equity attributable to owners of the Company		**1,520,890**	1,465,871	1,447,737
Non-controlling interests		**168,540**	184,192	184,986
Total equity		**1,689,430**	1,650,063	1,632,723
Non-current liabilities				
Bank and other borrowings				
– due after one year	34	**–**	40,600	322,000
Deferred tax liabilities	37	**18,563**	22,197	14,223
Deferred government grants	38	**60,765**	42,000	43,350
		79,328	104,797	379,573
		1,768,758	1,754,860	2,012,296

The consolidated financial statements on pages 28 to 128 were approved and authorised for issue by the board of directors on 30 March 2012 and are signed on its behalf by:

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

Consolidated Statement of Changes in Equity

For the year ended 31 December 2011

	Attributable to owners of the Company									
	Share capital RMB'000	Special reserve RMB'000 (Note a)	Statutory reserves RMB'000 (Note b)	Revaluation reserve RMB'000 (Note c)	Exchange reserve RMB'000 (Note d)	Other reserve RMB'000 (Note e)	Accumulated profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2010 as originally stated	40,010	92,045	279,394	68,014	(83,215)	–	1,039,074	1,435,322	200,535	1,635,857
Restatement of prior periods and opening balance (note 3)	–	–	(13,659)	(20,969)	(4,079)	–	51,122	12,415	(15,549)	(3,134)
At 1 January 2010 as restated	40,010	92,045	265,735	47,045	(87,294)	–	1,090,196	1,447,737	184,986	1,632,723
Profit for the year (restated)	–	–	–	–	–	–	6,756	6,756	4,308	11,064
Other comprehensive income (expense) for the year (restated)	–	–	–	44,076	(9,258)	–	–	34,818	4,782	39,600
Total comprehensive income (expense) for the year (restated)	–	–	–	44,076	(9,258)	–	6,756	41,574	9,090	50,664
Dividends recognised as distribution (note 16)	–	–	–	–	–	–	(16,548)	(16,548)	–	(16,548)
Changes in ownership interests in a subsidiary that do not result in a loss of control (restated)	–	–	–	–	–	(6,892)	–	(6,892)	(9,884)	(16,776)
Appropriation to statutory reserves	–	–	3,590	–	–	–	(3,590)	–	–	–
Realised on depreciation and related deferred tax effect of property, plant and equipment	–	–	–	(6,572)	–	–	6,572	–	–	–
At 31 December 2010 and 1 January 2011 (restated)	40,010	92,045	269,325	84,549	(96,552)	(6,892)	1,083,386	1,465,871	184,192	1,650,063
Profit for the year	–	–	–	–	–	–	87,669	87,669	(4,316)	83,353
Other comprehensive expense for the year	–	–	–	(9,060)	(18,314)	–	–	(27,374)	(8,377)	(35,751)
Total comprehensive income (expense) for the year	–	–	–	(9,060)	(18,314)	–	87,669	60,295	(12,693)	47,602
Acquisition of additional interest in subsidiary without change in control	–	–	–	–	–	(5,776)	–	(5,776)	(2,959)	(8,735)
Appropriation to statutory reserves	–	–	15,894	–	–	–	(15,894)	–	–	–
Government contribution	–	500	–	–	–	–	–	500	–	500
Realised on depreciation and related deferred tax effect of property, plant and equipment	–	–	–	(8,741)	–	–	8,741	–	–	–
At 31 December 2011	**40,010**	**92,545**	**285,219**	**66,748**	**(114,866)**	**(12,668)**	**1,163,902**	**1,520,890**	**168,540**	**1,689,430**

Notes:

(a) The special reserve represents:

(i) The difference between the nominal value of the share capital of the subsidiaries acquired and the nominal amount of the share capital issued for their acquisition and the amount transferred from share premium accounts; and

(ii) Nation funds contributed by the government of the People's Republic of China (the "PRC") government.

During the year ended 31 December 2011, national funds amount to RMB500,000 were contributed by the PRC government to the Group. Such funds are used specifically for production of lithium iron phosphate batteries. Pursuant to the requirements of the relevant notice, the national funds are designated as capital contribution and vested solely by the PRC government. They are non-repayable and can be converted to share capital of the entities receiving the funds by the PRC government upon approval by their shareholders and completion of other procedures.

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

(c) The revaluation reserve has been set up and dealt with in accordance with the accounting policies adopted for the revaluation of buildings, plant and machinery, furniture, fixtures and equipment, and motor vehicles, net of deferred tax. Directors of the Company may decide to distribute the fund out of the surplus or profits of the Company as they think proper to be used to meet contingencies or for equalising dividends or for any other special purpose.

(d) The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

(e) The other reserve has been set up and dealt with in accordance with the accounting policies adopted on or after 1 January 2010 for the changes in ownership interests in subsidiaries that do not result in a loss of control. In December 2010, the Group acquired an additional 0.90% equity interest in Harbin Coslight Storage Battery Company Limited from a non-controlling interest at a consideration of approximately RMB16,776,000. As a result, a deficit of RMB6,892,000, which represents the difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid, was debited to equity. In August 2011, the Group acquired an additional 20% equity interest in Zhuhai Coslight Battery Company Limited from a non-controlling interest at a consideration of RMB 8,735,000. As a result of deficit of approximately RMB 5,776,000, which represents the difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid, was debited to equity. At the reporting date, the consideration has not been settled yet and the amount was included in other payables.

(f) The aggregate amount of the Company's reserves available for distribution to shareholders as at 31 December 2011 was RMB22,347,000 (2010: RMB27,722,000).

Consolidated Statement of Cash Flows

For the year ended 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000 (Restated)
OPERATING ACTIVITIES			
Profit before tax		95,334	15,634
Adjustments for:			
Depreciation of property, plant and equipment		71,145	78,087
Amortisation of intangible assets		455	486
Amortisation of prepaid lease payments		3,089	2,015
Surplus arising on revaluation of property, plant and equipment		(348)	(142)
Share of results of associates		(103,280)	(66,590)
Net exchange differences		38,056	9,040
Government grants related to expenses and recognised as income		(4,657)	(18,689)
Amortisation of government grants		(2,235)	(1,350)
Loss on disposal of property, plant and equipment		818	50
Allowance for inventories		–	2,288
Reversal of allowance for inventories		–	(506)
Impairment loss recognised on mining right		8,800	–
Impairment loss recognised on goodwill		–	4,193
Impairment loss recognised on trade and other receivables		17,690	7,936
Reversal of impairment loss recognised on trade and other receivables		(22,114)	(1,038)
Bank interest income		(5,063)	(2,331)
Imputed interest income on amount due from a non-controlling interest		(1,238)	–
Gain on disposal of a subsidiary		(20,790)	–
Finance costs		80,482	65,863
Operating cash flows before movements in working capital		156,144	94,946
Increase in inventories		(23,487)	(110,966)
Increase in trade and other receivables		(190,147)	(6,175)
Increase in trade and other payables		556,191	147,511
Cash generated from operations		498,701	125,316
Income tax paid		(3,698)	(20,508)
Net cash from operating activities		495,003	104,808

Consolidated Statement of Cash Flows

For the year ended 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000 (Restated)
INVESTING ACTIVITIES			
Interest received		5,063	2,331
Proceeds on disposal of property, plant and equipment		756	476
Purchases of property, plant and equipment		(238,079)	(144,994)
Purchases of prepaid lease payments		(34,471)	(21,303)
Purchase of intangibles assets		(184)	–
Deposit paid for acquisition of land		(15,000)	(19,260)
Advance to associates		(22,730)	(50,048)
New pledged bank deposits raised		(241,045)	(10,137)
Dividend received from associates		22,367	46,841
Repayment from pledged bank deposits		20,980	82,828
Advance to non-controlling interests		(181)	(1,035)
Advance to related companies		(20,205)	(4,428)
Repayment from (advance to) directors		204	(381)
Net cash outflow on acquisition of a subsidiary	39	(70,994)	–
Net cash outflow on disposal of a subsidiary	40	(180)	–
Net cash used in investing activities		(593,699)	(119,110)
FINANCING ACTIVITIES			
New bank and other borrowings raised		1,786,958	1,121,072
Repayment of bank and other borrowings		(2,063,491)	(1,080,482)
Interest paid		(92,590)	(79,404)
Dividends paid		–	(14,849)
Government grants received		25,657	18,689
Government contribution		500	–
Advance from associates		281,293	52,576
Advance from (repayment to) directors		1,048	(4,502)
Advance from (repayment to) related companies		34,284	(21,277)
(Repayment to) advance from non-controlling interests		(2,208)	1,366
Cash outflow on changes in ownership interest in a subsidiary		–	(16,776)
Net cash used in financing activities		(28,549)	(23,587)
Net decrease in cash and cash equivalents		(127,245)	(37,889)
Cash and cash equivalents at beginning of year		529,697	566,670
Effect of foreign exchange rate changes		795	916
Cash and cash equivalents at end of year, represented by bank balances and cash		403,247	529,697

1. General information

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company's registered office is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and its head office and principal place of business in Hong Kong is located at Room 2501-2502, COSCO Tower, 181-183 Queen's Road Central, Hong Kong.

The consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company and its PRC subsidiaries. Other than those subsidiaries established in the PRC, the functional currencies of those subsidiaries established in Russia and India are denoted in Russian Ruble and Indian Rupee respectively.

The principal activity of the Company is investment holding. The principal activities of the Company's principal subsidiaries are set out in note 49.

2. Basis of Preparation of Consolidation Financial Statements

Notwithstanding that the Group had incurred net current liabilities of approximately RMB118,692,000 as at 31 December 2011 caused by the application of HK (IFRIC) – Interpretation 5 – Presentation of Financial Statement – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause in which bank borrowings of approximately RMB261,159,000 with such repayment on demand clause which are not repayable within one year from the end of the reporting period according to the repayment schedule were classified as current liabilities, the consolidated financial statements have been prepared on a going concern basis as the directors of the Company are satisfied that the liquidity of the Group can be maintained in the coming year taking into consideration of the following matters:

1. Bank borrowings of approximately RMB261,159,000 under the repayment on demand clause will not likely to be repaid within one year from the end of the reporting period; and

2. The associates of the Group has undertaken not to demand the repayment of the balances due from the Group totaling approximately RMB522,597,000 as at 31 December 2011 for the coming twelve months and until the Group is in a financial position to do so.

The directors of the Company believe that the Group will have sufficient cash resources to satisfy its future working capital and other financing requirements for the next twelve months from 31 December 2011. Accordingly, the consolidated financial statements have been prepared on a going concern basis and do not include any adjustments that would be required should the Group fail to continue as a going concern.

3. Prior Years Adjustments

During a review of the financial statements for year ended 31 December 2010, the management identified prior years adjustments required in the Company's consolidated financial statements. As such, prior years adjustments have been made to restate the Company's consolidated financial statements for the year ended 31 December 2010. Effects on these restatements of the Company's consolidated financial statements for the year ended 31 December 2010 are summarised as below:

(i) During the year, the Group found that two incomplete production lines with cost of approximately RMB40,225,000 were transferred from construction-in-progress to plant and machinery in prior years. As a result, as at 1 January 2010 and 31 December 2010, accumulated depreciation of plant and machinery before the elimination on revaluation were overstated by approximately RMB5,130,000 and approximately RMB2,772,000 respectively; fair value of the plant and machinery had been understated by approximately RMB3,105,000 and approximately RMB4,494,000; tax payable had been understated by approximately RMB769,000 and approximately RMB415,000 respectively; deferred tax liability were understated by approximately RMB466,000 and approximately RMB674,000 respectively; and the revaluation reserve were overstated by approximately RMB2,491,000 and understated by approximately RMB1,048,000 respectively. For the year ended 31 December 2010, depreciation charge for the year had been understated by approximately RMB2,358,000 and income tax expense had been overstated by approximately RMB354,000. Moreover, as at 1 January 2010 and 31 December 2010, the cost of buildings has been overstated by approximately RMB3,323,000 and approximately RMB9,114,000 respectively, since the Group classify the other receivables as buildings.

(ii) The Group's investment in associates on Coslight Interactive Company Limited, a company incorporated in the Cayman Island (the "Associate") and its subsidiaries (collectively referred to as the "Associate Group") have not recognised the withholding tax of the undistributed profit of the Associate's subsidiaries which were operated in the PRC. Deferred tax effect on withholding tax relating to the Associate Group for the year ended 31 December 2010 and years before have been omitted. As a result, the accumulated profits of the Group as at 1 January 2010 has been overstated by approximately RMB12,882,000, and the share of results of associates for the year ended 31 December 2010 has been overstated by approximately RMB2,340,000. Also, the Group's equity interest in the Associate Group was increased from 46.16% to 49.83% during the year ended 31 December 2009, but the interest in associate as at 1 January 2010 has not been adjusted accordingly and has been understated by approximately RMB7,878,000.

