COSLIGHT

COSLIGHT TECHNOLOGY INTERNATIONAL GROUP LIMITED

Incorporation in Bermuda with limited liability

Stock Code : 1043

2014 Annual Report

Contents

Corporate Information

DIRECTORS

Executive

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

Independent Non-executive

Mr. LI Zeng Lin
Dr. YIN Ge Ping
Mr. XIAO Jian Min

QUALIFIED ACCOUNTANT AND COMPANY SECRETARY

Mr. NG Kar Keung, CPA

AUDIT COMMITTEE

Mr. LI Zeng Lin
Dr. YIN Ge Ping
Mr. XIAO Jian Min

REMUNERATION COMMITTEE

Dr. YIN Ge Ping
Mr. LI Zeng Lin
Mr. ZHANG Li Ming

NOMINATION COMMITTEE

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

LEGAL ADVISER

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

AUDITOR

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

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

PRINCIPAL BANKERS

Hang Seng Bank
DBS Bank (Hong Kong) Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Secretaries Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

Results

For the year ended 31 December 2014 (the "Year"), the turnover from the Group's ongoing operations amounted to approximately RMB3,530,664,000 (2013: RMB3,034,323,000), representing an increase of 16% over the corresponding period of last year. Profit attributable to owners of the parent company during the Year was approximately RMB32,154,000 (2013: RMB172,985,000). For the Year, earnings per share were RMB8.27 cents (2013: RMB46.23 cents).

Dividend

The Board of Directors does not recommend the payment of a final dividend to shareholders for the year ended 31 December 2014 (2013: nil).

Business Review

Sealed lead-acid ("SLA") Products

During the Year, total sales from the SLA battery products were approximately RMB1,089,504,000 (2013: RMB878,186,000), representing an increase of about 24% when compared to last year, which was mainly due to the increase of sales volume of SLA battery business during the Year.

The Group announced a disposal agreement on 10 October 2014, pursuant to which, the Group conditionally agreed to dispose of 81% of the shareholding interest of Shenyang Dongbei Storage Battery Company Limited (瀋陽東北蓄電池有限公司) at a consideration of RMB64,800,000. Harbin Coslight Storage Battery Company Limited (哈爾濱光宇蓄電池股份有限公司), being one the of the vendors and an indirect non wholly-owned subsidiary of the Company, agreed to continue to provide the corporate guarantee in respect of the bank borrowings by Shenyang Dongbei Storage Battery Company Limited up to a maximum principal amount of RMB389,000,000 after the completion of the disposal(as defined in the announcement of the Company dated 10 October 2014).

Lithium-ion Batteries

During the Year, sales volume of lithium polymer batteries was approximately 68,280,000 pieces (2013: 48,310,000 pieces), representing a surge of 41% over last year. The major customers were well-known domestic and overseas enterprises. Sales of lithium polymer batteries for the Year were approximately RMB1,337,929,000 (2013: RMB1,070,701,000), representing an increase of approximately 25% over last year. With strong market demand, the Group's production capacity in Zhuhai has reached 10 million pieces per month. The Group will continue to expand the production facilities of lithium polymer batteries to meet the increasing market demand. The investment in equipment and installation schedule will be determined according to customer orders. We are striving to negotiate the opportunities with potential customers in the PRC and overseas.

Lithium Ferrite Batteries

In respect of the application of lithium ferrite batteries in telecommunications base stations, the Group has explored into overseas markets in Asia, Middle East and Africa. During the period, sales from the application of lithium ferrite batteries in telecommunications base stations were approximately RMB200 million. In relation to lithium ferrite batteries for automobiles, the Group keeps its cooperation with domestic automobile manufacturers to provide a variety of system solutions for batteries that can be applied in electric vehicles. Our total sales of electric vehicle batteries in Beijing market exceeded 2,400 sets. Total sales of electric vehicle batteries for the Year were 2,829 sets, including batteries for pure electric cars, passenger vehicles, hybrid electric passenger vehicles and pure electric vehicles (2013: 776 sets). Meanwhile, our sales of lithium ferrite battery-powered electric bicycles exceeded 23,000 sets.

Online Games

During the Year, our research and development team has developed a variety of games. We continue to release the updated versions of "問道" and attracted an increasing number of online users, maintaining the spending amount at high levels. The online game business generated a profit of RMB135,692,000 (2013: RMB139,429,000) for the Group, representing a decrease of approximately 3% over the corresponding period last year.

Mineral Products

The Group entered into a disposal agreement on 12 December 2012 whereby it had conditionally agreed to dispose of the 60% equity interest in Cosstone Limited Liability Company (科斯通有限責任公司) at a consideration of RMB284,600,000. At the extraordinary general meeting held on 18 February 2013, the disposal agreement (the "Disposal Agreement") dated 12 December 2012 that was entered into between the Purchaser and the Vendor (as defined in the circular of the Company dated 21 January 2013) was approved, confirmed and ratified.

The Group entered into a disposal agreement on 29 January 2014 whereby it had conditionally agreed to dispose of the 40% equity interest in Cosstone Limited Liability Company (科斯通有限責任公司) at a consideration of RMB90,000,000 (as defined in the announcement of the Company dated 29 January 2014).

PROSPECTS

SLA battery Products

As scheduled, we will relocate our existing production base in Harbin City to the Northern District of Harbin City in 2015. The existing factory and land will be arranged according to the governmental planning.

Lithium-ion Batteries

With the increasingly expanding customer base and the rising demand for our products, we expect that our demand in 2015 will continue to increase rapidly. We will continue to expand our production facilities of lithium polymer batteries in Zhuhai. Our production capacity is expected to increase from the current level of 10 million pieces per month to over 13 million pieces per month. The expansion is expected to be completed in the second half of 2015. We plan to expand the application scope of lithium polymer batteries to the industrial, power and wearable product fields.

For power batteries, thanks to encouragement and financial subsidies from the central government and local governments along with various administrative incentives and demand from public transport systems and small-sized vehicles in various provinces and municipalities has been significantly increased. We will formulate different sales plans by reference to the demand of different regions and different customers in the PRC with an aim to expand the market demand for power batteries. The Indian market has shown signs of recovery with increasing orders. It is expected that the overall demand for lithium-ion batteries will increase significantly in 2015.

Online Game

In 2015, we will continue to pursue a cross-platform strategy. In the aspect of R&D and operations, multi-platform services ranging from user-end games, web games to cell phone games will be covered. We will launch 10 to 20 new games. It is expected that these new games will bring revenue to the Company, and will continue to reap promising returns for our shareholders.

Appreciation

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

By order of the Board

SONG Dian Quan
Chairman

Harbin, the PRC, 31 March 2015

Management Profile

Directors

Executive Directors

Mr. SONG Dian Quan, aged 59, is the chairman of the Company and the key founder of the Group. He is responsible for the overall management and formulation of corporate policies and strategies. He is also responsible for the business development of the Group, and liaising with various levels of government authorities in the PRC. He has more than 30 years of experience in the research and development of electronics technology of rechargeable batteries. He graduated from the Harbin Institute of Technology in 1982 with a bachelor of engineering degree in electrochemistry.

Ms. LUO Ming Hua, aged 51, is the deputy chairman and chief executive officer of the Company. She is responsible for the overall management and administration of the Group. She has extensive manufacturing experience in rechargeable battery materials. She graduated from Harbin Institute of Electrical Engineering in 1991 with a major in industrial and electrical automation. She joined the Group in May 1994.

Mr. LI Ke Xue, aged 67, is the co-founder of the Group and the deputy general manager of the Company, and is responsible for general administration of the Group. He has over 30 years of administrative and operational experience in the battery field in the PRC. He graduated from Central Communist Party College in 1988 specializing in management.

Mr. XING Kai, aged 58, is responsible for production and quality management of the Group. He has over 30 years' experience in the research and development of rechargeable battery products and over 17 years of managerial experience in the battery industry in the PRC. He graduated from Wu Chang Teachers' College in 1981 specializing in chemistry. He joined the Group in May 1994.

Mr. ZHANG Li Ming, aged 59, is responsible for the international trading activities of the Group. He has more than 37 years of entrepreneurial experience in product development, production and corporate management in the PRC. Prior to joining the Group in November 1997, he had worked as manager of the Chinese party in a Sino-foreign joint venture for battery production. He graduated from Huazhong Polytechnic University in 1980 with a bachelor degree in mechanics.

Mr. LIU Xing Quan, aged 82, is the chief engineer of the Company and is responsible for the product design, research and development and marketing of the Group. Mr. Liu has over 50 years' experience in the research and development of electronics technology of rechargeable batteries, and extensive managerial and operational experience in the battery industry in the PRC. He graduated from Qiqihar Institute of Light Industry in 1956. He joined the Group in May 1994.

Independent Non-executive Directors

Mr. LI Zeng Lin, aged 57, was appointed independent non-executive director of the Company in July 1999. He is the deputy general manager of an investment and trading company set up by Harbin Municipal Government in Hong Kong. Prior to assuming his current office in April 1998, he was an economist in the Planning Committee of Harbin Municipal Government for 18 years. He graduated from the Faculty of Statistics of People's University of China.

Dr. YIN Ge Ping, aged 57, was appointed as an independent non-executive Director in July 2012. She received her Bachelor of Electrochemical Engineering in 1982 and received her Doctorate degree in 2000 from the Harbin Institute of Technology ("HIT"). She has been teaching at HIT since graduation, and was promoted to become a professor in 2001 and doctoral tutor in 2003.

Mr. XIAO Jian Min, aged 57, was appointed independent non-executive director of the Company in September 2004. Mr. Xiao is a senior auditor in Heilongjiang province since 1996 and is a member of The Chinese Institute of Certified Public Accountants. He has over 32 years' experience in the fields of finance, audit and accounting. He is currently the head of the Finance Department of Heilongjiang maritime Safety Administration. Prior to his service with Heilongjiang maritime Safety Administration, he was the deputy director of the Supervision Department of Heilonjiang Habour and Navigation Supervision Administration from 2000 to 2002; head of the Investigation Department and subsequently the head of the Audit Department of Heilongjiang River Administration of Navigation Affairs from 1991 to 2000; chief accountant of Harbin port Authority from 1990 to 1991; and the deputy director of the Finance Department of Heilongjiang River Administration of Navigation Affairs from 1981 to 1990.

FINANCIAL REVIEW

Assets and liabilities

As at 31 December 2014, the Group has total assets of RMB6,361,474,000 (2013: RMB6,127,198,000) which were financed by current liabilities of RMB4,238,719,000 (2013: RMB4,221,638,000), non-current liabilities of RMB243,583,000 (2013: RMB134,834,000), shareholders' equity of RMB1,811,779,000 (2013: RMB1,699,509,000) and non-controlling interests of RMB67,393,000 (2013: RMB71,217,000).

Liquidity, financial resources and capital structure

During the year, the Group adopted prudent treasury policies in managing cash resources and bank borrowings. As at 31 December 2014, the Group has bank and cash balances amounted to RMB250,894,000 (2013: RMB360,430,000). The total bank borrowings of the Group as at 31 December 2014 were approximately RMB1,235,599,000 (2013: RMB1,548,452,000), amongst which RMB1,119,611,000 will be due to repay within 12 months (2013: RMB1,401,878,000). These borrowings carry interest ranging from 2.51% to 9.00% (2013: from 2.51% to 7.80%) per annum. As at 31 December 2014, approximately 86% of the Group's bank borrowings were denominated in Renminbi and 14% were denominated in US dollars. All bank borrowings were used to finance the Group's capital expenditures and working capital requirements.

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

Gearing and liquidity ratio

The Group's gearing ratio, defined as the ratio between total debts and shareholders' equity, was 75% (2013: 87%). The current ratio of the Group, represented by a ratio between current assets over current liabilities, was 95% (2013: 92%), reflecting the abundance of financial resources.

Charges on group assets

As at 31 December 2014, certain prepaid lease payments and property, plant and equipment, and trade receivables of the Group with carrying values of RMB589,029,000 (2013: RMB960,925,000), and RMB133,408,000 (2013: RMB199,311,000), respectively, were pledged to secured bank borrowings of approximately RMB745,735,000 (2013: RMB862,672,000). In addition, pledged bank deposits were pledged to secure trade and loan financing facilities granted to the Group.

Foreign currency risk

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

Capital Commitments

	The Group	
	2014 **RMB'000**	2013 RMB'000
Capital expenditure authorised but not contracted for in respect of acquisition of property, plant and equipment and land use rights	**–**	30,000
Capital expenditure contracted for but not provided in the financial statements in respect of acquisition of property, plant and equipment and land use rights	**71,150**	118,831

Employees and remuneration policies

As at 31 December 2014, the Group has employed 9,672 (2013: 9,552) employees in the PRC. The Group has adopted continuous human resources development and training programs to maintain high level of product quality and customer services. Remuneration package is generally structured by reference to market conditions and individual performance.

The directors (the "Directors") of Coslight Technology International Group Limited (the "Company") present their annual report and the audited consolidated financial statements for the year ended 31 December 2014.

Principal Activities

The Company is an investment holding company.

The principal activities of the Company's principal subsidiaries as at 31 December 2014 are set out in note 50 to the consolidated financial statements.

Results and Appropriations

The results of the Group for the year ended 31 December 2014 are set out in the consolidated statement of profit or loss and other comprehensive income on page 30.

The Board does not propose final dividend for the year ended 31 December 2014 (2013: nil) to shareholders.

Property, Plant and Equipment

Certain of the Group's property, plant and equipment were revalued at 31 December 2014. The deficit arising on revaluation was approximately RMB67,856,000 (2013: surplus RMB33,166,000), of which approximately deficit of RMB54,449,000 (2013: surplus RMB36,347,000) (net of approximately deficit of RMB345,000 (2013: surplus RMB739,000) shared by the non-controlling interests) was credited to the revaluation reserve and approximately deficit of RMB13,062,000 was credited (2013: RMB3,920,000) was charged to the consolidated income statement for the year ended 31 December 2014.

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

Share Capital

Details of movements in the Company's share capital are set out in note 36 to the consolidated financial statements.

Directors

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

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

In accordance with bye-law 87(1) of the bye-laws of the Company, Dr. YIN Ge Ping, Ms. LUO Ming Hua and Mr. SONG Dian Quan will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Directors' Service Contracts

Each of the executive directors has entered into a service contract with the Company for an initial period of three years commencing from 1 October 2014, and renewable annually upon expiry, unless and until terminated by either party by three months' written notice.

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

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

Directors' Interests in Contracts of Significance

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

Remunerations of Directors and Five Highest Paid Employees

The aggregate remunerations of the Directors and the five highest paid employees for year ended 31 December 2014 are set out in note 15 to the consolidated financial statements.

Remuneration Committee

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

Nomination Committee

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

Disclosure of Interests

(1) Directors

As at 31 December 2014, the interests of each Director in the shares, underlying shares and debentures of the Company (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") which have been notified to the Company pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such Director was taken or deemed to have under such provisions of the SFO) or as recorded in the register to be kept under section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

Long Position

Ordinary shares of HK$0.10 each of the Company

Name of Director	Type of interests	Capacity	No. of shares held	Percentage of interest
SONG Dian Quan	Personal	Beneficial owner	260,323,300	64.41%
LUO Ming Hua	Personal	Beneficial owner	3,186,027	0.79%
LI Ke Xue	Personal	Beneficial owner	668,793	0.17%
XING Kai	Personal	Beneficial owner	526,793	0.13%
LIU Xing Quan	Personal	Beneficial owner	793	0.00%

Save as disclosed above, as at 31 December 2014, there were no other interests or short positions of the Directors and chief executive of the Company in any shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which have been notified to the Company pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such Director was taken or deemed to have under such provisions of the SFO) or recorded in the register maintained by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

(2) Substantial Shareholders and Others

As at 31 December 2014, there were no other interest and short positions of every person, other than the Directors and chief executive of the Company, in the shares and underlying shares of the Company which have been notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or recorded in the register required to be kept under section 336 of the SFO.

Share Options

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

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

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

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

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

(c) the nominal value of the shares.

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

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

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

Directors' Rights to Acquire Shares or Debentures

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

Reserves

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

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

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

In the opinion of the Directors, the Company's reserves available for distribution to shareholders as at 31 December 2014 comprised contributed surplus (as classified as special reserve in the financial statements) and accumulated losses in aggregate amounting to RMB52,214,000 (2013: RMB56,566,000).

Major Customers and Suppliers

Sales to the largest customer of the Group accounted for 15% of the Group's turnover for the year.

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

Related Party Transactions

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

I. Sale of Finished Goods

	2014 **RMB'000**	2013 RMB'000
哈爾濱開關有限責任公司 Habrin Switch Company Limited ("HBS")	**134**	68
Lexel Battery (Japan) Company Limited	**–**	4,203

II. Purchase of Raw Materials

	2014 **RMB'000**	2013 RMB'000
HBS	**67**	–
哈爾濱光宇電綫電纜有限公司 Harbin Guangyu Electric Wire and Cable Company Limited ("HGEWC")	**4,370**	5,111

III. Guarantee of Bank Borrowings

RMB150,000,000 (2013: RMB130,000,000) of the Group's bank borrowings were guaranteed by Mr. Song Dian Quan, a director of the Company.

These transactions also constitute related party transactions of the Group during the year and are set out in note 42 to the financial statements pursuant to the requirements under the Hong Kong Accounting Standard 24 (Revised).

Purchase, Sale or Redemption of Listed Securities

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

Corporate Governance

A report on the corporate governance practices adopted by the Company is set out on pages 18 to 27 of the annual report.

Independent Non-Executive Directors

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

Audit Committee

The Audit Committee of the Company comprises three independent non-executive directors, namely Mr. Li Zeng Lin, Dr. Yin Ge Ping and Mr. Xiao Jian Min with Mr. Li Zeng Lin as the chairman. The primary duties of the Audit Committee is to review and monitor the Group's financial reporting process and internal control system, as well as to provide relevant recommendations and advices to the Board. As verified by the Company, none of the members had served as a partner or a former partner to the existing auditor. The annual results of the Group for the year ended 31 December 2014 have been reviewed by the Audit Committee.

