

Tech Pro Technology Development Limited  
**德普科技發展有限公司**

*(incorporated in the Cayman Islands with limited liability)*

Stock code : 03823

# 2012

## ANNUAL REPORT







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# CORPORATE INFORMATION

## Directors

### Executive directors

Mr. Li Wing Sang (*Chairman of the board*)  
Mr. Liu Xincheng  
Mr. Chiu Chi Hong

### Independent non-executive directors

Mr. Tam Tak Wah  
Mr. Ng Wai Hung  
Mr. Lau Wan Cheung

## Audit committee

Mr. Tam Tak Wah (*Chairman of the committee*)  
Mr. Ng Wai Hung  
Mr. Lau Wan Cheung

## Remuneration committee

Mr. Tam Tak Wah (*Chairman of the committee*)  
Mr. Ng Wai Hung  
Mr. Lau Wan Cheung

## Nomination committee

Mr. Li Wing Sang (*Chairman of the committee*)  
Mr. Ng Wai Hung  
Mr. Lau Wan Cheung

## Authorised representatives

Mr. Liu Xincheng  
Mr. Ng Chi Ho Dennis

## Company secretary

Mr. Ng Chi Ho Dennis

## Auditor

CCIF CPA Limited

## Principal bankers

Agricultural Bank of China Changzhou Branch  
Zou Qu Sub-Branch  
The Hong Kong and Shanghai Banking Corporation Limited

## Hong Kong branch share registrar and transfer office

Tricor Investor Services Limited  
26/F, Tesbury Centre  
28 Queen's Road East  
Wanchai  
Hong Kong

## Principal share registrar and transfer office

HSBC Trustee (Cayman) Limited  
PO Box 484, HSBC House  
68 West Bay Road, Grand Cayman  
KY1-1106  
Cayman Islands

## Registered office

Cricket Square, Hutchins Drive  
P.O. Box 2681, Grand Cayman  
KY1-1111  
Cayman Islands

## Principal place of business

Unit 1402, 14/F, Low Block  
Grand Millennium Plaza  
181 Queen's Road Central  
Hong Kong

## Company website

<http://www.techprotd.com>

## Stock code

03823

## CORPORATE PROFILE



Tech Pro Technology Development Limited (the “Company”, together with its subsidiaries collectively the “Group”) (stock code: 03823) is listed on the Main Board of The Stock Exchange of Hong Kong Limited. The Group principally engaged in manufacturing and sales of aluminum electrolytic capacitors and LED lighting products and accessories.

Light emitting diode (LED) is a semiconductor light source, which are used as indicator lamps in many devices. As the global concern for energy saving and the reduction of carbon emission is getting higher, LEDs are increasingly used for outdoor lighting and indoor lighting.

The Group strives to be a prevailing LED applications and solutions provider with quality management system, through our quality products, from the components to finished products and professional services, so as to provide one stop solution for green lighting. The Group owns four factories which are located in Shenzhen, Jiangxi, Xiamen of the PRC, manufacturing LED lighting parts, components of aluminum and copper based PCB, LED chips on board packaging, LED chips on board module and LED lighting assembling respectively. The Group has set up sale and marketing centers which are located in Hong Kong, Spain and Shanghai respectively. Headquarter is situated in Hong Kong which is responsible for the strategic planning and the co-ordinations among the factories of the Group.

“LEDUS” – the self-owned brand LED lighting products of the Group which are sold globally. The brand names and trademarks of “LEDUS” and “萊德斯” have been registered in Hong Kong, Macau, Europe, Taiwan, Japan, South Africa. “LEDUS” products include indoor and outdoor lighting which range from light bulbs, light tubes, spotlights and street lamps. All “LEDUS” products are manufactured according to the prevailing LED quality management systems, such as ISO, RoSH and they are all CE certified.

“LEDUS” – Light up the world and make a better green life together.



# CHAIRMAN'S STATEMENT



# CHAIRMAN'S STATEMENT



On behalf of Tech Pro Technology Development Limited (the "Company", together with its subsidiaries collectively the "Group"), I am pleased to present our annual report for the year ended 31 December 2012.

To capitalise on the strengthening international campaigns for environmental protection, the Group was transforming its business to LED (light-emitting diode) lighting products manufacturing and the provision of LED lighting solutions in 2012, and made good progress.

The new business of LED lighting was gaining momentum in development and posted a substantial growth, driving up the Group's turnover by approximately 119.1% to approximately RMB619.2 million for the year ended 31 December 2012. The LED lighting segment's turnover from continuing operations rose by approximately 12.9 times to approximately RMB303.6 million in 2012 (2011: approximately RMB21.9 million). LED lighting segment's adjusted EBITDA increased by approximately 87.5% to approximately RMB71.8 million (2011: approximately RMB38.3 million). The effect of the business transformation to the LED lighting production and sales became more noticeable in 2012 and is expected to become the Group's profit driver in 2013.



## CHAIRMAN'S STATEMENT



In a push to expand the business overseas and build up the “LEDUS” brand, the Group’s subsidiary in Spain, Tecdoa Energy, which the Company acquired in 2011, won a tender for the installation and maintenance of public lighting from the Town of Tarancon, Spain, jointly with Indra Sistemas, S.A. in October 2012.

We believe the Group’s LED business has bright prospects because the global environmental movements are gaining momentum, and, at home, the Chinese government is enacting more policies to foster the development of environmental industries. Environmental-friendly and energy-saving businesses are gaining more and more recognition. In 2012, the Group’s LED lighting segment performed satisfactorily despite the tough economic conditions. The LED lighting business, which can sell to a wide client base ranging from corporations to households because it encompasses a wide section of the value chain, will serve as a new source of income and protects the Group from volatility of business of a single product.



## CHAIRMAN'S STATEMENT



In order to improve the returns to its shareholders, the Group was scaling down the business of manufacturing and selling aluminum electrolytic capacitors and chip type electronic components which had been making a loss. Accordingly, the Group disposed of the Hai Te Wei Group and the Tong Tai Group by the end of 2012. It will continue to scale down the business segment of aluminum electrolytic capacitor and focus on the LED lighting business segment, which has brighter prospects.

Looking ahead, the Group is optimistic about its future in 2013 despite the challenges ahead. It will continue with its efforts in developing new products and technology, with emphasis on quality control, cost competitiveness and technology improvement. The Group will also develop global sales distribution channels for its products under its own brand "LEDUS". In 2013, the Group plans to enter into the wholesale and retail markets and "LEDUS" products are expected to be sold in the large chain shops in Hong Kong. With the successfully bidding the tender in the city of Tarancon, the Group will keep on exploring opportunities to open up the European markets with energy efficiency projects. There are several cities in Spain where we are working with and the Group expects more tenders would be awarded. As environmental protection has become a global trend, the Group is positive about the outlook of the industry of LED lighting and its related products. It expects the LED lighting business to become its major source of income in the future. We will continue to seek every opportunity in the rapidly growing LED lighting industry to create value for the shareholders.

On behalf of the Board, I would like to take this opportunity to extend my sincere gratitude to our shareholders, customers and business partners for their unwavering support, as well as the management team and all staff of the Group for their dedication and contribution over the past year.

**Li Wing Sang**  
Chairman

Hong Kong, 25 March 2013

A glowing lightbulb is positioned in the upper right corner of the image. The background is a deep purple with intricate, glowing white and light purple patterns that resemble a complex network or a series of overlapping circles and lines. The overall aesthetic is modern and technological.

# **MANAGEMENT DISCUSSION & ANALYSIS**

# MANAGEMENT DISCUSSION AND ANALYSIS

## Financial review

The consolidated financial information in 2012 includes only the result of the continuing operations of the Group. To facilitate comparison with the result of continuing operations in 2012, the 2011 comparative figures are restated to exclude the result of the discontinued operations which will be separately discussed under the heading "Loss from discontinued operations".

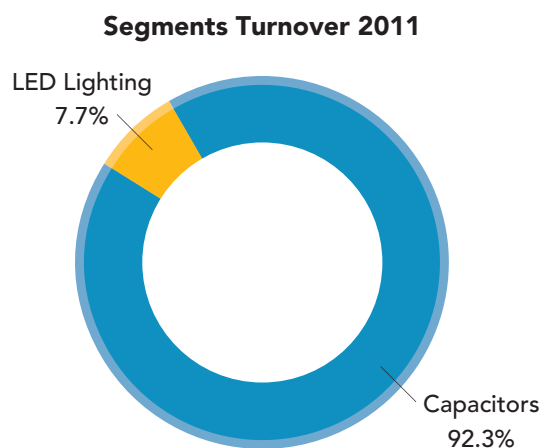
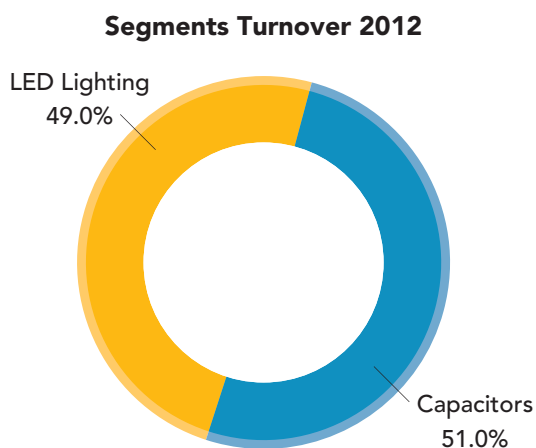
For the year ended 31 December 2012, the Group recorded a turnover from continuing operations of approximately RMB619.2 million (2011 (restated): approximately RMB282.6 million), representing an increase of approximately 1.2 times. The increase in turnover was mainly due to the contribution attributed by LED lighting business, which recorded a total turnover of approximately RMB303.6 million.

The Group's turnover from continuing operations by products is shown in the following table:

	2012 RMB'000	%	2011 RMB'000 (restated)	% (restated)
Aluminum electrolytic capacitors	315,541	51.0	260,774	92.3
LED lighting	303,629	49.0	21,857	7.7
<b>Total</b>	<b>619,170</b>	<b>100.0</b>	282,631	100.0

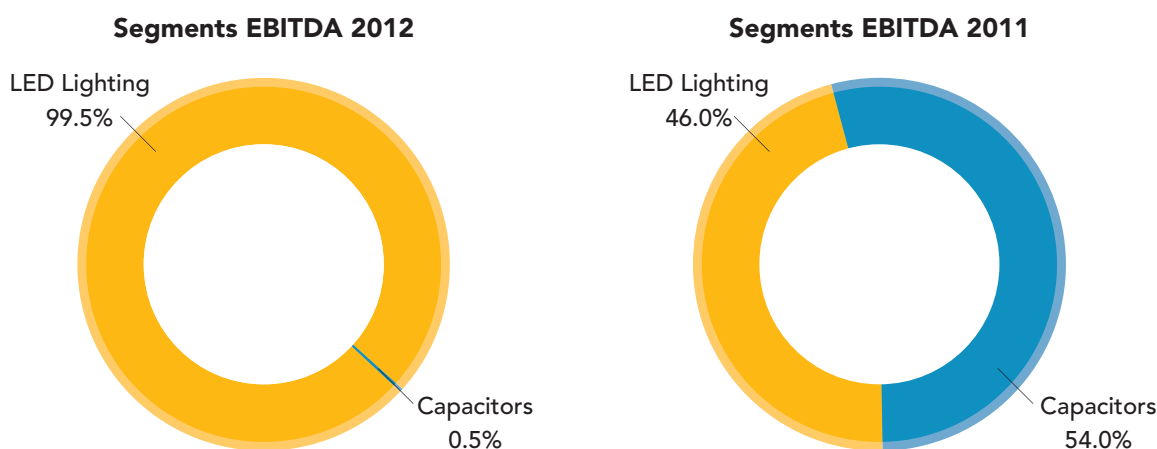
Sales of LED lighting products and accessories contributed approximately RMB303.6 million in 2012 (2011: approximately RMB21.9 million), representing an increase approximately by 12.9 times. This is primarily due to the full year contribution from the subsidiaries which were acquired in 2011.

Sales of aluminum electrolytic capacitors contributed approximately RMB315.5 million in 2012 (2011 (restated): approximately RMB260.8 million), representing an increase of approximately 21.0%. This is mainly attributed to the commencement of commercial production in the Group's Sichuan plant, which is specialised in the production of a raw material component, aluminum foil. External sales generated by this new production plant amounted to approximately RMB37.4 million in 2012.



## MANAGEMENT DISCUSSION AND ANALYSIS

Reportable segment adjusted EBITDA, representing “earnings/(loss) before interest, tax, depreciation and amortisation”, is used as one of the measures for reportable segment profit or loss since 2012, which does not take into account of non-operating factors such as the finance costs, non-cash expenses and non-recurring expenses. It therefore more fairly reflects the performance of each segment from its operating activities. The EBITDA of the LED lighting segment for the year ended 31 December 2012 was approximately RMB71.8 million (2011: approximately RMB38.3 million) where the EBITDA of the aluminum electrolytic capacitors segment was approximately RMB0.3 million (2011(restated): approximately RMB45.0 million).



The consolidated loss before taxation of the Group for the year ended 31 December 2012 was approximately RMB125.3 million (2011 (restated): approximately RMB48.7 million). The substantial consolidated loss was primarily attributable to the (i) a substantial loss recorded in aluminum electrolytic capacitors segment of approximately RMB63.0 million (2011 (restated): profit of approximately RMB15.5 million); (ii) write-down of obsolete and slow moving inventories of approximately RMB22.0 million relating to the aluminum electrolytic capacitors segment (2011: nil) and non-cash items of (i) amortisation of other intangibles assets of approximately RMB71.4 million (2011: approximately RMB42.2 million); (ii) a fair value gain on embedded derivative of convertible notes of approximately RMB11.9 million (2011: loss of approximately RMB33.6 million); (iii) a loss on extinguishment of convertible notes to bonds of approximately RMB39.0 million (2011: nil); (iv) a loss of early redemption of promissory notes of approximately RMB5.6 million (2011: approximately RMB2.6 million).



## MANAGEMENT DISCUSSION AND ANALYSIS



Distribution costs, administrative expenses and other operating expenses of the Group's continuing operations for the year ended 31 December 2012 were approximately RMB15.6 million (2011 (restated): approximately RMB9.0 million), RMB60.3 million (2011 (restated): approximately RMB43.6 million) and RMB0.1 million (2011 (restated): approximately RMB1.9 million) respectively.

### Gross profit margin

Even the gross profit margin of LED lighting business was approximately 29.6% (2011: approximately 29.4%), the Group's gross profit margin from continuing operations for the year ended 31 December 2012 was narrowed to approximately 17.4% (2011: (restated) approximately 23.5%). This was mainly attributed to the significant reduction in the gross profit margin of the overall aluminum electrolytic capacitors business to approximately 5.6% for the year ended 31 December 2012 (2011: (restated) approximately 23.0%).

### Finance costs

For the year ended 31 December 2012, finance costs of the Group's continuing operations were approximately RMB42.6 million (2011: (restated) approximately RMB27.7 million), which represents an increase of approximately 53.8%. This was mainly because full year interests of convertible notes was recorded in 2012.

### Loss from discontinued operations

During the year ended 31 December 2012, the chip type electronic components segment and aluminum electrolytic capacitors segment in the Southern China were disposed. The net loss from these discontinued operations was approximately RMB5.5 million for the year ended 31 December 2012 (2011: (restated) approximately RMB6.9 million), which has decreased by approximately 20.3%.

### Dividend

The Board did not recommend the payment of a final dividend for the year ended 31 December 2012.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Liquidity and Financial resources

As at 31 December 2012, the Group had current assets of approximately RMB647.6 million (2011 (restated): approximately RMB611.2 million) and current liabilities of approximately RMB609.0 million (2011 (restated): approximately RMB562.9 million). The current ratio of the Group as at 31 December 2012 was approximately 1.1 (2011 (restated): approximately 1.1) where fluctuation was insignificant.

As at 31 December 2012, the Group had cash and cash equivalents of approximately RMB65.1 million (2011: approximately RMB30.4 million), wholly representing cash at banks and in hand. Total bank loans were approximately RMB285.3 million (2011: approximately RMB224.0 million), all of which were short term borrowings. As at 31 December 2012, majority of the Group's bank loans were subject to fixed interest rates and were denominated in RMB. As at 31 December 2012, the loan from a former director, the promissory notes, and the bonds were approximately RMB96.2 million (2011: approximately RMB162.1 million), approximately RMB15.1 million (2011: approximately RMB60.8 million), and approximately RMB58.3 million (2011: nil), respectively. The repayment date of the loan from a former director has been extended to 31 January 2014. The remaining promissory note is repayable on 30 November 2013. The bond is redeemable only on the 24th month, 36th month, 48th month and finally with the maturity on the 5th anniversary after the bond issue date, namely 6 December 2017. As at 31 December 2012, there is no balance from the convertibles note (2011: approximately RMB129.9 million).

As at 31 December 2012, the gearing ratio (calculated by dividing total borrowings less cash and cash equivalent over total equity) of the Group was approximately 39.4 (2011 (restated): approximately 58.8). The decrease in gearing ratio as at 31 December 2012 was principally attributable to the decrease in borrowings of the Group by partial repayment of loan from a former director and promissory notes and extinguishment of convertible notes to bonds during the year 2012.

### Exchange risk exposure and Contingent liabilities

The Group's sales were principally denominated in RMB, Hong Kong Dollars and US Dollars, with the majority denominated in RMB. This may expose the Group to foreign currency exchange risks. The Group had not adopted formal hedging policies and no instruments had been applied for foreign currency hedging purposes during the year 2012. However, in view of the continuing upward appreciation of RMB against Hong Kong Dollar and US Dollars, the Group will adopt all applicable financial instruments to hedge against currency risks whenever necessary.

As at 31 December 2012, the Group had no significant contingent liabilities.



## MANAGEMENT DISCUSSION AND ANALYSIS



### Capital commitment

As at 31 December 2012, the capital commitments contracted but not provided for in respect of the purchase of property, plant and equipment and other non-current assets and injection of capital in a subsidiary were approximately RMB8.1 million (2011: approximately RMB31.9 million) and none (2011: approximately RMB8.3 million) respectively. There was no outstanding capital commitments authorised but not provided for in respect of property, plant and equipment as at 31 December 2012 (2011: approximately RMB8.3 million).

### Employee information

As at 31 December 2012, the Group had over 1,500 employees the majority of whom stationed in the PRC. Total employee remuneration for the year 2012 amounted to approximately RMB62.9 million (2011 (restated): approximately RMB64.7 million). The Group adopts a competitive remuneration package for its employees. Promotion and salary increments are assessed based on a performance related basis. Share options may also be granted to staff with reference to individual's performance.

### Charge on assets

As at 31 December 2012, restricted bank deposits of approximately RMB42.5 million (2011: approximately RMB67.7 million), property, plant and equipment with a carrying amount of approximately RMB31.2 million (2011: approximately RMB12.8 million) and lease prepayments with a carrying amount of nil (2011: approximately RMB2.6 million) were pledged to secure banking facilities granted to the Group.

### Material acquisitions and disposal of subsidiaries and associated companies

On 14 December 2012, Huawei Group Holdings Limited ("Huawei Holdings"), a wholly-owned subsidiary of the Company, as vendor entered into a disposal agreement with Grand Vista Management Limited as the purchaser and Mr. Liu Li Zhong as the guarantor. Pursuant to the disposal agreement, Huawei Holdings has conditionally agreed to sell, and the purchaser has conditionally agreed to acquire, the entire equity interests in Hai Te Wei Company Limited ("Hai Te Wei", together with its subsidiaries collectively "Hai Te Wei Group") and Tong Tai Company Limited ("Tong Tai", together with its subsidiaries collectively "Tong Tai Group") at the consideration of HK\$80,000,000. Both Hai Te Wei and Tong Tai are wholly-owned subsidiaries of Huawei Holdings. Huawei Holdings and the purchaser also mutually agreed to irrevocably and unconditionally waive (i) all the outstanding non-trade receivables respectively due by the Hai Te Wei Group and the Tong Tai Group to the remaining Group companies as at the date of completion; and (ii) the unpaid dividends respectively declared by Hai Te Wei and Tong Tai owing by the Hai Te Wei Group and the Tong Tai Group to the remaining Group companies as at the date of completion by way of the Deed of Waiver. The disposal was completed on 18 December 2012. Details of which were disclosed on the announcements of the Company dated 14 December 2012 and 18 December 2012 respectively.

Save as disclosed above, during the year ended 31 December 2012, there was no material acquisition and disposal of subsidiaries and associated company by the Group.

# REPORT OF THE DIRECTORS

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The Board of directors (the "Board") of Tech Pro Technology Development Limited (the "Company") is pleased to present to the shareholders the annual report together with the audited financial statements of the Company and its subsidiaries (hereinafter collectively the "Group") for the year ended 31 December 2012.

## Principal activities

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries are set out in note 20 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

## Results and dividends

The results of the Group for the year ended 31 December 2012 and the state of affairs of the Group and the Company as at 31 December 2012 are set out on pages 33 to 119.

The Board does not recommend the payment of any dividend for the year ended 31 December 2012 (2011: Nil).

## Group financial summary

A five year summary of the results and of the assets and liabilities of the Group as at 31 December is set out on page 120.

## Donation

Donations made by the Group during the year amounted to RMB300,000 (2011: RMB1,205,000).

## Property, plant and equipment

Details of the movements in property, plant and equipment of the Group during the year are set out in note 16 to the consolidated financial statements.

## Convertible notes

Details of the convertible notes of the Company and the Group during the year are set out in note 30 to the consolidated financial statements.

## Share capital and unlisted warrants

Details of movements in the Company's share capital and unlisted warrants are set out in notes 35 and 36 to the consolidated financial statements respectively .

## Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in note 37 to the consolidated financial statements and in the consolidated statement of changes in equity respectively.

## Distributable reserves of the Company

The Company's reserves available for distribution to shareholders as at 31 December 2012 are set out in note 37 to the consolidated financial statements.



# REPORT OF THE DIRECTORS

## Emolument policy

A remuneration committee has been set up for reviewing the Group's emolument policy and structure for all remuneration of the directors and senior management of the Group, having regard to the Group's operating results, individual performance and comparable market practices.

The Company has adopted a share option scheme as incentive to directors and eligible employees, details of the scheme are set out in the section headed "Share option scheme" below.

## Remuneration of directors and five highest paid individuals

Details of the emoluments of the directors and the top five highest paid individuals of the Group are set out in notes 11 and 12 to the consolidated financial statements respectively.

## Retirement schemes

The Group participates in several defined contribution retirement plan which cover approximately 98.8% of the Group's employees and operates a Mandatory Provident Fund scheme. Particulars of these retirement schemes are set out in note 33 to the consolidated financial statements.

## Director's interests in contracts

No contracts of significance in relation to the Group's business to which the Company, its holding company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted as the end of the year or at any time during the year.

## Directors and directors' service contracts

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

### Executive directors

Mr. Li Wing Sang (*Chairman*)  
Mr. Liu Xinsheng  
Mr. Chiu Chi Hong  
Mr. Yan Qixu (resigned on 1 September 2012)

### Independent non-executive directors

Mr. Tam Tak Wah  
Mr. Ng Wai Hung  
Mr. Lau Wan Cheung

In accordance with the Company's articles of association, Mr. Li Wing Sang and Mr. Tam Tak Wah shall retire and being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The Company has received annual confirmations of independence, pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), from Mr. Tam Tak Wah, Mr. Ng Wai Hung and Mr. Lau Wan Cheung and as at the date of this report still considers them to be independent.

Each of the above executive directors has entered into a service contract for a term of three years, which may be terminated by either party giving the other party not less than six months' prior notice in writing, whereas, each of the above independent non-executive directors has entered into a service contract for a term of two years, which may also be terminated by either party by giving the other party at least one month's prior notice in writing.

All directors are subject to retirement by rotation and re-election at annual general meeting of the Company in accordance with the articles of association of the Company.

Save as disclosed above, no director of the Company has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

# REPORT OF THE DIRECTORS

## Biographical details of directors and senior management

### Executive directors

**Mr. Li Wing Sang (李永生)**, aged 55, was appointed as executive director of the Company on 11 December 2009. He has extensive marketing and management experience in the fields of household appliance which are in senior management positions. He holds a bachelor degree from Kobe University of Commerce, Japan. Mr. Li was an executive director of Siberian Mining Group Company Limited (stock code: 1142), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and China Electric Power Technology Holdings Limited (currently known as Pizu Group Holdings Ltd) (stock code: 8053), a company listed on the Growth Enterprise Market (the "GEM Board") of the Stock Exchange, and was resigned in July 2010 and August 2011 respectively. Mr. Li is currently the directors of certain subsidiaries of the Company. Saved as disclosed above, Mr. Li did not hold any directorship in any listed public company in the last three years. Mr. Li is the shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO").

**Mr. Liu Xinsheng (劉新生)**, aged 44, is an executive director of the Company. He is responsible for the Board's general affairs. Mr. Liu graduated from Nanjing Audit College (南京審計學院) specialising in accounting in 1991. He is a registered international internal auditor, a registered tax agent of the PRC and an accounting professional. Mr. Liu has over 10 years' experience in the field of accounting and auditing. Prior to joining the Group in February 2006 as the board secretary of Changzhou Huawei Electronics Company Limited ("Huawei Electronics"), a wholly-owned subsidiary of the Company, he worked in the auditing department of Panda Electronics Group Company (熊貓電子集團公司) from July 1991 to December 1998, was the manager of the auditing department of Jiangsu Technology Import and Export Company (江蘇技術進出口公司) from January 1999 to February 2003, the general manager of auditing and legal department and cost control department of Nanjing Chixia Development Company Limited (南京棲霞建設股份有限公司) from February 2003 to February 2006. Mr. Liu is currently the director of certain subsidiaries of the Company. Saved as disclosed above, Mr. Liu did not hold any directorship in any listed public company in the last three years.

**Mr. Chiu Chi Hong (招自康)**, aged 48, holds a Bachelor of Business degree from Griffith University, Australia. He has over 15 years' experience in business development, corporate management, finance and accounting fields. Mr. Chiu was an executive director of Siberian Mining Group Company Limited (stock code: 1142), a company listed on the Main Board of the Stock Exchange and resigned in August 2010. Mr. Chiu is currently the director of certain subsidiaries of the Company. Saved as disclosed above, Mr. Chiu did not hold any directorship in any listed public company in the last three years. Mr. Chiu is a shareholder of the Company within the meaning of Part XV of the SFO.

### Independent non-executive directors

**Mr. Lau Wan Cheung (劉雲翔)**, aged 48, holds a Master Degree in Information Technology from the National University of Ireland, Ireland and a Bachelor Degree in Accounting from the University of Hull, England. Mr. Lau has over 20 years of experience in accounting, finance and business management. Mr. Lau was appointed as independent non-executive director of the Company on 8 June 2011. Save as disclosed above, Mr. Lau did not hold any directorship in any listed public company in the last three years.

**Mr. Ng Wai Hung (吳偉雄)**, aged 49, was appointed as an independent non-executive director on 8 April 2011. He is a practising solicitor and a partner in Lu, Lai & Li, a Hong Kong firm of solicitors. Mr. Ng practises in the areas of securities law, corporate law and commercial law in Hong Kong. Mr. Ng is also an independent non-executive director of another six companies listed on the Stock Exchange, namely Fortune Sun (China) Holdings Limited (stock code: 352), Gome Electrical Appliances Holding Limited (stock code: 493), Hycomm Wireless Limited (stock code: 499), Sustainable Forest Holdings Limited (stock code: 723), Trigiant Group Limited (stock code: 1300) and Perception Digital Holdings Limited (stock code: 1822). Mr. Ng was also an independent non-executive director of Yun Sky Chemical (International) Holdings Limited (currently known as King Stone Energy Group Limited) (stock code: 663), KTP Holdings Limited (stock code: 645) and Tomorrow International Holdings Limited (currently known as Talent Property Group Limited) (stock code: 760) and resigned in February 2010, February 2011 and January 2012, respectively. Save as disclosed above, Mr. Ng did not hold any directorships in any listed public company in the last three years.

