2015

::: ANNUAL REPORT :::

COSLIGHT

COSLIGHT TECHNOLOGY INTERNATIONAL GROUP LIMITED

Incorporated in Bermuda with limited liability

Stock Code : 1043

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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., Lee Garden One,
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

DBS Bank (Hong Kong) Limited
Hang Seng Bank

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 2015 (the "Year"), the turnover from the Group's ongoing operations amounted to approximately RMB4,101,669,000 (2014: RMB3,530,664,000), 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 RMB5,232,000 (2014: RMB32,154,000). For the Year, earnings per share were RMB1.30 cents (2014: RMB8.27 cents).

Dividend

The Board of Directors does not recommend the payment of a final dividend to shareholders for the year ended 31 December 2015 (2014: nil).

Business Review

Sealed Lead-Acid ("SLA") Products

During the Year, total sales from the SLA battery products were approximately RMB625,628,000 (2014: RMB1,089,504,000), representing a decrease of 43% when compared to last year, which was mainly due to disposal of our automotive starting battery business in Shenyang in prior 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 at a consideration of RMB64,800,000. Harbin Coslight Storage Battery Company Limited, being one 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 RMB348,000,000 after the completion of the disposal (as defined in the announcement of the Company dated 10 October 2014).

In 2015, we relocated our production sites in downtown Harbin to the district on the north side of Songhua River, Harbin City as scheduled. The original factory buildings and land, which we once intended to dispose of according to the government's planning, were reconditioned to a power battery plant to enhance production capacity for lithium ferrite batteries in order to cope with the dramatically increasing market demand. Such reconditioning had been completed during the Year.

Lithium Polymer Batteries

During the Year, sales volume of lithium polymer batteries was approximately 86.54 million pieces (2014: 68.28 million pieces), representing an increase of 27% over last year. The major customers were well-known domestic and foreign cell phone and computer enterprises. Sales of lithium polymer batteries for the Year were approximately RMB1,744,967,000 (2014: RMB1,337,929,000), representing an increase of approximately 30% over last year. The management has completed capacity expansion for the Group by 2015, and our production capacity in Zhuhai has reached 13 million pieces per month. We are now working closely with domestic and foreign customers on various products, in an effort to explore new markets and increase sales of batteries. This Year also witnessed our successful launch of 4.4V high voltage new products and drones batteries.

Power Batteries

During the reporting period, sales revenue from power batteries and from lithium batteries for telecommunications base stations total RMB780 million, representing a sharp rise by 80% when compared to 2014. From April 2015, these products were in severe short supply, with capacity efficiency reaching 100%. The management promptly implemented an urgent capacity expansion in the second half of the year. The newly expanded capacity was put into operation by end of December, successfully doubling the original capacity. Target customer group of our electric vehicle batteries are mainly domestic leading electric vehicle manufacturers. We have been maintaining good relationship with our customers, and also enjoy high recognition from users and a constantly increasing customer number for our stable quality, high energy density, long service life and state-of-the-art integrated pack system.

Online Games

During the Year, our research and development team has developed a variety of games in addition to 2 cell phone games and 16 web games. Updated version of our flagship game Wendao ("問道") has attracted large number of online players with high level of consumption amounts. As of 31 December 2015, one of the Groups' subsidiaries commence to engage in web game business. During the Year, web game business contributed approximately RMB132,650,000 to the Group's profit, among which a share of profit of approximately RMB82,814,000 was contributed by associates of the Group (2014: RMB135,692,000 was all from the associate), representing a decrease of 2% as compared to the corresponding period of last year.

Prospects

SLA Battery Products

Our new premises located in the district on the north side of Songhua River, Harbin City has been formally put into operation, which suggests a substantial increase in production capacity for 2016. Significant growth in sales volume and revenue can well be expected.

Lithium Polymer Batteries

With the increasingly expanding customer base, we have richened our product portfolio by adding smartphone batteries, notebook batteries, and drones lithium batteries into our product family. We expect a 20% growth in volume in 2016.

Power Batteries

China produced and sold 300,000 electric vehicles in 2015. This figure is expected to double to 600,000 vehicles in 2016. In other words, we will continue to see a tight market for electric vehicle batteries. The urgent capacity expansion implemented by the management in 2015 will be fully released in 2016, enabling a more than 100% YoY increase in output and sales for the coming 2016. A new round of capacity expansion will take place in 2016, which means an additional capacity of RMB2 billion (including tax) can be achieved in 2017, doubling the capacity of 2016 at RMB2 billion (including tax). Fixed assets investments for 2016 reach RMB300 million.

Online Games

In 2016, we will continue to pursue a cross-platform strategy. In the aspect of R&D and operations, multiplatform 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.

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 2016

Management Profile

Directors

Executive Directors

Mr. SONG Dian Quan, aged 60, 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 31 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 52, 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 68, 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 31 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 59, is responsible for production and quality management of the Group. He has over 31 years' experience in the research and development of rechargeable battery products and over 18 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 60, is responsible for the international trading activities of the Group. He has more than 38 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 83, 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 51 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 58, 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 58, 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 58, 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 33 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 2015, the Group has total assets of RMB7,360,510,000 (2014: RMB6,361,474,000) which were financed by current liabilities of RMB4,951,834,000 (2014: RMB4,238,719,000), non-current liabilities of RMB427,562,000 (2014: RMB243,583,000), shareholders' equity of RMB1,818,747,000 (2014: RMB1,811,779,000) and non-controlling interests of RMB162,367,000 (2014: RMB67,393,000).

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 2015, the Group has bank and cash balances amounted to RMB235,164,000 (2014: RMB250,894,000). The total bank borrowings of the Group as at 31 December 2015 were approximately RMB1,227,246,000 (2014: RMB1,235,599,000), amongst which RMB1,149,826,000 will be due to repay within 12 months (2014: RMB1,119,611,000). These borrowings carry interest ranging from 2.60% to 7.26% (2014: from 2.51% to 9.00%) per annum. As at 31 December 2015, approximately 90% of the Group's bank and other borrowings were denominated in Renminbi and 10% were denominated in US dollars. All bank and other borrowings were used to finance the Group's capital expenditures and working capital requirements.

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

Gearing and liquidity ratio

The Group's gearing ratio, defined as the ratio between total bank borrowings and obligations under finance leases and shareholders' equity, was 89% (2014: 75%). The current ratio of the Group, represented by a ratio between current assets over current liabilities, was 95% (2014: 95%), reflecting the abundance of financial resources.

Charges on group assets

As at 31 December 2015, certain prepaid lease payments and property, plant and equipment, and trade receivables of the Group with carrying values of RMB509,533,700 (2014: RMB589,029,000), and RMB245,658,000 (2014: RMB133,408,000), respectively, were pledged to secured bank borrowings of approximately RMB574,521,000 (2014: RMB745,735,000). 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	
	2015	2014
	RMB'000	RMB'000
Capital expenditure contracted for but not provided in the financial statements in respect of acquisition of property, plant and equipment	**34,459**	71,150

Other Information

Employees and remuneration policies

As at 31 December 2015, the Group has employed 9,922 (2014: 9,672) employees in the PRC. The Group has adopted continuous human resources development and training programs to maintain high level of product quality and customer services. Remuneration package is generally structured by reference to market conditions and individual performance.

Directors' Report

The directors (the "Directors") of Coslight Technology International Group Limited (the "Company") present their annual report and the audited consolidated financial statements for the year ended 31 December 2015.

Principal Activities

The Company is an investment holding company.

The principal activities of the Company's principal subsidiaries as at 31 December 2015 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 2015 are set out in the consolidated statement of profit or loss and other comprehensive income on page 29.

The Board does not propose final dividend for the year ended 31 December 2015 (2014: nil) to shareholders.

Business Review

A review of the business of the Group during the year, a discussion on the Group's future business development and possible risks and uncertainties that the Group may be facing are provided in the section of "Management Discussion and Analysis" and "Chairman's Statement" of this annual report.

Property, Plant and Equipment

Certain of the Group's property, plant and equipment were revalued at 31 December 2015. The surplus arising on revaluation was approximately RMB57,627,000 (2014: deficits RMB67,856,000), of which approximately surplus of RMB52,715,000 (2014: deficits RMB54,449,000) (net of approximately deficits of RMB556,000 (2014: deficits RMB345,000) shared by the non-controlling interests) was recognised to the revaluation reserve and approximately surplus of RMB5,468,000 (2014: deficits RMB13,062,000) was charged to the consolidated income statement for the year ended 31 December 2015.

Details of movements in property, plant and equipment of the Group during the year are set out in note 17 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:

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

Independent non-executive directors:

LI Zeng Lin
YIN Ge Ping
XIAO Jian Min

In accordance with bye-law 87(1) of the bye-laws of the Company, Mr. LI Ke Xue, Mr. LIU Xing Quan and Mr. ZHANG Li Ming 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 2015 are set out in note 14 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 2015, 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 2015, 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 2015, 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.

Major Customers and Suppliers

Sales to the largest customer of the Group accounted for less than 10% 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 and refer to note 41.

I. Sales of Finished Goods

	2015 RMB'000	2014 RMB'000
瀋陽東北蓄電池有限公司	**203,132**	–

II. Purchase of Raw Materials

	2015 RMB'000	2014 RMB'000
瀋陽東北蓄電池有限公司	**215,737**	–

III. Guarantee of Bank Borrowings

RMB354,000,000 (2014: RMB150,000,000) of the Group's bank borrowings were guaranteed by Mr. Song Dian Quan, a director of the Company.

Purchase, Sale or Redemption of Listed Securities

During the year, the Company repurchased 4,446,000 ordinary shares of the Company's listed securities through the Stock Exchange and cancelled those shares upon repurchase.

Corporate Governance

A report on the corporate governance practices adopted by the Company is set out on pages 17 to 26 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 2015 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 2015.

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 2016

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.

Corporate Governance Code

In the opinion of the Board, the Company has complied throughout the year ended 31 December 2015 with the code provisions in the Corporate Governance Code (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 of the Company. Code provision A.4.1 stipulates that non-executive directors of the Company 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 of the Company (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 2015.

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 2015, 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, four 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)*	4/4	2/2
Ms. Luo Ming Hua *(Chief Executive Officer)*	4/4	2/2
Mr. Li Ke Xue	4/4	2/2
Mr. Xing Kai	4/4	2/2
Mr. Zhang Li Ming	4/4	2/2
Mr. Liu Xing Quan	4/4	2/2
Mr. Li Zeng Lin	4/4	2/2
Mr. Xiao Jian Min	3/4	2/2
Dr. Yin Ge Ping	3/4	2/2

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 Mr. LI Ke Xue, Mr. LIU Xing Quan and Mr. ZHANG Li Ming. 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 2015, 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. 2014 annual and 2015 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 2015 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 2015 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 2015 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 48 to the consolidated financial statements.

Nomination Committee

The Company has established a Nomination Committee on 18 November 2005 in accordance with the requirements of the Code 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 2015 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 2015 amounted to HK$1,770,000. Non-audit service charges amounted to HK$330,000 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 10 June 2015.

