

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

## 1. GENERAL

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

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

The consolidated financial statements are presented in Renminbi, which is the functional currency of the Company.

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

In the current year, the Group has applied, for the first time, a number of new standards, amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are either effective for accounting periods beginning on or after 1st December, 2005 or 1st January, 2006. The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new standards, amendment or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards, amendment or interpretations will have no material impact on the results and the financial position of the Group.

HKAS 1 (Amendment)	Capital Disclosures <sup>1</sup>
HKFRS 7	Financial Instruments: Disclosures <sup>1</sup>
HKFRS 8	Operating Segments <sup>8</sup>
HK(IFRIC) — INT 7	Applying the Restatement Approach under HKAS29 "Financial Reporting in Hyperinflationary Economies" <sup>2</sup>
HK(IFRIC) — INT 8	Scope of HKFRS 2 <sup>3</sup>
HK(IFRIC) — INT 9	Reassessment of Embedded Derivatives <sup>4</sup>
HK(IFRIC) — INT 10	Interim Financial Reporting and Impairment <sup>5</sup>
HK(IFRIC) — INT 11	HKFRS 2 — Group and Treasury Share Transactions <sup>6</sup>
HK(IFRIC) — INT 12	Service Concession Arrangements <sup>7</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1st January, 2007

<sup>2</sup> Effective for annual periods beginning on or after 1st March, 2006

<sup>3</sup> Effective for annual periods beginning on or after 1st May, 2006

<sup>4</sup> Effective for annual periods beginning on or after 1st June, 2006

<sup>5</sup> Effective for annual periods beginning on or after 1st November, 2006

<sup>6</sup> Effective for annual periods beginning on or after 1st March, 2007

<sup>7</sup> Effective for annual periods beginning on or after 1st January, 2008

<sup>8</sup> Effective for annual periods beginning on or after 1st January, 2009

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

## 3. SIGNIFICANT ACCOUNTING POLICIES

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

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

### Goodwill

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

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

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

Capitalised goodwill arising on an acquisition of a subsidiary is presented separately in the balance sheet.

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Acquisition of additional interests in controlled entities

Additional interests in subsidiaries are measured at the aggregate of the carrying amounts of identified assets and liabilities of the subsidiaries and any excess of the net assets acquired over the consideration are accounted for as discount on acquisitions.

### Basis of consolidation

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

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

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

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

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

### Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 "Business Combinations" are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Business combinations (continued)

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

### Investment in an associate

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

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

### Revenue recognition

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

Sales of goods are recognised when the goods are delivered and title has passed.

Interest income from a financial asset 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.

Rental income, including rentals invoiced in advance for properties under operating leases, is recognised on a straight-line basis over the period of the relevant leases.

### Property, plant and equipment

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Property, plant and equipment (continued)

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

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

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

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

### Research and development expenditure

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

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

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

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

### Mining rights

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

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Patents, trademarks and licensing rights

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

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

### Impairment (other than goodwill)

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset 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 in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

### Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet 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 and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

### Financial assets

The Group's financial assets are classified as financial assets at fair value through profit or loss and loans and receivables. 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.

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Financial instruments (continued)

#### Financial assets (continued)

##### *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss has two subcategories, including financial assets held for trading and those designated at fair value through profit or loss on initial recognition. The Group classified certain financial assets as investment held for trading. At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

##### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and other receivables, amount(s) due from directors/related companies/an associate, pledged bank deposits and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses. 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. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

##### *Financial liabilities and equity*

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

The accounting policies adopted in respect of other financial liabilities and equity instruments are set out below.

##### *Financial liabilities*

Financial liabilities including trade and other payables, amount(s) due to related companies/an associate and bank and other borrowings, are subsequently measured at amortised cost, using the effective interest method.

##### *Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

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

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Financial instruments (continued)

#### Financial liabilities and equity (continued)

##### Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, 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 directly in equity is recognised in profit or loss.

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

##### 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 each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. 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 translation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognised in equity in the consolidated financials statements. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

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 of the Group (i.e. Renminbi) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the exchange reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1st January, 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the balance sheet date. Exchange differences arising are recognised in the exchange reserve.



# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement 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 balance sheet date.

Deferred tax is recognised on 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, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which 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 arising on 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.

The carrying amount of deferred tax assets is reviewed at each balance sheet date 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 is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

### Borrowing costs

All borrowing costs are recognised as and included in finance costs in the consolidated income statement in the period in which they are incurred.

### Government grants

Government grants are recognised as income over the periods necessary to match them with the related costs. Grants related to expense items are recognised in the same period as those expenses are charged in the consolidated income statement and are reported separately as other income.

### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Retirement benefits costs

Payments to state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme (the "MPF Scheme") are charged as an expense when employees have rendered service entitling them to the contributions.

### Leasing

Leases are classified as finance leases when 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 lessor*

Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

#### *The Group as lessee*

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

### Leasehold land and building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, leasehold land which title is not expected to pass to the lessee by the end of the lease term is classified as an operating lease unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is classified as a finance lease.

## 4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

### Income taxes

As at 31st December, 2006, a deferred tax asset of RMB1,749,000 have been recognised in the Group's consolidated balance sheet. No deferred tax asset has been recognised for the tax losses of RMB131,373,000 due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less or more than expected, a material reversal or recognition of deferred tax assets may arise, which would be recognised in the consolidated income statement for the period in which such a reversal takes place.

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

## 4. KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

### Estimated impairment of trade receivables

In determining whether there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31st December, 2006, the carrying value of trade receivables (net of impairment losses) is approximately RMB1,222,606,000.

### Estimated impairment of mining rights

Management assessed the recoverable amount of the mining rights, which have remaining operation periods ranging from 20 to 25 years. The assessment involves an estimation of mineral reserve and market prices of the minerals and other financial factors. Should the actual mineral reserve and other market conditions change, adjustment may arise. As at 31st December, 2006, the carrying amount of mining rights is approximately RMB205,171,000.

### Estimated impairment of other intangible assets

During the year, management reconsidered the carrying amount of its other intangible assets. The relevant projects continue to progress in a satisfactory manner, and customer reaction has recognised management's previous estimates of anticipated revenues from the projects. Detailed sensitivity analysis has been carried out and management is confident that the carrying amount of the assets will be recovered in full. This situation will be closely monitored, and adjustments will be made in future periods, if future market activity indicates that such adjustments are appropriate.