## REPORT OF THE DIRECTORS

**Mr. Tam Tak Wah (譚德華)**, aged 47, was appointed as an independent non-executive director of the Company on 7 January 2011. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants of the United Kingdom. Mr. Tam has over 25 years of experience in accounting, corporate finance and corporate development. He is currently an executive director of New Smart Energy Group Limited (stock code: 91), an independent non-executive director of Siberian Mining Group Company Limited (Stock code: 1142) and China Packaging Group Company Limited (stock code: 572) respectively, all are companies listed on the Main Board of the Stock Exchange. Mr. Tam is also an independent non-executive director of Goldenway, Inc (stock code: GWYI) which is a company whose common stocks are traded in the OTCQB of the United States of America. Saved as disclosed above, Mr. Tam did not hold any directorship in any listed public company in the last three years.

### Senior management

**Mr. Ng Chi Ho Dennis (吳志豪)**, aged 54, was appointed as the company secretary and authorised representative of the Company on 31 December 2009. He holds a bachelor degree of commerce from the University of New South Wales, Australia and is a fellow and Certified Public Accountant (Practising) of the Hong Kong Institute of Certified Public Accountants. Mr. Ng is also a chartered accountant from the Institute of Chartered Accountant in Australia and an associate of the Hong Kong Institute of Chartered Secretaries. He has more than 20 years of extensive experience in accounting, auditing and corporate affairs. He is currently an independent non-executive director of Media Asia Group Holdings Limited (stock code: 8075), a company listed on the GEM Board of the Stock Exchange. Save as disclosed above, Mr. Ng did not hold any directorship in any listed public company in the last three years.

**Mr. Yan Qixu (顏奇旭) (alias 顏琦旭)**, aged 51, was an executive director of the Company and resigned on 1 September 2012. He is currently the director of certain subsidiaries of the Company. Mr. Yan is also a director of Tong Tai Company Limited, South Huawei (Shenzhen) Electronics Company Limited ("South Huawei") and Hai Te Wei Company Limited, all of which were previously subsidiaries of the Company and have been disposed by the Company on 18 December 2012. The related details of the transaction have been disclosed in the Company's announcement dated 14 December 2012 and 18 December 2012 respectively. He is responsible for the Group's overall strategic planning and overall general administration on aluminum electrolytic capacitors and chip-type electronic components businesses. He completed a training course for senior professional managers and an advanced course for outstanding leaders at Tsing Hua University in 2005. He obtained the senior economist qualification in November 2006 granted by Jiangsu Department of Personnel (江蘇省人事廳) recognising his knowledge and practical experience in economic management. Mr. Yan was awarded the honour of Outstanding Entrepreneur of Changzhou (常州市優秀企業家) by the People's Government of Changzhou (常州市人民政府) in February 2007. Mr. Yan joined the Group in 1993 as the chairman and general manager of Huawei Electronics. Mr. Yan has over 20 years' experience in the capacitor industry. He worked in Changzhou Electrolytic Capacitor Plant (常州市電解電容器廠) as a technician from 1980 to 1986, served as the person-in-charge of Wujin Zouqu Wireless Electronics Component Factory (武進縣鄒區無線電元件廠), responsible for overseeing the overall business operations and the overall strategic planning from 1987 to 2003, and as the chairman of Jiangsu Huawei Century Electronics Group Co., Ltd. (江蘇華威世紀電子集團有限公司) since 2003 up to now. Mr. Yan was also appointed as director of Changzhou Huawei Reflective Material Company Limited in 2003. Saved as disclosed above, Mr. Yan did not hold any directorship in any listed public company in the last three years. Mr. Yan is a director and controlling shareholder of Tong Heng Company which is a shareholder of the Company within the meaning of Part XV of the SFO. Mr. Yan is the spouse of Ms. Xiang Xiaoqin.

**Ms. Xiang Xiaoqin (相小琴)**, aged 48, was an executive director of the Company and resigned on 1 March 2011. She is currently the director of certain subsidiaries of the Company. She is responsible for the overall financial management on aluminum electrolytic capacitors and chip-type electronic components businesses. She completed a training course for senior professional managers at Tsing Hua University in 2005. She obtained the senior economist qualification in November 2006 granted by Jiangsu Department of Personnel (江蘇省人事廳) recognising her knowledge and practical experience in economic management. Ms. Xiang joined the Group in 1999 as the deputy general manager of Changzhou Huawei Capacitors Company Limited responsible for assisting the general manager and overseeing the purchase and financial matters. Ms. Xiang has over 10 years' experience in the capacitor industry. She worked in Jiangsu Huawei Century Electronics Group Co., Ltd. (江蘇華威世紀電子集團有限公司) during the period between 1987 and 2004 responsible for assisting the chairman. Ms. Xiang was also appointed as director of Changzhou Huawei Reflective Material Company Limited in 2003 responsible for assisting the general manager and overseeing the purchase and financial matters. Saved as disclosed above, Ms. Xiang did not hold any directorship in any listed public company in the last three years. She is the shareholder of Tong Heng Company Limited which is a shareholder of the Company within the meaning of Part XV of the SFO. She is the spouse of Mr. Yan Qixu.

## REPORT OF THE DIRECTORS

**Ms. Kuang Lihua (匡麗華)**, aged 50, was an executive director of the Company and resigned on 15 February 2011. She is responsible for the Group's overall financial management on aluminum electrolytic capacitors and chip-type electronic components businesses. Ms. Kuang graduated from Nanjing University (南京大學) specialising in public relationship in 1995. She is a registered tax agent of the PRC. Ms. Kuang has over 10 years' experience in the field of accounting and auditing. Prior to joining Huawei Electronics in May 2004, she worked in Changzhou Zhongrui Accounting Firm (常州中瑞會計師事務所) from March 1995 to December 2001 and Changzhou Kailai Accounting Firm (常州開來聯合會計師事務所) from January 2002 to April 2004. Ms. Kuang joined the Group in 2004 as the chief financial controller of Huawei Electronics and is currently the director of certain subsidiaries of the Company. Saved as disclosed above, Ms. Kuang did not hold any directorship in any listed public company in the last three years.

### Share option scheme

In order to attract and retain the eligible persons, to provide additional incentive to them and to promote the success of the business of the Group, the Company conditionally adopted a share option scheme (the "Scheme") on 26 July 2007 whereby the Board are authorized, at their absolute discretion and subject to the terms of the Scheme, to grant options to subscribe the shares of the Company (the "Shares") to, inter alia, any employees (full-time or part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group or any substantial shareholder of the Company. The Scheme became unconditional on 6 September 2007 and shall be valid and effective for a period of ten years commencing on 26 July 2007, subject to the early termination provisions contained in the Scheme.

An offer for the grant of options must be accepted within 7 days inclusive of the day on which such offer was made. The amount payable by each grantee of options to the Company on acceptance of the offer for the grant of option is HK\$1.00. The subscription price of a Share in respect of any particular option granted under the Scheme shall be a price at the discretion of the Board, provided that it shall be at the highest of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the options; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of grant of the options; and (iii) the nominal value of the Shares on the date of grant of the options.

The Company shall be entitled to issue options, provided that the total number of Shares which may be issued upon exercise of all outstanding options to be granted under the Scheme and any other share option scheme of the Company does not exceed 10% of the Shares in issue at the date when the Shares were first listed on the Stock Exchange. The Company may at any time refresh such limit, subject to in compliance with the Rules Governing the Listing of Securities on the Stock Exchange, provided that the total number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option scheme of the Company does not exceed 30% of the Shares in issue from time to time. The total number of Shares issued and to be issued upon exercise of options granted to any grantee (including both exercised and outstanding options) under the Scheme, in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue.

An option may be exercised at any time during a period which shall not exceed ten years from the date of grant subject to the provisions of early termination under the Scheme. There is no minimum period for which an option must be held before it can be exercised under the Scheme.

No share options were granted, exercised or cancelled by the Company under the Scheme during the year ended 31 December 2012 and there are no outstanding share options under the Scheme as at 31 December 2012. The total number of Shares available for issue under the Scheme as at the date of this report was 30,000,000 Shares which represented 2.79% of the issued share capital of the Company as at the date of this report. Nonetheless, the maximum number of Shares which may be issued under the Scheme will be refreshed to reflect 10% of the issued share capital of the Company as at the date of passing the relevant ordinary resolution in the forthcoming annual general meeting of the Company.

## REPORT OF THE DIRECTORS

### Directors' and chief executive's interests and short positions in shares, underlying shares and debentures of the Company or any of its associated corporations

As at 31 December 2012, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which required notification pursuant to Division 7 and 8 of XV of the SFO, or which are required, pursuant to section 352 of the Part XV of the SFO, to be entered in the register kept by the Company, or which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") were as follows:

#### (i) Interests in the Shares of HK\$0.01 each in the Company

Name	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
<b>Executive director:</b>			
Mr. Li Wing Sang (note 1)	Beneficial owner	135,600,000 (Long position)	12.61%
Mr. Chiu Chi Hong	Beneficial owner	43,970,000 (Long position)	4.09%

Note 1: On 21 January 2013, Mr. Li Wing Sang ("Mr. Li"), an executive director of the Company, has entered into the option deed ("Option Deed") with Tong Heng Limited ("Tong Heng"), a substantial shareholder of the Company. Pursuant to the Option Deed, Tong Heng has granted a call option over an aggregate of 56,500,000 shares to Mr. Li and Mr. Li has granted a put option over an aggregate of 56,500,000 shares to Tong Heng. Details of which, please refer to the announcement of the Company dated 21 January 2013.

#### (ii) Long position in the ordinary shares of associated corporation

As at 31 December 2012, none of the directors or any of their associates or chief executive of the Company, had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as notified to the Company and the Stock Exchange.

### Interests of substantial shareholders in shares and debentures of the Company

As at 31 December 2012, so far as is known by the directors of the Company, the following persons (other than the directors or chief executive of the Company), who had interests of 5% in the shares or underlying shares of the Company which would fall to be disclosed to the Company in accordance with the provision of Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein, were as follows:

Name	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Tong Heng Limited (note 1 & 2)	Beneficial owner	113,000,000	10.51%
Mr. Yan Qixu (note 2)	Interest of controlled corporation	113,000,000	10.51%
Ms. Xiang Xiaoqin (note 2)	Interest of controlled corporation	113,000,000	10.51%
Ms. Wong Ngai (note 3)	Deemed	135,600,000	12.61%

## REPORT OF THE DIRECTORS

Note 1: On 21 January 2013, Mr. Li Wing Sang ("Mr. Li"), an executive director of the Company, has entered into the option deed ("Option Deed") with Tong Heng Limited ("Tong Heng"), a substantial shareholder of the Company. Pursuant to the Option Deed, Tong Heng has granted a call option over an aggregate of 56,500,000 shares to Mr. Li and Mr. Li has granted a put option over an aggregate of 56,500,000 shares to Tong Heng respectively. Details of which, please refer to the announcement of the Company dated 21 January 2013.

Note 2: Mr. Yan Qixu ("Mr. Yan") and Ms. Xiang Xiaoqin ("Ms. Xiang") are the beneficial owner of 69.69% and 30.31% of the issued shares in Tong Heng respectively and therefore both Mr. Yan and Ms. Xiang are deemed, or taken to be, interested in the 113,000,000 Shares which are beneficially owned by Tong Heng for the purposes of the SFO. Both Mr. Yan and Ms. Xiang are the senior management of the Company. Mr. Yan and Ms. Xiang are husband and wife.

Note 3: Ms. Wong Ngai who is the spouse of Mr. Li Wing Sang, an executive director of the Company and therefore is deemed to be interested in the 135,600,000 Shares which are beneficially owned by Mr. Li for the purposes of the SFO.

### Directors' rights to acquire shares or debentures

Save as disclosed under the section headed "Directors' and chief executives' interests in shares, underlying shares and debentures of the Company and its associated corporations" above, at no time during the year was the Company, its holding company, subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors or the chief executive of the Company or their associates to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

### Competing interests

None of the directors and the substantial shareholders of the Company had any interests in any business, which competed with or might compete with the business of the Group.

### Major customers and suppliers

During the year, sales to the Group's five largest customers accounted for approximately 31.6% of the Group's total turnover. In particular, sales to the largest customer of the Group accounted for approximately 8.8% of the Group's total turnover for the year.

During the year, purchases from the Group's five largest suppliers accounted for approximately 56.6% of the Group's total purchases for the year. In particular, purchases from the Group's largest supplier accounted for approximately 17.5% of the Group's total purchases for the year.

To the best knowledge of the directors, none of the directors of the Company, their associates (as defined in the Listing Rules) or any shareholder (which to the knowledge of the directors of the Company own more than 5% of the Company's issued share capital) had any beneficial interests in the Group's five largest customers or suppliers.

### Related party transactions

The related party transactions for the year ended 31 December 2012 are set out in note 44 to the consolidated financial statements. Except for the purchase transactions from 江蘇國瑞科技股份有限公司, those related party transactions disclosed in note 44(a) to the consolidated financial statements are the continuing connected transactions defined under the Listing Rules. The Company has complied with the specific rule requirements under the Listing Rules for such continuing connected transactions. Save as the aforementioned, none of the related parties transactions would fall under the definition of "connected transaction" or "continuing connected transaction" in Chapter 14A of the Listing Rules.

### Connected transactions

On 18 September 2012, a wholly-owned subsidiary of the Company, Changzhou Huawei entered into the supply agreements with each of Enercon Capacitor Company Limited ("Enercon Capacitor") and Shenzhen Ji Tai Long Electronic Company Limited ("Shenzhen Ji Tai Long") respectively, pursuant to which Changzhou Huawei has agreed to sell aluminum electrolytic capacitors to Enercon Capacitor and Shenzhen Ji Tai Long respectively. Each of these supply agreements has a term commencing on 12 November 2012 to 31 December 2013.

The annual caps with Enercon Capacitor for the two years ended 31 December 2012 and 2013 are HK\$5,000,000 (equivalent to approximately RMB4,011,000) and HK\$28,000,000 (equivalent to approximately RMB22,462,000) respectively, while with Shenzhen Ji Tai Long for the two years ended 31 December 2012 and 2013 are HK\$500,000 (equivalent to approximately RMB401,000) and HK\$2,000,000 (equivalent to approximately RMB1,604,000) respectively.

## REPORT OF THE DIRECTORS

CCIF CPA Limited, the Company's auditor, were engaged to report on the Group's aforesaid continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and with reference to Practice Note 740 Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules issued by the Hong Kong Institute of Certified Public Accountants. CCIF CPA Limited has issued their unqualified letter containing their findings and conclusions in respect of the aforesaid continuing connected transactions disclosed by the Group in accordance with Rule 14A.38 of the Listing Rules. The auditor's letter confirmed that nothing has come to their attention that cause them to believe that the aforesaid continuing connected transactions (i) have not been approved by the board of directors of the Company; (ii) are not, in all material respects, in accordance with the pricing policies of the Group; (iii) have not been entered into, in all material respects, in accordance with the terms of the relevant agreements governing the transactions; and (iv) have exceeded the maximum aggregate annual value disclosed in the previous announcements made by the Company.

The independent non-executive directors have reviewed the continuing connected transactions set out above and in note 44 to the consolidated financial statements and have confirmed that the continuing connected transactions have been entered into (1) in the ordinary and usual course of business of the Company; (2) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Company than terms available to or from (as appropriate) independent third parties; and (3) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Company and the shareholders as a whole.

### Purchase, redemption or sale of listed securities of the Company

The Company had not purchased, redeemed or sold any of its shares during the year. Neither the Company, nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities during the year.

### Pre-emptive rights

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands, being the jurisdiction in which the Company is incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

### Sufficiency of public float

Based on information that is publicly available to the Company and within the knowledge of the directors of the Company as at the latest practicable date prior to the issue of this report, there is sufficient public float of more than 25% of the issued share capital of the Company as required under the Listing Rules.

### Corporate governance

Details of the corporate governance are set out in the section headed "Corporate Governance Report" in this report.

### Events after the reporting period

Details of the significant events after the reporting period of the Group are set out in note 45 to the consolidated financial statements.

### Closure of register of members

The register of members of the Company will be closed from 21 May 2013 to 23 May 2013 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to qualify for attending the annual general meeting of the Company to be held on 23 May 2013, unregistered holders of shares of the Company should ensure that all transfer of shares of the Company accompanied by the relevant share certificates and the appropriate transfer forms must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investors Services Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:00p.m. on 20 May 2013.

## REPORT OF THE DIRECTORS

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### Auditor

The consolidated financial statements of the Company for the year ended 31 December 2012 have been audited by CCIF CPA Limited ("CCIF"). CCIF will retire as auditor at the conclusion of the forthcoming annual general meeting and will not offer themselves for re-appointment. CCIF has acted as auditor of the Company in the preceding three years.

A resolution will be submitted to the forthcoming annual general meeting of the Company for the appointment of Crowe Horwath (HK) CPA Limited as auditor of the Company, which was established by the merger of businesses of CCIF and PCP CPA Limited, is a member firm in Hong Kong of Crowe Horwath International.

On behalf of the Board

**Mr. Li Wing Sang**  
*Chairman*

Hong Kong, 25 March 2013



# CORPORATE GOVERNANCE REPORT

The Board (the "Board") of director (the "Directors") of the Company is committed to achieving and maintaining high standards of corporate governance to ensure that all decisions are made in good faith, in the best interest of shareholders and in long-term shareholders value.

## Code on corporate governance practices

The Company has applied the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") and the revised version of it which takes effect from 1 April 2012 (the "Revised CG Code") contained in Appendix 14 to the Rules Governing the Listing Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules.") The Company has complied with the code provisions of the CG Code and the Revised CG Code for the three month ended 31 March 2012 and the remaining period of 2012 respectively, save for:

- (a) the roles of chairman and chief executive officer are not segregated and performed by the same individual, the exception is explained in this report under the section headed "Chairman and chief executive officer"; and
- (b) Mr. Lau Wan Cheung, an independent non-executive director of the Company, was not able to attend the annual general meeting held on 18 May 2012 as he had other engagement in the PRC.

The Board as a whole is responsible for performing the corporate governance duties. The Board periodically reviews and improves the corporate governance practices and standards of the Company with a view to continuously improve the Company's corporate governance practices by assessing their effectiveness with evolving standards to meet changing circumstances and needs.

## Board of directors

The Board is responsible for the leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance. The management was delegated the authority and responsibility by the Board for the management and administration of the Group. In addition, the Board has also delegated various responsibilities to the Board Committees. Further details of these committees are set out below in this report. All Board members have separate and independent access to the Company's management to fulfil their duties, and upon reasonable request, to seek independent professional advice in appropriate circumstances, at the Company's expenses. All Directors also have access to the company secretary who is responsible for ensuring that the Board procedures, and all applicable rules and regulations, are followed. An agenda and the accompanying relevant documents are distributed to the Directors or members of the Board Committees with reasonable notice in advance of the meetings. Minutes of Board meetings and meetings of Board Committees, which recorded in sufficient details the matters considered by the Board or the Board Committees and decisions reached, including any concerns raised by the Directors or dissenting views expressed, are kept by the company secretary and open for inspection by the Directors.

Key information regarding the Directors' academic and professional qualifications and other appointments are set out in the Report of the Directors on pages 16 to 17 of this report.

The Company has received from each of the independent non-executive directors ("INEDs") an annual confirmation of their independence and considers that all the INEDs are independent under the guidelines set out in Rule 3.13 of the Listing Rules.

The members of the Board during the year were:

### Executive directors:

Mr. Li Wing Sang  
Mr. Liu Xinsheng  
Mr. Chiu Chi Hong  
Mr. Yan Qixu (resigned on 1 September 2012)

### Independent non-executive directors:

Mr. Tam Tak Wah  
Mr. Ng Wai Hung  
Mr. Lau Wan Cheung

Brief biographical details of the Directors are set out in the "Biographical Details of Directors and Senior Management" section in the Report of the Directors on pages 16 to 18 of this report.

# CORPORATE GOVERNANCE REPORT

## Board meetings and attendance

The Board meets regularly to discuss the overall strategy as well as the operation and financial performance of the Group, in addition to the meetings for reviewing and approving the Group's annual and interim results. During the year 2012, 37 Board meetings were held and attendance of each Director at the Board is set out as follows:

Directors	Attendance/ Meeting held
<b>Executive directors</b>	
Mr. Li Wing Sang	37/37
Mr. Liu Xincheng	37/37
Mr. Chiu Chi Hong	37/37
Mr. Yan Qixu (resigned on 1 September 2012)	20/20
<b>Independent non-executive directors</b>	
Mr. Tam Tak Wah	19/37
Mr. Ng Wai Hung	19/37
Mr. Lau Wan Cheung	19/37

## Chairman and chief executive officer

Under code provision A.2.1 of the CG Code and the Revised CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Company does not have any officer with the title of "chief executive officer". This deviates from the code provision A.2.1.

Mr. Li Wing Sang, who acts as the chairman during the year ended 31 December 2012, is also responsible for overseeing the general operations of the Group. The Board will meet or discuss regularly to consider major matters affecting the operations of the Company, the Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company. The roles of the respective executive Directors and senior management who are in charge of different functions complement the roles of the chairman and chief executive officer. The Board believes that this structure is conducive to strong and consistent leadership which enables the Group to operate efficiently.

The Company understands the importance to comply with the code provision A.2.1 and will continue to consider the feasibility to comply. If compliance is determined, appropriate person will be nominated to assume the different roles of chairman and chief executive officer.

## Appointment, re-election and removal of directors

Each of the executive Directors of the Company has entered into a service contract with the Company for a term of three years, which may be terminated by either party by giving not less than six months' prior written notice, whereas, each of the non-executive Directors has also entered into a service contract with the Company for a term of two years, which may be terminated by either party by giving the other party at least one month's notice in writing.

In accordance with Article 87 of the Articles of Association ("the Articles") of the Company, at each annual general meeting one-third of the directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. Any Directors appointed pursuant to Article 86(3) of the Articles shall not be taken into account in determining which Director or the number of Directors who are to retire by rotation in accordance with Article 87 of the Articles.

Mr. Li Wing Sang and Mr. Tam Tak Wah will retire from office as directors by rotation at the forthcoming annual general meeting, and being eligible, offer themselves for re-election.

## CORPORATE GOVERNANCE REPORT

### Model code set out in Appendix 10 to the Listing Rules

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 of the Listing Rules as its own code of conduct regarding director’s securities transaction. The Company has also adopted the Model Code for the relevant employees.

Having made specific enquiry of all Directors by the Company, all Directors confirmed that they had complied with the Model Code during the year ended 31 December 2012. Moreover, no incident of non-compliance of the Model Code by the relevant employees was noted by the Company.

### Responsibilities of directors

All newly appointed Directors received comprehensive, formal training on the first occasion of their appointments and were ensured to have a proper understanding of the businesses and development of the Group and that they were fully aware of their responsibilities under statute and common law, the Listing Rules, applicable legal requirements and other regulatory requirements and the business and governance policies of the Company.

To facilitate the Directors to discharge their responsibilities, they are encouraged to participate in relevant training courses and seminars held by the regulatory bodies or professional institutions in respective of regulatory development, business and market changes and the strategic development of the Group. Information obtained will be shared and discussed among the Directors.

### Supply of and access to information

In respect of regular Board meeting, and so far as practicable in all other cases, an agenda and accompanying relevant documents are sent in full to all Directors in a timely manner and at least 3 days before the intended date of a Board meeting.

All Directors are entitled to have access to the Board minutes and related materials.

### Company Secretary

Mr. Ng Chi Ho Dennis (“Mr. Ng”) was appointed as the company secretary of the Company on 31 December 2009. The biographical details of Mr. Ng are set out under the section headed “Biographical details of directors and senior management”. According to the newly introduced Rule 3.29 of the Listing Rules, Mr. Ng has taken no less than 15 hours of relevant professional training during the year ended 31 December 2012.

# CORPORATE GOVERNANCE REPORT

## Continuous professional development

According to the code provision A.6.5 of the Revised CG Code, the Company recommends Directors to attend relevant seminars or courses to develop and refresh their knowledge and skills. The company secretary reports from time to time the latest changes and development of the Listing Rules and other corporate governance requirements with written materials. During 2012, the continuous professional development taken by respective Directors are as follows:

Name	Type of Trainings
<b>Executive directors</b>	
Mr. Li Wing Sang	A, B
Mr. Liu Xincheng	A
Mr. Chiu Chi Hong	A, B
Mr. Yan Qixu (resigned on 1 September 2012)	A
<b>Independent non-executive directors</b>	
Mr. Tam Tak Wah	A, B
Mr. Ng Wai Hung	A, B
Mr. Lau Wan Cheung	A, B
A.	reading materials in relation to regulatory update
B.	attending seminars/courses/conferences to develop professional skill and knowledge

## Audit Committee

The Company established an Audit Committee on 26 July 2007 with written terms of reference in compliance with the code provisions of the Revised CG Code as set out in Appendix 14 to the Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control procedures of the Group. The Audit Committee comprises three INEDs, namely Mr. Tam Tak Wah, Mr. Ng Wai Hung and Mr. Lau Wan Cheung. Pursuant to the Rule 3.21 of the Listing Rules, the Audit Committee currently comprises three members who are INEDs only and Mr. Tam Tak Wah, the chairman of the Audit Committee, who possesses a professional accounting qualifications and relevant accounting experience.

The written terms of reference of the Audit Committee adopted by the Board are in line with the code provisions of the Revised CG Code and are available upon request and on the Company's website.

During the year 2012, the Audit Committee had met three times with the Company's Board and senior management, two of which with the Company's external auditor. The Audit Committee has also reviewed the Group's internal controls. The Group's interim report for the six months ended 30 June 2012 and annual report for the year ended 31 December 2012 have been reviewed by the Audit Committee before submission to the Board for approval. There is no disagreement between the Directors and the Audit Committee regarding the selection and appointment of the external auditor.

Individual attendance of each Audit Committee member during the year 2012 is as follows:

Members	Attendance/ Meeting held
Mr. Tam Tak Wah	3/3
Mr. Ng Wai Hung	3/3
Mr. Lau Wan Cheung	3/3

The Company has not changed the external auditor in any of the preceding three years.

# CORPORATE GOVERNANCE REPORT

## Auditor's remuneration

During the year ended 31 December 2012, the fee incurred for audit and non-audit services provided by the auditor to the Group is set out as follows:

Type of services	Fee paid/ Payable RMB'000
Audit services	1,288
Non-audit services	264

## Nomination Committee

The Company established a Nomination Committee pursuant to a resolution of the Directors passed on 26 July 2007 in compliance with code provision of the Revised CG Code as set forth in Appendix 14 to the Listing Rules. The primary duties of the Nomination Committee are to make recommendations to the Board on the appointment of Directors and management of Board succession and ensure that the candidates to be nominated as Directors are experienced, high calibre individuals. The Nomination Committee consists of Mr. Li Wing Sang, an executive Director and two INEDs, namely Mr. Ng Wai Hung and Mr. Lau Wan Cheung. Mr Li Wing Sang is the chairman of the Nomination Committee.

The Nomination Committee shall meet at least once every year for reviewing the structure, size and composition of the Board, assessing the independence of INEDs of the Company and other related matters.

The written terms of reference of the Nomination Committee adopted by the Board are in line with the provisions of the Revised CG Code and are available upon request and on the Group's website.