Pre-Emptive Rights

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

Sufficiency of Public Float

The Company has maintained a sufficient public float throughout the year ended 31 December 2014.

Auditor

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

On behalf of the Board
SONG Dian Quan
Chairman

Harbin, the PRC, 31 March 2015

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

Code on Corporate Governance Practices

In the opinion of the Board, the Company has complied throughout the year ended 31 December 2014 with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), except for the deviation from Code provision A.4.1 in respect of the service term of directors. Code provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election. None of the existing independent non-executive directors of the Company is appointed for specific term and this constitutes a deviation from Code provision A.4.1. In accordance with the bye-laws of the Company, at each annual general meeting one-third of the directors for the time being (or, if their number is not a multiply of three, the number nearest to but not less than one-third) shall retire from office by rotation such that each director (including those appointed for a specific term) will be subject to retirement by rotation at least every three years at the annual general meeting. As such, the Company considers that sufficient measures have been taken to ensure the Company's corporate governance practices are similar to those in the Code.

Compliance with the Model Code for Securities Transactions by Directors

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in Appendix 10 to the Listing Rules (the "Model Code"). Having made specific enquiry of all the directors, all directors confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 31 December 2014.

Board of Directors

The Board of the Company comprises:

Executive Directors

Mr. Song Dian Quan *(Chairman)*
Ms. Luo Ming Hua *(Chief Executive Officer)*
Mr. Li Ke Xue
Mr. Xing Kai
Mr. Zhang Li Ming
Mr. Liu Xing Quan

Independent Non-executive Directors

Mr. Li Zeng Lin
Mr. Xiao Jian Min
Dr. Yin Ge Ping

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

For the year ended 31 December 2014, the Board fulfilled the requirements of appointing at least three independent non-executive directors and having independent non-executive directors representing at least one-third of the Board as required by the Listing Rules. It also met the requirement under the listing Rules of having one independent non-executive director with appropriate professional qualifications, accounting and related financial management expertise.

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

The principal functions of the Board include:

- To approve the Group's overall strategies and policies and to monitor and evaluate the performance of management;
- To oversee the processes for evaluating the adequacy of internal controls, risk management, financial reporting and compliance;
- To approve annual budgets, business plans, investment proposals and major funding proposals; and
- To assume the following responsibilities for corporate governance as set out in Code provision D.3.1:
  - (a) to develop and review an issuer's policies and practices on corporate governance and make recommendations to the Board;
  - (b) to review and monitor the training and continuous professional development of directors and senior management;
  - (c) to review and monitor the issuer's policies and practices on compliance with legal and regulatory requirements;
  - (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and
  - (e) to review the issuer's compliance with the code and disclosure in the Corporate Governance Report.

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

In order to enhance efficiency, the Board has delegated the day-to-day responsibilities and operations to the senior management with clear directions as to the senior management's powers.

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

Directors	Attendance/Number Board meetings	Shareholders meeting
Mr. Song Dian Quan *(Chairman)*	5/5	2/2
Ms. Luo Ming Hua *(Chief Executive Officer)*	5/5	2/2
Mr. Li Ke Xue	5/5	2/2
Mr. Xing Kai	5/5	2/2
Mr. Zhang Li Ming	5/5	2/2
Mr. Liu Xing Quan	5/5	2/2
Mr. Li Zeng Lin	5/5	2/2
Mr. Xiao Jian Min	4/5	1/2
Dr. Yin Ge Ping	3/5	1/2

Chairman and the Chief Executive Officer

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

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

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

Appointment of Directors

In accordance with the bye-laws of the Company, at each annual general meeting, one-third of the directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation such that each director (including those appointed for a specific term) will be subject to retirement by rotation at least once every three years at the annual general meeting. The directors who will retire, and being eligible, will offer themselves for re-election at the forthcoming annual general meeting of the Company include Dr. YIN Ge Ping, Ms. LUO Ming Hua and Mr. SONG Dian Quan. In accordance with the bye-laws of the Company, the directors shall have the power from time to time and at any time to appoint any person as a director either to fill a casual vacancy on the Board or as an addition to the existing Board; and such director so appointed shall hold office until the next following general or annual meeting of the Company, and shall then be eligible for re-election at that meeting.

Training And Professional Development

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

All directors had provided a record of training they received during the year to the Company. According to the training records provided by the directors, the training(s) attended by them during the reporting period is summarized as follows:

Directors	**Corporate Governance, Regulatory Development and Trainings on other relevant topics**
Executive Directors	
Mr. Song Dian Quan	✓
Ms. Luo Ming Hua	✓
Mr. Li Ke Xue	✓
Mr. Xing Kai	✓
Mr. Zhang Li Ming	✓
Mr. Liu Xing Quan	✓
Independent Non-executive Directors	
Mr. Li Zeng Lin	✓
Mr. Xiao Jian Min	✓
Dr. Yin Ge Ping	✓

Audit Committee

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

The Audit Committee held two meetings in 2014, which were attended by all members. The Audit Committee has reviewed the accounting principles and methods adopted by the Group and discussed, inter alia, matters relating to internal control and financial statements of the Company (i.e. 2013 annual and 2014 interim results) prepared in accordance with the applicable accounting standards and has made relevant recommendations. The Audit Committee also monitored the Company's progress in implementing the Code as required under the Listing Rules.

Details of attendance of the members at meetings of the Audit Committee held in 2014 are as follows:

Committee members	**Attendance/Number of meetings**
Mr. Li Zeng Lin *(Chairman)*	2/2
Mr. Xiao Jian Min	2/2
Dr. Yin Ge Ping	2/2

The annual results of the Group for the year ended 31 December 2014 have been reviewed by the Audit Committee.

Remuneration Committee

The Company has established a Remuneration Committee on 1 June 2005 in accordance with Rule 3.25 of the Listing Rules with written terms of reference. Its primary responsibility is to make proposals to the Board with respect to the overall remuneration policy and framework for directors and senior management of the Company and the establishment of formal and transparent procedure for formulating the remuneration policy. As at the date of this report, the Remuneration Committee comprised two independent non-executive directors, namely Dr. Yin Ge Ping and Mr. Li Zeng Lin and one executive director, namely Mr. Zhang Li Ming. Dr. Yin Ge Ping is the chairman of the Remuneration Committee.

The principal functions of the Remuneration Committee include:

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

Details of attendance of the members at the meeting of Remuneration Committee held in 2014 are as follows:

Committee members	Attendance/Number of meetings
Dr. Yin Ge Ping *(Chairman)*	2/2
Mr. Li Zeng Lin	2/2
Mr. Zhang Li Ming	2/2

Directors' Remuneration

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

The Company has adopted a share option scheme in 2004. Details of the scheme are set out in note 49 to the consolidated financial statements.

Nomination Committee

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

The principal functions of the Nomination Committee include:

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

Details of attendance of the members at the meeting of Nomination Committee held in 2014 are as follows:

Committee members	**Attendance/Number of meetings**
Mr. Xiao Jian Min *(Chairman)*	2/2
Mr. Li Zeng Lin	2/2
Mr. Song Dian Quan	2/2

Auditor's Remuneration

The performance and remuneration of the external auditor, SHINEWING (HK) CPA Limited ("SHINEWING"), have been reviewed by the Audit Committee. Auditor's remuneration payable to SHINEWING by the Company in respect of audit services for the year ended 31 December 2014 amounted to HK$1,700,000. Non-audit service charges amounted to HK$300,000 which is for agreed-upon procedures performed on the interim financial report. The Board will propose a resolution at the forthcoming annual general meeting for the re-appointment of SHINEWING as the auditor of the Company.

Responsibility of Preparation of the Accounts

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

Internal Controls

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

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

Investor Relations

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

The general meeting of the Company is also an effective communication channel between the Board and shareholders. The Company will meet with its shareholders and respond to their enquiries in the general meetings. The Chairman had attended the annual general meeting held on 4 June 2014.

Shareholders may send written enquiries, either by post, by facsimile or by email, together with his/her contact details, such as postal address, email or fax, addressing to the head office of the Company at the following address or facsimile number or via email:

Coslight Technology International Group Limited
Room 2501-2502, COSCO Tower
181-183 Queen's Road Central
Hong Kong
Attention to: Company Secretary

Fax: 852 2543 9932
Email: info@coslight.com.hk

SHAREHOLDERS' RIGHTS

Shareholders of the Company may request special general meetings. According to bye-law 58 of the Company's bye-laws, shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting, the requisitionists may do so in accordance with the provisions of section 74 of the Companies Act 1981 of Bermuda.

Shareholders may put forward proposals at general meetings of the Company by sending the same to the Company at the address of the head office of the Company, either by post, by facsimiles or by email (the contact details are set out in the section headed "Investor Relations" above), specifying his/her information, contact details and the proposal(s) he/she intends to put forward at the general meeting regarding any specified transaction/business and the supporting documents.

MEMORANDUM OF ASSOCIATION AND BYE-LAWS OF THE COMPANY

During the year, no amendment had been made to the memorandum of association and bye-laws of the Company.

信永中和 ShineWing

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

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF COSLIGHT TECHNOLOGY INTERNATIONAL GROUP LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Coslight Technology International Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 30 to 152 which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory 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 of the Company determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2014, and of its profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

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

Hong Kong
31 March 2015

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2014

	Notes	**2014 RMB'000**	2013 RMB'000
Revenue	9	**3,530,664**	3,034,323
Cost of sales		**(3,161,830)**	(2,507,318)
Gross profit		**368,834**	527,005
Other income	11	**48,846**	26,675
Gain on disposal of a subsidiary	40	**114,963**	100,257
Distribution and selling expenses		**(121,977)**	(142,236)
Administrative and other operating expenses		**(380,703)**	(286,641)
Impairment loss in respect of interest in an associate	24	**–**	(17,000)
Finance costs	12	**(108,027)**	(112,565)
Share of results of associates		**135,692**	139,429
Profit before tax		**57,628**	234,924
Income tax expense	13	**(29,295)**	(49,489)
Profit for the year	14	**28,333**	185,435
Other comprehensive (expense) income for the year			
Items that will not be reclassified subsequently to profit or loss:			
(Deficit) surplus on revaluation of property, plant and equipment		**(54,794)**	37,086
Deferred tax effects arising on revaluation of property, plant and equipment	38	**8,506**	(4,054)
		(46,288)	33,032
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translating foreign operations		**3,337**	12,823
Share of exchange reserve of associates		**(830)**	2,087
Exchange reserve realised on disposal of a subsidiary		**–**	(12,994)
		2,507	1,916
Other comprehensive (expense) income for the year, net of tax		**(43,781)**	34,948
Total comprehensive (expense) income for the year		**(15,448)**	220,383

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
Profit for the year attributable to:			
Owners of the Company		**32,154**	172,985
Non-controlling interests		**(3,821)**	12,450
		28,333	185,435
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(10,228)**	207,110
Non-controlling interests		**(5,220)**	13,273
		(15,448)	220,383
Earnings per share			
– Basic and diluted	17	**RMB8.27 cents**	RMB46.23 cents

Consolidated Statement of Financial Position

As at 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
Non-current assets			
Property, plant and equipment	18	**1,704,444**	1,517,281
Mining rights	19	**–**	–
Other intangible assets	20	**4,249**	4,235
Goodwill	21	**25,957**	29,012
Prepaid lease payments	22	**141,947**	178,664
Deposits paid for acquisition of land	23	**24,249**	30,000
Interests in associates	24	**354,896**	451,022
Other receivables	26	**68,148**	–
Deferred tax assets	38	**31,845**	37,125
		2,355,735	2,247,339
Current assets			
Inventories	25	**844,081**	732,613
Trade and other receivables	26	**2,315,487**	2,301,952
Prepaid lease payments	22	**3,299**	4,041
Amounts due from directors	27	**363**	862
Amounts due from related companies	28	**61,053**	63,419
Amounts due from non-controlling interests	29	**127**	587
Amounts due from associates	29	**39,983**	23,808
Pledged bank deposits	30	**490,452**	392,147
Bank balances and cash	31	**250,894**	360,430
		4,005,739	3,879,859
Current liabilities			
Trade and other payables	32	**2,367,025**	1,931,646
Amounts due to directors	33	**2,381**	2,676
Amounts due to related companies	33	**122,250**	93,733
Amounts due to non-controlling interests	33	**1,675**	3,747
Amounts due to associates	33	**435,254**	596,073
Tax payables		**12,642**	45,311
Bank borrowings	34	**1,235,599**	1,548,452
Obligations under finance leases	35	**61,893**	–
		4,238,719	4,221,638
Net current liabilities		**(232,980)**	(341,779)
		2,122,755	1,905,560

	Notes	2014 RMB'000	2013 RMB'000
Capital and reserves			
Share capital	36	**42,377**	40,010
Reserves		**1,769,402**	1,659,499
Equity attributable to owners of the Company		**1,811,779**	1,699,509
Non-controlling interests		**67,393**	71,217
Total equity		**1,879,172**	1,770,726
Non-current liabilities			
Deferred tax liabilities	38	**17,596**	23,735
Obligations under finance leases	35	**102,570**	–
Deferred government grants	39	**123,417**	111,099
		243,583	134,834
		2,122,755	1,905,560

The consolidated financial statements on pages 30 to 152 were approved and authorised for issue by the board of directors on 31 March 2015 and are signed on its behalf by:

Mr. Song Dian Quan
Director

Mr. Zhang Li Ming
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

	Attributable to owners of the Company										
	Share capital RMB'000	**Share premium** RMB'000	**Special reserve** RMB'000 (Note a)	**Statutory reserves** RMB'000 (Note b)	**Revaluation reserve** RMB'000 (Note c)	**Exchange reserve** RMB'000 (Note d)	**Other Reserve** RMB'000 (Note e)	**Accumulated profits** RMB'000	**Total** RMB'000	**Non-controlling interests** RMB'000	**Total** RMB'000
At 1 January 2013	40,010	–	92,545	304,329	77,384	(105,998)	(18,362)	1,132,486	1,522,394	115,058	1,637,452
Profit for the year	–	–	–	–	–	–	–	172,985	172,985	12,450	185,435
Other comprehensive income for the year											
Exchange reserve realised on disposal of a subsidiary	–	–	–	–	–	(12,994)	–	–	(12,994)	–	(12,994)
Exchange difference arising on translation of foreign operations	–	–	–	–	–	12,514	–	–	12,514	309	12,823
Share of exchange reserve of associates	–	–	–	–	–	2,087	–	–	2,087	–	2,087
Surplus on revaluation of property, plant and equipment	–	–	–	–	36,510	–	–	–	36,510	576	37,086
Deferred tax effects arising on revaluation of property, plant and equipment	–	–	–	–	(3,992)	–	–	–	(3,992)	(62)	(4,054)
Total comprehensive income for the year	–	–	–	–	32,518	1,607	–	172,985	207,110	13,273	220,383
Acquisition of additional interests in subsidiaries (Note 41)	–	–	–	–	–	–	(29,995)	–	(29,995)	(57,114)	(87,109)
Realised on depreciation of property, plant and equipment	–	–	–	–	(5,193)	–	–	5,193	–	–	–
Appropriation to statutory reserves	–	–	–	25,856	–	–	–	(25,856)	–	–	–
At 31 December 2013	40,010	–	92,545	330,185	104,709	(104,391)	(48,357)	1,284,808	1,699,509	71,217	1,770,726
At 1 January 2014	40,010	–	92,545	330,185	104,709	(104,391)	(48,357)	1,284,808	1,699,509	71,217	1,770,726
Profit for the year	–	–	–	–	–	–	–	32,154	32,154	(3,821)	28,333
Other comprehensive income for the year											
Exchange difference arising on translation of foreign operations	–	–	–	–	–	4,412	–	–	4,412	(1,075)	3,337
Share of exchange reserve of associates	–	–	–	–	–	(830)	–	–	(830)	–	(830)
Deficit on revaluation of property, plant and equipment	–	–	–	–	(54,449)	–	–	–	(54,449)	(345)	(54,794)
Deferred tax effects arising on revaluation of property, plant and equipment	–	–	–	–	8,485	–	–	–	8,485	21	8,506
Total comprehensive income for the year	–	–	–	–	(45,964)	3,582	–	32,154	(10,228)	(5,220)	(15,448)
Issue of ordinary shares	2,367	125,430	–	–	–	–	–	–	127,797	–	127,797
Transaction costs attribute to issue of new ordinary shares	–	(3,903)	–	–	–	–	–	–	(3,903)	–	(3,903)
Transaction with non-controlling interests (note 41)	–	–	–	–	–	–	(1,396)	–	(1,396)	1,396	–
Realised on depreciation of property, plant and equipment	–	–	–	–	(4,705)	–	–	4,705	–	–	–
Appropriation to statutory reserves	–	–	–	23,211	–	–	–	(23,211)	–	–	–
At 31 December 2014	42,377	121,527	92,545	353,396	54,040	(100,809)	(49,753)	1,298,456	1,811,779	67,393	1,879,172

Notes:

(a) The special reserve represents:

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

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

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

(b) Subsidiaries in the PRC have appropriated 10% of the profit to reserve fund until the balance of the reserve reaches 50% of their respective registered capital. The reserve fund is required to be retained in the accounts of the subsidiaries to offset against accumulated losses of the respective PRC subsidiaries.

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

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

(e) The other reserve has been set up and dealt with in accordance with the accounting policies adopted on or after 1 January 2010 for the changes in ownership interests in subsidiaries that do not result in a loss of control. Details of changes in ownership interests in subsidiaries that do not result in a loss of control are set out in note 41.