## 5. FINANCIAL INSTRUMENTS

### a. Financial risk management objectives and policies

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

### *Fair value interest rate risks and cash flow interest rate risks*

The Group is exposed to fair value interest rate risks and cash flow interest rate risks through fixed and variable interest rates borrowings and bank deposits, respectively. The Group currently does not have an interest rate hedging policy. However, management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

## 5. FINANCIAL INSTRUMENTS (CONTINUED)

### a. Financial risk management objectives and policies (continued)

#### *Credit risk*

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31st December, 2006 in relation to trade receivables, amount(s) due from related companies/ an associate, is the carrying amount of these assets as stated in the consolidated balance sheet. In order to minimise the credit risk, management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

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

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

### b. Fair value

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

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

## 6. BUSINESS AND GEOGRAPHICAL SEGMENTS

### *Business segments*

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

Principal activities are as follows:

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

The Group was also involved in the sales and distribution of online game products. That operation was discontinued in June 2005.

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

## 6. BUSINESS AND GEOGRAPHICAL SEGMENTS (CONTINUED)

### Business segments (continued)

Segment information about these businesses is presented below.

2006

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

## 6. BUSINESS AND GEOGRAPHICAL SEGMENTS (CONTINUED)

Business segments (continued)

### BALANCE SHEET

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

### OTHER INFORMATION

	Sealed lead acid batteries and related accessories RMB'000	Lithium-ion batteries RMB'000	Nickel batteries RMB'000	Mining rights RMB'000	Others RMB'000	Consolidated RMB'000
Capital additions	47,635	21,174	1,435	208,432	16,986	295,662
Depreciation and amortisation	24,718	18,125	2,938	—	7,596	53,377

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

## 6. BUSINESS AND GEOGRAPHICAL SEGMENTS (CONTINUED)

### Business segments (continued)

2005

	Continuing operations						Discontinued operation	
	Sealed lead acid batteries and related accessories	Lithium-ion batteries	Nickel batteries	Others	Elimination	Total	Online games	Consolidated
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
REVENUE								
External sales	893,063	250,534	80,538	83,314	—	1,307,449	3,518	1,310,967
Inter-segment sales	1,409	799	134	25,788	(28,130)	—	—	—
Total	894,472	251,333	80,672	109,102	(28,130)	1,307,449	3,518	1,310,967
RESULT								
Segment result	138,215	18,222	7,284	3,364	—	167,085	(21,940)	145,145
Unallocated income						15,605	—	15,605
Unallocated expenses						(15,617)	—	(15,617)
Share of results of an associate						(3,906)	—	(3,906)
Finance costs						(38,576)	—	(38,576)
Profit before tax						124,591	(21,940)	102,651
Income tax expense						(8,642)	—	(8,642)
Gain on deemed disposal of a subsidiary						—	22,087	22,087
Profit for the year						115,949	147	116,096

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

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

## 6. BUSINESS AND GEOGRAPHICAL SEGMENTS (CONTINUED)

### Business segments (continued)

#### BALANCE SHEET

	Sealed lead acid batteries and related accessories RMB'000	Lithium-ion batteries RMB'000	Nickel batteries RMB'000	Others RMB'000	Consolidated RMB'000
<b>ASSETS</b>					
Segment assets	1,328,145	434,190	119,446	206,151	2,087,932
Unallocated assets					268,273
Consolidated total assets					2,356,205
<b>LIABILITIES</b>					
Segment liabilities	325,004	178,667	71,501	64,913	640,085
Unallocated liabilities					604,351
Consolidated total liabilities					1,244,436

#### OTHER INFORMATION

	Continuing operations					Discontinued operation	
	Sealed lead acid batteries and related accessories RMB'000	Lithium-ion batteries RMB'000	Nickel batteries RMB'000	Others RMB'000	Total RMB'000	Online games RMB'000	Consolidated RMB'000
Capital additions	10,708	14,057	17,159	14,561	56,485	3,670	60,155
Depreciation and amortisation	22,133	15,866	1,010	8,199	47,208	5,048	52,256

### Geographical segments

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



# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

## 7. OTHER INCOME

	Continuing operations		Discontinued operation		Consolidated	
	2006 RMB'000	2005 RMB'000	2006 RMB'000	2005 RMB'000	2006 RMB'000	2005 RMB'000
Bank interest income	7,249	1,182	—	5	7,249	1,187
Discount on acquisition of additional equity interest in a subsidiary	3,140	—	—	—	3,140	—
Discount on acquisition of a subsidiary	—	5,061	—	—	—	5,061
Exchange gain	2,049	—	—	—	2,049	—
Government grants	3,933	9,120	—	—	3,933	9,120
Other interest income	—	242	—	—	—	242
Sundry income	2,254	4,492	—	7	2,254	4,499
Subsidy income in relation to value-added tax	5,023	1,940	—	—	5,023	1,940
	23,648	22,037	—	12	23,648	22,049

## 8. FINANCE COSTS

	Continuing operations		Discontinued operation		Consolidated	
	2006 RMB'000	2005 RMB'000	2006 RMB'000	2005 RMB'000	2006 RMB'000	2005 RMB'000
Interest on:						
Bank borrowings wholly repayable within five years	44,661	38,416	—	—	44,661	38,416
Other borrowings wholly repayable within five years	249	160	—	—	249	160
	44,910	38,576	—	—	44,910	38,576

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

## 9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

### (a) Directors' emoluments

The emoluments paid or payable to each of the 9 (2005: 9) directors were as follows:

	Mr. Song Dian Quan	Ms. Luo Ming Hua	Mr. Li Ke Xue	Mr. Xing Kai	Mr. Zhang Li Ming	Mr. Liu Xing Quan	Mr. Li Zeng Lin	Dr. Jiang Zhao Hua	Mr. Xiao Jian Min	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>2006</b>										
Fees	—	—	—	—	—	—	—	—	—	—
Other emoluments:										
Salaries and other benefits	83	83	78	71	291	64	20	—	—	690
Retirement benefit scheme contributions	2	2	—	2	—	—	—	—	—	6
<b>Total emoluments</b>	<b>85</b>	<b>85</b>	<b>78</b>	<b>73</b>	<b>291</b>	<b>64</b>	<b>20</b>	<b>—</b>	<b>—</b>	<b>696</b>