3. Prior Years Adjustments (Continued)

(iii) During the year, the Group discovered that as at 1 January 2010 and 31 December 2010 the non-controlling interests has been overstated by approximately RMB15,549,000 and approximately RMB17,160,000 respectively. The profit for the year and other comprehensive income attributable to non-controlling interest for the year ended 31 December 2010 was overstated by approximately RMB3,351,000 and understated by approximately RMB149,000 respectively. This is due to the miscalculation of non-controlling interests.

The summary of the effects of the previous year adjustment on non-controlling interests is listed as follow:

	As at 31/12/2010 RMB'000	As at 1/1/2010 RMB'000
Statutory reserves	**13,659**	13,659
Revaluation reserve	**19,934**	18,478
Exchange reserve	**2,772**	4,079
Other reserve	**1,469**	–
Accumulated profits	**(54,994)**	(51,765)
	(17,160)	(15,549)

3. Prior Years Adjustments (Continued)

Summary of the effects of the above prior years adjustments

The effects of prior years adjustments described above on the results for the prior year is as follows:

	Year ended 31/12/2010 RMB'000
Profit for the year	
Increase in depreciation	2,358
Decrease in share of results of associates	2,340
Decrease in income tax expense	(354)
Decrease in profit for the year	4,344
Other comprehensive income	
Decrease in revaluation reserve	(3,747)
Decrease in deferred tax effect arising on property, plant and equipment	208
Decrease in other comprehensive income	806

The following table summarises the impact on both basic and diluted earnings per share as a result of prior years adjustments:

	Year ended 31/12/2010 RMB cents
Figures before adjustments	2.10
Effect on prior years adjustments	(0.29)
Figures after adjustments	1.81

3. Prior Years Adjustments (Continued)

The effects of prior years adjustments described above on the financial position of the Group as at 1 January 2010 and 31 December 2010 are as follows:

	As at 1/1/2010 (Originally stated) RMB'000	Adjustments RMB'000	As at 1/1/2010 (Restated) RMB'000	As at 31/12/2010 (Originally stated) RMB'000	Adjustments RMB'000	As at 31/12/2010 (Restated) RMB'000
Property, plant and equipment	1,000,829	(218)	1,000,611	1,137,657	(4,620)	1,133,037
Interests in associates	146,207	(5,004)	141,203	159,518	(7,344)	152,174
Trade and other receivables	1,689,155	3,323	1,692,478	1,682,641	9,114	1,691,755
Tax payables	(10,122)	(769)	(10,891)	(3,249)	(415)	(3,664)
Deferred tax liabilities	(13,757)	(466)	(14,223)	(21,523)	(674)	(22,197)
Statutory reserves	279,394	(13,659)	265,735	282,984	(13,659)	269,325
Revaluation reserve	68,014	(20,969)	47,045	103,435	(18,886)	84,549
Exchange reserve	(83,215)	(4,079)	(87,294)	(93,780)	(2,772)	(96,552)
Other reserve	–	–	–	(5,423)	(1,469)	(6,892)
Accumulated profits	1,039,074	51,122	1,090,196	1,033,380	50,006	1,083,386
Non-controlling interests	200,535	(15,549)	184,986	201,352	(17,160)	184,192

4. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs")

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

HKFRSs (Amendments)	Improvements to HKFRSs 2010 except for the amendments to HKFRS 3 (Revised in 2008), HKFRS 7, HKAS 1 and HKAS 28
HKFRS 1 (Amendments)	Limited Exemption from Comparative HKFRS 7 Disclosure for First-time Adopters
HKAS 24 (Revised)	Related Party Disclosures
HKAS 32 (Amendments)	Classification of Rights Issues
HK (IFRIC) – Interpretation ("Int") 14 (Amendments)	Prepayments of a Minimum Funding Requirement
HK (IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

The application of the above new or revised HKFRSs in the current period has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[1]
HKFRS 1 (Amendments)	First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans[4]
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[1]
	Disclosures – Offsetting Financial Assets and Financial Liabilities[4]
	Mandatory Effective Date of HKFRS 9 and Transition Disclosure[6]
HKFRS 9	Financial Instruments[6]
HKFRS 10	Consolidated Financial Statements[4]
HKFRS 11	Joint Arrangements[4]
HKFRS 12	Disclosure of Interests in Other Entities[4]
HKFRS 13	Fair Value Measurement[4]
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[3]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[2]
HKAS 19 (revised 2011)	Employee Benefits[4]
HKAS 27 (revised 2011)	Separate Financial Statements[4]
HKAS 28 (revised 2011)	Investments in Associates and Joint Ventures[4]
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities[5]
HK(IFRIC) – Int 20	Stripping Costs in Production Phase of a Surface Mine[4]

1 Effective for annual periods beginning on or after 1 July 2011.
2 Effective for annual periods beginning on or after 1 January 2012.
3 Effective for annual periods beginning on or after 1 July 2012.
4 Effective for annual periods beginning on or after 1 January 2013.
5 Effective for annual periods beginning on or after 1 January 2014.
6 Effective for annual periods beginning on or after 1 January 2015.

4. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

HKFRS 9 Financial Instruments

HKFRS 9 Financial Instruments issued in November 2009 and amended in October 2010 introduces new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition.

- HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was recognised in profit or loss.

The directors of the Company anticipate that HKFRS 9 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2015 and that the application of the new standard will have a significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

4. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities and amendments to HKFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities

The amendments to HKAS 32 clarify existing application issues relating to the offsetting requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amended offsetting disclosures are required for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should also be provided retrospectively for all comparative periods. However, the amendments to HKAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

Amendments to HKFRS 7 Disclosures – Transfer of Financial Assets

The amendments to HKFRS 7 titled Disclosures – Transfers of Financial Assets increase disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosure where transfers of financial assets are not evenly distributed throughout the period.

To date, the Group has not entered into transactions involving transfers of financial assets. However, if the Group enters into any such transactions in the future, disclosures regarding those transfers may be affected.

4. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

New and revised Standards on consolidation, joint arrangements, associates and disclosures

The new standards on consolidation, joint arrangements and disclosures including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011) were issued by the HKICPA in June 2011 and are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of the new standards are applied early at the same time. The directors of the Company anticipate that these new standards will be applied in the Group's consolidated financial statements for financial year ended 31 December 2013 and the potential impact is described below.

Key requirements of these fives standards are described below.

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and HK(SIC)-Int 12 Consolidation – Special Purpose Entities. HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the invests to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios. Overall, the application of HKFRS 10 requires a lot of judgement. The application of HKFRS 10 might result in the Group no longer consolidating some of its investees, and consolidating investees that were not previously consolidated.

HKFRS 11 replaces HKAS 31 Interests in Joint Ventures and HK (SIC)-Int 13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

4. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

HKFRS 13 Fair Value Measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 Financial Instruments: Disclosures will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors of the Company anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new Standard may affect the amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

HK(IFRIC) – Int 20 Stripping Costs in the Production Phase of a Surface Mine

HK(IFRIC) – Int 20 applies to waste removal costs that are incurred in surface mining activity during the production phase of a mine ("production stripping costs"), as well as the initial measurement and subsequent measurement of the stripping activity asset. To the extent that the benefit from the stripping activity is realised in the form of inventory produced, the costs incurred are accounted for in accordance with HKAS 2 Inventories. To the extent that the benefit is improved access to ore and when criteria set out in the interpretation are met, the waste removal costs are recognised as a stripping activity asset under non-current assets. The directors of the Company expect to adopt the interpretation for the annual period beginning 1 January 2013.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

4. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income (Continued)

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

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

5. Significant Accounting Policies

The consolidated financial statements have been prepared on the historical cost basis except for certain properties, which are measured at revalued amounts or fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of consolidation

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

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

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

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

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

5. Significant Accounting Policies (Continued)

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in existing subsidiaries

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

When the Group loses control of subsidiaries, it (i) derecognises the assets and liabilities of the subsidiaries at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiaries at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognise as a gain or loss in profit or loss attributable to the Group. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

5. Significant Accounting Policies (Continued)

Business combinations

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

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

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

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangement of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date; and

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

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

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another Standard.

5. Significant Accounting Policies (Continued)

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the acquisition.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently whenever there is an indication that the unit may be impaired. For the goodwill arriving on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit 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 profit or loss in the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

Investments in subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

In the Company's statement of financial position, the investment in a subsidiary is stated at cost less provision for impairment loss. The results of the subsidiary are accounted for by the Company on the basis of dividends received and receivable.

Investments in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

5. Significant Accounting Policies (Continued)

Investments in associates (Continued)

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 statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associates, 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.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill which is included within the carrying amount of the investment.

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

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 Impairment on Assets as a single asset by comparing its recoverable amount (higher of value-in-use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Upon disposal of an associate that results in the Group losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with HKAS 39. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that associate.

Where a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of the interest in the associate that are not related to the Group.

5. Significant Accounting Policies (Continued)

Revenue recognition

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

Revenue from sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Service income is recognised when services are provided.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at their revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and any subsequent 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 value at the end of the reporting period.

5. Significant Accounting Policies (Continued)

Property, plant and equipment (Continued)

Any revaluation increase arising on revaluation of property, plant and equipment is recognised in other comprehensive income and accumulated in revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of an asset is recognised in profit or loss 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 retained profits.

Depreciation on revalued property, plant and equipment is recognised in profit or loss.

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

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

Leasing

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

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease.

5. Significant Accounting Policies (Continued)

Leasing (Continued)

Leasehold land for own use

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as prepaid lease payments in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency (i.e. RMB) of the Group at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the foreign currency exchange reserve).

5. Significant Accounting Policies (Continued)

Foreign currencies (Continued)

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, a disposal involving loss of control over a subsidiary that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are reattributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates that do not result in the Group losing significant influence), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Borrowing costs

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

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

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

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

Retirement benefit costs

Payments to state-managed retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

5. Significant Accounting Policies (Continued)

Taxation

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

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

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

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

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

5. Significant Accounting Policies (Continued)

Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Alternatively, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

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 (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

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

The amount initially 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 listed above. 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 measured at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets acquired separately.

5. Significant Accounting Policies (Continued)

Intangible assets (Continued)

Patents, trademarks and licensing rights

Patent is carried at cost less accumulated amortisation (where the estimated useful life is other than indefinite) and impairment losses. Amortisation of patent is charged to profit or loss on a straight line basis over its estimated useful life unless such life is indefinite.

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Mining rights

Mining rights represent upfront prepayments made for the mining rights and will be expensed in the consolidated statement of comprehensive income on a production volume of the mining rights or when there is impairment once the mining activities commences, the impairment is expensed in the consolidated statement of comprehensive income.

Exploration and evaluation assets

Exploration and evaluation assets are stated at cost less impairment losses. Exploration and evaluation assets include topographical and geological surveys, exploratory drilling, sampling and trenching and activities in relation to commercial and technical feasibility studies, and expenditure incurred to secure further mineralisation in existing ore bodies and to expand the capacity of a mine. Expenditure incurred prior to acquiring legal rights to explore an area is written off as incurred. When it can be reasonably ascertained that a mining property is capable of commercial production, exploration and evaluation costs are transferred to mining rights and are amortised based on the accounting policy as stated in "Mining rights" above. If any project is abandoned during the evaluation stage, the total expenditure thereon will be written off.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

5. Significant Accounting Policies (Continued)

Cash and cash equivalents

Bank balances and cash in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

Interest income is recognised on an effective interest basis for debt instruments.

5. Significant Accounting Policies (Continued)

Financial instruments (Continued)

***Financial assets** (Continued)*

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, cash and cash equivalents and amounts due from directors/related companies/ non-controlling interests/associates) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Interest income is recognised on an effective interest basis for debt instruments other than short-term receivables when the recognition of interest would be immaterial.

Impairment on financial assets

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

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

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 90 to 270 days, observable changes in national or local economic conditions that correlate with default on receivables.

5. Significant Accounting Policies (Continued)

Financial instruments (Continued)

***Financial assets** (Continued)*

Impairment on financial assets (Continued)

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

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

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

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definition of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of their liabilities. The Group's and the Company's financial liabilities are generally classified into other financial liabilities.

