COSLIGHT

COSLIGHT TECHNOLOGY INTERNATIONAL GROUP LIMITED

Incorporated in Bermuda with limited liability
Stock Code : 1043

2016
ANNUAL REPORT

Contents

Corporate Information

Directors

Executive

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

Independent Non-executive

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

Qualified Accountant and Company Secretary

Mr. NG Kar Keung, CPA

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

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
China Construction Bank (Asia) Corporation Limited

Principal Share Registrar And Transfer Office

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

Hong Kong Branch Share Registrar and Transfer Office

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

Results

For the year ended 31 December 2016 (the "Year"), turnover from the Group's continuing operation amounted to approximately RMB4,831,268,000 (2015: RMB4,101,669,000), representing an increase of 18% over last year. The profit attributable to owners of the parent for the Year amounted to approximately RMB139,883,000 (2015: RMB5,232,000). Earnings per share for the year were RMB34.99 cents (2015: RMB1.30 cents).

Dividends

The Board does not recommend the payment of a final dividend to the shareholders for the year ended 31 December 2016 (2015: nil).

Business Review

Lithium Polymer Battery

Over the past few years, we have been actively developing new products and expanding market presence for lithium polymer batteries and have been certified by many famous brands at home and abroad. We are now one of the world's leading lithium polymer cells manufacturers. Our products are applied to a wide ranger of consumer electronics, such as mobile phones, laptops and tablets. Shipments of lithium polymer batteries reached approximately 97.82 million pieces for the Year (2015: 86.54 million pieces), representing an increase of approximately 13% over last year. Of the shipments, the Chinese market and overseas market accounted for 60% and 40%, respectively (by regions), and mobile phones, computers and other products accounted for approximately 54%, 38% and 8%, respectively (by categories of products). Our major clients include famous mobile phone and computer companies at home and abroad. Our production capacity in Zhuhai has reached 13 million pieces per month. We also successfully expanded to South Korea market during the Year. We are now working hard to test various products and explore opportunities for cooperation with local and foreign clients. We hope to establish presence in new markets, such as CCTV, so as to increase battery sales. Our production costs were adversely affected by significant fluctuations in prices of raw materials, resulting from rising global demand from electric vehicles and other lithium battery products.

Power batteries

Benefiting from the country's new energy policies, more than 500,000 new energy vehicles were sold in China in 2016. Meanwhile, the demand for our power batteries soared and we have delivered 19,982 sets of batteries for all types of electric vehicles during the Year (2015: 6,612 sets), representing an increase of 202% over last year. In addition, 29,047 sets of lithium ferrite phosphate batteries were sold for telecom base stations. Our major client is a telecom operator in India. We provide complete sets of battery solutions for electric vehicles, including cells and battery management system, targeting larger-scale electric carmakers. Given their stable quality, higher capacity and longer life, our batteries have been strongly welcomed by users and are seeing expanded base of clients. Our products include lithium ferrite phosphate batteries and ternary power batteries, which are applicable to different types of electric vehicles, including buses, commercial vehicles and sedans.

Sales of lithium batteries for the Year were approximately RMB3,597,541,000 (2015: RMB3,039,445,000), representing an increase of approximately 18% over last year.

Sealed lead-acid ("SLA") Battery Products

During the Year, total sales of our SLA battery products were approximately RMB792,126,000 (2015: RMB625,628,000), representing an increase of approximately 27% over last year, which was mainly due to an increase in production volume. During the Year, our sales amounted to approximately 1.30 million KVAH, of which communications batteries and batteries for electric bicycles accounted for 82% and 18%, respectively. Our production costs were adversely affected by intense market competition and rising lead prices.

Online Games

Guangyu Youxi (“光宇遊戲”) ("GY Games") is a famous network company in China, we have attracted a million online users to our gaming platform. Since our entry into the gaming market in 2004, we have been greatly favoured and highly recognized by online game players.

Wendao ("問道"), a 2D RPG of GY Games, is one of the few online games with more than one million users simultaneously. For 10 consecutive years, it has been honoured as the "Most Popular Online Game of Netizens" and "Most Popular Local Online Game of Netizens". Among 2D RPGs, Wendao has managed to set a benchmark and win favour among tens of millions of players with its excellent quality and a variety of unique systems.

Through more than ten years of development, GY Games has grown into one of China's top 10 online game operators with a workforce of several thousands. Meanwhile, it is also a leading integrated online game company engaged in R&D, operations and marketing. As a high-tech company in the game-related R&D and operations industry, GY Games has taken home a raft of honours from the Ministry of Culture, the State Administration of Press, Publication, Radio, Film and Television, and Ministry of Industry and Information Technology, such as "Top 10 Best Game Enterprises"(十佳遊戲企業), "Top 10 Operators"(十大運營商), "Excellent Enterprise"(優秀企業) and "Enterprise with Excellent Internet Culture"(優秀網絡文化企業).

In January 2017, Wendao ("問道"), a flagship game product of GY Games, created a new sales record and a miracle in the industry by posting a charging revenue of more than RMB13 million for a single server on the first day. As for Wendao, we have established cooperation in the fields of animation, literacy, movie and TV shows, with relevant products to come soon, aiming to create a new model of entertainment with online game products as the core. While ensuring sound development of existing products, we have also added many more cell phone games, including "Jue Shi Wu Shen" ("絕世武神"), "Dao Mu San Fan Dui" ("盜墓三番隊"), "Zhong Ji Ku Pao" ("終極跑酷") and "Hai Di Da Ying Jiu" ("海底大營救"). In respect of the web game "Jue Shi Wu Shen" ("絕世武神"), we have established cooperation with Quyou Shidai (趣遊時代) under 360 Games ("360遊戲"). In respect of the user-end game "Chuangshi II" ("創世2"), the pressure test was completed. With unremitting efforts made in cell phone games, web games and user-end games, we have managed to maintain our leading position in China's gaming industry based on our excellent game products and strong R&D capabilities.

In response to the high-speed development of China's online game industry, GY Games has rebuilt an operation and marketing platform for cell phone games and web games. Based on independent R&D, we have also established cooperation with many online game companies in an effort to achieve sustainable development and bring the company to new heights.

Online game business contributed approximately RMB150,950,000 to the Group's profit, among which a share of RMB77,891,000 was contributed by associates of the Group (2015: RMB132,650,000, among which RMB82,814,000 was from the associates of the Group), representing an increase of approximately 14% over last year.

Prospects

Lithium Polymer Batteries

With the increasingly expanded customer base and further rise in product demand, we have enriched product offerings by adding smart phone batteries, notebook batteries, CCTV batteries and drones lithium batteries to our product family. We plan to further expand our production capacity this year from 13 million pieces per month to 15 million pieces per month. Such expansion is expected to be completed by the end of this year with a total investment of approximately RMB200 million.

Power Batteries

In accordance with the "Medium to Long-term Development Plan for the Automotive Industry" prepared by the Ministry of Industry and Information Technology, China's annual production capacity for new energy vehicles will reach two million units by 2020 and new energy vehicles will account for more than 20% of total auto sales by 2025. China's electric vehicle market is expected to see further growth over the coming few years. We are optimistic about the future development. We have started a new plan to expand our production capacity since last year. Under this plan, we will build a highly efficient automatic battery production plant to increase the product consistence and production efficiency. So far, the civil engineering work has been completed. As for the first phase production line, we have started equipment installation and commissioning with official production scheduled for May this year, aiming to increase our production capacity in 2017 by RMB2 billion (tax inclusive) from RMB2 billion (tax inclusive) in 2016. New investment in fixed asset will be approximately RMB300 million in 2017. We will continue to channel efforts into R&D of various battery technologies for enhanced energy density, better safety performance and longer life so as to enhance our competitiveness. In addition, we will continue to work with new energy carmakers for joint research and development of various battery system solutions so as to increase sales of power batteries.

Online Games

In 2017, we will continue our cross-platform strategy to cover user-end games, web games and cell phone games in our R&D and operations. We will continue to launch more products, such as user-end 3D fighting game "Tian Dao San Guo"(“天道三國”), cell phone games "Xun Long San Guo" (“馴龍三國”), "Wan Hun Sha" (“萬魂殺”), "Jiu Wei Hu" (“九尾狐”), and web game "Ni Tian Xie Shen" (“逆天邪神”). GY Games is now concentrating on R&D of large MMORPG games based on Unreal Engine 4, which can present top visual experiences. Meanwhile, we will export online game products to other countries and regions, and have reached preliminary letter of intent with many online game companies in Vietnam, South Korea, Europe and America with cooperation to officially commence in 2017. Our first survival online game product based on the Steam platform will be officially released in the fourth quarter of 2017. GY Games will release multiple highlight online game products in two years, targeting overseas users. Based on our well establishment in the domestic market, we will also strive for global expansion for our online game business.