	Mr. Song Dian Quan	Ms. Luo Ming Hua	Mr. Li Ke Xue	Mr. Xing Kai	Mr. Zhang Li Ming	Mr. Liu Xing Quan	Mr. Li Zeng Lin	Dr. Jiang Zhao Hua	Mr. Xiao Jian Min	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>2005</b>										
Fees	—	—	—	—	—	—	—	—	—	—
Other emoluments:										
Salaries and other benefits	67	65	65	60	367	60	21	—	—	705
Retirement benefit scheme contributions	2	2	—	1	—	—	—	—	—	5
<b>Total emoluments</b>	<b>69</b>	<b>67</b>	<b>65</b>	<b>61</b>	<b>367</b>	<b>60</b>	<b>21</b>	<b>—</b>	<b>—</b>	<b>710</b>

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

## 9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (CONTINUED)

### (b) Employees' emoluments

The five highest paid individuals of the Group included one (2005: one) director of the Company, details of whose emoluments are set out above. The emoluments of the remaining four (2005: four) individuals are as follows:

	2006 RMB'000	2005 RMB'000
Salaries and other benefits	1,548	1,433
Retirement benefit scheme contributions	28	33
	1,576	1,466

The aggregate emoluments of each of the above employees for each of the year ended 31st December, 2006 and 2005 were less than HK\$1,000,000 (approximately RMB1,005,000).

During each of the year ended 31st December, 2006 and 2005, no emoluments were paid by the Group to any of the directors or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, no directors waived any emoluments for each of the year ended 31st December, 2006 and 2005.

## 10. INCOME TAX EXPENSE

	Continuing operations		Discontinued operation		Consolidated	
	2006 RMB'000	2005 RMB'000	2006 RMB'000	2005 RMB'000	2006 RMB'000	2005 RMB'000
The charge comprises:						
PRC enterprise income tax	(13,876)	(11,667)	—	—	(13,876)	(11,667)
Deferred taxation (charge) credit (note 33)	(145)	3,025	—	—	(145)	3,025
	(14,021)	(8,642)	—	—	(14,021)	(8,642)

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

Pursuant to the relevant laws and regulations in the PRC, certain of the Group's PRC subsidiaries are exempted from PRC enterprise income tax for the first two years commencing from their first profit-making year of operation and, thereafter, these PRC subsidiaries will be entitled to a 50% relief from PRC enterprise income tax for the following three years ("Tax Holidays").

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

## 10. INCOME TAX EXPENSE (CONTINUED)

In accordance with the regulations of the PRC, the major subsidiaries of the Company are qualified as production-oriented entities and they are entitled to PRC enterprise income tax rate of 15%.

The major operating subsidiaries of the Company are subject to enterprise income tax in the PRC in the current year. These subsidiaries have been established as wholly foreign-owned enterprises under the laws of the PRC and have obtained the approval from the PRC Tax Bureau for the Tax Holidays.

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

	2006 RMB'000	2005 RMB'000
Profit before tax from continuing and discontinued operations	165,871	124,738
Tax at the domestic income tax rate at 15% (note)	24,881	18,711
Tax effect of share of results of an associate	—	586
Tax effect of income subject to Tax Holidays	(11,029)	(11,424)
Tax effect of income not taxable for tax purpose	(5,111)	(5,142)
Tax effect of tax losses not recognised	5,280	5,911
Tax charge for the year	14,021	8,642

Note: The domestic income tax rate in the jurisdiction where the operation of the Group is substantially based is used.

Details of deferred taxation are set out in note 33.

## 11. DISCONTINUED OPERATION

During the year ended 31st December, 2005, the Group entered into an agreement under which the Company's 35.57% equity interest in a subsidiary, 北京光宇華夏科技有限責任公司 Beijing Guangyu Huaxia Technology Corporation Limited, was deemed to be disposed by way of capital injection by the Group amounting to RMB18,800,000 and an independent third party amounting to RMB27,608,000. As the capital injected by the independent third party was more than the Group's capital contribution, the Group's interest in this subsidiary was then decreased from 77% to 41.43% and this subsidiary has become an associate of the Group. The subsidiary disposed of was engaged in the business of sales and distribution of online games.

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

## 11. DISCONTINUED OPERATION (CONTINUED)

The profit for the year ended 31st December, 2005 from the discontinued operation is analysed as follows:

	2005 RMB'000
Loss of online games operation for the year	(21,940)
Gain on deemed disposal of online games operation (see Note 35)	22,087
	147

The results of the online games operations for the period from 1st January, 2005 to 28th June, 2005, which have been included in the consolidated income statement, were as follows:

	Period ended 28.6.2005 RMB'000
Revenue	3,518
Cost of sales	(4,180)
Other income	12
Distribution costs	(21,249)
Administrative expenses	(41)
Loss for the period	(21,940)

During the year ended 31st December, 2005, the subsidiary contributed RMB3,268,000 to the Group's net operating cash flows and paid RMB3,665,000 in respect of investing activities.