5. Significant Accounting Policies (Continued)

Financial instruments (Continued)

***Financial liabilities and equity instruments** (Continued)*

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Other financial liabilities

Other financial liabilities including trade and other payables, bank and other borrowings, amounts due to directors/related companies/non-controlling interests/associates and bank and other borrowings are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

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

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of obligation under the contract, as determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the revenue recognition policy.

5. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retain an option to repurchase part of a transferred asset or retains a residual interest that does not result in the retention of substantially all the risks and rewards of ownership and the Group retain control), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

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

5. Significant Accounting Policies (Continued)

Impairment losses on tangible assets and intangible assets other than goodwill (see accounting policy in respect of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

In addition, intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that they may be impaired.

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

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

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

6. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in note 5, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the entity's accounting policies

The following are the critical judgements, apart from those involving estimation (see below), that the directors of the company have made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in consolidated financial statements.

Going concern and liquidity

As explained in note 2 to the consolidated financial statements, the consolidated financial statements have been prepared on a going concern basis and do not included any adjustments that would be required should the Group fail to continue as a going concern since the directors of the Company are satisfied that the liquidity of the Group can be maintained in the coming year taking into consideration that (i) the bank borrowings as mentioned in note 2 to the consolidated financial statements will not likely to be repaid within one year from the end of the reporting period; and (ii) the associates of the Group have undertaken not to demand the repayment of the balances due from the Group as at 31 December 2011. The directors of the Company also believe that the Group will have sufficient cash resources to satisfy its future working capital and other financing requirements for the next twelve months from 31 December 2011.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

6. Critical Accounting Judgements and Key Sources of Estimation Uncertainty (Continued)

Key sources of estimation uncertainty (Continued)

Estimated impairment on goodwill

Determining whether goodwill is impaired requires an estimation of the value-in-use of the cash-generating units to which goodwill has been allocated. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2011, the carrying amount of goodwill is RMB29,012,000 (net of accumulated impairment loss of RMB4,193,000) (31 December 2010: the carrying amount of goodwill is RMB3,055,000, net of accumulated impairment loss of RMB4,193,000). Details of the recoverable amount calculation are disclosed in note 21.

Valuation of property, plant and equipments

The best evidence of fair value is current prices in an active market for similar property, plant and equipments. In the absence of such information, the Group determines the amount within a range of reasonable fair values estimated. In making its estimates, the Group considers the information from the valuations of property, plant and equipments performed by external professional valuers by using the depreciated replacement cost approach and market approach. Had the Group used different valuation techniques, the fair value of the property, plant and equipments would be different and thus may have an impact to the consolidated statement of comprehensive income.

Income tax

As at 31 December 2011, no deferred tax asset has been recognised on the tax losses of RMB74,650,000 (2010: RMB50,159,000) 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 than expected, a material reversal of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal takes place.

6. Critical Accounting Judgements and Key Sources of Estimation Uncertainty (Continued)

Key sources of estimation uncertainty (Continued)

Estimated impairment on trade and other receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2011, the carrying amount of trade receivables is RMB1,554,645,000 (net of allowance for doubtful debts of RMB121,205,000) (2010: carrying amount of RMB1,469,420,000, net of allowance for doubtful debts of RMB126,668,000). As at 31 December 2011, the carrying amount of other receivable is RMB217,819,000 (net of allowance for doubtful debts of RMB19,913,000) (2010: carrying amount of RMB153,757,000, net of allowance for doubtful debts of RMB18,874,000).

Allowance for obsolete inventories

As at 31 December 2011, the carrying amount of inventories are RMB515,249,000 (2010: RMB486,848,000), net of accumulated allowance for obsolete inventories of RMB16,243,000 (2010: RMB16,243,000). The management of the Group reviews an aging analysis at the end of each reporting period, and makes allowance for obsolete and slow-moving inventory items and for price reduction in the market prices. The management estimates the net realisable value for inventories based primarily on the latest invoice prices and current market conditions. The Group carries out an inventory review on a product-by-product basis at the end of each reporting period and makes allowance for obsolete items.

Impairment on mining rights and exploration and evaluation assets

Under the full cost method of accounting for mining rights and exploration and evaluation assets, such costs are capitalised by reference to appropriate cost pools, and are assessed for impairment when circumstances suggest that the carrying amount may exceed its recoverable value. This assessment involves judgment as to (i) the likely future commerciality of the asset and when such commerciality should be determined; and (ii) future revenues and costs pertaining to the asset in question, and the discount rate to be applied to such revenues and costs for the purpose of deriving a recoverable value. While conducting an impairment review of its assets, the Group makes certain judgments in making assumptions about the future lithium, lead and zinc prices, reserves and future development and production costs. Changes in these estimates may result in significant changes to the consolidated statement of comprehensive income. As at 31 December 2011, the carrying amount of mining right is RMB107,000,000 (2010: RMB160,804,000), net of impairment loss of RMB8,800,000 (2010: nil).

7. Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategies remain unchanged from prior year.

The capital structure of the Group consists of net debt, which includes the borrowing disclosed in note 34, cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure periodically. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through adjusting the new share issues, share buy-back and the issue of new debt or the redemption of existing debt or sell assets to reduce debt. The Group has targeted to maintain the net debt-to-equity ratio below 200%.

The net debt-to-adjusted capital ratio at 31 December 2011 and 2010 are as follows:

	2011 **RMB'000**	2010 RMB'000 (Restated)
Trade and other payables	**1,386,056**	830,121
Amounts due to directors, related companies, non-controlling interests and associates	**652,511**	329,359
Bank and other borrowings	**1,355,759**	1,632,292
Total debts	**3,394,326**	2,791,772
Less: Pledged bank deposits	**(274,625)**	(54,560)
Bank balances and cash	**(403,247)**	(529,697)
Net debts	**2,716,454**	2,207,515
Total equity	**1,689,430**	1,650,063
Net debt-to-adjusted capital ratio	**161%**	134%

8. Financial Instruments

(a) Categories of financial instruments

	31/12/2011 RMB'000	31/12/2010 RMB'000 (Restated)	1/1/2010 RMB'000 (Restated)
Financial assets			
Loans and receivables (including cash and cash equivalents)	2,668,233	2,349,705	2,476,428
Financial liabilities			
Financial liabilities at amortised cost	3,307,531	2,742,180	2,573,810

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, amounts due from (to) directors, amounts due from (to) related companies, amounts due from (to) non-controlling interests, amounts due from (to) associates, pledged bank deposits, bank balances and cash, trade and other payables, and bank and other borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risks (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

The majority of bank balances and cash and bank and other borrowings of the Group are denominated in foreign currencies which expose the Group to currency risk. The Group did not have a foreign currency hedging policy as at the end of the reporting period. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

8. Financial Instruments (Continued)

(b) Financial risk management objectives and policies (Continued)

***Market risk** (Continued)*

Currency risk (Continued)

At 31 December 2011, the carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the respective closing rates, are as follows:

	2011			2010		
	Monetary assets RMB'000	Monetary liabilities RMB'000	Net exposure RMB'000	Monetary assets RMB'000	Monetary liabilities RMB'000	Net exposure RMB'000
HK$	11,409	–	11,409	12,352	(36,533)	(24,181)
US$	82,319	(278,215)	(195,896)	184,049	(869)	183,180

The Group is mainly exposed to HK$ and US$.

The following table details the Group's sensitivity analysis to a 10% (2010: 10%) increase or decrease in RMB against the relevant foreign currencies. 10% (2010: 10%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 10% (2010: 10%) change in foreign currency rates. A positive number below indicates an increase in profit after tax where RMB strengthens 10% (2010: 10%) against the relevant currencies. For a 10% (2010: 10%) weakening of RMB against the relevant currencies, there would be an equal and opposite impact on the profit after tax and accumulated losses, and the balances below would be negative.

8. Financial Instruments (Continued)

(b) Financial risk management objectives and policies (Continued)

***Market risk** (Continued)*

Currency risk (Continued)

Effect on profit after tax:

	2011 RMB'000	2010 RMB'000
HK$	(970)	2,055
US$	16,651	(15,570)
	15,681	(13,515)

Cash flow and fair value interest rate risk

The Group's exposure to changes in interest rates is mainly attributable to its pledged bank deposits, bank balances and cash and bank and other borrowings. Bank balances and borrowings at variable rates expose the Group to cash flow interest-rate risk, and those at fixed rates expose the Group to fair value interest-rate risk. As at 31 December 2011, approximately RMB383,100,000 (2010: RMB1,176,070,000) of the Group's bank and other borrowings were at fixed rates. The interest rates and maturities of the Group's pledged bank deposits, bank balances and cash and bank and other borrowings are disclosed in notes 31, 32 and 34 respectively.

To mitigate the impact of interest rate fluctuations, the Group continually assesses and monitors the exposure to interest rate risk.

As at 31 December 2011, if the interest rate on variable-rate borrowings had been 100 basis points (2010: 100 basis points) higher and all other variables held constant, the Group's profit for the year ended 31 December 2011 would decrease by RMB8,267,000 (2010: decrease by RMB3,851,000). This is mainly attributable to the Group's exposure to interest rates on its bank borrowings.

8. Financial Instruments (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk

The carrying amounts of trade and other receivables (except for prepayments to suppliers), amounts due from directors, amounts due from related companies, amounts due from associates, amounts due from non-controlling interests, pledged bank deposits and bank balances represent the Group's maximum exposure to credit risk in relation to financial assets. The Group has policies in place to ensure that services are rendered and products are sold to customers with appropriate credit history and the Group performs periodic assessment on the credit quality of the customers, taking into account its financial position, past experience and other factors. Normally the Group does not hold any collateral as security. The directors of the Company consider the Group does not have a significant concentration of credit risk.

The credit risk on bank balances is limited because the pledged bank deposits and bank balances are maintained with state-owned banks or other creditworthy financial institutions in the PRC and overseas.

The credit risk on financial guarantee given by the Group is limited as the guarantees are enterprises with strong financial position as at 31 December 2011 and 2010.

The counterparties of the Group are mainly in the PRC. However, the credit risk on geographical locations is limited as the counterparties are spread over among different cities and provinces in the PRC as at 31 December 2011 and 2010.

The Group has concentration of credit risk as 23% (31 December 2010: 20%) of the total trade receivables was due from the Group's largest customer within the sealed lead acid batteries and related batteries, lithium-ion batteries and nickel batteries business segment.

Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the Group aims to maintain a reasonable level of cash and cash equivalents and flexibility in funding by keeping committed credit lines available.

Due to the capital intensive nature of the Group's business, the Group ensures that it maintains sufficient cash and credit lines to meet its liquidity requirements. The Group finances its working capital requirements through a combination of funds generated from operations and bank and other borrowings.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

8. Financial Instruments (Continued)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk *(Continued)*

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is calculated by interest rate curve at the end of the reporting period.

	On demand or within 1 year RMB'000	1-5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount at 31/12/2011 RMB'000
At 31 December 2011				
Trade and other payables	1,299,261	–	1,299,261	1,299,261
Amounts due to directors	2,747	–	2,747	2,747
Amounts due to related companies	54,349	–	54,349	54,349
Amounts due to non-controlling interests	21,567	–	21,567	21,567
Amounts due to associates	573,848	–	573,848	573,848
Bank and other borrowings	1,130,208	–	1,130,208	1,094,600
Bank and other borrowings that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)	267,803	–	267,803	261,159
Financial guarantee contracts (note 47)	100,000	–	100,000	–
	3,449,783	–	3,449,783	3,307,531

8. Financial Instruments (Continued)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk *(Continued)*

	On demand or within 1 year RMB'000	1-5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount at 31/12/2010 RMB'000
At 31 December 2010				
Trade and other payables	780,529	–	780,529	780,529
Amounts due to directors	1,699	–	1,699	1,699
Amounts due to related companies	20,065	–	20,065	20,065
Amounts due to non-controlling interests	15,040	–	15,040	15,040
Amounts due to associates	292,555	–	292,555	292,555
Bank and other borrowings	1,629,152	41,558	1,670,710	1,632,292
Financial guarantee contracts (note 47)	105,000	–	105,000	–
	2,844,040	41,558	2,885,598	2,742,180

Bank loans with a repayment on demand clause are included in the "on demand or within 1 year" time band in the above maturity analysis. As at 31 December 2011, the aggregate undiscounted principal amounts of these bank loans amounted to RMB261,159,000 (2010: nil). Taking into account the Group's financial position, the directors of the Company do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors of the Company believe that such bank loans will be repaid six years after the reporting date in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to RMB290,758,000.