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-laws 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., Lee Garden One
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 set out on pages 29 to 150 which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors 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 about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's 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 consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance 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 2016

Consolidated Statement of Profit Or Loss and Other Comprehensive Income

For the year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
Revenue	8	**4,101,669**	3,530,664
Cost of sales		**(3,515,676)**	(3,161,830)
Gross profit		**585,993**	368,834
Other income	10	**105,621**	48,846
(Loss) gain on disposal of subsidiaries	39	**(3,725)**	114,963
Distribution and selling expenses		**(111,579)**	(121,977)
Administrative and other operating expenses		**(437,121)**	(380,703)
Finance costs	11	**(126,720)**	(108,027)
Share of results of associates		**72,578**	135,692
Profit before tax		**85,047**	57,628
Income tax expense	12	**(68,311)**	(29,295)
Profit for the year	13	**16,736**	28,333
Other comprehensive income (expense) for the year			
Items that will not be reclassified subsequently to profit or loss:			
Surplus (deficits) on revaluation of property, plant and equipment		**52,159**	(54,794)
Share of deficits on revaluation of property, plant and equipment of associates		**(218)**	–
Deferred tax effects arising on revaluation of property, plant and equipment	37	**(11,222)**	8,506
		40,719	(46,288)
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translating foreign operations		**12,255**	3,337
Share of exchange reserve of associates		**(840)**	(830)
		11,415	2,507
Other comprehensive income (expense) for the year, net of income tax		**52,134**	(43,781)
Total comprehensive income (expense) for the year		**68,870**	(15,448)

Consolidated Statement of Profit Or Loss and Other Comprehensive Income

For the year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
Profit for the year attributable to:			
Owners of the Company		**5,232**	32,154
Non-controlling interests		**11,504**	(3,821)
		16,736	28,333
Total comprehensive income (expense) attributable to:			
Owners of the Company		**54,582**	(10,228)
Non-controlling interests		**14,288**	(5,220)
		68,870	(15,448)
Earnings per share			
– Basic and diluted	16	**RMB1.30 cents**	RMB8.27 cents

	Notes	2015 RMB'000	2014 RMB'000
Non-current assets			
Property, plant and equipment	17	**2,053,767**	1,704,444
Mining rights	18	**–**	–
Other intangible assets	19	**8,560**	4,249
Goodwill	20	**–**	25,957
Prepaid lease payments	21	**156,128**	141,947
Deposits paid for acquisition of land	22	**9,728**	24,249
Interests in associates	23	**343,898**	354,896
Other receivables	25	**–**	68,148
Deposits paid for finance leases	25	**59,010**	–
Deferred tax assets	37	**27,317**	31,845
		2,658,408	2,355,735
Current assets			
Inventories	24	**1,416,942**	844,081
Trade and other receivables	25	**2,388,561**	2,315,487
Prepaid lease payments	21	**3,705**	3,299
Amounts due from directors	26	**360**	363
Amounts due from related companies	27	**83,805**	61,053
Amounts due from non-controlling interests	28	**308**	127
Amounts due from associates	28	**68,029**	39,983
Financial assets at fair value through profit or loss	29	**14,100**	–
Pledged bank deposits	30	**491,128**	490,452
Bank balances and cash	31	**235,164**	250,894
		4,702,102	4,005,739
Current liabilities			
Trade and other payables	32	**2,707,481**	2,367,025
Amounts due to directors	33	**2,521**	2,381
Amounts due to related companies	33	**180,981**	122,250
Amounts due to non-controlling interests	33	**1,475**	1,675
Amounts due to associates	33	**535,969**	435,254
Tax payables		**31,826**	12,642
Bank borrowings	34	**1,227,246**	1,235,599
Obligations under finance leases	35	**264,335**	61,893
		4,951,834	4,238,719
Net current liabilities		**(249,732)**	(232,980)
		2,408,676	2,122,755

Consolidated Statement of Financial Position

As at 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
Capital and reserves			
Share capital	36	**42,012**	42,377
Reserves		**1,776,735**	1,769,402
Equity attributable to owners of the Company		**1,818,747**	1,811,779
Non-controlling interests		**162,367**	67,393
Total equity		**1,981,114**	1,879,172
Non-current liabilities			
Deferred tax liabilities	37	**33,626**	17,596
Obligations under finance leases	35	**273,314**	102,570
Deferred government grants	38	**120,622**	123,417
		427,562	243,583
		2,408,676	2,122,755

The consolidated financial statements on pages 29 to 150 were approved and authorised for issue by the board of directors on 31 March 2016 and are signed on its behalf by:

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

Consolidated Statement of Changes In Equity

For the year ended 31 December 2015

	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 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 translating of foreign operations	–	–	–	–	–	4,412	–	–	4,412	(1,075)	3,337
Share of exchange reserve of associates	–	–	–	–	–	(830)	–	–	(830)	–	(830)
Deficits 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
Other comprehensive (expense) income for the year	–	–	–	–	(45,964)	3,582	–	–	(42,382)	(1,399)	(43,781)
Total comprehensive (expense) income for the year	–	–	–	–	(45,964)	3,582	–	32,154	(10,228)	(5,220)	(15,448)
Issue of ordinary shares (note 36)	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 40)	–	–	–	–	–	–	(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
At 1 January 2015	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
Profit for the year	–	–	–	–	–	–	–	5,232	5,232	11,504	16,736
Other comprehensive income for the year											
Exchange difference arising on translating of foreign operations	–	–	–	–	–	11,873	–	–	11,873	382	12,255
Share of exchange reserve of associates	–	–	–	–	–	(840)	–	–	(840)	–	(840)
Share of deficits on revaluation of property, plant and equipment of associates	–	–	–	–	(218)	–	–	–	(218)	–	(218)
Surplus (deficits) on revaluation of property, plant and equipment	–	–	–	–	52,715	–	–	–	52,715	(556)	52,159
Deferred tax effects arising on revaluation of property, plant and equipment	–	–	–	–	(14,180)	–	–	–	(14,180)	2,958	(11,222)
Other comprehensive income for the year	–	–	–	–	38,317	11,033	–	–	49,350	2,784	52,134
Total comprehensive income for the year	–	–	–	–	38,317	11,033	–	5,232	54,582	14,288	68,870
Change in ownership interests in a subsidiary that do not result in loss of control (note 40)	–	–	–	–	–	–	(39,814)	–	(39,814)	82,507	42,693
Disposal of subsidiaries (note 39)	–	–	–	–	–	–	–	–	–	(1,821)	(1,821)
Share repurchased and cancelled (note 36)	(365)	(7,435)	–	–	–	–	–	–	(7,800)	–	(7,800)
Realised on depreciation of property, plant and equipment	–	–	–	–	(2,162)	–	–	2,162	–	–	–
Appropriation to statutory reserves	–	–	–	12,329	–	–	–	(12,329)	–	–	–
At 31 December 2015	**42,012**	**114,092**	**92,545**	**365,725**	**90,195**	**(89,776)**	**(89,567)**	**1,293,521**	**1,818,747**	**162,367**	**1,981,114**

Notes:

(a) 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 40.

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

	2015 RMB'000	2014 RMB'000
OPERATING ACTIVITIES		
Profit before tax	**85,047**	57,628
Adjustments for:		
Finance costs	**126,720**	108,027
Depreciation of property, plant and equipment	**145,831**	103,170
Impairment loss recognised on trade and other receivables	**24,237**	16,951
(Surplus) deficit arising on revaluation of property, plant and equipment	**(5,468)**	13,062
Amortisation of prepaid lease payments	**3,431**	4,454
Loss on disposal of an associate	**–**	4,312
Impairment loss recognised on goodwill	**25,957**	3,055
(Gain) loss on disposals of property, plant and equipment	**(620)**	1,678
Impairment loss recognised on amounts due from related companies	**–**	1,096
Allowance for inventories	**4,552**	734
Amortisation of other intangible assets	**478**	73
Imputed interest income on deposits paid for finance leases and other receivables	**(7,682)**	(2,198)
Amortisation of government grants	**(2,795)**	(2,682)
Written-off of other payables	**–**	(2,965)
Bank interest income	**(12,940)**	(8,394)
Reversal of allowance for inventories	**–**	(9,050)
Government grants recognised as income	**(32,974)**	(11,626)
Reversal of impairment loss recognised on trade and other receivables	**(22,939)**	(12,655)
Loss (gain) on disposal of subsidiaries	**3,725**	(114,963)
Share of results of associates	**(72,578)**	(135,692)
Operating cash flows before movements in working capital	**261,982**	14,015
Increase in inventories	**(577,424)**	(213,653)
Increase in financial asset at FVTPL	**(14,100)**	–
Increase in trade and other receivables	**(5,275)**	(193,232)
Increase in amount due from associates	**(301)**	–
Decrease in amount due from related parties	**–**	2,648
Increase in trade and other payables	**253,962**	988,472
Cash (used in) generated from operations	**(81,156)**	598,250
Income tax paid	**(39,791)**	(58,679)
Net cash (used in) from operating activities	**(120,947)**	539,571

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
INVESTING ACTIVITIES			
Purchases of property, plant and equipment		**(228,708)**	(406,765)
Net cash inflow (outflow) on disposal of subsidiaries	39	**3,975**	(197,790)
Placement of pledged bank deposits		**(902,618)**	(198,479)
Advance to associates		**(26,845)**	(16,175)
Advance to related companies		**(19,632)**	(1,378)
Purchase of intangible assets		**(4,789)**	(87)
Dividends received from associates		**82,518**	156,188
Withdrawal of pledged bank deposits		**901,942**	100,174
Interest received		**12,940**	8,394
Proceeds from disposal of property, plant and equipment		**4,083**	3,945
Repayment from directors		**3**	499
(Advance to) repayments from non-controlling interests		**(181)**	460
Proceeds from disposal of equity interest in a subsidiary that do not result in loss of control	40	**42,693**	–
Acquisition of prepaid lease payments		**(3,497)**	–
Net cash used in investing activities		**(138,116)**	(551,014)
FINANCING ACTIVITIES			
New bank borrowings raised		**1,583,969**	1,445,269
Proceeds from sales and leaseback		**328,180**	119,622
Proceeds from issuing of new ordinary shares		**–**	127,797
Transaction costs attributable to issuing of new ordinary shares		**–**	(3,903)
Advance from related companies		**58,731**	28,517
Payment on repurchase of own shares		**(7,800)**	–
Government grants received		**32,974**	26,626
Repayments of bank borrowings		**(1,585,157)**	(1,555,325)
Advance from (repayments to) associates		**100,715**	(160,819)
Interest paid		**(121,802)**	(111,208)
Repayments of obligations under finance leases		**(148,314)**	(17,129)
Repayments to non-controlling interests		**(200)**	(2,072)
Advance from (repayments to) directors		**140**	(295)
Net cash from (used in) financing activities		**241,436**	(102,920)
Net decrease in cash and cash equivalents		**(17,627)**	(114,363)
Cash and cash equivalents at the beginning of the year		**250,894**	360,430
Effect of foreign exchange rate changes		**1,897**	4,827
Cash and cash equivalents at the end of the year, represented by bank balances and cash		**235,164**	250,894

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 PRC subsidiaries, the functional currencies of two subsidiaries established in India are 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 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 RMB249,732,000 as at 31 December 2015, 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 RMB535,869,000 as at 31 December 2015 within twelve months from the end of the reporting period and until the Group is in a financial position to do so;

(ii) As at 31 December 2015, the Group has unutilised available banking facilities of approximately RMB775,000,000. Subsequent to the end of reporting period, the Group further obtained the additional banking facilities of RMB155,000,000 was successfully obtained; and

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

(iii) The bank borrowings of approximately RMB77,420,000 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 two years after the reporting date in accordance with the scheduled repayment dates set out in the loan agreements.

Accordingly, 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 2015. 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, issued by the Hong Kong Institute of Certificate Public Accountants (the "HKICPA").

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 – 2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 – 2013 Cycle
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions

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)

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.

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.

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

Annual Improvements to HKFRSs 2010 – 2012 Cycle (Continued)

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.

Except for the amendments to HKFRS 8, the directors of the Company consider that the application of the amendments to HKFRSs 2010-2012 Cycle has had no material impact in the Group's consolidated financial statements. Relevant disclosures has been made in note 9 to conform with the amendments to HKFRS 8.

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.

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

Annual Improvements to HKFRSs 2011 – 2013 Cycle (Continued)

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 amendments are applied prospectively. The directors of the Company consider that the application of the amendments to HKFRSs 2011-2013 Cycle has had no material impact in the Group's consolidated financial statements.

Amendments to HKAS 19 Defined Benefit Plans – Employee Contributions

The amendments to HKAS 19 simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. Specifically, contributions that are linked to services are attributed to periods of services as a negative benefit. The amendments to HKAS 19 specifies that such negative benefit are attributed in the same way as the gross benefit, i.e. attribute to periods of services under the plan's contribution formula or on a straight-line basis.

Besides, the amendments also states that if the contributions are independent of the number of years of employee service, such contributions may be recognised as a reduction of the service cost as they fall due.

The amendments to HKAS 19 will become effective for annual periods beginning on or after 1 July 2014 with early application permitted.

The directors of the Company consider that the application of the amendments to HKAS 19 has had no material impact in the Group's consolidated financial statements.