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

## 12. PROFIT FOR THE YEAR

	Continuing operations		Discontinued operation		Consolidated	
	2006 RMB'000	2005 RMB'000	2006 RMB'000	2005 RMB'000	2006 RMB'000	2005 RMB'000
Profit for the year has been arrived at after charging:						
Directors' emoluments (note 9)	696	710	—	—	696	710
Retirement benefit scheme contributions (excluding contributions for directors)	6,361	4,116	—	—	6,361	4,116
Other staff costs	129,311	114,432	—	6,555	129,311	120,987
Total employees benefits expense	136,368	119,258	—	6,555	136,368	125,813
Depreciation of property, plant and equipment	51,097	44,416	—	878	51,097	45,294
Amortisation of intangible assets (included in administrative expenses and cost of sales)	2,280	2,792	—	4,170	2,280	6,962
Total depreciation and amortisation	53,377	47,208	—	5,048	53,377	52,256
Release of prepaid lease payments	917	1,348	—	—	917	1,348
Net foreign exchange losses	—	5,744	—	—	—	5,744
Auditors' remuneration	1,889	1,539	—	—	1,889	1,539
Research and development costs	1,018	1,507	—	—	1,018	1,507
Deficit arising on revaluation of property, plant and equipment (note 15)	—	215	—	—	—	215
Loss on disposal of property, plant and equipment	128	—	—	—	128	—
Decrease in fair value of investment held for trading	—	28	—	—	—	28
Impairment losses recognised in respect of bad and doubtful debts	17,147	31,583	—	—	17,147	31,583
Cost of inventories recognised as an expense	1,149,617	882,461	—	—	1,149,617	882,461
Research and development costs	1,018	1,507	—	—	1,018	1,507
after crediting:						
Surplus arising on revaluation of property, plant and equipment (note 15)	147	—	—	—	147	—
Gain on disposal of investment held for trading	120	—	—	—	120	—
Gain on disposal of property, plant and equipment	—	266	—	—	—	266

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

## 13. DIVIDENDS

	2006 RMB'000	2005 RMB'000
Dividends recognised as distribution during the year:		
2004 final — HK\$0.04 (shown as RMB0.04244)	—	18,380
2005 interim — HK\$0.01 (shown as RMB0.0104)	—	4,504
2005 final — HK\$0.05 (shown as RMB0.05200)	22,520	—
	22,520	22,884

The directors have determined that a final dividend of HK\$0.05 (2005: HK\$0.05) per share amounting to approximately RMB21,741,000 (2005: RMB22,520,000) should be paid to the shareholders of the Company whose names appear in the register of members on 25th May, 2007.

## 14. EARNINGS PER SHARE

### For continuing and discontinued operations

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

	2006 RMB'000	2005 RMB'000
<b>Earnings:</b>		
Profit for the year and earnings for the purposes of basic earnings per share	144,575	110,927
	'000	'000
<b>Number of shares:</b>		
Weighted average number of ordinary shares for the purposes of basic earnings per share	433,080	433,080

Diluted earnings per share has not been presented for the years ended 31st December, 2006 and 2005 because there were no potential ordinary shares in issue.

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

## 14. EARNINGS PER SHARE (CONTINUED)

### From continuing operations

The calculation of the basic earnings per share from continuing operations attributable to the ordinary equity holders of the Company is based on the following data:

Earnings figures are calculated as follows:

	2006 RMB'000	2005 RMB'000
Profit for the year attributable to equity holders of the Company	144,575	110,927
Less: Profit for the year from discontinued operation	—	(147)
Earnings for the purposes of basic earnings per share from continuing operations	144,575	110,780

The denominators used are the same as those detailed above for basic earnings per share.

### From discontinued operation

Basic earnings per share for the discontinued operation was RMB0.00034 per share based on the profit for the year ended 31st December, 2005 from the discontinued operation of RMB147,000 and the denominators detailed above for basic earnings per share.



# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

## 15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements RMB'000	Buildings situated in the PRC 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
<b>COST OR VALUATION</b>							
At 1st January, 2005	1,477	200,215	239,953	18,969	10,450	32,424	503,488
Exchange adjustments	(6)	—	—	(2)	—	—	(8)
Additions	126	1,063	24,279	6,163	2,870	2,329	36,830
Acquisition of a subsidiary	—	—	12,474	354	1,204	896	14,928
Transfers	—	5,051	828	—	—	(5,879)	—
Deemed disposal of a subsidiary	—	—	—	(8,318)	(119)	—	(8,437)
Disposals	—	—	(208)	(19)	(247)	—	(474)
Adjustment arising on revaluation	—	(8,286)	(26,376)	(3,394)	(1,494)	—	(39,550)
At 31st December, 2005	1,597	198,043	250,950	13,753	12,664	29,770	506,777
Exchange adjustments	(11)	—	—	(1)	—	—	(12)
Additions	—	76	23,003	2,712	1,324	57,629	84,744
Transfers	—	19,274	924	—	—	(20,198)	—
Disposal of a subsidiary	—	—	—	(1,488)	—	(107)	(1,595)
Disposals	—	(280)	(88)	(636)	(708)	—	(1,712)
Adjustment arising on revaluation	—	8,200	(25,510)	(3,737)	(5,183)	—	(26,230)
At 31st December, 2006	1,586	225,313	249,279	10,603	8,097	67,094	561,972
Comprising:							
At cost	1,586	—	—	—	—	67,094	68,680
At valuation — 2006	—	225,313	249,279	10,603	8,097	—	493,292
	1,586	225,313	249,279	10,603	8,097	67,094	561,972
<b>DEPRECIATION AND IMPAIRMENT</b>							
At 1st January, 2005	53	—	—	—	—	—	53
Provided for the year	341	11,006	28,497	3,726	1,724	—	45,294
Eliminated on revaluation	—	(11,006)	(28,497)	(3,726)	(1,724)	—	(44,953)
At 31st December, 2005	394	—	—	—	—	—	394
Exchange adjustments	(4)	—	—	—	—	—	(4)
Provided for the year	372	13,997	32,128	2,471	2,129	—	51,097
Eliminated on revaluation	—	(13,997)	(32,128)	(2,471)	(2,129)	—	(50,725)
At 31st December, 2006	762	—	—	—	—	—	762
<b>CARRYING VALUES</b>							
At 31st December, 2006	824	225,313	249,279	10,603	8,097	67,094	561,210
At 31st December, 2005	1,203	198,043	250,950	13,753	12,664	29,770	506,383

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

## 15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

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

Property, plant and equipment other than leasehold improvements and construction in progress were revalued at 31st December, 2006 by Sallmanns (Far East) Limited, Chartered Surveyors, using the market value for existing use. Sallmanns (Far East) Limited is the member of Hong Kong Institute of Surveyors ("HKIS"), and has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation, which conforms to HKIS Valuation Standard on Properties, was arrived at by reference to market evidence of transaction prices for similar properties.