The Nomination Committee held one meeting during the year ended 31 December 2012. Details of the attendance of the Nomination Committee meetings are as follows:

Members	Attendance/ Meeting held
Mr. Li Wing Sang	1/1
Mr. Ng Wai Hung	1/1
Mr. Lau Wan Cheung	1/1

At the meeting, the Nomination Committee reviewed the structure, size and composition of the Board, assessing the independence of INEDs and other related matters of the Company.

## Remuneration Committee

The Company established a Remuneration Committee pursuant to a resolution of the Directors passed on 26 July 2007 in compliance with the code provisions of the Revised CG Code as set forth in Appendix 14 to the Listing Rules. The primary duties of the Remuneration Committee are to review and determine the terms of remuneration packages, bonuses and other compensation payable to the Directors and other senior management. The members of the Remuneration Committee are Mr. Tam Tak Wah, Mr. Ng Wai Hung and Mr. Lau Wan Cheung who are the INEDs of the Company. Mr. Tam Tak Wah is the chairman of the Remuneration Committee.

The Remuneration Committee shall meet at least once every year to discuss remuneration-related matters. No executive Director is allowed to be involved in deciding his or her own remuneration.

## CORPORATE GOVERNANCE REPORT

The written terms of reference of the Remuneration Committee adopted by the Board are in line with the code provisions of the Revised CG Code and are available upon request and on the Company's website.

Individual attendance of each Remuneration Committee member during the year 2012 is as follows:

<b>Members</b>	<b>Attendance</b>
Mr. Tam Tak Wah	2/2
Mr. Ng Wai Hung	2/2
Mr. Lau Wan Cheung	2/2
Mr. Yan Qixu (resigned on 1 September 2012)	2/2

At the meeting, the Remuneration Committee reviewed the remuneration policies of the directors and the senior executives and reviewed the remuneration packages and performance of the directors for the year 2012.

### Directors' and auditor's responsibility for the financial statements

All Directors acknowledge their responsibility for preparing the financial statements for the year ended 31 December 2012. The auditor of the Company acknowledges their reporting responsibilities in the auditor's report on the financial statements for the year ended 31 December 2012. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern therefore the Directors continue to adopt the going concern approach in preparing the financial statements.

### Internal control

The Board has overall responsibility to maintain a sound and effective internal control of the Company to safeguard the shareholders' investments and the Company's assets. The Company will continue to review its internal control function on a regular basis.

The Board had conducted regular reviews on the effectiveness of the system of the internal controls of the Group, covering all material aspects including financial, operational, compliance controls and risks management functions during the year. Results and findings arising from the reviews were discussed in the Audit Committee meetings.

### Shareholders' rights

#### Convening an extraordinary general meeting

Pursuant to Article 58 of the Articles of the Company, extraordinary general meetings of the Company (the "EGM(s)") shall be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Directors or the company secretary at the head office of the Company for the purpose of requiring an EGM to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within twenty one days of such deposit the Directors fail to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s), as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

## CORPORATE GOVERNANCE REPORT

### Putting enquiries to the Board

To ensure effective communication between the Board and the shareholders, the Company has adopted a Shareholders' Communication Policy (the "Policy") on 30 March 2012. Under the Policy, the Company's information is communicated to the shareholders mainly through general meetings, including annual general meetings and extraordinary general meeting, the Company's financial reports (interim reports and annual reports), and other corporate publications on the Company's website and Stock Exchange website. Shareholders may at any time make a request for the Company's information to the extent such information is publicly available.

The shareholders may direct their questions about their shareholdings to the Company's share registrar, the contact details of which are set out as follows:

Tricor Investors Services Limited

Address: 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong

Telephone: (852) 2980-1333

Facsimile: (852) 2861-1465

The shareholders, the potential investors and the media may at any time make a request for the Company's information to the extent such information is publicly available and make enquiries to the head office of the Company through the following means:

Facsimile: (852) 3908-1223

Address: Unit 1402, 14/F, Low Block, Grand Millennium Plaza, 181 Queen's Road Central, Hong Kong

Attention: Company Secretary

### Right to propose a person for election as a director at general meetings

Pursuant to the Article 88 of the Articles of the Company, a shareholder may propose a person other than a retiring director or recommended by the directors for election as a director by validly lodging the following documents within the period hereinafter mentioned at the head office of the Company:

1. a notice in writing of the intention to propose that person for election as a director, which must state the full name of the person, include the person's biographical details as required by Rule 13.51(2) of the Listing Rules and be signed by a shareholder; and
2. a notice in writing signed by that person of his willingness to be elected as a director together with his written consent to the publication of his/her personal data. Such documents shall be lodged with the head office of the Company within the period of seven (7) days after the despatch of the notice of the general meeting.

Upon receipt of such documents, the Company shall verify the documents and, if the proposal is found to be in order, publish an announcement and/or issue a supplemental circular in respect of the proposal in accordance with rule 13.70 of the Listing Rules.

### Investor relations

To enhance its transparency, the Company encourages dialogue with institutional investors and analysts. Extensive information about the Company's activities is provided in its interim and annual reports, which are sent to shareholders, analysts and interested parties respectively. The Company also maintains regular communication with the media. The Company's news releases, announcements and publications are circulated timely, to all major news media. The same materials are also available on the websites of the Company and the Stock Exchange. Media briefings are organised from time to time to relay details of the Group's latest business initiatives and market development plans. Regular meetings are also held with institutional investors and analysts to disseminate financial and other information related to the Group and its business. These activities keep the public aware of the Group's activities and foster effective communication. The Group's investor relation firm in Hong Kong is iPR Ogilvy Ltd.

### Communication with shareholders

The Company endeavours to maintain an on-going dialogue with shareholders and in particular, use annual general meetings or other general meetings to communicate with shareholders and encourage their participation.

The Chairman of the Board, as well as the chairman of Audit Committee, Nomination Committee and Remuneration Committee, or in their absence, other members of the respective committees, will make themselves available at the annual general meeting to meet with shareholders. The Company will ensure that there are separate resolutions for separate issues at general meetings.

The 2012 annual general meeting of the Company will be held on 23 May 2013.

The Company will continue to maintain an open and effective investor communication policy and to update investors on relevant information on its business in a timely manner, subject to relevant regulatory requirements.



# INDEPENDENT AUDITOR'S REPORT



**CCIF**

**CCIF CPA LIMITED**

9/F Leighton Centre  
77 Leighton Road  
Causeway Bay Hong Kong

## **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF TECH PRO TECHNOLOGY DEVELOPMENT LIMITED**

*(Incorporated in the Cayman Islands with limited liability)*

We have audited the consolidated financial statements of Tech Pro Technology Development Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 33 to 119, which comprise the consolidated and company statements of financial position as at 31 December 2012, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## **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 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. This report is made solely to you, as a body, 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 about 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 judgement, 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 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, 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.

# INDEPENDENT AUDITOR'S REPORT

## OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2012, and of the Group's loss 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.

**CCIF CPA Limited**

*Certified Public Accountants*

Hong Kong, 25 March 2013

**Leung Chun Wa**

Practising Certificate Number P04963

# CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000 (Restated)
<b>Continuing operations</b>			
<b>Turnover</b>	6	<b>619,170</b>	282,631
Cost of sales		<b>(511,619)</b>	(216,108)
<b>Gross profit</b>			
Other revenue	7	<b>10,031</b>	39,382
Other income	7	<b>1,201</b>	6,592
Distribution costs		<b>(15,575)</b>	(9,018)
Administrative expenses		<b>(60,342)</b>	(43,556)
Amortisation of other intangible assets	19	<b>(71,380)</b>	(42,196)
Fair value gain/(loss) on embedded derivatives of convertible notes	30	<b>11,932</b>	(33,577)
Fair value gain on embedded derivatives of bonds	31	<b>2,691</b>	–
Loss on extinguishment of convertible notes	30	<b>(39,014)</b>	–
Loss on early redemption of promissory notes	29	<b>(5,600)</b>	(2,625)
Allowance for impairment on trade receivables, net	6(b)(i)	<b>(2,199)</b>	(530)
Write-down of inventories	21	<b>(21,971)</b>	–
Other operating expenses		<b>(70)</b>	(1,935)
Finance costs	8(a)	<b>(42,603)</b>	(27,739)
<b>Loss before taxation</b>	8	<b>(125,348)</b>	(48,679)
Income tax credit	9	<b>3,231</b>	3,154
<b>Loss for the year from continuing operations</b>		<b>(122,117)</b>	(45,525)
<b>Discontinued operations</b>			
Loss for the year from discontinued operations	10	<b>(5,524)</b>	(6,881)
<b>Loss for the year</b>		<b>(127,641)</b>	(52,406)
<b>Loss attributable to:</b>			
Owners of the Company		<b>(119,675)</b>	(48,779)
Non-controlling interests		<b>(7,966)</b>	(3,627)
		<b>(127,641)</b>	(52,406)
<b>Loss attributable to owners of the Company arises from:</b>			
Continuing operations		<b>(114,151)</b>	(41,898)
Discontinued operations		<b>(5,524)</b>	(6,881)
		<b>(119,675)</b>	(48,779)
<b>Loss per share (RMB cents)</b>			
<b>From continuing operations and discontinued operations</b>	15		
– Basic and diluted		<b>(11.33 cents)</b>	(5.59 cents)
<b>From continuing operations</b>			
– Basic and diluted		<b>(10.81 cents)</b>	(4.80 cents)
<b>From discontinued operations</b>			
– Basic and diluted		<b>(0.52 cents)</b>	(0.79 cents)

The notes on pages 41 to 119 form an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	Note	2012 RMB'000	2011 RMB'000 (Restated)
<b>Loss for the year</b>		<b>(127,641)</b>	(52,406)
<b>Other comprehensive income for the year</b>			
Exchange differences:			
– on translation of financial statements		<b>(1,624)</b>	226
– reclassification adjustment relating to disposal of subsidiaries	39(b)	<b>(61)</b>	–
<b>Total comprehensive loss for the year (net of tax)</b>		<b>(129,326)</b>	(52,180)
<b>Attributable to:</b>			
Owners of the Company		<b>(121,335)</b>	(48,553)
Non-controlling interests		<b>(7,991)</b>	(3,627)
		<b>(129,326)</b>	(52,180)
<b>Total comprehensive loss attributable to owners of the Company arises from:</b>			
Continuing operations		<b>(115,811)</b>	(41,672)
Discontinued operations		<b>(5,524)</b>	(6,881)
		<b>(121,335)</b>	(48,553)

The notes on pages 41 to 119 form an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000 (Restated)
<b>Non-current assets</b>			
Property, plant and equipment	16	236,690	295,148
Lease prepayments	17	3,676	18,517
Goodwill	18	372,627	372,627
Other intangible assets	19	658,624	730,004
		<b>1,271,617</b>	1,416,296
<b>Current assets</b>			
Inventories	21	132,665	245,934
Lease prepayments	17	83	401
Trade and bills receivables	22	337,891	168,589
Other receivables and prepayments	23	69,323	96,748
Income tax recoverable	32(a)	–	283
Short-term investment	24	–	1,045
Restricted bank deposits	25	42,504	67,702
Cash at banks and in hand	25	65,116	30,449
		<b>647,582</b>	611,151
<b>Current liabilities</b>			
Trade and bills payables	26	182,672	222,356
Other payables and accruals	27	63,875	73,927
Amounts due to related companies	44(b)	42,888	23,360
Amount due to a former director	44(c)	1,178	–
Amounts due to directors	44(d)	585	3,918
Amount due to a shareholder	44(e)	144	144
Bank loans	28	285,303	223,963
Promissory notes payable	29	15,145	534
Convertible notes – liability portion	30	–	7,425
Bonds payable	31	712	–
Income tax payable	32(a)	16,451	7,300
		<b>608,953</b>	562,927
<b>Net current assets</b>		<b>38,629</b>	48,224
<b>Total assets less current liabilities</b>		<b>1,310,246</b>	1,464,520
<b>Non-current liabilities</b>			
Loan from a former director	44(f)	96,264	162,060
Promissory notes payable	29	–	60,250
Convertible notes – liability portion	30	–	60,576
Convertible notes – embedded derivatives	30	–	61,893
Bonds payable	31	57,631	–
Deferred tax liabilities	32(b)	166,878	189,923
		<b>320,773</b>	534,702
<b>NET ASSETS</b>		<b>989,473</b>	929,818

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000 (Restated)
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	35	9,835	9,439
Reserves		733,533	666,283
		<b>743,368</b>	675,722
<b>Non-controlling interests</b>		<b>246,105</b>	254,096
<b>TOTAL EQUITY</b>		<b>989,473</b>	929,818

Approved and authorised for issue by the board of directors on 25 March 2013.

**Li Wing Sang**  
Director

**Chiu Chi Hong**  
Director

The notes on pages 41 to 119 form an integral part of these financial statements.

# STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
<b>Non-current assets</b>			
Investments in subsidiaries	20	<b>891,875</b>	1,023,194
<b>Current assets</b>			
Other receivables and prepayments	23	<b>38</b>	60
Amounts due from subsidiaries	44(g)	<b>47,235</b>	16,524
Cash at banks and in hand	25	<b>27,904</b>	6,198
		<b>75,177</b>	22,782
<b>Current liabilities</b>			
Other payables and accruals	27	<b>805</b>	2,323
Amounts due to directors	44(d)	<b>312</b>	1,738
Amounts due to subsidiaries	44(h)	<b>14,327</b>	12,935
Promissory notes payable	29	<b>15,145</b>	534
Convertible notes – liability portion	30	<b>–</b>	7,425
Bonds payable	31	<b>712</b>	–
		<b>31,301</b>	24,955
<b>Net current assets/(liabilities)</b>		<b>43,876</b>	(2,173)
<b>Total assets less current liabilities</b>		<b>935,751</b>	1,021,021
<b>Non-current liabilities</b>			
Loan from a former director	44(f)	<b>96,264</b>	162,060
Promissory notes payable	29	<b>–</b>	60,250
Convertible notes – liability portion	30	<b>–</b>	60,576
Convertible notes – embedded derivatives	30	<b>–</b>	61,893
Bonds payable		<b>57,631</b>	–
		<b>153,895</b>	344,779
<b>NET ASSETS</b>		<b>781,856</b>	676,242
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	35	<b>9,835</b>	9,439
Reserves	37	<b>772,021</b>	666,803
<b>TOTAL EQUITY</b>		<b>781,856</b>	676,242

Approved and authorised for issue by the board of directors on 25 March 2013.

**Li Wing Sang**  
Director

**Chiu Chi Hong**  
Director

The notes on pages 41 to 119 form an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012

## Attributable to owners of the Company

	Share capital RMB'000	Share premium RMB'000 (note 37(a))	Capital reserve RMB'000 (note 37(b))	Warrant reserve RMB'000 (note 37(c))	Other reserve RMB'000 (note 37(d))	Special reserve RMB'000 (note 37(e))	Statutory reserve RMB'000 (note 37(f))	Exchange reserve RMB'000 (note 37(g))	Accumulated losses RMB'000	Total reserves RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2011	7,140	166,910	6,894	-	-	42,783	17,330	(1,947)	(3,437)	228,533	7,902	243,575
Issue of unlisted warrants	-	-	-	1,620	-	-	-	-	-	1,620	-	1,620
Issue of new shares:												
- upon acquisition of subsidiaries (note 35(a))	2,077	445,203	-	-	-	-	-	-	-	445,203	-	447,280
- upon exercise of unlisted warrants (note 35(b))	222	41,290	-	(1,094)	-	-	-	-	-	40,196	-	40,418
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	257,105	257,105
Acquisition of additional interests in subsidiaries	-	-	-	-	(716)	-	-	-	-	(716)	(7,284)	(8,000)
Loss for the year	-	-	-	-	-	-	-	-	(48,779)	(48,779)	(3,627)	(52,406)
Exchange difference on translation of financial statements	-	-	-	-	-	-	-	226	-	226	-	226
Total comprehensive loss for the year	-	-	-	-	-	-	-	226	(48,779)	(48,553)	(3,627)	(52,180)
At 31 December 2011 and at 1 January 2012	9,439	653,403	6,894	526	(716)	42,783	17,330	(1,721)	(52,216)	666,283	254,096	929,818
Issue of unlisted warrants	-	-	-	88,050	-	-	-	-	-	88,050	-	88,050
Issue of new shares:												
- upon exercise of unlisted warrants (note 35(b))	333	83,552	-	(1,651)	-	-	-	-	-	81,901	-	82,234
- upon conversion of convertible notes (note 35(c))	63	18,634	-	-	-	-	-	-	-	18,634	-	18,697
Reclassification adjustment upon disposal of subsidiaries	-	-	-	-	-	4,754	(1,687)	-	(3,067)	-	-	-
Loss for the year	-	-	-	-	-	-	-	-	(119,675)	(119,675)	(7,966)	(127,641)
Exchange differences:												
- on translation of financial statements	-	-	-	-	-	-	-	(1,599)	-	(1,599)	(25)	(1,624)
- reclassification adjustment upon disposal of subsidiaries	-	-	-	-	-	-	-	(61)	-	(61)	-	(61)
Total comprehensive loss for the year	-	-	-	-	-	-	-	(1,660)	(119,675)	(121,335)	(7,991)	(129,326)
At 31 December 2012	9,835	755,589	6,894	86,925	(716)	47,537	15,643	(3,381)	(174,958)	733,533	246,105	989,473

The notes on pages 41 to 119 form an integral part of these financial statements.



# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2012

	Note	2012 RMB'000	2011 RMB'000 (Restated)
<b>Operating activities</b>			
Loss before taxation			
– Continuing operations		<b>(125,348)</b>	(48,679)
– Discontinued operations		<b>(9,269)</b>	(6,961)
		<b>(134,617)</b>	(55,640)
Adjustments for:			
Amortisation of lease prepayments		<b>401</b>	401
Amortisation of other intangible assets		<b>71,380</b>	42,196
Finance costs		<b>42,603</b>	33,362
Fair value (gain)/loss on embedded derivatives of convertible notes		<b>(11,932)</b>	33,577
Fair value gain on embedded derivatives of bonds		<b>(2,691)</b>	–
Loss on early redemption of promissory notes		<b>5,600</b>	2,625
Depreciation of property, plant and equipment		<b>34,918</b>	28,844
Allowance for impairment on trade receivables, net	6(b)(i)& 10(a), (b)	<b>980</b>	1,601
Reversal of allowance for impairment on other receivables		–	(1,000)
Unrealised loss on short-term investment		–	5
Loss on disposal of property, plant and equipment		<b>70</b>	317
Interest income		<b>(2,788)</b>	(1,298)
Write-down of inventories		<b>21,971</b>	–
Gain on disposal of short-term investment		<b>(21)</b>	–
Loss on extinguishment of convertible notes		<b>39,014</b>	–
Exchange gain on financing activities		–	(8,617)
Cost directly attributable to acquisition of subsidiaries		–	1,200
Changes in working capital:			
Decrease/(increase) in inventories		<b>6,344</b>	(47,294)
Increase in trade and bills receivables		<b>(194,247)</b>	(30,982)
Decrease in other receivables and prepayments		<b>37,521</b>	33,741
Increase in amount due from a related company		<b>(11,624)</b>	(11,731)
(Decrease)/increase in trade and bills payables		<b>(29,249)</b>	16,654
Increase in other payables and accruals		<b>3,909</b>	36,522
<b>Cash (used in)/generated from operations</b>		<b>(122,458)</b>	74,483
Income tax paid		<b>(5,501)</b>	(835)
Income tax refunded		<b>283</b>	951
<b>Net cash (used in)/generated from operating activities</b>		<b>(127,676)</b>	74,599

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2012

	Note	2012 RMB'000	2011 RMB'000 (Restated)
<b>Investing activities</b>			
Interest received		2,788	1,298
Net cash outflow from acquisition of subsidiaries		–	(263,485)
Payment for acquisition of property, plant and equipment		(22,942)	(92,758)
Net cash inflow from disposal of subsidiaries	39(b)	64,165	–
Proceeds from disposal of property, plant and equipment		1,393	158
Proceeds from disposal/(payment for purchase) of short-term investment		1,066	(1,050)
Payment for acquisition related costs of business combinations		–	(1,200)
<b>Net cash generated from/(used in) investing activities</b>		<b>46,470</b>	<b>(357,037)</b>
<b>Financing activities</b>			
Interest paid		(35,630)	(18,189)
Proceeds from new bank loans		423,685	243,963
Repayment of bank loans		(332,510)	(231,822)
Decrease/(increase) in restricted bank deposits		25,198	(2,702)
Decrease in amounts due to directors		(3,181)	(3,331)
Proceed of loan from a former director		–	168,900
Repayment of loan from a former director		(64,176)	–
Payment for redemption of promissory notes		(52,980)	(20,433)
Proceeds from issue of unlisted warrants		5,630	1,620
Proceeds from issue of convertible notes		–	84,000
Payment for acquisition of additional interests in subsidiaries		–	(8,000)
Proceeds from issue of new shares upon exercise of unlisted warrants		82,234	40,418
Increase in amounts due to related companies		69,757	23,360
<b>Net cash generated from financing activities</b>		<b>118,027</b>	<b>277,784</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>36,821</b>	<b>(4,654)</b>
Cash and cash equivalents at beginning of year		30,449	34,799
Effect of foreign exchange rate changes		(2,154)	304
<b>Cash and cash equivalents at end of year</b>	25	<b>65,116</b>	<b>30,449</b>

Notes:

Material non-cash transactions:

- (i) As disclosed in note 35(c) and note 30, during the year ended 31 December 2012, convertible notes with aggregate principal value of RMB12,000,000 and carrying amounts with fair value of embedded derivatives of RMB8,116,000 and liability component stated at amortised cost of RMB10,581,000 were converted into 7,678,000 ordinary shares of the Company.
- (ii) As disclosed in note 30, on 7 December 2012, convertible notes with aggregate principal value of RMB72,000,000 were extinguished at the consideration settled by unlisted bonds (note 31) and unlisted warrants (note 36(c) and (d)).

The notes on pages 41 to 119 form an integral part of these financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

## 1. GENERAL INFORMATION

Tech Pro Technology Development Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its principal place of business is located at Unit 1402, 14/F, Low Block, Grand Millennium Plaza, 181 Queen's Road Central, Hong Kong. The registered office of the Company is located at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal activities of the Company and its subsidiaries are the manufacture and sale of aluminum electrolytic capacitors and LED lighting.

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

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

Amendments to HKFRS 7	Financial instruments: Disclosures – Transfers of Financial Assets
Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets

The application of the above amendments to HKFRSs in the current year is not applicable and has had no material effect on the Group's financial performance and positions for the current and prior accounting periods and/or on the disclosures set out in these financial statements.

## 3. SIGNIFICANT ACCOUNTING POLICIES

### (a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs"), and Interpretations issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

### (b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2012 comprise the financial statements of the Company and its subsidiaries (together referred to as "the Group").

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Renminbi ("RMB"), rounded to the nearest thousand except for per share data, which is the Group's presentation currency.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (b) Basis of preparation of the financial statements (Continued)

During the current year, the Group has completed its assessment on and finalised the accounting for these prior year's business combinations, as referred to in note 38(b), (c), (d) and (e) below, for which initial accounting was adopted by the management to prepare the consolidated financial statements of the Group for the prior year ended 31 December 2011 because the management was still evaluating all the factors and circumstances in respect of these business combinations existed at the respective acquisition dates. Upon the finalisation of the initial accounting for these prior year's business combinations during the current year, the directors of the Company concluded that, except for the acquisition as further disclosed in note 38(b) to these financial statements, no material retrospective adjustments on the business combinations as referred to in note 38(c), (d) and (e) were required for the prior year. In respect of the prior year business combination as referred to in note 38(b), the effects of the finalisation of the accounting at the acquisition date are summarised in note 38(b)(vi), where the goodwill (as classified under the non-current assets) was reduced by RMB21,514,000 and the fair value of the contingent negative consideration in accordance with the profit guarantee clause of the relevant sale and purchase agreement (as included in the current assets) was recognised and increased by RMB21,514,000 at the acquisition date and at 31 December 2011, which adjustments have been retrospectively made to the consolidated statement of financial position of the Group as at 31 December 2011; there were no material adjustments on the net assets, cash flows and results of the Group for the prior year ended 31 December 2011.

The measurement basis used in the preparation of the financial statements is the historical cost basis except for the following liabilities are stated at their fair value as explained in the accounting policies set out below:

- embedded derivatives in convertible notes (see note 3(q))
- embedded derivatives in bonds (see note 3(r))

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities not readily apparent from other sources. 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.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 5.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (c) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. Control exists when the Group 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.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the owners of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 3(k)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

### (d) Joint ventures

#### *Jointly controlled assets*

Where a group entity undertake its activities under joint venture arrangements directly, constitute as jointly controlled assets, the Group's share of the jointly controlled assets and any liabilities incurred jointly with other venturers are recognised in the financial statements and classified according to their nature. Liabilities and expenses incurred directly in respect of interests in jointly controlled assets are accounted for on an accrual basis.

Income from the sale of or use of the Group's share of the output of the jointly controlled assets, and its share of joint venture expenses, are recognised when it is probable that the economic benefit associated with the transactions will flow to/from the Group and their amount can be measured reliably.

#### *Jointly controlled operations*

When a group entity undertakes its activities under joint venture arrangements directly, constituted as jointly controlled operations, the assets and liabilities arising from those jointly controlled operations as recognised in the statement of financial position of the relevant entity on an accrual basis and classified according to the nature of the item. The Group's share of the income from jointly controlled operations, together with the expenses that it incurs are included in the profit or loss when it is probable that the economic benefits associated with the transactions will flow to/from the Group and their amount can be measured reliably.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (e) Business combination

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 in 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 values, except that:

- a deferred tax asset or liability arising from the assets acquired and liabilities assumed in a business combination and the potential tax effects of temporary differences and carryforwards of an acquiree that existed at the acquisition date or arise as a result of the acquisition are recognised and measured in accordance with HKAS 12 *Income Tax*;
- assets or liabilities relating to employee benefit arrangements are recognised and measured in accordance with HKAS 19 *Employee Benefits*;
- liabilities or equity instruments related to the share-based payment arrangements of the acquiree or share-based payment arrangements 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 re-assessment, the net of the acquisition-date amounts of the identified 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 their fair value or, when applicable, on the basis specified in another HKFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as "measurement period" adjustments are adjusted retrospectively, with the corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (e) Business combination (Continued)

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39 *Financial Instruments: Recognition and Measurement*, or HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Where a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts that are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained within one year about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

### (f) Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units, or groups of cash-generating units, that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently whenever there is indication that the unit may be impaired. If some or all of the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated income statement. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of a cash-generating unit during the year, any attributable amount of goodwill is included in the calculation of the profit or loss on disposal.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (g) Other investments in equity securities

The Group's and the Company's policies for investments in equity securities, other than investments in subsidiaries are as follows:

Investments in equity securities are initially stated at fair value, which is their transaction price unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognised in profit or loss as incurred. At the end of each reporting period, the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss. The net gain or loss recognised in profit or loss does not include any dividends or interest earned on these investments as these are recognised in accordance with the policies as set out in notes 3(aa)(v) and (iv), respectively.

Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the statement of financial position at cost less impairment losses (see note 3(k)).

Investments in securities which do not fall into any of the above categories are classified as available-for-sale securities. At the end of each reporting period, the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve, except foreign exchange gains and losses resulting from changes in the amortised cost of monetary items such as debt securities which are recognised directly in profit or loss. Dividend income from these investments is recognised in profit or loss in accordance with policy set out in note 3(aa)(v) and, where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss in accordance with policy set out in note 3(aa)(iv). When these investments are derecognised or impaired, the cumulative gain or loss is reclassified from equity to profit or loss.