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

Part 9 of Hong Kong Companies Ordinance (Cap. 622)

In addition, the annual report requirements of Part 9 "Accounts and Audit" of the Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year. As a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

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

[1] *Effective for annual periods beginning on or after 1 January 2016.*
[2] *Effective for annual periods beginning on or after 1 January 2018.*
[3] *Effective date not yet been determined.*

The directors of the Company anticipate that, except as described below, the application of the other 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 (2014) 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 (2014), 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 (2014) 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 (2014) 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 2018 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 a detailed review has been completed.

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.

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 *(Continued)*

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.

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.

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 *(Continued)*

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 prospectively.

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.

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.

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)*

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.

Amendments to HKFRS 10 and HKAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments provide guidance on addressing the acknowledged inconsistency between the requirements in HKFRS 10 and those in HKAS 28, in dealing with the sale or contribution of assets between an investor and its joint venture and associate. An investing entity is required to recognise the gain or loss arising from selling or contributing assets that constitutes or contains a business to a joint venture or associate in full. An investing entity is required to recognise the gain or loss arising from selling or contributing assets that does not constitute or contain a business to a joint venture or associate only to the extent of the unrelated investors' interests in that joint venture or associate.

The effective date of amendments to HKFRS 10 and HKAS 28 has not yet been determined. However, earlier application is permitted. The amendments should be applied prospectively.

As the Company does not have any investment in joint operations and sales or contribution of assets between the Company and its associates, the directors of the Company do not anticipate that the application of the amendments to HKFRS 10 and HKAS 28 will have a material impact on the Group's 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.

The consolidated financial statements have been prepared on the historical cost basis except for certain property, plant and equipment and financial asset at FVTPL which are measured at revalued amounts or fair values.

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 in the principal (or most advantageous) market at the measurement date under current market condition (i.e. an exit price), 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. Details of fair value measurement are explained in the accounting policies set out below.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (i.e. its subsidiaries). If a subsidiary prepares its financial statements using accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to that subsidiary's financial statements in preparing the consolidated financial statements to ensure conformity with the group's accounting policies.

4. Significant Accounting Policies (Continued)

Basis of consolidation (Continued)

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) the 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 and a joint venture.

Goodwill

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

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

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. For the goodwill arising 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 first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata on the basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

4. Significant Accounting Policies (Continued)

Investments in associates

An associate is an entity over which the Group 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.

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.

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. The entire carrying amount of the investment 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.

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.

4. Significant Accounting Policies (Continued)

Revenue recognition

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

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

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

Provision of online game services 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.

4. Significant Accounting Policies (Continued)

Property, plant and equipment

Property, plant and equipment including leasehold and buildings (classified as finance lease) held for use in the production or supply of goods or services, or for administrative purposes, other than leasehold improvements and construction in progress are stated in the consolidated statement of financial position at fair value, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed annually 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 is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued assets is 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 stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses while construction in progress represents properties in the course of construction for production, supply or administrative purposes are carried at 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.

4. Significant Accounting Policies (Continued)

Property, plant and equipment (Continued)

Depreciation is provided so as to allocate 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.

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.

4. Significant Accounting Policies (Continued)

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.

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. Prepaid lease payments are stated in the consolidated financial statements at cost less subsequent accumulated amortisation and accumulated impairment losses. 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.

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.

4. Significant Accounting Policies (Continued)

Foreign currencies (Continued)

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 rates of exchange prevailing at the end of each 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).

Goodwill and fair value adjustments to identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

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.

4. Significant Accounting Policies (Continued)

Retirement benefit costs and termination benefits

Payments to defined contribution plans 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.

Short term and other long term benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

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 it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

4. Significant Accounting Policies (Continued)

Taxation (Continued)

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.

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.

4. Significant Accounting Policies (Continued)

Intangible assets

Intangible assets acquired separately

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

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)

Mining rights

Mining rights are carried at cost and are subject to amortisation upon commissioning of the mine for production. Mining rights and concessions are depleted on the unit-of-production basis over the total proven and probable reserves of the mine concerned. Mining licences are subject for impairment testing whenever there are indications that the assets' carrying amount may not be recoverable.

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 in profit or loss 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.

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 disposal 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.

4. Significant Accounting Policies (Continued)

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

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the 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 the 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 the 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.

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.

4. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial assets

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

Effective interest method

The effective interest method is a method of calculating the amortised cost of a 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 and points 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 effect of discounting is immaterial and financial asset classified as FVTPL, of which interest income is included in net gain or losses.

Financial assets at FVTPL

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

4. Significant Accounting Policies (Continued)

Financial instruments (Continued)

***Financial assets** (Continued)*

Financial assets at FVTPL (Continued)

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets and is included in the other income in the consolidated statement of profit or loss and other comprehensive income. Fair value is determining in the manner describes in note 7.

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, (amounts due from directors/related companies/non-controlling interests/associates) and deposits paid for finance leases 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).

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.

4. Significant Accounting Policies (Continued)

Financial instruments (Continued)

***Financial assets** (Continued)*

Impairment loss on financial assets (Continued)

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, 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 270 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.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, other receivables, deposits, amounts due from directors, amounts due from related companies, amounts due from non-controlling interests and amounts due from associates 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, other receivable, deposits, amounts due from directors, amounts due from related companies, amounts due from non-controlling interests and amounts due from associates are considered uncollectible, they are 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.

4. Significant Accounting Policies (Continued)

Financial instruments (Continued)

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 an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instrument is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

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 to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

4. Significant Accounting Policies (Continued)

Financial instruments (Continued)

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

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.

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.

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

4. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Fair value measurement

When measuring fair value except for the Group's share-based payment transactions, leasing transactions, net realisable value of inventories and value in use of mining licences and other intangible assets for the purpose of impairment assessment, 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.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Specifically, the Group categorised the fair value measurements into three levels, based on the characteristics of inputs, as follow:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

At the end of the reporting period, the Group determines whether transfer occur between levels of the fair value hierarchy for assets and liabilities which are measured at fair value on recurring basis by reviewing their respective fair value measurement.

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.

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 Group'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 include 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 after 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 2015.

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.

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

Critical judgements in applying the entity's accounting policies (Continued)

Significant influence over an associate

As per note 23, 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 contractual right to appoint one out of the three directors of the associate and one-third voting right of the board of directors under the provisions stated in the shareholders' agreement of the associate.

Legal title of land and buildings

As detailed in note 17, certain of the Group's land and buildings as at 31 December 2015 had not been granted legal title from the relevant government authorities yet. Although the Group had not obtained the relevant legal titles, the land and buildings were recognised in the consolidated statement of financial position as at 31 December 2015 on the grounds that the Group will obtain the legal title in the near future with no major difficulties and is in substance controlling these land and buildings. At 31 December 2015, the buildings with carrying amount of approximately RMB192,654,000 (2014: nil) was in the process of obtaining the building certificates.

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 2015, impairment loss in respect of goodwill of approximately RMB25,957,000 (2014: RMB3,055,000) was recognised. As at 31 December 2015, the carrying amount of goodwill is nil (2014: RMB25,957,000), net of accumulated impairment loss of approximately RMB33,205,000 (2014: RMB7,248,000). Details of the recoverable amount calculation are disclosed in note 20.

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

Key sources of estimation uncertainty (Continued)

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. As at 31 December 2015, the carrying amounts of the property, plant and equipments is approximately RMB2,053,767,000 (2014: RMB1,704,444,000).

Income tax

As at 31 December 2015, no deferred tax asset has been recognised on the tax losses of approximately RMB456,778,000 (2014: RMB233,880,000) 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 companies and associates

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 2015, impairment loss in respect of trade and other receivables of approximately RMB22,603,000 and RMB1,634,000 respectively (2014: RMB13,650,000 and RMB3,301,000 respectively) were recognised. No impairment loss in respect of amounts due from related companies and associates were recognised during the year ended 31 December 2015 (2014: RMB1,096,000 and nil respectively). As at 31 December 2015, the carrying amount of trade receivables is approximately RMB1,841,418,000 (2014: RMB1,808,697,000), net of allowance for doubtful debts of RMB110,986,000 (2014: RMB123,629,000). As at 31 December 2015, the carrying amount of other receivables is approximately RMB588,453,000 (2014: RMB548,489,000), net of allowance for doubtful debts of approximately RMB4,388,000 (2014: RMB13,610,000). As at 31 December 2015, the carrying amount of amounts due from related companies and associates are approximately RMB83,805,000 and RMB68,029,000 respectively (2014: RMB61,053,000 and RMB39,983,000), net of allowance for doubtful debts of RMB1,096,000 and nil (2014: RMB1,096,000 and nil).

Financial asset at FVTPL

As described in note 7(c), the directors of the Company use their judgement in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. The carrying amount of the financial asset at FVTPL as at 31 December 2015 is RMB14,100,000 (2014: nil). Details of the assumptions used are disclosed in note 7(c). The directors of the Company believe that the chosen valuation techniques and assumptions are appropriate in determining the fair value of financial instruments.

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

Key sources of estimation uncertainty (Continued)

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 judgements 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. No recognition of financial guarantee at 31 December 2015 and 2014.

Estimated impairment on 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 2015, the carrying amount of interests in associates was approximately RMB343,898,000 (2014: RMB354,896,000). No impairment loss was recognised during the year ended 31 December 2015 and 2014.

Allowance for obsolete inventories

As at 31 December 2015, the carrying amount of inventories are approximately RMB1,416,942,000 (2014: RMB844,081,000), net of accumulated allowance for obsolete inventories of approximately RMB17,131,000 (2014: RMB12,579,000). During the year ended 31 December 2015, impairment loss in respect of inventories of approximately RMB4,552,000 (2014: RMB734,000) was recognised. 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 amounts due to directors, amounts due to related companies, amounts due to non-controlling interests, amount due to associates, bank borrowings, and obligations under finance leases, disclosed in note 33, 34, 35 respectively, 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 the issue of new share and debt or the redemption of existing 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 2015 and 2014 are as follows:

	2015 **RMB'000**	2014 RMB'000
Amounts due to directors, related companies, non-controlling interests and associates	**720,946**	561,560
Obligations under finance leases	**537,649**	164,463
Bank borrowings	**1,227,246**	1,235,599
Total debts	**2,485,841**	1,961,622
Bank balances and cash	**(235,164)**	(250,894)
Net debts	**2,250,677**	1,710,728
Total equity	**1,989,666**	1,879,172
Net debt-to-adjusted capital ratio	**113%**	91%

7. Financial Instruments

(a) Categories of financial instruments

	2015 RMB'000	2014 RMB'000
Financial assets		
Financial asset at FVTPL	**14,100**	–
Loans and receivables (including cash and cash equivalents)	**3,106,255**	3,045,073
	3,120,355	3,045,073
Financial liabilities		
Financial liabilities at amortised cost	**5,136,078**	4,219,964

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, deposits paid for finance leases, financial assets at FVTPL, 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.

7. Financial Instruments (Continued)

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

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. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Several subsidiaries of the Company have foreign currency sales and purchases, which expose the Group to foreign currency risk. Less than 5% of the Group's purchases are denominated in currencies other than the functional currency of the group entity making the purchases for both years.

At 31 December 2015 and 2014, 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:

	2015			2014		
	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$")	**192**	**–**	**192**	6,914	–	6,914
United States Dollar ("US$")	**110,920**	**(158,964)**	**(48,044)**	149,710	(219,116)	(69,406)

7. Financial Instruments (Continued)

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

***Market risk** (Continued)*

Currency risk (Continued)

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

The following table details the Group's sensitivity to a 10% (2014: 10%) increase or decrease in RMB against the relevant foreign currencies. 10% (2014: 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% (2014: 10%) change in foreign currency rates. The sensitivity analysis includes bank loans where the denomination of the loan is in a currency other than the functional currency of the borrower.

A positive number below indicates an increase in post-tax profit where the respective functional currencies of the reporting entity weakening 10% (2014: 10%) against the relevant currency. For a 10% (2014: 10%) strengthening of respective functional currencies of the reporting entity against the relevant currency, there would be an equal and opposite impact on the post-tax profit and the balances below would be negative.

Effect on post-tax profit:

	2015 **RMB'000**	2014 RMB'000
HK$	**14**	519
US$	**(3,603)**	(5,205)

7. Financial Instruments (Continued)

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

Market risk *(Continued)*

Interest rate risk

As at 31 December 2015 and 2014, the Group is exposed to fair value interest rate risk in relation to fixed-rate bank borrowings (note 34). The Group aims at keeping borrowings at variable rates.