The surplus arising on revaluation was approximately RMB24,495,000 (2005: RMB5,403,000), out of which approximately RMB24,516,000 (2005: RMB5,043,000) (net of approximately RMB168,000 credit (2005: RMB575,000) shared by the minority interests) was credited to the revaluation reserve and approximately RMB147,000 (2005: RMB215,000 was debited) was credited to the consolidated income statement for the year ended 31st December, 2006 and 2005.

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

As at 31st December, 2006:

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

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

## 15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

As at 31st December, 2005:

	<b>Buildings situated in the PRC RMB'000</b>	<b>Plant and machinery RMB'000</b>	<b>Furniture, fixtures and equipment RMB'000</b>	<b>Motor vehicles RMB'000</b>
Cost	222,790	334,995	20,837	20,295
Accumulated depreciation and impairment	(34,397)	(119,931)	(8,148)	(7,830)
	188,393	215,064	12,689	12,465

## 16. MINING RIGHTS

	RMB'000
COST AND CARRYING VALUE	
At 1st January, 2005, 31st December, 2005 and 1st January, 2006	—
Additions (note)	205,171
At 31st December, 2006	205,171

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

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

Note: Included in additions is an amount of approximately RMB33,375,000 related to an acquisition of a mining right through a company incorporated in Russia.

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

## 17. OTHER INTANGIBLE ASSETS

	Licensing costs RMB'000	Patents and trademarks RMB'000	Total RMB'000
<b>COST</b>			
At 1st January, 2005	33,093	14,372	47,465
Additions	265	8,132	8,397
Deemed disposal of a subsidiary	(33,358)	—	(33,358)
At 31st December, 2005	—	22,504	22,504
Additions	—	5,747	5,747
Disposal of a subsidiary	—	(4,741)	(4,741)
At 31st December, 2006	—	23,510	23,510
<b>AMORTISATION</b>			
At 1st January, 2005	—	2,107	2,107
Charged for the year	4,170	2,792	6,962
Eliminated on deemed disposal of a subsidiary	(4,170)	—	(4,170)
At 31st December, 2005	—	4,899	4,899
Charged for the year	—	2,280	2,280
Eliminated on disposal of a subsidiary	—	(386)	(386)
At 31st December, 2006	—	6,793	6,793
<b>CARRYING VALUES</b>			
At 31st December, 2006	—	16,717	16,717
At 31st December, 2005	—	17,605	17,605

The Group's intangible assets were either acquired from independent third parties or internally generated. Intangible assets are amortised on a straight-line basis over the following periods:

- Licensing costs 2 years since the license put into commercial use
- Patents and trademarks 5 to 20 years

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

## 18. GOODWILL

RMB'000

### CARRYING VALUE

At 1st January, 2005, 31st December, 2005 and 2006 4,193

The goodwill arose on the Group's acquisition of Shenzhen Kdcoms Technology Co., Ltd. 深圳市中科典科技有限公司 during the year ended 31st December, 2004. Before 1st January, 2005, the goodwill of RMB4,590,000 was amortised on a straight-line basis over seven years.

The recoverable amount of the cash generating unit containing goodwill has been determined based on a value in use calculation. That cash flow projections are based on the financial budgets approved by management cover a 5-year period that applied the discount rate of 6.17% per annum. According to that calculation, the discounted recoverable amount is higher than the carrying value of the goodwill. Management determines that there is no impairment of the cash generating unit containing goodwill during the year ended 31st December, 2006.

## 19. PREPAID LEASE PAYMENTS

	2006 RMB'000	2005 RMB'000
The Group's prepaid lease payments comprise:		
Medium-term land use right in the PRC	34,225	35,142
Analysed for reporting purposes as:		
Current asset	917	917
Non-current asset	33,308	34,225
	34,225	35,142

## 20. INTEREST IN AN ASSOCIATE

	2006 RMB'000	2005 RMB'000
Cost of investment in unlisted associate	19,724	19,724
Share of post-acquisition losses	(19,724)	(19,724)
	—	—

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

## 20. INTEREST IN AN ASSOCIATE (CONTINUED)

As at 31st December, 2006, the Group had interest in the following associate:

Name of entity	Form of business structure	Place of establishment	Proportion of registered capital held by the Company	Proportion of voting power held	Principal activity
北京光宇華夏科技有限責任公司 Beijing Guangyu Huaxia Technology Corporation Limited	Incorporated	PRC	41.43%	41.43%	Sales and distribution of online game

The summarised financial information in respect of the Group's associate which is accounted for using the equity method is set out below:

	2006 RMB'000	2005 RMB'000
Total assets	14,963	33,215
Total liabilities	(52,528)	(59,850)
Net liabilities	(37,565)	(26,635)
Group's share of net assets of an associate	—	—
Revenue	50,782	5,507
Loss for the year/period	(16,155)	(38,843)
Group's share of result of an associate for the year	—	(3,906)

The Group has discontinued recognition of its share of losses of the associate. The amount of unrecognised share of this associate, extracted from the relevant management accounts of the associate, both for the year and cumulatively, are as follows:

	2006 RMB'000	2005 RMB'000
Unrecognised share of losses of associate for the year	(6,693)	(16,092)
Accumulated unrecognised share of losses of associate	(22,785)	(16,092)

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

## 21. INVENTORIES

	2006 RMB'000	2005 RMB'000
Raw materials	109,457	95,182
Work in progress	127,492	90,621
Finished goods	99,385	81,898
	<b>336,334</b>	267,701

## 22. TRADE AND OTHER RECEIVABLES

The credit terms given to the customers vary from 3 months to 9 months from the final inspection acceptance and are generally based on the financial strength of individual customers. The following is an aged analysis of trade receivables, net of impairment losses of RMB55,828,000 (2005: RMB38,681,000), at the balance sheet date:

	2006 RMB'000	2005 RMB'000
Within 90 days	625,108	504,468
More than 90 days, but not exceeding 180 days	300,233	354,725
More than 180 days, but not exceeding 270 days	154,748	144,985
More than 270 days, but not exceeding 360 days	60,400	42,030
More than 360 days, but not exceeding 540 days	54,015	43,268
More than 540 days, but not exceeding 720 days	28,102	31,935
Trade receivables	<b>1,222,606</b>	1,121,411
Other receivables (net of impairment losses of RMB20,230,000)	<b>87,658</b>	77,238
	<b>1,310,264</b>	1,198,649

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

## 23. AMOUNTS DUE FROM DIRECTORS

Particulars of the amounts due from directors are as follows:

Name of director	Balance at 31.12.2006 RMB'000	Balance at 1.1.2006 RMB'000	Balance at 1.1.2005 RMB'000	Maximum amount outstanding during the year RMB'000
Song Dian Quan ("Mr. Song")	248	393	583	393
Li Ke Xue	222	244	253	244
Xing Kai	3	—	5	8
Zhang Li Ming	12	18	6	28
Liu Xing Quan	170	170	85	170
	655	825	932	

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

## 24. AMOUNT DUE FROM (TO) AN ASSOCIATE

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

## 25. INVESTMENT HELD FOR TRADING

Investment held for trading as at 31st December, 2005 represented investment in equity securities listed in the PRC stated at fair value. Fair values of those investments had been determined by reference to bid prices quoted in active markets.