8. Financial Instruments (Continued)

(b) Financial risk management objectives and policies (Continued)

***Liquidity risk** (Continued)*

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

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

(c) Fair value

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

- the fair value of financial guarantee contracts is determined using default analysis where the main assumptions are the probability of default by the specified counterparty extrapolated from market-based credit information and the amount of loss, given the default;

- the fair value of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis; and

- the fair value of financial guarantee contracts is determined using option pricing models where the main assumptions are the probability of default by the specified counterparty extrapolated from market-based credit information and the amount of loss, given the default.

The carrying amounts of financial assets and financial liabilities that are current in nature reported in the consolidated statement of financial position of the Group approximate their fair values due to their immediate or short-term maturities.

The directors of the Company consider the carrying amounts of bank and other borrowings approximate their fair values as the impact of discounting is not significant.

9. Revenue

Revenue represents revenue arising from sales of sealed lead acid batteries and related accessories, sales of lithium-ion batteries, sales of nickel batteries and others, net of sales related tax where applicable. An analysis of the Group's revenue for the year is as follows:

	2011 RMB'000	2010 RMB'000
Revenue comprises:		
– Sealed lead acid batteries and related accessories	**1,487,134**	1,519,571
– Lithium-ion batteries	**704,999**	354,958
– Nickel batteries	**151,004**	170,380
– Others	**140,912**	146,427
	2,484,049	2,191,336

10. Segment Information

Information reported to the board of directors of the Group, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

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.

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
Others	–	manufacture and sale of signal strength systems, electric and automation system and pharmaceutical products (none of which are of a sufficient size to be reported separately)

Inter-segment sales transactions are charged at prevailing market rates.

10. Segment Information (Continued)

(a) Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segment:

For the year ended 31 December 2011

	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	1,487,134	704,999	151,004	140,912	–	2,484,049
Inter-segment sales	475	6,878	14,618	20,513	(42,484)	–
Segment revenue	1,487,609	711,877	165,622	161,425	(42,484)	2,484,049
Segment profit (loss)	52,753	33,815	580	(37,625)	–	49,523
Unallocated operating income and expenses						16,712
Interest income						6,301
Finance costs						(80,482)
Share of results of associates						103,280
Profit before tax						95,334

10. Segment Information (Continued)

(a) Segment revenue and results (Continued)

For the year ended 31 December 2010 (Restated)

	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	1,519,571	354,958	170,380	146,427	–	2,191,336
Inter-segment sales	1,681	2,199	20	3,060	(6,960)	–
Segment revenue	1,521,252	357,157	170,400	149,487	(6,960)	2,191,336
Segment profit (loss)	58,595	(36,902)	8,091	(13,485)	–	16,299
Unallocated operating income and expenses						(3,723)
Interest income						2,331
Finance costs						(65,863)
Share of results of associates						66,590
Profit before tax						15,634

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies described in note 5. Segment profit (loss) represents the profit (loss) from each segment without allocation of central administration costs, directors' emoluments, other income, interest income, finance costs and share of results of associates. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

10. Segment Information (Continued)

(b) Segment assets and liabilities

As at 31 December 2011

	Sealed lead acid batteries and related accessories RMB'000	Lithium-ion batteries RMB'000	Nickel batteries RMB'000	Others RMB'000	Consolidated RMB'000
ASSETS					
Segment assets	2,281,530	1,029,880	127,002	674,195	4,112,607
Interests in associates					242,349
Unallocated assets					823,728
Consolidated assets					5,178,684
LIABILITIES					
Segment liabilities	1,073,748	697,031	104,771	155,867	2,031,417
Unallocated liabilities					1,457,837
Consolidated liabilities					3,489,254

10. Segment Information (Continued)

(b) Segment assets and liabilities (Continued)

As at 31 December 2010 (Restated)

	Sealed lead acid batteries and related accessories RMB'000	Lithium-ion batteries RMB'000	Nickel batteries RMB'000	Others RMB'000	Consolidated RMB'000
ASSETS					
Segment assets	2,257,772	767,845	121,749	537,221	3,684,587
Interests in associates					152,174
Unallocated assets					672,935
Consolidated assets					4,509,696
LIABILITIES					
Segment liabilities	623,023	330,094	90,873	94,915	1,138,905
Unallocated liabilities					1,720,728
Consolidated liabilities					2,859,633

10. Segment Information (Continued)

(b) Segment assets and liabilities (Continued)

As at 1 January 2010 (Restated)

	Sealed lead acid batteries and related accessories RMB'000	Lithium-ion batteries RMB'000	Nickel batteries RMB'000	Others RMB'000	Consolidated RMB'000
ASSETS					
Segment assets	2,117,319	716,840	98,743	457,241	3,390,143
Interests in associates					141,203
Unallocated assets					743,650
Consolidated assets					4,274,996
LIABILITIES					
Segment liabilities	542,059	291,547	86,518	79,078	999,202
Unallocated liabilities					1,643,071
Consolidated liabilities					2,642,273

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

- all assets are allocated to operating and reportable segments other than interests in associates, deferred tax assets, pledged bank deposits, bank balances and cash and other corporate assets; and

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

10. Segment Information (Continued)

(c) Other segment information

For the year ended 31 December 2011

	Sealed lead acid batteries and related accessories RMB'000	Lithium-ion batteries RMB'000	Nickel batteries RMB'000	Others RMB'000	Unallocated RMB'000	Consolidated RMB'000
Amounts included in the measure of segment profit or loss or segment assets:						
Capital additions	100,928	84,714	1,756	159,103	–	346,501
Depreciation and amortisation	30,359	34,491	2,211	7,579	49	74,689
Impairment loss recognised on mining right	–	–	–	8,800	–	8,800
Impairment loss recognised on trade and other receivables	2,700	–	2,136	10,675	2,179	17,690
Reversal of impairment loss recognised on trade and other receivables	(14,844)	(1,942)	(158)	(5,170)	–	(22,114)
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:						
Bank interest income	3,636	269	202	141	815	5,063
Finance costs	62,153	11,170	1,403	1,280	4,476	80,482
Income tax expense	2,293	7,360	40	2,288	–	11,981
Interests in associates	–	–	–	–	242,349	242,349
Share of results of associates	–	–	–	–	103,280	103,280

10. Segment Information (Continued)

(c) Other segment information (Continued)

For the year ended 31 December 2010 (Restated)

	Sealed lead acid batteries and related accessories RMB'000	Lithium-ion batteries RMB'000	Nickel batteries RMB'000	Others RMB'000	Unallocated RMB'000	Consolidated RMB'000
Amounts included in the measure of segment profit or loss or segment assets:						
Capital additions	80,874	32,761	2,133	64,070	–	179,838
Depreciation and amortisation	40,455	32,742	2,862	4,470	59	80,588
Allowance for inventories	–	–	–	2,288	–	2,288
Reversal of allowance for inventories	–	(408)	–	(98)	–	(506)
Impairment loss recognised on goodwill	–	–	–	4,193	–	4,193
Impairment loss recognised on trade and other receivables	937	1,761	–	5,238	–	7,936
Reversal of impairment loss recognised on trade and other receivables	(52)	(776)	–	(210)	–	(1,038)
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:						
Bank interest income	1,865	162	207	96	1	2,331
Finance costs	53,299	10,532	1,931	101	–	65,863
Income tax expense	2,356	1,882	76	256	–	4,570
Interests in associates	–	–	–	–	152,174	152,174
Share of results of associates	–	–	–	–	66,590	66,590

Note: Additions to non-current assets for the year ended 31 December 2011 included additions resulting from acquisition through business combinations, amounting to RMB29,941,000 (2010: nil).

10. Segment Information (Continued)

(d) Geographical segment

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

The Group's revenue from external customers is presented based on the location of the operations and information about its non-current assets is presented based on the geographical location of the assets detailed as below:

	Revenue from external customers		Non-current assets	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000 (Restated)
The PRC	**2,018,912**	1,649,106	**1,451,702**	1,223,320
Russia	**221,303**	265,625	**280,790**	301,935
Other countries	**243,834**	276,605	**91,916**	50,540
	2,484,049	2,191,336	**1,824,408**	1,575,795

Non-current assets exclude amount due from non-controlling interests and deferred tax assets.

(e) Information about major customer

Revenues from customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	2011 RMB'000	2010 RMB'000
Customer A	**360,187**	231,195

The above revenue was from the segments of sealed lead acid batteries and related accessories, lithium-ion batteries and nickel batteries.

11. Other Income

	2011 RMB'000	2010 RMB'000 (Restated)
Bank interest income	**5,063**	2,331
Surplus arising on revaluation of property, plant and equipment	**348**	142
Imputed interest income on amount due from a non-controlling interest	**1,238**	–
Reversal of impairment loss recognised on trade and other receivables	**22,114**	1,038
Government grants related to expenses and recognised as income	**4,657**	18,689
Amortisation of government grants (note 38)	**2,235**	1,350
Sundry income	**5,350**	7,981
	41,005	31,531

Note:

Government grants related to expenses recognised as other income are awarded to the Group by the local government agencies as incentives primarily to encourage the development of the Group and the contribution to the local economic development. Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

12. Finance Costs

	2011 RMB'000	2010 RMB'000
Interest on bank borrowings wholly repayable within five years	**92,590**	79,404
Less: borrowing costs capitalised at a rate of 3.65% (2010: 4.72%) per annum	**(12,108)**	(13,541)
	80,482	65,863

13. Income Tax Expense

	2011 RMB'000	2010 RMB'000 (Restated)
Current tax:		
PRC Enterprise Income Tax	**14,758**	12,003
Other jurisdictions	**569**	407
	15,327	12,410
Under provision in prior years:		
PRC Enterprise Income Tax	**307**	871
Deferred tax (note 37)		
Current year	**(3,653)**	(8,711)
	11,981	4,570

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group did not generate any assessable profit arising from Hong Kong for both years.

Income tax on the overseas profits has been calculated on the estimated assessable profit for both years at the rates of taxation prevailing in the overseas countries in which the Group operates.

Pursuant to the relevant laws and regulations in the PRC, one of the Group's PRC subsidiaries is exempted from PRC income tax for two years starting from their first profit-making year, followed by a 50% reduction for the next three years, the tax benefit has been expired during the year ended 31 December 2011. During the year ended 31 December 2011, certain subsidiaries of the Group have obtained a preferential rate and changed the tax rates from 15% to 25%.

13. Income Tax Expense (Continued)

The amount of income tax expense charged to the consolidated statement of comprehensive income represents:

	2011 RMB'000	2010 RMB'000 (Restated)
Profit before tax	**95,334**	15,634
Tax at the applicable income tax rate at 15% (2010: 15%)	**14,300**	2,345
Tax effect of share of results of associates	**(15,492)**	(9,989)
Tax effect of income not taxable	**(1,466)**	(1,564)
Tax effect of expenses not deductible	**12,656**	11,683
Under provision in respect of prior years	**307**	871
Tax effect of tax losses not recognised	**6,137**	1,525
Tax effect of income subject to tax holidays	**(174)**	(26)
Tax effect of recognised withholding tax	**(1,655)**	1,655
Effect of different tax rates of subsidiaries operate in other jurisdictions	**(2,632)**	(1,930)
Tax charge for the year	**11,981**	4,570

Details of deferred tax are set out in note 37.

14. Profit for the Year

The Group's profit for the year has been arrived at after charging (crediting):

	2011 RMB'000	2010 RMB'000 (Restated)
Directors' emoluments	**1,352**	1,281
Retirement benefit scheme contributions (excluding contributions for directors)	**20,213**	15,299
Other staff costs	**266,428**	226,201
Total employee benefit expenses	**287,993**	242,781
Amortisation of prepaid lease payments	**3,089**	2,015
Depreciation of property, plant and equipment	**71,145**	78,087
Amortisation of other intangible assets (included in administrative expenses and cost of sales)	**455**	486
Total depreciation and amortisation	**74,689**	80,588
Net foreign exchange losses	**1,354**	3,573
Auditor's remuneration	**1,579**	1,483
Research and development costs	**11,967**	10,773
Rental expenses	**7,450**	6,156
Loss on disposal of property, plant and equipment	**818**	50
Share of income tax expense from associates	**29,095**	21,432
Impairment loss recognised on trade and other receivables	**17,690**	7,936
Impairment loss recognised on mining right (included in administrative expenses) (note 19)	**8,800**	–
Allowance for inventories (included in cost of sales)	**–**	2,288
Reversal of allowance for inventories (included in cost of sales)	**–**	(506)
Cost of inventories recognised as an expense	**2,059,321**	1,812,413

15. Directors' and Employees' Emoluments

(a) Directors' emoluments

The emoluments paid or payable to each of the nine (2010: nine) directors are as follows:

	Executive directors						Independent non-executive directors			
	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
2011										
Fees	–	–	–	–	–	–	–	–	18	18
Other emoluments:										
Salaries and other benefits	240	232	216	180	297	120	–	–	–	1,285
Retirement benefit scheme contributions	13	13	–	13	10	–	–	–	–	49
Total emoluments	253	245	216	193	307	120	–	–	18	1,352
2010										
Fees	–	–	–	–	–	–	–	–	18	18
Other emoluments:										
Salaries and other benefits	223	214	198	168	311	120	–	–	–	1,234
Retirement benefit scheme contributions	7	6	–	6	10	–	–	–	–	29
Total emoluments	230	220	198	174	321	120	–	–	18	1,281

No director had waived any emoluments during the two years ended 31 December 2011 and 2010.