As domestic cultural regulators have successively issued new regulations governing online game products, GY Games have set up its interior supervision and management department to make sure that no online game products will be officially launched before they pass the internal examination and approval. As a leading network culture company in China, GY Games will strongly support various regulations issued by China's cultural regulators.

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 2017

Management Profile

Directors

Executive Directors

Mr. SONG Dian Quan, aged 61, 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 32 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 53, 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 69, 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 32 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 60, is responsible for production and quality management of the Group. He has over 32 years' experience in the research and development of rechargeable battery products and over 19 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 61, is responsible for the international trading activities of the Group. He has more than 39 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 84, 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 52 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 59, 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 59, 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 59, 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 34 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 Heilongjiang Harbour 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 2016, the Group has total assets of RMB8,664,304,000 (2015: RMB7,350,118,000) which were financed by current liabilities of RMB6,085,472,000 (2015: RMB4,951,834,000), non-current liabilities of RMB429,213,000 (2015: RMB417,170,000), shareholders' equity of RMB1,965,421,000 (2015: RMB1,818,747,000) and non-controlling interests of RMB184,198,000 (2015: RMB162,367,000).

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 2016, the Group has bank and cash balances amounted to RMB299,738,000 (2015: RMB235,164,000). The total bank borrowings of the Group as at 31 December 2016 were approximately RMB1,661,729,000 (2015: RMB1,227,246,000), amongst which RMB1,431,729,000 will be due to repay within 12 months (2015: RMB1,149,826,000). These borrowings carry interest ranging from 2.60% to 6.90% (2015: from 2.60% to 7.26%) per annum. As at 31 December 2016, approximately 92% of the Group's bank and other borrowings were denominated in Renminbi and 8% 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 102% (2015: 89%). The current ratio of the Group, represented by a ratio between current assets over current liabilities, was 93% (2015: 95%), reflecting the abundance of financial resources.

Charges on group assets

As at 31 December 2016, certain prepaid lease payments and property, plant and equipment, inventories and trade receivables of the Group with carrying values of RMB493,401,000 (2015: RMB509,533,000), RMB50,000,000 (2015: nil) and RMB105,545,000 (2015: RMB245,658,000), respectively, were pledged to secured bank borrowings of approximately RMB1,050,899,000 (2015: RMB574,521,000). 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	
	2016	2015
	RMB'000	RMB'000
Capital expenditure contracted for but not provided in the financial statements in respect of:		
Acquisition of property, plant and equipment	**22,709**	34,459
Acquisition of an associate	**6,860**	–
	29,569	34,459

Other Information

Employees and remuneration policies

As at 31 December 2016, the Group has employed 12,320 (2015: 9,922) 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 2016.

Principal Activities

The Company is an investment holding company.

The principal activities of the Company's principal subsidiaries as at 31 December 2016 are set out in note 49 to the consolidated financial statements.

Results and Appropriations

The results of the Group for the year ended 31 December 2016 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 40 to 41.

The Board does not propose final dividend for the year ended 31 December 2016 (2015: 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 2016. The surplus arising on revaluation was approximately RMB45,744,000 (2015: surplus RMB57,627,000), of which approximately surplus of RMB61,372,000 (2015: surplus RMB52,715,000) (net of approximately surplus of RMB3,184,000 (2015: deficits RMB556,000) shared by the non-controlling interests) was recognised to the revaluation reserve and approximately deficits of RMB18,812,000 (2015: surplus RMB5,468,000) was charged to the consolidated income statement for the year ended 31 December 2016.

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

In accordance with bye-law 87(1) of the bye-laws of the Company, Mr. XING Kai, Mr. LI Zeng Lin and Mr. XIAO Jian Min 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 2016 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 2016, 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	65.12%
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 2016, 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 2016, 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.

Directors' Rights to Acquire Shares or Debentures

Save as disclosed, 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

	2016 **RMB'000**	2015 RMB'000
瀋陽東北蓄電池有限公司	**197,310**	203,132

II. Purchase of Raw Materials

	2016 **RMB'000**	2015 RMB'000
瀋陽東北蓄電池有限公司	**248,158**	215,737

III. Guarantee of Bank Borrowings

RMB547,652,000 (2015: RMB354,000,000) 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, there was no purchase, sales or redemption of listed securities of the Company by the Company or any of its subsidiaries during the year.

Corporate Governance

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

Independent Non-Executive Directors

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

Audit Committee

The Audit Committee of the Company comprises three independent non-executive directors, namely Mr. Li Zeng Lin, Dr. Yin Ge Ping and Mr. Xiao Jian Min with Mr. Li Zeng Lin as the chairman. The primary duties of the Audit Committee is to review and monitor the Group's financial reporting process and internal control system, as well as to provide relevant recommendations and advices to the Board. As verified by the Company, none of the members had served as a partner or a former partner to the existing auditor. The annual results of the Group for the year ended 31 December 2016 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 2016.

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 2017

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 2016 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 2016.

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 2016, 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	3/3	2/2
Dr. Yin Ge Ping	3/3	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. XING Kai, Mr. LI Zeng Lin and Mr. XIAO Jian Min. 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 2016, 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. 2015 annual and 2016 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 2016 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 2016 have been reviewed by the Audit Committee.

Remuneration Committee

The Company has established a Remuneration Committee on 1 June 2005 in accordance with the requirements of the Code as contained in Appendix 14 of the Listing Rules with written terms of reference. Its primary responsibility is to make proposals to the Board with respect to the overall remuneration policy and framework for directors and senior management of the Company and the establishment of formal and transparent procedure for formulating the remuneration policy. 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 2016 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.

Nomination Committee

The Company has established a Nomination Committee on 18 November 2005 in accordance with the requirements of the Code as contained in Appendix 14 of the Listing Rules with written terms of reference. Its primary responsibilities include reviewing and supervising the framework, number of members and composition of the Board, identifying and nominating suitable persons for appointment of director and making recommendations to the Board relating to appointment and re-appointment of directors. 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 2016 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 2016 amounted to HK$1,830,000. Non-audit service charges amounted to HK$340,000 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.

Risk Management and Internal Control

The Board and the Audit Committee acknowledge that they have the responsibility for overseeing the risk management and internal control systems of the Group. The Company has set up internal control function and reviewing the effectiveness of systems at least annually. The systems are designed to manage rather than eliminate risks of failure in the achievement of the Group's business objectives and provide reasonable, but not absolute, assurance against material misstatement or loss.

The Group has developed an internal control system, which covers major financial, operational and compliance controls to safeguard its assets against unauthorized use, ensure the maintenance of proper accounting records and ensure compliance with relevant laws and regulations. The Board and the Audit Committee review the efficiency of the internal control system, examine internal control of business processes and perform audit on a project-to-project basis (such as authorization approval system, purchase and payment business, pricing process, and monetary fund management measures), and recommend necessary actions to the relevant management. The construction and day-to-day operation of the internal control of the Company are implemented by subsidiaries of the Company at different levels, which will examine and supervise the operations of internal control systems of the subsidiaries at different level and formulate a consolidated report.

The Board of Directors of the Company authorizes management of subsidiaries at different levels to develop a series of policies, regulations, and process on finance, operation, and compliance, and to continuously improve them through daily monitoring and enhancement. Upon discovery of any weakness or deficiency, the Audit Committee will be responsible for discussing the potential financial impacts and corresponding remedy actions with the Board and the Management.

The results of internal audit and annual review will be reported to the Board of Directors of the Group and the Audit Committee. During the year under review, the Company has clearly defined the organizational structure of the Company and the duties and responsibilities for every department to ensure effective check and balance between them. No material internal control deficiency or event was found during the year to have affected the Group's overall operation; the efficiency and sufficiency of the relevant systems of the Group were satisfactory during the year.

Foreign currency risk

Most of the Group's businesses are denominated in RMB and other currencies, including USD and Indian Rupee. Therefore, the movement of foreign exchange rate may affect the Group's financial performance. Currently, the Group has no policy on foreign currency hedging. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise. The Group does not speculate on foreign currencies.

Credit risk

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. The directors of the Company consider the Group does not have a significant concentration of credit risk. The credit risk on bank balances is limited because the pledged bank deposits and bank balances are maintained with state-owned banks or other creditworthy financial institutions in the PRC, Hong Kong and overseas.