## 26. PLEDGED BANK DEPOSITS

At 31st December, 2006 and 2005, the pledged bank deposits represent bank deposits for securing sales tender, which carry fixed interest rate of 2.07% (2005: 2.07%) per annum.

## 27. BANK BALANCES AND CASH

Included in bank balances and cash is bank deposits of RMB273,042,000 (2005: RMB196,240,000) which bears variable interest at prevailing market rates.



# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

## 28. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables at the balance sheet date:

	2006 RMB'000	2005 RMB'000
Within 30 days	129,966	132,569
More than 30 days, but not exceeding 60 days	38,811	31,696
More than 60 days, but not exceeding 90 days	94,530	38,519
More than 90 days, but not exceeding 180 days	99,316	160,298
Over 180 days	32,902	28,128
Trade payables	395,525	391,210
Other payables	269,107	233,062
	664,632	624,272

## 29. OTHER BORROWINGS

The other borrowings are unsecured. Included in the other borrowings is an amount of RMB155,000 (2005: RMB220,000) which bears fixed interest at 5% (2005: 5%) per annum, amount of RMB5,526,000 (2005: RMB5,720,000) which bears fixed interest at 4.5% (2005: 4.5%) per annum, and the remaining amounts are interest-free.

	2006 RMB'000	2005 RMB'000
The other borrowings are repayable as follows:		
Within one year or on demand	7,681	8,740
More than one year, but not exceeding two years	1,000	—
	8,681	8,740
Less: Amounts due within one year shown under current liabilities	(7,681)	(8,740)
Amounts due after one year	1,000	—

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

## 30. BANK BORROWINGS

	2006 RMB'000	2005 RMB'000
The bank borrowings are repayable as follows:		
Within one year or on demand	743,968	578,537
More than one year, but not exceeding two years	4,000	—
More than two years, but not exceeding three years	106,000	—
More than three years, but not exceeding four years	8,000	—
More than four years, but not exceeding five years	12,000	—
	873,968	578,537
Less: Amounts due within one year shown under current liabilities	(743,968)	(578,537)
Amounts due after one year	130,000	—
Analysed as:		
secured	731,679	265,314
unsecured	142,289	313,223
	873,968	578,537

The variable-rate bank borrowings carry interest ranging from 2.34% to 10.00% (2005: from 2.34% to 7.91%) per annum. The borrowings are used to finance the operations of the Group.

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

	US\$'000	HK\$'000
At 31st December, 2006	4,700	139,200
At 31st December, 2005	4,700	108,500

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

## 31. SHARE CAPITAL OF THE COMPANY

	Number of shares 2005 & 2006 '000	Amount in original currency 2005 & 2006 HK\$'000	Shown in the financial statements as 2005 & 2006 RMB'000
Ordinary shares of HK\$0.10 each			
Authorised	1,000,000	100,000	107,000
Issued and fully paid	433,080	43,308	46,308

## 32. SHARE-BASED PAYMENT TRANSACTIONS

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

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

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 to the second anniversary of the date of grant. The exercise price shall be at least the highest of:

- (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the day when the offer is made;
- (ii) the average of the closing prices of shares on the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date when an offer is made;
- (iii) the nominal value of the shares.

No share option was granted under the Scheme since adoption.

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

## 33. DEFERRED TAXATION

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

	Revaluation of property, plant and equipment RMB'000	Others RMB'000	Total RMB'000
At 1st January, 2005	2,294	826	3,120
Credit to income statement for the year (note 10)	(901)	(2,124)	(3,025)
Charge to equity for the year	613	—	613
At 31st December, 2005	2,006	(1,298)	708
Charge (credit) to income statement for the year (note 10)	596	(451)	145
Charge to equity for the year	3,696	—	3,696
At 31st December, 2006	6,298	(1,749)	4,549

At the balance sheet date, the Group has unused tax losses of approximately RMB131,373,000 (2005: RMB96,173,000) available for offset against future profits. No deferred tax asset has been recognised in respect of such tax losses due to the unpredictability of future profit streams. Tax losses will expire within 5 years from the balance sheet date.

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

	2006 RMB'000	2005 RMB'000
Deferred tax liabilities	9,168	3,079
Deferred tax assets	(4,619)	(2,371)
	4,549	708

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

## 34. ACQUISITION OF A SUBSIDIARY

In August 2005, the Group acquired 70% of the paid-up capital of Shenzhen Li Ke Xing Battery Co. Ltd. 深圳市力可興電池有限公司 which manufactured and sold small-sized, sealed rechargeable nickel batteries, for a consideration of RMB17,560,000.

The acquisition has been accounted for using the purchase method.

The net assets acquired in the transaction and the discount on acquisition arising, for the year ended 31st December, 2005, were as follows:

	Acquiree's carrying amount before combination and fair value 2005 RMB'000
<b>NET ASSETS ACQUIRED</b>	
Property, plant and equipment	14,928
Inventories	45,255
Trade and other receivables	62,471
Bank balances and cash	4,665
Trade and other payables	(74,148)
Bank and other borrowings	(20,855)
	32,316
Minority interests	(9,695)
Discount on acquisition	(5,061)
Total consideration	17,560
<b>SATISFIED BY</b>	
Cash	17,560
Net cashflow arising on acquisition	
Cash consideration paid	(17,560)
Bank balances and cash acquired	4,665
	(12,895)

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

## 34. ACQUISITION OF A SUBSIDIARY (CONTINUED)

The subsidiary acquired contributed RMB69,340,000 to the Group's revenue and contributed RMB6,098,000 to the Group's profit before tax for the year ended 31st December, 2005.