As at 31 December 2015 and 2014, the Group is also exposed to cash flow interest rate risk in relation to variable-rate pledged bank deposits (note 30), variable-rate bank balances (note 31), and variable-rate bank borrowings (note 34). It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group cash flow interest rate risk is mainly concentrated on the fluctuation of RMB Benchmark Interest Rate quoted by the People's Bank of China arising from the Group's RMB denominated bank borrowings.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 100 (2014: 100) basis points increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rate on variable-rate bank balances, bank deposits and bank borrowings had been 100 basis points (2014: 100 basis points) higher and all other variables held constant, the Group's post-tax profit for the year ended 31 December 2015 would decrease by approximately RMB149,000 (2014: increased by approximately RMB942,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rates bank borrowings.

7. Financial Instruments (Continued)

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

Credit risk

As at 31 December 2015, 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.

As at 31 December 2015, the Group maximum exposure to credit risk in respect of the financial guarantee issued by the Group is arising from the amount of current liabilities as disclosed in note 47. As assessed by the Directors, the guarantees are enterprises with strong financial position and/or with high credit rating as at 31 December 2015 and 2014. As a result, it was not probable that i) the independent third party and associate would default the repayment of the bank borrowings and ii) the banks would claim the Group for losses in respect of the guarantee contract.

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 Hong Kong, PRC and overseas.

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

7. Financial Instruments (Continued)

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

***Credit risk** (Continued)*

The counterparties of the Group are mainly in the PRC which accounted for 99% (2014: 99%) of the total trade receivables as at 31 December 2015. 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 2015 and 2014.

The Group has concentration of credit risk as 9% (2014: 9%) and 18% (2014: 14%) 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 accessories, lithium-ion batteries and nickel batteries business segment.

Liquidity risk

As at 31 December 2015, the Group is exposed to liquidity risk as the Group had net current liabilities of approximately RMB249,732,000 (2014: RMB232,980,000).

The directors of the Company carry out a prudent liquidity risk management that includes maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities as disclosed in note 2. 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.

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.

7. Financial Instruments (Continued)

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

***Liquidity risk** (Continued)*

	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 2015					
Trade and other payables	2,650,237	–	–	2,650,237	2,650,237
Amounts due to directors	2,521	–	–	2,521	2,521
Amounts due to related companies	180,981	–	–	180,981	180,981
Amounts due to non-controlling interests	1,475	–	–	1,475	1,475
Amounts due to associates	535,969	–	–	535,969	535,969
Bank borrowings with fixed interest rate	491,747	–	–	491,747	482,118
Bank borrowings with variable interest rate	682,963	–	–	682,963	667,708
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)	79,435	–	–	79,435	77,420
Obligations under finance leases	292,923	206,813	83,376	583,112	537,649
Financial guarantee contracts (note 47)	631,769	–	–	631,769	–
	5,550,020	206,813	83,376	5,840,209	5,136,078

7. Financial Instruments (Continued)

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

***Liquidity risk** (Continued)*

	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 47)	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)*

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 2015, the aggregate undiscounted principal amounts of these bank loans amounted to approximately RMB77,420,000 (2014: RMB115,988,000). 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 two 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 approximately RMB79,435,000 (2014: RMB118,893,000).

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 assets and liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and 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 assets and 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
	2015 RMB'000	2014 RMB'000			
Financial guarantee	**390**	628	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 0.07% (2014:0.03%) (Note) – Discount rate of 4.3% (2014:4.3%) based on the government bond of the PRC market (Note)
Financial assets at FVTPL – unlisted funds	**14,100**	N/A	Level 2	Redemption value quoted by the relevant financial institutions	N/A

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

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 current 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. 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 for the year. An analysis of the Group's revenue for the year is as follows:

	2015 **RMB'000**	2014 RMB'000
Revenue comprises:		
– Sealed lead acid batteries and related accessories	**625,628**	1,089,504
– Lithium-ion batteries	**3,039,445**	1,865,125
– Nickel batteries	**115,500**	137,878
– Others	**321,096**	438,157
	4,101,669	3,530,664

9. 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.

Specifically, the Group's reporting segments are as follows:

Sealed lead acid batteries and related accessories	–	manufacture and sales of sealed lead acid batteries and related accessories
Lithium-ion batteries	–	manufacture and sales of lithium-ion batteries
Nickel batteries	–	manufacture and sales of nickel batteries
Others	–	manufacture and sales of signal strength systems, electric and automation system, motor vehicle, pharmaceutical products and online game services

9. Segment Information (Continued)

Operating segments including manufacture and sale of signal strength systems, electric and automation system, motor vehicle, pharmaceutical products and online game services have been aggregated into a single reporting segment after taking into account that none of which are of a sufficient size to be reported separately.

During the year ended 31 December 2015, the Group has ceased the mining activities after the disposal of a subsidiary and was included in other segment in prior years. During the year, included in the loss for the year of RMB49,000 is attributable to the disposed subsidiary (2014: RMB1,114,000). The carrying amounts of assets and liabilities of the disposed subsidiary at the date of disposal are disclosed in note 39.

During the year ended 31 December 2015, the Group has set up a new subsidiary which conducting online game services. The segment information is included in other segment as there is no sufficient size to be reported separately.

9. 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 2015

	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	625,628	3,039,445	115,500	321,096	–	4,101,669
Inter-segment sales	80,210	673,747	5,478	3,234	(762,669)	–
Segment revenue	705,838	3,713,192	120,978	324,330	(762,669)	4,101,669
Segment (loss) profit	(179,949)	290,799	6,547	41,015	–	158,412
Unallocated operating income and expenses						(10,163)
Impairment loss recognised on goodwill						(25,957)
Loss on disposal of subsidiaries						(3,725)
Bank interest income						12,940
Imputed interest income on deposit paid for finance leases and other receivables						7,682
Finance costs						(126,720)
Share of results of associates						72,578
Profit before tax						85,047

9. Segment Information (Continued)

(a) Segment revenue and results (Continued)

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						(7,461)
Impairment loss recognised on goodwill						(3,055)
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

9. Segment Information (Continued)

(a) Segment revenue and results (Continued)

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, imputed interest income on deposit paid for finance leases and other receivables, bank interest income and certain other income, impairment loss recognised on goodwill, (loss) gain on disposal of subsidiaries, loss on disposal of an associate, impairment loss on amounts due from related companies, 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.

9. Segment Information (Continued)

(b) Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segments:

As at 31 December 2015

	Sealed lead acid batteries and related accessories RMB'000	Lithium-ion batteries RMB'000	Nickel batteries RMB'000	Others RMB'000	Consolidated RMB'000
ASSETS					
Segment assets	1,750,700	3,681,991	90,212	533,339	6,056,242
Interests in associates					343,898
Unallocated assets					960,370
Consolidated assets					7,360,510
LIABILITIES					
Segment liabilities	300,429	2,219,411	64,944	226,957	2,811,741
Unallocated liabilities					2,567,655
Consolidated liabilities					5,379,396

9. Segment Information (Continued)

(b) Segment assets and liabilities (Continued)

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

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

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

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

9. Segment Information (Continued)

(c) Other segment information

For the year ended 31 December 2015

	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 (note)	55,540	133,400	8,052	40,002	–	236,994
Depreciation and amortisation	24,573	114,046	1,736	9,385	–	149,740
Allowance for inventories	3,778	–	–	774	–	4,552
Impairment loss recognised on trade and other receivables	1,240	18,500	1,354	3,143	–	24,237
Surplus (deficits) arising on revaluation of property, plant and equipment	(6,775)	(802)	(384)	2,493	–	(5,468)
Reversal of impairment loss recognised on trade and other receivables	(3,654)	(4,496)	(1,981)	(12,808)	–	(22,939)
Gain on disposals of property, plant and equipment	(140)	–	(7)	(473)	–	(620)
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:						
Bank interest income	(1,479)	(10,861)	(218)	(380)	(2)	(12,940)
Investment income from financial assets at FVTPL	–	–	–	(311)	–	(311)
Impairment loss recognised on goodwill (note 20)	–	–	–	25,957	–	25,957
Imputed interest income on deposits paid for finance leases and other receivables	(3,320)	(1,017)	–	–	(3,345)	(7,682)
Finance costs	38,013	84,338	759	138	3,472	126,720
Interest in associates	2,690	–	–	341,208	–	343,898
Share of result of associates	10,237	–	–	(82,815)	–	(72,578)
Income tax expense	15,480	31,854	1,732	19,245	–	68,311

Note: Capital additions represented the addition of property, plant and equipment, prepaid lease payments and intangible assets excluded deposits paid for finance leases.

9. Segment Information (Continued)

(c) Other segment information (Continued)

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
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)
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)
Impairment loss recognised on goodwill	–	–	–	3,055	–	3,055
Interest in associates	13,144	–	–	341,752	–	354,896
Share of results of associates	2,056	–	–	(137,748)	–	(135,692)
Written-off of other payables	–	–	–	–	(2,965)	(2,965)
Impairment loss recognised on amounts due from related companies	–	–	–	–	1,096	1,096
Loss on disposal of an associate	–	–	–	–	4,312	4,312
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

9. Segment Information (Continued)

(d) Geographical segment

During the years ended 31 December 2014 and 2015, the Group operates in two principal markets in the PRC and India.

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	
	2015 RMB'000	2014 RMB'000	**2015 RMB'000**	2014 RMB'000
The PRC	**2,641,454**	2,669,838	**2,142,193**	1,769,078
India	**539,637**	209,327	**147,500**	144,893
Russia	**16,877**	30,044	**4**	4
Other countries	**903,701**	621,455	**341,394**	341,767
	4,101,669	3,530,664	**2,631,091**	2,255,742

Non-current assets exclude deferred tax assets, deposits paid for finance lease and other receivables.

During the years ended 31 December 2014 and 2015, no revenue from a customer contributes over 10% of the total revenue of the Group.

10. Other Income

	2015 RMB'000	2014 RMB'000
Bank interest income	**12,940**	8,394
Investment income from financial assets at FVTPL	**311**	–
Gain on disposals of property, plant and equipment	**620**	–
Reversal of impairment loss recognised on trade and other receivables	**22,939**	12,655
Government grants recognised as income (Note)	**32,974**	11,626
Amortisation of government grants (note 38)	**2,795**	2,682
Exchange gain, net	**14,068**	–
Surplus arising on revaluation of property, plant and equipment, net	**5,468**	–
Imputed interest income on deposits paid for finance leases and other receivables (note 25)	**7,682**	2,198
Refund of value-added tax	**994**	2,794
Sundry income	**4,830**	5,532
Written-off of other payables	**–**	2,965
	105,621	48,846

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 with no specific condition attached.

11. Finance Costs

	2015 RMB'000	2014 RMB'000
Interests on:		
– bank borrowings	**100,475**	109,844
– obligations under finance leases	**21,327**	1,364
– imputed interest on deposits paid for finance leases	**8,247**	–
Total borrowing costs	**130,049**	111,208
Less: amounts capitalised	**(3,329)**	(3,181)
	126,720	108,027

Borrowing cost capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 7.4% (2014:3.15%) per annum to expenditure on qualifying assets.

12. Income Tax Expense

	2015 RMB'000	2014 RMB'000
Current tax – PRC Enterprise Income Tax ("EIT")	**53,826**	26,010
Underprovision in prior years – EIT	**5,149**	–
Deferred tax (note 37)	**9,336**	3,285
	68,311	29,295

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.

12. Income Tax Expense (Continued)

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 years ended 31 December 2015 and 2014, certain subsidiaries of the Group were recognised as high technology enterprise and obtained a preferential tax rate of 15%.

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:

	2015 **RMB'000**	2014 RMB'000
Profit before tax	**85,047**	57,628
Tax at the applicable income tax rate at 25% (2014: 25%)	**21,261**	14,407
Tax effect of share of results of associates	**(18,145)**	(33,923)
Tax effect of income not taxable	**(13,971)**	(6,940)
Tax effect of expenses not deductible	**13,899**	35,226
Tax effect of tax losses not recognised	**66,058**	21,961
Utilisation of tax losses previously not recognised	**(508)**	(2,522)
Underprovision in prior years	**5,149**	–
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(5,432)**	1,086
Tax charge for the year	**68,311**	29,295

Details of deferred tax are set out in note 37.