Interest rate risk

The main interest rate risks that the Group is exposed to are risks concerning bank loans at variable rates. The management monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

Liquidity risk

The purpose of managing liquidity risk is to ensure that the Group has sufficient funds for day-to-day operations, capital commitments, and repayment of bank loans. The Board reviews the bank loans and cash flows of each company and adjusts the arrangement for short-term and refinancing portfolio. The Board aims to flexibility in funding by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities.

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 1 June 2016.

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.

Reporting Standards and Scope

This Environmental, Social and Governance Report is prepared in accordance with the Environmental, Social and Governance Report Content Index of Hong Kong Exchanges and Clearing Limited.

The Report covers the measures taken by the Group from 1 January 2016 to 31 December 2016 with respect to Environmental, Social and Governance issues, and descriptions of the progress thereof. Given that the business sectors of Harbin Coslight Storage Battery Company (the "Storage Battery Company") and Harbin Coslight Power Company Limited (the "Power Company") contribute significantly to the Group and can fully represent the Group's core business, they are incorporated into this Environmental, Social and Governance Report.

The senior management of the Group has reviewed and approved this Environmental, Social and Governance Report. We hereby express our sincere gratitude towards the the employees and relevant persons from the society who have contributed to the Environmental, Social and Governance efforts of the Group.

Part I: Environment and Energy Management

Both Coslight Storage Battery and Coslight Power Company have been committed to conservation of environmental protection facilities, strictly complying with the Emission standard of Pollutants for Battery Industry, Emission Standard of Air Pollutants for Boiler, and other national standards. Judging by their detection index, their emissions are far lower than the limits specified by the Standards.

1. Condition of the Storage Battery Company

The typical pollutants of the Storage Battery Company are wastewater containing lead, sulfuric acid mist, waste gas containing lead, and solid waste. Industrial wastewater is discharged after being treated in the Wastewater Treatment Plant and meeting the standards. The discharge outlet is equipped with online monitoring devices that will unload the discharge information to the data center of the Municipal Environmental Protection Bureau from time to time. Household sewage is treated in the biological purification treatment station and discharged through the master monitoring outlet after it meets the standards. Sulfuric acid mist is discharged at high altitude after being treated using acid mist purifiers. Industrial waste gas is discharged at high altitude after being treated using HKE-type lead dust and lead fume purifying device, LT-type lead fume purifier, and acid mist purifying device, and meeting the standards. Gas-fired boilers are used, and as the clean energy is used as fuel, the smoke is directly discharged at high altitude. Solid waste is divided into normal solid waste and hazardous waste. Normal solid waste mainly includes waste packing materials and the household garbage of employees. The main sources of hazardous waste are the lead dust collected by lead dust collectors, lead slime produced by wastewater treatment devices, and lead slime produced by lead dust treatment devices during the production of storage batteries.

In response to national policies, the Storage Battery Company conducted corporate energy conservation and emission reduction under the leadership of the government. We incorporated energy consumption control as part of our day-to-day operation in an attempt to reduce the emission of greenhouse gases. In 2016, our greenhouse gas emission was: 14,986 tonnes of CO_2.

Measures taken by the Storage Battery Company to reduce emission and the results:

- **Change of electrode plate formation from traditional formation to enclosed formation:** Reducing 15 tonnes of acid annually
- **Transformation of curing chamber:** After transformation of the curing chamber, each chamber saved 3,600 tonnes of purified water annually.
- **Modification of scrap lead recycling process:** The original scrap lead recycling process has been modified to use the method of timed heating control, thereby saving 2,160 KWH per day, and 788,400 KWH per year when using 96kw and 120kw scrap lead recycling devices.
- **Change of power supply mode:** Measures have been taken to adjust the power supply line so as to obtain power supply from the nearest source, thereby reducing losses on the power supply line. The focus is on modification of formation process, which will reduce reactive loss and help wining energy rewards from the electric department.
- **Change of energy-saving lights:** Latest energy-saving lights on the market have been used to replace the old energy-saving lights, which has been proven by tests to have energy-saving effects and meets the target amount of energy-saving required by the government.

2. *Condition of the Power Company*

The main sources of waste gases of the Power Company are NMP (N-Methyl-2-Pyrrolidone) discharged by the drying machine during the positive electrode coating, waste gas volatilized from the electrolyte, and lampblack produced in the canteen. We have condensation recycling installment in place for high-density NMP. Exhaust gases produced during the collection of liquid waste is purified using water mist spray and then discharged through exhaust funnels. The workshop is equipped with ventilation installation, the end of which is installed with activated carbon adsorber. The lampblack produced in the canteen is treated using lampblack purification equipment before being discharged.

Wastewater discharged by the Power Company mainly includes brush wastewater, battery cleaning wastewater, workshop floor cleaning wastewater and household wastewater. Brush wastewater is treated by using flocculent settling with addition of aluminium polychlorid and Polymethacrylamide. Battery cleaning wastewater is treated by adding lime milk and aluminium polychlorid. Workshop floor cleaning wastewater and household wastewater are treated in the septic-tank. Wastewater produced in the canteen is treated in the oil separator and the septic-tank. All these types of wastewater are converged and released into the municipal pipe after being pre-processed, and discharged after being treated by Wastewater Treatment Plant and meeting the standards. The pH of corporate master outlet is between 7.02 and 7.04.

In response to national policies, the Power Company conducted corporate energy conservation and emission reduction under the leadership of the government. We incorporated energy consumption control as part of our day-to-day operation in an attempt to reduce the emission of greenhouse gases.

In 2016, our greenhouse gas emission was: 23,429 tonnes of CO_2.

Reusable items in waste materials of production, raw and auxiliary materials, and waste packaging materials will be sold to waste recycling stations. Useless items will be treated by government agencies together with household garbage. The mud produced during wastewater treatment will be treated as hazardous waste by Environmental Technology Services Company. Waste activated carbon will be recycled by the plants for regeneration treatment.

Food residue and waste oil and fat will be separately collected and delivered to qualified agencies for treatment and disposal.

3. *Initiatives to mitigate impacts on the environment and natural resources*

To protect the environment and use natural resources in a reasonable manner, the Company has taken into consideration factors with different degrees of impact throughout the entire process from product design to the end of product life cycle.

3.1 Avoid using restricted materials specified by international conventions such as the European Union during product design. Take into consideration factors that may increase emission of greenhouse gases during product realization.

3.2 Enter into environmental protection agreements with suppliers in respect of forbidden or restricted contents when purchasing materials. All raw material manufacturers are required to provide third-party certification on environmental protection such as ROHS. The Company's products receive ROHS third-party certification in CTI every year. The Company will perform relevant tests on purchased materials to ensure that the materials used meet environmental protection requirements.

3.3 Pay close attention to process improvement with respect to pollutant and emission reduction during production to meet national requirements on clean production.

3.4 Improve the maintenance of pollutant treatment facilities and the monitoring of pollutant discharge to ensure that national and local standards are met with respect to waste gas, wastewater, and solid waste.

3.5 Comply with ISO14001 environment management system and conduct management in strict accordance with the management system.

Part II: Social Responsibility

The Company has established ISO14001 environment management system and OHSAS18000 occupational health and safety management system in accordance with Law of Environmental Protection of the PRC and Law of Occupational Disease Prevention and Treatment of the PRC, and passed third-party certification.

1. *Health and Safety*

To ensure occupational health of employees, de-dusting and ventilation system and air supply system have been installed in workshops where waste gases are produced. In addition, appropriate labour protection appliances are provided based on the needs of the positions. Each year, the Company will entrust a third party to test the air quality in the workshops, and perform health check-up for employees that have contact with occupational hazards. Meanwhile, dedicated corporate bodies have been set up to check and manage environmental protection and safety on a daily basis.

2. *Development and Training*

The Company provides training on job duty and skills each year for different types of employees, to be conducted by the HR department. For employees that recently join the plant, safety training, occupational hazard informing, and pre-work training will be provided.

3. *Employment and Labour Practices*

With respect to employment, the Company has establish management procedures regarding prohibition of child labour, protection of minors, and forced labour, to ensure that our corporate activities comply with Labour Law and other relevant laws and regulations and requirements of the SA8000 standard.

4. *Supply Chain Management*

With respect to supply chain management, the Company has established Purchase Control Procedures to regulate the purchase of the Company's raw materials, semi-finished products and product parts as well as relevant activities such as development and assessment of suppliers. The Company has developed the Management System for Supplier Performance Rating Standards to assess suppliers' price, product quality, supply capability, service quality, and relevant certificates. In addition, the Company will perform on-site review on suppliers of key materials. Suppliers that fail the assessment or review will be required to rectify within a specified period, provided that their supply ratio will be reduced during this period; in more severe cases, their supplies will be terminated.