Investments are recognised/derecognised on the date the Group or the Company commits to purchase/sell the investments or when they expire.

### (h) Property, plant and equipment

Property, plant and equipment other than construction in progress, are stated in the statement of financial position at cost less accumulated depreciation and any accumulated impairment losses (see note 3(k)).

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

Buildings	4.5%
Plant and machinery	9%
Furniture and office equipment	18%
Electronic equipment	9% – 18%
Motor vehicles	9%
Leasehold improvement	20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between these parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (h) Property, plant and equipment (Continued)

Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised in profit or loss during the financial period in which they are incurred.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Construction in progress represents buildings and structures under construction, which is stated at cost less impairment losses (see note 3(k)). Cost comprises the direct costs of construction as well as borrowing costs (see note 3(v)) during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use. No depreciation is provided in respect of construction in progress until it is substantially completed and ready for its intended use.

### (i) Intangible assets (other than goodwill)

Intangible assets with finite useful lives that are acquired separately are initially recognised at cost. The cost of intangible assets acquired in a business combination is its fair value at the date of acquisition. Subsequently, intangible assets with finite useful lives are stated at cost less accumulated amortisation (where the estimated life is finite) and impairment loss (see note 3(k)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

Patents	5.22 to 10 years
Trademarks	10 years
Customer relationships	14 years

Both the period and method of amortisation are reviewed annually.

Intangible assets are not amortised when their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible asset with finite life as set out above.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (j) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

#### (i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exception:

- property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease; and
- land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

#### (ii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property or is held for development for sale.

### (k) Impairment of assets

#### (i) Impairment of investments in equity securities and other receivables

Investments in equity securities and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (k) Impairment of assets (Continued)

#### (i) *Impairment of investments in equity securities and other receivables (Continued)*

If any such evidence exists, any impairment loss is determined and recognised as follows:

- For investments in subsidiaries, the impairment loss is measured by comparing the recoverable amount of the investment as a whole with its carrying amount in accordance with note 3 (k)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 3(k)(ii).
- For unquoted equity securities carried at cost, impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.
- For trade receivables and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period, the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors and bills receivable included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

#### (ii) *Impairment of other assets*

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- investments in subsidiaries;
- property, plant and equipment;
- lease prepayments;
- goodwill; and
- other intangible assets.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (k) Impairment of assets (Continued)

#### (ii) Impairment of other assets (Continued)

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

#### – Calculation of recoverable amount

The recoverable amount of an asset is the greater of its 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 time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

#### – Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

#### – Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

#### (iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim Financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition and reversal criteria as it would at the end of the financial year (see note 3(k)(i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill and unquoted equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (l) Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

### (m) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts (see note 3 (k)).

### (n) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions and short term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

### (o) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

### (p) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period the fair value is re-measured. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedge the net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (q) Convertible notes

#### (i) *Convertible notes that contains an equity component*

Convertible notes that can be converted to equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

At initial recognition, the liability component of the convertible notes is measured as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option. Any excess of proceeds over the amount initially recognised as the liability component is recognised as the equity component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method. The equity component is recognised in the capital reserve until either the note is converted or redeemed.

If the note is converted, the capital reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the note is redeemed, the capital reserve is released directly to retained profits.

#### (ii) *Other convertible notes*

Convertible notes which do not contain an equity component are accounted for as follows:

At initial recognition the derivative component of the convertible notes is measured at fair value and presented as part of derivative financial instruments (see note 3 (p)). Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the liability component. Transaction costs that relate to the issue of the convertible note are allocated to the liability and derivative components in proportion to the allocation of proceeds. The portion of the transaction costs relating to the liability component is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately in profit or loss.

The derivative component is subsequently remeasured in accordance with note 3 (p). The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method.

If the note is converted, the carrying amounts of the derivative and liability components are transferred to share capital and share premium as consideration for the shares issued. When the note is redeemed, any difference between the amount paid and the carrying amounts of both components is recognised in profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) **Bonds**

Bonds issued by the Company that contain both liability and embedded derivatives (put option at the discretion of the bondholder to early redeem and call option at the discretion of the issuer to redeem the bonds that are not closely related to the host liability component) are classified separately into respective item on initial recognition. At the date of issue, both the liability and embedded derivatives are recognised at fair value.

In subsequent periods, the liability component of the bonds is carried at amortised cost using the effective interest method. The put option and call option are measured at fair value with changes in fair value recognised in profit or loss.

(s) **Warrants**

Warrants issued by the Company that will be settled by the exchange of a fixed amount of cash for a fixed number of the Company's own equity instruments are classified as an equity instrument.

For warrants issued to subscribers of the Company's shares, the fair value of warrants on the date of issue is recognised in equity (warrant reserve). The warrant reserve will be transferred to share capital and share premium upon exercise of the warrants. Where the warrants remain unexercised at the expiry date, the amount previously recognised in warrant reserve will be transferred to the retained profits/accumulated losses.

(t) **Promissory notes**

Promissory notes are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

(u) **Trade and other payables**

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(v) **Borrowing costs**

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (w) Employee benefits

#### (i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

#### (ii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where the forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

#### (iii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

### (x) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (x) Income tax (Continued)

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (y) Provisions and contingent liabilities

#### (i) *Contingent liabilities assumed in business combinations*

Contingent liabilities assumed in a business combination which are present obligations at the date of acquisition are initially recognised at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortisation where appropriate, and the amount that would be determined in accordance with note 3(y)(ii). Contingent liabilities assumed in a business combination that cannot be reliably fair valued or were not present obligations at the date of acquisition are disclosed in accordance with note 3(y)(ii).

#### (ii) *Other provisions and contingent liabilities*

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

### (z) Translation of foreign currencies

Items included in the financial statements of each of the Group's entities are measured using the currency of primary economic environment in which the entity operates (the "functional currency").

Prior to 2011, the Company used to adopt RMB as its functional currency, following the acquisition of the LED lighting business in 2011, management considered there has been a shift of operational and financial focus to the Hong Kong's involvements. Therefore, the Company's functional currency has changed from RMB to Hong Kong Dollars ("HK\$") with effect from 1 January 2011. The change of functional currency of the Company has no significant financial impact to both the Group and the Company. The consolidated financial statements are presented in RMB, rounded to the nearest thousand except for per share data, which is the Group's presentation currency because the relative large portion of the operating activities of the entities within the Group are located in the PRC.

Foreign currency transactions during the year are translated at the foreign exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognised in other comprehensive income.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items, are translated into RMB at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (aa) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

#### (i) *Sale of goods*

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value-added tax or other sales taxes and is after deduction of any trade discounts and returns.

#### (ii) *Consultancy fee income*

Consultancy fee income is recognised when services are rendered.

#### (iii) *Licensing income*

Licensing income is recognised when services are rendered or substantially performed in accordance with the terms of the licensing agreements.

#### (iv) *Interest income*

Interest income is recognised as it accrues using the effective interest rate.

#### (v) *Dividend income*

Dividend income is recognised when the shareholder's right to receive payment is established.

#### (vi) *Government grants*

Unconditional government grants are recognised in profit or loss as revenue when the grants become receivable.

#### (vii) *Rental income*

Rental income from leasing of property, plant and machinery is recognised over the term of the lease.

#### (viii) *Subcontracting income*

Subcontracting income is recognised when the services are rendered.

### (bb) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted in arriving at the carrying amount of the asset and consequently are recognised in profit or loss over the useful life of the asset as reduced depreciation expenses.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (cc) Related parties

- (a) A person, or a close member of that person's family, is related to the Group if that person:
- (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or the Group's parent
- (b) An entity is related to the Group if any of the following conditions applies:
- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
  - (vi) The entity is controlled or jointly controlled by a person identified in (a).
  - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close family members of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

### (dd) Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs if the operation is abandoned.

### (ee) Segment reporting

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

## 4. FINANCIAL RISK MANAGEMENT AND FAIR VALUES

The Group's major financial instruments include bank and cash and cash equivalents, convertible notes, promissory notes, trade and other receivables and trade and other payables. The Group's activities expose it to a variety of finance risks, including credit risk, liquidity risk, interest rate risk, currency risk and price risk. These risks are limited by the Group's financial management policies and practices described below:

### (a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables. The Group has established credit control policies with credit limits, credit approvals and other monitoring procedures for debts recovery are in place to minimise the credit risk. In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account the information specific to the customer as well as pertaining to the economic environment to which the customer operates. These receivables are due from 30 to 180 days from the date of billing. In addition, management reviews the recoverable amount of each individual receivable regularly to ensure that adequate impairment allowances are made for irrecoverable amounts. With such policies in place, the Group has been able to maintain its bad debts at minimal level. The Group's trade receivables related to a large number of diversified customers, the concentration of credit risk is not significant.

### (b) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutes to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the end of the reporting period of the Group's and Company's non-derivative financial liabilities and derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group and the Company can be required to pay:

#### The Group

	2012					2011				
	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	2 years but less than 5 years RMB'000	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	2 years but less than 5 years RMB'000
Trade and bills payables	182,672	182,672	182,672	-	-	222,356	222,356	222,356	-	-
Other payables and accruals	33,794	33,794	33,794	-	-	59,116	59,116	59,116	-	-
Amounts due to directors	585	585	585	-	-	3,918	3,918	3,918	-	-
Amount due to a former director	97,442	97,442	1,178	96,264	-	162,060	162,060	-	162,060	-
Amount due to ultimate holding company	144	144	144	-	-	144	144	144	-	-
Amounts due to related companies	42,888	42,888	42,888	-	-	23,360	23,360	23,360	-	-
Bank loans	285,303	300,476	300,476	-	-	223,963	239,296	239,296	-	-
Promissory notes	15,145	16,204	16,204	-	-	60,784	71,554	578	70,976	-
Convertible notes	-	-	-	-	-	129,894	100,800	8,400	92,400	-
Bonds	58,343	100,800	5,760	5,760	89,280	-	-	-	-	-
	<b>716,316</b>	<b>775,005</b>	<b>583,701</b>	<b>102,024</b>	<b>89,280</b>	<b>885,595</b>	<b>882,604</b>	<b>557,168</b>	<b>325,436</b>	<b>-</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

## 4. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

### (b) Liquidity risk (Continued) The Company

	2012					2011				
	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	2 years but less than 5 years RMB'000	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	2 years but less than 5 years RMB'000
Other payables and accruals	805	805	805	-	-	2,323	2,323	2,323	-	-
Amounts due to subsidiaries	14,327	14,327	14,327	-	-	12,935	12,935	12,935	-	-
Amounts due to directors	312	312	312	-	-	1,738	1,738	1,738	-	-
Loan from a former director	96,264	96,264	-	96,264	-	162,060	162,060	-	162,060	-
Promissory notes	15,145	16,204	16,204	-	-	60,784	71,554	578	70,976	-
Convertible notes	-	-	-	-	-	129,894	100,800	8,400	92,400	-
Bonds	58,343	100,800	5,760	5,760	89,280	-	-	-	-	-
	<b>185,196</b>	<b>228,712</b>	<b>37,408</b>	<b>102,024</b>	<b>89,280</b>	<b>369,734</b>	<b>351,410</b>	<b>25,974</b>	<b>325,436</b>	<b>-</b>

### (c) Interest rate risk

The Group's interest rate risk primarily derives from bank borrowings and time deposits and cash at banks. The Group did not use derivative financial instruments to hedge its debt obligations.

#### (i) Exposure to interest rate risk

The following table details the interest rate profile of the Group's and the Company's interest-generating financial assets and interest-bearing financial liabilities at the end of the reporting period:

#### The Group

	2012		2011	
	Effective interest rate	RMB'000	Effective interest rate	RMB'000
Fixed rate:				
Bank borrowings	5% – 9.18%	250,027	6.31% – 8.3%	223,963
Promissory notes	9.18%	15,145	9.06% – 9.49%	60,784
Convertible notes	-	-	36.58%	129,894
Bonds	18.68%	58,343	-	-
Variable rate:				
Bank borrowings	1.73% – 2.2%	35,276	-	-
Total borrowings		<b>358,791</b>		414,641
Net fixed rate borrowings as a percentage of total borrowings		<b>90%</b>		100%
Variable rate:				
Cash at banks	0.001% – 0.35%	64,688	0.001% – 0.5%	29,571
Restricted time deposits	3.05% – 3.3%	42,504	1.62%	67,702
		<b>107,192</b>		97,273

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

## 4. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

### (c) Interest rate risk (Continued)

#### (i) Exposure to interest rate risk (Continued)

##### The Company

	2012		2011	
	Effective interest rate	RMB'000	Effective interest rate	RMB'000
Fixed rate:				
Promissory notes	9.18%	15,145	9.06% – 9.49%	60,784
Convertible notes	–	–	36.58%	129,894
Bonds	18.68%	58,343	–	–
Total borrowings		73,488		190,678
Variable rate:				
Cash at banks	0.001% – 0.35%	27,904	0.001% – 0.5%	6,198

#### (ii) Sensitivity analysis

At 31 December 2012, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's loss after taxation for the year and accumulated losses by approximately RMB719,000 (2011: RMB973,000). Other components of equity would not be affected (2011: RMB nil) by the changes in interest rates.

The sensitive analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the financial instruments exposed to interest rate risk for variable rate interest bearing financial instruments as if they had been in existence at the beginning of the year. The 100 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the end of the next annual reporting period.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

## 4. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

### (d) Currency risk

The Group is exposed to currency risk primarily through its trade receivables and bank deposits that are denominated in currencies other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily Renminbi ("RMB") and United State dollars ("US\$").

#### (i) Exposure to currency risk

The following table details the Group's and the Company's major exposure at the end of the reporting period to currency risk arising from forecast transactions or recognised assets or liabilities denominated in a currency other than the functional currency of the entities within the Group to which they relate.

	The Group		The Company	
	2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000
Cash and cash equivalents				
US\$	2,626	6,844	-	-
Trade receivables				
US\$	32,030	43,623	-	-
Bank loans				
US\$	(94,104)	-	-	-
Convertible notes				
RMB	-	(129,894)	-	(129,894)
Bonds				
RMB	(58,343)	-	(58,343)	-

#### (ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's loss after taxation and accumulated losses and other components of equity that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period. Other components of equity would not be affected by changes in the foreign exchange rates:

#### The Group

	Increase/ (decrease) in foreign exchange rates	2012	Effect on other components of equity RMB'000	Increase/ (decrease) in foreign exchange rates	2011	Effect on other components of equity RMB'000
		Effect on loss after taxation and accumulated losses RMB'000			Effect on loss after taxation and accumulated losses RMB'000	
US\$	5%	2,972	-	5%	(2,523)	-
	(5%)	(2,972)	-	(5%)	2,523	-
RMB	5%	2,917	-	5%	6,495	-
	(5%)	(2,917)	-	(5%)	(6,495)	-



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

## 4. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

### (d) Currency risk (Continued)

#### (ii) Sensitivity analysis (Continued)

##### The Company

	Increase/ (decrease) in foreign exchange rates	2012 Effect on loss after taxation and accumulated losses RMB'000	Effect on other components of equity RMB'000	Increase/ (decrease) in foreign exchange rates	2011 Effect on loss after taxation and accumulated losses RMB'000	Effect on other components of equity RMB'000
RMB	5%	2,917	-	5%	6,495	-
	(5%)	(2,917)	-	(5%)	(6,495)	-

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group and the Company which expose the Group and the Company to foreign currency risk at the end of the reporting period. The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual end of reporting period. The analysis is performed on the same basis for 2011.

### (e) Fair values

#### (i) Financial instruments carried at fair value

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments

Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data

Level 3 (lowest level): fair values measured using valuation techniques in which all significant input is not based on observable market data

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

## 4. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(e) Fair values (Continued)

(i) Financial instruments carried at fair value (Continued)

The following table presents the Group's and the Company's liabilities that are measured at fair value as at 31 December 2012 and 2011:

<b>The Group</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
	RMB'000	RMB'000	RMB'000
2012			
<b>Assets</b>			
– Other short-term investment	–	–	–
<b>Liabilities</b>			
– Put and call options embedded in bonds (note 31)	–	–	9,304
2011			
<b>Assets</b>			
– Other short-term investment	1,045	–	–
<b>Liabilities</b>			
– Conversion option embedded in convertible notes (note 30)	–	–	61,893
<hr/>			
<b>The Company</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
	RMB'000	RMB'000	RMB'000
2012			
<b>Liabilities</b>			
– Put and call options embedded in bonds (note 31)	–	–	9,304
2011			
<b>Liabilities</b>			
– Conversion option embedded in convertible notes (note 30)	–	–	61,893

During the years ended 31 December 2012 and 2011, there were no significant transfers between instruments in Level 1 and Level 2.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

## 4. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

### (e) Fair values (Continued)

#### (i) Financial instruments carried at fair value (Continued)

The movement during the year in the balance of Level 3 fair value measurement is as follows:

	2012 RMB'000	2011 RMB'000
Conversion option embedded in convertible notes (note 30)		
At 1 January	<b>(61,893)</b>	–
At date of issue	–	(28,316)
Conversion during the year	<b>8,116</b>	–
Change in fair value recognised in profit or loss during the year	<b>11,932</b>	(33,577)
Extinguishment during the year	<b>41,845</b>	–
At 31 December	–	(61,893)
	2012 RMB'000	2011 RMB'000
Put and call options embedded in bonds (note 31)		
At date of issue	<b>(11,995)</b>	–
Change in fair value recognised in profit or loss during the year	<b>2,691</b>	–
At 31 December	<b>(9,304)</b>	–

#### (ii) Financial instruments carried at other than fair value

The carrying amounts of the Group's and the Company's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2012 and 2011.

### (f) Estimation of fair values

The following methods and assumptions were used to estimate the fair value for each class of financial instruments:

#### (i) Interest-bearing borrowings

The fair value is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

#### (ii) Derivatives

The estimates of the fair value of the conversion option embedded in the convertible notes and put and call options embedded in bonds are determined based on valuation models at the end of the reporting period. Details of the assumptions adopted are disclosed in notes 30 and 31, respectively.

#### (iii) Short-term investment

The fair value of short-term investment is determined with reference to quoted market bid prices.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

## 5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below.

(a) **Useful lives and residue values of property, plant and equipment**

Useful lives of the Group's property, plant and equipment are defined as the period over which they are expected to be available for use by the Group. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will increase the depreciation charge where useful lives are less than previously estimated lives, and it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives; and actual residual values may differ from estimated residual values. Periodic review could result in a change in depreciation lives and residual values and therefore depreciation expense in future periods.

(b) **Impairment of property, plant and equipment and lease prepayments**

Property, plant and equipment and lease prepayments are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts are determined based on value-in-use calculations or market valuations. In determining the value in use, expected cash flows generated by the asset are discounted to their present values, which require significant judgement relating to items such as the level of turnover and the amount of operating costs. No impairment was provided during the year.

(c) **Impairment of investments in subsidiaries**

The Group has make impairment on investments in subsidiaries when the related recoverable amounts of the investments in subsidiaries, with reference to their financial position and performance, are estimated to be less than their carrying amounts.

(d) **Impairment of trade receivables and other receivables**

The Group makes allowance for impairment on trade and other receivables based on the evaluation of collectibility and aging analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history and subsequent settlements of each customer of the Group up to the date of approval of the financial statements. If the financial conditions of debtors of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

(e) **Estimated recoverable amount of goodwill**

Determining whether goodwill is impaired requires an estimation of the value-in-use of the cash-generating units to which goodwill have 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 an appropriate discount rate in order to calculate the present value where the expected future cash flows arising from the relevant cash-generating units differ from the cash-generating units containing goodwill using an appropriate discount rate. Details of the recoverable amount calculations are disclosed in note 18.

Had the parameters for the projected future cash flows of the cash generating units and the discount rate been different, the estimated recoverable amount of the goodwill would have been significantly different and impairment may arise.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

## 5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

### (f) Impairment of other intangible assets with finite useful lives

The Group tests whether other intangible assets which have finite useful lives have suffered any impairment whenever there is any indication that the other intangible assets have been impaired. The recoverable amounts of these other intangible assets have been determined based on the value-in-use, which have been estimated using discounted cash flow method. The directors consider that the recoverable amount exceeded the carrying amount of the other intangible assets and no impairment was recognised during the year. The carrying amount of other intangible assets which have finite useful lives at the end of the reporting period was approximately RMB658,624,000 (2011: RMB730,004,000).

Had the parameters for the projected future cash flows of the cash generating units of the other intangible assets and the discount rates been different, the estimated recoverable amount of other intangible assets would have been significantly different and impairment may arise.

### (g) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs to completion and selling expenses. These estimates are made with reference to the aged inventories analyses, projection of expected sales volume and management experience and judgement. Based on this review, write down of inventories will be made when the carrying amounts of inventories decline below their estimated net realisable value. Due to changes in market conditions, actual saleability of goods may be different from estimation and profit or loss could be affected by differences in this estimation.

### (h) Income taxes

The Group is subject to income taxes in several jurisdictions. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

### (i) Going concern basis

The financial statements have been prepared on the basis that the Company will continue to operate throughout the next twelve months as a going concern. The directors of the Company have made due care and considerations concerning the appropriateness of the going concern in light of the Group's current financial position. After having taken into account of the cash flow forecast of the Group for a period of eighteen months from 1 January 2013 to 30 June 2014, new funding to be raised of under the unlisted warrants issued by the Company (note 36) and the available unused credit facilities of RMB300,845,000 of the Group as detailed in note 41, in the opinion of the directors of the Company, the Group will be able to continue its business as a going concern for the next twelve months.

### (j) Estimated of recoverable amount of other intangible assets

The Group has made estimations and assumptions in relation to the potential future cash flows of identifiable other intangible assets acquired as part of the business combinations in 2011. This assessment involves estimations and assumptions relating to potential future revenues, appropriate discount rates and the useful lives of such assets. These estimations and assumptions impact the consolidated income statement over the useful lives of other intangible assets.

### (k) Functional currency of the Company

Since 1 January 2011, the Company has been carrying its operating activities and making arrangement decision in Hong Kong and has a significant degree of autonomy from its subsidiaries in the PRC in the way its business is managed. In the opinion of the directors of the Company, its functional currency is Hong Kong dollars since 1 January 2011.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

## 6. TURNOVER AND SEGMENT REPORT

### (a) Turnover

The Group is principally engaged in the manufacture and sale of aluminum electrolytic capacitors and LED lighting. Turnover represents the net invoiced value of goods sold less returns and allowances.

	<b>2012</b> <b>RMB'000</b>	2011 RMB'000 (Restated)
<b>Continuing operations</b>		
Sales of aluminum electrolytic capacitors	<b>315,541</b>	260,774
Sales of LED lighting	<b>303,629</b>	21,857
	<b>619,170</b>	282,631

### (b) Segment reporting

The Group manages its businesses by divisions, which are organised by business lines (products and services). In a manner consistent with the way in which information is reported internally to the senior management for the purposes of resources allocation and performance assessment, the Group has presented two reportable segments. No operating segments have been aggregated to form the following reporting segment.

- Aluminum electrolytic capacitors
- LED lighting

Operating segments regarding the manufacture and sale of chip type electronic components and aluminum electrolytic capacitors in the Southern China were discontinued during the year ended 31 December 2012. The segment information does not include any amounts for the discontinued operations, the details are described in more details in note 10.

The carrying amount of the assets and liabilities of the Hai Te Wei Group and Tong Tai Group at the date of disposal are disclosed in note 39.

#### (i) Segment results, assets and liabilities

For the purpose of assessing segment performance and allocating resources between segments, the senior management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current assets with the exception of other corporate assets. Segment liabilities include trade and other payables attributable to the activities of the individual segments and borrowings managed directly by the segment.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

## 6. TURNOVER AND SEGMENT REPORT (Continued)

### (b) Segment reporting (Continued)

#### (i) Segment results, assets and liabilities (Continued)

The measure used for reporting segment profit or loss is "Reportable segment results". Reportable segment results includes the operating profit or loss generated by the segment and finance costs directly attributable to the segment, without allocation of corporate administration costs. Taxation charge is not allocated to reportable segment.

"Reportable segment adjusted EBITDA" is used as one of the measures for reportable segment profit or loss since year 2012, as the senior management believes "Reportable segment adjusted EBITDA", which does not take into account of non-operating factors such as the finance costs, non-cash expenses and non-recurring expenses, can reflect the performance of each segment from its operating activities. "Reportable segment adjusted EBITDA" represents "earnings/(loss) before interest, tax, depreciation and amortisation", where "interest" is regarded as investment income and finance costs and "depreciation" and "amortisation" are regarded as including impairment losses on non-current assets. This measurement basis excludes the effect of non-recurring expenditures from the operating segments, such as loss on early redemption of promissory notes, loss of extinguishment of convertible notes and change in fair value on embedded derivatives of convertible notes and bonds. To arrive at adjusted EBITDA, the Group's earnings/(loss) are further adjusted for items not specifically attributed to individual segments, such as corporate administration costs. Reconciliation from "Reportable segment adjusted EBITDA" to "Reportable segment results" are also presented in note (ii) below.