15. Directors' and Employees' Emoluments (Continued)

(b) Employees' emoluments

The five highest paid individuals of the Group included one (2010: two) directors of the Company, details of whose emoluments are set out in (a) above. The emoluments of the remaining four individuals (2010: three individuals) are as follows:

	2011 RMB'000	2010 RMB'000
Salaries and other benefits	**2,252**	1,094
Retirement benefit scheme contributions	**50**	14
	2,302	1,108

The emoluments of the four individuals (2010: three individuals) with the highest emoluments are within the following bands:

	2011 Number of individuals	2010 Number of individuals
Nil – HK$1,000,000 (equivalent to nil – RMB810,701)	**3**	3
HK$1,000,001 – HK$1,500,000 (equivalent to RMB810,701 – RMB1,216,052)	**1**	–

During each of the years ended 31 December 2011 and 2010, no emoluments were paid by the Group to any of the directors of the company 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.

16. Dividend

	2011 RMB'000	2010 RMB'000
Dividend paid and recognised as distribution during the year: 2009 final dividend – HK$0.05 (shown as RMB0.04422)	–	16,548

No dividend was paid or proposed during 2011, nor has any dividend been proposed since the end of the reporting period (2010: nil).

17. Earnings per Share

(a) Basic

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

	2011	2010 (Restated)
Profit for the year attributable to the owners of the Company (RMB'000)	87,669	6,756
Weighted average number of ordinary shares ('000)	374,180	374,180

(b) Diluted

Diluted earnings per share was the same as the basic earnings per share as there were no potential dilutive ordinary shares outstanding during the two years ended 31 December 2011 and 2010.

18. Property, Plant and Equipment

	Leasehold improvements RMB'000	Freehold land RMB'000	Buildings RMB'000	Plant and machinery RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Cost or valuation								
At 1 January 2010 as originally stated	5,217	17,093	379,758	354,831	8,922	18,910	218,347	1,003,078
Prior years adjustments	–	–	(3,323)	(37,120)	–	–	40,225	(218)
At 1 January 2010 (Restated)	5,217	17,093	376,435	317,711	8,922	18,910	258,572	1,002,860
Exchange adjustments	–	(35)	–	(67)	(13)	(158)	(4,856)	(5,129)
Additions	–	–	29,730	22,391	3,673	1,617	101,124	158,535
Transfers	–	–	79,379	5,189	95	1,820	(86,483)	–
Disposals	–	–	–	(1,066)	(61)	(806)	–	(1,933)
Revaluation	–	–	10,911	(22,824)	(2,780)	(3,939)	–	(18,632)
At 31 December 2010 and 1 January 2011 (Restated)	5,217	17,058	496,455	321,334	9,836	17,444	268,357	1,135,701
Exchange adjustments	(12)	(3,542)	(5,720)	(816)	(567)	(640)	(35,247)	(46,544)
Additions	–	–	4,995	80,427	7,399	1,436	155,930	250,187
Acquisition of subsidiary	–	–	–	25,887	36	–	–	25,923
Transfers	–	–	10,076	9,519	81	123	(19,799)	–
Disposals	–	–	–	(4,726)	(356)	(2,459)	–	(7,541)
Disposal of a subsidiary	–	–	–	–	(82)	(452)	(3,576)	(4,110)
Revaluation	–	2,321	(35,799)	(44,136)	(2,228)	(709)	–	(80,551)
At 31 December 2011	**5,205**	**15,837**	**470,007**	**387,489**	**14,119**	**14,743**	**365,665**	**1,273,065**
Comprising:								
At cost	5,205	–	–	–	–	–	365,665	370,870
At fair value	–	15,837	470,007	387,489	14,119	14,743	–	902,195
	5,205	**15,837**	**470,007**	**387,489**	**14,119**	**14,743**	**365,665**	**1,273,065**

18. Property, Plant and Equipment (Continued)

	Leasehold improvements RMB'000	Freehold land RMB'000	Buildings RMB'000	Plant and machinery RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Accumulated depreciation								
At 1 January 2010	2,249	–	–	–	–	–	–	2,249
Charge for the year (Restated)	415	–	21,427	49,455	2,500	4,290	–	78,087
Eliminated on disposal	–	–	–	(764)	(25)	(618)	–	(1,407)
Eliminated on revaluation (Restated)	–	–	(21,427)	(48,691)	(2,475)	(3,672)	–	(76,265)
At 31 December 2010 and 1 January 2011 (Restated)	2,664	–	–	–	–	–	–	2,664
Charge for the year	403	–	18,656	45,251	2,705	4,130	–	71,145
Eliminated on disposal	–	–	–	(3,895)	(326)	(1,746)	–	(5,967)
Disposal of a subsidiary	–	–	–	–	(72)	(226)	–	(298)
Eliminated on revaluation	–	–	(18,656)	(41,356)	(2,307)	(2,158)	–	(64,477)
At 31 December 2011	**3,067**	**–**	**–**	**–**	**–**	**–**	**–**	**3,067**
Carrying values								
At 31 December 2011	**2,138**	**15,837**	**470,007**	**387,489**	**14,119**	**14,743**	**365,665**	**1,269,998**
At 31 December 2010 (Restated)	2,553	17,058	496,455	321,334	9,836	17,444	268,357	1,133,037
At 1 January 2010 (Restated)	2,968	17,093	376,435	317,711	8,922	18,910	258,572	1,000,611

Note: Buildings are held under medium-term leases and situated in the PRC and India.

18. Property, Plant and Equipment (Continued)

Property, plant and equipment other than leasehold improvements and construction in progress were revalued at 31 December 2011 by Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("Jones Lang") and Ascent Partners Transaction Service Limited ("Ascent Partners") (2010: by Jones Lang). Jones Lang and Ascent Partners, independent valuers not connected to the Group, have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation of freehold land, buildings, plant and machinery, furniture, fixtures and equipment and motor vehicles which conforms to the RICS Valuation Standards published by the Royal Institution of Chartered Surveyors and the HKIS Valuation Standards on Properties published by the Hong Kong Institute of Surveyors, was mainly arrived at using the market approach and depreciated replacement cost approach.

The Group has pledged land and buildings having a net carrying value of approximately RMB150,032,000 (31 December 2010: RMB235,167,000) to secure general banking facilities granted to the Group.

The deficit arising on revaluation of property, plant and equipment was approximately RMB16,074,000 (2010: surplus of RMB57,633,000), which are summarised as follows:

	2011 **RMB'000**	2010 RMB'000 (Restated)
Surplus credited to consolidated income statement	**348**	142
(Deficit) surplus credited to consolidated statement of comprehensive income		
– attributable to owners of the parent	**(10,212)**	51,403
– attributable to non-controlling interests	**(6,210)**	6,088
	(16,422)	57,491
Total (deficit) surplus arising on revaluation of property, plant and equipment	**(16,074)**	57,633

18. Property, Plant and Equipment (Continued)

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:

	Freehold land RMB'000	Buildings RMB'000	Plant and machinery RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
2011						
Cost	**13,516**	**548,958**	**646,267**	**39,710**	**36,147**	**1,284,598**
Accumulated depreciation	**–**	**(119,807)**	**(332,724)**	**(26,084)**	**(23,802)**	**(502,417)**
	13,516	**429,151**	**313,543**	**13,626**	**12,345**	**782,181**

	Freehold land RMB'000	Buildings RMB'000	Plant and machinery RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
2010						
Cost (Restated)	17,058	539,605	535,972	33,200	38,140	1,163,975
Accumulated depreciation (Restated)	–	(101,151)	(291,013)	(23,777)	(21,644)	(437,585)
	17,058	438,454	244,959	9,423	16,496	726,390

19. Mining Rights

	RMB'000
Cost and carrying value	
At 1 January 2010	167,418
Exchange adjustments	(6,614)
At 31 December 2010 and 1 January 2011	160,804
Exchange adjustments	(11,767)
Impairment loss recognised	(8,800)
Disposal of a subsidiary	(33,237)
At 31 December 2011	**107,000**

The mining rights represent the rights to conduct mining activities in Russia and in Henan, the PRC. The mining rights have legal lives of 2 to 25 years.

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

Impairment on mining rights in Henan is recognised due to the mining rights are either expired or will be expired in a short-term period after the end of the reporting period with remote renewal chance.

20. Other Intangible Assets

	Exploration and evaluation assets RMB'000 (Note a)	Patents, trademarks, licensing rights and software RMB'000 (Note b)	Total RMB'000
Cost			
At 1 January 2010 and 31 December 2010	5,190	14,226	19,416
Additions	–	184	184
Acquisition of a subsidiary	–	4,018	4,018
At 31 December 2011	**5,190**	**18,428**	**23,618**
Accumulated amortisation			
At 1 January 2010	5,190	13,198	18,388
Charge for the year	–	486	486
At 31 December 2010 and 1 January 2011	5,190	13,684	18,874
Charge for the year	–	455	455
At 31 December 2011	**5,190**	**14,139**	**19,329**
Carrying values			
At 31 December 2011	**–**	**4,289**	**4,289**
At 31 December 2010	–	542	542
At 1 January 2010	–	1,028	1,028

Notes:

(a) The exploration and evaluation assets related to the rights for exploration in certain locations in the PRC. The assets were fully impaired due to the expiry of exploration license.

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

21. Goodwill

	RMB'000
Cost	
At 1 January 2010 and 31 December 2010	7,248
Acquisition of a subsidiary	25,957
At 31 December 2011	33,205
Accumulated impairment losses	
At 1 January 2010	–
Impairment loss recognised during the year (Note a)	4,193
At 31 December 2010, 1 January 2011 and 31 December 2011	4,193
Carrying amount	
At 31 December 2011	29,012
At 31 December 2010	3,055
At 1 January 2010	7,248

On 1 May 2011, the Group acquire 100% equity interest in Qinhuangdao Jincheng Automobile Manufacture Company Limited ("QJC"), and goodwill of approximately RMB25,957,000 was recognised upon acquisition. Details are set out in note 39.

21. Goodwill (Continued)

For the purposes of impairment testing, goodwill set out above have been allocated to three individual cash generating units ("CGUs"). The carrying amounts of goodwill as at 31 December 2011 allocated to these units are as follow:

	31/12/2011 RMB'000	31/12/2010 RMB'000	1/1/2010 RMB'000
Manufacture and sales of signal strength system unit – Shenzhen Coslight Communication Equipment Co. Ltd. 深圳光宇通信設備有限公司 ("SCC")	–	–	4,193
Manufacture and sales of passenger coach unit – Hangzhou Yue Xi Passenger Car Manufacturing Co. Ltd. 杭州越西客車製造有限公司("HYX")	3,055	3,055	3,055
Manufacture and sales of passenger coach unit – QJC	25,957	–	–
	29,012	3,055	7,248

The above three CGUs are grouped under "Others" for the purpose of segment information presentation in note 10.

The recoverable amount of the CGUs are determined from value-in-use calculations. The key assumptions for the value-in-use calculations are those regarding the discount rates, growth rates and budgeted gross margin and turnover during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on long-term average economic growth rate of the geographical area in which the business of the CGUs operated. Budgeted gross margin and turnover are based on past practices and expectations on market development.

Notes:

a) SCC

The goodwill arose on the Group's acquisition of SCC during the year ended 31 December 2004. Before 1 January 2005, the goodwill of RMB4,590,000 was amortised on a straight-line basis over seven years. At 31 December 2010, the Group assessed the recoverable amount of goodwill on value-in-use basis and determined that the carrying amount of RMB4,193,000 was fully impaired because the business of signal strength systems had slowed down and demand dropped.