5. *Product Responsibility*

To preserve and safeguard intellectual property rights, protect patent rights to invention and creation, encourage invention and creation, protect the Company's interests, and promote progress and innovation of science and technology, the Company has adopted the Intellectual Property Right Management System to manage internal intellectual property rights of the Company, mainly including: patent right (patent for invention, utility model, appearance design); trademark right (trademark, trade name, appellation of origin, service mark); copy right; authorship; drawing, technical drawing; computer software; other integrated circuit layout design, know-how, and other new types.

Quality verification process: The Company has put in place Products Inspection and Testing Procedure (《產品核對總和試驗控制程式》) to perform inspection and testing on product raw materials, semi-finished products, and finished products.

6. *Anti-corruption*

To prevent commercial bribery, resolutely investigate and deal with commercial bribery activities, and improve internal corporate management, the Company has developed Anti Commercial Bribery Regulations in accordance with relevant national policies and documents regarding anti-commercial bribery and construction of a clean and honest administration. With respect to corporate body setup, position setup, and personnel setup, the Company strives to be specific and reasonable in terms of role division to meet the operational needs of the Company, and more importantly to help with the management of anti-commercial bribery activities, ensuring that accountability and responsibility are assumed at all levels. The Management will strengthen the dynamic supervision of the Company, and handle employees violation of relevant requirements of commercial bribery and violation of law or regulations uncovered in self-review and examination in accordance with the regulations of the Company. In more severe case, the violation shall be reported to judicial authorities. The Company will endeavor to identify deficiency and discover loopholes each year regarding the formulation and implementation of anti-commercial bribery regulations based on examination and assessment, in order to further improve the regulations.

7. *Community Investment*

The Company invests approximately RMB1 million in the road construction of the society and donates RMB10,000 to Coslight Primary School each year, and makes various donations on an irregular basis, such as donations of RMB500,000 for Wenchuan earthquake relief, RMB200,000 of student subsidies to HIT Education Development Fund, and RMB100,000 to a nearby community for new rural area construction. In addition, led by the Labour Union, the Company organizes cultural and sports competitions for employees each year. An amount of approximately RMB500,000 is spent each year on helping employees in financial difficulty.

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)

Opinion

We have audited the consolidated financial statements of Coslight Technology International Group Limited (the "Company") and its subsidiaries (the "Group") set out on pages 40 to 152 which comprise the consolidated statement of financial position as at 31 December 2016, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

– Material uncertainty related to going concern;

– Valuation of property, plant and equipment (excluding leasehold improvement and construction in progress); and

– Impairment assessment on trade and other receivables.

Material uncertainty related to going concern

Refer to note 2 to the consolidated financial statements on page 48.

The key audit matter	How the matter was addressed in our audit
Notwithstanding the Group had recorded net current liabilities of approximately RMB446,318,000 as at 31 December 2016, the directors of the Company have considered the Group's forecast cash flows over the period ending 31 December 2017 and have concluded that the range of possible outcomes they have considered in arriving at this judgment does not give rise to a material uncertainty casting significant doubt on the Group's ability to continue as a going concern. In particular, the directors of the Company believe that the Company will generate future positive cash flows from its operations which involves a significant degree of management judgment with respect to the underlying cash flows, in particular the future revenue growth.	Our procedures were designed to challenge the appropriateness of key assumptions used in the cash flow projections by reference to the historical production information, and internal business plans, together with market and other externally available information. We have also reconciled the input data to the supporting evidence, such as approved budgets and considering the reasonableness of these budgets.

Valuation of property, plant and equipment (excluding leasehold improvement and construction in progress)

Refer to note 17 to the consolidated financial statements and the accounting policies on page 60.

The key audit matter	How the matter was addressed in our audit
The Group's property, plant and equipment (excluding leasehold improvement and construction in progress) amounting to approximately RMB1,991,454,000 as at 31 December 2016 are stated at fair value less subsequent accumulated impairment losses and accumulated depreciation. Besides, depreciation expenses amounting to approximately RMB180,501,000 were recognised during the year ended 31 December 2016. Management has estimated the fair value of the above items to be approximately RMB1,991,454,000 as at 31 December 2016 with a revaluation gain of approximately RMB45,744,000 recognised during the year ended 31 December 2016. Independent external valuations were obtained in order to support management's estimates. Also, management has reviewed the depreciation rates annually after taking into consideration factors such as existence of obsolesces in property, plant and equipment which may affect the useful life expectancy of the assets and therefore could have a material impact on any impairment charge or the depreciation charge for the year. We have identified the valuation and useful lives of the above items as a key audit matter because of its significance to the consolidated financial statements and because applying the Group's accounting policies in this area involves a significant degree of judgment by management in considering the factors indicated above which may affect both the carrying amount of the Group's property, plant and equipment as well the depreciation charge for the current year.	Our procedures in relation to management's valuation included assessing the valuation methodologies used and the appropriateness of the key assumptions based on our knowledge of the property industry. We had also checked, on a sample basis, the accuracy and relevance of the input data used. Our procedures in relation to the depreciation rate including challenging the management's assessment on the appropriateness of the depreciation rate used as well as the residual value and considering the potential impact of reasonably possible downside changes in these key assumptions. Besides, we have performed checking on sample basis by physical inspecting whether the property, plant and equipment are kept in good conditions and matched with the key assumptions indicated above.

Impairment assessment on trade receivables

Refer to note 25 to the consolidated financial statements and the accounting policies on page 70.

The key audit matter	How the matter was addressed in our audit
We have identified impairment on trade receivables as a key audit matter because the policy for making such impairment involves significant degree of management judgment and may be subject to management bias. As at 31 December 2016, the Group has outstanding trade receivables of approximately RMB2,392,735,000. These conclusions are dependent upon management judgment in respect of assessing the ultimate realisation of these receivables.	Our procedures were designed to review the management's assessment of the indicators of impairment and challenge the reasonableness of the methods and assumptions used to estimate the allowance for doubtful debts. We have discussed the indicators of possible impairment with the management and, where such indicators were identified, assessing the management's impairment testing. We have challenged the assumptions and critical judgment used by the management by assessing the reliability of the management's past estimates and taking into account the ageing at year end and cash received after year end, as well as the recent creditworthiness of each debtors.

Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the management discussion and analysis (but does not include the consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the chairman's statement, environmental, social and governance ("ESG") report, corporate governance report and report of the directors which are expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the chairman's statement, ESG report, corporate governance report and report of the directors, if we conclude that there is a material misstatement herein, we are required to communicate the matter to those charged with governance and take appropriate action considering our legal rights and obligations.

Responsibilities of Directors of the Company and the Audit Committee for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion, solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.

- Conclude on the appropriateness of the Company's directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Wong Hon Kei, Anthony.

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

Hong Kong
31 March 2017

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
Revenue	8	**4,831,268**	4,101,669
Cost of sales		**(3,989,254)**	(3,515,676)
Gross profit		**842,014**	585,993
Other income	10	**97,907**	105,621
Loss on disposal of subsidiaries	39	**–**	(3,725)
Distribution and selling expenses		**(110,664)**	(111,579)
Administrative and other operating expenses		**(535,290)**	(437,121)
Finance costs	11	**(141,473)**	(126,720)
Share of results of associates		**75,000**	72,578
Profit before tax		**227,494**	85,047
Income tax expense	12	**(68,563)**	(68,311)
Profit for the year	13	**158,931**	16,736
Other comprehensive income (expense)			
Items that will not be reclassified subsequently to profit or loss:			
Surplus on revaluation of property, plant and equipment		**64,556**	52,159
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	**(14,913)**	(11,222)
		49,643	40,719
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translating foreign operations		**(13,289)**	12,255
Share of exchange reserve of associates		**1,903**	(840)
		(11,386)	11,415
Other comprehensive income for the year, net of income tax		**38,257**	52,134
Total comprehensive income for the year		**197,188**	68,870

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
Profit for the year attributable to:			
Owners of the Company		**139,883**	5,232
Non-controlling interests		**19,048**	11,504
		158,931	16,736
Total comprehensive income for the year attributable to:			
Owners of the Company		**175,034**	54,582
Non-controlling interests		**22,154**	14,288
		197,188	68,870
Earnings per share			
Basic and diluted (RMB cents)	16	**34.99**	1.30