In addition to the reviewing segment information concerning the adjusted EBITDA, the senior management are provided with segment information concerning revenue, interest income and expense from cash balances and borrowings managed directly by the segments, depreciation and amortisation, loss on early redemption of promissory notes, loss of extinguishment of convertible notes and change in fair value on embedded derivatives of convertible notes and bonds by the segments in their operations.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

## 6. TURNOVER AND SEGMENT REPORT (Continued)

### (b) Segment reporting (Continued)

#### (i) Segment results, assets and liabilities (Continued)

Information regarding the Group's reportable segments as provided to the senior management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2012 and 2011 is set out below:

Continuing operations	2012		
	Aluminum electrolytic capacitors RMB'000	LED lighting RMB'000	Total RMB'000
Turnover	315,541	303,629	619,170
Other revenue	2,660	7,371	10,031
Reportable segment revenue from external customers	318,201	311,000	629,201
Reportable segment adjusted EBITDA	333	71,793	72,126
Reportable segment results	(63,021)	(57,927)	(120,948)
Other information:			
Interest income	2,660	128	2,788
Interest expenses	(20,073)	(22,530)	(42,603)
Depreciation	(21,648)	(5,917)	(27,565)
Amortisation of lease prepayments	(83)	–	(83)
Amortisation of other intangible assets	–	(71,380)	(71,380)
Loss on extinguishment of convertible notes	–	(39,014)	(39,014)
Fair value gain on embedded derivatives of convertible notes	–	11,932	11,932
Fair value gain on embedded derivatives of bonds	–	2,691	2,691
Impairment on trade receivables, net	(2,199)	–	(2,199)
Write-down of inventories	(21,971)	–	(21,971)
Loss on disposal of property, plant and equipment	(40)	(30)	(70)
Loss on early redemption of promissory notes	–	(5,600)	(5,600)
<b>Reportable segment assets</b>	<b>586,485</b>	<b>1,304,773</b>	<b>1,891,258</b>
Additions to non-current segment assets during the year	7,695	12,835	20,530
<b>Reportable segment liabilities</b>	<b>(486,869)</b>	<b>(258,413)</b>	<b>(745,282)</b>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

## 6. TURNOVER AND SEGMENT REPORT (Continued)

### (b) Segment reporting (Continued)

#### (i) Segment results, assets and liabilities (Continued)

Continuing operations	2011		
	Aluminum electrolytic capacitors RMB'000 (Restated)	LED lighting RMB'000	Total RMB'000 (Restated)
Turnover	260,774	21,857	282,631
Other revenue	1,228	38,154	39,382
Reportable segment revenue from external customers	262,002	60,011	322,013
Reportable segment adjusted EBITDA	44,978	38,255	83,233
Reportable segment results	15,453	(59,590)	(44,137)
Other information:			
Interest income	1,227	16	1,243
Interest expenses	(12,566)	(15,173)	(27,739)
Depreciation	(17,256)	(4,290)	(21,546)
Amortisation of lease prepayments	(83)	–	(83)
Amortisation of other intangible assets	–	(42,196)	(42,196)
Fair value loss on embedded derivatives of convertible notes	–	(33,577)	(33,577)
Impairment on trade receivables, net	(530)	–	(530)
Loss on disposal of property, plant and equipment	(317)	–	(317)
Loss on early redemption of promissory notes	–	(2,625)	(2,625)
<b>Reportable segment assets</b>	551,538	1,255,461	1,806,999
Additions to non-current segment assets during the year	80,616	1,208,600	1,289,216
<b>Reportable segment liabilities</b>	(342,588)	(370,230)	(712,818)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

## 6. TURNOVER AND SEGMENT REPORT (Continued)

### (b) Segment reporting (Continued)

(ii) Reconciliations of reportable segment revenue, profit or loss, assets and liabilities

	2012 RMB'000	2011 RMB'000 (Restated)
<b>Revenue – continuing operations</b>		
Total reportable segment turnover	619,170	282,631
Elimination of inter-segment turnover	–	–
Consolidated turnover – continuing operations	619,170	282,631
Total reportable segment other revenue	10,031	39,382
Elimination of inter-segment other revenue	–	–
Consolidated other revenue – continuing operations	10,031	39,382
Consolidated revenue derived from Group's external customers	629,201	322,013
<b>Results – continuing operations</b>		
Reportable segment adjusted EBITDA	72,126	83,233
Interest income	2,788	1,243
Interest expenses	(42,603)	(27,739)
Amortisation of lease prepayments	(83)	(83)
Amortisation of other intangible assets	(71,380)	(42,196)
Depreciation	(27,565)	(21,546)
Loss on extinguishment of convertible notes	(39,014)	–
Fair value gain/(loss) on embedded derivatives of convertible notes	11,932	(33,577)
Fair value gain on embedded derivatives of bonds	2,691	–
Loss on early redemption of promissory notes	(5,600)	(2,625)
Impairment on trade receivable, net	(2,199)	(530)
Write-down of inventories	(21,971)	–
Loss on disposal of property, plant and equipment	(70)	(317)
Reportable segment loss	(120,948)	(44,137)
Unallocated corporate administration costs	(4,400)	(4,542)
Consolidated net loss before taxation – continuing operations	(125,348)	(48,679)
<b>Assets – continuing operations</b>		
Reportable segment assets – continuing operations	1,891,258	1,806,999
Elimination of inter-segment receivables	–	–
Income tax recoverable	–	125
Assets relating to discontinued operations	–	206,412
Unallocated corporate assets	27,941	13,911
Consolidated assets	1,919,199	2,027,447

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

## 6. TURNOVER AND SEGMENT REPORT (Continued)

### (b) Segment reporting (Continued)

(ii) Reconciliations of reportable segment revenue, profit or loss, assets and liabilities (Continued)

	2012 RMB'000	2011 RMB'000 (Restated)
<b>Liabilities – continuing operations</b>		
Reportable segment liabilities – continuing operations	<b>745,282</b>	712,818
Elimination of inter-segment liabilities	–	–
	<b>745,282</b>	712,818
Income tax payable	<b>16,451</b>	7,300
Deferred tax liabilities	<b>166,878</b>	184,761
Liabilities relating to discontinued operations	–	189,016
Unallocated corporate liabilities	<b>1,115</b>	3,734
	<b>929,726</b>	1,097,629
Consolidated liabilities	<b>929,726</b>	1,097,629

### (c) Geographical information

As the Group's business participates only one geographical location classified by the location of assets, i.e. the PRC, including Hong Kong, no separate geographical segment analysis based on the location of assets is presented. The geographical location of customers is based on the location at which the goods are delivered to:

	2012 RMB'000	2011 RMB'000 (Restated)
The PRC	<b>363,422</b>	139,789
Hong Kong	<b>174,350</b>	14,505
Taiwan	<b>26,486</b>	68,933
Turkey	<b>9,758</b>	15,755
Korea	<b>12,614</b>	11,206
Russia	<b>21,594</b>	–
Other countries	<b>10,946</b>	32,443
	<b>619,170</b>	282,631

### (d) Major customers

During the years ended 31 December 2012 and 2011, there is no major customer accounted for more than 10% of the total revenue of the Group.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

## 7. OTHER REVENUE AND INCOME

	2012 RMB'000	2011 RMB'000 (Restated)
<b>Continuing operations</b>		
<b>Other revenue</b>		
Bank interest income	2,788	1,243
Consultancy fee income	–	25,280
Licensing fee income	–	8,063
Rental income from property, plant and equipment	3,924	4,796
Sub-contracting income	1,054	–
Scrap sales	2,265	–
	<b>10,031</b>	39,382
<b>Continuing operations</b>		
<b>Other income</b>		
Government grants (note)	656	158
Gain on disposal of short-term investment	21	–
Exchange gain, net	432	5,646
Others	92	788
	<b>1,201</b>	6,592

Note: The Group received government grants amounted to RMB656,000 (2011: RMB158,000) during the year for the recognition of the Group's sales performance and contribution to local community in Changzhou, the PRC. These grants were not conditional and therefore, were recognised as income when received.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

## 8. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

	2012 RMB'000	2011 RMB'000 (Restated)
<b>Continuing operations</b>		
(a) Finance costs		
Interest expenses on bank borrowings and bills payable wholly repayable within five years	20,075	12,566
Imputed interest on promissory notes	1,798	2,856
Imputed interest on convertible notes	20,018	12,317
Interest on bonds	712	–
	<b>42,603</b>	27,739
(b) Staff costs (including directors' emoluments)		
Salaries, wages and other benefits	58,718	61,637
Contributions to defined contribution retirement plans	4,175	3,068
	<b>62,893</b>	64,705
(c) Other items		
Amortisation of other intangible assets		
– Customer relationships	34,207	20,614
– Patents	32,173	21,166
– Trademarks	5,000	416
	<b>71,380</b>	42,196
Amortisation of lease prepayments	83	83
Depreciation of property, plant and equipment	27,565	21,546
Operating lease charges in respect of land and buildings	5,585	1,918
Auditor's remuneration		
– Audit services	1,288	1,134
– Non-audit services	264	–
Loss on disposal of property, plant and equipment	70	317
Impairment loss on trade receivables, net	2,199	530
Write-down of inventories	21,971	–
Research and development expenditure	14,517	16,928
Cost of inventories consumed	511,619	216,108

Notes:

- (i) Cost of inventories sold includes staff costs of RMB33,793,000 (2011: RMB22,107,000) and depreciation of RMB21,164,000 (2011: RMB16,488,000) as disclosed in staff costs and depreciation of property, plant and equipment above.
- (ii) Research and development expenditures includes staff costs of RMB5,181,000 (2011: RMB4,546,000) and materials of RMB8,528,000 (2011: RMB12,261,000) incurred by the research and development department which are included in the staff costs and cost of inventories consumed as disclosed above.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

## 9. INCOME TAX

(a) Income tax (credit)/expenses in the consolidated income statement represents:

	2012 RMB'000	2011 RMB'000 (Restated)
<b>Continuing operations</b>		
Hong Kong Profits Tax		
– Current year	4,402	4,134
– Over-provision in respect of prior years	(20)	–
PRC Enterprise Income Tax		
– Current year	10,270	3,266
– Under-provision in respect of prior years	–	8
	<b>14,652</b>	7,408
Reversal of deferred tax liabilities	<b>(17,883)</b>	(10,562)
	<b>(3,231)</b>	(3,154)

- (i) Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands (“BVI”), the Group is not subject to any income tax in the Cayman Islands and BVI.
- (ii) The provision for Hong Kong Profits Tax is calculated at 16.5% (2011: 16.5%) of the estimated assessable profits for the year.
- (iii) Pursuant to the Enterprise Income Tax rules and regulations of the PRC, the PRC subsidiaries of the Group are subject to enterprise income tax at a rate of 25% (2011: 25%), except for Changzhou Huawei Electronic Company Limited (“Changzhou Huawei”) is entitled to a preferential tax rate of 15% for the three years since 2011 for being a high technology enterprise.

(b) Reconciliation between income tax credit and accounting loss at applicable tax rates:

	2012 RMB'000	2011 RMB'000 (Restated)
Loss before taxation from continuing operations	<b>(125,348)</b>	(48,679)
Notional tax on loss before taxation, calculated at the rates applicable in the tax jurisdiction concerned	<b>(29,259)</b>	(9,482)
Tax effect of non-deductible expenses	<b>12,010</b>	4,082
Tax effect of non-taxable income	<b>(2,651)</b>	(10)
Tax effect of deductible temporary differences not recognised	<b>1,399</b>	1,146
Tax effect of tax losses not recognised	<b>15,502</b>	3,842
Over-provision in respect of prior year	<b>(20)</b>	–
Tax effect of tax losses utilised	<b>(212)</b>	(2,732)
Income tax credit	<b>(3,231)</b>	(3,154)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

## 10. LOSS FROM DISCONTINUED OPERATIONS

On 18 December 2012, the Group completed the disposal of 100% equity interests in Hai Te Wei Company Limited and its subsidiaries (the "Hai Te Wei Group") and Tong Tai Company Limited and its subsidiary (the "Tong Tai Group") to an independent third party, at an aggregate consideration of HK\$80,000,000 (equivalent to approximately RMB65,024,000). The principal activities of the Hai Te Wei Group and Tong Tai Group are the manufacture and sale of chip type electronic components and aluminum electrolytic capacitors in Southern China (as detailed in note (b) below), respectively. During the year ended 31 December 2012, Changzhou Huawei also discontinued selling of chip type electronic components upon the disposal of Hai Te Wei Group.

The results of the discontinued operations included in the loss for the year are set out below.

	2012 RMB'000	2011 RMB'000
Net loss for the year from discontinued operations of		
– Chip type electronic components (note (a))	<b>(2,400)</b>	(5,552)
– Aluminum electrolytic capacitors in Southern China (note (b))	<b>(6,789)</b>	(1,329)
Gain on disposal of subsidiaries (note 39(b))	<b>3,665</b>	–
	<b>(5,524)</b>	(6,881)

### (a) Loss from the chip type electronic components operation For the years ended 31 December 2012 and 2011

	2012 RMB'000	2011 RMB'000
Turnover (note)	<b>33,856</b>	92,998
Cost of sales	<b>(29,760)</b>	(85,766)
Gross profit	<b>4,096</b>	7,232
Other revenue and income	<b>111</b>	149
Distribution costs	<b>(411)</b>	(573)
Administrative expenses	<b>(5,135)</b>	(5,478)
Reversal/(allowance) for impairment on trade receivables, net	<b>1,219</b>	(1,339)
Finance costs	<b>(2,360)</b>	(5,623)
Loss before taxation	<b>(2,480)</b>	(5,632)
Attributable income tax credit	<b>80</b>	80
Net loss for the year	<b>(2,400)</b>	(5,552)
Loss before taxation for the year from discontinued operation:		
Amortisation of lease prepayments	<b>318</b>	318
Depreciation of property, plant and equipment	<b>4,626</b>	4,725

Note: Included in the turnover are sales of chip type electronic components to external customers by (i) Changzhou Huawei of RMB17,599,000 (2011: RMB56,131,000) and (ii) Hai Te Wei Group of RMB16,257,000 (2011: RMB36,867,000).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

## 10. LOSS FROM DISCONTINUED OPERATIONS (Continued)

(b) Loss from the aluminum electrolytic capacitors operation in Southern China  
For the years ended 31 December 2012 and 2011

	2012 RMB'000	2011 RMB'000
Turnover	<b>26,081</b>	36,352
Cost of sales	<b>(23,707)</b>	(29,217)
Gross profit	<b>2,374</b>	7,135
Other revenue and income	<b>5</b>	5
Distribution costs	<b>(1,493)</b>	(1,742)
Administrative expenses	<b>(7,675)</b>	(7,995)
Reversal for impairment on trade receivables, net	<b>-</b>	1,268
Loss before taxation	<b>(6,789)</b>	(1,329)
Attributable income tax expense	<b>-</b>	-
Net loss for the year	<b>(6,789)</b>	(1,329)
Loss before taxation for the year from discontinued operation: Depreciation of property, plant and equipment	<b>2,727</b>	2,573

(c) An analysis of the cash flows of the discontinued operations:  
For the years ended 31 December 2012 and 2011

	2012 RMB'000	2011 RMB'000
Chip type electronic components operation:		
Net cash outflow from operating activities	<b>(23,610)</b>	(7,108)
Net cash outflow from investing activities	<b>(1,156)</b>	(1,372)
Net cash (outflow)/inflow from financing activities	<b>(17,186)</b>	14,638
Net cash (outflow)/inflow	<b>(41,952)</b>	6,158
Aluminum electrolytic capacitors operation in Southern China:		
Net cash (outflow)/inflow from operating activities	<b>(3,287)</b>	19,282
Net cash outflow from investing activities	<b>(1,257)</b>	(5,992)
Net cash outflow from financing activities	<b>-</b>	(4,483)
Net cash (outflow)/inflow	<b>(4,544)</b>	8,807



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

## 11. DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

Name of director	Fees RMB'000	Salaries RMB'000	Discretionary bonuses RMB'000	Share- based payments RMB'000	Other benefits RMB'000	Retirement scheme contributions RMB'000	2012 RMB'000
<b>Executive directors</b>							
Li Wing Sang	292	975	-	-	-	11	1,278
Yan Qixu (resigned on 1 September 2012)	-	290	-	-	-	-	290
Liu Xinsheng	292	-	-	-	-	-	292
Chiu Chi Hong	292	779	-	-	-	11	1,082
<b>Independent non-executive directors</b>							
Tam Tak Wah	146	-	-	-	-	-	146
Ng Wai Hung	146	-	-	-	-	-	146
Lau Wan Cheung	146	-	-	-	-	-	146
	<b>1,314</b>	<b>2,044</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>22</b>	<b>3,380</b>

Name of director	Fees RMB'000	Salaries RMB'000	Discretionary bonuses RMB'000	Share- based payments RMB'000	Other benefits RMB'000	Retirement scheme contributions RMB'000	2011 RMB'000
<b>Executive directors</b>							
Li Wing Sang	199	597	-	-	-	7	803
Yan Qixu	-	295	-	-	-	-	295
Liu Xinsheng	-	115	-	-	-	-	115
Chiu Chi Hong (appointed on 11 July 2011)	94	249	-	-	-	4	347
Xiang Xiaoqin (resigned on 1 March 2011)	-	-	-	-	-	-	-
Kuang Lihau (resigned on 15 February 2011)	-	-	-	-	-	-	-
<b>Independent non-executive directors</b>							
Tam Tak Wah (appointed on 7 January 2011)	98	-	-	-	-	-	98
Ng Wai Hung (appointed on 8 April 2011)	73	-	-	-	-	-	73
Lau Wan Cheung (appointed on 8 June 2011)	56	-	-	-	-	-	56
Lin Sufen (resigned on 8 June 2011)	25	-	-	-	-	-	25
Xu Kangning (resigned on 8 June 2011)	25	-	-	-	-	-	25
Wong Chun Hung (resigned on 7 January 2011)	-	-	-	-	-	-	-
	<b>570</b>	<b>1,256</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11</b>	<b>1,837</b>

During both years, no emoluments were paid by the Group to any of the directors or the five highest paid individuals (note 12) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any emoluments during both years.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

### 12. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, four (2011: three) are directors of the Company whose emoluments are disclosed in note 11. The emoluments payable to the remaining one (2011: two) individuals are as follows:

	2012 RMB'000	2011 RMB'000
Salaries, allowances and other benefits	408	234
Contributions to retirement benefit schemes	11	12
	<b>419</b>	246

The emoluments of the individuals with the highest emoluments fell within the band of Nil to HK\$1,000,000 (equivalent to approximately RMB812,000) (2011: Nil to HK\$1,000,000 (equivalent to approximately RMB829,000)).

### 13. LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated loss attributable to the owners of the Company includes a loss of RMB82,869,000 (2011: RMB48,431,000) which has been dealt with in the financial statements of the Company.

### 14. DIVIDEND

No dividend was paid or proposed during the year, nor has any dividend been proposed since 31 December 2012 (2011: Nil).

### 15. LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to owners of the Company of RMB119,675,000 (2011 (restated): RMB48,779,000) and the weighted average number of 1,056,125,412 (2011: 871,926,030) ordinary shares in issue during the year, calculated as follows:

#### Loss attributable to owners of the Company

	2012 RMB'000	2011 RMB'000 (Restated)
From continuing operations	114,151	41,898
From discontinued operations	5,524	6,881
	<b>119,675</b>	48,779

#### Weighted average number of shares

	2012 Number of shares	2011 Number of shares
Shares issued at 1 January	1,027,000,000	750,000,000
Effect of shares issued on acquisition of subsidiaries	–	113,726,028
Effect of conversion of convertible notes	3,654,181	–
Effect of exercise of unlisted warrants	25,471,231	8,200,002
Weighted average number of shares in issue	<b>1,056,125,412</b>	871,926,030

The computation of diluted loss per share does not assume the conversion of the Company's outstanding convertible notes and unlisted warrants as their exercise would result in a decrease in loss per share. Therefore, the diluted loss per share was the same as the basic loss per share for the years ended 31 December 2012 and 2011.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

## 16. PROPERTY, PLANT AND EQUIPMENT

### The Group

	Buildings RMB'000	Plant and machinery RMB'000	Furniture and office equipment RMB'000	Electronic equipment RMB'000	Motor vehicles RMB'000	Leasehold improvement RMB'000	Construction in progress RMB'000	Total RMB'000
<b>Cost</b>								
At 1 January 2011	58,254	195,744	12,087	8,360	3,720	-	270	278,435
Acquisition of subsidiaries (note 38)	-	38,662	148	-	495	42	1,652	40,999
Additions	3	25,276	822	921	5,018	766	59,952	92,758
Disposals	-	(802)	-	-	(65)	-	-	(867)
Reclassification	1,155	22,971	1,738	-	(54)	-	(25,810)	-
Exchange adjustments	-	(18)	(2)	-	-	(18)	(41)	(79)
At 31 December 2011 and at 1 January 2012	<b>59,412</b>	<b>281,833</b>	<b>14,793</b>	<b>9,281</b>	<b>9,114</b>	<b>790</b>	<b>36,023</b>	<b>411,246</b>
Additions	<b>955</b>	<b>15,224</b>	<b>1,168</b>	<b>2,921</b>	<b>198</b>	<b>1,937</b>	<b>539</b>	<b>22,942</b>
Disposals	-	(2,064)	-	(45)	-	(42)	-	(2,151)
Reclassification	<b>3,003</b>	<b>10,203</b>	-	-	-	-	(13,206)	-
Exchange adjustments	-	-	(3)	-	-	(8)	-	(11)
Disposal of subsidiaries	(15,170)	(40,839)	(8,279)	-	(5,041)	-	-	(69,329)
At 31 December 2012	<b>48,200</b>	<b>264,357</b>	<b>7,679</b>	<b>12,157</b>	<b>4,271</b>	<b>2,677</b>	<b>23,356</b>	<b>362,697</b>
<b>Accumulated depreciation</b>								
At 1 January 2011	5,729	73,755	2,894	3,803	1,466	-	-	87,647
Charge for the year	2,812	21,796	2,185	954	1,051	46	-	28,844
Written back on disposal	-	(387)	-	-	(5)	-	-	(392)
Exchange adjustments	-	-	-	-	-	(1)	-	(1)
At 31 December 2011 and at 1 January 2012	<b>8,541</b>	<b>95,164</b>	<b>5,079</b>	<b>4,757</b>	<b>2,512</b>	<b>45</b>	-	<b>116,098</b>
Charge for the year	<b>2,977</b>	<b>26,187</b>	<b>2,695</b>	<b>1,499</b>	<b>1,272</b>	<b>288</b>	-	<b>34,918</b>
Written back on disposal	-	(677)	-	-	-	(11)	-	(688)
Exchange adjustments	-	-	-	(40)	-	(2)	-	(42)
Disposal of subsidiaries	(1,803)	(16,321)	(4,335)	-	(1,820)	-	-	(24,279)
At 31 December 2012	<b>9,715</b>	<b>104,353</b>	<b>3,439</b>	<b>6,216</b>	<b>1,964</b>	<b>320</b>	-	<b>126,007</b>
<b>Carrying amount</b>								
At 31 December 2012	<b>38,485</b>	<b>160,004</b>	<b>4,240</b>	<b>5,941</b>	<b>2,307</b>	<b>2,357</b>	<b>23,356</b>	<b>236,690</b>
At 31 December 2011	50,871	186,669	9,714	4,524	6,602	745	36,023	295,148

Notes:

- All of the Group's buildings and plant and machinery are located in the PRC. The carrying amount of the properties of the Group comprises buildings on land under medium-term leases in the PRC.
- At 31 December 2012, certain buildings and plant and machinery with an aggregate carrying amount of RMB31,170,000 (2011: RMB12,826,000) were pledged as security to a bank for a bank loan and banking facilities granted to the Group (note 40).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

## 17. LEASE PREPAYMENTS

	<b>The Group</b> <b>2012</b> <b>RMB'000</b>	2011 RMB'000
<b>Cost</b>		
At 1 January	<b>19,659</b>	19,659
Disposal of subsidiaries	<b>(15,500)</b>	–
At 31 December	<b>4,159</b>	19,659
<b>Accumulated amortisation</b>		
At 1 January	<b>741</b>	340
Charge of the year	<b>401</b>	401
Disposal of subsidiaries	<b>(742)</b>	–
At 31 December	<b>400</b>	741
<b>Carrying amount</b>		
At 31 December	<b>3,759</b>	18,918
<b>Analysed as:</b>		
Current portion	<b>83</b>	401
Non-current portion	<b>3,676</b>	18,517
	<b>3,759</b>	18,918

Notes:

- (a) Lease prepayments represent payments for land use rights of the medium-term leasehold lands in the PRC, which have remaining terms ranging from 40 to 45 years as at 31 December 2012.
- (b) Lease prepayments with carrying amount of nil (2011: RMB2,642,000) were pledged to a bank as security for a bank loan granted to the Group (note 40).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

## 18. GOODWILL

	<b>The Group</b>	2011
	<b>RMB'000</b>	RMB'000
		(note)
		(Restated)
<b>Cost</b>		
At 1 January	<b>372,627</b>	–
Arising from business combinations (note 38)	–	372,627
At 31 December	<b>372,627</b>	372,627
<b>Carrying amount of goodwill for following cash-generating units ("CGUs")</b>		
– Giga World Group (note 38(a))	<b>84,072</b>	84,072
– Shine Link Group (note 38(b))	<b>66,071</b>	66,071
– Kings Honor Group (note 38(c))	<b>89,701</b>	89,701
– Pacific King Group (note 38 (d))	<b>80,320</b>	80,320
– Starry View Group and Mega Wide Group (note 38(e))	<b>52,463</b>	52,463
At 31 December	<b>372,627</b>	372,627

Note: As detailed in note 38 (b)(iii), profit generated from Shine Link Group did not meet the guaranteed amount under the relevant sale and purchase agreement, and accordingly, the Group was entitled to receive the compensation from the vendor for the shortfall of RMB21,514,000 which was retrospectively adjusted against the provisional goodwill previously recognised for Shine Link Group at the date of acquisition in 2011.

### Impairment test for cash-generating units containing goodwill

The recoverable amounts of the CGUs above are determined based on value-in-use calculations as of the end of the reporting period by Peak Vision Appraisals Limited ("Peak Vision"), a firm of independent professional valuers. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. The cash flows beyond the five-year period are extrapolated using a steady growth rate of 2.87% (2011: 2.5%), which is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the business in which the CGU operates. The appraiser estimates the discount rates as presented below, using the Capital Assets Pricing Model based on stock prices of certain comparable companies listed on the Stock Exchange, plus a risk premium to reflect the specific risk of the individual CGUs. The discount rates used are pre-tax and reflect specific risks relating to the individual CGUs.

	<b>Pre-tax discount rate</b>	<b>Growth rate beyond 5 years</b>
Giga World Group	19.21%	2.87%
Shine Link Group	22.10%	2.87%
Kings Honor Group	18.76%	2.87%
Pacific King Group	18.33%	2.87%
Starry View Group	18.34%	2.87%
Mega Wide Group	21.24%	2.87%

At 31 December 2012, the recoverable amounts of these CGUs are higher than their carrying amounts with reference to the valuations. Accordingly, no impairment loss on goodwill is required at the end of the reporting period. Management believes any reasonable possible change in the key assumptions on which the recoverable amounts are based would not cause their recoverable amounts to be less than their carrying amounts.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

## 19. OTHER INTANGIBLE ASSETS

### The Group

	Customer relationships RMB'000	Patents RMB'000	Trademarks RMB'000	Total RMB'000
<b>Cost</b>				
At 1 January 2011	–	–	–	–
Acquired on acquisition of subsidiaries (note 38)	478,900	243,300	50,000	772,200
At 31 December 2011 and 2012	<b>478,900</b>	<b>243,300</b>	<b>50,000</b>	<b>772,200</b>
<b>Accumulated amortisation</b>				
At 1 January 2011	–	–	–	–
Charge for the year	20,614	21,166	416	42,196
At 31 December 2011 and 1 January 2012	<b>20,614</b>	<b>21,166</b>	<b>416</b>	<b>42,196</b>
Charge for the year	<b>34,207</b>	<b>32,173</b>	<b>5,000</b>	<b>71,380</b>
At 31 December 2012	<b>54,821</b>	<b>53,339</b>	<b>5,416</b>	<b>113,576</b>
<b>Carrying amount</b>				
At 31 December 2012	<b>424,079</b>	<b>189,961</b>	<b>44,584</b>	<b>658,624</b>
At 31 December 2011	458,286	222,134	49,584	730,004

The Group's other intangible assets arose from the acquisition of subsidiaries during the year ended 31 December 2011 as referred to in note 38 and were revalued as of the completion dates of acquisitions and at 31 December 2012 by Peak Vision, an independent firm of professional and qualified valuers.

The recoverable amounts of the Group's other intangible assets are individually determined as individual CGUs based on value-in-use calculations as of the end of the reporting period. These calculations individually use cash flow projections based on financial budgets approved by the management covering a five-year period. The cash flows beyond the five-year period are extrapolated using a steady growth rate of 2.87% (2011: 2.5%), which is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the business in which the Group's other intangible assets belong to. The appraiser estimates the discount rates as presented below, using the Capital Assets Pricing Model based on stock prices of certain comparable companies listed on the Stock Exchange, plus a risk premium to reflect the specific risk of the Group's other intangible assets.

	Pre-tax discount rate	Growth rate beyond 5 years
Customer relationships	22.22% to 27.84%	2.87%
Patents	24.38% to 33.65%	2.87%
Trademarks	19.29%	2.87%

Based on the assessments on the recoverable amount of each of the other intangible assets as at 31 December 2012, no impairment on other intangible assets was required.