If the acquisition had been completed on 1st January, 2005, the Group's revenue for the year ended 31st December, 2005 would have been RMB1,447,950,000, and profit for that year would have been RMB126,199,000. The proforma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1st January, 2005 nor is it intended to be a projection of future results.

## 35. DISPOSAL/DEEMED DISPOSAL OF A SUBSIDIARY

During the year, the Group entered into an agreement for the disposal of the 51% equity interest of a subsidiary, 北京光宇維思科技有限責任公司 Beijing Guangyu Wiz Technology Co., Ltd, to an independent third party at a consideration of US\$225,500 (equivalent to RMB1,761,000). The subsidiary disposed of was engaged in research and manufacturing of computer game software, sales of self-made products and providing related technical consulting and services. The transaction was completed on 20th July, 2006 and a gain of RMB5,056,000 was resulted.

During the year ended 31st December, 2005, the Group entered into an agreement under which the Company's 35.57% equity interest in a subsidiary, 北京光宇華夏科技有限責任公司 Beijing Guangyu Huaxia Technology Corporation Limited, was deemed to be disposed of by way of capital injection by the Group and an independent third party. As the capital injected by the independent third party was more than the Group's capital contribution, the Group's interest in this subsidiary was then decreased from 77% to 41.43% and this subsidiary became an associate of the Group. The subsidiary disposed of was engaged in the business of sales and distribution of online games. The transaction was completed on 28th June, 2005 and a gain on deemed disposal of RMB38,181,000 was resulted for the year ended 31st December, 2005.

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

## 35. DISPOSAL/DEEMED DISPOSAL OF A SUBSIDIARY (CONTINUED)

	2006 RMB'000	2005 RMB'000
<b>NET LIABILITIES DISPOSED OF</b>		
Property, plant and equipment	1,595	8,437
Intangible assets	4,355	29,188
Trade and other receivables	17	3,053
Amounts due from related companies	876	170
Bank balances and cash	1,017	40
Trade and other payables	(7,367)	(77,869)
Amounts due to related companies	(3,788)	—
	(3,295)	(36,981)
Share of net assets after capital injection reclassified as interest in an associate	—	(3,906)
Gain on disposal/deemed disposal of a subsidiary	5,056	22,087
Total consideration received (capital injection)	1,761	(18,800)
<b>SATISFIED BY</b>		
Cash received (paid)	980	(18,800)
Consideration receivable included in other receivables (note 22)	781	—
	1,761	(18,800)
Net cashflow arising on disposal/deemed disposal		
Cash consideration received (paid)	980	(18,800)
Bank balances and cash disposed of	(1,017)	(40)
	(37)	(18,840)

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

## 36. RELATED PARTY DISCLOSURES

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

### (a) Transactions

Name of related party	Nature of transactions	2006 RMB'000	2005 RMB'000
Related parties in which certain directors of the Company have beneficial interests:			
光宇延邊蓄電池有限公司	Sales of raw materials	—	3,027
Guangyu Yanbian Storage Battery	Sales of finished goods	—	422
Manufacturing Co. Ltd ("GYSB")	Purchase of finished goods	—	110
	Rental expenses paid	270	200
	Assignment of trade receivables, transferred of inventories and property, plant and equipment for settlement of loan balance	—	9,393
哈爾濱光宇電綫電纜有限公司	Purchase of raw materials	8,653	1,982
Harbin Guangyu Electric Wire and Cable Co. Ltd ("HGEWC")	Sales of finished goods	210	—
哈爾濱開關有限責任公司	Sales of finished goods	4,530	709
Harbin Switch Company Limited ("HBS")			
深圳市力可興電池有限公司	Purchase of raw materials	—	11,332
Shenzhen Li Ke Xing Battery Co. Ltd. ("SZ Li Ke Xing")	Rental expenses paid	—	311
(note)			



# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

## 36. RELATED PARTY DISCLOSURES (CONTINUED)

### (b) Balances with related companies

Name of related company	Amount due from		Amount due to	
	2006 RMB'000	2005 RMB'000	2006 RMB'000	2005 RMB'000
Related parties in which certain directors of the Company have beneficial interests:				
HBS 石家莊光宇高能電池材料有限公司 Shijia Zhuang Guangyu Battery Material Co. Ltd.	18,832	19,468	910	40
GYSB 哈爾濱光宇電源廠 Harbin Guangyu Power Supply Factory 北京兆唐科技有限公司 Beijing Zhaotong Science and Technology Company Limited	553	1,200	—	1,700
	751	1,425	3,759	4,544
哈爾濱光宇(集團)股份有限公司 Harbin Ya Guang Modern Separators Company Limited	432	432	—	—
	—	—	54	54
哈爾濱亞光新型隔板有限公司 Harbin Ya Guang Modern Separators Company Limited	368	268	1,951	2,001
HGEWC 哈爾濱光宇(集團)股份有限公司 Harbin Guangyu Group Company Ltd.	1,012	—	1,551	2,472
	1,334	161	1,806	2,849
	23,282	22,954	10,031	13,660

### (c) Balances with minority shareholders

Name of the minority shareholder				
沈陽東北蓄電池股份有限公司 昌都邦達工貿有限公司 Tibet Bangda Industrial & Trade Co. Ltd. 韓國維思股份有限公司 Wizonline Company Limited 深圳柏仁塑膠製品有限公司 Shenzhen Boren Plastic Ware Co. Ltd. 高學峰	—	377	—	—
	—	—	3,947	3,947
	—	—	—	1,011
	279	279	—	—
	—	—	600	—
	279	656	4,547	4,958

The amounts due from (to) related companies and the amount due from (to) minority shareholders are unsecured, interest-free and are repayable on demand. Details of the amount(s) due from (to) directors and an associate are set out in notes 23 and 24 respectively.