13. Profit for the Year

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

	2015 **RMB'000**	2014 RMB'000
Directors' emoluments (note 14)	**1,521**	1,578
Retirement benefit scheme contributions (excluding contributions for directors)	**76,441**	58,639
Other staff costs	**634,931**	555,644
Total employee benefit expenses	**712,893**	615,861
Amortisation of prepaid lease payments	**3,431**	4,454
Depreciation of property, plant and equipment	**145,831**	103,170
Amortisation of other intangible assets (included in administrative expenses)	**478**	73
Total depreciation and amortisation	**149,740**	107,697
Net exchange losses	**–**	1,833
Auditor's remuneration	**2,111**	2,056
Deficit arising on revaluation of property, plant and equipment	**–**	13,062
Research and development costs recognised as expense	**104,476**	58,482
Minimum lease payments under operating leases in respect of premises	**10,975**	9,910
Share of income tax expense from associates	**37,193**	44,971
Loss on disposal of property, plant and equipment	**–**	1,678
Loss on disposal of an associate (note 23)	**–**	4,312
Impairment loss recognised on trade and other receivables	**24,237**	16,951
Impairment loss recognised on amounts due from related companies	**–**	1,096
Impairment loss recognised on goodwill (note 20)	**25,957**	3,055
Allowance for inventories (included in cost of sales)	**4,552**	734
Reversal of allowance for inventories (included in cost of sales)	**–**	(9,050)
Amount of inventories recognised as an expense	**3,511,124**	3,170,146

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

(a) Directors' emoluments

The emoluments paid or payable to each of the nine 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
For the year ended 31 December 2015										
Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking										
Fees	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**18**	**18**
Other emoluments:										
Salaries and other benefits	**264**	**252**	**252**	**204**	**446**	**–**	**–**	**–**	**–**	**1,418**
Retirement benefit scheme contributions	**24**	**24**	**–**	**24**	**13**	**–**	**–**	**–**	**–**	**85**
Total emoluments	**288**	**276**	**252**	**228**	**459**	**–**	**–**	**–**	**18**	**1,521**
For the year ended 31 December 2014										
Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking										
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

Note a: Ms. Luo Ming Hua is also the chief executive of the Company for the years ended 31 December 2015 and 2014 and her emoluments disclosed above include those for services rendered by her as chief executive.

No directors waived or agreed to waive any emoluments during the years ended 31 December 2015 and 2014.

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

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, one (2014: nil) was the director of the Company whose emoluments are set out in note 14(a) above. The emoluments of the remaining four (2014: five) individuals are as follows:

	2015 RMB'000	2014 RMB'000
Salaries and other benefits	**2,106**	2,584
Retirement benefit scheme contributions	**58**	65
	2,164	2,649

The emoluments of the remaining four (2014: five) individuals with the highest emoluments are within the following bands:

	2015 Number of individuals	2014 Number of Individuals
RMB nil to RMB1,000,000	**4**	5

During the years ended 31 December 2015 and 2014, no emoluments were paid by the Group to any of the directors (including chief executive) 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.

15. Dividend

No dividend was paid or proposed during the year ended 31 December 2015, nor has any dividend been proposed since the end of the reporting period (2014:nil).

16. 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:

	2015	2014
Profit for the year attributable to the owners of the Company (RMB'000)	**5,232**	32,154
Weighted average number of ordinary shares ('000)	**403,157**	388,646

(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 2015 and 2014.

17. 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 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 (note 39)	–	–	(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 and 1 January 2015	4,867	13,712	605,779	780,883	19,144	8,966	274,745	1,708,096
Exchange Adjustments	4	229	1,251	904	85	58	7	2,538
Additions	114	–	7,203	288,442	14,679	2,942	131,073	444,453
Transfers	–	–	193,945	14,107	–	–	(208,052)	–
Derecognised on disposal of subsidiaries (note 39)	–	–	–	(146)	(243)	(347)	(5,696)	(6,432)
Disposals	–	–	–	(4,664)	(69)	(1,443)	(492)	(6,668)
Revaluation	–	(9)	22,877	(102,496)	(3,830)	(809)	–	(84,267)
At 31 December 2015	**4,985**	**13,932**	**831,055**	**977,030**	**29,766**	**9,367**	**191,585**	**2,057,720**

17. 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 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 (note 39)	–	–	(4,790)	(6,573)	(248)	(974)	–	(12,585)
Eliminated on disposals	–	–	–	(2,024)	(99)	(740)	–	(2,863)
Eliminated on revaluation	–	–	(18,420)	(63,007)	(5,861)	(323)	–	(87,611)
At 31 December 2014 and 1 January 2015	3,652	–	–	–	–	–	–	3,652
Charge for the year	301	–	26,857	107,912	9,137	1,624	–	145,831
Eliminated on disposal of subsidiaries (note 39)	–	–	–	(62)	(33)	(336)	–	(431)
Eliminated on disposals	–	–	–	(2,105)	(45)	(1,055)	–	(3,205)
Eliminated on revaluation	–	–	(26,857)	(105,745)	(9,059)	(233)	–	(141,894)
At 31 December 2015	**3,953**	**–**	**–**	**–**	**–**	**–**	**–**	**3,953**
Carrying values								
At 31 December 2015	**1,032**	**13,932**	**831,055**	**977,030**	**29,766**	**9,367**	**191,585**	**2,053,767**
At 31 December 2014	1,215	13,712	605,779	780,883	19,144	8,966	274,745	1,704,444

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 property, plant and machinery of approximately RMB977,030,000 includes an amount of approximately RMB547,867,000 (2014: RMB780,883,000 includes an amount of approximately RMB198,265,000) in respect of assets held under finance leases.

17. Property, Plant and Equipment (Continued)

At 31 December 2015, included in property, plant and equipment are buildings with carrying amount of approximately RMB192,654,000 which are located in the PRC and the Group was in the process of obtaining the building certificates (2014:nil).

Property, plant and equipment other than leasehold improvements and construction in progress were revalued at 31 December 2015 and 2014 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 property, plant and equipment of carrying value of approximately RMB471,785,000 (31 December 2014: RMB572,008,000) to secure general banking facilities granted to the Group.

The surplus (deficits) arising on revaluation of property, plant and equipment was approximately RMB57,627,000 (2014: deficit of RMB67,856,000), which are summarised as follows:

	2015 RMB'000	2014 RMB'000
Surplus (deficits) recognised in the consolidated statements of profit or loss	**5,468**	(13,062)
Surplus (deficits) recognised in the consolidated statement of other comprehensive income		
– attributable to owners of the Company	**52,715**	(54,449)
– attributable to non-controlling interests	**(556)**	(345)
	52,159	(54,794)
Total surplus (deficits) arising on revaluation of property, plant and equipment	**57,627**	(67,856)

17. Property, Plant and Equipment (Continued)

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 used for the both years.

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

An analysis of the Group's freehold land, buildings, plant and machinery, furniture, fixtures and equipment and motor vehicles that are measured at fair value subsequent to initial recognition and information about the fair value hierarchy as at 31 December 2015 and 2014 are as follows:

Property, plant and equipment	**Fair value as at 31/12/2015 RMB'000**	Fair value as at 31/12/2014 RMB'000	**Fair value hierarchy**	**Valuation technique and key inputs**	**Significant unobservable inputs and range**
Freehold land	**13,932**	13,712	Level 2	Market Approach – by reference to recent sale price of comparable freehold land in similar market	N/A
Buildings	**831,055**	605,779	Level 3	Cost approach – fair value determined based on the adjusted acquisition cost and buildings 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)

17. Property, Plant and Equipment (Continued)

Property, plant and equipment	Fair value as at 31/12/2015 RMB'000	Fair value as at 31/12/2014 RMB'000	Fair value hierarchy	Valuation technique and key inputs	Significant unobservable inputs and range
Plant and machinery, and motor vehicles	**986,397**	789,849	Level 2	Market Approach – by reference to recent sale price of comparable plant and machinery and motor vehicle in similar market	N/A
Furniture, fixtures and equipment	**29,766**	19,144	Level 3	Cost approach – 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)

Note: The higher the rate of obsolescence, the lower the fair value.

There were no transfers into or out of Level 3 during the years ended 31 December 2015 and 2014.

There was no transfer between levels of fair value hierarchy during both years.

17. Property, Plant and Equipment (Continued)

The reconciliation of Level 3 fair value measurements of property, plant and equipment (excluding leasehold improvements and construction in progress) on recurring basis is as follows:

	2015 RMB'000	2014 RMB'000
Opening balance, 1 January	**624,923**	554,444
Exchange realignment	**1,336**	(448)
Depreciation charged	**(35,994)**	(29,418)
Gain (losses)		
– In profit or loss	**5,109**	(10,966)
– In other comprehensive income	**49,854**	(32,178)
Additions (including transfer from construction in progress)	**215,827**	223,820
Disposals (including disposal of subsidiaries)	**(234)**	(80,331)
Closing balance	**860,821**	624,923

If the Group's property, plant and equipment (excluding leasehold improvements and construction in progress) 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**
2015						
Cost	**11,149**	**885,377**	**1,577,628**	**79,314**	**32,642**	**2,586,110**
Accumulated depreciation	**–**	**(208,319)**	**(606,861)**	**(48,450)**	**(27,021)**	**(890,651)**
	11,149	**677,058**	**970,767**	**30,864**	**5,621**	**1,695,459**

	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

18. Mining Rights

	RMB'000
Cost	
At 1 January 2014 and 31 December 2014	8,800
Derecognised on disposal of subsidiaries (note 39)	(8,800)
At 31 December 2015	**–**
Accumulated impairment	
At 1 January 2014 and 31 December 2014	8,800
Derecognised on disposal of subsidiaries (note 39)	(8,800)
At 31 December 2015	**–**
Carrying values	
At 31 December 2015	**–**
At 31 December 2014	–

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 either expired or will expire in a short-term period after the end of the reporting period with uncertainty in renewal.

19. Other Intangible Assets

	Exploration and evaluation assets RMB'000 (Note a)	Patents, trademarks and software RMB'000 (Note b)	Online games licensing rights RMB'000 (Note c)	Total RMB'000
Cost				
At 1 January 2014	5,190	18,518	–	23,708
Additions	–	87	–	87
Written-off	(5,190)	(8,429)	–	(13,619)
At 31 December 2014 and 1 January 2015	–	10,176	–	10,176
Additions	–	72	4,717	4,789
At 31 December 2015	**–**	**10,248**	**4,717**	**14,965**
Accumulated amortisation and impairment				
At 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 and 1 January 2015	–	5,927	–	5,927
Charge for the year	–	85	393	478
At 31 December 2015	**–**	**6,012**	**393**	**6,405**
Carrying values				
At 31 December 2015	**–**	**4,236**	**4,324**	**8,560**
At 31 December 2014	–	4,249	–	4,249

19. Other Intangible Assets (Continued)

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 and software related to a variety of the Group's existing products, which are amortised on a straight-line basis over 5 to 20 years.

(c) Online game licensing rights related to provision of online games, which are amortised on a straight-line basis over 2 years which are acquired from an associate of the Group during the year.

20. Goodwill

	2015 **RMB'000**	2014 RMB'000
Cost		
At 1 January and 31 December	**33,205**	33,205
Accumulated impairment losses		
At 1 January	**7,248**	4,193
Impairment loss recognised during the year	**25,957**	3,055
At 31 December	**33,205**	7,248
Carrying value		
At 31 December	**–**	25,957

20. Goodwill (Continued)

For the purposes of impairment testing, goodwill set out above have been allocated to three individual cash generating units ("CGUs"). The carrying amounts of goodwill as at 31 December 2015 and 2014 allocated to these units are as follow:

	2015 **RMB'000**	2014 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")	**–**	–
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

* The English translation is for identification purposes only.

The above three CGUs are grouped under "Others" for the purpose of segment information disclosed in note 9.