Customer relationships, patents and trademarks have finite useful lives and are amortised on a straight-line basis over their contractual periods as follows:

Customer relationships	14 years
Patents	5.22 to 10 years
Trademarks	10 years

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

## 20. INVESTMENTS IN SUBSIDIARIES

	The Company 2012 RMB'000	2011 RMB'000
At cost		
Unlisted shares	<b>176,218</b>	238,071
Equity loan to a subsidiary (note a)	<b>759,382</b>	801,623
	<b>935,600</b>	1,039,694
Less: Impairment loss (note b)	<b>(43,725)</b>	(16,500)
Investments in subsidiaries, net	<b>891,875</b>	1,023,194

Notes:

- (a) The equity loan to a subsidiary is accounted for, in substance, as equity contribution by the Company to provide for capital of this subsidiary as it will not be demanded for repayment.
- (b) An allowance for the Company's investment in a directly wholly-owned subsidiary, Huawei Group Holdings Limited, of RMB43,725,000 (2011: RMB16,500,000) was recognised as at 31 December 2012 because the estimated recoverable amount of interest in the subsidiary, determined with reference to the net asset of that subsidiary at the end of the reporting period, was estimated to be less than its carrying amount.
- (c) The following list contains the particulars of subsidiaries of the Group as at 31 December 2012. The class of shares held is ordinary, unless otherwise stated.

Name	Place of incorporation/ establishment and operation	Issued and fully paid share capital/ registered capital	Percentage of issued/registered capital held by the Company		Principal activities
			Direct %	Indirect %	
Blue Saint Enterprises Limited*	BVI	US\$1	–	100	Inactive
常州華威電子有限公司* Changzhou Huawei Electronics Company Limited ("Changzhou Huawei") (note i)	PRC	US\$3,070,000	–	100	Manufacture and sale of aluminum electrolytic capacitors
常州華威電容器有限公司* Changzhou Huawei Capacitors Company Limited ("Huawei Capacitors") (note i)	PRC	US\$2,100,000	–	100	Trading of aluminum electrolytic capacitors
Energy First International Limited	BVI	US\$10,000	–	100	Investment holding
Hai Ji Wei Company Limited*	Hong Kong	HK\$1	–	100	Inactive
He Yue Company Limited*	BVI	US\$0.01	–	100	Investment holding
He Yue Development Company Limited* (note iii)	BVI	US\$0.01	–	100	Inactive
Huawei Group Holdings Limited	BVI	US\$0.02	100	–	Investment holding
SunTech Holdings Limited	BVI	US\$10,000	100	–	Investment holding
SunTech Resources Group Company Limited	BVI	US\$10,000	–	100	Investment holding
SunTech Resources International Company Limited	Hong Kong	HK\$10,000	–	100	Provision of administrative services
四川石棉華瑞電子有限公司* Sichuan Shimian Huarui Electronics Company Limited (note i)	PRC	RMB50,000,000	–	100	Manufacture and sale of aluminum electrolytic capacitors
Giga-World Industry Company Limited	Hong Kong	HK\$2,500,000	–	50	Investment holding

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

## 20. INVESTMENTS IN SUBSIDIARIES (Continued)

(c) (Continued)

Name	Place of incorporation/ establishment and operation	Issued and fully paid share capital/ registered capital	Percentage of issued/registered capital held by the Company		Principal activities
			Direct %	Indirect %	
深圳風光新能源有限公司 Shenzhen Wind and Solar New Energy Company Limited (note i)	PRC	HK\$38,000,000	–	50	Manufacture and sale of LED lighting
Shine Link Technology Limited	BVI	US\$10,000	–	100	Investment holding
U Young Technology Holdings Limited	Hong Kong	HK\$10,000	–	70	Investment holding and trading of LED lighting
尤陽(廈門)光電科技有限公司 U Young (Xiamen) Technology Company Limited (note i)	PRC	US\$2,100,000	–	70	Manufacture and sale of LED lighting
Kings Honor Technology Limited	BVI	US\$10,000	–	60	Investment holding
Wei Guang Holdings Limited	Hong Kong	HK\$10,000	–	60	Investment holding and trading of LED lighting
江西藍田偉光科技有限公司 Jiangxi Lantian Wei Guang Technology Company Limited (note i)	PRC	HK\$10,000,000	–	57	Manufacture and sale of LED lighting
Pacific King Technology Limited	BVI	US\$10,000	–	60	Investment holding
Da Zhen (Hong Kong) Holdings Limited	Hong Kong	HK\$1	–	60	Investment holding and trading of LED lighting
深圳市崇正電子科技有限公司 Shenzhen Chong Zhen Electronics Technology Company Limited (note i)	PRC	HK\$10,000,000	–	60	Manufacture and sale of LED lighting
Starry View Investments Limited	BVI	US\$10,000	–	100	Investment holding
Light Resource Environment Company Limited	Hong Kong	HK\$10,000	–	100	Investment holding and trading of LED lighting
Light Resource Environment Limited (note ii)	Macau	MOP\$100,000	–	65	Inactive
Meeting (Hong Kong) Holdings Limited	Hong Kong	HK\$10,000	–	60	Investment holding
Mega Wide Investments Limited	BVI	US\$10,000	–	100	Investment holding
Tecdoa Limited	Hong Kong	HK\$10,000	–	70	Investment holding and trading of LED lighting
Tecdoa Energy S.A.(note ii)	Spain	EUR15,000	–	70	Provision of energy efficiency services and trading of LED lighting

\* These entities are subsidiaries of Huawei Group Holdings Limited, a directly wholly-owned subsidiary of the Company.

Notes:

- (i) These entities are wholly-owned foreign enterprises established in the PRC.
- (ii) This entity is a limited liability company.
- (iii) Incorporated during the year ended 31 December 2012.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

## 21. INVENTORIES

	The Group 2012 RMB'000	2011 RMB'000
Raw materials	26,992	38,194
Work-in-progress	15,557	41,121
Finished goods	90,116	166,619
	<b>132,665</b>	245,934

The analysis of the amount of inventories recognised as expenses for the continuing operations is as follows:

	The Group 2012 RMB'000	2011 RMB'000
Carrying amount of inventories sold	511,619	216,108
Write-down of inventories	21,971	–
	<b>533,590</b>	216,108

The amount of inventories from aluminum electrolytic capacitors segment, which are damaged and/or obsolete, expected not to be recovered within one year is RMB21,971,000 which has been fully impaired. All of the other inventories are expected to be recovered within one year.

In 2011, the reversal of previous write-down of inventories of RMB14,305,000 were credited to cost of sales when these inventories were sold during the year ended 31 December 2011.

## 22. TRADE AND BILLS RECEIVABLES

	The Group 2012 RMB'000	2011 RMB'000
Trade receivables	352,621	159,108
Less: Allowance for doubtful debts	(20,043)	(19,183)
	<b>332,578</b>	139,925
Bills receivables	5,313	28,664
	<b>337,891</b>	168,589

All of the trade and bills receivables are expected to be recovered within one year.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

### 22. TRADE AND BILLS RECEIVABLES (Continued)

(a) **Aging analysis**

Aging analysis of trade and bills receivables based on the invoiced date as of the end of the reporting period is as follows:

	<b>The Group</b> <b>2012</b> <b>RMB'000</b>	2011 RMB'000
0-30 days	<b>98,521</b>	69,897
31-90 days	<b>123,836</b>	49,765
91-180 days	<b>88,536</b>	29,231
181-365 days	<b>23,944</b>	9,253
Over 365 days	<b>23,097</b>	29,626
	<b>357,934</b>	187,772
Less: Allowance for doubtful debts	<b>(20,043)</b>	(19,183)
	<b>337,891</b>	168,589

The Group normally grants a normal credit period of 30 to 180 days to its customers. For the sales of aluminum electrolytic capacitors business, because of the industry nature in the PRC, certain well-established customers who have strong financial strength, good repayment history and creditworthiness, the credit periods are extended beyond 180 days. Each customer of the Group has a maximum credit limit.

(b) **Impairment on trade receivables**

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly.

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

	<b>The Group</b> <b>2012</b> <b>RMB'000</b>	2011 RMB'000
At 1 January	<b>19,183</b>	17,582
Disposal of subsidiaries	<b>(120)</b>	-
Reversal of impairment	<b>(4,631)</b>	(4,322)
Impairment recognised	<b>5,611</b>	5,923
Net charge to profit or loss	<b>980</b>	1,601
At 31 December	<b>20,043</b>	19,183

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

### 22. TRADE AND BILLS RECEIVABLES (Continued)

(b) Impairment on trade receivables (Continued)

	The Group 2012 RMB'000	2011 RMB'000 (Restated)
Analysis of allowance for doubtful debts at reporting period end:		
– Continuing operations	<b>20,043</b>	17,844
– Discontinued operations	–	1,339
	<b>20,043</b>	19,183

As at 31 December 2012, trade receivables of the Group amounted to RMB20,043,000 (2011: RMB19,183,000) were individually determined to be impaired and full allowance for impairment had been made. These individually impaired receivables were outstanding over 365 days as at the end of the reporting period, taking into account of creditworthiness, past payment history and subsequent settlement of each customer up to date of approval of the financial statements. Accordingly, allowance for doubtful debts of RMB5,611,000 (2011: RMB5,923,000) was recognised during the year.

No cash deposit or collateral had been placed by the related trade debtors with the Group (2011: Nil).

(c) Trade and bills receivables that are not impaired

The aging analysis of trade and bills receivables based on the due date that are neither individually nor collectively considered to be impaired are as follows:

	The Group 2012 RMB'000	2011 RMB'000
Neither past due nor impaired	<b>310,894</b>	147,252
1-180 days	<b>23,944</b>	8,455
Over 180 days	<b>3,053</b>	12,882
	<b>337,891</b>	168,589

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

Receivables that were past due but not impaired relate to a number of independent 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 as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

## 23. OTHER RECEIVABLES AND PREPAYMENTS

	<b>The Group</b> <b>2012</b> <b>RMB'000</b>	2011 RMB'000 (Restated)	<b>The Company</b> <b>2012</b> <b>RMB'000</b>	2011 RMB'000
Other receivables and prepayments	<b>50,705</b>	12,159	<b>38</b>	60
Refundable deposit for terminated proposed investments	–	5,672	–	–
Temporary loan to a supplier (note a)	<b>6,529</b>	11,800	–	–
Amounts due from non-controlling interests	<b>2,035</b>	106	–	–
Amount due from a related party	–	11,731	–	–
Consultancy fee receivable	–	5,040	–	–
Fair value of contingent negative consideration under profit guarantee clause (note 38(a) & (b)(ii))	–	42,241	–	–
	<b>59,269</b>	88,749	<b>38</b>	60
Less: Allowance for doubtful debts (note b)	<b>(250)</b>	(250)	–	–
	<b>59,019</b>	88,499	<b>38</b>	60
Payments in advance to suppliers	<b>3,438</b>	3,156	–	–
Value-added tax refundable	<b>6,866</b>	5,093	–	–
	<b>69,323</b>	96,748	<b>38</b>	60

Notes:

- (a) Temporary loan to a supplier is unsecured, interest bearing at 5.31% (2011: 6.88%) per annum and repayable on 28 September 2012 and subsequently extended to 28 March 2013. Subsequent to 31 December 2012, RMB4,740,000 was repaid by the supplier.
- (b) At 31 December 2012 and 2011, other receivables of the Group amounted to RMB250,000 (2011: RMB250,000) were individually determined to be impaired and full allowance for impairment had been provided. These individually impaired receivables were in financial difficulties. In the opinion of the directors of the Company, the recoverability of the balances was remote and full allowance for impairment was made at the end of the reporting period.

## 24. SHORT-TERM INVESTMENT

Short-term investment represented investment in a quoted fund managed by a bank in the PRC and was carried at fair value through profit or loss.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

### 25. CASH AND BANK BALANCES AND RESTRICTED BANK DEPOSITS

	<b>The Group</b> <b>2012</b> <b>RMB'000</b>	2011 RMB'000	<b>The Company</b> <b>2012</b> <b>RMB'000</b>	2011 RMB'000
Cash at banks	<b>64,688</b>	29,571	<b>27,904</b>	6,198
Cash in hand	<b>428</b>	878	–	–
Cash at banks and in hand	<b>65,116</b>	30,449	<b>27,904</b>	6,198
Cash and cash equivalents in the consolidated statement of cash flows	<b>65,116</b>	30,449	<b>27,904</b>	6,198
Restricted bank deposits (note b)	<b>42,504</b>	67,702	–	–
	<b>107,620</b>	98,151	<b>27,904</b>	6,198

Notes:

- (a) The restricted bank deposits were denominated in Renminbi and Hong Kong Dollar. The interest rate on cash at banks and time deposits as at 31 December 2012 ranged from 0.001% to 0.35% (2011: 0.001% to 0.5%) per annum.
- (b) The restricted bank deposits of RMB42,504,000 (2011: RMB67,702,000) were pledged as security for issuing bills payables to suppliers (note 26) and bank loans granted to the Group (note 28(a)), respectively. The effective average interest rate on the restricted bank deposits ranged from 3.05% to 3.30% (2011: 1.62%) per annum.

### 26. TRADE AND BILLS PAYABLES

	<b>The Group</b> <b>2012</b> <b>RMB'000</b>	2011 RMB'000
Trade payables	<b>122,662</b>	74,676
Bills payables	<b>60,010</b>	147,680
	<b>182,672</b>	222,356

All of the trade and bills payables are expected to be settled within one year. Bills payables as at 31 December 2012 and 2011 were secured by restricted bank deposits (note 25(b)).

Aging analysis of trade payables based on the invoice date and bills payables based on the issuance date of relevant bills as of the end of the reporting period is as follows:

	<b>The Group</b> <b>2012</b> <b>RMB'000</b>	2011 RMB'000
0-30 days	<b>21,862</b>	27,863
31-90 days	<b>118,383</b>	97,360
91-365 days	<b>42,293</b>	96,197
Over 365 days	<b>134</b>	936
	<b>182,672</b>	222,356

The credit terms granted by suppliers are generally for a period of 30 to 90 days, computing from the end of the month of the relevant purchase.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

### 27. OTHER PAYABLES AND ACCRUALS

	The Group		The Company	
	2012	2011	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Salaries and welfare payable	<b>5,690</b>	5,522	-	-
Amount payable for property, plant and equipment	<b>7,699</b>	21,648	-	-
Accrued audit fees	<b>2,873</b>	1,116	<b>40</b>	1,116
Dividend payable to former shareholder of a subsidiary	-	10,290	-	-
Others	<b>17,532</b>	20,540	<b>765</b>	1,207
Financial liabilities measured at amortised cost	<b>33,794</b>	59,116	<b>805</b>	2,323
Value-added tax payable	<b>8,481</b>	2,115	-	-
Receipts in advance	<b>21,600</b>	12,696	-	-
	<b>63,875</b>	73,927	<b>805</b>	2,323

All of the other payables and accruals are expected to be settled within one year. Accrued audit fee for 2011 was fully settled before the auditor commenced audit work for the current year.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

## 28. BANK LOANS

At 31 December 2012, the bank loans of the Group were secured as follows:

	The Group 2012 RMB'000	2011 RMB'000
Bank loans		
– Secured (note a)	<b>70,148</b>	45,000
– Unsecured (note b)	<b>215,155</b>	178,963
	<b>285,303</b>	223,963

Notes:

- (a) At 31 December 2012, bank loans of RMB70,148,000 (2011: RMB45,000,000) were secured on the properties of a related company and a guarantee provided by that related company. The bank loans bear interest at rates ranging from 1.73% to 9.18% (2011: 6.31% to 8.3%) per annum.
- (b) At 31 December 2012, the Group's unsecured bank loans of RMB215,155,000 (2011: RMB178,963,000) were guaranteed by one subsidiary, Huawei Capacitors and guarantees provided by Mr. Yan Qixu and Ms Xiang Xiaoqin, directors of this subsidiary.

## 29. PROMISSORY NOTES PAYABLE

	The Group and The Company 2012 RMB'000	2011 RMB'000
Promissory notes payable to:		
– Action Victory Limited (note a)	–	7,372
– Sandtac Limited (note b)	–	7,074
– Pride Energy Enterprises Limited (note c)	–	25,259
– Supreme Creation Limited (note d)	–	7,067
– Yorken Group Limited (note e)	<b>15,145</b>	14,012
	<b>15,145</b>	60,784
Analysed as:		
Current	<b>15,145</b>	534
Non-current	–	60,250
	<b>15,145</b>	60,784

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

## 29. PROMISSORY NOTES PAYABLE (Continued)

Notes:

- (a) On 31 January 2011, the Group issued promissory note with a principal value of HK\$20,000,000 as part of the consideration for the acquisition as disclosed in note 38 (a) to these financial statements. The promissory note is unsecured, interest-free and repayable on 30 January 2013. The fair value of promissory note was determined at HK\$16,790,000 (equivalent to approximately RMB14,233,000) on 31 January 2011 by reference to the valuation performed by an independent firm of professional valuers, Norton Appraisals Limited ("Norton"). The effective interest rate is 9.13% per annum. The promissory note is carried at amortised cost basis.

During the year ended 31 December 2012, the Group early repaid the promissory note with a nominal value of HK\$10,000,000 (2011: HK\$10,000,000). A loss of RMB650,000 (2011: RMB1,105,000) on early redemption is recognised in profit or loss for the year ended 31 December 2012.

Movements of the promissory note for the two years ended 31 December 2011 and 2012 are as follows:

	RMB'000
Issue on acquisition of subsidiaries (note 38(a))	14,233
Imputed interest charged	799
Early redemption	(8,221)
Loss on early redemption	1,105
Exchange adjustments	(544)
At 31 December 2011 and 1 January 2012	<b>7,372</b>
Imputed interest charged	<b>82</b>
Early redemption	<b>(8,121)</b>
Loss on early redemption	<b>650</b>
Exchange adjustments	<b>17</b>
At 31 December 2012	-

- (b) On 5 July 2011, the Group issued promissory note with a principal value of HK\$20,000,000 as part of the consideration for the acquisition as disclosed in note 38 (b) to these financial statements. The promissory note is unsecured, interest-free and repayable on 4 July 2013. The fair value of promissory note was determined at HK\$16,680,000 (equivalent to approximately RMB13,873,000) on 5 July 2011 by reference to the valuation performed by an independent firm of professional valuers, Norton. The effective interest rate is 9.49% per annum. The promissory note is carried at amortised cost basis.

During the year ended 31 December 2012, the Group early repaid the promissory note with a nominal value of HK\$10,000,000 (2011: HK\$10,000,000). A loss of RMB940,000 (2011: RMB1,055,000) on early redemption is recognised in profit or loss for the year ended 31 December 2012.

Movements of the promissory note for the two years ended 31 December 2011 and 2012 are as follows:

	RMB'000
Issue on acquisition of subsidiaries (note 38(b))	13,873
Imputed interest charged	625
Early redemption	(8,140)
Loss on early redemption	1,055
Exchange adjustments	(339)
At 31 December 2011 and 1 January 2012	<b>7,074</b>
Imputed interest charged	<b>91</b>
Early redemption	<b>(8,120)</b>
Loss on early redemption	<b>940</b>
Exchange adjustments	<b>15</b>
At 31 December 2012	-



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

## 29. PROMISSORY NOTES PAYABLE (Continued)

Notes: (Continued)

- (c) On 20 July 2011, the Group issued promissory note with a principal value of HK\$40,000,000 as part of the consideration for the acquisition as disclosed in note 38 (c) to these financial statements. The promissory note is unsecured, with interest rate 1% per annum and repayable on 19 July 2013. The fair value of promissory note was determined at HK\$34,160,000 (equivalent to approximately RMB28,322,000) on 20 July 2011 by reference to the valuation performed by an independent firm of professional valuers, Norton. The effective interest rate is 9.49% per annum. The promissory note is carried at amortised cost basis.

During the year ended 31 December 2012, the Group early repaid the promissory note with a nominal value of HK\$35,000,000 (2011: HK\$5,000,000). A loss of RMB3,051,000 (2011: RMB465,000) on early redemption is recognised in profit or loss for the year ended 31 December 2012.

Movements of the promissory note for the two years ended 31 December 2011 and 2012 are as follows:

	RMB'000
Issue on acquisition of subsidiaries (note 38 (c))	28,322
Imputed interest charged	1,195
Early redemption	(4,072)
Loss on early redemption	465
Exchange adjustments	(651)
<b>At 31 December 2011 and 1 January 2012</b>	<b>25,259</b>
Imputed interest charged	229
Payment for early redemption	<b>(28,600)</b>
Loss on early redemption	<b>3,051</b>
Exchange adjustments	<b>61</b>
<b>At 31 December 2012</b>	<b>-</b>

- (d) On 31 October 2011, the Group issued promissory note with a principal value of HK\$10,000,000 as part of the consideration for the acquisition as disclosed in note 38 (d) to these financial statements. The promissory note is unsecured, with interest rate 1% per annum and repayable on 30 October 2013. The fair value of promissory note was determined at HK\$8,581,000 (equivalent to approximately RMB7,030,000) on 31 October 2011 by reference to the valuation performed by an independent firm of professional valuers, Peak Vision. The effective interest rate is 9.06% per annum. The promissory note is carried at amortised cost basis.

During the year ended 31 December 2012, the Group early repaid the promissory note with a nominal value of HK\$10,000,000 (2011: Nil). A loss of RMB959,000 on (2011: Nil) early redemption is recognised in profit or loss for the year ended 31 December 2012.

Movements of the promissory note for the two years ended 31 December 2011 and 2012 are as follows:

	RMB'000
Issue on acquisition of subsidiaries (note 38(d))	7,030
Imputed interest charged	116
Exchange adjustments	(79)
<b>At 31 December 2011 and 1 January 2012</b>	<b>7,067</b>
Imputed interest charged	<b>108</b>
Early redemption	<b>(8,139)</b>
Loss on early redemption	<b>959</b>
Exchange adjustments	<b>5</b>
<b>At 31 December 2012</b>	<b>-</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

## 29. PROMISSORY NOTES PAYABLE (Continued)

Notes: (Continued)

- (e) On 30 November 2011, the Group issued promissory note with a principal value of HK\$20,000,000 as part of the consideration for the acquisition as disclosed in note 38 (e) to these financial statements. The promissory note is unsecured, with interest rate 1% per annum and repayable on 29 November 2013. The fair value of promissory note was determined at HK\$17,147,000 (equivalent to approximately RMB14,055,000) on 30 November 2011 by reference to the valuation performed by an independent firm of professional valuers, Peak Vision. The effective interest rate is 9.11% per annum. The promissory note is carried at amortised cost basis.

Movements of the promissory note for the two years ended 31 December 2011 and 2012 are as follows:

	RMB'000
Issue on acquisition of subsidiaries (note 38(e))	14,055
Imputed interest charged	121
Exchange adjustments	(164)
At 31 December 2011 and 1 January 2012	<b>14,012</b>
Imputed interest charged	<b>1,288</b>
Exchange adjustments	<b>(155)</b>
At 31 December 2012	<b>15,145</b>

## 30. CONVERTIBLE NOTES

On 25 May 2011, the Company issued RMB84,000,000 10% coupon rate convertible notes with principal amount of RMB84,000,000. The convertible notes are convertible at the option of the note holder into ordinary shares of the Company on or before 25 May 2013 at a conversion price of HK\$1.95 per share (subject to adjustments). If the convertible right is not exercised by the note holder, the convertible note will be redeemed on 24 May 2013 at the principle amount together with interest accrued on that date. Interest will be paid annually with the interest payment date falling on 24 May 2012 and 2013. The interest accrued up to 31 December 2011 was classified as current liabilities as at 31 December 2011. The convertible notes are unsecured.

The convertible notes contain two components, liability component and embedded derivatives. The conversion option of the convertible notes will not result in settlement by the exchange of a fixed amount of cash for a fixed number of equity instrument i.e. ordinary shares of the Company. The embedded option is therefore separated from the host contract and accounted for as embedded derivatives carried at fair value through profit or loss. The fair value of the conversion option derivatives was determined by Norton, an independent firm of professional valuers, upon issuance, and are carried as financial liabilities which are measured at fair value, with changes in fair value recognised in profit or loss. The effective interest rate of the liability component is 36.53% per annum. The liability component is carried at amortised cost basis.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

## 30. CONVERTIBLE NOTES (Continued)

During the year ended 31 December 2012, convertible notes with principal amounts of RMB12,000,000 were converted into 7,678,000 ordinary shares of HK\$0.01 each of the Company at the conversion price of HK\$1.95 per share.

On 2 November 2012, the Company and holder of the entire outstanding convertible notes with the principal amount of RMB72,000,000 entered into an agreement pursuant to which, on 7 December 2012, all the outstanding convertible notes were extinguished at the consideration settled by the Company's issue of new unlisted bonds of 8% coupon rate with principal amount of RMB72,000,000 ("Bonds"), 89 "Tranche 1 Unlisted Warrants" which entitle their holders to subscribe for 29,666,637 ordinary shares of HK\$0.01 each of the Company at an exercise price of HK\$3.00 per share and 88 "Tranche 2 Unlisted Warrants" which entitle their holders to subscribe for 45,128,248 ordinary shares of HK\$0.01 of the Company at an exercise price of HK\$1.95 per share. At 7 December 2012, the fair value of the Bonds of RMB60,322,000, Tranche 1 Unlisted Warrants of HK\$40,161,000 (equivalent to approximately RMB32,281,000) and Tranche 2 Unlisted Warrants of HK\$62,377,000 (equivalent to approximately RMB50,139,000) were determined by an independent valuer, Peak Vision. Loss on extinguishment of convertible notes of RMB39,014,000 (2011: Nil) was recognised in the profit or loss for the year ended 31 December 2012.

The movement of the liability component and embedded derivatives of the convertible notes for the year is set out as follows:

	<b>The Group and The Company</b>		
	<b>Embedded derivatives</b>	<b>Liability component</b>	<b>Total</b>
	RMB'000	RMB'000	RMB'000
At 1 January 2011	–	–	–
Issue of convertible notes	28,316	55,684	84,000
Imputed interest charged to profit or loss	–	12,317	12,317
Change in fair value	33,577	–	33,577
<b>At 31 December 2011 and 1 January 2012</b>	<b>61,893</b>	<b>68,001</b>	<b>129,894</b>
Conversion into new ordinary shares	<b>(8,116)</b>	<b>(10,581)</b>	<b>(18,697)</b>
Imputed interest charged to profit or loss	–	<b>20,018</b>	<b>20,018</b>
Change in fair value	<b>(11,932)</b>	–	<b>(11,932)</b>
Repayment of interest	–	<b>(15,555)</b>	<b>(15,555)</b>
Carrying amount of convertible notes immediately before extinguishment	<b>41,845</b>	<b>61,883</b>	<b>103,728</b>
Fair value of financial instruments at issue date, for early extinguishment of convertible notes:			
– Bonds (note 31)			<b>(60,322)</b>
– Tranche 1 and Tranche 2 Unlisted Warrants (note 36(c) & (d))			<b>(82,420)</b>
Loss on extinguishment			<b>39,014</b>
At 31 December 2012			–

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

### 30. CONVERTIBLE NOTES (Continued)

The fair values of the embedded derivatives of convertible notes at date of extinguishment on 7 December 2012 and 31 December 2011 were determined by using an option pricing binomial model. The inputs into the model were as follows:

	At 7/12/2012	At 31/12/2011
Share price	HK\$2.90	HK\$2.97
Conversion price	HK\$1.95	HK\$1.95
Option life	0.46 years	1.4 years
Risk-free rate	2.80%	2.75%
Expected volatility	10.64%	55.78%
Expected dividend yield	Nil	Nil

### 31. BONDS PAYABLE

The unlisted bonds with principal amount of RMB72,000,000, which were issued on 7 December 2012 as part of the consideration for the extinguishment of convertible notes as referred to in note 30, are unsecured, bearing interest at the rate of coupon 8% per annum payable annually and will mature on 6 December 2017. The unlisted bonds are carried at amortised cost using the effective interest rate at 18.68% per annum.