Consolidated Statement of Financial Position

As at 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
Non-current assets			
Property, plant and equipment	17	**2,402,874**	2,053,767
Mining rights	18	**–**	–
Other intangible assets	19	**6,119**	8,560
Goodwill	20	**–**	–
Prepaid lease payments	21	**152,527**	156,128
Deposits paid for acquisition of land	22	**9,728**	9,728
Interests in associates	23	**318,029**	343,898
Deposits paid for finance leases	25	**100,388**	59,010
Deferred tax assets	37	**35,485**	16,925
		3,025,150	2,648,016
Current assets			
Inventories	24	**1,683,140**	1,416,942
Trade and other receivables	25	**2,818,878**	2,388,561
Prepaid lease payments	21	**3,653**	3,705
Amounts due from directors	26	**360**	360
Amounts due from related companies	27	**124,626**	83,805
Amounts due from non-controlling interests	28	**308**	308
Amounts due from associates	28	**58,179**	68,029
Financial assets at fair value through profit or loss	29	**1,500**	14,100
Pledged bank deposits	30	**648,772**	491,128
Bank balances and cash	31	**299,738**	235,164
		5,639,154	4,702,102
Current liabilities			
Trade and other payables	32	**3,383,764**	2,707,481
Amounts due to directors	33	**2,995**	2,521
Amounts due to related companies	33	**215,496**	180,981
Amounts due to non-controlling interests	33	**1,475**	1,475
Amounts due to associates	33	**472,094**	535,969
Tax payables		**48,160**	31,826
Bank borrowings	34	**1,661,729**	1,227,246
Obligations under finance leases	35	**299,759**	264,335
		6,085,472	4,951,834
Net current liabilities		**(446,318)**	(249,732)
		2,578,832	2,398,284

	Notes	2016 RMB'000	2015 RMB'000
Capital and reserves			
Share capital	36	**42,012**	42,012
Reserves		**1,923,409**	1,776,735
Equity attributable to owners of the Company		**1,965,421**	1,818,747
Non-controlling interests		**184,198**	162,367
Total equity		**2,149,619**	1,981,114
Non-current liabilities			
Deferred tax liabilities	37	**33,563**	23,234
Obligations under finance leases	35	**222,446**	273,314
Deferred government grants	38	**173,204**	120,622
		429,213	417,170
		2,578,832	2,398,284

The consolidated financial statements on pages 40 to 152 were approved and authorised for issue by the board of directors on 31 March 2017 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 2016

	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 2016	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
Profit for the year	–	–	–	–	–	–	–	139,883	139,883	19,048	158,931
Other comprehensive income (expense)											
Exchange difference arising on translating on foreign operations	–	–	–	–	–	(13,864)	–	–	(13,864)	575	(13,289)
Share of exchange reserve of associates	–	–	–	–	–	1,903	–	–	1,903	–	1,903
Surplus on revaluation of property, plant and equipment	–	–	–	–	61,346	–	–	–	61,346	3,210	64,556
Deferred tax effects arising on revaluation of property, plant and equipment	–	–	–	–	(14,234)	–	–	–	(14,234)	(679)	(14,913)
Other comprehensive income (expense) for the year	–	–	–	–	47,112	(11,961)	–	–	35,151	3,106	38,257
Total comprehensive income (expense) for the year	–	–	–	–	47,112	(11,961)	–	139,883	175,034	22,154	197,188
Dilution of non-controlling interests in a subsidiary (note 40)	–	–	–	–	–	–	(28,360)	–	(28,360)	(323)	(28,683)
Realised on depreciation of property, plant and equipment	–	–	–	–	(3,608)	–	–	3,608	–	–	–
Appropriation to statutory reserves	–	–	–	18,900	–	–	–	(18,900)	–	–	–
At 31 December 2016	**42,012**	**114,092**	**92,545**	**384,625**	**133,699**	**(101,737)**	**(117,927)**	**1,418,112**	**1,965,421**	**184,198**	**2,149,619**
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											
Exchange difference arising on translating 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 2016

	2016 RMB'000	2015 RMB'000
OPERATING ACTIVITIES		
Profit before tax	**227,494**	85,047
Adjustments for:		
Finance costs	**141,473**	126,720
Depreciation of property, plant and equipment	**181,353**	145,831
Impairment loss recognised on trade and other receivables	**37,001**	24,237
Deficits (surplus) arising on revaluation of property, plant and equipment	**18,812**	(5,468)
Amortisation of prepaid lease payments	**3,653**	3,431
Impairment loss recognised on goodwill	**–**	25,957
Gain on disposals of property, plant and equipment	**(6,803)**	(620)
Allowance for inventories	**4,052**	4,552
Amortisation of other intangible assets	**2,441**	478
Imputed interest income on deposits paid for finance leases and other receivables	**(6,352)**	(7,682)
Amortisation of government grants	**(3,778)**	(2,795)
Bank interest income	**(6,888)**	(12,940)
Government grants recognised as income	**(45,220)**	(32,974)
Reversal of impairment loss recognised on trade and other receivables	**(7,242)**	(22,939)
Loss on disposal of subsidiaries	**–**	3,725
Share of results of associates	**(75,000)**	(72,578)
Operating cash flows before movements in working capital	**464,996**	261,982
Increase in inventories	**(270,250)**	(577,424)
Decrease (increase) in financial asset at FVTPL	**12,600**	(14,100)
Increase in trade and other receivables	**(475,354)**	(5,275)
Decrease (increase) in amount due from associates	**8,721**	(301)
Increase in trade and other payables	**675,761**	253,962
Cash generated from (used in) operations	**416,474**	(81,156)
Income tax paid	**(75,373)**	(39,791)
Net cash generated from (used in) operating activities	**341,101**	(120,947)

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
INVESTING ACTIVITIES			
Placement of pledged bank deposits		**(648,772)**	(902,618)
Purchases of property, plant and equipment		**(366,561)**	(228,708)
Advance to related companies		**(23,885)**	(19,632)
Capital injection to an associate		**(2,940)**	–
Capital injection to a subsidiary		**(28,683)**	–
Withdrawal of pledged bank deposits		**491,128**	901,942
Dividends received from associates		**105,712**	82,518
Proceeds from disposal of property, plant and equipment		**4,965**	4,083
Interest received		**6,888**	12,940
Net cash inflow on disposal of subsidiary	39	**–**	3,975
Repayment from directors		**–**	3
Advance to associates		**–**	(26,845)
Purchase of intangible assets		**–**	(4,789)
Acquisition of prepaid lease payments		**–**	(3,497)
Advance to non-controlling interests		**–**	(181)
Net cash used in investing activities		**(462,148)**	(180,809)
FINANCING ACTIVITIES			
New bank borrowings raised		**1,593,561**	1,583,969
Proceeds from sales and leaseback		**299,454**	328,180
Government grants received		**101,580**	32,974
Advance from related companies		**34,515**	58,731
Advance from directors		**474**	140
Repayments of bank borrowings		**(1,149,933)**	(1,585,157)
Repayments of obligations under finance leases		**(463,334)**	(148,314)
Interest paid		**(150,391)**	(121,802)
(Repayment to) advance from associates		**(63,293)**	100,715
Proceeds from disposal of equity interest in a subsidiary that do not result in loss of control	40	**–**	42,693
Payment on repurchase of own shares		**–**	(7,800)
Repayments to non-controlling interests		**–**	(200)
Net cash from financing activities		**202,633**	284,129
Net increase (decrease) in cash and cash equivalents		**81,586**	(17,627)
Cash and cash equivalents at the beginning of the year		**235,164**	250,894
Effect of foreign exchange rate changes		**(17,012)**	1,897
Cash and cash equivalents at the end of the year, represented by bank balances and cash		**299,738**	235,164

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 49.

2. Basis of Preparation of Consolidation Financial Statements

Notwithstanding that the Group had incurred net current liabilities of approximately RMB446,318,000 as at 31 December 2016, 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 RMB472,094,000 as at 31 December 2016 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 2016, the Group has unutilised available banking facilities of approximately RMB490,272,000. Subsequent to the end of reporting period, the Group has further obtained the additional banking facilities of approximately RMB100,000,000 successfully from two PRC banks; and

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

(iii) The bank borrowings of approximately RMB230,000,000 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 in five years after the reporting date in accordance with the scheduled repayment dates set out in the loan agreements; and

(iv) The Group will generate positive cash flows from its operations

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 2016. 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 2012 – 2014 Cycle
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations

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

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

New and revised HKFRSs issued but not yet effective

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

HKFRS 9 (2014)	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]
HKFRS 16	Leases[3]
Amendments to HKAS 7	Disclosure Initiative[1]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[2]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014 – 2016 Cycle[5]

1 *Effective for annual periods beginning on or after 1 January 2017.*
2 *Effective for annual periods beginning on or after 1 January 2018.*
3 *Effective for annual periods beginning on or after 1 January 2019.*
4 *Effective date not yet been determined.*
5 *Effective for annual periods beginning on of after 1 January 2017 or 1 January 2018, as appropriate.*

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.