21. Goodwill (Continued)

Notes: (Continued)

b) HYX

The recoverable amount for HYX is determined based on a value-in-use calculation. The value-in-use is calculated based on discounted cash flow projection, which is prepared on the basis of financial budget approved by management covering a 5-year period with an average growth rate of 16% (2010: nil) and a growth rate of 0% (2010: 0%) for budget beyond 5-year period. The discount rate of 20% (2010: 9%) per annum, which represents the risk involved in the business, was used in the calculation of value-in-use of this cash generating unit. The directors of the Company are of the opinion that the recoverable amount of this CGU exceeds its carrying amount and no impairment loss of goodwill is necessary. Management believes that any reasonably foreseeable change in any of the above key assumptions would not cause the aggregate carrying amount of the goodwill to exceed its aggregate recoverable amount.

c) QJC

The recoverable amount for QJC is determined based on a value-in-use calculation. The value-in-use is calculated based on discounted cash flow projection, which is prepared on the basis of financial budget approved by management covering a 5-year period with a average growth rate of 3% and a growth rate of 0% for budget beyond 5-year period. Discount rate of 20% per annum, which represents the risk involved in the business, was used in the calculation of value-in-use of this cash generating unit. The directors of the Company are of the opinion, with reference to the valuation report prepared by Ascent Partners, independent qualified valuers not connected to the Group, which had been prepared based on the cash flow forecast prepared by the management, that the recoverable amount of this CGU exceeds its carrying amount and no impairment loss of goodwill is necessary. Management believes that any reasonably foreseeable change in any of the above key assumptions would not cause the aggregate carrying amount of the goodwill to exceed its aggregate recoverable amount.

22. Prepaid Lease Payments

	31/12/2011 RMB'000	31/12/2010 RMB'000	1/1/2010 RMB'000
Analysed for reporting purpose:			
Current asset	**3,177**	2,372	1,946
Non-current asset	**143,260**	106,923	88,061
	146,437	109,295	90,007

Prepaid lease payments represent the Group's interests in land which are held under medium-term leases for 50 years and located in the PRC.

The Group has pledged prepaid lease payment having a net carrying value of approximately RMB13,373,000 (31 December 2010: RMB15,354,000) to secure general banking facilities granted to the Group.

23. Deposits Paid for Acquisition of Land

For the year ended 31 December 2011, deposits of approximately RMB28,500,000 (2010: RMB19,260,000) were paid for the acquisition of several land use rights situated in Shenyang and Qinhuangdao, the PRC.

24. Interests in Associates

	31/12/2011 RMB'000	31/12/2010 RMB'000 (Restated)	1/1/2010 RMB'000 (Restated)
Cost of investment in associates – unlisted	**18,180**	8,918	17,696
Share of post acquisition profit and other comprehensive income	**224,169**	143,256	123,507
	242,349	152,174	141,203

24. Interests in Associates (Continued)

At 31 December 2011 and 2010, the Group had interests in the following associates:

Name of entities	Form of business	Place of establishment	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Indirectly held by subsidiaries	Principal activities
Hong Kong Coslight Network Limited	Incorporated	Hong Kong	46.47%	49.83%	Investment holding
Coslight Interactive Company Limited	Incorporated	Cayman Islands	46.47%	49.83%	Investment holding
Coslight Network Company Limited	Incorporated	British Virgin Islands	46.47%	49.83%	Investment holding
北京光宇華夏科技有限責任公司 Beijing Guangyu Huaxia Technology Corporation Limited*	Incorporated	PRC	46.47%	49.83%	Sales and distribution of online games
瀋陽藍火炬軟件有限公司 Blue Torch Soft Corporation*	Incorporated	PRC	37.20%	39.86%	Software development
深圳科詩特軟件有限責任公司 Shenzhen Costar Software Company Limited*	Incorporated	PRC	46.47%	49.83%	Software development
天津魔幻動力科技有限責任公司	Incorporated	PRC	46.47%	49.83%	Sales and distribution of online games

* The English translation is for identification purposes only.

The above table lists the associates of the Group which, in the opinion of the directors of the Company principally affected the results of the year or form a substantial portion of the net assets of the Group. To give details of other associates would, in the opinion of the directors of the Company, result in particulars of excessive length.

24. Interests in Associates (Continued)

The summarised financial information in respect of the Group's associates is set out below:

	31/12/2011 RMB'000	31/12/2010 RMB'000 (Restated)	1/1/2010 RMB'000 (Restated)
Total assets	**784,446**	463,968	375,088
Total liabilities	**(271,566)**	(156,761)	(90,318)
Net assets	**512,880**	307,207	284,770
Group's share of net assets of associates	**242,349**	152,174	141,203

	2011 RMB'000	2010 RMB'000 (Restated)
Revenue	**727,321**	491,997
Profit for the year	**206,149**	134,330
Group's share of profits for the year	**103,280**	66,590

25. Inventories

	31/12/2011 RMB'000	31/12/2010 RMB'000	1/1/2010 RMB'000
Raw materials	**129,973**	156,994	121,193
Work in progress	**196,029**	162,152	112,473
Finished goods	**189,247**	167,702	143,998
	515,249	486,848	377,664

During the year ended 31 December 2010, there was a significant increase in the net realisable value of raw materials due to market shortage in raw materials. For the year ended 31 December 2010, a reversal of write-down of raw materials of RMB506,000 (2011: nil) has been recognised and included in cost of sales.

26. Trade and Other Receivables

	31/12/2011 RMB'000	31/12/2010 RMB'000 (Restated)	1/1/2010 RMB'000 (Restated)
Trade receivables	**1,675,850**	1,596,088	1,617,639
Less: allowance for doubtful debts	**(121,205)**	(126,668)	(119,770)
	1,554,645	1,469,420	1,497,869
Bill receivables	**133,639**	68,578	67,702
Trade and bill receivables	**1,688,284**	1,537,998	1,565,571
Other receivables	**237,732**	172,631	145,781
Less: allowance for other receivables	**(19,913)**	(18,874)	(18,874)
	217,819	153,757	126,907
Total trade and other receivables	**1,906,103**	1,691,755	1,692,478

26. Trade and Other Receivables (Continued)

Settlement of trade receivables is in accordance with the terms specified in the contracts governing the relevant transactions. Included in the Group's trade receivables balances are amount pledged to bank with an aggregate amount of approximately RMB292,913,000 (2010: RMB324,479,000) for obtaining bank borrowings. The Group allows credit period ranging from 90 to 270 days from the final acceptance to its trade receivables. The Group does not hold any collateral over these balances.

The Group's trade and other receivables that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	31/12/2011 RMB'000	31/12/2010 RMB'000
HK$	**11,409**	12,352
US$	**65,963**	153,615

(a) Ageing analysis of the Group's trade and bill receivables net of impairment loss at the end of the reporting period presented based on the invoice date are as follows:

	31/12/2011 RMB'000	31/12/2010 RMB'000 (Restated)	1/1/2010 RMB'000 (Restated)
Within 90 days	**804,355**	789,553	760,270
91 days – 180 days	**268,273**	282,307	359,303
181 days – 270 days	**243,279**	191,783	224,541
271 days – 360 days	**140,362**	132,275	122,658
Over 1 years, but not exceeding 2 years	**186,070**	128,741	88,346
Over 2 years	**45,945**	13,339	10,453
Trade and bill receivables	**1,688,284**	1,537,998	1,565,571

26. Trade and Other Receivables (Continued)

(b) Movements in the allowance for trade receivables during the year are as follows:

	2011 RMB'000	2010 RMB'000
At 1 January	126,668	119,770
Impairment loss recognised on receivables	13,979	7,936
Impairment loss reversed	(19,442)	(1,038)
At 31 December	121,205	126,668

All allowances for trade receivables as at 31 December 2011 and 2010 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) Movements in the allowance for other receivables during the year are as follows:

	2011 RMB'000	2010 RMB'000
At 1 January	18,874	18,874
Impairment loss recognised on receivables	3,711	–
Impairment loss reversed	(2,672)	–
At 31 December	19,913	18,874

All allowances for other receivables as at 31 December 2011 and 2010 were made for long outstanding receivables, which recoverability is considered doubtful by management. The amount of impairment represents the difference between the carrying amount of the specific receivables and the present value of the expected future cash flows.

26. Trade and Other Receivables (Continued)

(d) As at 31 December 2011, RMB110,451,000 (2010: RMB171,835,000) of the Group's trade receivables were past due but not impaired. The ageing analysis of these receivables is as follows:

	31/12/2011 RMB'000	31/12/2010 RMB'000
Less than 3 months past due	81,708	112,718
3 months to 6 months past due	28,743	53,133
6 months to 9 months past due	–	2,228
9 months to 12 months past due	–	3,143
12 months to 18 months past due	–	613
Past due but not impaired	110,451	171,835

Trade receivables that were past due but not impaired were related to a number of individual customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances that are still considered fully recoverable.

27. Amounts due from Directors

Particulars of the amounts due from directors are as follows:

Name of directors	31/12/2011 RMB'000	31/12/2010 RMB'000	1/1/2010 RMB'000	Maximum amount outstanding during the year ended 31/12/2011 RMB'000
Song Dian Quan	165	402	–	469
Li Ke Xue	219	194	212	219
Zhang Li Ming	10	4	7	33
Liu Xing Quan	169	170	170	170
Xing Kai	3	–	–	33
	566	770	389	

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

28. Amounts due from Related Companies

Name of related companies	31/12/2011 RMB'000	31/12/2010 RMB'000	1/1/2010 RMB'000	Maximum amount outstanding during the year ended 31/12/2011 RMB'000
Related parties in which certain directors of the Company have beneficial interests:				
哈爾濱開關有限責任公司 Harbin Switch Company Limited ("HBS")*	**21,311**	18,766	13,546	21,311
石家莊光宇高能電池材料有限公司 Shijiazhuang Guangyu Battery Material Company Limited*	**543**	553	553	553
光宇延邊蓄電池有限責任公司 Guangyu Yanbian Storage Battery Manufacturing Company Limited*	**9,203**	–	–	9,203
哈爾濱光宇電源廠 Harbin Guangyu Power Supply Factory*	**–**	478	478	478
哈爾濱光宇開關廠	**170**	–	–	170
北京兆唐科技有限公司 Beijing Zhaotang Science and Technology Company Limited*	**681**	785	785	785
哈爾濱亞光新型隔板有限公司 Harbin Ya Guang Modern Separators Company Limited*	**5,484**	938	938	5,484
哈爾濱光宇電綫電纜有限公司 Harbin Guangyu Electric Wire and Cable Company Limited*	**2,000**	2,111	3,553	2,750
Lexel Battery (Japan) Company Limited	**5,769**	1,315	665	5,769
Global Universe Development Limited	**293**	303	303	432
	45,454	25,249	20,821	

* The English translation is for identification purposes only.

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

29. Amounts due from Non-controlling Interests

Name of non-controlling interests	31/12/2011 RMB'000	31/12/2010 RMB'000	1/1/2010 RMB'000	Maximum amount outstanding during the year ended 31/12/2011 RMB'000
Current portion:				
沈陽東北蓄電池股份有限公司	**1,573**	1,423	1,423	1,573
深圳柏仁塑膠製品有限公司 Shenzhen Boren Plastic Ware Company Limited*	**–**	279	279	279
哈爾濱格曼電氣自動化設備有限責任公司 Harbin Geman Electric Automation Equipment Company Limited*	**222**	243	274	243
天津自行車三廠技術開發中心 Tianjin Bike Third Factory Technology Development Centre*	**1,118**	1,066	–	1,118
Best Chance Technology Limited	**279**	–	–	39,402
	3,192	3,011	1,976	
Non-current portion:				
Best Chance Technology Limited	**39,123**	–	–	39,402
	42,315	3,011	1,976	

* The English translation is for identification purposes only.

The current portion balances are unsecured, interest-free and repayable on demand.

The non-current portion balance is non-interest bearing and repayment within 3 years and its effective interest rate is 6.65%.

30. Amounts due from Associates/Amounts due to Directors/Related Companies/Non-controlling Interests/Associates

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

31. Pledged Bank Deposits

Pledged bank balances are held in dedicated bank accounts under the name of the Group for securing trade financing facilities granted to the Group approximately RMB439,000,000 (2010: RMB705,330,000). As at 31 December 2011, the fixed interest rate on restricted bank balances, with maturities ranging from 6 months to 1 year, were 2.25% to 3.50% (2010: 1.71% to 2.50%) per annum.