The bondholder is granted with a put option ("Put Option"), upon serving a written notice by the bondholder to the Company to exercise the Put Option in accordance with the unlisted bond instrument, to require the Company to redeem the unlisted bonds in whole or in part at the principal amount, together with any accrued and unpaid interest in cash. The Put Option notice shall only be exercised by the bondholder at the date on the 24th or 36th or 48th calendar month of the issue date as stipulated in the unlisted bond instrument. In accordance with the unlisted bond instrument, the Company has a call option ("Call Option") to redeem the unlisted bonds in whole or in part at the principal amount, together with any accrued and unpaid interest thereon, at the date on the 24th or 36th or 48th calendar month of the issue date. Put Option and Call Option are not closely related to the host liability and is measured at fair value at the end of each reporting period with changes in fair value recognised in profit or loss. In the opinion of the directors of the Company, based on the professional valuation conducted by Peak Vision, the fair value of the Put Option (as an derivative financial liability at fair value through profit or loss) less Call Option (as a derivative financial asset at fair value through profit or loss), amounted to RMB11,995,000 at the issue date and RMB9,304,000 at 31 December 2012.

The movements of the liability and derivatives components of the unlisted bonds during the year are set out below:

	<b>The Group and The Company</b>		
	<b>Embedded derivatives at fair value through profit or loss RMB'000</b>	<b>Liability component at amortised cost basis RMB'000</b>	<b>Total RMB'000</b>
At 7 December 2012			
Issued upon extinguishment of convertible notes (note 30)	<b>11,995</b>	<b>48,327</b>	<b>60,322</b>
Interest charged to profit or loss	–	<b>712</b>	<b>712</b>
Change in fair value	<b>(2,691)</b>	–	<b>(2,691)</b>
At 31 December 2012	<b>9,304</b>	<b>49,039</b>	<b>58,343</b>
Analysed as:			
As non-current liabilities	9,304	48,327	57,631
As current liabilities	–	712	712
	9,304	49,039	58,343

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

## 32. INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION

### (a) Current taxation

	The Group 2012 RMB'000	2011 RMB'000
Provision for Hong Kong Profits Tax for the year	4,382	4,134
PRC Enterprise Income Tax		
– Provision for the year	10,270	3,274
– Provisional tax paid	(821)	(391)
– Balance of tax provision relating to prior years	2,620	–
	<b>16,451</b>	7,017
Represented by:		
Income tax recoverable	–	283
Income tax payable	<b>(16,451)</b>	(7,300)
	<b>(16,451)</b>	(7,017)

### (b) Deferred tax liabilities recognised

The components of deferred tax liabilities recognised in the consolidate statement of financial position and the movements during the year are as follows:

	The Group					Total
	Customer relationships RMB'000	Patents RMB'000	Trademarks RMB'000	Property, plant and equipment RMB'000	Withholding tax on unremitted earnings RMB'000	RMB'000
At 1 January 2011	–	–	–	3,345	1,898	5,243
Acquisition of subsidiaries	126,205	60,825	8,250	42	–	195,322
Credited to profit or loss (note 9(a) & 10(a))	(5,192)	(5,291)	(69)	(90)	–	(10,642)
At 31 December 2011 and 1 January 2012	<b>121,013</b>	<b>55,534</b>	<b>8,181</b>	<b>3,297</b>	<b>1,898</b>	<b>189,923</b>
Disposal of subsidiaries (note 39 (a))	–	–	–	(3,184)	(1,898)	(5,082)
Credited to profit or loss (note 9(a) & 10(a))	<b>(9,015)</b>	<b>(8,043)</b>	<b>(825)</b>	<b>(80)</b>	–	<b>(17,963)</b>
At 31 December 2012	<b>111,998</b>	<b>47,491</b>	<b>7,356</b>	<b>33</b>	–	<b>166,878</b>

### (c) Deferred tax assets or liabilities not recognised

At the end of the reporting period, the Group has unused tax losses of RMB19,977,000 (2011: RMB23,053,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profit streams of the relevant group entities. The unused tax losses expire at 31 December 2015.

Potential deferred tax assets arising from temporary differences on allowance for impairment on trade and other receivables of RMB5,073,000 (2011: RMB4,858,000) and write down of inventories of RMB5,493,000 (2011: 1,675,000) have not been recognised as it is uncertain that such assets will be crystallised in the foreseeable future.

### (d) Under the Enterprise Income Tax rules and regulations of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in profit or loss arising since 1 January 2008 because the Group is in a position to control the quantum and timing of the distribution thereof. Deferred taxation is only provided to the extent that such earnings are estimated to be distributable in the foreseeable future.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

### 33. EMPLOYEE RETIREMENT BENEFITS

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Scheme Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement plan held separately from those of the Group in funds under the control of trustees. Under the MPF Scheme, the employer and employees are each required to make contributions to the plan of 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK\$25,000 (2011:HK\$20,000). Contributions to the plan vest immediately.

The PRC subsidiaries participates in several defined contribution retirement benefit schemes (the "Schemes") organised by the PRC municipal and provincial government authorities whereby the Group is required to make contributions to the Schemes certain percentage of the eligible employees' salaries. The local government authority is responsible for the entire pension obligations payable to retired employees. The only obligation of the Group with respect to the Scheme is to make the specified contributions.

The Group has no other material obligation for the payment of pension benefits associated with those schemes beyond the annual contributions described above.

### 34. SHARE OPTION SCHEME

Pursuant to a share option scheme (the "Share Option Scheme") approved by a resolution of the shareholders of the Company dated 26 July 2007, the Company may grant options to employees, directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group, or substantial shareholder of the Company, to attract and retain the best available personnel, to provide additional incentive to employees and to promote the success of the business of the Group. The subscription price of the share option of the Company is HK\$1.00 upon each grant of options offered and the options granted must be taken up within seven days from the date of grant.

The maximum number of shares that may be granted under the Share Option Scheme and other share option schemes shall not exceed 10% of the number of issued shares of the Company from time to time. No option may be granted to any person such that the total number of shares of the Company issued and to be issued upon exercise of all options granted and to be granted to each participant in any 12-month period up to the date of the latest grant exceeds 1% of the number of shares of the Company in issue.

The Share Option Scheme shall be valid and effective for a period of 10 years ending on 25 July 2017 after which no further options will be granted. The exercise price of the options will be at least the highest of: (a) the closing price of the shares on the Stock Exchange (as stated in the Stock Exchange's daily quotations sheet) on the offer date, which must be a business date; (b) the average closing price of the shares on the Stock Exchange (as stated in the Stock Exchange's daily quotations sheet) for the five business days immediately preceding the offer date; and (c) the nominal value of the shares.

The total number of shares available for issue under the Share Option Scheme as at the end of the reporting period was 30,000,000 shares (2011: 30,000,000 shares) which represented 10% of the issued share capital of the Company as at the end of the reporting period. There is no minimum period for which an option to be held before it can be exercised under the Share Option Scheme. At 31 December 2012, there were no outstanding share options (2011: Nil). No share option was granted during the years ended 31 December 2012 and 2011.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

## 35. SHARE CAPITAL

	Number of shares of HK\$0.01 each	Nominal value of ordinary shares HK\$'000	
<b>Authorised:</b>			
At 31 December 2011 and 2012	2,000,000,000	20,000	
	Number of shares of HK\$0.01 each	Nominal value of ordinary shares HK\$'000      RMB'000	
<b>Issued and fully paid:</b>			
At 1 January 2011	750,000,000	7,500	7,140
Issue of new ordinary shares			
– upon acquisition of subsidiaries (note a)	250,000,000	2,500	2,077
– upon exercise of unlisted warrants (note b)	27,000,000	270	222
At 31 December 2011 and 1 January 2011	<b>1,027,000,000</b>	<b>10,270</b>	<b>9,439</b>
Issue of new ordinary shares			
– upon exercise of unlisted warrants (note b)	<b>41,000,000</b>	<b>410</b>	<b>333</b>
– upon conversion of convertible notes (note c)	<b>7,678,000</b>	<b>77</b>	<b>63</b>
At 31 December 2012	<b>1,075,678,000</b>	<b>10,757</b>	<b>9,835</b>

The owners of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

Notes:

**(a) Issue of new ordinary shares upon acquisition of subsidiaries**

On 31 January 2011, the Company issued 50,000,000 new ordinary shares at a price of HK\$1.90 per share, being the closing market price of the Company's share at the date of acquisition as a partial consideration for the acquisition of subsidiaries (see note 38(a)).

On 5 July 2011, the Company issued 80,000,000 new ordinary shares at a price of HK\$1.96 per share, being the closing market price of the Company's share at the date of acquisition as a partial consideration for the acquisition of subsidiaries (see note 38(b)).

On 20 July 2011, the Company issued 40,000,000 new ordinary shares at a price of HK\$2.23 per share, being the closing market price of the Company's share at the date of acquisition as a partial consideration for the acquisition of subsidiaries (see note 38(c)).

On 31 October 2011, the Company issued 40,000,000 new ordinary shares at a price of HK\$2.07 per share, being the closing market price of the Company's share at the date of acquisition as a partial consideration for the acquisition of subsidiaries (see note 38(d)).

On 30 November 2011, the Company issued 40,000,000 new ordinary shares at a price of HK\$2.88 per share, being the closing market price of the Company's share at the date of acquisition as a partial consideration for the acquisition of subsidiaries (see note 38(e)).

**(b) Issue of new ordinary shares upon exercise of unlisted warrants**

During the year ended 31 December 2012, 9,000,000 (2011: 27,000,000) new ordinary shares of the Company of HK\$0.01 were issued upon the exercise of 9,000,000 (2011: 27,000,000) unlisted warrants at an exercise price of HK\$1.82 per share.

During the year ended 31 December 2012, 32,000,000 (2011: nil) new ordinary shares of the Company of HK\$0.01 were issued upon the exercise of 32,000,000 (2011: nil) unlisted warrants at an exercise price of HK\$2.65 per share.

**(c) Issue of new ordinary shares upon conversion of convertible notes**

7,678,000 new ordinary shares of HK\$0.01 each were issued upon the conversion of the convertible notes with an aggregate amount of HK\$22,765,000 (equivalent to approximately RMB18,697,000) at a conversion price of HK\$1.95 per share.

All the new shares issued during the year ended 31 December 2012 rank pari passu in all respects with the then existing ordinary shares of the Company.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

## 36. UNLISTED WARRANTS

### (a) Unlisted warrants issued on 7 June 2011

On 7 June 2011, the Company issued 40,000,000 unlisted warrants at a subscription price of HK\$0.05 each. Each unlisted warrant entitles the holder to subscribe for one ordinary share of HK\$0.01 each of the Company at an initial subscription price of HK\$1.82 per share, subject to anti-dilutive adjustments in accordance with the terms of the unlisted warrant instrument. The unlisted warrants are exercisable at any time during the period commencing from 7 June 2011 to 6 June 2013.

During the year ended 31 December 2012, 9,000,000 (2011: 27,000,000) new ordinary shares of HK\$0.01 each of the Company were issued for cash at a subscription price of HK\$1.82 per share. At 31 December 2012, there are 4,000,000 (2011: 13,000,000) unlisted warrants outstanding.

### (b) Unlisted warrants issued on 15 February 2012

On 15 February 2012, the Company issued 140,000,000 unlisted warrants at a subscription price of HK\$0.05 per unlisted warrant for a total consideration of HK\$7,000,000. Each unlisted warrant entitles the holder to subscribe for one ordinary share of HK\$0.01 each of the Company at an initial subscription price of HK\$2.65 per share, subject to anti-dilutive adjustments in accordance with the terms of the unlisted warrant agreements. The unlisted warrants are exercisable at any time during the period commencing from 15 February 2012 to 14 February 2014.

During the year ended 31 December 2012, 32,000,000 new ordinary shares of HK\$0.01 each were issued for cash at a subscription price of HK\$2.65 per share. At 31 December 2012, there are 108,000,000 unlisted warrants outstanding.

### (c) Tranche 1 Unlisted Warrants issued on 7 December 2012

As disclosed in note 30, on 7 December 2012, the Company issued 89 Tranche 1 Unlisted Warrants, as part of the consideration for the extinguishment of the then outstanding convertible notes, which entitle their holders to subscribe for a total of 29,666,637 ordinary shares of HK\$0.01 each of the Company at an initial subscription price of HK\$3.00 per share, subject to anti-dilutive adjustments in accordance with the terms of the unlisted warrant instruments. The Tranche 1 Unlisted Warrants are exercisable at any time during the period commencing from 7 December 2013 to 6 December 2017.

During the year ended 31 December 2012, no Tranche 1 Unlisted Warrant was exercised to subscribe for shares of the Company.

### (d) Tranche 2 Unlisted Warrants issued on 7 December 2012

As disclosed in note 30, on 7 December 2012, the Company issued 88 Tranche 2 Unlisted Warrants as part of the consideration for the extinguishment of the convertible notes, which entitle their holders to subscribe for a total of 45,128,248 ordinary shares of HK\$0.01 each of the Company at an initial subscription price of HK\$1.95 per share, subject to anti-dilutive adjustments in accordance with the terms of the unlisted warrant instruments. The Tranche 2 Unlisted Warrant are exercisable at any time during the period commencing from 7 December 2012 to 6 December 2017.

During the year ended 31 December 2012, no Tranche 2 Unlisted Warrants was exercised to subscribe for shares of the Company.

In the opinion of the directors of the Company, based on the terms of the respective unlisted warrants instruments, the exercise option rights of the above unlisted warrants will result in settlement by the exchange of a fixed amount of cash for a fixed number of equity instrument (i.e. ordinary shares of the Company) and therefore, the above unlisted warrants have been recognised in equity at the fair value of unlisted warrants at the issue date. The warrant reserve will be transferred to share capital and share premium account upon the exercise of unlisted warrants.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

## 37. RESERVES

### The Group

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

### The Company

	Share premium RMB'000 (note a)	Warrant reserve RMB'000 (note c)	Special reserve RMB'000 (note e)	Exchange reserve RMB'000 (note g)	Accumulated loss RMB'000	Total RMB'000
At 1 January 2011	166,910	–	84,516	–	(23,211)	228,215
Issue of unlisted warrants (note 36(a))	–	1,620	–	–	–	1,620
Issue of new shares:						
– upon acquisition of subsidiaries (note 38)	445,203	–	–	–	–	445,203
– upon exercise of unlisted warrants (note 35(b))	41,290	(1,094)	–	–	–	40,196
Loss for the year	–	–	–	–	(48,431)	(48,431)
Total comprehensive loss for the year	–	–	–	–	(48,431)	(48,431)
At 31 December 2011 and 1 January 2012	<b>653,403</b>	<b>526</b>	<b>84,516</b>	<b>–</b>	<b>(71,642)</b>	<b>666,803</b>
Issue of unlisted warrants (note 36(b), (c) and (d))	–	<b>88,050</b>	–	–	–	<b>88,050</b>
Issue of new shares:						
– upon exercise of unlisted warrants (note 35(b))	<b>83,552</b>	<b>(1,651)</b>	–	–	–	<b>81,901</b>
– upon conversion of convertible notes (note 35(c))	<b>18,634</b>	–	–	–	–	<b>18,634</b>
Loss for the year	–	–	–	–	<b>(82,869)</b>	<b>(82,869)</b>
Exchange difference on translation of financial statements	–	–	–	<b>(498)</b>	–	<b>(498)</b>
Total comprehensive loss for the year	–	–	–	<b>(498)</b>	<b>(82,869)</b>	<b>(83,367)</b>
At 31 December 2012	<b>755,589</b>	<b>86,925</b>	<b>84,516</b>	<b>(498)</b>	<b>(154,511)</b>	<b>772,021</b>

Notes:

**(a) Share premium**

The share premium account represents the excess of the issue price net of any issuance expenses over the par value of the shares issued and has been credited to the share premium account of the Company. The application of the share premium account is governed by Section 34 under the Companies Law of the Cayman Islands.

**(b) Capital reserve**

Capital reserve represents the excess of the consolidated net assets acquired in the subsidiaries over the consideration paid for their acquisition.

**(c) Warrant reserve**

Warrant reserve represents the net proceeds received from the issue of unlisted warrants of the Company. This reserve will be transferred to share capital and share premium account upon exercise of unlisted warrants.

**(d) Other reserve**

Other reserve arose from acquisition of additional 40% equity interest in a subsidiary during the year ended 31 December 2011, which represented the deemed distribution to the non-controlling interests.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

## 37. RESERVES (Continued)

Notes: (Continued)

**(e) Special reserve**

Special reserve represents the difference between the net assets of Huawei Group Holdings Limited and its subsidiaries acquired by the Company and the nominal value of one nil-paid issued share of the Company through an exchange of shares.

**(f) Statutory reserve**

The statutory reserve refers to the PRC statutory reserve fund. Appropriations to such reserve fund are made out of the profit after taxation of the statutory financial statements of the PRC subsidiaries and the amount should not be less than 10% of the profit after taxation unless the aggregate reserve amount exceeded 50% of the registered capital of the PRC subsidiaries. The statutory reserve fund can be used to make up prior year losses of the PRC subsidiaries.

**(g) Exchange reserve**

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations outside the PRC. The reserve is dealt with in accordance with the accounting policies set out in note 3(z).

**(h) Distributability of reserves**

At 31 December 2012, the aggregate amount of reserves available for distribution to owners of the Company was RMB685,594,000 (2011: RMB666,277,000). The funds in the share premium account are distributable to the owners of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

**(i) Capital management**

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group manages its capital structure and makes adjustments to it, in light of change in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2012 and 2011.

The Group monitors its capital structure on the basis of a gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings less cash and cash equivalents.

The gearing ratios as at 31 December 2012 and 2011 were as follows:

	<b>The Group</b>	
	<b>2012</b>	2011
	<b>RMB'000</b>	RMB'000
		(Restated)
Bank loans	<b>285,303</b>	223,963
Loan from a former director	<b>96,264</b>	162,060
Promissory notes payable	<b>15,145</b>	60,784
Convertible notes	<b>-</b>	129,894
Bonds	<b>58,343</b>	-
Total debt	<b>455,055</b>	576,701
Less: Cash and cash equivalents	<b>(65,116)</b>	(30,449)
Net debt	<b>389,939</b>	546,252
Total equity	<b>989,473</b>	929,818
Gearing ratio	<b>39.4%</b>	58.7%

The directors of the Company have made due care and considerations concerning the appropriateness of the going concern in light of the Group's current financial position. After having taken into account of the cash flow forecast of the Group for a period of eighteen months from 1 January 2013 to 30 June 2014 and the available unused credit facilities, in the opinion of the directors of the Company, the Group should be able to continue its business as a going concern.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

## 38. FINALISATION OF INITIAL ACCOUNTING FOR PRIOR YEAR'S BUSINESS COMBINATIONS

### (a) Acquisition of Giga World Industry Company Limited-2011

On 31 January 2011, the Group completed the acquisition 50% equity interest of Giga-World Industry Company Limited ("Giga World"), an investment holding company, from Action Victory Limited ("Action Victory"), an independent third party. Giga-World owns 100% equity interest in Shenzhen Wind and Solar New Energy Company Limited (collectively, "Giga-World Group"), which are engaged in the manufacturing, assembling, installation of LED street lamps in the PRC, research and development and manufacturing of vertical axis-wind and solar hybrid power-supply system for LED lighting. Pursuant to the supplementary agreement dated 31 January 2011, as part of the acquisition, Action Victory assigned its remaining 10% voting rights of Giga-World in the shareholders' meeting to the Group, therefore, the Group has 60% voting rights in the shareholders' meeting of Giga-World which is accounted for as a subsidiary of the Group upon completion of the acquisition. The acquisition is a strategic move to enable the Group to gain access in the LED lighting business.

	RMB'000
Fair value of net assets acquired:	
Property, plant and equipment	29,297
Other intangible assets-customer relationships (note 19)	221,300
Other intangible assets-patents (note 19)	165,900
Inventories	28
Trade and other receivables	1,512
Cash in banks	1,028
Trade and other payables	(3,255)
Deferred tax liabilities	(96,800)
<b>Total identified net assets</b>	<b>319,010</b>
Non-controlling interests	(159,505)
Goodwill (note 18)	84,072
	<b>243,577</b>
Fair value of consideration transferred:	
Cash consideration paid	169,540
Promissory note issued (note 29(a))	14,233
50,000,000 consideration shares at HK\$1.90 each (note 35(a))	80,531
<b>Total consideration paid</b>	<b>264,304</b>
Fair value of contingent negative consideration receivable under profit guarantee clause	(20,727)
	<b>243,577</b>

#### Notes:

- (i) The fair value of the consideration was satisfied by HK\$200,000,000 (equivalent to approximately RMB169,540,000) in cash, 50,000,000 consideration shares at HK\$1.90 per share, which was the closing market price of the share of the Company at the issue date, and promissory note (with principal value of HK\$20,000,000) at fair value of HK\$16,790,000 (equivalent to approximately RMB14,233,000) at the issue date on 31 January 2011 when the acquisition was completed.
- (ii) Under the terms of the sale and purchase agreement dated 24 January 2011 and as part of the transaction, Action Victory has provided a profit guarantee to the Group that the actual profit before tax of the Giga-World Group for the period from 1 February 2011 to 31 January 2012 shall not be less than RMB40,000,000, failing which, Action Victory shall pay a compensation, as a contingent negative consideration which is secured by 20,000,000 consideration shares of the Company issued as referred to note (i) above, to the Group at the pre-agreed formula as stipulated in the sale and purchase agreement. Based on the financial information of Giga-World Group for the period from 1 February 2011 to 31 January 2012, the actual profit before tax was RMB19,273,000 and therefore, the fair value of the compensation as negative consideration receivable under the profit guarantee clause from Action Victory of RMB20,727,000 was deducted against the original consideration paid by the Group at the acquisition date. Action Victory had fulfilled its obligations under the sale and purchase agreement to compensate to the Group.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

## 38. FINALISATION OF INITIAL ACCOUNTING FOR PRIOR YEAR'S BUSINESS COMBINATIONS (Continued)

### (a) Acquisition of Giga World Industry Company Limited – 2011 (Continued)

Notes: (Continued)

- (iii) Giga-World Group had contributed revenue of RMB30,854,000 and profit after tax of RMB15,408,000 (before deducting the amortisation of customer relationships and patents of RMB31,967,000 net of deferred tax reversal credits of RMB7,991,000 charged on the Group level) for the period from 1 February 2011 to 31 December 2011. If the acquisition had occurred on 1 January 2011, Group's revenue and loss for the year ended 31 December 2011 would have been increased by RMB1,214,000 and RMB3,164,000, respectively.
- (iv) Acquisition-related costs of RMB543,000 were included in administrative expenses in the consolidated income statement for the year ended 31 December 2011.
- (v) Goodwill represented mainly the work force and expected future profitability in the LED lighting business.
- (vi) The fair value of the customer relationships and patents of Giga-World Group at the acquisition date were determined by Peak Vision using the premium-profit method and relief-from-royalty method under income-based approach respectively.

### (b) Acquisition of Shine Link Technology Limited – 2011

On 5 July 2011, the Group completed the acquisition 100% equity interest of Shine Link Technology Limited ("Shine Link") from Sandtac Limited ("Sandtac"), an independent third party, Shine Link owns 70% equity interest in U Young Technology Holdings Limited which in turn holds 100% equity interest in U Young (Xiamen) Technology Company Limited (collectively, "Shine Link Group"), which are engaged in the research and production of semi-conductor parts and accessories of lamps, and manufacturing, assembling and processing of LED lighting in the PRC. The acquisition of Shine Link Group was to continue the expansion of the Group's LED lighting business.

	RMB'000
Fair value of consideration transferred	
Cash consideration paid	33,256
Promissory note issued (note 29(b))	13,873
80,000,000 consideration shares at HK\$1.96 each (note 35(a))	130,411
<b>Total consideration paid</b>	<b>177,540</b>

Notes:

- (i) The consideration was satisfied by HK\$40,000,000 (equivalent to approximately RMB33,256,000) in cash, 80,000,000 consideration shares at HK\$1.96 per share, which was the closing market price of the share of the Company at the issue date and promissory note (with principal value of HK\$20,000,000) at fair value of HK\$16,680,000 (equivalent to approximately RMB13,873,000) at the issue date when the acquisition was completed.
- (ii) During the current year ended 31 December 2012, the Group completed its assessment on the business combination in 2011 and finalised the accounting at the acquisition date. At 31 December 2011, initial accounting was used for the business combination because the management was still evaluating all the factors and circumstances in respect of Shine Link Group that existed at the acquisition date. Based on an independent professional valuation conducted by Peak Vision, a firm of independent professional valuers which has the experience and qualification in the similar intangible assets, the customer relationships were determined to be RMB156,600,000 at the acquisition date on 5 July 2011.
- (iii) Under the terms of the sale and purchase agreement dated 20 June 2011 and as part of the transaction, Sandtac has provided a profit guarantee to the Group that the actual profit before tax of Shine Link Group for the period from 6 July 2011 to 5 July 2012 shall not be less than RMB30,000,000, failing which, Sandtac shall pay a compensation, as a contingent negative consideration secured by 30,000,000 consideration shares of the Company issued as referred to note (i) above, to the Group at the stipulated pre-agreed formula at the acquisition date. Upon finalisation the accounting for the business combination during the current year ended 31 December 2012, the fair value of the profit guarantee receivable, as a contingent negative consideration, was determined to be RMB21,514,000, because the profit of the Shine Link Group did not meet the guaranteed amount under the sale and purchase agreement, and accordingly the Group was entitled to receive the compensation from Sandtac for the shortfall of RMB21,514,000 which has been recognised as contingent negative consideration receivable under the profit guarantee clause and adjustment has been made retrospectively to adjust the amount of goodwill recognised at the date of acquisition as referred to in note (vii) below. Sandtac had fulfilled its obligation under the sale and purchase agreement to compensate to the Group.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

## 38. FINALISATION OF INITIAL ACCOUNTING FOR PRIOR YEAR'S BUSINESS COMBINATIONS (Continued)

### (b) Acquisition of Shine Link Technology Limited – 2011 (Continued)

Notes: (Continued)

- (iv) Shine Link Group had no significant contribution to the Group's results for the period after the date of acquisition to 31 December 2011.
- (v) Acquisition-related costs of RMB167,000 were included in administrative expenses in the consolidated income statement for the year ended 31 December 2011.
- (vi) Upon finalisation of accounting for the business combination during the current year ended 31 December 2012, at the acquisition date on 5 July 2011, goodwill was determined to be RMB66,071,000 after the retrospective adjustment for the fair value of the contingent negative consideration receivable of RMB21,514,000 under the profit guarantee clause as referred to in note (iii) above. Goodwill was mainly attributable to the expected future profitability of Shine Link Group and synergies with then existing LED lighting related business of the Group at the acquisition date.
- (vii) Finalisation of accounting for the business combination was summarised as follows:

	Amounts previously recognised on provisional basis at the date of acquisition RMB'000	Retrospective adjustments on finalisation of business combination RMB'000	2011 Restated RMB'000
Fair value of net assets acquired:			
Property, plant and equipment	2,447	–	2,447
Other intangible assets-customer relationships	156,600	–	156,600
Other receivables and prepayments	522	–	522
Cash in banks	8,016	–	8,016
Tax recoverable	223	–	223
Other payables	(186)	–	(186)
Deferred tax liabilities	(39,192)	–	(39,192)
Total identified net assets	128,430	–	128,430
Non-controlling interests	(38,475)	–	(38,475)
Fair value of contingent negative consideration receivable under profit guarantee clause (note (iii) above)	–	21,514	21,514
Goodwill	87,585	(21,514)	66,071
	177,540	–	177,540
Fair value of consideration transferred			
Cash consideration paid	33,256	–	33,256
Promissory note issued	13,873	–	13,873
80,000,000 consideration shares at HK\$1.96 each	130,411	–	130,411
Total consideration paid	177,540	–	177,540

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

## 38. FINALISATION OF INITIAL ACCOUNTING FOR PRIOR YEAR'S BUSINESS COMBINATIONS (Continued)

### (c) Acquisition of Kings Honor Technology Limited – 2011

On 20 July 2011, the Group completed the acquisition 60% equity interest of Kings Honor Technology Limited ("Kings Honor") from Pride Energy Enterprises Limited ("Pride Energy"), an independent third party. Kings Honor owns 100% equity interest in Wei Guang Holdings Limited which in turn holds 95% equity interest in Jiangxi Lantian Wei Guang Technology Limited (collectively, "Kings Honor Group"), which are engaged in the production of LED lighting and accessories of lamps in the PRC. The acquisition of King Honor Group was to continue the expansion of the Group's LED business.