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	2014 RMB'000	2013 RMB'000
OPERATING ACTIVITIES		
Profit before tax	**57,628**	234,924
Adjustments for:		
Finance costs	**108,027**	112,565
Depreciation of property, plant and equipment	**103,170**	90,227
Impairment loss recognised on trade and other receivables	**16,951**	9,221
Deficit arising on revaluation of property, plant and equipment	**13,062**	3,920
Amortisation of prepaid lease payments	**4,454**	3,753
Loss on disposal of an associate	**4,312**	–
Impairment loss recognised on goodwill	**3,055**	–
Loss (gain) on disposal of property, plant and equipment	**1,678**	(251)
Impairment loss recognised on amounts due from related companies	**1,096**	–
Allowance for inventories	**734**	401
Amortisation of intangible assets	**73**	49
Impairment loss recognised in respect of interest in an associate	**–**	17,000
Imputed interest income on other receivables	**(2,198)**	–
Amortisation of government grants	**(2,682)**	(2,235)
Written-off of other payables	**(2,965)**	–
Bank interest income	**(8,394)**	(7,783)
Reversal of allowance for inventories	**(9,050)**	(1,705)
Government grants related to expenses and recognised as income	**(11,626)**	(7,393)
Reversal of impairment loss recognised on trade and other receivables	**(12,655)**	(3,073)
Gain on disposal of a subsidiary	**(114,963)**	(100,257)
Share of results of associates	**(135,692)**	(139,429)
Operating cash flows before movements in working capital	**14,015**	209,934
Increase in inventories	**(213,653)**	(92,405)
(Increase) decrease in trade and other receivables	**(193,232)**	37,751
Decrease (increase) in amount due from related parties	**2,648**	(592)
Increase in trade and other payables	**988,472**	229,678
Cash generated from operations	**598,250**	384,366
Income tax paid	**(58,679)**	(29,015)
Net cash from operating activities	**539,571**	355,351

	Notes	2014 RMB'000	2013 RMB'000
INVESTING ACTIVITIES			
Purchases of property, plant and equipment		**(406,765)**	(301,385)
Net cash (outflow) inflow on disposal of subsidiaries	40	**(197,790)**	53,600
New pledged bank deposits raised		**(198,479)**	(234,008)
(Advance to) repayment from associates		**(16,175)**	43,740
Advance to related companies		**(1,378)**	(7,874)
Purchase of intangible assets		**(87)**	(80)
Dividends received from associates		**156,188**	85,636
Repayment from pledged bank deposits		**100,174**	126,608
Interest received		**8,394**	7,783
Proceeds on disposal of property, plant and equipment		**3,945**	836
Repayment from (advance to) directors		**499**	(53)
Repayment from non-controlling interests		**460**	22,364
Disposal of available-for-sale investments		**–**	1,500
Deposit paid for acquisition of land		**–**	(15,000)
Acquisition of prepaid lease payment		**–**	(43,198)
Net cash used in investing activities		**(551,014)**	(259,531)
FINANCING ACTIVITIES			
New bank borrowings raised		**1,445,269**	1,838,010
Advance from finance leases		**119,622**	–
Proceeds from issuing of new ordinary shares		**127,797**	–
Transaction costs attributable to issue of new ordinary shares		**(3,903)**	–
Advance from related companies		**28,517**	31,705
Government grants received		**26,626**	62,197
Repayment of bank borrowings		**(1,555,325)**	(1,852,940)
Repayment to associates		**(160,819)**	(4,308)
Interest paid		**(111,208)**	(114,780)
Repayments of obligations under finance leases		**(17,129)**	–
Repayment to non-controlling interests		**(2,072)**	–
Repayment to directors		**(295)**	(46)
Payment for acquisition of additional equity interest in subsidiaries		**–**	(87,109)
Net cash used in financing activities		**(102,920)**	(127,271)
Net decrease in cash and cash equivalents		**(114,363)**	(31,451)
Cash and cash equivalents at beginning of year		**360,430**	392,154
Effect of foreign exchange rate changes		**4,827**	(273)
Cash and cash equivalents at end of year, represented by bank balances and cash		**250,894**	360,430

1. General Information

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

The consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company and its PRC subsidiaries. Other than those subsidiaries established in the People's Republic of China (the "PRC"), the functional currencies of those subsidiaries established in India is denoted in Indian Rupee ("INR").

The principal activities of the Company and its subsidiaries (collectively referred as the "Group") are principally engaged in the investment holding and the manufacture and sales of battery products. The principal activities of the Company's principal subsidiaries are set out in note 50.

2. Basis of Preparation of Consolidation Financial Statements

Notwithstanding that the Group had incurred net current liabilities of approximately RMB232,980,000 as at 31 December 2014, the consolidated financial statements have been prepared on a going concern basis as the directors of the Company are satisfied that the liquidity of the Group can be maintained in the coming year taking into consideration of the following matters:

(i) The associates of the Group have undertaken not to demand the repayment of the balances due from the Group totaling approximately RMB435,254,000 as at 31 December 2014 for the coming twelve months and until the Group is in a financial position to do so.

(ii) The Group will generate a positive cash flow from operation for the year ending 31 December 2015 in accordance with cash flow forecast prepared by the management of the Group.

(iii) As at 31 December 2014, the Group has unutilised banking facilities of approximately RMB581,335,000; and

2. Basis of Preparation of Consolidation Financial Statements (Continued)

(iv) The bank borrowings of approximately RMB115,988,000 with the repayment on demand clause which are not repayable within one year from the end of the reporting period according to the repayment schedule were classified as current liabilities due to the application of Hong Kong IFRS Interpretations Committee (the "IFRIC") – Interpretation 5 – Presentation of Financial Statement – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The directors of the Company believe that such bank borrowings will be repaid three years after the reporting date in accordance with the scheduled repayment dates set out in the loan agreements.

The directors of the Company believe that the Group will have sufficient cash resources to satisfy its future working capital and other financing requirements for the next twelve months from 31 December 2014. Accordingly, the consolidated financial statements have been prepared on a going concern basis and do not include any adjustments that would be required should the Group fail to continue as a going concern.

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

In the current year, the Group has applied the following new and revised HKFRSs, which include HKFRSs, Hong Kong Accounting Standards ("HKAS(s)"), amendments and interpretations ("Int(s)"), issued by the HKICPA.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
Hong Kong (IFRS Interpretations Committee) ("HK(IFRIC)") – Int 21	Levies

The application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9 (2014)	Financial Instruments[4]
HKFRS 15	Revenue from Contracts with Customers[3]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 – 2012 Cycle[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 – 2013 Cycle[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle[2]
Amendments to HKAS 1	Disclosure Initiative[2]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[1]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[2]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[2]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[2]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[2]

1 *Effective for annual periods beginning on or after 1 July 2014.*
2 *Effective for annual periods beginning on or after 1 January 2016.*
3 *Effective for annual periods beginning on or after 1 January 2017.*
4 *Effective for annual periods beginning on or after 1 January 2018.*

The directors of the Company anticipate that, except as described below, the application of the new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

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

New and revised HKFRSs issued but not yet effective (Continued)

HKFRS 9 (2014) Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 and includes the requirements for the classification and measurement of financial liabilities and for derecognition. In 2013, HKFRS 9 was further amended to bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements. A finalised version of HKFRS 9 was issued in 2014 to incorporate all the requirements of HKFRS 9 that were issued in previous years with limited amendments to the classification and measurement by introducing a "fair value through other comprehensive income" ("FVTOCI") measurement category for certain financial assets. The finalised version of HKFRS 9 also introduces an "expected credit loss" model for impairment assessments.

Key requirements of HKFRS 9 (2014) are described as follows:

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

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

New and revised HKFRSs issued but not yet effective (Continued)

HKFRS 9 (2014) Financial Instruments *(Continued)*

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- In the aspect of impairment assessments, the impairment requirements relating to the accounting for an entity's expected credit losses on its financial assets and commitments to extend credit were added. Those requirements eliminate the threshold that was in HKAS 39 for the recognition of credit losses. Under the impairment approach in HKFRS 9 (2014) it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, expected credit losses and changes in those expected credit losses should always be accounted for. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition and, consequently, more timely information is provided about expected credit losses.

- HKFRS 9 introduces a new model which is more closely aligns hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risk exposures. As a principle-based approach, HKFRS 9 looks at whether a risk component can be identified and measured and does not distinguish between financial items and non-financial items. The new model also enables an entity to use information produced internally for risk management purposes as a basis for hedge accounting. Under HKAS 39, it is necessary to exhibit eligibility and compliance with the requirements in HKAS 39 using metrics that are designed solely for accounting purposes. The new model also includes eligibility criteria but these are based on an economic assessment of the strength of the hedging relationship. This can be determined using risk management data. This should reduce the costs of implementation compared with those for HKAS 39 hedge accounting because it reduces the amount of analysis that is required to be undertaken only for accounting purposes.

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

New and revised HKFRSs issued but not yet effective (Continued)

***HKFRS 9 (2014) Financial Instruments** (Continued)*

HKFRS 9 (2014) will become effective for annual periods beginning on or after 1 January 2018 with early application permitted.

The directors of the Company anticipate that the adoption of HKFRS 9 (2014) in the future may have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

HKFRS 15 Revenue from Contracts with Customers

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Thus, HKFRS 15 introduces a model that applies to contracts with customers, featuring a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The five steps are as follows:

i) Identify the contract with the customer;

ii) Identify the performance obligations in the contract;

iii) Determine the transaction price;

iv) Allocate the transaction price to the performance obligations; and

v) Recognise revenue when (or as) the entity satisfies a performance obligation.

HKFRS 15 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

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

New and revised HKFRSs issued but not yet effective (Continued)

***HKFRS 15 Revenue from Contracts with Customers** (Continued)*

HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related Interpretations when it becomes effective.

HKFRS 15 will become effective for annual periods beginning on or after 1 January 2017 with early application permitted. The directors of the Company anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

Annual Improvements to HKFRSs 2010 – 2012 Cycle

The Annual Improvements to HKFRSs 2010-2012 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 2 (i) change the definitions of 'vesting condition' and 'market condition'; and (ii) add definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'. The amendments to HKFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

The amendments to HKFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of HKFRS 9 or HKAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss. The amendments to HKFRS 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

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

New and revised HKFRSs issued but not yet effective (Continued)

***Annual Improvements to HKFRSs 2010 – 2012 Cycle** (Continued)*

The amendments to HKFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of HKFRS 13 clarify that the issue of HKFRS 13 and consequential amendments to HKAS 39 and HKFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial.

The amendments to HKAS 16 and HKAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/ amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to HKAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The directors of the Company do not anticipate that the application of the amendments included in the Annual Improvements to HKFRSs 2010-2012 Cycle will have a material effect on the Group's consolidated financial statements.

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

New and revised HKFRSs issued but not yet effective (Continued)

Annual Improvements to HKFRSs 2011 – 2013 Cycle

The Annual Improvements to HKFRSs 2011-2013 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to HKFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, HKAS 39 or HKFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within HKAS 32.

The amendments to HKAS 40 clarify that HKAS 40 and HKFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

(a) the property meets the definition of investment property in terms of HKAS 40; and

(b) the transaction meets the definition of a business combination under HKFRS 3.

The directors of the Company do not anticipate that the application of the amendments included in the Annual Improvements to HKFRSs 2011-2013 Cycle will have a material effect on the Group's consolidated financial statements.

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

New and revised HKFRSs issued but not yet effective (Continued)

Annual Improvements to HKFRSs 2012 – 2014 Cycle

The Annual Improvements to HKFRSs 2012-2014 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 5 clarify that changing from one of the disposal methods (i.e. disposal through sale or disposal through distribution to owners) to the other should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements in HKFRS 5. Besides, the amendments also clarify that changing the disposal method does not change the date of classification.

The amendments to HKFRS 7 clarify that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in HKFRS 7 in order to assess whether the additional disclosures for any continuing involvement in a transferred asset that is derecognised in its entirety are required. Besides, the amendments to HKFRS 7 also clarify that disclosures in relation to offsetting financial assets and financial liabilities are not required in the condensed interim financial report, unless the disclosures provide a significant update to the information reported in the most recent annual report.

The amendments to HKAS 19 clarify that the market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

HKAS 34 requires entities to disclose information in the notes to the interim financial statements 'if not disclosed elsewhere in the interim financial report'. The amendments to HKAS 34 clarify that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report. The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. If users do not have access to the other information in this manner, then the interim financial report is incomplete.

The directors of the Company do not anticipate that the application of the amendments included in the Annual Improvements to HKFRSs 2012-2014 Cycle will have a material effect on the Group's consolidated financial statements.

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

New and revised HKFRSs issued but not yet effective (Continued)

Amendments to HKAS 16 and HKAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to HKAS 16 prohibit the use of revenue-based depreciation methods for property, plant and equipment under HKAS 16. The amendments to HKAS 38 introduce a rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate. This presumption can be rebutted only in the following limited circumstances:

i) when the intangible asset is expressed as a measure of revenue;

ii) when a high correlation between revenue and the consumption of the economic benefits of the intangible assets could be demonstrated.

The amendments to HKAS 16 and HKAS 38 will become effective for financial statements with annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendments should be applied retrospectively.

As the Group use straight-line method for depreciation of property, plant and equipment, the directors of the Company do not anticipate that the application of the amendments to HKAS 16 and HKAS 38 will have a material impact on the Group's consolidated financial statements.

Amendments to HKAS 1 Disclosure Initiative

The amendments clarify that companies should use professional judgement in determining what information as well as where and in what order information is presented in the financial statements. Specifically, an entity should decide, taking into consideration all relevant facts and circumstances, how it aggregates information in the financial statements, which include the notes. An entity does not require to provide a specific disclosure required by a HKFRS if the information resulting from that disclosure is not material. This is the case even if the HKFRS contain a list of specific requirements or describe them as minimum requirements.

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

New and revised HKFRSs issued but not yet effective (Continued)

***Amendments to HKAS 1 Disclosure Initiative** (Continued)*

Besides, the amendments provide some additional requirements for presenting additional line items, headings and subtotals when their presentation is relevant to an understanding of the entity's financial position and financial performance respectively. Entities, in which they have investments in associates or joint ventures, are required to present the share of other comprehensive income of associates and joint ventures accounted for using the equity method, separated into the share of items that (i) will not be reclassified subsequently to profit or loss; and (ii) will be reclassified subsequently to profit or loss when specific conditions are met.

Furthermore, the amendments clarify that:

(i) an entity should consider the effect on the understandability and comparability of its financial statements when determining the order of the notes; and

(ii) significant accounting policies are not required to be disclosed in one note, but instead can be included with related information in other notes.

The amendments will become effective for financial statements with annual periods beginning on or after 1 January 2016. Earlier application is permitted.

The directors of the Company anticipate that the application of Amendments to HKAS 1 in the future may have a material impact on the disclosures made in the Group's consolidated financial statements.

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

New and revised HKFRSs issued but not yet effective (Continued)

Amendments to HKAS 27 Equity Method in Separate Financial Statements

The amendments to HKAS 27 allow an entity to apply the equity method to account for its investments in subsidiaries, joint ventures and associates in its separate financial statements. As a result of the amendments, the entity can choose to account for these investments either:

i) at cost;

ii) in accordance with HKFRS 9 (or HKAS 39); or

iii) using the equity method as described in HKAS 28.

The amendments to HKAS 27 will become effective for financial statements with annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendments should be applied retrospectively.

The directors of the Company do not anticipate that the application of the amendments to HKAS 27 will have a material impact on the Company's financial statements.

New Hong Kong Companies Ordinance

In addition, the annual report requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the company's first financial year commencing on or after 3 March 2014 in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Hong Kong Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant and will primarily only affect the presentation and disclosure of information in the consolidated financial statements.

4. Significant Accounting Policies

The consolidated financial statements have been prepared in accordance with HKFRs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Companies Ordinances (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinances (Cap. 622). "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to the Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain properties, plant and equipment which are measured at revalued amounts, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

4. Significant Accounting Policies (Continued)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

4. Significant Accounting Policies (Continued)

Changes in the Group's ownership interests in existing subsidiaries

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

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group has directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value of the initial recognition for subsequent accounting under HKAS 39, when applicable, the cost on initial recognition of an investment in an associate.

Business combinations

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

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

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

4. Significant Accounting Policies (Continued)

Business combinations (Continued)

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

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

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

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

Goodwill

Goodwill arising on an acquisition of a business is carried at at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

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

4. Significant Accounting Policies (Continued)

Goodwill (Continued)

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

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

The Group's policy for goodwill relating to an associate is described below.

Investments in subsidiaries

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

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

Investments in associates

An associate is an entity over which the investor has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

4. Significant Accounting Policies (Continued)

Investments in associates (Continued)

The Group's investments in associates are accounted for in the consolidated financial statements using the equity method. Under the equity method, investments in associates are initially recognised at cost. The Group's share of the profit or loss and changes in the other comprehensive income of the associates are recognised in profit or loss and other comprehensive income respectively after the date of acquisition. If the Group's share of losses of an associate equals or exceeds its interest in the associate, which determined using the equity method together with any long-term interests that, in substance, form part of the Group's net investment in the associate, the Group discontinues recognising its share of further losses. Additional losses are provided for, and a liability is recognised, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

If an associate uses accounting policies other than those of the Group for like transactions and events in similar circumstances, adjustments are made to make the associate's accounting policies conform to those of the Group when the associate's financial statement are used by the Group in applying the equity method.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment, any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of the associate is recognised as goodwill and is included in the carrying amount of the investment.

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

After application of the equity method, including recognising the associate's losses, the Group determines whether it is necessary to recognise any additional impairment loss with respect to its investment in the associate. Goodwill that forms part of the carrying amount of an investment in an associate is not separately recognised. The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment in the associate. Any reversal of that impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

4. Significant Accounting Policies (Continued)

Investments in associates (Continued)

When the investment ceases to be an associate upon the Group losing significant influence over the associate, the Group discontinues to apply equity method and any retained interest is measured at fair value at that date which is regarded as its fair value on initial recognition as a financial asset in accordance with HKAS 39. Any difference between the fair value of any retained interest and any proceeds from disposing of a part interest in the associate and the carrying amount of the investment at the date the equity method was discontinued is recognised in profit or loss. Any amount previously recognised in other comprehensive income in relation to that investment is reclassified to profit or loss or retained earnings on the same basis as it would have been required if the investee had directly disposed of the related assets or liabilities.