32. Bank Balances and Cash

As at 31 December 2011, the fixed interest rate on other bank deposits with initial terms ranging from one month to three months were 2.25% to 3.10% (2010: 1.35% to 2.25%) per annum.

The Group's bank balances and cash that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	31/12/2011 RMB'000	31/12/2010 RMB'000
US$	**16,356**	30,434

33. Trade and Other Payables

	31/12/2011 RMB'000	31/12/2010 RMB'000	1/1/2010 RMB'000
Trade payables	**517,800**	390,522	291,249
Bill payables	**393,400**	72,620	92,392
	911,200	463,142	383,641
Receipt-in-advances	**86,795**	49,592	–
Other payables	**388,061**	317,387	298,969
Trade and other payables	**1,386,056**	830,121	682,610

33. Trade and Other Payables (Continued)

Ageing analysis of trade and bill payables at the end of the reporting period presented based on the invoice date are as follows:

	31/12/2011 RMB'000	31/12/2010 RMB'000	1/1/2010 RMB'000
Within 30 days	313,186	174,872	123,052
31 days – 60 days	181,810	115,431	68,776
61 days – 90 days	104,983	44,430	38,439
91 days – 180 days	194,647	65,686	90,479
Over 180 days	116,574	62,723	62,895
Trade and bill payables	911,200	463,142	383,641

The credit period on purchases of goods ranges from 90 days to 180 days. The Group has financial risk management policies in the place to ensure that all payables are settled within the credit time frame.

The Group's trade and other payables that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	31/12/2011 RMB'000	31/12/2010 RMB'000
US$	7,276	869

34. Bank and Other Borrowings

	31/12/2011 RMB'000	31/12/2010 RMB'000	1/1/2010 RMB'000
Bank borrowings	**1,333,759**	1,629,203	1,576,067
Other borrowings	**22,000**	3,089	15,635
Total borrowings	**1,355,759**	1,632,292	1,591,702
Secured	**324,200**	477,800	502,762
Unsecured	**1,031,559**	1,154,492	1,088,940
Total borrowings	**1,355,759**	1,632,292	1,591,702
Carrying amount repayable:			
On demand within one year	**1,094,600**	1,591,692	1,269,702
More than one year, but not exceed two years	**–**	40,600	42,000
More than two years but not exceed five years	**–**	–	280,000
	1,094,600	1,632,292	1,591,702
Carrying amount of bank borrowings that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)	**261,159**	–	–
	1,355,759	1,632,292	1,591,702
Less: amounts due within one year shown under current liabilities	**(1,355,759)**	(1,591,692)	(1,269,702)
Amounts shown under non-current liabilities	**–**	40,600	322,000

Secured borrowings of the Group were secured by the Group's property, plant and equipment (note 18), prepaid lease payments (note 22), trade receivables (note 26) and pledged bank deposits (note 31).

Part of the borrowings of the Group were guaranteed by a director of the Company and a non-controlling shareholder, for details please refer to note 41(b).

34. Bank and Other Borrowings (Continued)

The exposure of borrowings to interest rate changes is as follows:

	31/12/2011 RMB'000	31/12/2010 RMB'000	1/1/2010 RMB'000
Interest-free borrowings	–	3,089	–
Fixed-rate borrowings	383,100	1,176,070	1,321,112
Variable-rate borrowings	972,659	453,133	270,590
	1,355,759	1,632,292	1,591,702

During the year ended in 31 December 2011, the Group obtained new loans in the amount of RMB1,786,958,000 (2010: RMB1,121,072,000). The loans bear interest at market rates and will be repayable in 2012 to 2017. The proceeds were used to finance the acquisition of factory premises.

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	31/12/2011 RMB'000	31/12/2010 RMB'000	1/1/2010 RMB'000
Effective interest rate:			
Fixed-rate borrowings	3.51% to 8.85%	3.51% to 5.61%	2.25% to 7.23%
Variable-rate borrowings	4.42% to 8.74%	3.17% to 6.14%	0.16% to 6.37%

34. Bank and Other Borrowings (Continued)

The Group's borrowings that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	31/12/2011 RMB'000	31/12/2010 RMB'000
HK$	**–**	36,533
US$	**270,939**	–

35. Share Capital

	Number of shares '000	**Amount in original currency** HK$'000	**Shown in the consolidated financial statements as** RMB'000
Ordinary shares of HK$0.10 each			
Authorised:			
At 1 January 2010, 31 December 2010 and 2011	1,000,000	100,000	107,000
Issued and fully paid:			
At 1 January 2010, 31 December 2010 and 2011	374,180	37,418	40,010

36. Statement of Financial Position of the Company

	Notes	31/12/2011 RMB'000	31/12/2010 RMB'000 (Restated)	1/1/2010 RMB'000 (Restated)
Non-current assets				
Investments in subsidiaries		245,211	245,211	245,211
Property, plant and equipment		85	148	215
		245,296	245,359	245,426
Current assets				
Other receivables		238	1,452	1,605
Amounts due from subsidiaries	(a)	46,037	50,576	53,528
Amounts due from related companies	(a)	2,328	2,402	1,089
Bank balances and cash		242	388	27,881
		48,845	54,818	84,103
Current liabilities				
Other payables		8,061	2,293	2,312
Amounts due to subsidiaries	(a)	198,398	212,004	205,871
Amounts due to related companies	(a)	23,704	16,449	35,433
Amounts due to directors	(a)	1,621	1,699	4,423
		231,784	232,445	248,039
Net current liabilities		(182,939)	(177,627)	(163,936)
		62,357	67,732	81,490
Capital and reserves				
Share capital		40,010	40,010	40,010
Special reserve	(b)	227,226	227,226	227,226
Accumulated losses		(204,879)	(199,504)	(185,746)
		62,357	67,732	81,490

36. Statement of Financial Position of the Company (Continued)

Notes:

(a) The amounts are unsecured, non-interest bearing and repayment on demand.

(b) The special reserve represents the difference between the nominal value of the share capital of the subsidiaries acquired and the nominal amount of the share capital issued for their acquisition and the amount transferred from share premium accounts.

37. Deferred Taxation

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

	31/12/2011 RMB'000	31/12/2010 RMB'000 (Restated)	1/1/2010 RMB'000 (Restated)
Deferred tax assets	**23,919**	22,748	13,389
Deferred tax liabilities	**(18,563)**	(22,197)	(14,223)
	5,356	551	(834)

37. Deferred Taxation (Continued)

	Allowance on trade and other receivables RMB'000	Unrealised (profit) loss RMB'000	Revaluation of property, plant and equipment RMB'000	Undistributable profits of subsidiaries RMB'000	Others RMB'000	Total RMB'000
At 1 January 2010	17,293	(1,538)	(9,315)	(4,117)	(3,157)	(834)
Credit (charge) to profit or loss	1,036	995	1,007	(1,655)	7,328	8,711
Charge to other comprehensive income	–	–	(7,326)	–	–	(7,326)
At 31 December 2010 and 1 January 2011	18,329	(543)	(15,634)	(5,772)	4,171	551
(Charge) credit to profit or loss	(1,964)	1,390	1,364	1,655	1,208	3,653
Credit to other comprehensive income	–	–	1,152	–	–	1,152
At 31 December 2011	**16,365**	**847**	**(13,118)**	**(4,117)**	**5,379**	**5,356**

As at 31 December 2011, no deferred tax asset has been recognised on the tax losses of RMB74,650,000 (2010: RMB50,159,000) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of RMB69,529,000 (31 December 2010: RMB44,792,000) that will expire within next five years. Other losses may be carried forward indefinitely.

	31/12/2011 RMB'000	31/12/2010 RMB'000	1/1/2010 RMB'000
Tax losses without expiry date	**5,121**	5,367	5,587
Tax losses expiring on 31 December 2016	**26,628**	–	–
Tax losses expiring on 31 December 2015	**10,268**	10,268	–
Tax losses expiring on 31 December 2014	**10,545**	10,545	10,716
Tax losses expiring on 31 December 2013	**4,039**	4,039	39
Tax losses expiring on 31 December 2012	**18,049**	18,049	18,049
Tax losses expiring on 31 December 2011	**–**	1,891	1,891
Tax losses expiring on 31 December 2010	**–**	–	3,712
	74,650	50,159	39,994

38. Deferred Government Grants

	RMB'000
At 1 January 2010	43,350
Amortised during the year	(1,350)
At 31 December 2010 and 1 January 2011	42,000
Additions during the year	21,000
Amortised during the year	(2,235)
At 31 December 2011	**60,765**

The Group received government grants towards the Group's 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. The amounts have been treated as deferred income and transferred to income over the useful lives of the related assets. This policy has resulted in a credit to income in the current year of approximately RMB2,235,000 (2010: RMB1,350,000).

39. Business Combination

On 1 May 2011, the Group acquired 100% equity interests in QJC from an independent third party at a consideration of RMB79,995,000. QJC is a company incorporated in the PRC principally engaged in manufacture and sales of passenger coach units.

	RMB'000
Consideration transferred	
Cash	79,995

Acquisition-related costs amounting to approximately RMB40,000 have been excluded from the consideration transferred and have been recognised as an expense in the current year, within the "administrative and other operating expenses" line item in the consolidated statement of comprehensive income.

39. Business Combination (Continued)

Assets and liabilities recognised at the date of acquisition

	RMB'000
Property, plant and equipment	25,923
Intangible assets	4,018
Cash and cash equivalents	1
Other receivables	43,380
Inventories	4,914
Trade and other payables	(24,198)
	54,038

Goodwill arising on acquisition

	RMB'000
Consideration transferred	79,995
Less: recognised amount of identifiable net assets acquired	(54,038)
Goodwill arising on acquisition	25,957

Goodwill arose on the acquisition of QJC because the consideration paid for the combination effectively included amounts in relation to the benefits of revenue growth, future market development and the assembled workforce of QJC. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

39. Business Combination (Continued)

Net cash outflow arising on acquisition

	RMB'000
Total cash consideration	79,995
Less: unpaid consideration included in other payables	(9,000)
Cash consideration paid	70,995
Less: cash and cash equivalent balances acquired	(1)
	70,994

Impact of acquisition on the results of the Group

QJC contributed approximately RMB42,978,000 and RMB2,610,000 to the Group's revenue and loss for the period between the date of acquisition and at the end of the reporting period.

Had the acquisition of QJC been effected on 1 January 2011, the revenue of the Group for the end of the reporting period would have been RMB2,493,272,000, and the profit for the year would have been RMB82,948,000. The proforma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2011, nor is intended to be a projection of future results.

In determining the "pro-forma" revenue and profit of the Group had QJC been acquired on 1 January 2011, the directors of the company calculated depreciation and amortisation of plant and equipment based on the recognised amounts of plant and equipment at the date of the acquisition.

40. Disposal of a Subsidiary

On 27 June 2011, the Group has disposed of 80% equity interest on Russia (Golden Stone) Limited Liability Co. to Best Chance Technology Limited, a non-controlling interest to the Group. The consideration of the disposal is approximately RUB198,943,000 (equivalent to approximately RMB45,946,000) which is receivable in three years and is interest-free. The fair value of the consideration approximate RMB37,885,000 which is discounted the principal amount by 3 years with effective interest rate of 6.65% per annum, which is the borrowing rate of The People's Bank of China for 1-to-3 year borrowing. The net assets of Russia (Golden Stone) Limited Liability Co. at the date of disposal were as follow:

Consideration received

	RMB'000
Receivable – due within three years*	37,885

* The receivable is non-interest bearing and repayment within 3 years and its effective interest rate is 6.65%. It was recorded as amount due from a non-controlling interest under non-current assets in the consolidated statement of financial position.

Analysis of 100% assets and liabilities over which control was lost:

	RMB'000
Property, plant and equipment	3,812
Mining rights	33,237
Cash and cash equivalents	180
Other receivables	23,603
Trade and other payables	(33,454)
	27,378

40. Disposal of a Subsidiary (Continued)

Gain on disposal of a subsidiary

	RMB'000
Consideration receivable	37,885
Net assets disposed of	(27,378)
Fair value of residual interest	9,262
Cumulative exchange difference in respect of net assets of the subsidiaries reclassified from equity to profit or loss on loss of control of the subsidiary (80%)	1,021
Gain on disposal of a subsidiary	20,790

The portion of that gain attributable to recognising any investment retained in the former subsidiary at its fair value at the date when control is lost:

	RMB'000
Fair value of residual interests	9,262
20% of net assets derecognised	(5,476)
	3,786

Net cash outflow arising on acquisition

	RMB'000
Cash and cash equivalent balances disposed of	180

The subsidiary disposed of during the year ended 31 December 2011 had no significant impact on the turnover and results of the Group and no cash flow impacts were noted.