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.

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)*

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.

- 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.

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)*

- 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 (2014) 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.

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 an impact on amounts reported in respect of the Group's financial assets in relation to the impairment assessment on trade receivables, with the potential early recognition of credit losses based on the expected loss model in relation to the Group's financial assets measured at amortised costs. The directors of the Company are in the process of assessing the impact of HKFRS 9 (2014) on the consolidated financial statements.

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

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

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.

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.

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosure are required by HKFRS 15.

The directors of the Company are in the process of assessing the impact of HKFRS 15 on the consolidated financial statements.

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

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

HKFRS 16 Leases

HKFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessors and lessees.

In respect of the lessee accounting, the standard introduces a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases with the lease term of more than 12 months, unless the underlying asset has a low value.

At the commencement date of the lease, the lessee is required to recognise a right-of-use asset at cost, which consists of the amount of the initial measurement of the lease liability, plus any lease payments made to the lessor at or before the commencement date less any lease incentives received, the initial estimate of restoration costs and any initial direct costs incurred by the lessee. A lease liability is initially recognised at the present value of the lease payments that are not paid at that date.

Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability. Lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payment made, and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments. Depreciation and impairment expenses, if any, on the right-of-use asset will be charged to profit or loss following the requirements of HKAS 16 Property, Plant and Equipment, while interest accrual on lease liability will be charged to profit or loss.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17 Leases. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

HKFRS 16 will supersede the current lease standards including HKAS 17 Leases and the related interpretations when it becomes effective. HKFRS 16 will be effective for annual periods beginning on or after 1 January 2019 with early application permitted provided that the entity has applied HKFRS 15 Revenue from Contracts with Customers at or before the date of initial application of HKFRS 16.

The directors of the Company are in the process of assessing the impact of HKFRS 16 on the consolidated financial statements.

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

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

Amendments to HKAS 12 Recognition of Deferred Tax Assets for Unrealised Losses

The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset.

The amendments also provide guidance on how an entity should determine future taxable profits to support the recognition of a deferred tax asset arising from a deductible temporary difference.

Amendments to HKAS 12 will become effective for annual periods beginning on or after 1 January 2017 with early application permitted. The amendments are to be applied retrospectively.

The directors of the Company anticipate that the application of Amendments to HKAS 12 will have a material effect on the Group's consolidated financial statements in relation of deferred tax effect from unrealised loss on the intragroup transaction.

Amendment to HKAS 7 Disclosure Initiative

The amendments require entites to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments do not prescribe a specific method to fulfil the new disclosure requirements. However, the amendents indicate that one way is to provide reconciliation between the opening and closing balances for liabilities arising from financing activities.

Amendment to HKAS 7 will become effective for annual periods beginning on or after 1 January 2017 with early application permitted.

The directors of the Company anticipate that the application of Amendments to HKAS 7 will result in additional disclosures on the Group's financing activities, especially reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities will be provided on application.

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 and services.

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.

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)

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 applicable HKFRSs).

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.

Property, plant and equipment

Property, plant and equipment including leasehold land 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.

4. Significant Accounting Policies (Continued)

Property, plant and equipment (Continued)

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 a revalued asset, 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.

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.

4. Significant Accounting Policies (Continued)

Leasing

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

The Group as lessee

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

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

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

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease.

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.

4. Significant Accounting Policies (Continued)

Foreign currencies

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

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

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency (i.e. RMB) of the Group at the 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 retranslated 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.

4. Significant Accounting Policies (Continued)

Government grants

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

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

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

Retirement benefit costs and termination benefits

Payments to defined contribution 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.

4. Significant Accounting Policies (Continued)

Taxation

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

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

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group 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.

4. Significant Accounting Policies (Continued)

Taxation (Continued)

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

Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses (if any). 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.

4. Significant Accounting Policies (Continued)

Intangible assets (Continued)

Internally-generated intangible assets – research and development expenditure *(Continued)*

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 recognised 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.

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.

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 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 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 assets 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.

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.

4. Significant Accounting Policies (Continued)

Financial instruments (Continued)

***Financial assets** (Continued)*

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables including trade and other receivables, pledged bank deposits, bank balances and cash, amounts due from directors, related companies, non-controlling interests and 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 other than those at FVTPL are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

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

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

4. Significant Accounting Policies (Continued)

Financial instruments (Continued)

***Financial assets** (Continued)*

Impairment loss on financial assets (Continued)

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

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

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.

4. Significant Accounting Policies (Continued)

Financial instruments (Continued)

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

Equity instruments (Continued)

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 and 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.

Financial guarantee contracts

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

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

4. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

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.

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.

4. Significant Accounting Policies (Continued)

Financial instruments (Continued)

***Fair value measurement** (Continued)*

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 and disclosures made in the consolidated financial statements.

Going concern and liquidity

As explained in note 2, the consolidated financial statements have been prepared on a going concern basis and do not included any adjustments that would be required should the Group fail to continue as a going concern since the directors of the Company are satisfied that the liquidity of the Group can be maintained in the coming year 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 2016.

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

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

Application of cost approach on revaluation of buildings of the Group

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

Significant influence over an associate

As per note 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.

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, an impairment loss in respect of goodwill of approximately RMB25,957,000 (2016: nil) was recognised. As at 31 December 2015, the carrying amount of goodwill is nil (2016: nil), net of accumulated impairment loss of approximately RMB33,205,000 (2015: RMB33,205,000) as detailed 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 2016, the carrying amounts of the property, plant and equipments measured at fair value is approximately RMB1,991,454,000 (2015: RMB1,861,150,000).

Income tax

As at 31 December 2016, no deferred tax asset has been recognised on the tax losses of approximately RMB590,387,000 (2015: RMB456,778,000) 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 2016, an impairment loss in respect of trade and other receivables of approximately RMB17,882,000 and 19,119,000 respectively (2015: RMB22,603,000 and RMB1,634,000 respectively) were recognised. No impairment loss in respect of amounts due from related companies and associates were recognised during the years ended 31 December 2016 and 2015. As at 31 December 2016, the carrying amount of trade receivables is approximately RMB2,392,735,000 (2015: RMB1,841,418,000), net of allowance for doubtful debts of approximately RMB131,687,000 (2015: RMB121,047,000). As at 31 December 2016, the carrying amount of other receivables is approximately RMB486,469,000 (2015: RMB588,453,000), net of allowance for doubtful debts of approximately RMB23,507,000 (2015: RMB4,388,000). As at 31 December 2016, the carrying amount of amounts due from related companies and associates are approximately RMB124,626,000 and RMB58,179,000 respectively (2015: RMB83,805,000 and RMB68,029,000), net of allowance for doubtful debts of RMB1,096,000 and nil (2015: 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 2016 is approximately RMB1,500,000 (2015: RMB14,100,000). 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 judgement and are satisfied that the assumptions used in the valuation reflect market condition. Changes to these assumptions would result in changes in the fair values of the Group's financial guarantee and the corresponding adjustments to the amount of liability reported in the consolidated statement of financial position. No recognition of financial guarantee as at 31 December 2016 and 2015.

Estimated impairment on interests in associates

Where there is objective evidence of impairment loss, 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 2016, the carrying amount of interests in associates is approximately RMB318,029,000 (2015: RMB343,898,000). No impairment loss was recognised during the years ended 31 December 2016 and 2015.

Allowance for obsolete inventories

As at 31 December 2016, the carrying amount of inventories are approximately RMB1,683,140,000 (2015: RMB1,416,942,000), net of accumulated allowance for obsolete inventories of approximately RMB20,762,000 (2015: RMB16,710,000). During the year ended 31 December 2016, an impairment loss in respect of inventories of approximately RMB4,052,000 (2015: RMB4,552,000) 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-adjusted capital ratio below 200%.

The net debt-to-adjusted capital ratio at 31 December 2016 and 2015 are as follows:

	2016 **RMB'000**	2015 RMB'000
Amounts due to directors, related companies, non-controlling interests and associates	**692,060**	720,946
Obligations under finance leases	**522,205**	537,649
Bank borrowings	**1,661,729**	1,227,246
Total debts	**2,875,994**	2,485,841
Bank balances and cash	**(299,738)**	(235,164)
Net debts	**2,576,256**	2,250,677
Total equity	**2,149,619**	1,981,114
Net debt-to adjusted capital ratio	**120%**	113%

7. Financial Instruments

(a) Categories of financial instruments

	2016 RMB'000	2015 RMB'000
Financial assets		
Financial asset at FVTPL	**1,500**	14,100
Loans and receivables (including cash and cash equivalents)	**3,887,109**	3,106,255
	3,888,609	3,120,355
Financial liabilities		
Financial liabilities at amortised cost	**6,025,569**	4,953,974

(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.