When the Group's ownership interest in an associate is reduced, but the Group continues to apply the equity method, the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest is reclassified to profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

Gains and losses resulting from transactions between the Group and its associate are recognised in consolidated financial statements only to the extent of unrelated investors' interests in the associate. The Group's share in the associate's gains or losses resulting from these transactions is eliminated.

Revenue recognition

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

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

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;

4. Significant Accounting Policies (Continued)

Revenue recognition (Continued)

- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Service income is recognised when services are provided.

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

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

Property, plant and equipment

Land and buildings, plant and machinery, furniture, fixtures and equipment and motor vehicles held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period.

Any revaluation increase arising on the revaluation of such assets are recognised in other comprehensive income and accumulated in equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease preciously expensed. A decrease in the carrying amount arising on the revaluation of such assets are recognised in profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

4. Significant Accounting Policies (Continued)

Property, plant and equipment (Continued)

Depreciation on revalued assets are recognised in profit or loss. On the subsequent sale or retirement of assets, the attributable revaluation surplus remains in the revaluation reserve.

Freehold land is not depreciated.

Leasehold improvements are carried at cost less subsequent accumulated depreciation and accumulated impairment loss while properties in the course of construction for production, supply or administrative purpose are carried a cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is provided to write off the cost or fair value of items of property, plant and equipment other than construction in progress and freehold land less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

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

4. Significant Accounting Policies (Continued)

Leasing

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

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

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

Leasehold land and building

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

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

4. Significant Accounting Policies (Continued)

Foreign currencies

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

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

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

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, a disposal involving loss of control over a subsidiary that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are reattributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates that do not result in the Group losing significant influence), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

4. Significant Accounting Policies (Continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

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

Government grants

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

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary conditions are that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefit costs and termination benefits

Payments to defined contribution including state-managed retirement benefit schemes and Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

4. Significant Accounting Policies (Continued)

Taxation

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

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

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

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

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

4. Significant Accounting Policies (Continued)

Taxation (Continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of their assets and liabilities.

Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Intangible assets

Intangible assets acquired separately

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

4. Significant Accounting Policies (Continued)

Intangible assets (Continued)

Internally-generated intangible assets – research and development expenditure

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

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

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

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

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

4. Significant Accounting Policies (Continued)

Intangible assets (Continued)

Patents, trademarks, licensing rights and software

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

Derecognition of intangible assets

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

Mining rights

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

Exploration and evaluation assets

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

4. Significant Accounting Policies (Continued)

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

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

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

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

Inventories

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

4. Significant Accounting Policies (Continued)

Cash and cash equivalents

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

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

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

4. Significant Accounting Policies (Continued)

Financial instruments (Continued)

***Financial assets** (Continued)*

Effective interest method

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

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

Loans and receivables

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

4. Significant Accounting Policies (Continued)

Financial instruments (Continued)

***Financial assets** (Continued)*

Impairment loss on financial assets

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

Objective evidence of impairment could include:

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

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of trade receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 90 to 540 days, observable changes in national or local economic conditions that correlate with default on receivables.

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

4. Significant Accounting Policies (Continued)

Financial instruments (Continued)

***Financial assets** (Continued)*

Impairment loss on financial assets (Continued)

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

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

Financial liabilities and equity instruments

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

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

4. Significant Accounting Policies (Continued)

Financial instruments (Continued)

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

Other financial liabilities

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of obligation under the contract, as determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the revenue recognition policy.

4. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Derecognition

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

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

The Group are derecognised financial liabilities when, and only when, the Group's obligation are discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

5. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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

Critical judgements in applying the entity's accounting policies

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

Going concern and liquidity

As explained in note 2, the consolidated financial statements have been prepared on a going concern basis and do not included any adjustments that would be required should the Group fail to continue as a going concern since the directors of the Company are satisfied that the liquidity of the Group can be maintained in the coming year taking into the considerations as detailed in note 2. The directors of the Company also believe that the Group will have sufficient cash resources to satisfy its future working capital and other financing requirements for the next twelve months from 31 December 2014.

Application of cost approach on revaluation of buildings of the Group

The directors of the Company considered that depreciated replacement cost approach is the most appropriate valuation technique to be used for the valuation of buildings of the Group due to i) absence of observable market comparable in the market and ii) those buildings are combined, non-stand alone income generating unit due to the specialty in the design of the building and relevant settings for the manufacturing process of batteries.

Significant influence over an associate

As per note 24, the directors of the Company considered 瀋陽東北蓄電池有限公司 ("瀋陽東北") in which the Group has 19% equity interests, is an associate of the Group. The Group has significant influence over 瀋陽東北 by virtue of its contract right to appoint one out of the three directors of the associate and one-third voting right of the board of director under the provisions stated in the shareholders' agreement of the associate.

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

Key sources of estimation uncertainty

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

Estimated impairment on goodwill

Determining whether goodwill is impaired requires an estimation of the value-in-use of the cash-generating units to which goodwill has been allocated. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. During the year ended 31 December 2014, impairment loss in respect of goodwill was recognised of approximately RMB3,055,000 (2013: nil). As at 31 December 2014, the carrying amount of goodwill is approximately RMB25,957,000 (2013: RMB29,012,000), net of accumulated impairment loss of approximately RMB7,248,000 (2013: RMB4,193,000).

Valuation of property, plant and equipments

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

Income tax

As at 31 December 2014, no deferred tax asset has been recognised on the tax losses of approximately RMB233,880,000 (2013: RMB263,221,000) due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal takes place.

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

Key sources of estimation uncertainty (Continued)

Estimated impairment on trade and other receivables and amounts due from related parties

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. During the year ended 31 December 2014, impairment loss in respect of trade and other receivables and amounts due from related parties were recognised of approximately RMB16,951,000 and RMB1,096,000 respectively (2013: RMB9,221,000 and nil, respectively). As at 31 December 2014, the carrying amount of trade receivables is approximately RMB1,808,697,000 (2013: RMB1,801,890,000), net of allowance for doubtful debts of RMB123,629,000 (2013: RMB144,460,000). As at 31 December 2014, the carrying amount of other receivables is approximately RMB548,489,000 (2013: RMB477,206,000), net of allowance for doubtful debts of RMB13,610,000 (2013: RMB15,962,000). As at 31 December 2014, the carrying amount of amounts due from related parties is approximately RMB61,053,000 (2013: RMB63,419,000), net of allowance for doubtful debts of RMB1,096,000 (2013: nil).

Fair value of financial guarantee

The fair values of financial guarantee that are measured using default analysis based on the valuation performed by independent professional valuers. In determining the fair value, the valuers have based on a method of valuation where the main assumptions are the probability of default by the specified counterparty extrapolated from market-based credit information and the amount of loss, given the default. When relying on the valuation report, the directors of the Company have exercised their judgement and are satisfied that the assumptions used in the valuation reflect market condition. Changes to these assumptions would result in changes in the fair values of the Group's financial guarantee and the corresponding adjustments to the amount of liability reported in the consolidated statement of financial position.

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

Key sources of estimation uncertainty (Continued)

Impairment of interests in associates

In determining whether the interests in associates are impaired, the directors of the Company assesses the recoverable amount of the interests in associates which is the higher of its fair value less costs of disposal and its value in use. An impairment loss is made if the carrying amount of interests in associates exceeds its recoverable amount. In determining the recoverable amount of the interests in associates, the directors of the Company require an estimation of the future cash flows expected to arise from the expected dividend yield from the associates in order to determine the value in use of the interests in associates.

As at 31 December 2014, the carrying amount of interests in associates was approximately RMB354,896,000 (no impairment loss recognised) (2013: approximately RMB451,022,000, net of impairment loss of approximately RMB17,000,000).

Allowance for obsolete inventories

As at 31 December 2014, the carrying amount of inventories are RMB844,081,000 (2013: RMB732,613,000), net of accumulated allowance for obsolete inventories of RMB12,579,000 (2013: RMB20,895,000). During the year ended 31 December 2014, impairment loss in respect of inventories was recognised of approximately RMB9,050,000 (2013: RMB1,705,000). The management of the Group reviews an aging analysis at the end of each reporting period, and makes allowance for obsolete and slow-moving inventory items and for price reduction in the market prices. The management estimates the net realisable value for inventories based primarily on the latest invoice prices and current market conditions. The Group carries out an inventory review on a product-by-product basis at the end of each reporting period and makes allowance for obsolete items.

6. Capital Risk Management

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

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

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

The net debt-to-adjusted capital ratio at 31 December 2014 and 2013 are as follows:

	2014 **RMB'000**	2013 RMB'000
Trade and other payables	**2,367,025**	1,931,646
Amounts due to directors, related companies, non-controlling interests and associates	**561,560**	696,229
Obligations under finance leases	**164,463**	–
Bank borrowings	**1,235,599**	1,548,452
Total debts	**4,328,647**	4,176,327
Less: Pledged bank deposits	**(490,452)**	(392,147)
Bank balances and cash	**(250,894)**	(360,430)
Net debts	**3,587,301**	3,423,750
Total equity	**1,879,172**	1,770,726
Net debt-to-adjusted capital ratio	**191%**	193%

7. Financial Instruments

(a) Categories of financial instruments

	2014 RMB'000	2013 RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**3,045,073**	2,998,789
Financial liabilities		
Financial liabilities at amortised cost	**4,219,964**	4,072,556

(b) Financial risk management objectives and policies

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

Market risk

Currency risk

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

7. Financial Instruments (Continued)

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

***Market risk** (Continued)*

Currency risk (Continued)

At 31 December 2014 and 2013, the carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	2014			2013		
	Monetary assets RMB'000	**Monetary liabilities RMB'000**	**Net Exposure RMB'000**	Monetary assets RMB'000	Monetary liabilities RMB'000	Net exposure RMB'000
Hong Kong Dollar ("HK$")	**6,914**	**–**	**6,914**	6,734	–	6,734
United States Dollar ("US$")	**149,710**	**(219,116)**	**(69,406)**	281,696	(194,490)	87,206

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

The following table details the Group's sensitivity analysis to a 10% (2013: 10%) increase or decrease in RMB against the relevant foreign currencies. 10% (2013: 10%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 10% (2013: 10%) change in foreign currency rates. A positive number below indicates an increase in profit after tax and a negative number below indicates a decrease in post-tax profit where RMB weakening 10% (2013: 10%) against the relevant currencies. For a 10% (2013: 10%) strengthen of RMB against the relevant currencies, there would be an equal and opposite impact on the post-tax profit and accumulated profits, and the balances below would be negative and positive respectively.

7. Financial Instruments (Continued)

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

***Market risk** (Continued)*

Currency risk (Continued)

Effect on post-tax profit:

	2014 RMB'000	2013 RMB'000
HK$	**519**	505
US$	**(5,205)**	6,541

Interest rate risk

The Group's exposure to changes in interest rates is mainly attributable to its pledged bank deposits, bank balances and cash, and bank borrowings. Bank borrowings at variable rates expose the Group to cash flow interest-rate risk, and those at fixed rates expose the Group to fair value interest-rate risk. As at 31 December 2014, approximately RMB614,782,000 (2013: RMB1,203,112,000) of the Group's bank borrowings were at variable rates. The interest rates and maturities of the Group's pledged bank deposits, bank balances and cash, and bank borrowings are disclosed in notes 30, 31 and 34 respectively.

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

As at 31 December 2014, if the interest rate on variable-rate bank balances and cash and bank borrowings had been 100 basis points (2013: 100 basis points) higher and all other variables held constant, the Group's post-tax profit for the year ended 31 December 2014 would increase by RMB14,019,000 (2013: RMB16,820,000). This is mainly attributable to the Group's exposure to interest rates on its bank borrowings.

7. Financial Instruments (Continued)

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

Credit risk

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

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

Amounts due from directors, related companies, non-controlling interests and associates are regularly reviewed and settled.

The credit risk on financial guarantee given by the Group is limited as the guarantees are enterprises with strong financial position as at 31 December 2014 and 2013.

The counterparties of the Group are mainly in the PRC. However, the credit risk on geographical locations is limited as the counterparties are spread over among different cities and provinces in the PRC as at 31 December 2014 and 2013.

The Group has concentration of credit risk as 9% (2013: 5%) and 14% (2013: 20%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively within the sealed lead acid batteries and related batteries, lithium-ion batteries and nickel batteries business segment.

7. Financial Instruments (Continued)

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

Liquidity risk

As at 31 December 2014, the Group is exposed to liquidity risk as the Group had net current liabilities of approximately RMB232,980,000 (2013: RMB341,779,000).

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

The Group finances its working capital requirements through a combination of funds generated from operations and bank borrowings.

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

7. Financial Instruments (Continued)

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

***Liquidity risk** (Continued)*

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

	On demand or within 1 year RMB'000	After 1 year but within 2 years RMB'000	After 2 years but within 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At 31 December 2014					
Trade and other payables	2,258,342	–	–	2,258,342	2,258,342
Amounts due to directors	2,381	–	–	2,381	2,381
Amounts due to related companies	122,250	–	–	122,250	122,250
Amounts due to non-controlling interests	1,675	–	–	1,675	1,675
Amounts due to associates	435,254	–	–	435,254	435,254
Bank borrowings with fixed interest rate	632,260	–	–	632,260	620,817
Bank borrowings with variable interest rate	514,293	–	–	514,293	498,794
Bank borrowings that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)	118,893	–	–	118,893	115,988
Obligations under finance leases	71,709	76,766	36,551	185,026	164,463
Financial guarantee contracts (note 48)	545,368	–	–	545,368	–
	4,702,425	76,766	36,551	4,815,742	4,219,964

7. Financial Instruments (Continued)

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

***Liquidity risk** (Continued)*

	On demand or within 1 year RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At 31 December 2013			
Trade and other payables	1,880,755	1,880,755	1,827,875
Amounts due to directors	2,676	2,676	2,676
Amounts due to related companies	93,733	93,733	93,733
Amounts due to non-controlling interests	3,747	3,747	3,747
Amounts due to associates	596,073	596,073	596,073
Bank borrowings with fixed interest rate	358,568	358,568	345,340
Bank borrowings with variable interest rate	1,113,384	1,113,384	1,056,538
Bank borrowings that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)	150,245	150,245	146,574
Financial guarantee contracts (note 48)	186,932	186,932	–
	4,386,113	4,386,113	4,072,556

Bank borrowings with a repayment on demand clause are included in the "on demand or within 1 year" time band in the above maturity analysis. As at 31 December 2014, the aggregate undiscounted principal amounts of these bank loans amounted to RMB115,988,000 (2013: RMB146,574,000). Taking into account the Group's financial position, the directors of the Company do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors of the Company believe that such bank borrowings will be repaid three years after the reporting date in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to RMB155,169,000 (2013: RMB177,538,000).

7. Financial Instruments (Continued)

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

***Liquidity risk** (Continued)*

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

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

7. Financial Instruments (Continued)

(c) Fair value measurements of financial instruments

Fair value of the Group's financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial liabilities are determined (in particular, the valuation techniques and inputs used).

	Fair value as at		Fair value hierarchy	Valuation technique and key inputs	Significant unobservable inputs
	2014 RMB'000	2013 RMB'000			
Financial guarantee	**628**	77	Level 3	Discounted cash flow used to capture the present value of the expected outflow to the Group	– Default rate based on the credit rating of the counter-party of 0.03% (note) – Discount rate of 4.3% based on the government bond of the PRC market (note)

Note: A slight increase in either the default rate or discount rate used in isolation would result in an increase in the fair value of measurement of the financial guarantee.

7. Financial Instruments (Continued)

(c) Fair value measurements of financial instruments (Continued)

Fair value of the Group's financial liabilities that are measured at fair value on a recurring basis *(Continued)*

During the year, there were no transfers between levels of fair value hierarchy in current year and prior year.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values due to short-term maturities. The directors of the Company also consider that the fair value of the long-term portion of liabilities including obligations under finance lease approximates to their carrying amount as they are carried at amortised cost by using the effective interest method.

8. Fair Value Measurement

Fair value measurements and valuation processes

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation.

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. Notes 7 and 18 provide detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various assets and liabilities.

9. Revenue

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

	2014 **RMB'000**	2013 RMB'000
Revenue comprises:		
– Sealed lead acid batteries and related accessories	**1,089,504**	878,186
– Lithium-ion batteries	**1,865,125**	1,686,395
– Nickel batteries	**137,878**	135,681
– Others	**438,157**	334,061
	3,530,664	3,034,323

10. Segment Information

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

For management purposes, the Group is currently organised into three major operating divisions which are the same as the reportable segment of the group – sealed lead acid batteries and related accessories, lithium-ion batteries and nickel batteries.