	RMB'000
Fair value of net assets acquired:	
Property, plant and equipment	6,272
Other intangible assets-customer relationships (note 19)	36,200
Other intangible assets-patents (note 19)	31,400
Other receivables	7,920
Cash in banks	913
Other payables	(120)
Deferred tax liabilities	(16,900)
<b>Total identified net assets</b>	<b>65,685</b>
Non-controlling interests	(28,235)
Fair value of contingent negative consideration receivable under profit guarantee clause (note iii below)	–
Goodwill (note 18)	89,701
	<b>127,151</b>
Fair value of consideration transferred:	
Cash consideration paid	24,873
Promissory note issued (note 29(c))	28,322
40,000,000 consideration shares at HK\$2.23 each (note 35(a))	73,956
<b>Total consideration paid</b>	<b>127,151</b>

#### Notes:

- (i) The consideration was satisfied by HK\$30,000,000 (equivalent to approximately RMB24,873,000) in cash, 40,000,000 consideration shares at HK\$2.23 per share, which was the closing market price of the shares of the Company at the issue date and promissory note (with a principal value of HK\$40,000,000) at fair value of HK\$34,160,000 (equivalent to approximately RMB28,322,000) at the issue date on 20 July 2011 when the acquisition was completed.
- (ii) During the current year ended 31 December 2012, the Group completed its assessment on the business combination in 2011 and finalised the accounting at the acquisition date. At 31 December 2011, initial accounting was used for the business combination because the management was still evaluating all the factors and circumstances in respect of Kings Honor Group that existed at the acquisition date. Based on an independent professional valuation conducted by Peak Vision, an independent professional valuers whom has the experience and qualification in the similar intangible assets, the customer relationships and the patents were determined to be RMB36,200,000 and RMB31,400,000 at the acquisition date on 20 July 2011.
- (iii) Under the terms of the sale and purchase agreement dated 7 July 2011 and as part of the transaction, Pride Energy provided a profit guarantee to the Group that the actual profit before tax of Kings Honor Group for the period from 21 July 2011 to 20 July 2012 shall not be less than RMB25,000,000, failing which, Pride Energy shall pay a compensation, as a contingent negative consideration which was secured by 15,000,000 consideration shares of the Company issued as referred to note (i) above, to the Group at the stipulated pre-agreed formula. Upon finalisation of accounting for the business combination during the current year ended 31 December 2012, at the acquisition date, the fair value of the contingent negative consideration receivable under the profit guarantee clause, was determined to be zero, because the profit of the Kings Honor Group exceeded the guaranteed amount under the above-mentioned sale and purchase agreement and no compensation from Pride Energy was recognised.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

## 38. FINALISATION OF INITIAL ACCOUNTING FOR PRIOR YEAR'S BUSINESS COMBINATIONS (Continued)

### (c) Acquisition of Kings Honor Technology Limited – 2011 (Continued)

Notes: (Continued)

- (iv) Kings Honor Group had turnover of RMB19,790,000 and profit after tax of RMB7,841,000 (before deducting the amortisation of customer relationship and patents of RMB3,584,000 less deferred tax reversal credit of RMB896,000 changed on Group level) for the period from 21 July 2011 to 31 December 2011. If the acquisition had occurred on 1 January 2011, Group's revenue and loss for the year would have been increased by zero and RMB3,788,000, respectively.
- (v) Acquisition-related costs of RMB166,000 were included in administrative expenses in the consolidated income statement for the year ended 31 December 2011.
- (vi) Upon finalisation of the accounting for the business combination during the current year ended 31 December 2012, goodwill determined as disclosed in notes (ii) and (iii) above, was mainly attributable to the expected future profitability of Kings Honor Group and synergies with then existing LED lighting related business of the Group at the acquisition date.

### (d) Acquisition of Pacific King Technology Limited – 2011

On 31 October 2011, the Group completed the acquisition 60% equity interest of Pacific King Technology Limited ("Pacific King"), from Supreme Creation Limited ("Supreme Creation"), an independent third party. Pacific King owns 100% equity interest in Da Zhen (Hong Kong) Holdings Limited which in turn holds 100% equity interest in Shenzhen Chong Zheng Electronic Technology Limited (collectively, "Pacific King Group"). Pacific King Group is engaged in the manufacturing of printed circuit boards ("PCB") for LED lightings. The acquisition of Pacific King Group was to integrate with the Group's LED lighting business.

	RMB'000
<hr/>	
Fair value of net assets acquired:	
Property, plant and equipment	2,928
Other intangible assets-patents (note 19)	46,000
Trade and other receivables	7,165
Cash in banks	2,373
Trade and other payables	(1,416)
Deferred tax liabilities	(11,500)
<hr/>	
Total net assets identified	45,550
Non-controlling interests	(18,220)
Fair value of contingent negative consideration receivable under profit guarantee clause (note iii below)	–
Goodwill (note 18)	80,320
<hr/>	
	107,650
<hr/>	
Fair value of consideration transferred:	
Cash consideration paid	32,806
Promissory note issued (note 29(d))	7,030
40,000,000 consideration shares at HK\$2.07 each (note 35(a))	67,814
<hr/>	
Total consideration paid	107,650
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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

## 38. FINALISATION OF INITIAL ACCOUNTING FOR PRIOR YEAR'S BUSINESS COMBINATIONS (Continued)

### (d) Acquisition of Pacific King Technology Limited – 2011 (Continued)

Notes:

- (i) The consideration was satisfied by HK\$40,000,000 (equivalent to approximately RMB32,806,000) in cash, 40,000,000 consideration shares at HK\$2.07 per share, which was the closing market price of the shares of the Company at the issue date, and promissory note (with a principal value of HK\$10,000,000) at fair value of HK\$8,581,000 (equivalent to approximately RMB7,030,000) at the issue date on 31 October 2011 when the acquisition was completed.
- (ii) During the current year ended 31 December 2012, the Group completed its assessment on the business combination in 2011 and finalised the accounting at the acquisition date. At 31 December 2011, initial accounting was used for the business combination because the management was still evaluating all the factors and circumstances in respect of Pacific King Group that existed at the acquisition date. Based on an independent professional valuation conducted by Peak Vision, an independent professional valuers whom has the experience and qualification in the similar intangible assets, the patents were determined, to be RMB46,000,000 at the acquisition date on 31 October 2011.
- (iii) Under the terms of the sale and purchase agreement dated 24 August 2011 and as part of the transaction, Supreme Creation provided a profit guarantee to the Group that the actual profit before tax of Pacific King Group for the period from 1 November 2011 to 30 October 2012 shall not be less than RMB20,000,000, failing which, Supreme Creation shall pay a compensation, as a contingent negative consideration which is secured by 10,000,000 consideration shares of the Company issued as referred to note (i) above, to the Group at the stipulated pre-agreed formula. Upon finalisation of accounting for the business combination during the current year ended 31 December 2012, at the acquisition date, the fair value of the contingent negative consideration receivable under the profit guarantee clause was determined to be zero, because the actual profit of the Pacific King Group exceeded the guaranteed amount under the above-mentioned sale and purchase agreement and no compensation from Supreme Creation was recognised.
- (iv) Pacific King Group had revenue of RMB15,301,000 and profit after tax of RMB2,016,000 (before deducting the amortisation of customer relationships of RMB1,181,000 less deferred tax reversal credit of RMB295,000 charged on Group level) for the period from 1 November 2011 to 31 December 2011. If the acquisition had occurred on 1 January 2011, Group's revenue and loss for the year ended 31 December 2011 would have been increased by RMB965,000 and RMB4,513,000 respectively.
- (v) Acquisition-related costs of RMB162,000 were charged to administrative expenses in the consolidated income statement for the year ended 31 December 2011.
- (vi) Upon finalisation of the accounting for the business combination during the current year ended 31 December 2012, goodwill determined as disclosed in notes (ii) and (iii) above, was mainly attributable to the expected future profitability of Pacific King Group and synergies with then existing LED related business of the Group at the acquisition date.

### (e) Acquisition of Starry View Investments Limited and Mega Wide Investments Limited – 2011

On 30 November 2011, the Group completed the acquisition from an independent third party, Yorcken Group Limited ("Yorcken"), 100% equity interests in Starry View Investments Limited ("Starry View"), and Mega Wide Investments Limited ("Mega Wide"). Starry View owns 100% equity interest in Light Resource Environment Co., Limited which in turn holds 60% equity interest in Meeting (Hong Kong) Holdings Limited and 65% equity interest in Light Resource Environment Limited in Macau (collectively "Starry View Group"). Starry View Group is engaged in sales of LED lighting products under the brand name of "LEDUS". Mega Wide owns 70% equity interest in Tecdoa Limited which in turn holds 100% equity interest in Tecdoa Energy S.A. (collectively "Mega Wide Group") which is engaged in the energy efficiency projects in Spain. The acquisition of Starry View Group and Mega Wide Group were to integrate with the existing LED business of the Group and to gain access to the distribution channels and markets of LED lighting products.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

## 38. FINALISATION OF INITIAL ACCOUNTING FOR PRIOR YEAR'S BUSINESS COMBINATIONS (Continued)

### (e) Acquisition of Starry View Investments Limited and Mega Wide Investments Limited – 2011 (Continued)

	RMB'000
Fair value of net assets acquired:	
Property, plant and equipment	55
Other intangible assets – customer relationships (note 19)	64,800
Other intangible assets – trademarks (note 19)	50,000
Inventories	25
Other receivables	996
Cash at banks	1,014
Other payables	(776)
Deferred tax liability	(30,930)
<b>Total identified net assets</b>	<b>85,184</b>
Non-controlling interests	(12,670)
Fair value of contingent negative consideration receivable under profit guarantee clause (note iii below)	–
Goodwill (note 18)	52,463
	<b>124,977</b>
Fair value of consideration transferred:	
Cash consideration paid	16,354
Promissory note issued (note 29 (e))	14,055
40,000,000 consideration shares at HK\$2.88 (note 35 (a))	94,568
<b>Total consideration paid</b>	<b>124,977</b>

#### Notes:

- (i) The consideration was satisfied by HK\$20,000,000 (equivalent to approximately RMB16,354,000) in cash, 40,000,000 consideration shares at HK\$2.88 per share, which was the closing market price of the shares of the Company at the issue date and promissory note (with principal value of HK\$20,000,000) at fair value of HK\$17,147,000 (equivalent to approximately RMB14,055,000) at the issue date on 30 November 2011 when the acquisition was completed.
- (ii) During the current year ended 31 December 2012, the Group completed its assessment on the business combination in 2011 and finalised the accounting at the acquisition date. At 31 December 2011, initial accounting was used for the business combination because the management was still evaluating all the factors and circumstances in respect of Starry View Group and Mega View Group that existed at the acquisition date. Based on an independent professional valuation conducted by Peak Vision, an independent professional valuers whom has the experience and qualification in the similar intangible assets, customer relationships and trademarks were determined to be RMB64,800,000 and RMB50,000,000 at the acquisition date on 30 November 2011.
- (iii) Under the terms of the sale and purchase agreement dated 11 November 2011 and as part of the transaction, Yorken provided a profit guarantee to the Group that the actual profit before tax of Starry View Group and Mega Wide Group for the period from 1 December 2011 to 30 November 2012 shall not be less than HK\$20,000,000, failing which, Yovken shall pay a compensation, as a contingent negative consideration which is secured by 10,000,000 consideration shares of the Company and promissory note with principal value of HK\$20,000,000 issued as referred to note (i) above, to the Group at the stipulated pre-agreed formula. Upon finalisation of accounting for the business combination during the current year ended 31 December 2012, at the acquisition date, the fair value of the contingent negative consideration receivable under the profit guarantee clause was determined to be zero at the acquisition date on 30 November 2011.
- (iv) Starry View Group and Mega Wide Group had combined revenue of RMB745,000 and loss of RMB427,000 (before deducting the amortisation of customer relationships and trademarks of RMB802,000 less deferred tax reversal credit of RMB204,000 charged on Group level) to the Group for the period from 1 December 2011 to 31 December 2011. If the acquisition had occurred on 1 January 2011, Group's revenue and loss for the year ended 31 December 2011 would have been increased by RMB1,712,000 and RMB7,742,000 respectively.
- (v) Acquisition-related costs of RMB162,000 were included in administrative expenses in the consolidated income statement for the year ended 31 December 2011.
- (iv) Upon finalisation of accounting for the business combination during the current year ended 31 December 2012, goodwill determined as disclosed in notes (ii) and (iii) above, was mainly attributable to the expected future profitability of Starry View Group and Mega Wide Group synergies with then LED lighting related existing business of the Group at the acquisition date and the increased market presence of the Group's products.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

### 38. FINALISATION OF INITIAL ACCOUNTING FOR PRIOR YEAR'S BUSINESS COMBINATIONS (Continued)

(f) Net cash outflow arising on business combinations

	2011 RMB'000
Analysis of net cash outflow on acquisitions:	
Cash consideration paid	276,829
Cash and cash equivalents acquired	(13,344)
Net cash outflow	263,485

### 39. DISPOSAL OF SUBSIDIARIES – 2012

As referred to in note 10, on 18 December 2012, the Group discontinued the chip type electronics components operation and aluminum electrolytic capacitors operation in Southern China when the Hai Te Wei Group and the Tong Tai Group were disposed of to an independent third party at the consideration of HK\$80,000,000 (equivalent to approximately RMB65,024,000) based on an agreement entered into between Huawei Group Holdings Limited and the buyer on 14 December 2012.

(a) The net assets of the Hai Te Wei Group and the Tong Tai Group at the date of disposal were as follows:

	Hai Te Wei Group 2012 RMB'000	Tong Tai Group 2012 RMB'000	Total 2012 RMB'000
Property, plant and equipment	29,132	15,918	45,050
Lease prepayments	14,758	–	14,758
Inventories	55,172	29,782	84,954
Trade and bills receivables	5,747	18,218	23,965
Other receivables and prepayments	551	887	1,438
Amount due from a related company	90	–	90
Cash at banks and in hand	541	318	859
Trade and bills payables	(6,983)	(3,452)	(10,435)
Other payables and accruals	(11,592)	(2,369)	(13,961)
Amounts due to related companies	–	(50,229)	(50,229)
Amount due to a director	(150)	(2)	(152)
Bank loans	(29,835)	–	(29,835)
Deferred tax liabilities	(5,082)	–	(5,082)
Net assets disposal of	52,349	9,071	61,420

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

## 39. DISPOSAL OF SUBSIDIARIES – 2012 (Continued)

### (b) Gain on disposal of subsidiaries

	RMB'000
Consideration received	65,024
Net assets disposed of (note (a) above)	(61,420)
Exchange reserve realised upon disposal	61
Gain on disposal (note 10)	3,665

The gain on disposal is included in the loss for the year from discontinued operations.

Net cash inflow/outflow arising from disposal of subsidiaries

	RMB'000
Consideration received	65,024
Less: Bank balances and cash disposed of	(859)
	64,165

## 40. PLEDGED ASSETS

At the end of the reporting period, the following assets were pledged to banks to secure general banking facilities granted to the Group:

	<b>The Group 2012 RMB'000</b>	2011 RMB'000
Lease prepayments (note 17(b))	–	2,642
Property, plant and equipment (note 16(b))	<b>31,170</b>	12,826
Restricted bank deposits (note 25(b))	<b>42,504</b>	67,702
	<b>73,674</b>	83,170

## 41. AVAILABLE UNUSED CREDIT FACILITIES

At the end of the reporting period, the total credit facilities of the Group amounted to RMB596,148,000 (2011: RMB650,750,000), which were utilised to the extent of bills payables of RMB10,000,000 (2011: RMB147,680,000), secured bank loans of RMB70,148,000 (2011: RMB45,000,000) and unsecured bank loans of RMB215,155,000 (2011: RMB178,963,000). The available unused credit facilities were RMB300,845,000 (2011: RMB279,107,000) at 31 December 2012.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

### 42. OPERATING LEASE COMMITMENTS

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

	<b>The Group 2012 RMB'000</b>	2011 RMB'000
Within one year	<b>5,087</b>	6,927
In the second to fifth year, inclusive	<b>6,791</b>	13,145
	<b>11,878</b>	20,072

The Group leases a number of properties under operating leases. The leases typically run for an initial period of three years. None of the leases includes contingent rentals.

### 43. CAPITAL COMMITMENTS

At the end of the reporting period, the Group had following capital commitments in respect of the purchase of property, plant and equipment and other non-current assets:

	<b>The Group 2012 RMB'000</b>	2011 RMB'000
Contracted but not provided for – Purchase of property, plant and equipment and other non-current assets	<b>8,076</b>	31,875
Authorised but not contracted for – Purchase of property, plant and equipment	–	8,348
	<b>8,076</b>	40,223

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

## 44. MATERIAL RELATED PARTY TRANSACTIONS

During the years ended 31 December 2012 and 2011, the directors are of the view that the following are related parties of the Group and the Company:

Name of the party	Relationship
Li Wing Sang	Executive director
Liu Xinsheng	Executive director
Yan Qixu	Former executive director and director of subsidiaries which are engaged in the manufacture and sale of aluminum electrolytic capacitors
Xiang Xiaoqin	Former executive director and director of subsidiaries which are engaged in the manufacture and sale of aluminum electrolytic capacitors
Changzhou Huawei Reflective Material Company Limited ("Reflective Material") 江蘇華威世紀電子集團有限公司 Enercon Capacitor Company Limited	Mr. Yan Qixu is a common director and controlling shareholder Mr. Yan Qixu is a common director Mr. Guan Zhilong, a former director of Changzhou Dayou Electronic Company Limited which was disposed during the year ended 31 December 2012, is director and controlling shareholder
深圳吉泰龍電子有限公司	Mr. Guan Zhilong, a former director of Changzhou Dayou Electronic Company Limited which was disposed during the year ended 31 December 2012, is director and controlling shareholder
江蘇國瑞科技股份有限公司 深圳市億博睿電子有限公司	Mr. Yan Qixu is the legal representative A company controlled by 歐陽俊, a director of Shenzhen Chong Zhen Electronics Technology Company Limited
深圳市大正科技有限公司	A company controlled by 歐陽俊, a director of Shenzhen Chong Zhen Electronics Technology Company Limited
深圳市藍田偉光電子有限公司	A company controlled by 皮德權, a director of Jiangxi Lantian Wei Guang Technology Company Limited
Tong Heng Company Limited	A shareholder of the Company

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

### 44. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

#### (a) Transactions with related companies

	The Group 2012 RMB'000	2011 RMB'000
Sales to:		
深圳市吉泰龍電子有限公司	1,150	1,667
Enercon Capacitor Company Limited	20,436	23,275
深圳市億博睿電子有限公司	6,234	–
Purchase from:		
深圳市億博睿電子有限公司	219	–
江蘇國瑞科技股份有限公司	11,594	–

The outstanding balances arising from the above trading transactions were included in “Trade and bills receivables” and “Trade and bills payables” at the end of the reporting period respectively.

#### (b) Amounts due to related companies

	The Group 2012 RMB'000	2011 RMB'000
江蘇華威世紀電子集團有限公司	32,573	23,360
Changzhou Huawei Reflective Material Company Limited	4,457	–
江蘇國瑞科技股份有限公司	5,851	–
深圳市億博睿電子有限公司	7	–
	<b>42,888</b>	23,360

The amounts due are non-trade nature, unsecured, interest-free and repayable on demand.

#### (c) Amount due to a former director

	The Group 2012 RMB'000	2011 RMB'000
Yan Qixu	1,178	–

The amount due is non-trade nature, unsecured, interest-free and repayable on demand.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

## 44. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

### (d) Amounts due to directors

	The Group		The Company	
	2012	2011	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Yan Qixu	-	1,732	-	663
Liu Xinsheng	-	590	-	590
Li Wing Sang	585	1,596	312	485
	585	3,918	312	1,738

The amounts due are non-trade nature, unsecured, interest-free and repayable on demand.

### (e) Amount due to a shareholder

	The Group	
	2012	2011
	RMB'000	RMB'000
Tong Heng Company Limited	144	144

The amount due is non-trade nature, unsecured, interest-free and repayable on demand.

### (f) Loan from a former director

Loan from a former director of the Company, Mr. Yan Qixu, is unsecured, interest-free and repayable on 31 January 2014. On 31 December 2012, Mr. Yan Qixu has entered into a letter of undertaking with the Company such that Mr. Yan Qixu has agreed to further extend the repayment date from 31 January 2013 to 31 January 2014.

### (g) Amounts due from subsidiaries

	The Company	
	2012	2011
	RMB'000	RMB'000
SunTech Resources International Company Limited	7,618	1,244
Hai Te Wei Limited	-	6,057
Blue Saint Enterprises Limited	-	8
SunTech Resources Group Company Limited	2,536	9,180
U Young Technology Holdings Limited	8,423	-
Wei Guang Holdings Limited	3,935	-
Tecoda Limited	2,688	-
Meeting (Hong Kong) Holdings Limited	40	-
Light Resources Environment Co. Limited	22,575	203
Energy First International Limited	1,848	1,279
Less: Impairment loss	(2,428)	(1,447)
	47,235	16,524

The amounts due are non-trade nature, unsecured, interest-free and repayable on demand.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

## 44. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

### (h) Amounts due to subsidiaries

	<b>The Company</b> <b>2012</b> <b>RMB'000</b>	2011 RMB'000
Huawei Group Holdings Limited	–	2,875
SunTech Holdings Limited	<b>55</b>	68
Giga-World Industry Company Limited	<b>14,272</b>	9,992
	<b>14,327</b>	12,935

The amounts due are non-trade nature, unsecured, interest-free and repayable on demand.

### (i) Securities and guarantees

At 31 December 2012, the Group's bank loans of RMB30,000,000 (2011: RMB35,000,000) were secured by certain properties and corporate guarantee of Reflective Material.

At 31 December 2012, Mr. Yan Qixu and Ms. Xiang Xiaoqin, directors of the subsidiaries have provided personal guarantees to the Group's unsecured bank loans of RMB215,155,000 (2011: RMB178,963,000).

### (j) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as referred to in note 11 and certain of highest paid employees as disclosed in note 12, is as follows:

	<b>The Group</b> <b>2012</b> <b>RMB'000</b>	2011 RMB'000
Short-term employee benefits	<b>3,328</b>	1,668
Post-employment benefits	<b>33</b>	23
	<b>3,361</b>	1,691

## 45. EVENTS AFTER THE REPORTING PERIOD

On 8 March 2013, the Company issued 1,000,000 ordinary shares upon exercise of 1,000,000 unlisted warrants by a warrant holder at a subscription price of HK\$1.82 per share.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

## 46. ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The HKICPA has issued the following amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2012 and which have not been adopted in these financial statements.

Amendments HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle <sup>1</sup>
Amendments to HKFRS 7	Disclosures—Offsetting Financial Assets and Financial Liabilities <sup>1</sup>
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures <sup>3</sup>
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities – Transition Guidance <sup>1</sup>
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities <sup>2</sup>
HKFRS 9	Financial Instruments <sup>3</sup>
HKFRS 10	Consolidated Financial Statements <sup>1</sup>
HKFRS 11	Joint Arrangements <sup>1</sup>
HKFRS 12	Disclosure of Interests in Other Entities <sup>1</sup>
HKFRS 13	Fair Value Measurement <sup>1</sup>
HKAS 19 (as revised in 2011)	Employee Benefits <sup>1</sup>
HKAS 27 (as revised in 2011)	Separate Financial Statements <sup>1</sup>
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures <sup>1</sup>
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income <sup>4</sup>
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities <sup>2</sup>
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2013

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2014

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2015

<sup>4</sup> Effective for annual periods beginning on or after 1 July 2012

The Group is in the process of making an assessment of what the impact of these new and revised HKFRSs is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

## 47. COMPARATIVE FIGURES

As a result of the finalisation of the accounting for the business combinations in 2011, certain comparative figures have been adjusted to conform with current's year presentation. In addition, the comparative consolidated income statement has been re-represented as if the operations discontinued during the current year had been discontinued from the start of the comparative year.

# GROUP FINANCIAL SUMMARY

	2012 RMB'000	2011 RMB'000 (Restated)	2010 RMB'000 (Restated)	2009 RMB'000 (Restated)	2008 RMB'000
<b>Results</b>					
Continuing operations					
Turnover	<b>619,170</b>	282,631	364,513	290,530	237,596
Operating (loss)/profit	<b>(82,745)</b>	(20,940)	(42,179)	13,480	13,463
Finance costs	<b>(42,603)</b>	(27,739)	(9,593)	(6,722)	(8,712)
(Loss)/profit before taxation	<b>(125,348)</b>	(48,679)	(51,772)	6,758	4,751
Income tax credit/(expenses)	<b>3,231</b>	3,154	(1,197)	(1,535)	(1,666)
(Loss)/profit for the year	<b>(122,117)</b>	(45,525)	(52,969)	5,223	3,085
Discontinued operations					
(Loss)/profit for the year	<b>(5,524)</b>	(6,881)	7,153	936	–
(Loss)/ profit for the year	<b>(127,641)</b>	(52,406)	(45,816)	6,159	3,085
Attributable to:					
Owners of the Company	<b>(119,675)</b>	(48,779)	(45,718)	6,159	3,085
Non-controlling interests	<b>(7,966)</b>	(3,627)	(98)	–	–
(Loss)/earnings per share					
From continuing operations and discontinued operations					
– Basic and diluted	<b>(11.33 cents)</b>	(5.59 cents)	(6.10 cents)	1.00 cents	0.5 cents
From continuing operations					
– Basic and diluted	<b>(10.81 cents)</b>	(4.80 cents)	(7.05 cents)	0.85 cents	N/A
From discontinued operations					
– Basic and diluted	<b>(0.52 cents)</b>	(0.79 cents)	0.95 cents	0.15 cents	N/A
	2012 RMB'000	2011 RMB'000 (Restated)	2010 RMB'000	2009 RMB'000	2008 RMB'000
<b>Assets and liabilities</b>					
Non-current assets	<b>1,271,617</b>	1,416,296	209,728	148,267	139,102
Current assets	<b>647,582</b>	611,151	496,386	454,523	315,662
Current liabilities	<b>(608,953)</b>	(562,927)	(457,296)	(321,468)	(140,268)
Total assets less current liabilities	<b>1,310,246</b>	1,464,520	248,818	281,322	314,496
Non-current liabilities	<b>(320,773)</b>	(534,702)	(5,243)	–	(60,000)
Net assets	<b>989,473</b>	929,818	243,575	281,322	254,496
<b>Capital and reserves</b>					
Share capital	<b>9,835</b>	9,439	7,140	7,140	5,820
Reserves	<b>733,533</b>	666,283	228,533	274,182	248,676
Equity attributable to owners of the Company	<b>743,368</b>	675,722	235,673	281,322	254,496
Non-controlling interests	<b>246,105</b>	254,096	7,902	–	–
Total equity	<b>989,473</b>	929,818	243,575	281,322	254,496