20. 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 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% and a zero growth for budget beyond 5-year period. The pre-tax discount rate of 21% 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 goodwill arose on the Group's acquisition of HYX in prior year. 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 of QJC is approximately RMB17,940,000 and has been determined on the basis of 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 9% (2014: 10%) and a steady 3% growth rate for budget beyond 5-year period. The growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Pre-tax discount rate of 17% (2014: 21%) per annum, which represents the risk involved in the business, was used in the calculation of value-in-use of this cash generating unit. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the unit's past performance and management's expectations for the market development. The directors of the Company assessed the recoverable amount, with reference to the valuation report prepared by Ascent Partners, independent qualified valuers not connected to the Group. Due to worsening of business, the directors of the Company considered that the entire amount of goodwill attributable to QJC was irrecoverable. As such, an impairment loss on goodwill of approximately RMB25,957,000 (2014: nil) has been recognised during the year ended 31 December 2015.

21. Prepaid Lease Payments

	2015 RMB'000	2014 RMB'000
Analysed for reporting purpose:		
Current assets	**3,705**	3,299
Non-current assets	**156,128**	141,947
	159,833	145,246

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

The Group has pledged prepaid lease payment with carrying value of approximately RMB37,748,000 (2014: RMB17,021,000) to secure general banking facilities granted to the Group.

22. Deposits Paid for Acquisition of Land

For the year ended 31 December 2015, deposits of approximately RMB9,728,000 (2014: RMB24,249,000) were paid for the acquisition of several land use rights situated in Qinhuangdao, the PRC. During the year ended 31 December 2015, deposits of approximately RMB14,521,000 (2014: RMB5,751,000) has been transferred to prepaid lease payments as the land use right certificates have been obtained.

23. Interests in Associates

	2015 RMB'000	2014 RMB'000
Cost of investment in associates – unlisted	**33,380**	33,380
Share of post acquisition profit and other comprehensive income, net of dividends received	**310,518**	321,516
	343,898	354,896

23. Interests in Associates (Continued)

At 31 December 2015 and 2014, the Group had interests in the following associates:

Name of entities	Form of business	Principal place of operation and establishment	Proportion of ownership interest or participating shares held by the Group		Proportion of voting rights held by the Group		Principal activities
			2015	2014	**2015**	2014	
Directly held:							
Hong Kong Coslight Network Limited	Incorporated	Hong Kong	**49.83%**	49.83%	**49.83%**	49.83%	Investment holding
Indirectly held:							
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	**41.36%**	41.36%	**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 Shenyang Dongbei Storage Battery Company Ltd.*	Incorporated	PRC	**19%** (note a)	19% (note a)	**19%** (note a)	19% (note a)	Manufacture and sales of sealed lead acid batteriess

* The English translation is for identification purposes only.

Note:

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.

23. Interests in Associates (Continued)

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) ***Coslight Network Company Limited and its subsidiaries (the "Associate Group")*** *(note)*

	2015 **RMB'000**	2014 RMB'000
Current assets	**732,568**	779,588
Non-current assets	**186,703**	146,555
Current liabilities	**(157,622)**	(178,559)
Non-current liabilities	**(76,905)**	(61,750)

	2015 **RMB'000**	2014 RMB'000
Revenue	**432,539**	588,505
Profit for the year	**166,633**	283,390
Other comprehensive (expense) income for the year	**(1,686)**	6,639

23. Interests in Associates (Continued)

Summarised financial information of material associates (Continued)

a) Coslight Network Company Limited and its subsidiaries (the "Associate Group") (note) (Continued)

The reconciliation of the summarised financial information presented above to the carrying amount of the interests in Coslight Network Company Limited recognised in consolidated financial statements is set out below:

	2015 RMB'000	2014 RMB'000
Net assets of the associates	**684,744**	685,834
Proportion of the Group's ownership interests in Coslight Network Company Limited	**49.83%**	49.83%
Carrying amount of the Group's interests in Coslight Network Company Limited	**341,207**	341,752

Note:

The Associate Group included Hong Kong Coslight Network Limited, Coslight Interactive Company Limited, Coslight Network Company Limited, Beijing Guangyu, 瀋陽藍火炬軟件有限公司, 深圳科詩特軟件有限責任公司 and Tianjin Mo Huan.

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

	2015 RMB'000	2014 RMB'000
The Group's share of loss for the year	**(10,455)**	(5,521)
Other comprehensive expense for the year	**–**	(3,465)
Dividends received during the year	**(82,518)**	(156,188)

23. Interests in Associates (Continued)

	2015 RMB'000	2014 RMB'000
Aggregate carrying amount of the Group's interests in these immaterial associates	**2,691**	13,144

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

	2015 RMB'000	2014 RMB'000
Unrecognised share of loss of an associate for the year	**131**	95
Accumulative unrecognised share of loss of an associate	**226**	95

24. Inventories

	2015 RMB'000	2014 RMB'000
Raw materials	**263,003**	196,433
Work in progress	**508,666**	385,126
Finished goods	**645,273**	262,522
	1,416,942	844,081

During the year ended 31 December 2014, there was a reversal of allowance for inventories due to subsequent sales of obsolete inventory. As a result, a reversal of write-down of finished goods of approximately RMB9,050,000 (2015: nil) has been recognised.

25. Trade Receivables, Deposits and Other Receivables

	2015 RMB'000	2014 RMB'000
Trade receivables	**1,962,465**	1,932,326
Less: allowance for doubtful debts	**(121,047)**	(123,629)
	1,841,418	1,808,697
Bill receivables	**17,700**	26,449
Trade and bill receivables	**1,859,118**	1,835,146
Consideration receivables on disposal of:		
– Subsidiaries (Note a)	**112,146**	123,451
– An associate (Note b)	**44,000**	87,094
Prepayment and advances to suppliers	**175,265**	181,434
Deposits and other receivables	**261,430**	170,120
Less: allowance for doubtful debts for other receivables	**(4,388)**	(13,610)
	588,453	548,489
Total trade receivables, deposits and other receivables	**2,447,571**	2,383,635

	2015 RMB'000	2014 RMB'000
Analysed for reporting purpose:		
Current portion	**2,388,561**	2,315,487
Non-current portion		
Consideration receivables on disposal of:		
– Subsidiaries (Note a)	**–**	41,054
– An associate (Note b)	**–**	27,094
Deposits paid for finance leases (Note c)	**59,010**	–
	59,010	68,148
	2,447,571	2,383,635

25. Trade Receivables, Deposits and Other Receivables (Continued)

The Group does not hold any collateral over these balances.

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 amounts pledged to banks with an aggregate amount of approximately RMB245,658,000 (2014: RMB133,408,000) as security for bank borrowings as disclosed in note 34. The Group allows credit period ranging from 90 to 270 days from the final acceptance to its trade and bills receivables.

Notes:

(a) During the year ended 31 December 2014, the Group had disposed of 81% equity interest in 瀋陽東北 and its subsidiaries and the consideration receivable of RMB44,800,000 was 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 approximately RMB40,262,000 and the imputed interest for the year ended 31 December 2015 is approximately RMB3,746,000 (2014: RMB792,000). As at 31 December 2015, the amount outstanding was approximately RMB44,800,000 (2014: RMB41,054,000).

During the year ended 31 December 2013, the Group had disposed of 60% equity interest in Cosstone Limited Liability Company ("CSL") and the consideration receivable of RMB231,000,000 was non-interest bearing and repayable on demand. As 31 December 2015, the amount outstanding was approximately RMB67,346,000 (2014: RMB78,651,000) and was fully settled subsequently.

(b) During the year ended 31 December 2014, the Group had further disposed of 40% equity interest in CSL and as at 31 December 2014, the consideration receivable of RMB30,000,000 out of the total consideration of RMB90,000,000 was non-interest 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 approximately RMB85,688,000 and the imputed interest for the year ended 31 December 2015 is RMB2,906,000 (2014: RMB1,406,000). All the outstanding amount becomes current portion as at 31 December 2015. As at 31 December 2015, the amount outstanding was approximately RMB44,000,000 (2014: RMB87,094,000) and RMB14,000,000 was settled subsequently.

(c) During the year ended 31 December 2015, the Group has entered into several finance lease agreements as a lessee and at the inception of the finance leases, the Group is required to pay deposits for the leases. According to the repayment terms set out in the finance lease agreements, the deposits will be recovered after 1 year, therefore, such deposits are classified as non-current. The effective interest rate is 6% per annum and the net present value of these deposits for the finance leases are approximately RMB59,010,000 at 31 December 2015. Imputed interest for the year ended 31 December 2015 is approximately RMB1,030,000 (2014: nil).

25. Trade Receivables, Deposits 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:

	2015 RMB'000	2014 RMB'000
HK$	–	6,914
US$	96,686	127,905

(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:

	2015 RMB'000	2014 RMB'000
Within 90 days	1,143,195	945,642
91 days – 180 days	328,952	371,735
181 days – 270 days	180,198	168,635
271 days – 360 days	118,960	133,356
Over 1 year, but not exceeding 2 years	87,813	215,778
	1,859,118	1,835,146

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.

25. Trade Receivables, Deposits and Other Receivables (Continued)

(b) The movement in the allowance for doubtful debts for trade receivables is as follows:

	2015 RMB'000	2014 RMB'000
At 1 January	**123,629**	144,460
Impairment loss recognised on receivables	**22,603**	13,650
Exchange realignment	**(1,708)**	(1,623)
Derecognised on disposal of subsidiaries	**(1,284)**	(20,258)
Impairment loss reversed	**(22,193)**	(12,600)
At 31 December	**121,047**	123,629

Included in the allowance for impairment of trade receivables are individually impaired trade receivables which is considered uncollectible with an aggregate balance of RMB121,047,000 (2014: RMB123,629,000) which are due to long outstanding.

(c) The movements in the allowance for impairment for doubtful debts for other receivables is as follows:

	2015 RMB'000	2014 RMB'000
At 1 January	**13,610**	15,962
Impairment loss recognised on receivables	**1,634**	3,301
Derecognised on disposal of a subsidiary	**(10,110)**	(5,598)
Impairment loss reversed	**(746)**	(55)
At 31 December	**4,388**	13,610

Included in the allowance for impairment of other receivables are individually impaired other receivables which is considered uncollectible with an aggregate balance of RMB4,388,000 (2014: RMB13,610,000) which are due to long outstanding.

25. Trade Receivables, Deposits and Other Receivables (Continued)

(d) As at 31 December 2015, RMB71,300,000 (2014: RMB86,633,000) of the Group's trade receivables were past due but not impaired. The ageing analysis of these receivables is as follows:

	2015 RMB'000	2014 RMB'000
Less than 3 months	**43,773**	66,391
3 months to 6 months	**15,747**	10,142
6 months to 9 months	**11,780**	10,100
Past due but not impaired	**71,300**	86,633

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.

26. Amounts Due from Directors

Directors' current accounts disclosed pursuant to section 383 to the Hong Kong Companies Ordinance (Cap.622) are as follows:

	2015 RMB'000	2014 RMB'000
Name of director		
Mr. Li Ke Xue	**190**	189
Mr. Liu Xing Quan	**170**	170
Mr. Zhang Li Ming	**–**	4
	360	363

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

27. Amounts Due from Related Companies

Name of related companies	2015 RMB'000	2014 RMB'000	Maximum amount outstanding during the year ended 2015 RMB'000	Maximum amount outstanding during the year ended 2014 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")*	**17,963**	18,294	**18,294**	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*	**8,649**	5,034	**8,649**	5,052
哈爾濱光宇電源廠 Harbin Guangyu Power Supply Factory*	**249**	437	**437**	478
哈爾濱亞光新型隔板有限公司 Harbin Ya Guang Modern Separators Company Limited*	**71**	71	**71**	5,484
哈爾濱光宇電綫電纜有限公司 Harbin Guangyu Electric Wire and Cable Company Limited*	**11,682**	3,299	**12,396**	3,299
Global Universal Development Limited	**45,262**	33,989	**56,322**	44,407
杭州光宇電源有限公司	**482**	482	**482**	482
	84,901	62,149		
Less: allowance for doubtful debts	**(1,096)**	(1,096)		
	83,805	61,053		

* The English translation is for identification purposes only.

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

27. Amounts Due from Related Companies (Continued)

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

	2015 **RMB'000**	2014 RMB'000
At 1 January	**1,096**	–
Impairment loss recognised on receivables	**–**	1,096
At 31 December	**1,096**	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 (2014: RMB1,096,000) which due to long outstanding.