Principal activities are as follows:

Sealed lead acid batteries and related accessories	–	manufacture and sale of sealed lead acid batteries and related accessories
Lithium-ion batteries	–	manufacture and sale of lithium-ion batteries
Nickel batteries	–	manufacture and sale of nickel batteries
Others	–	manufacture and sale of signal strength systems, electric and automation system, motor vehicle, pharmaceutical products and mining (none of which are of a sufficient size to be reported separately)

10. Segment Information (Continued)

(a) Segment revenue and results

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

For the year ended 31 December 2014

	Sealed lead acid batteries and related accessories RMB'000	Lithium-ion batteries RMB'000	Nickel batteries RMB'000	Others RMB'000	Elimination RMB'000	Consolidated RMB'000
Revenue						
External sales	1,089,504	1,865,125	137,878	438,157	–	3,530,664
Inter-segment sales	15,942	683,926	–	24,372	(724,240)	–
Segment revenue	1,105,446	2,549,051	137,878	462,529	(724,240)	3,530,664
Segment (loss) profit	(138,745)	65,137	(1,148)	(6,008)	–	(80,764)
Unallocated operating income and expenses						(10,516)
Gain on disposal of a subsidiary						114,963
Loss on disposal of an associate						(4,312)
Bank interest income						8,394
Imputed interest income on other receivables						2,198
Finance costs						(108,027)
Share of results of associates						135,692
Profit before tax						57,628

10. Segment Information (Continued)

(a) Segment revenue and results (Continued)

For the year ended 31 December 2013

	Sealed lead acid batteries and related accessories RMB'000	Lithium-ion batteries RMB'000	Nickel batteries RMB'000	Others RMB'000	Elimination RMB'000	Consolidated RMB'000
Revenue						
External sales	878,186	1,686,395	135,681	334,061	–	3,034,323
Inter-segment sales	51,304	12,451	4,805	312	(68,872)	–
Segment revenue	929,490	1,698,846	140,486	334,373	(68,872)	3,034,323
Segment (loss) profit	(71,415)	186,354	2,797	2,031	–	119,767
Unallocated operating income and expenses						(2,747)
Gain on disposal of a subsidiary						100,257
Bank interest income						7,783
Impairment loss in respect of interest in an associate						(17,000)
Finance costs						(112,565)
Share of results of associates						139,429
Profit before tax						234,924

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies described in note 4. Segment profit (loss) represents the profit (loss) from each segment without allocation of central administration costs, directors' emoluments, bank interest income and certain other income, impairment loss in respect of interest in an associate, impairment loss on amounts due from related parties, gain on disposal of a subsidiary, finance costs and share of results of associates. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

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

10. Segment Information (Continued)

(b) Segment assets and liabilities

As at 31 December 2014

	Sealed lead acid batteries and related accessories RMB'000	Lithium-ion batteries RMB'000	Nickel batteries RMB'000	Others RMB'000	Consolidated RMB'000
ASSETS					
Segment assets	2,155,124	2,278,130	94,341	557,536	5,085,131
Interests in associates					354,896
Unallocated assets					921,447
Consolidated assets					6,361,474
LIABILITIES					
Segment liabilities	400,539	1,927,782	83,188	214,419	2,625,928
Unallocated liabilities					1,856,374
Consolidated liabilities					4,482,302

10. Segment Information (Continued)

(b) Segment assets and liabilities (Continued)

As at 31 December 2013

	Sealed lead acid batteries and related accessories RMB'000	Lithium-ion batteries RMB'000	Nickel batteries RMB'000	Others RMB'000	Consolidated RMB'000
ASSETS					
Segment assets	2,175,064	1,825,289	93,503	693,980	4,787,836
Interests in associates					451,022
Unallocated assets					888,340
Consolidated assets					6,127,198
LIABILITIES					
Segment liabilities	620,921	1,122,716	81,385	125,822	1,950,844
Unallocated liabilities					2,405,628
Consolidated liabilities					4,356,472

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

- all assets are allocated to operating and reportable segments other than interests in associates, deferred tax assets, amounts due from directors/related companies/non-controlling interests/associates, pledged bank deposits, bank balances and cash and other corporate assets; and

- all liabilities are allocated to operating and reportable segments other than amounts due to directors/related companies/non-controlling interests/associates, tax payables, bank borrowings, deferred tax liabilities and other corporate liabilities.

10. Segment Information (Continued)

(c) Other segment information

For the year ended 31 December 2014

	Sealed lead acid batteries and related accessories RMB'000	Lithium-ion Batteries RMB'000	Nickel batteries RMB'000	Others RMB'000	Unallocated RMB'000	Consolidated RMB'000
Amounts included in the measure of segment profit or loss or segment assets:						
Capital additions	173,260	297,411	3,171	22,532	131	496,505
Depreciation and amortisation	31,385	66,005	1,425	8,882	–	107,697
Allowance for inventories	–	–	–	734	–	734
Impairment loss recognised on trade and other receivables	11,020	300	3,901	1,730	–	16,951
Impairment loss recognised on goodwill (note 21)	–	–	–	3,055	–	3,055
Deficit arising on revaluation of property, plant and equipment	4,010	9,052	–	–	–	13,062
Reversal of impairment loss recognised on trade and other receivables	(2,860)	(5,129)	(263)	(4,403)	–	(12,655)
Loss on disposals of property, plant and equipment	–	1,678	–	–	–	1,678
Reversal of allowance for inventories	–	–	–	(8,253)	(797)	(9,050)
Government grants	(802)	(11,332)	(1,489)	(685)	–	(14,308)
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:						
Bank interest income	(3,131)	(4,826)	–	(427)	(10)	(8,394)
Imputed interest income on other receivables	–	–	–	–	(2,198)	(2,198)
Written-off of other payables	–	–	–	–	(2,965)	(2,965)
Impairment loss recognised on amounts due from related parties	–	–	–	–	1,096	1,096
Finance costs	49,217	52,420	1,575	1,041	3,774	108,027
Income tax expenses	8,219	15,444	270	5,362	–	29,295

10. Segment Information (Continued)

(c) Other segment information (Continued)

For the year ended 31 December 2013

	Sealed lead acid batteries and related accessories RMB'000	Lithium-ion batteries RMB'000	Nickel batteries RMB'000	Others RMB'000	Unallocated RMB'000	Consolidated RMB'000
Amounts included in the measure of segment profit or loss or segment assets:						
Capital additions	131,887	154,789	–	59,893	309	346,878
Depreciation and amortisation	34,093	52,796	1,544	5,563	33	94,029
Allowance for inventories	–	–	356	45	–	401
Reversal of allowance for inventories	(1,303)	–	–	(402)	–	(1,705)
Impairment loss recognised on trade and other receivables	–	–	2,952	6,269	–	9,221
Reversal of impairment loss recognised on trade and other receivables	–	–	–	(3,073)	–	(3,073)
Deficit arising on revaluation of property, plant and equipment	3,920	–	–	–	–	3,920
Gain on disposals of property, plant and equipment	–	(251)	–	–	–	(251)
Government grants	(1,236)	(7,046)	(612)	(734)	–	(9,628)
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:						
Interest income	(5,425)	(2,261)	(97)	–	–	(7,783)
Finance costs	60,970	47,510	1,582	796	1,707	112,565
Income tax expense	1,205	47,124	129	1,031	–	49,489

10. Segment Information (Continued)

(d) Geographical segment

The Group operates in two (2013: three) principal geographical areas: the PRC (country of domicile) and India (2013: the PRC, India and Russia).

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

	Revenue from external customers		Non-current Assets	
	2014 RMB'000	2013 RMB'000	**2014 RMB'000**	2013 RMB'000
The PRC	**2,669,838**	2,097,027	**1,769,078**	1,607,875
India	**209,327**	465,904	**144,893**	147,739
Russia	**30,044**	75,444	**4**	90,010
Other countries	**621,455**	395,948	**341,767**	364,590
	3,530,664	3,034,323	**2,255,742**	2,210,214

Non-current assets exclude deferred tax assets and other receivables.

(e) Information about major customers

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

	2014 RMB'000	2013 RMB'000
Customer A	**N/A** [1]	460,624

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

[1] The corresponding revenue did not contribute over 10% of the total sales of the Group.

11. Other Income

	2014 RMB'000	2013 RMB'000
Bank interest income	**8,394**	7,783
Gain on disposal of property, plant and equipment	**–**	251
Reversal of impairment loss recognised on trade and other receivables	**12,655**	3,073
Government grants recognised as income (Note)	**11,626**	7,393
Amortisation of government grants (note 39)	**2,682**	2,235
Imputed interest income on other receivables (note 26)	**2,198**	–
Written-off of other payables	**2,965**	–
Refund of value-added tax	**2,794**	–
Sundry income	**5,532**	5,940
	48,846	26,675

Note: Government grants recognised as other income are awarded to the Group by the PRC government as incentives primarily to encourage the development of the Group and the contribution to the local economic development. The Government grants are one-off and no specific condition attached.

12. Finance Costs

	2014 RMB'000	2013 RMB'000
Interests on:		
– bank borrowings wholly repayable within five years	**109,844**	114,780
– obligations under finance leases	**1,364**	–
	111,208	114,780
Less: borrowing costs capitalised at a rate of 3.15% (2013: 3.17%) per annum	**(3,181)**	(2,215)
	108,027	112,565

13. Income Tax Expense

	2014 RMB'000	2013 RMB'000
Current tax:		
PRC Enterprise Income Tax	**26,010**	56,238
Deferred tax (note 38)	**3,285**	(6,749)
	29,295	49,489

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

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

Under the Law of the PRC on Enterprise Income Tax (the"EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years. During the year ended 31 December 2014 and 2013, certain subsidiaries of the Group were recognised as high technology enterprise and obtained a preferential tax rate of 15%.

13. Income Tax Expense (Continued)

The tax charge for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2014 **RMB'000**	2013 RMB'000
Profit before tax	**57,628**	234,924
Tax at the applicable income tax rate at 25% (2013: 25%)	**14,407**	58,731
Tax effect of share of results of associates	**(33,923)**	(34,857)
Tax effect of income not taxable	**(6,940)**	(24,362)
Tax effect of expenses not deductible	**35,226**	18,506
Tax effect of tax losses not recognised	**21,961**	28,646
Utilisation of tax losses previously not recognised	**(2,522)**	–
Effect of different tax rates of subsidiaries operate in other jurisdictions	**1,086**	2,825
Tax charge for the year	**29,295**	49,489

Details of deferred tax are set out in note 38.

14. Profit For The Year

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

	2014 RMB'000	2013 RMB'000
Directors' emoluments	**1,578**	1,562
Retirement benefit scheme contributions (excluding contributions for directors)	**58,639**	39,928
Other staff costs	**555,644**	447,196
Total employee benefit expenses	**615,861**	488,686
Amortisation of prepaid lease payments	**4,454**	3,753
Depreciation of property, plant and equipment	**103,170**	90,227
Amortisation of other intangible assets (included in administrative expenses)	**73**	49
Total depreciation and amortisation	**107,697**	94,029
Net foreign exchange losses	**1,833**	4,655
Auditor's remuneration	**2,056**	1,987
Deficit arising on revaluation of property, plant and equipment	**13,062**	3,920
Research and development costs recognised as expense	**58,482**	42,465
Minimum lease payments under operating leases in respect of premises	**9,910**	5,503
Share of income tax expense from associates	**44,971**	33,484
Loss on disposal of property, plant and equipment	**1,678**	–
Loss on disposal of an associate (note 24)	**4,312**	–
Impairment loss recognised on trade and other receivables	**16,951**	9,221
Impairment loss recognised on amounts due from related companies	**1,096**	–
Impairment loss recognised on goodwill (note 21)	**3,055**	–
Allowance for inventories (included in cost of sales)	**734**	401
Reversal of allowance for inventories (included in cost of sales)	**(9,050)**	(1,705)
Cost of inventories recognised as an expense	**3,170,146**	2,508,622

15. Directors' and Chief Executive's and Employees' Emoluments

(a) Directors' emoluments

The emoluments paid or payable to each of the 9 (2013: 9) directors and chief executive are as follows:

	Executive directors						Independent non-executive directors			
	Mr. Song Dian Quan RMB'000	Ms. Luo Ming Hua RMB'000 (Note a)	Mr. Li Ke Xue RMB'000	Mr. Xing Kai RMB'000	Mr. Zhang Li Ming RMB'000	Mr. Liu Xing Quan RMB'000	Mr. Li Zeng Lin RMB'000	Dr. Yin Ge Ping RMB'000	Mr. Xiao Jian Min RMB'000	Total RMB'000
2014										
Fees	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**18**	**18**
Other emoluments:										
Salaries and other benefits	**251**	**248**	**244**	**196**	**432**	**120**	**–**	**–**	**–**	**1,491**
Retirement benefit scheme contributions	**19**	**19**	**–**	**19**	**12**	**–**	**–**	**–**	**–**	**69**
Total emoluments	**270**	**267**	**244**	**215**	**444**	**120**	**–**	**–**	**18**	**1,578**
2013										
Fees	–	–	–	–	–	–	–	–	18	18
Other emoluments:										
Salaries and other benefits	260	248	242	192	419	120	–	–	–	1,481
Retirement benefit scheme contributions	17	17	–	17	12	–	–	–	–	63
Total emoluments	277	265	242	209	431	120	–	–	18	1,562

Note a: Ms. Luo Ming Hua is also the chief executive of the Company for the years ended 31 December 2014 and 2013 and her emoluments disclosed above include those for services rendered by her as chief executive.

No directors had waived any emoluments during the years ended 31 December 2014 and 2013.

15. Directors' and Chief Executive's and Employees' Emoluments (Continued)

(b) Employees' emoluments

No director of the Company has been included in the five highest paid individuals of the Group for the years ended 31 December 2014 and 2013. Details of whose emoluments are set out in (a) above. The emoluments of the remaining five (2013: five) individuals are as follows:

	2014 RMB'000	2013 RMB'000
Salaries and other benefits	**2,584**	2,331
Retirement benefit scheme contributions	**65**	60
	2,649	2,391

The emoluments of the five (2013: five) individuals with the highest emoluments are within the following bands:

	2014 Number of individuals	2013 Number of Individuals
Nil – HK$1,000,000 (equivalent to nil – approximately RMB789,000 (2013: approximately RMB798,000))	**5**	5

The emoluments of the member of senior management excluding directors are disclosed in Corporate Governance Report of the annual report.

During the years ended 31 December 2014 and 2013, no emoluments were paid by the Group to any of the directors of the Company or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office.

16. Dividend

No dividend was paid or proposed during the years ended 31 December 2014 and 2013, nor has any dividend been proposed since the end of the reporting period.

17. Earnings Per Share

(a) Basic

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

	2014	2013
Profit for the year attributable to the owners of the Company (RMB'000)	**32,154**	172,985
Weighted average number of ordinary shares ('000)	**388,646**	374,180

(b) Diluted

Diluted earnings per share was the same as the basic earnings per share as there were no potential dilutive ordinary shares outstanding during the years ended 31 December 2014 and 2013.

18. Property, Plant and Equipment

	Leasehold improvements RMB'000	Freehold land RMB'000	Buildings RMB'000	Plant and machinery RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Cost or valuation								
At 1 January 2013	5,205	15,698	530,756	419,089	17,192	12,514	276,712	1,277,166
Exchange Adjustments	–	(2,177)	(2,766)	(12,860)	1,287	143	14,053	(2,320)
Additions	–	–	–	185,276	6,712	941	110,671	303,600
Transfers	–	–	–	45,888	–	–	(45,888)	–
Disposals	–	–	–	(1,098)	(49)	(328)	–	(1,475)
Revaluation	–	–	8,352	(55,224)	(7,040)	(2,237)	–	(56,149)
At 31 December 2013 and 1 January 2014	5,205	13,521	536,342	581,071	18,102	11,033	355,548	1,520,822
Exchange Adjustments	–	(301)	(397)	(535)	(51)	(7)	(1,619)	(2,910)
Additions	76	–	10,109	319,328	12,193	1,300	147,661	490,667
Transfers	–	–	201,518	14,670	–	–	(216,188)	–
Derecognised on disposal of subsidiaries	–	–	(84,150)	(37,839)	(1,110)	(2,774)	(10,657)	(136,530)
Disposals	(414)	–	–	(7,015)	(208)	(849)	–	(8,486)
Revaluation	–	492	(57,643)	(88,797)	(9,782)	263	–	(155,467)
At 31 December 2014	**4,867**	**13,712**	**605,779**	**780,883**	**19,144**	**8,966**	**274,745**	**1,708,096**
Comprising:								
At cost	4,867	–	–	–	–	–	274,745	279,612
At fair value	–	13,712	605,779	780,883	19,144	8,966	–	1,428,484
	4,867	13,712	605,779	780,883	19,144	8,966	274,745	1,708,096

18. Property, Plant and Equipment (Continued)

	Leasehold improvements RMB'000	Freehold land RMB'000	Buildings RMB'000	Plant and machinery RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Accumulated depreciation								
At 1 January 2013	3,519	–	–	–	–	–	–	3,519
Charge for the year	22	–	23,205	59,888	4,336	2,776	–	90,227
Eliminated on disposal	–	–	–	(524)	(48)	(318)	–	(890)
Eliminated on revaluation	–	–	(23,205)	(59,364)	(4,288)	(2,458)	–	(89,315)
At 31 December 2013 and 1 January 2014	3,541	–	–	–	–	–	–	3,541
Charge for the year	111	–	23,210	71,604	6,208	2,037	–	103,170
Eliminated on disposal of subsidiaries	–	–	(4,790)	(6,573)	(248)	(974)	–	(12,585)
Eliminated on disposal	–	–	–	(2,024)	(99)	(740)	–	(2,863)
Eliminated on revaluation	–	–	(18,420)	(63,007)	(5,861)	(323)	–	(87,611)
At 31 December 2014	**3,652**	**–**	**–**	**–**	**–**	**–**	**–**	**3,652**
Carrying values								
At 31 December 2014	**1,215**	**13,712**	**605,779**	**780,883**	**19,144**	**8,966**	**274,745**	**1,704,444**
At 31 December 2013	1,664	13,521	536,342	581,071	18,102	11,033	355,548	1,517,281

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

The above items of property, plant and equipment, other than construction in progress, are depreciated on a straight-line basis, after taking into account their estimated residual values, over their estimated useful lives as follows:

Leasehold improvements	5 years or over the lease terms, whichever is shorter
Buildings	50 years or over the lease terms, whichever is shorter
Plant and machinery	8 to 20 years
Furniture, fixtures and equipment	4 to 8 years
Motor vehicles	4 to 8 years

The carrying values of plant and machinery of approximately RMB780,883,000 includes an amount of approximately RMB198,265,000 (2013: nil) in respect of assets held under finance leases.