Market risk

Currency risk

The majority of trade and other receivables, 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.

7. Financial Instruments (Continued)

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

***Market risk** (Continued)*

Currency risk (Continued)

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 sales and purchases are denominated in currencies other than the functional currency of the group entity making the purchases for both years.

At 31 December 2016 and 2015, 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:

	2016			2015		
	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$")	**265**	**–**	**265**	192	–	192
United States Dollar ("US$")	**44,824**	**(157,873)**	**(113,049)**	110,920	(158,964)	(48,044)

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

Sensitivity analysis

The following table details the Group's sensitivity to a 10% (2015: 10%) increase or decrease in RMB against the relevant foreign currencies. 10% (2015: 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% (2015: 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.

7. Financial Instruments (Continued)

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

Market risk *(Continued)*

Sensitivity analysis (Continued)

A positive number below indicates an increase (2015: increase) in post-tax profit for the year where RMB weakening 10% (2015: 10%) against the relevant currency. For a 10% (2015: 10%) strengthening of RMB 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:

	2016	2015
	RMB'000	RMB'000
HK$	**20**	14
US$	**(8,479)**	(3,603)

Interest rate risk

As at 31 December 2016 and 2015, the Group is exposed to fair value interest rate risk in relation to fixed-rate bank borrowings (note 34).

As at 31 December 2016 and 2015, 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 and the fluctuation of London Interbank Offer Rate arising from the Group's USD denominated bank borrowings.

7. Financial Instruments (Continued)

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

***Market risk** (Continued)*

Interest rate risk (Continued)

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 (2015: 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, pledged bank deposits and bank borrowings had been 100 basis points (2015: 100 basis points) higher/lower and all other variables held constant, the Group's post-tax profit for the year ended 31 December 2016 would decrease/increase by approximately RMB1,515,000 (2015: decrease/increase by approximately RMB149,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rates bank borrowings.

Credit risk

As at 31 December 2016, 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.

7. Financial Instruments (Continued)

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

Credit risk *(Continued)*

As at 31 December 2016, the Group maximum exposure to credit risk in respect of the financial guarantee provided by the Group is arising from the amount of contingent liabilities as disclosed in note 47. As assessed by the directors of the Company, the guarantees are enterprises with strong financial position and/or with high credit rating as at 31 December 2016 and 2015. 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.

The credit risk on amounts due from directors, amounts due from related companies, amounts due from non-controlling interests and amounts due from associates are limited because the balances are regularly reviewed and settled.

The counterparties of the Group are mainly in the PRC which accounted for 99% (2015: 99%) of the total trade receivables as at 31 December 2016. However, the concentration of credit risk by geographical locations is limited as the counterparties are spread over among different cities and provinces in the PRC as at 31 December 2016 and 2015.

The Group has concentration of credit risk as 1% (2015: 9%) and 18% (2015: 18%) 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.

7. Financial Instruments (Continued)

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

Liquidity risk

As at 31 December 2016, the Group is exposed to liquidity risk as the Group had net current liabilities of approximately RMB446,318,000 (2015: RMB249,732,000).

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 2016					
Trade and other payables	3,149,575	–	–	3,149,575	3,149,575
Amounts due to directors	2,995	–	–	2,995	2,995
Amounts due to related companies	215,496	–	–	215,496	215,496
Amounts due to non-controlling interests	1,475	–	–	1,475	1,475
Amounts due to associates	472,094	–	–	472,094	472,094
Bank borrowings with fixed interest rate	540,195	–	–	540,195	528,855
Bank borrowings with variable interest rate	926,645	–	–	926,645	902,874
Bank borrowings with variable interest rate 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)	240,269	–	–	240,269	230,000
Obligations under finance leases	321,440	212,162	16,801	550,403	522,205
Financial guarantee contracts (note 47)	554,940	–	–	554,940	–
	6,425,124	212,162	16,801	6,654,087	6,025,569

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	2,468,133	–	–	2,468,133	2,468,133
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 with variable interest rate 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	–
	5,367,916	206,813	83,376	5,658,105	4,953,974

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 2016, the aggregate undiscounted principal amounts of these bank borrowings amounted to approximately RMB230,000,000 (2015: RMB77,420,000). 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 RMB240,269,000 (2015: RMB79,435,000).

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 are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

(c) Fair value measurements recognised in the consolidated statements of financial position

The following table provides an analysis of financial instruments that are measured at fair value at the end of each reporting period for recurring and non-recurring measurement, grouped into Levels 2 and 3 based on the degree to which the fair value is observable in accordance to the Group's accounting policy.

7. Financial Instruments (Continued)

(c) Fair value measurements recognised in the consolidated statements of financial position (Continued)

	As at 31 December 2016 Level 2 RMB'000
Financial assets at FVTPL	
Unlisted funds	**1,500**

	As at 31 December 2015 Level 2 RMB'000
Financial assets at FVTPL	
Unlisted funds	14,100

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).

Financial Instrument	**Fair value hierarchy**	**Fair value as at**		**Valuation technique and key inputs**	**Significant unobservable inputs**
		2016 RMB'000	2015 RMB'000		
Financial assets at FVTPL – Unlisted funds	Level 2	**1,500**	14,100	Redemption value quoted by the relevant financial institutions	N/A

7. Financial Instruments (Continued)

(c) Fair value measurements recognised in the consolidated statements of financial position (Continued)

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

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

The directors of the Company consider that the carrying amounts of 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, for the year. An analysis of the Group's revenue for the year is as follows:

	2016 **RMB'000**	2015 RMB'000
Sealed lead acid batteries and related accessories	**792,126**	625,628
Lithium-ion batteries	**3,597,541**	3,039,445
Nickel batteries	**120,386**	115,500
Others	**321,215**	321,096
	4,831,268	4,101,669

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. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

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

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

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 had ceased the mining activities after the disposal of a subsidiary and was included in other segment in prior years. During the year ended 31 December 2015, included in the loss for the year of approximately RMB49,000 was attributable to the disposed subsidiary (2016: nil). 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)

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 2016

	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	792,126	3,597,541	120,386	321,215	–	4,831,268
Inter-segment sales	153,276	1,080,584	6,431	32,318	(1,272,609)	–
Segment revenue	945,402	4,678,125	126,817	353,533	(1,272,609)	4,831,268
Segment (loss) profit	(90,994)	346,905	5,439	41,105	–	302,455
Unallocated operating income and expenses						(8,450)
Impairment loss recognised on other receivables						(13,278)
Bank interest income						6,888
Imputed interest income on deposit paid for finance leases and other receivables						6,352
Finance costs						(141,473)
Share of results of associates						75,000
Profit before tax						227,494

9. Segment Information (Continued)

Segment revenue and results (Continued)

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 profit (loss)	(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)

Segment revenue and results (Continued)

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 4. Segment profit (loss) represents the profit earned by/(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, impairment loss recognised on other receivables, loss on disposal of subsidiaries, 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.

Segment assets and liabilities

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

Segment assets

	2016 **RMB'000**	2015 RMB'000
Sealed lead acid batteries and related accessories	**1,805,228**	1,750,700
Lithium-ion batteries	**4,700,312**	3,681,991
Nickel batteries	**88,408**	90,212
Others	**583,131**	533,339
Total segment assets	**7,177,079**	6,056,242
Interest in associates	**318,029**	343,898
Corporate and other assets	**1,169,196**	949,978
Total assets	**8,664,304**	7,350,118

9. Segment Information (Continued)

Segment assets and liabilities (Continued)

Segment liabilities

	2016 RMB'000	2015 RMB'000
Sealed lead acid batteries and related accessories	**331,828**	300,429
Lithium-ion batteries	**2,860,230**	2,219,411
Nickel batteries	**68,830**	64,944
Others	**285,742**	226,957
Total segment liabilities	**3,546,630**	2,811,741
Corporate and other liabilities	**2,968,055**	2,557,263
Total liabilities	**6,514,685**	5,369,004

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 and 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 and associates, obligations under finance leases, tax payables, bank borrowings, deferred tax liabilities and other corporate liabilities.