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

## 36. RELATED PARTY DISCLOSURES (CONTINUED)

### (d) Other arrangements

At 31st December, 2006, RMB242,000,000 (2005: RMB82,301,000) of the Group's bank borrowings were guaranteed by Mr. Song, a director of the Company.

In addition, at 31st December, 2006, RMB12,500,000 (2005: RMB12,163,000) of the Group's bank borrowing was guaranteed by Mr. Gao Xue Feng, who is a minority shareholder of a subsidiary. Such bank borrowing was also secured by a property owned by Mr. Guo Xue Feng with carrying value of approximately RMB330,000 as at 31st December, 2005 (2006: Nil).

### (e) Compensation of key management personnel

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

	2006 RMB'000	2005 RMB'000
Short-term benefits	1,858	1,570
Post-employment benefits	22	19
	1,880	1,589

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

Note: This company has become a subsidiary of the Group since 19th August, 2005.

## 37. RETIREMENT BENEFIT PLANS

### Defined contribution plan

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

The employees of certain subsidiaries in the PRC are members of a state-managed retirement benefit scheme operated by the government. These subsidiaries are required to contribute 22% of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

The total cost charged to consolidated income statement of approximately RMB6,367,000 (2005: RMB4,121,000) represents contributions payable to these schemes by the Group in respect of the current accounting period.

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

## 38. PLEDGE OF ASSETS

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

- (i) certain of the Group's property, plant and equipment with an aggregate carrying value of approximately RMB237,608,000 (2005: RMB166,173,000).
- (ii) personal and corporate guarantees given by a director and certain related parties as set out in note 36(d).
- (iii) certain of the trade receivables with an aggregate amount of approximately RMB94,966,000 (2005: RMB85,951,000).

## 39. OPERATING LEASES

### The Group as lessee

	2006 RMB'000	2005 RMB'000
Minimum lease payments paid under operating leases during the year:		
Plant and machinery	—	103
Premises	4,920	3,377
	4,920	3,480

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

	2006 RMB'000	2005 RMB'000
Within one year	3,006	4,413
In the second to fifth year inclusive	2,045	4,249
	5,051	8,662

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for an average term of three (2005: three) years and rentals are fixed during the lease period.

### The Group as lessor

During the year ended 31st December, 2006, RMB24,000 property rental income was earned by the Group (2005: RMB119,000).

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

## 39. OPERATING LEASES (CONTINUED)

The Group as lessee (continued)

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	2005 RMB'000	2004 RMB'000
Within one year	24	24
In the second to fifth year inclusive	48	72
	72	96

## 40. CAPITAL COMMITMENTS

	2005 RMB'000	2004 RMB'000
Capital expenditure authorised but not contracted for in respect of acquisition of property, plant and equipment	242,900	70,754
Capital expenditure contracted for but not provided in the financial statements in respect of acquisition of property, plant and equipment	54,677	3,652

## 41. GOVERNMENT GRANTS

Government grants of RMB3,933,000 (2005: RMB1,411,000) have been received in the current year towards technology research and development and foreign trade development.

For the year ended 31st December, 2005, government grants of RMB7,709,000 (2006: Nil) have been received towards foreign enterprise income tax subsidy.

These amounts have been included in other income.

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

## 42. PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the Company's principal subsidiaries at 31st December, 2006 are as follows:

Name of subsidiary	Place of incorporation or registration/ operations	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued capital/ registered capital held by the Company		Forms of legal entity	Principal activities
			Directly	Indirectly		
			%	%		
Coslight International (B.V.I.) Company Limited	British Virgin Islands/ Hong Kong	US\$50,000	100	—	Private limited company	Investment holding
Cosstone Limited Liability Company	Russia	RMB13,561,000	—	100	Private limited company	Mining for production of battery products for group companies
China Gold Profits Limited 金利投資有限公司	Hong Kong	HK\$2	—	100	Private limited company	Provision of management services for the Group
哈爾濱光宇電源股份有限公司 Harbin Coslight Power Company Limited	PRC	RMB200,930,000	—	91.45	Joint stock limited company	Manufacture and sale of lithium ion batteries and sealed lead acid batteries and its accessories
哈爾濱科斯基萊特實業有限公司 Harbin Coslight Industrial Company Limited	PRC	US\$1,400,000	71.4	28.6	Wholly-owned foreign enterprise	Manufacture and sale of sealed lead acid batteries and its accessories
哈爾濱光宇蓄電池有限公司 Harbin Coslight Storage Battery Company Limited	PRC	HK\$83,500,000	—	100	Wholly-owned foreign enterprise	Manufacture and sale of sealed lead acid batteries
沈陽東北蓄電池有限公司 Dongbei Storage Battery Company Limited	PRC	RMB60,000,000	75	—	Sino-foreign equity joint venture	Manufacture and sale of sealed lead acid batteries

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

## 42. PRINCIPAL SUBSIDIARIES OF THE COMPANY (CONTINUED)

Name of subsidiary	Place of incorporation or registration/ operations	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued capital/ registered capital held by the Company		Forms of legal entity	Principal activities
			Directly	Indirectly		
			%	%		
哈爾濱光宇電氣自動化有限公司 Harbin Coslight Electric Automation Company Limited	PRC	RMB20,000,000	16.2	63.8	Sino-foreign equity joint venture	Manufacture of electricity control devices
西藏昌都光宇利民藥業有限公司 Tibet Changdu Guangyu Limin Pharmaceutical Company Limited	PRC	RMB6,600,000	—	80	Domestic equity joint venture	Manufacture of pharmaceutical products
哈爾濱光宇開關有限公司 Harbin Coslight Switch Company Limited	PRC	RMB2,000,000	—	100	Wholly-owned foreign enterprise	Manufacture of high and low voltage switch
Russia (Golden Stone) Limited Liability Company	Russia	RUB29,930,000	—	100	Private limited company	Mining for production of battery products for group companies
深圳市中科典科技有限公司 Shenzhen Kdcoms Technology Co., Ltd.	PRC	RMB10,500,000	—	60	Sino-foreign equity joint venture	Manufacture and sale of signal strength systems
SZ Li Ke Xing	PRC	RMB10,000,000	—	70	Sino-foreign equity joint venture	Manufacture and sale of small-size and sealed rechargeable Nickel batteries

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

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