18. Property, Plant and Equipment (Continued)

Property, plant and equipment other than leasehold improvements and construction in progress were revalued at 31 December 2014 and 2013 by independent valuers not connected to the Group, Jones Lang LaSalle Corporate Appraisal & Advisory Limited ("Jones Lang") and Ascent Partners Transaction Service Limited ("Ascent Partners"). The valuation of freehold land, buildings, plant and machinery, furniture, fixtures and equipment and motor vehicles which conforms to the RICS Valuation Standards published by the Royal Institution of Chartered Surveyors and the HKIS Valuation Standards on Properties published by the Hong Kong Institute of Surveyors, was mainly arrived at using the market approach and depreciated replacement cost approach.

The Group has pledged land and buildings and plant and machinery having a net carrying value of approximately RMB572,008,000 (31 December 2013: RMB938,545,000) to secure general banking facilities granted to the Group.

The deficit arising on revaluation of property, plant and equipment was approximately RMB67,856,000 (2013: surplus of RMB33,166,000), which are summarised as follows:

	2014 **RMB'000**	2013 RMB'000
Deficit to consolidated income statement	**(13,062)**	(3,920)
(Deficit) surplus (charged) credited to consolidated statement of profit or loss and other comprehensive income		
– attributable to owners of the Company	**(54,449)**	36,347
– attributable to non-controlling interests	**(345)**	739
	(54,794)	37,086
Total (deficit) surplus arising on revaluation of property, plant and equipment	**(67,856)**	33,166

18. Property, Plant and Equipment (Continued)

Fair value measurement of the Group's buildings

The fair value of the buildings was determined using either the depreciated replacement cost approach or market comparable approach. Fair value which determined by using depreciated replacement cost approach that reflects the cost to a market participant to construct assets of comparable utility and age, adjusted for obsolescence. The fair value of the buildings using market comparable approach that reflects recent transaction prices for similar properties, adjusted for differences in the nature, location and condition of the buildings. There has been no change to the valuation technique for the both years.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

Detail of the Group's buildings and information about the fair value hierarchy as at 31 December 2014 and 2013 are as follows:

Property, plant and equipment	Fair value as at 31 December 2014 RMB'000	Fair value hierarchy	Valuation technique and key inputs	Significant unobservable inputs
Freehold land in India	**13,712**	Level 2	Market Approach – fair value determined based on the observable market comparable in the similar market	N/A
Buildings in the PRC	**605,779**	Level 3	Depreciated replacement cost – fair value determined based on the adjusted acquisition cost and building costs	– Rate of obsolescence to adjust the replacement cost, which ranged from 6% to 26% based on the utilisation, specialty in nature and age of the buildings (note)

18. Property, Plant and Equipment (Continued)

Fair value measurement of the Group's buildings (Continued)

Property, plant and equipment	**Fair value as at 31 December 2014 RMB'000**	**Fair value hierarchy**	**Valuation technique and key inputs**	**Significant unobservable inputs**
Plant and machinery, and motor vehicle	**789,849**	Level 2	Market Approach – fair value determined based on the observable market comparable in the similar market	N/A
Furniture, fixture and equipments	**19,144**	Level 3	Depreciated replacement cost – fair value determined based on the adjusted acquisition costs	– Rate of obsolescence to adjust the replacement cost, which ranged from 10% to 60% based on the utilisation and specialty in nature (note)

Property, plant and equipment	Fair value as at 31 December 2013 RMB'000	Fair value hierarchy	Valuation technique and key inputs	Significant unobservable inputs
Freehold land in India	13,521	Level 2	Market Approach – fair value determined based on the observable market comparable in the similar market	N/A

18. Property, Plant and Equipment (Continued)

Fair value measurement of the Group's buildings (Continued)

Property, plant and equipment	Fair value as at 31 December 2013 RMB'000	Fair value hierarchy	Valuation technique and key inputs	Significant unobservable inputs
Buildings in the PRC	536,342	Level 3	Depreciated replacement cost – fair value determined based on the adjusted acquisition cost and building costs	– Rate of obsolescence to adjust the replacement cost, which ranged from 6% to 26% based on the utilisation, specialty in nature and age of the buildings (note)
Plant and machinery, and motor vehicle	592,104	Level 2	Market Approach – fair value determined based on the observable market comparable in the similar market	N/A
Furniture, fixture and equipments	18,102	Level 3	Depreciated replacement cost – fair value determined based on adjusted acquisition cost	– Rate of obsolescence to adjust the replacement cost, which ranged from 10% to 60% based on the utilisation and specialty in nature (note)

Note: A slight 5% increase in the rate of obsolescence used would not result in a significant decrease in the fair value measurement of the building, and vice versa.

There were no transfers into or out of Level 3 during the year ended 2014 and 2013.

There was no transfer of fair value hierarchy between level 1 and 2 in the reporting period.

18. Property, Plant and Equipment (Continued)

Reconciliation of Level 3 fair value measurements

Property, plant and equipment (excluding leasehold improvements and construction in progress)

	2014 RMB'000	2013 RMB'000
Opening balance, 1 January	**1,160,069**	995,249
Exchange realignment	**(1,291)**	(16,373)
Depreciation charged	**(103,059)**	(90,205)
Gain (losses)		
– In profit or loss	**(13,062)**	(3,920)
– In other comprehensive income	**(54,794)**	37,086
Addition (including transfer from construction in progress)	**559,118**	238,817
Disposals (including disposal of subsidiaries)	**(118,497)**	(585)
Closing balance	**1,428,484**	1,160,069

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

	Freehold land RMB'000	**Buildings RMB'000**	**Plant and machinery RMB'000**	**Furniture, fixtures and equipment RMB'000**	**Motor vehicles RMB'000**	**Total RMB'000**
2014						
Cost	**10,920**	**682,978**	**1,278,985**	**64,862**	**31,432**	**2,069,177**
Accumulated depreciation	**–**	**(181,462)**	**(501,116)**	**(39,391)**	**(26,788)**	**(748,757)**
	10,920	**501,516**	**777,869**	**25,471**	**4,644**	**1,320,420**

	Freehold land RMB'000	Buildings RMB'000	Plant and machinery RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
2013						
Cost	11,221	555,898	990,376	54,038	33,762	1,645,295
Accumulated depreciation	–	(163,042)	(438,109)	(33,530)	(26,465)	(661,146)
	11,221	392,856	552,267	20,508	7,297	984,149

19. Mining Rights

	RMB'000
Cost	
At 1 January 2013, 31 December 2013 and 31 December 2014	8,800
Accumulated impairment	
At 1 January 2013, 31 December 2013, and 31 December 2014	8,800
Carrying values	
At 31 December 2014	**–**
At 31 December 2013	–

The mining rights represented the rights to conduct mining activities in Henan, the PRC.

Impairment on mining rights in Henan had been recognised in prior years due to the mining rights are either expired or will be expired in a short-term period after the end of the reporting period with uncertainty in renewal.

20. Other Intangible Assets

	Exploration and evaluation assets RMB'000 (Note a)	Patents, trademarks, licensing rights and software RMB'000 (Note b)	Total RMB'000
Cost			
At 1 January 2013	5,190	18,438	23,628
Additions	–	80	80
At 31 December 2013	5,190	18,518	23,708
Additions	–	87	87
Written-off	(5,190)	(8,429)	(13,619)
At 31 December 2014	**–**	**10,176**	**10,176**
Accumulated amortisation and impairment			
At 1 January 2013	5,190	14,234	19,424
Charge for the year	–	49	49
At 31 December 2013 and 1 January 2014	5,190	14,283	19,473
Charge for the year	–	73	73
Eliminated on written-off	(5,190)	(8,429)	(13,619)
At 31 December 2014	**–**	**5,927**	**5,927**
Carrying values			
At 31 December 2014	**–**	**4,249**	**4,249**
At 31 December 2013	–	4,235	4,235

Notes:

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

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

21. Goodwill

	2014 RMB'000	2013 RMB'000
Cost		
At 1 January and 31 December	**33,205**	33,205
Accumulated impairment losses		
At 1 January	**4,193**	4,193
Impairment loss recognised during the year	**3,055**	–
At 31 December	**7,248**	4,193
Carrying value		
At 31 December	**25,957**	29,012

For the purposes of impairment testing, goodwill set out above have been allocated to three individual cash generating units ("CGUs"). The carrying amounts of goodwill as at 31 December 2014 allocated to these units are as follow:

	2014 RMB'000	2013 RMB'000
Manufacture and sales of signal strength system unit		
– Shenzhen Coslight Communication Equipment Co. Ltd.* 深圳光宇通信設備有限公司 ("SCC")	**–**	–
Manufacture and sales of passenger coach unit		
– Hangzhou Yue Xi Passenger Car Manufacturing Co. Ltd.* 杭州越西客車製造有限公司 ("HYX")	**–**	3,055
Manufacture and sales of passenger coach unit		
– 秦皇島金程汽車製造有限公司 ("QJC")	**25,957**	25,957
	25,957	29,012

* The English translation is for identification purposes only.

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

21. Goodwill (Continued)

Notes:

a) SCC

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

b) HYX

The recoverable amount of HYX is approximately RMB30,817,000 (2013:RMB21,090,000) and has been determined based on a value-in-use calculation. The value-in-use is calculated based on discounted cash flow projection, which is prepared on the basis of financial budget approved by management of HYX covering a 5-year period with an average growth rate of 5% (2013: 16%) and a zero growth for budget beyond 5-year period. The pre-tax discount rate of 21% (2013: 20%) per annum, which represents the risk involved in the business, was used in the calculation of value-in-use of this cash generating unit. At 31 December 2014, the Group assessed the recoverable amount of goodwill on value-in-use basis and determined that the carrying amount of RMB3,055,000 was fully impaired due to worsening of business.

c) QJC

The recoverable amount for QJC is determined based on a value-in-use calculation. The value-in-use is calculated based on discounted cash flow projection, which is prepared on the basis of financial budget approved by management of QJC covering a 5-year period with a average growth rate of 10% (2013: 25%) and a zero growth for budget beyond 5-year period. pre-tax discount rate of 21% (2013: 20%) per annum, which represents the risk involved in the business, was used in the calculation of value-in-use of this cash generating unit. The directors of the Company are of the opinion, with reference to the valuation report prepared by Ascent Partners, independent qualified valuers not connected to the Group, which had been prepared based on the cash flow forecast prepared by the management of QJC, that the recoverable amount of this CGU exceeds its carrying amount and no impairment loss of goodwill is necessary. Management believes that any reasonably foreseeable change in any of the above key assumptions would not cause the aggregate carrying amount of the goodwill to exceed its aggregate recoverable amount.

22. Prepaid Lease Payments

	2014 RMB'000	2013 RMB'000
Analysed for reporting purpose:		
Current asset	**3,299**	4,041
Non-current asset	**141,947**	178,664
	145,246	182,705

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

The Group has pledged prepaid lease payment having a net carrying value of approximately RMB17,021,000 (2013: RMB22,380,000) to secure general banking facilities granted to the Group.

23. Deposits Paid for Acquisition of Land

For the year ended 31 December 2014, deposits of RMB24,249,000 (2013: RMB30,000,000) were paid for the acquisition of several land use rights situated in Qinhuangdao, the PRC. During the year ended 31 December 2014, deposit of approximately RMB5,751,000 (2013: nil) has been transferred to prepaid lease payments.

24. Interests in Associates

	2014 RMB'000	2013 RMB'000
Cost of investment in associates – unlisted	**33,380**	125,180
Share of post acquisition profit and other comprehensive income, net of dividends received	**321,516**	342,842
	354,896	468,022
Less: impairment loss (Note)	**–**	(17,000)
	354,896	451,022

24. Interests in Associates (Continued)

Note:

Impairment loss of approximately RMB17,000,000 has been recognised for Cosstone Limited Liability Company（科斯通有限責任公司）("CSL") during the year ended 31 December 2013 (2014: nil). CSL has been disposed of to an independent third party during the year ended 31 December 2014 with a consideration of RMB90,000,000 with a loss on disposal of an associate of approximately RMB4,312,000 (include in administrative and other operating expenses). The consideration receivable of RMB30,000,000 out of total consideration of RMB90,000,000 is non-interest bearing and repayable within 2 year. The net present value of the total consideration receivable at the disposal date was RMB85,688,000 with the effective interest rate of 6%.

During the year ended 31 December 2014, the Group disposed of 81% equity interest of 瀋陽東北 and the remaining 19% equity interest was recognised as an associate (note 40) at its fair value of RMB15,200,000 at the date of disposal.

At 31 December 2014 and 2013, the Group had interests in the following associates:

Name of entities	Form of business	Place of establishment	Proportion of ownership interest held by the Group 2014	2013	Proportion of voting rights held by the Group 2014	2013	Principal activities
Hong Kong Coslight Network Limited	Incorporated	Hong Kong	**49.83%**	49.83%	**49.83%**	49.83%	Investment holding
Coslight Interactive Company Limited	Incorporated	Cayman Islands	**49.83%**	49.83%	**49.83%**	49.83%	Investment holding
Coslight Network Company Limited	Incorporated	British Virgin Islands	**49.83%**	49.83%	**49.83%**	49.83%	Investment holding
北京光宇華夏科技有限責任公司 Beijing Guangyu Huaxia Technology Corporation Limited ("Beijing Guangyu")*	Incorporated	PRC	**49.83%**	49.83%	**49.83%**	49.83%	Sales and distribution of online games
瀋陽藍火炬軟件有限公司 Blue Torch Soft Corporation*	Incorporated	PRC	**37.20%**	37.20%	**37.20%**	37.20%	Software development
深圳科詩特軟件有限責任公司 Shenzhen Costar Software Limited*	Incorporated	PRC	**49.83%**	49.83%	**49.83%**	49.83%	Software development
天津魔幻動力科技有限責任公司 Tianjin Mo Huan Motive Power Technology Co., Ltd.* ("Tianjin Mo Huan")	Incorporated	PRC	**49.83%**	49.83%	**49.83%**	49.83%	Sales and distribution of online games
Russia (Golden Stone) Limited Liability Company ("RLL")	Incorporated	Russia	**20%**	20%	**20%**	20%	Mining
瀋陽東北蓄電池有限公司 ("瀋陽東北") Shenyang Dongbei Storage Battery Company Ltd.*	Incorporated	PRC	**19%** (note a)	–	**19%** (note a)	–	Manufacture and sale of sealed lead acid batteries
CSL	Incorporated	Russia	**–**	40% (note b)	**–**	40% (note b)	Mining for production of battery products for group companies

* The English translation is for identification purposes only.

24. Interests in Associates (Continued)

Notes: (Continued)

a) Since the disposal of 81% equity interest of 瀋陽東北 during the year ended 31 December 2014, 瀋陽東北 become an associate as at 31 December 2014. The Group is able to exercise significant influence over the associates because it has the power to appoint one out of the three directors of the associates under the provisions stated in the shareholders' agreement of the associates.

b) Since the disposal of 60% equity interest of CSL during the year ended 31 December 2013, CSL become an associate. The remaining 40% equity interest of CSL was disposed of during the year ended 31 December 2014.

Summarised financial information of material associates

Summarised financial information in respect of each of the Group's material associates is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with HKFRSs.

All of these associates are accounted for using the equity method in these consolidated financial statements.

a) Beijing Guangyu

	2014 **RMB'000**	2013 RMB'000
Current assets	**516,121**	666,093
Non-current assets	**64,822**	14,071
Current liabilities	**(112,249)**	(113,700)

	2014 **RMB'000**	2013 RMB'000
Revenue	**303,967**	449,485
Total profit and other comprehensive income for the year	**215,410**	167,948

24. Interests in Associates (Continued)

Summarised financial information of material associates (Continued)

a) ***Beijing Guangyu*** *(Continued)*

Reconciliation of the summarised financial information presented above to the carrying amount of the interests in the Beijing Guangyu recognised in consolidated financial statements:

	2014 RMB'000	2013 RMB'000
Net assets of the associate	**468,694**	566,464
Proportion of the Group's ownership interest in Beijing Guangyu	**49.83%**	49.83%
Carrying amount of the Group's interest in Beijing Guangyu	**233,550**	282,269

b) ***Tianjin Mo Huan***

	2014 RMB'000	2013 RMB'000
Current assets	**219,142**	87,757
Non-current assets	**2,733**	3,062
Current liabilities	**(9,133)**	(15,763)

	2014 RMB'000	2013 RMB'000
Revenue	**277,591**	384,200
Total profit and other comprehensive income for the year	**141,016**	137,670

24. Interests in Associates (Continued)

Summarised financial information of material associates (Continued)

b) ***Tianjin Mo Huan*** *(Continued)*

Reconciliation of the summarised financial information presented above to the carrying amount of the interests in Tianjin Mo Huan recognised in consolidated financial statements:

	2014 RMB'000	2013 RMB'000
Net assets of the associate	**212,742**	75,056
Proportion of the Group's ownership interest in Tianjin Mo Huan	**49.83%**	49.83%
Carrying amount of the Group's interest in Tianjin Mo Huan	**106,009**	37,400

The Group's interests in associates, except for (a) and (b) disclosed above, are not individually material. The aggregate financial information and carrying amount of the Group's interests are accounted for using the equity method are set out below:

	2014 RMB'000	2013 RMB'000
The Group's share of loss and comprehensive expense for the year for all immaterial associates	**(42,745)**	(8,826)
Dividends received from all immaterial associates during the year	**(156,188)**	(85,436)

24. Interests in Associates (Continued)

Summarised financial information of material associates (Continued)

	2014 RMB'000	2013 RMB'000
Aggregate carrying amount of the Group's interests in these associates	**15,337**	131,353

The Group has stopped recognising its share of losses of an associate when applying the equity method. The unrecognised share of the associate, both for the year and cumulatively, is set out below:

	2014 RMB'000	2013 RMB'000
Unrecognised share of loss of an associate for the year	**95**	–
Accumulative unrecognised share of loss of an associate	**95**	–

25. Inventories

	2014 RMB'000	2013 RMB'000
Raw materials	**196,433**	169,722
Work in progress	**385,126**	330,126
Finished goods	**262,522**	232,765
	844,081	732,613

During the year, there was a reversal of allowance for inventories due to subsequent sold of obsolete inventory. As a result, a reversal of write-down of finished goods of approximately RMB9,050,000 (2013: RMB1,705,000) has been recognised.