28. Amounts Due from Non-Controlling Interests/Associates

Amounts due from associates of approximately RMB52,823,000 are trading in nature and is unsecured, interest-free and of credit period of 90 days. The remaining amounts due from non-controlling interests and associates are unsecured, interest-free and repayable on demand.

29. Financial Asset at FVTPL

Financial asset at FVTPL represents unlisted funds managed by the investment trusts of the PRC with underlying financial instrument mainly consist of the bank deposits, deposit reservation balances and bonds of the PRC. The unlisted funds can be redeemed at anytime at the discretion of the Group.

30. Pledged Bank Deposits

Pledged bank deposits of approximately RMB491,128,000 (2014: RMB490,452,000) are held in dedicated bank accounts in the name of the Group securing short-term trade financing facilities granted to the Group and are therefore classified as current asset. The pledged bank deposits carried interest at market rates ranging from 1.3% to 3.4% (2014: 3.4% to 4.6%) per annum.

31. Bank Balances and Cash

Bank balances and cash

The bank balances for the year ended 31 December 2015 carried interest at the prevailing market rate ranging from 0.35% to 3.03% per annum (2014: 0.35 % to 3.30 % 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:

	2015 RMB'000	2014 RMB'000
HK$	**192**	–
US$	**14,234**	21,805

32. Trade and Other Payables

	2015 RMB'000	2014 RMB'000
Trade payables	**1,361,009**	1,007,237
Bill payables	**755,857**	822,879
	2,116,866	1,830,116
Receipt in advances	**57,244**	108,683
Other payables	**533,371**	428,226
Trade and other payables	**2,707,481**	2,367,025

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:

	2015 **RMB'000**	2014 RMB'000
Within 30 days	**1,082,716**	1,141,794
31 days – 60 days	**280,759**	237,621
61 days – 90 days	**226,998**	120,175
91 days – 180 days	**385,471**	150,038
Over 180 days	**140,922**	180,488
Trade and bill payables	**2,116,866**	1,830,116

The credit period on purchases of goods ranges from 90 days to 180 days. The Group has financial risk management policies in 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:

	2015 **RMB'000**	2014 RMB'000
US$	**35,812**	40,802

33. Amounts Due to Directors/Related Companies/Non-Controlling Interests/ Associates

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

34. Bank Borrowings

	2015 RMB'000	2014 RMB'000
Secured	**574,521**	745,735
Unsecured	**652,725**	489,864
Total bank borrowings	**1,227,246**	1,235,599
Carrying amount repayable (based on scheduled repayment dates set out in the loan agreements):		
Within one year	**1,149,826**	1,119,611
After one year but within two years	**77,420**	43,072
After two years but within five years	**–**	72,916
	1,227,246	1,235,599
Carrying amount repayable:		
– On demand or within one year	**1,149,826**	1,119,611
– Carrying amount of bank borrowings that are not repayable on demand or within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)	**77,420**	115,988
	1,227,246	1,235,599

Secured borrowings of the Group were secured by the Group's property, plant and equipment (note 17), prepaid lease payments (note 21), trade receivables (note 25) and pledged bank deposits (note 30).

At 31 December 2015, RMB354,000,000 (2014: RMB150,000,000) of the Group's bank borrowings were guaranteed by Mr. Song Dian Quan, a director of the Company.

Certain borrowings of the Group were guaranteed by an independent third party, for details please refer to note 47.

34. Bank Borrowings (Continued)

The exposure of Group's bank borrowings to interest rate changes is as follows:

	2015 **RMB'000**	2014 RMB'000
Fixed-rate borrowings	**482,118**	620,817
Variable-rate borrowings	**745,128**	614,782
	1,227,246	1,235,599

During the year ended 31 December 2015, the Group obtained new loans in the amount of approximately RMB1,583,969,000 (2014: RMB1,445,269,000). The loans bear interest at market rates and will be repayable during 2016 to 2017. The proceeds were used for general operating working capital.

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

	2015 **RMB'000**	2014 RMB'000
Effective interest rate:		
Fixed-rate borrowings	**4.35% to 7.26%**	5.82% to 7.80%
Variable-rate borrowings	**2.60% to 6.44%**	2.51% to 9.00%

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

	2015 **RMB'000**	2014 RMB'000
US$	**123,152**	178,314

At 31 December 2015, the controlling shareholder, chairman and the executive director of the Company has executed a share charge that pledging shares of the Company held by himself as security for certain bank borrowings of approximately RMB244,000,000 (2014: 150,000,000) of the Group.

35. Obligations Under Finance Leases

The Group leases certain its plant and machinery and equipments under finance leases during the year ended 31 December 2014 and 2015. The average lease term of these leases is two to three years (2014: two to three years).

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

	Minimum lease payments		Present value of minimum lease payments	
	2015 RMB'000	2014 RMB'000	**2015 RMB'000**	2014 RMB'000
Amounts payable under finance leases:				
Within one year	**292,923**	71,709	**264,335**	61,893
After one year but within two years	**206,813**	76,766	**192,040**	71,066
After two years but within five years	**83,376**	36,551	**81,274**	31,504
	583,112	185,026	**537,649**	164,463
Less: Future finance charges	**(45,463)**	(20,563)	**–**	–
Present value of lease obligations	**537,649**	164,463	**537,649**	164,463
Less: Amounts due within one year shown under current liabilities			**(264,335)**	(61,893)
Amounts due after one year			**273,314**	102,570

35. Obligations Under Finance Leases (Continued)

During the year ended 31 December 2015, the Group entered into several finance lease agreements pursuant to which finance leasing suppliers (the "lessors") purchased the equipments from the Group at approximately RMB328,180,000 (2014: RMB119,622,000) and the Group leased back these equipments with the lease period ranged from two to three years from the date of inception. The interest rate inherent in the lease is ranged from 4.46% to 12.51% per annum (2014: 8.37% to 10.53%).

In addition, during the year ended 31 December 2015, the Group leased certain plant and machinery with the aggregate amount of approximately RMB127,092,000 (2014: RMB80,721,000) with the lease period ranged from two to three years from the date of inception (2014: two to three years). The interest rate inherent in the lease is ranged from 5.44% to 17.83% per annum (2014: from 4.23% to 10.53%).

All obligations under finance leases are denominated in RMB. The Group's obligation under finance leases are secured by the lessors' charge over the leased assets.

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 2014, 31 December 2014 and 31 December 2015	1,000,000	100,000	107,000
Issued and fully paid:			
At 1 January 2014	374,180	37,418	40,010
Issue of shares (note i)	30,000	3,000	2,367
At 31 December 2014 and 1 January 2015	404,180	40,418	42,377
Shares repurchased and cancelled (note ii)	(4,446)	(445)	(365)
At 31 December 2015	**399,734**	**39,973**	**42,012**

36. Share Capital (Continued)

Notes:

i) 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. 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 of the Company in a general meeting held on 4 June 2014.

ii) During the year, the Company repurchased its own shares through the Stock Exchange as follows:

Month of repurchase	Number of ordinary shares of HK$0.10 each	Price per share Highest HK$	Price per share Lowest HK$	Aggregation consideration paid RMB'000
September 2015	4,446,000	2.22	2.03	7,800

The above shares were cancelled upon repurchase.

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

37. Deferred Taxation

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

	2015 RMB'000	2014 RMB'000
Deferred tax assets	**27,317**	31,845
Deferred tax liabilities	**(33,626)**	(17,596)
	(6,309)	14,249

37. Deferred Taxation (Continued)

	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 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 and 1 January 2015	13,662	3,625	(6,259)	(4,117)	7,338	14,249
Credit (charge) to profit or loss	(2,663)	(3,625)	(1,636)	–	(1,412)	(9,336)
Credit to other comprehensive income	–	–	(11,222)	–	–	(11,222)
At 31 December 2015	**10,999**	**–**	**(19,117)**	**(4,117)**	**5,926**	**(6,309)**

As at 31 December 2015, no deferred tax asset has been recognised on the tax losses of approximately RMB456,778,000 (2014: RMB233,880,000) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately RMB440,676,000 (31 December 2014: RMB224,771,000) that will be expired within next five years. Other losses may be carried forward indefinitely.

38. Deferred Government Grants

	RMB'000
At 1 January 2014	111,099
Additions	15,000
Amortisation during the year	(2,682)
At 31 December 2014 and 1 January 2015	123,417
Amortisation during the year	(2,795)
At 31 December 2015	**120,622**

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 ranging from 20 to 50 years. This policy has resulted in a credit to other income in the current year of approximately RMB2,795,000 (2014: RMB2,682,000).

In relation to certain government grants of the amount of approximately RMB15,000,000 (2015: nil) obtained during the years ended 31 December 2014, certain production facilities are not in use which cannot fulfill the condition of the government grant, no amortisation of the deferred government related to those production facilities was recognised during the year.

39. Disposal of Subsidiaries

For the year ended 31 December 2015

On 19 January 2015 and 9 March 2015, the Group disposed of two subsidiaries of the Group, 伊春光宇投資有限公司 ("伊春光宇") and 河南光宇礦業有限公司 ("河南光宇") to independent third parties for an aggregate of cash consideration of approximately RMB1,000,000 and RMB3,000,000 respectively.

Analysis of assets and liabilities over which control was lost	**伊春光宇** RMB'000	**河南光宇** RMB'000	**Total** RMB'000
Property, plant and equipment	463	5,538	6,001
Mining rights	–	–	–
Inventories	11	–	11
Other receivables	3,764	1,213	4,977
Other payables	–	(1,468)	(1,468)
Bank balances	25	–	25
Net assets disposed of	4,263	5,283	9,546
Less: Non-controlling interest	(20)	(1,801)	(1,821)
	4,243	3,482	7,725
Satisfied by:	RMB'000	RMB'000	RMB'000
Cash received	1,000	3,000	4,000
Net cash inflow arising on disposal	RMB'000	RMB'000	RMB'000
Cash consideration received	1,000	3,000	4,000
Bank balances and cash disposed of	(25)	–	(25)
	975	3,000	3,975
	RMB'000	RMB'000	RMB'000
Consideration received	1,000	3,000	4,000
Less: Net assets disposed of	(4,263)	(5,283)	(9,546)
Non-controlling interest	20	1,801	1,821
Loss on disposal of subsidiaries	(3,243)	(482)	(3,725)

The disposed subsidiaries had no significant impact on the results and cash flows of the Group for the years ended 31 December 2015 and 2014.

39. Disposal of Subsidiaries (Continued)

For the year ended 31 December 2014

On 12 August 2014, the Group had 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 was 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 25)	40,262
	60,262

39. Disposal of Subsidiaries (Continued)

Net cash outflow arising on disposal:

	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 23). Gain on retained non-controlling investment recognised in profit or loss is included in gain on disposal of a subsidiary.

40. Changes in Ownership Interest in Subsidiaries

During the year, the Group has the following changes in its ownership interest in subsidiaries that do not result in a loss of control.

Year ended 31 December 2015

(i) Disposal of interest in a subsidiary

During the year ended 31 December 2014, the Group entered into a sale and purchase agreement in regarding to the disposal of 8.20% equity interest in a subsidiary, 哈爾濱光宇電源股份有限公司 ("哈爾濱光宇電源"), to independent third parties, for a cash consideration of approximately RMB42,693,000. The amount was fully settled in cash and the transaction was completed during the year ended 31 December 2015. This resulted in a decrease in the Group's equity interest in 哈爾濱光宇電源 from 97.82% to 89.62%. Approximately RMB39,814,000 representing the difference between the carrying amount of the interest disposed of 哈爾濱光宇電源 of approximately RMB82,507,000 and the consideration received from the purchasers of approximately RMB42,693,000 was recognised in other reserve.

Year ended 31 December 2014

(i) Acquisition of additional equity interest in a subsidiary

During the year ended 31 December 2014, the Group acquired an additional 0.43% equity interest in Harbin Coslight Power Company Limited ("HCP") by capital injection of approximately RMB180,000,000. This resulted in an increase in the Group's equity interest in HCP from 97.39% to 97.82%. Approximately RMB1,396,000, representing the difference between the carrying amount of the additional 0.43% equity interest in HCP, was transferred from non-controlling interests to other reserve.