41. Related Party Transactions

In addition to the related party information disclosed elsewhere in the consolidated financial statements, the following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties during the two years ended 31 December 2011 and 2010.

The transactions with related parties are carried out on pricing and settlement terms agreed with counter parties in the ordinary course of business.

(a) Related parties' transactions

Name of related parties	Nature of transactions	2011 RMB'000	2010 RMB'000
Related parties in which certain directors of the Company have beneficial interests:			
哈爾濱光宇電綫電纜有限公司 Harbin Guangyu Electric Wire and Cable Company Limited ("HGEWC")	Purchase of raw materials	7,456	8,791
HBS	Purchase of raw materials	1,481	372
HBS	Sales of finished goods	545	288
Lexel Battery (Japan) Company Limited	Sales of finished goods	12,360	4,948
光宇延邊蓄電池有限責任公司光宇廢舊物資分公司	Purchase of raw materials	8	–

41. Related Party Transactions (Continued)

(b) Other arrangements

At 31 December 2011, RMB115,000,000 (2010: RMB410,903,000) of the Group's bank borrowings were guaranteed by Mr. Song Dian Quan, a director of the Company.

In addition, at 31 December 2011, RMB10,000,000 (2010: RMB10,000,000) of the Group's bank borrowings was guaranteed by Mr. Gao Xue Feng, a non-controlling shareholder of a subsidiary.

(c) Compensation of key management personnel

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

	2011 RMB'000	2010 RMB'000
Short-term benefits	**1,303**	1,252
Post-employment benefits	**49**	29
	1,352	1,281

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

42. Retirement Benefit Plans

Defined contribution plans

The Group operates a Mandatory Provident Fund Scheme (the "Scheme") for all qualifying employees in Hong Kong. The assets of the Scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the Scheme, which contribution is matched by employees.

The employees of certain subsidiaries in the PRC and Russia are members of a state-managed retirement benefit scheme and Pension Fund of the Russian Federation operated by the relevant governments. 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 statement of comprehensive income of approximately RMB20,262,000 (2010: RMB15,328,000) represents contributions payable to these schemes by the Group in respect of the current accounting period.

43. Pledge of Assets

At the end of the reporting period, the Group's banking facilities were secured by:

(i) certain of the Group's land use rights and property, plant and equipment with an aggregate carrying value of approximately RMB163,405,000 (2010: RMB250,521,000);

(ii) certain of the trade receivables with an aggregate amount of approximately RMB292,913,000 (2010: RMB324,479,000); and

(iii) pledged bank deposits with an aggregate amount of approximately RMB274,625,000 (2010: RMB54,560,000).

44. Operating Leases

The Group as lessee

The Group leases various offices, warehouses and residential properties under non-cancellable operating lease agreements. At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2011 RMB'000	2010 RMB'000
Within one year	**5,171**	5,375
In the second to fifth year inclusive	**7,953**	13,512
	13,124	18,887

Operating lease payments represents rentals payables by the Group for various offices, warehouses and residential properties. Leases are negotiated for a term of one to ten years (2010: one to ten years) and rentals are fixed during the lease period.

45. Capital Commitments

	2011 RMB'000	2010 RMB'000
Capital expenditure authorised but not contracted for in respect of acquisition of property, plant and equipment and land use rights	**601,000**	1,275,118
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of property, plant and equipment and land use rights	**128,097**	161,171

46. Notes to the Consolidated Statement of Cash Flows

During the year ended 31 December 2011, the Group has entered into an agreement with a non-controlling shareholder for acquisition of additional interests of a subsidiary at a consideration of RMB8,735,000 which is not yet paid at the end of the reporting period.

During the year ended 31 December 2011, the Group has entered into an agreement with a non-controlling shareholder for disposal of subsidiary with a consideration receivable of approximately RMB37,885,000, which not yet received at the end of the reporting period. Details of which are set out in note 40. Also, imputed interest on consideration receivable amounted to RMB1,238,000 is accounted for during the year.

During the year ended 31 December 2011, the Group has acquired a subsidiary, QJC, with a consideration of RMB79,995,000. At the end of the reporting period, amount of RMB9,000,000 is not yet paid. Details of which are set out in note 39.

47. Contingent Liabilities

The Group has issued guarantees in respect of banking facilities granted to an independent third party of RMB100,000,000 (2010: RMB105,000,000) without charge. The aggregate amounts that could be required to be paid if the guarantees were called upon in entirety amounted to RMB100,000,000 (31 December 2010: RMB105,000,000), of which RMB100,000,000 (31 December 2010: RMB105,000,000) has been utilised by the independent third parties. The Group has not recognised a value for the financial guarantees given in the consolidated financial statements as their fair values as assessed by Jones Lang, Chartered Surveyors, are insignificant.

As at 31 December 2010, the independent third party also provided counter-guarantees of banking facilities granted to the Group to the extent of RMB110,000,000 (2011: nil). As at 31 December 2010, the Group has utilised the banking facilities of RMB110,000,000 (2011: nil).

48. Share Option Scheme

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

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

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

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

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

(iii) the nominal value of the shares.

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

49. Particular of Principal Subsidiaries of the Company

Details of the Company's principal subsidiaries at 31 December 2011 and 2010 are as follows:

Name of subsidiaries	Place of incorporation 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 Hong Kong Limited	Hong Kong	HK$400,000	100	–	Private limited company	Investment holding
Coslight International (B.V.I.) Company Limited	British Virgin Islands/Hong Kong	US$50,000	100	–	Private limited company	Investment holding
Cosstone Limited Liability Company	Russia	RUB1,279,760,000	–	100	Private limited company	Mining for production of battery products for group companies
Coslight International Company Limited	Hong Kong	HK$2	–	100	Private limited company	Provision of management services for the Group
哈爾濱光宇電源股份有限公司 Harbin Coslight Power Company Limited*	PRC	RMB231,023,000	–	99.84 (2010: 100)	Joint stock limited company	Manufacture and sale of lithiumion batteries and sealed lead acid batteries and its accessories
哈爾濱光宇蓄電池股份有限公司 Harbin Coslight Storage Battery Company Limited*	PRC	RMB640,190,000	–	90.38	Joint stock limited company	Manufacture and sale of sealed lead acid batteries
沈陽東北蓄電池有限公司 Shenyang Dongbei Storage Battery Company Limited*	PRC	RMB80,000,000	50	25	Sino-foreign equity joint venture	Manufacture and sale of sealed lead acid batteries
哈爾濱光宇電氣自動化有限公司 Harbin Coslight Electric Automation Company Limited*	PRC	RMB20,000,000	16.2	63.8	Sino-foreign equity joint venture	Manufacture of electricity control devices

49. Particular of Principal Subsidiaries of the Company (Continued)

Name of subsidiaries	Place of incorporation 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
西藏昌都光宇利民藥業有限責任公司 Tibet Changdu Guangyu Limin Pharmaceutical Company Limited*	PRC	RMB6,600,000	–	80	Domestic equity joint venture	Manufacture of pharmaceutical products
哈爾濱光宇開關有限公司 Harbin Coslight Switch Company Limited*	PRC	RMB2,000,000	–	100	Wholly-owned foreign enterprise	Manufacture of high and low voltage switch
深圳市力可興電池有限公司 Lexel Battery (Shenzhen) Company Limited	PRC	RMB10,000,000	–	70	Sino-foreign equity joint venture	Manufacture and sale of small-size and sealed rechargeable nickel batteries
延邊光宇電池有限責任公司 Yanbian Guangyu Battery Company Limited*	PRC	RMB500,000	–	98	Domestic equity joint venture	Manufacture and sales of automobile batteries
哈爾濱光宇電子有限公司 Harbin Coslight Electronics Company Limited*	PRC	RMB50,000,000	–	100	Wholly-owned foreign enterprise	Manufacture and sales of lead-acid battery for fueling electronic bicycles
珠海光宇電池有限公司 Zhuhai Coslight Battery Company Limited*	PRC	RMB35,000,000 (2010: RMB5,000,000)	–	100 (2010: 80)	Wholly-owned foreign enterprise	Manufacture and sales of lithium-polymer batteries
Coslight Newgen Limited	Russia	RUB1,000,000	–	58	Private limited company	Trading of sealed lead acid batteries
珠海科斯特電源有限公司 Zhuhai Coslight Power Company Limited*	PRC	RMB60,184,000	25	75	Sino-foreign equity joint venture	Manufacture and sales of sealed lead acid batteries

* The English translation is for identification purposes only.

49. Particular of Principal Subsidiaries of the Company (Continued)

Name of subsidiaries	Place of incorporation 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
杭州越西客車制造有限公司 Hangzhou Yuexi Passenger Car Manufacturing Company Limited*	PRC	RMB100,000,000 (2010: RMB20,800,000)	–	100	Wholly-owned domestic enterprise	Manufacture and sales of passengers coach
Coslight India Telecom Private Limited	India	INR1,402,633,590 (2010: INR947,934,280)	–	100	Private limited company	Manufacture and sales of sealed lead acid batteries
上海睿芯微電子有限公司 Shanghai Sino-IC Microelectronics Company Limited*	PRC	RMB2,400,000	–	75	Sino-foreign equity joint venture	Manufacture and sales of battery products
泰皇島金程汽車制造有限公司 Qinhuangdao Jincheng Automobile Manufacture Company Limited*	PRC	RMB66,860,000	–	100 (2010: nil) Note (a)	Wholly-owned domestic enterprise	Manufacture and sales of passengers coach
Russia (Golden Stone) Limited Liability Company	Russia	RUB248,680,000	–	– (2010: 100) Note (b)	Private limited company	Mining for production of battery products for group companies

* The English translation is for identification purposes only.

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

None of the subsidiaries had any debt securities outstanding at the end of both years or during both years.

Note (a): The company is acquired on 10 May 2011.
Note (b): The company is disposed on 27 June 2011.

CONSOLIDATED INCOME STATEMENT

	For the year ended 31 December				
	2007 RMB'000	2008 RMB'000	2009 RMB'000	2010 RMB'000 (Restated)	**2011** **RMB'000**
Revenue	2,193,632	2,441,841	2,402,857	2,191,336	**2,484,049**
Cost of sales	(1,712,215)	(1,861,570)	(1,764,875)	(1,814,195)	**(2,059,321)**
Gross profit	481,417	580,271	637,982	377,141	**424,728**
Other income	17,622	23,742	19,518	31,531	**41,005**
Distribution and selling expenses	(166,749)	(182,169)	(194,882)	(179,604)	**(162,164)**
Administrative and other operating expenses	(180,065)	(196,970)	(229,150)	(209,968)	**(251,823)**
Gain on disposal of property, plant and equipment and prepaid lease payments in relation to factory relocation	–	27,425	–	–	**–**
Gain on disposal of a subsidiary	–	2,167	–	–	**20,790**
Gain on deemed disposal of a subsidiary	–	14,517	–	–	**–**
Gain on deemed disposal of partial interests in subsidiaries	63,847	–	–	–	**–**
Finance costs	(54,608)	(77,245)	(54,100)	(65,863)	**(80,482)**
Impairment on goodwill	–	–	–	(4,193)	**–**
Share of results of associates	16,616	72,538	87,011	66,590	**103,280**
Profit before tax	178,080	264,276	266,379	15,634	**95,334**
Income tax expense	(12,912)	(37,000)	(33,981)	(4,570)	**(11,981)**
Profit for the year	165,168	227,276	232,398	11,064	**83,353**
Attributable to:					
Owners of the Company	162,293	203,523	200,924	6,756	**87,669**
Non-controlling interests	2,875	23,753	31,474	4,308	**(4,316)**
	165,168	227,276	232,398	11,064	**83,353**

Financial Summary

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	At 31 December				
	2007 RMB'000	2008 RMB'000	2009 RMB'000 (Restated)	2010 RMB'000 (Restated)	**2011** **RMB'000**
Total assets	3,601,714	3,845,286	4,274,996	4,509,696	**5,178,684**
Total liabilities	(2,144,209)	(2,359,719)	(2,642,273)	(2,859,633)	**(3,489,254)**
Total equity	1,457,505	1,485,567	1,632,723	1,650,063	**1,689,430**
Non-controlling interests	(153,611)	(167,833)	(184,986)	(184,192)	**(168,540)**
Equity attributable to owners of the Company	1,303,894	1,317,734	1,447,737	1,465,871	**1,520,890**