26. Trade and Other Receivables

	2014 RMB'000	2013 RMB'000
Trade receivables	**1,932,326**	1,946,350
Less: allowance for doubtful debts	**(123,629)**	(144,460)
	1,808,697	1,801,890
Bill receivables	**26,449**	22,856
Trade and bill receivables	**1,835,146**	1,824,746
Consideration receivables on disposal of:		
– Subsidiaries (Note a)	**123,451**	231,000
– An associate (Note b)	**87,094**	–
– Prepayment and advances to suppliers	**181,434**	145,278
Other receivables	**170,120**	116,890
Less: allowance for other receivables	**(13,610)**	(15,962)
	548,489	477,206
Total trade and other receivables	**2,383,635**	2,301,952

	2014 RMB'000	2013 RMB'000
Analysed for reporting purpose:		
Current portion	**2,315,487**	2,301,952
Non-current portion		
Consideration receivables on disposal of:		
– Subsidiaries (Note a)	**41,054**	–
– An associate (Note b)	**27,094**	–
	68,148	–
	2,383,635	2,301,952

26. Trade and Other Receivables (Continued)

Notes:

(a) The Group has disposed of 81% equity interest on 瀋陽東北 and its subsidiaries on 12 August 2014 and the consideration receivable of RMB44,800,000 is non-interesting bearing and repayable within 2 years and its effective interest rate is 6% per annum. The net present value of the consideration receivable at the disposal date was RMB40,262,000 and the imputed interest for the year ended 31 December 2014 is RMB792,000. Details are set out in note 40.

During the year ended 31 December 2013, the Group had disposed of 60% of CSL and the consideration receivable of RMB231,000,000 was non-interest bearing and repayable on demand. As at 31 December 2014, the amount outstanding was approximately RMB82,397,000.

(b) The Group has disposed of 40% equity interest on CSL on 29 January 2014 and the consideration receivable of RMB30,000,000 out of total consideration of RMB90,000,000 is non-interesting bearing and repayable within 2 years and its effective interest rate is 6% per annum. The net present value of the total consideration receivable at the disposal date was RMB85,688,000 and the imputed interest for the year ended 31 December 2014 is RMB1,406,000. Details are set out in note 24.

Settlement of trade receivables is in accordance with the terms specified in the contracts governing the relevant transactions. Included in the Group's trade receivables balances are amount pledged to bank with an aggregate amount of approximately RMB133,408,000 (2013: RMB199,311,000) for obtaining bank borrowings. The Group allows credit period ranging from 90 to 540 days from the final acceptance to its trade receivables. The Group does not hold any collateral over these balances.

26. Trade and Other Receivables (Continued)

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

	2014 **RMB'000**	2013 RMB'000
HK$	**6,914**	6,734
US$	**127,905**	236,590

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

	2014 **RMB'000**	2013 RMB'000
Within 90 days	**945,642**	967,987
91 days – 180 days	**371,735**	215,057
181 days – 270 days	**168,635**	221,716
271 days – 360 days	**133,356**	127,508
Over 1 year, but not exceeding 2 years	**215,778**	292,478
	1,835,146	1,824,746

Trade receivables that were neither past due nor impaired were related to a number of individual customers that have a good track record with the Group.

26. Trade and Other Receivables (Continued)

(b) Ageing analysis of the Group's bill receivables at the end of the reporting period presented based on the invoice date are as follows:

	2014 RMB'000	2013 RMB'000
Within 90 days	**25,399**	20,556
91 days – 180 days	**1,050**	2,300
	26,449	22,856

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

	2014 RMB'000	2013 RMB'000
At 1 January	**144,460**	138,645
Impairment loss recognised on receivables	**13,650**	8,888
Effect of foreign currency exchange differences	**(1,623)**	–
Derecognised on disposal of subsidiaries	**(20,258)**	–
Impairment loss reversed	**(12,600)**	(3,073)
At 31 December	**123,629**	144,460

Included in the allowance for impairment of trade receivables are individually impaired trade receivables which is considered uncollectible with an aggregate balance of RMB123,629,000 (2013: RMB144,460,000).

26. Trade and Other Receivables (Continued)

(d) Movements in the allowance for other receivables during the year are as follows:

	2014 RMB'000	2013 RMB'000
At 1 January	**15,962**	34,019
Impairment loss recognised on receivables	**3,301**	333
Dereognised on disposal of a subsidiary	**(5,598)**	–
Impairment loss reversed	**(55)**	–
Amount written off as uncollectable	**–**	(18,390)
At 31 December	**13,610**	15,962

Included in the allowance for impairment of other receivables are individually impaired other receivables which is considered uncollectible with an aggregate balance of RMB13,610,000 (2013: RMB15,962,000).

(e) As at 31 December 2014, RMB86,633,000 (2013: RMB126,613,000) of the Group's trade receivables were past due but not impaired. The ageing analysis of these receivables is as follows:

	2014 RMB'000	2013 RMB'000
Less than 3 months past due	**66,391**	98,967
3 months to 6 months past due	**10,142**	21,941
6 months to 9 months past due	**10,100**	5,705
Past due but not impaired	**86,633**	126,613

Trade receivables that were past due but not impaired were related to a number of individual customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances that are still considered fully recoverable. Approximately 60% of the trade receivables included in the above past due but not impaired ageing analysis are due from 5 largest individual customers of the Group. They are either listed companies or large state and reputable enterprises in the PRC.

27. Amounts due from Directors

Particulars of the amounts due from directors are as follows:

	2014 RMB'000	2013 RMB'000	**Maximum amount outstanding during the year ended 2014 RMB'000**	Maximum amount outstanding during the year ended 2013 RMB'000
Name of directors				
Mr. Song Dian Quan	**–**	492	**492**	492
Mr. Li Ke Xue	**189**	193	**193**	193
Mr. Liu Xing Quan	**170**	170	**170**	170
Mr. Zhang Li Ming	**4**	–	**4**	–
Mr. Xing Kai	**–**	7	**7**	7
	363	862		

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

28. Amounts due from Related Companies

Name of related companies	2014 RMB'000	2013 RMB'000	Maximum amount outstanding during the year ended 2014 RMB'000	Maximum amount outstanding during the year ended 2013 RMB'000
Related parties in which certain directors of the Company have beneficial interests:				
哈爾濱開關有限責任公司 Harbin Switch Company Limited ("HBS")*	**18,294**	20,004	**20,004**	20,004
石家莊光宇高能電池材料有限公司 Shijiazhuang Guangyu Battery Material Company Limited*	**543**	543	**543**	543
光宇延邊蓄電池有限責任公司 Guangyu Yanbian Storage Battery Manufacturing Company Limited*	**5,034**	5,052	**5,052**	5,052
哈爾濱光宇電源廠 Harbin Guangyu Power Supply Factory*	**437**	478	**478**	478
哈爾濱亞光新型隔板有限公司 Harbin Ya Guang Modern Separators Company Limited*	**71**	5,484	**5,484**	5,484
哈爾濱光宇電綫電纜有限公司 Harbin Guangyu Electric Wire and Cable Company Limited*	**3,299**	3,153	**3,299**	3,153
Lexel Battery (Japan) Company Limited ("LBJ")#	**–**	2,648	**2,648**	2,648
Global Universe Development Limited	**33,989**	24,457	**44,407**	24,457
杭州光宇電源有限公司	**482**	482	**482**	482
深圳科詩特軟件有限公司	**–**	1,118	**1,118**	1,118
	62,149	63,419		
Less: allowance for doubtful debts	**(1,096)**	–		
	61,053	63,419		

* The English translation is for identification purposes only.

The amount is of trading in nature and is unsecured, interest-free and of credit period of 60 days.

28. Amounts due from Related Companies (Continued)

Except for th balance with LBJ, the amounts are unsecured, interest-free and repayable on demand.

Movements in the allowance for impairment of amounts due from related companies during the year are as follows:

	2014 **RMB'000**	2013 RMB'000
At 1 January	**–**	–
Impairment loss recognised on receivables	**1,096**	–
At 31 December	**1,096**	–

Included in the allowance for impairment of amounts due from related companies are individually impaired amounts due from related companies which is considered uncollectible with an aggregate balance of RMB1,096,000 (2013: nil).

29. Amounts due from Non-controlling Interests/Associates

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

30. Pledged Bank Deposits

Pledged bank balances are held in dedicated bank accounts in the name of the Group for securing trade financing facilities granted to the Group approximately RMB490,452,000 (2013: RMB392,147,000). As at 31 December 2014, the fixed interest rate on restricted bank balances, with maturities ranging from 6 months to 1 year and therefore classified as current assets, is 3.4% to 4.6% (2013: 3% to 9.25%) per annum.

31. Bank Balances and Cash

The bank balances and cash comprise of cash held by the Group and short-term bank deposits with an original maturity of three months or less. The bank balances for the year ended 31 December 2014 carried interest at the prevailing market rate ranging from 3.03% to 3.30% per annum (2013: 2.57% to 2.75% per annum).

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

	2014	2013
	RMB'000	RMB'000
US$	**21,805**	45,106

32. Trade and Other Payables

	2014	2013
	RMB'000	RMB'000
Trade payables	**1,007,237**	797,547
Bill payables	**822,879**	708,031
	1,830,116	1,505,578
Receipt in advances	**108,683**	103,771
Other payables	**428,226**	322,297
Trade and other payables	**2,367,025**	1,931,646

32. Trade and Other Payables (Continued)

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

	2014 RMB'000	2013 RMB'000
Within 30 days	**1,141,794**	545,386
31 days – 60 days	**237,621**	268,921
61 days – 90 days	**120,175**	265,762
91 days – 180 days	**150,038**	310,657
Over 180 days	**180,488**	114,852
Trade and bill payables	**1,830,116**	1,505,578

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

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

	2014 RMB'000	2013 RMB'000
US$	**40,802**	10,132

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

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

34. Bank Borrowings

	2014 RMB'000	2013 RMB'000
Secured	**745,735**	862,672
Unsecured	**489,864**	685,780
Total bank borrowings	**1,235,599**	1,548,452
Carrying amount repayable (based on scheduled repayment dates set out in loan agreements):		
Within one year	**1,119,611**	1,401,878
After one year but within two years	**43,072**	30,728
After two years but within five years	**72,916**	115,846
	1,235,599	1,548,452
Carrying amount repayable:		
On demand or within one year	**1,119,611**	1,401,878
Carrying amount of bank borrowings that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)	**115,988**	146,574
	1,235,599	1,548,452

Secured borrowings of the Group were secured by the Group's property, plant and equipment (note 18), prepaid lease payments (note 22), trade receivables (note 26) and pledged bank deposits (note 30).

34. Bank Borrowings (Continued)

Certain of the borrowings of the Group were guaranteed by a director of the Company, an independent third party for details please refer to note 42(b) and 48 respectively.

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

	2014 RMB'000	2013 RMB'000
Fixed-rate borrowings	**620,817**	345,340
Variable-rate borrowings	**614,782**	1,203,112
	1,235,599	1,548,452

During the year ended 31 December 2014, the Group obtained new loans in the amount of RMB1,445,269,000 (2013: RMB1,838,010,000). The loans bear interest at market rates and will be repayable in 2014 to 2017. The proceeds were used to finance the acquisition of factory premises.

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

	2014 RMB'000	2013 RMB'000
Effective interest rate:		
Fixed-rate borrowings	**5.82% to 7.80%**	5.88% to 8.20%
Variable-rate borrowings	**2.51% to 9.00%**	2.51% to 7.80%

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

	2014 RMB'000	2013 RMB'000
US$	**178,314**	184,358

35. Obligations Under Finance Leases

The Group leases certain of plant and equipment under finance leases during the year ended 31 December 2014. The average lease term of these leases is three to five years.

At the end of the reporting period, the total future minimum lease payments under finance leases and their present values were as follows:

	Minimum lease payments		Present value of minimum lease payments	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Amounts payable under finance leases:				
Within one year	**71,709**	–	**61,893**	–
After one year but within two years	**76,766**	–	**71,066**	–
After two years but within five years	**36,551**	–	**31,504**	–
	185,026	–	**164,463**	–
Less: future finance charges	**(20,563)**	–	**–**	–
Present value of lease obligations	**164,463**	–	**164,463**	–
Less: Amounts due within one year shown under current liabilities			**(61,893)**	–
Amounts due after one year			**102,570**	–

35. Obligations Under Finance Leases (Continued)

The Group entered several finance lease agreements pursuant to which financial leasing suppliers (the "lessors") purchases the equipment from the Group at RMB119,622,000 (2013: nil) and the Group leased back the equipments with the lease period ranged from one to three years from the date of inception. The interest rate inherent in the lease is ranged from 8.37% to 10.53%.

In addition, during the year ended 31 December 2014, the Group leased certain plant and machinery with the aggregate amount of approximately RMB80,721,000 (2013: nil) with the lease period ranged from three to five years from the date of inception. The interest rate inherent in the lease is ranged from 4.23% to 10.53%.

All obligations under finance leases are denominated in RMB.

36. Share Capital

	Number of shares '000	**Amount in original currency** HK$'000	**Shown in the consolidated financial statements as** RMB'000
Ordinary shares of HK$0.10 each			
Authorised:			
At 1 January 2013, 31 December 2013 and 31 December 2014	1,000,000	100,000	107,000
Issued and fully paid:			
At 1 January 2013, 31 December 2013	374,180	37,418	40,010
Issue of shares (Note)	30,000	3,000	2,367
At 31 December 2014	404,180	40,418	42,377

Note:

The Company issued 30,000,000 new ordinary shares to Mr. Song Dian Quan ("Mr Song") on 9 July 2014 in the arrangement made for a private placement to independent private investors of 30,000,000 shares of HK$0.1 each in the Company held by Mr. Song, the chairman of the Company, at a price of HK$5.4 per share representing a discount of approximately 10.3% to the closing market price of the Company's shares on 9 July 2014. These shares rank *pari passu* in all respects with other shares in issue.

The proceeds were used as the development of the lithium polyser batteries in Zhuhai and general working capital of the Group. These new shares were issued under the general mandate granted to the directors in a general meeting of the Company held on 4 June 2014.

37. Statement of Financial Position of the Company

	Notes	2014 RMB'000	2013 RMB'000
Non-current asset			
Investments in subsidiaries		**204,890**	245,211
Current assets			
Other receivables		**20,134**	147
Amounts due from subsidiaries	(a)	**64,422**	44,742
Bank balances and cash		**38**	46
		84,594	44,935
Current liabilities			
Other payables		**8,212**	8,099
Amounts due to subsidiaries	(a)	**57,084**	177,410
Amounts due to related companies	(a)	**6,492**	6,485
Amounts due to directors	(a)	**1,578**	1,576
		73,366	193,570
Net current asset (liabilities)		**11,228**	(148,635)
		216,118	96,576
Capital and reserves			
Share capital		**42,377**	40,010
Share premium	(b)	**121,527**	–
Special reserve	(c)	**227,226**	227,226
Accumulated losses		**(175,012)**	(170,660)
		216,118	96,576

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

Notes:

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

(b) During the year ended 31 December 2014, arrangements were made for a private placement to independent private investors of 30,000,000 shares and of RMB121,527,000, net of transaction cost of RMB3,903,000, transferred to share premium accounts.

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

(d) The aggregate amount of the Company's reserves available for distribution to shareholders as at 31 December 2014 is RMB52,214,000 (2013: RMB56,566,000).

38. Deferred Taxation

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

	2014 **RMB'000**	2013 RMB'000
Deferred tax assets	**31,845**	37,125
Deferred tax liabilities	**(17,596)**	(23,735)
	14,249	13,390

	Allowance on trade and other receivables RMB'000	**Unrealised loss** RMB'000	**Revaluation of property, plant and equipment** RMB'000	**Undistributable profits of subsidiaries** RMB'000	**Others** RMB'000	**Total** RMB'000
At 1 January 2013	17,345	1,663	(14,118)	(4,117)	9,922	10,695
Credit to profit or loss	743	981	980	–	4,045	6,749
Charge to other comprehensive income	–	–	(4,054)	–	–	(4,054)
At 31 December 2013 and 1 January 2014	18,088	2,644	(17,192)	(4,117)	13,967	13,390
Derecognised on disposal of subsidiaries	(5,241)	–	–	–	879	(4,362)
Credit (charge) to profit or loss	815	981	2,427	–	(7,508)	(3,285)
Credit to other comprehensive income	–	–	8,506	–	–	8,506
At 31 December 2014	**13,662**	**3,625**	**(6,259)**	**(4,117)**	**7,338**	**14,249**

38. Deferred Taxation (Continued)

As at 31 December 2014, no deferred tax asset has been recognised on the tax losses of RMB233,880,000 (2013: RMB263,221,000) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of RMB224,771,000 (31 December 2013: RMB254,112,000) that will expire within next five years. Other losses may be carried forward indefinitely.

39. Deferred Government Grants

	RMB'000
At 1 January 2013	58,530
Addition	54,804
Amortised during the year	(2,235)
At 31 December 2013 and 1 January 2014	111,099
Addition	15,000
Amortised during the year	(2,682)
At 31 December 2014	**123,417**

The Group received government grants towards the Group's investment in a land use right and related production facilities to be constructed in an area located in the development zone of Harbin, Qinghuangdao and Hangzhou, the PRC. The amounts have been treated as deferred income and transferred to income over the useful lives of the related assets of 50 years. This policy has resulted in a credit to other income in the current year of approximately RMB2,682,000 (2013: RMB2,235,000).

In relation the certain government grants of the amount of approximately RMB15,000,000 and RMB54,804,000 obtained during the year ended 31 December 2014 and 2013 respectively, since the production facilities are not in use which cannot fulfill the condition of the government grant, no amortisation of the deferred government was recognised during the year.