41. Related Party Transactions

Save as 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 2015 and 2014.

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 transaction	**2015** **RMB'000**	2014 RMB'000
Purchase of raw materials from 哈爾濱光宇電綫電纜有限公司	**–**	4,370
Purchase of raw materials from 哈爾濱開關有限責任公司	**–**	67
Sales of finished goods to 哈爾濱開關有限責任公司	**–**	134
Sales of finished goods to 瀋陽東北	**203,132**	–
Purchase of raw materials from 瀋陽東北	**215,737**	–
Purchase of intangible assets from 北京光宇華夏科技有限責任公司	**4,717**	–
Provision online game service and related services to 北京光宇在綫科技有限責任公司	**38,776**	–
Provision online game service and related services to 天津啟新明動科技有限責任公司	**38,793**	–

41. Related Party Transactions (Continued)

(b) Emoluments of key management personnel

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

	2015 RMB'000	2014 RMB'000
Short-term benefits	**1,436**	1,509
Post-employment benefits	**85**	69
	1,521	1,578

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

42. Retirement Benefit Plans

Defined contribution plans

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of the relevant payroll costs, capped at HK$1,500 (HK$1,250 prior to June 2014) per month, to the MPF Scheme, in which the contribution is matched by employees.

The employees of certain subsidiaries in the PRC and India are members of a state-managed retirement benefit scheme 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 RMB76,526,000 (2014: RMB58,708,000) represents contributions payable to these schemes by the Group in respect of the current accounting period.

43. Pledge of Assets

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

(i) certain of the Group's prepaid lease payments and property, plant and equipment with an aggregate carrying value of approximately RMB509,533,700 (2014: RMB589,029,000);

(ii) certain of trade receivables with an aggregate amount of approximately RMB245,658,000 (2014: RMB133,408,000); and

(iii) pledged bank deposits with an aggregate amount of approximately RMB491,128,000 (2014: RMB490,452,000).

44. Major Non-Cash Transaction

During the years ended 31 December 2015 and 2014, the Group entered into finance lease arrangements in respect of certain plant and equipment with a total capital value at the inception of the leases of approximately RMB127,092,000 and RMB80,721,000 respectively.

45. 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:

	2015 **RMB'000**	2014 RMB'000
Within one year	**11,897**	6,371
In the second to fifth year inclusive	**3,459**	9,984
	15,356	16,355

Leases are negotiated for a term of one to five years (2014: one to five years) and rentals are fixed during the lease period.

46. Capital Commitments

	2015 RMB'000	2014 RMB'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of property, plant and equipment	**34,459**	71,150

47. Contingent Liabilities

The Group has issued guarantees in respect of banking facilities granted to an independent third party and an associate in aggregate of approximately RMB631,769,000 (2014: RMB545,368,000). 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 2015, the above mentioned independent third party also provided a counter-guarantee of banking facilities granted to the Group to the extent of RMB20,000,000 (2014: RMB20,000,000). As at 31 December 2015, the Group has utilised the banking facilities of RMB20,000,000 (2014: RMB20,000,000).

48. Share Option Scheme

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 27 May 2004 for the primary purpose of providing incentives to directors and eligible employees and 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.

48. Share Option Scheme (Continued)

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

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

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

(iii) the nominal value of the shares.

No share option 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.

49. Statement of Financial Position of the Company

	Notes	2015 RMB'000	2014 RMB'000
Non-current assets			
Investments in subsidiaries		**204,890**	204,890
Current assets			
Other receivables		**20,206**	20,134
Amounts due from subsidiaries		**68,067**	64,422
Bank balances and cash		**86**	38
		88,359	84,594
Current liabilities			
Other payables		**9,159**	8,212
Amounts due to subsidiaries		**72,211**	57,084
Amounts due to related companies		**6,893**	6,492
Amounts due to directors		**1,675**	1,578
		89,938	73,366
Net current (liabilities) assets		**(1,579)**	11,228
		203,311	216,118
Capital and reserves			
Share capital	36	**42,012**	42,377
Share premium		**114,092**	121,527
Special reserve		**227,226**	227,226
Accumulated losses		**(180,019)**	(175,012)
		203,311	216,118

Note:

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.

50. Particular of Principal Subsidiaries of the Company

Details of the Company's principal subsidiaries at 31 December 2015 and 2014 are as follows:

Name of subsidiaries	Forms of legal entity	Place of incorporation or registration/ operations	Issued and fully paid share capital/ registered capital	Percentage of nominal value of issued ordinary share capital/voting power held by the Company Directly %	Indirectly %	Principal activities
Coslight Hong Kong Limited	Private limited company	Hong Kong	HK$400,000	100.00	–	Investment holding
Coslight International (B.V.I.) Company Limited	Private limited company	British Virgin Islands/Hong Kong	US$50,000	100.00	–	Investment holding
光宇國際有限公司 Coslight International Company Limited ("Coslight International")	Private limited company	Hong Kong	HK$2	–	100.00	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*	Joint stock limited company	PRC	RMB279,811,070	–	89.62 (2014: 97.82)	Manufacture and sales 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 Company Limited*	Joint stock limited company	PRC	RMB640,190,000	–	97.35	Manufacture and sales 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*	Sino-foreign equity joint venture	PRC	RMB20,000,000	16.20	63.80	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*	Domestic equity joint venture	PRC	RMB6,600,000	–	80.00	Manufacture of pharmaceutical products
哈爾濱光宇開關有限公司 Harbin Coslight Switch Company Limited*	Wholly-owned foreign enterprise	PRC	RMB2,000,000	–	100.00	Manufacture of high and low voltage switch
深圳市力可興電池有限公司 Lexel Battery (Shenzhen) Company Limited*	Sino-foreign equity joint venture	PRC	RMB10,000,000	–	70.00	Manufacture and sales of small-size and sealed rechargeable nickel batteries

* The English translation is for identification purposes only.

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

Name of subsidiaries	Forms of legal entity	Place of incorporation or registration/ operation	Issued and fully paid share capital/ registered capital	Percentage of nominal value of issued ordinary share capital/voting power held by the Company Directly %	Indirectly %	Principal activities
延邊光宇電池有限責任公司 Yanbian Guangyu Battery Company Limited*	Domestic equity joint venture	PRC	RMB500,000	–	98.00	Manufacture and sales of automobile batteries
哈爾濱光宇電子有限公司 Harbin Coslight Electronics Company Limited*	Wholly-owned foreign enterprise	PRC	RMB50,000,000	–	100.00	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*	Wholly-owned foreign enterprise	PRC	RMB85,000,000	–	100.00	Manufacture and sales of lithium-polymer batteries
Coslight Newgen Limited	Private limited company	Russia	RUB1,000,000	–	58.00	Trading of sealed lead acid batteries
珠海科斯特電源有限公司 Zhuhai Coslight Power Company Limited*	Sino-foreign equity joint venture	PRC	RMB61,545,000	35.44	64.56	Manufacture and sales of sealed lead acid batteries
HYX	Wholly-owned domestic enterprise	PRC	RMB100,000,000	–	100.00	Manufacture and sales of passengers coach
Coslight India Telecom Private Limited	Private limited company	India	INR2,249,461,120 (2014: INR 1,963,324,780)	–	100.00	Manufacture and sales of sealed lead acid batteries
上海睿芯微電子有限公司 Shanghai Sino-IC Microelectronics Company Limited	Sino-foreign equity joint venture	PRC	RMB2,400,000	–	75.00	Manufacture and sales of battery products
QJC	Wholly owned domestic enterprise	PRC	RMB91,860,000	–	96.00	Manufacture and sales of passengers coach

* The English translation is for identification purposes only.

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

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**	
		2015	2014
Investment holding	Hong Kong	**7**	6
Manufacture and trading of batteries	PRC	**7**	7
	Korea	**1**	1
	India	**1**	0
Manufacture and trading of automobile	PRC	**3**	3
Inactive	PRC	**12**	12

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 operation	Proportion of ownership interests and voting rights held by non-controlling interests		Profit (loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		2015	2014	**2015 RMB'000**	2014 RMB'000	**2015 RMB'000**	2014 RMB'000
Harbin Coslight Storage Battery Company Limited	PRC	**2.65%**	2.65%	**2,884**	(3,105)	**23,127**	25,384

The summarised financial information in respect of the Group's subsidiary 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

	2015 RMB'000	2014 RMB'000
Current assets	**1,692,405**	1,666,937
Non-current assets	**952,616**	898,895
Current liabilities	**(1,772,321)**	(1,607,952)
Equity attributable to owners of the Company	**849,573**	932,496
Non-controlling interests	**23,127**	25,384

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

Harbin Coslight Storage Battery Company Limited (Continued)

	2015 RMB'000	2014 RMB'000
Revenue	**639,960**	680,397
Expenses	**(748,807)**	(797,565)
Loss and total comprehensive expense for the year	**(108,847)**	(117,168)
Loss and total other comprehensive expenses attributable to owners of the Company	**(105,963)**	(114,063)
Loss and total other comprehensive expense attributable to the non-controlling interests	**(2,884)**	(3,105)
Loss and total other comprehensive income for the year	**(108,847)**	(117,168)
Net cash inflow from operating activities	**86,754**	559,514
Net cash outflow from investing activities	**(43,654)**	(125,166)
Net cash inflow (outflow) from financing activities	**42,130**	(511,281)
Net cash inflow (outflow)	**85,230**	(76,933)

51. Subsequent Event

On 25 March 2016, Mr. Song Dian Quan, the controlling shareholder, the executive director and the chairman of the Company has executed a share charge that pledging 85,000,000 ordinary shares of the Company held by himself, in favour of obtaining a one year credit loan facility of RMB100,000,000 from the Export-Import Bank of China Heilongjian Branch (the "Facility") granted to the Group. The Facility is for the purpose of general working capital.

Consolidated Statement of Profit Or Loss

	For the year ended 31 December				
	2011 RMB'000	2012 RMB'000	2013 RMB'000	2014 RMB'000	**2015** **RMB'000**
Revenue	2,484,049	2,675,144	3,034,323	3,530,664	**4,101,669**
Cost of sales	(2,059,321)	(2,328,622)	(2,507,318)	(3,161,830)	**(3,515,676)**
Gross profit	424,728	346,522	527,005	368,834	**585,993**
Other income	41,005	67,553	26,675	48,846	**105,621**
(Loss) gain on disposal of subsidiaries	20,790	–	100,257	114,963	**(3,725)**
Distribution and selling expenses	(162,164)	(157,407)	(142,236)	(121,977)	**(111,579)**
Administrative and other operating expenses	(251,823)	(294,634)	(286,641)	(377,648)	**(411,164)**
Impairment loss in respect of interests in an associate	–	–	(17,000)	–	**–**
Finance costs	(80,482)	(97,260)	(112,565)	(108,027)	**(126,720)**
Impairment on goodwill	–	–	–	(3,055)	**(25,957)**
Share of results of associates	103,280	109,935	139,429	135,692	**72,578**
Profit (loss) before tax	95,334	(25,291)	234,924	57,628	**85,047**
Income tax expense	(11,981)	(7,040)	(49,489)	(29,295)	**(68,311)**
Profit (loss) for the year	83,353	(32,331)	185,435	28,333	**16,736**
Attributable to:					
Owners of the Company	87,669	(20,610)	172,985	32,154	**5,232**
Non-controlling interests	(4,316)	(11,721)	12,450	(3,821)	**11,504**
	83,353	(32,331)	185,435	28,333	**16,736**

Consolidated Statement of Financial Position

	At 31 December				
	2011 RMB'000	2012 RMB'000	2013 RMB'000	2014 RMB'000	**2015** **RMB'000**
Total assets	5,178,684	5,705,254	6,127,198	6,361,474	**7,360,510**
Total liabilities	(3,489,254)	(4,067,802)	(4,356,472)	(4,482,302)	**(5,379,396)**
Total equity	1,689,430	1,637,452	1,770,726	1,879,172	**1,981,114**
Non-controlling interests	(168,540)	(115,058)	(71,217)	(67,393)	**(162,367)**
Equity attributable to owners of the Company	1,520,890	1,522,394	1,699,509	1,811,779	**1,818,747**