40. Disposal of Subsidiaries

On 12 August 2014, the Group has disposed of 81% equity interest on 瀋陽東北 and its subsidiaries (referred as the "Disposal Group") to Lead Right Investment Limited, an independent third party, at a consideration of RMB64,800,000. RMB20,000,000 was satisfied by cash and RMB44,800,000 was satisfied by the consideration receivable which is non-interest bearing and repayable within 2 years and its effective interest rate is 6% per annum. The net present value of the consideration receivable at the disposal date was RMB40,262,000. The net assets of the Disposal Group at the date of disposal were as follow:

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

	RMB'000
Property, plant and equipment	123,945
Deferred tax assets	5,241
Prepaid lease payments	38,756
Inventories	110,501
Trade and other receivables	237,024
Bank balance and cash	217,790
Trade and other payables	(550,128)
Bank borrowings	(203,000)
Deferred tax liabilities	(879)
Obligations under finance leases	(18,751)
	(39,501)

Satisfied by:

	RMB'000
Cash received	20,000
Consideration receivables (Note 26)	44,800
	64,800

40. Disposal of Subsidiaries (Continued)

	RMB'000
Cash consideration received	20,000
Bank balance and cash disposed of	(217,790)
	(197,790)

Gain on disposal of the Disposal Group

	RMB'000
Consideration receivable	60,262
Net liabilities disposed of	39,501
Fair value of residual interest	15,200
Gain on disposal of a subsidiary	114,963

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

	RMB'000
Fair value of residual interests	15,200
19% of net liabilities derecognised	7,505
Gain on retained non-controlling investment	22,705

The retained non-controlling investment was recognised as investment in an associate (Note 24). Gain on retained non-controlling investment recognised in profit or loss and included in gain on disposal of a subsidiary.

40. Disposal of Subsidiaries (Continued)

On 28 February 2013, the Group has disposed of 60% equity interest on CSL to Best Chance, an independent third party to the Group, at a consideration of RMB284,600,000. The net assets of CSL at the date of disposal were as follow:

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

	RMB'000
Property, plant and equipment	198,200
Mining rights	123,378
Other receivables	4,506
Other payables	(21,747)
	304,337

Satisfied by:

	RMB'000
Cash received	53,600
Other receivables	231,000
	284,600

40. Disposal of Subsidiaries (Continued)

Cash inflow arising on disposal

	RMB'000
Cash consideration received	53,600

Gain on disposal of a subsidiary

	RMB'000
Consideration receivable	284,600
Net assets disposed of	(304,337)
Fair value of residual interest	107,000
Cumulative exchange difference	12,994
Gain on disposal of a subsidiary	100,257

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

	RMB'000
Fair value of residual interests	107,000
40% of net assets derecognised	(121,735)
Loss on retained non-controlling investment	(14,735)

Loss on retained non-controlling investment recognised in profit or loss. The subsidiary disposed of during the year ended 31 December 2013 did not have significant impact on the turnover and results of the Group and no cash flow impacts were noted.

41. Acquisition of Non-Controlling Interests

Year ended 31 December 2014

During the year ended 31 December 2014, the Group acquired an additional 0.43% equity interest in Harbin Coslight Power Company Limited ("HCP") by injecting RMB180,000,0000 into HCP. The percentage of nominal value of issued ordinary share capital held by the Group changed from 97.39% in 2013 to 97.82% in 2014. RMB1,396,000, representing the difference between the carrying values of 0.43% of HCP before and after the capital injection, was transferred from non-controlling interests to other reserve.

Year ended 31 December 2013

During the year ended 31 December 2013, the Group acquired an additional 2.84% equity interest in Harbin Coslight Storage from non-controlling interests at a cash consideration of approximately RMB61,420,000. In addition, the Group acquired an additional 25% equity interest in Shenyang Dongbei Storage Battery Company Limited ("Shenyang Dongbei Storage") from non-controlling interests at a cash consideration of approximately RMB25,689,000. The loss of the acquisition recognised directly in equity as follows:

a) Acquisition of 2.84% equity interest in Harbin Coslight Storage

	RMB'000
Share of net assets in subsidiary acquired	36,741
Consideration	(61,420)
Loss on acquisition recognised directly in equity	(24,679)

b) Acquisition of 25% equity interest in Shenyang Dongbei Storage

	RMB'000
Share of net assets in subsidiary acquired	20,373
Consideration	(25,689)
Loss on acquisition recognised directly in equity	(5,316)

42. Related Party Transactions

In addition to the related party information disclosed elsewhere in the consolidated financial statements, the following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties during the years ended 31 December 2014 and 2013.

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

(a) Related parties' transactions

Name of related parties	Nature of transactions	2014 RMB'000	2013 RMB'000
Related parties in which certain directors of the Company have beneficial interests:			
哈爾濱光宇電綫電纜有限公司 Harbin Guangyu Electric Wire and Cable Company Limited ("HGEWC")	Purchase of raw materials	**4,370**	5,111
哈爾濱開關有限責任公司 HBS	Purchase of raw materials	**67**	–
哈爾濱開關有限責任公司 HBS	Sales of finished goods	**134**	68
Lexel Battery (Japan) Company Limited	Sales of finished goods	**–**	4,203

(b) Other arrangements

At 31 December 2014, RMB150,000,000 (2013: RMB130,000,000) of the Group's bank borrowings were guaranteed by Mr. Song Dian Quan, a director of the Company.

42. Related Party Transactions (Continued)

(c) Compensation of key management personnel

The remunerations of directors and other members of key management during both years are as follows:

	2014 RMB'000	2013 RMB'000
Short-term benefits	**1,509**	1,499
Post-employment benefits	**69**	63
	1,578	1,562

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

43. Retirement Benefit Plans

Defined contribution plans

The Group operates a mandatory provident fund scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. Under the MPF Scheme, the Group is required to make contributions to the scheme at 5% of the employees' relevant income. With effective from 1 June 2014, the maximum relevant income level for contributions has been increased from HK$25,000 monthly to HK$30,000 monthly. Contributions to the scheme vest immediately. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees.

The employees of certain subsidiaries in the PRC, Russia and India are members of a state-managed retirement benefit scheme and Pension Fund of the Russian Federation and Indian government operated by the relevant governments. These subsidiaries are required to contribute a certain percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

The total expense recognised in profit or loss of approximately RMB58,708,000 (2013: RMB39,991,000) represents contributions payable to these plans by the Group at rates specified in the rules of the plans.

44. Pledge of Assets

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

(i) certain of the Group's prepaid lease payments and property, plant and equipment with an aggregate carrying value of approximately RMB589,029,000 (2013: RMB960,925,000);

(ii) certain of the trade receivables with an aggregate amount of approximately RMB133,408,000 (2013: RMB199,311,000); and

(iii) pledged bank deposits with an aggregate amount of approximately RMB490,452,000 (2013: RMB392,147,000).

45. Major Non-Cash Transaction

During the year, the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of RMB80,721,000.

46. Operating Leases

The Group as lessee

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

	2014 **RMB'000**	2013 RMB'000
Within one year	**6,371**	7,942
In the second to fifth year inclusive	**9,984**	2,030
	16,355	9,972

Leases are negotiated for a term of one to five years (2013: one to five years) and rentals are fixed during the lease period.

47. Capital Commitments

	2014 **RMB'000**	2013 RMB'000
Capital expenditure authorised but not contracted for in respect of acquisition of property, plant and equipment and prepaid lease payments	**–**	30,000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of property, plant and equipment and prepaid lease payments	**71,150**	118,831

48. Contingent Liabilities

The Group has issued guarantees in respect of banking facilities granted to an independent third party and an associate of approximately RMB545,368,000 (2013: RMB186,932,000). The aggregate amounts that could be required to be paid if the guarantees were called upon in entirety amounted to approximately RMB545,368,000 (2013: RMB186,932,000), of which approximately RMB545,368,000 (2013: RMB186,932,000) in aggregate has been utilised by the independent third party. The valuer, Jones Lang has assessed the fair values of the financial guarantees of the Group and the directors of the Company concluded that the effect is insignificant.

As at 31 December 2014, the independent third party also provided a counter-guarantee of banking facilities granted to the Group to the extent of RMB20,000,000 (2013: RMB20,000,000). As at 31 December 2014, the Group has utilised the banking facilities of RMB20,000,000 (2013: RMB20,000,000).

49. Share Option Scheme

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

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

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

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

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

(iii) the nominal value of the shares.

No share option has been granted under the Scheme since adoption. The scheme has been expired on 26 May 2014 and no new share option scheme is adopted by the Company.

50. Particular of Principal Subsidiaries of the Company

Details of the Company's principal subsidiaries at 31 December 2014 and 2013 are as follows:

Name of subsidiaries	Place of incorporation registration/ operation	Issued and fully paid share capital/ registered capital	Percentage of nominal value of issued ordinary share capital held by the Company Directly %	Indirectly %	Forms of legal entity	Principal activities
Coslight Hong Kong Limited	Hong Kong	HK$400,000	100	–	Private limited company	Investment holding
Coslight International (B.V.I.) Company Limited	British Virgin Islands/ Hong Kong	US$50,000	100	–	Private limited company	Investment holding
光宇國際有限公司 Coslight International Company Limited ("Coslight International")	Hong Kong	HK$2	–	100	Private limited company	Provision of management services for the Group
哈爾濱光宇電源股份有限公司 Harbin Coslight Power Company Limited*	PRC	RMB279,811,000	–	97.85 (2013: 97.43)	Joint stock limited company	Manufacture and sale of lithium-ion batteries and sealed lead acid batteries and its accessories
哈爾濱光宇蓄電池股份有限公司 Harbin Coslight Storage Battery*	PRC	RMB640,190,000	–	97.35	Joint stock limited company	Manufacture and sale of sealed lead acid batteries
哈爾濱光宇電氣自動化有限公司 Harbin Coslight Electric Automation Company Limited*	PRC	RMB20,000,000	16.20	63.80	Sino-foreign equity joint venture	Manufacture of electricity control devices
西藏昌都光宇利民藥業有限責任公司 Tibet Changdu Guangyu Limin Pharmaceutical Company Limited*	PRC	RMB6,600,000	–	80.00	Domestic equity joint venture	Manufacture of pharmaceutical products

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

Name of subsidiaries	Place of incorporation registration/ operation	Issued and fully paid share capital/ registered capital	Percentage of nominal value of issued ordinary share capital held by the Company Directly %	Indirectly %	Forms of legal entity	Principal activities
哈爾濱光宇開關有限公司 Harbin Coslight Switch Company Limited*	PRC	RMB2,000,000	–	100.00	Wholly-owned foreign enterprise	Manufacture of high and low voltage switch
深圳市力可興電池有限公司 Lexel Battery (Shenzhen) Company Limited*	PRC	RMB10,000,000	–	70.00	Sino-foreign equity joint venture	Manufacture and sale of small-size and sealed rechargeable nickel batteries
延邊光宇電池有限責任公司 Yanbian Guangyu Battery Company Limited*	PRC	RMB500,000	–	98.00	Domestic equity joint venture	Manufacture and sales of automobile batteries
哈爾濱光宇電子有限公司 Harbin Coslight Electronics Company Limited*	PRC	RMB50,000,000	–	100.00	Wholly-owned foreign enterprise	Manufacture and sales of lead-acid battery for fueling electronic bicycles
珠海光宇電池有限公司 Zhuhai Coslight Battery Company Limited*	PRC	RMB85,000,000	–	100.00	Wholly-owned foreign enterprise	Manufacture and sales of lithium-polymer batteries
Coslight Newgen Limited	Russia	RUB1,000,000	–	58.00	Private limited company	Trading of sealed lead acid batteries
珠海科斯特電源有限公司 Zhuhai Coslight Power Company Limited*	PRC	RMB61,545,000	35.44	64.56	Sino-foreign equity joint venture	Manufacture and sales of sealed lead acid batteries
HYX	PRC	RMB100,000,000	–	100	Wholly-owned domestic enterprise	Manufacture and sales of passengers coach
Coslight India Telecom Private Limited	India	INR1,963,324,780	–	100	Private limited company	Manufacture and sales of sealed lead acid batteries

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

Name of subsidiaries	Place of incorporation registration/ operation	Issued and fully paid share capital/ registered capital	Percentage of nominal value of issued ordinary share capital held by the Company Directly %	Indirectly %	Forms of legal entity	Principal activities
上海睿芯微電子有限公司 Shanghai Sino-IC Microelectronics Company Limited	PRC	RMB2,400,000	–	75	Sino-foreign equity joint venture	Manufacture and sales of battery products
秦皇島金程汽車製造有限公司 QJC	PRC	RMB91,860,000	–	96	Wholly owned domestic enterprise	Manufacture and sales of passengers coach

* The English translation is for identification purposes only.

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

At the end of the reporting period, the Company has other subsidiaries that are not material to the Group. A majority of these subsidiaries engage in manufacture and trading of batteries and automobile, investment holding and inactive. The aggregation shown below based on the geographical location and nature of business. A summary of these subsidiaries are set out as follows:

Principal activities	Place of incorporation or registration/operation	Number of subsidiaries 2014	2013
Investment holding	Hong Kong	**6**	6
Manufacture and trading of batteries	PRC	**7**	9
	Korea	**1**	1
Manufacture and trading of automobile	PRC	**3**	3
Inactive	PRC	**12**	11

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

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

Details of non-wholly owned subsidiary of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		(Loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		2014	2013	**2014 RMB'000**	2013 RMB'000	**2014 RMB'000**	2013 RMB'000
Harbin Coslight Storage Battery Company Limited	The PRC	**2.65%**	2.65%	**(3,105)**	(772)	**25,384**	33,108
Individually immaterial subsidiaries with non-controlling interests						**42,009**	38,109
						67,393	71,217

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

Harbin Coslight Storage Battery Company Limited

	2014 RMB'000	2013 RMB'000
Current assets	**1,666,937**	1,763,847
Non-current assets	**898,895**	1,317,345
Current liabilities	**(1,607,952)**	(1,831,824)
Equity attributable to owners of the Company	**932,496**	1,216,260
Accumulated non-controlling interests	**25,384**	33,108

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

	2014 RMB'000	2013 RMB'000
Revenue	**680,397**	617,683
Expenses	**797,565**	646,831
Loss for the year	**(117,168)**	(29,148)
Loss and other comprehensive expense attributable to owners of the Company	**(114,063)**	(28,376)
Loss and other comprehensive expense attributable to the non-controlling interests	**(3,105)**	(772)
Loss and other comprehensive income for the year	**(117,168)**	(29,148)
Net cash inflow from operating activities	**559,514**	246,658
Net cash outflow from investing activities	**(125,166)**	(124,143)
Net cash outflow from financing activities	**(511,281)**	(174,159)
Net cash outflow	**(76,933)**	(51,644)

51. Events After the Reporting Period

(1) In January 2015, the Group entered into a sale and purchase agreement with an independent third party, and disposed of 100% equity interest in 伊春光宇投資有限公司 at a consideration of RMB1,000,000 which is same as the net assets of 伊春光宇投資有限公司 as at 31 December 2014.

(2) Subsequent to the end of the reporting period, the controlling shareholder, chairman and the executive director of the Company, executed a share charge that pledging 45,000,000 shares of the Company held by himself as a security for a revolving credit loan facility (the "Facility") of the amount up to RMB100,000,000 from a PRC bank during the period from 15 February 2015 to 11 February 2016. Such Facility is for the purpose of procurement of raw materials. Details of the share charge are set out in the announcement of the Company dated 10 March 2015.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	For the year ended 31 December				
	2010 RMB'000 (Restated)	2011 RMB'000	2012 RMB'000	2013 RMB'000	**2014** **RMB'000**
Revenue	2,191,336	2,484,049	2,675,144	3,034,323	**3,530,664**
Cost of sales	(1,814,195)	(2,059,321)	(2,328,622)	(2,507,318)	**(3,161,830)**
Gross profit	377,141	424,728	346,522	527,005	**368,834**
Other income	31,531	41,005	67,553	26,675	**48,846**
Gain on disposal of a subsidiary	–	20,790	–	100,257	**114,963**
Distribution and selling expenses	(179,604)	(162,164)	(157,407)	(142,236)	**(121,977)**
Administrative and other operating expenses	(209,968)	(251,823)	(294,634)	(286,641)	**(377,648)**
Impairment loss in respect of interests in an associate	–	–	–	(17,000)	**–**
Finance costs	(65,863)	(80,482)	(97,260)	(112,565)	**(108,027)**
Impairment on goodwill	(4,193)	–	–	–	**(3,055)**
Share of results of associates	66,590	103,280	109,935	139,429	**135,692**
Profit (loss) before tax	15,634	95,334	(25,291)	234,924	**57,628**
Income tax expense	(4,570)	(11,981)	(7,040)	(49,489)	**(29,295)**
Profit (loss) for the year	11,064	83,353	(32,331)	185,435	**28,333**
Attributable to:					
Owners of the Company	6,756	87,669	(20,610)	172,985	**32,154**
Non-controlling interests	4,308	(4,316)	(11,721)	12,450	**(3,821)**
	11,064	83,353	(32,331)	185,435	**28,333**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	At 31 December				
	2010 RMB'000 (Restated)	2011 RMB'000	2012 RMB'000	2013 RMB'000	**2014** **RMB'000**
Total assets	4,509,696	5,178,684	5,705,254	6,127,198	**6,361,474**
Total liabilities	(2,859,633)	(3,489,254)	(4,067,802)	(4,356,472)	**(4,482,302)**
Total equity	1,650,063	1,689,430	1,637,452	1,770,726	**1,879,172**
Non-controlling interests	(184,192)	(168,540)	(115,058)	(71,217)	**(67,393)**
Equity attributable to owners of the Company	1,465,871	1,520,890	1,522,394	1,699,509	**1,811,779**