9. Segment Information (Continued)

Other segment information

For the year ended 31 December 2016

	Sealed lead acid batteries and related accessories RMB'000	Lithium-ion Batteries RMB'000	Nickel batteries RMB'000	Others RMB'000	Unallocated RMB'000	Total RMB'000
Amount include in the measure of segment profit or segment assets:						
Additions to non-current assets (note)	44,896	420,780	1,840	21,373	–	488,889
Depreciation and amortisation	22,066	147,785	2,203	15,393	–	187,447
Allowance for inventories	–	673	–	3,379	–	4,052
Impairment loss recognised on trade and other receivables	10,070	10,652	–	3,001	13,278	37,001
Deficits arising on revaluation of property, plant and equipment	1,822	2,841	2,016	12,133	–	18,812
Reversal of impairment loss recognised on trade and other receivables	(1,184)	(3,473)	(245)	(2,340)	–	(7,242)
Gain on disposals of property, plant and equipment	(6,803)	–	–	–	–	(6,803)
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	(895)	(5,310)	(92)	(588)	(3)	(6,888)
Investment income from financial assets at FVTPL	–	–	–	(202)	–	(202)
Imputed interest income on deposits paid for finance leases and other receivables	(237)	(6,115)	–	–	–	(6,352)
Finance costs	25,841	111,091	526	595	3,420	141,473
Interest in associates	–	2,739	–	315,290	–	318,029
Share of result of associates	2,689	201	–	(77,890)	–	(75,000)
Income tax expenses	13,318	36,064	323	18,858	–	68,563

9. Segment Information (Continued)

Other segment information (Continued)

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	Total RMB'000
Amount include in the measure of segment profit or segment assets:						
Additions to non-current assets (note)	57,781	346,904	8,052	40,002	–	452,739
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
Deficits (surplus) 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 expenses	15,480	31,854	1,732	19,245	–	68,311

Note: Non-current assets included plant and equipment, prepaid lease payment and other intangible assets for the years ended 31 December 2016 and 2015.

9. Segment Information (Continued)

Geographical segment

During the years ended 31 December 2016 and 2015, the Group's operations are mainly located in the PRC, Taiwan, India and others.

Information about the Group's revenue from external customers is presented based on the location of the operations. Information about the Group's non-current assets is presented based on the geographical location of the assets.

	Revenue from external customers		Non-current assets	
	2016 RMB'000	2015 RMB'000	**2016 RMB'000**	2015 RMB'000
The PRC	**2,983,264**	2,641,454	**2,484,690**	2,083,183
Taiwan	**664,293**	449,206	**–**	–
India	**407,146**	539,637	**153,737**	147,500
Other countries	**776,565**	471,372	**250,850**	341,398
	4,831,268	4,101,669	**2,889,277**	2,572,081

Note: Non-current assets exclude deposits paid for finance leases and deferred tax assets.

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total revenue of the Group is as follows:

	2016 RMB'000	2015 RMB'000
Customer A[1]	**521,651**	N/A[2]

[1] Revenue from Lithium-ion batteries segment for the year ended 31 December 2016.

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

10. Other Income

	2016 RMB'000	2015 RMB'000
Bank interest income	**6,888**	12,940
Investment income from financial assets at FVTPL	**202**	311
Gain on disposals of property, plant and equipment	**6,803**	620
Reversal of impairment loss recognised on trade and other receivables (note 25)	**7,242**	22,939
Government grants recognised as income (Note)	**45,220**	32,974
Amortisation of government grants (note 38)	**3,778**	2,795
Exchange gain, net	**12,837**	14,068
Surplus arising on revaluation of property, plant and equipment, net (note 17)	**–**	5,468
Imputed interest income on deposits paid for finance leases and other receivables	**6,352**	7,682
Refund of value-added tax	**2,143**	994
Sundry income	**6,442**	4,830
	97,907	105,621

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

	2016 RMB'000	2015 RMB'000
Interests on:		
– bank borrowings	**113,235**	100,475
– obligations under finance leases	**37,156**	21,327
– imputed interest on deposits paid for finance leases	**783**	8,247
Total borrowing costs	**151,174**	130,049
Less: amounts capitalised	**(9,701)**	(3,329)
	141,473	126,720

Borrowing cost capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 7.58% (2015: 7.40%) per annum to expenditure on qualifying assets.

12. Income Tax Expenses

	2016 RMB'000	2015 RMB'000
Current tax:		
PRC Enterprise Income Tax ("EIT")	**91,435**	53,826
Under-provision in prior years:		
PRC EIT	**272**	5,149
Deferred taxation (note 37)	**(23,144)**	9,336
	68,563	68,311

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 2016 and 2015, certain subsidiaries of the Group were recognised as high technology enterprise and obtained a preferential tax rate of 15%. The tax authority grants for three years and will be expired in 2017/18.

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:

	2016 RMB'000	2015 RMB'000
Profit before taxation	**227,494**	85,047
Tax at the applicable income tax rate at 25%	**56,873**	21,261
Tax effect of share of results of associates	**(18,750)**	(18,145)
Tax effect of income not taxable	**(3,683)**	(9,542)
Tax effect of expenses not deductible	**5,870**	13,899
Tax effect of tax losses not recognised	**41,749**	66,058
Utilisation of tax losses previously not recognised	**(6,788)**	(508)
Under-provision in prior years	**272**	5,149
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(6,980)**	(9,861)
Income tax expense for the year	**68,563**	68,311

Details of the deferred taxation are set out in note 37.

13. Profit for the Year

Profit for the year has been arrived at after charging:

	2016 RMB'000	2015 RMB'000
Directors' and chief executive's emoluments (note 14)	**1,818**	1,521
Retirement benefit scheme contributions (excluding contributions for directors)	**84,978**	76,441
Other staff costs	**763,405**	634,931
Total employee benefit expenses	**850,201**	712,893
Amortisation of prepaid lease payments (included in administrative expenses)	**3,653**	3,431
Depreciation of property, plant and equipment	**181,353**	145,831
Amortisation of other intangible assets (included in administrative expenses)	**2,441**	478
Total depreciation and amortisation	**187,447**	149,740
Auditor's remuneration	**2,244**	2,111
Deficit arising on revaluation of property, plant and equipment, net (note 17)	**18,812**	–
Research and development costs recognised as expense (included in administrative expenses)	**115,339**	104,476
Minimum lease payments under operating leases in respect of premises	**13,405**	10,975
Share of income tax expense from associates	**28,154**	37,193
Impairment loss recognised on goodwill (included in administrative expenses) (note 20)	**–**	25,957
Impairment loss recognised on trade and other receivables	**37,001**	24,237
Allowance for inventories (included in cost of sales)	**4,052**	4,552
Amount of inventories recognised as an expense	**3,985,202**	3,511,124

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

(a) Directors' and chief executive's emoluments

The emoluments paid or payable to each director and the chief executive were as follows:

Emoluments paid or receivable in respect of a persons' services as a director, whether of the Company or its subsidiary undertaking:

	Fees RMB'000	Salaries and other benefits RMB'000	Retirement benefits scheme contributions RMB'000	Total RMB'000
Year ended 31 December 2016				
Executive directors				
Mr. Song Dian Quan	–	445	8	453
Ms. Luo Ming Hua (note)	–	263	–	263
Mr. Li Ke Xue	–	209	–	209
Mr. Xing Kai	–	259	23	282
Mr. Zhang Li Ming	–	478	13	491
Mr. Liu Xing Quan	–	120	–	120
Independent non-executive directors				
Mr. Li Zhen Lin	–	–	–	–
Dr. Yin Ge Ping	–	–	–	–
Mr. Xiao Jian Min	–	–	–	–
Total	–	1,774	44	1,818

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

(a) Directors' and chief executive's emoluments (Continued)

	Fees RMB'000	Salaries and other benefits RMB'000	Retirement benefits scheme contributions RMB'000	Total RMB'000
Year ended 31 December 2015				
Executive directors				
Mr. Song Dian Quan	–	264	24	288
Ms. Luo Ming Hua (note)	–	252	24	276
Mr. Li Ke Xue	–	252	–	252
Mr. Xing Kai	–	204	24	228
Mr. Zhang Li Ming	–	446	13	459
Mr. Liu Xing Quan	–	–	–	–
Independent non-executive directors				
Mr. Li Zhen Lin	–	–	–	–
Dr. Yin Ge Ping	–	–	–	–
Mr. Xiao Jian Min	18	–	–	18
Total	18	1,418	85	1,521

Note: Ms. Luo Ming Hua is also the chief executive of the Company for the years ended 31 December 2016 and 2015 and her emoluments disclosed above include those for services rendered by her as chief executive.

No directors and chief executive of the company waived or agreed to waive any emoluments during the years ended 31 December 2016 and 2015.

14. Directors' and Chief Executive's and employees' emoluments (Continued)

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, two (2015: one) was the directors of the Company whose emoluments are set out in note 14(a) above. The emoluments of the remaining three (2015: four) individuals are as follows:

	2016 RMB'000	2015 RMB'000
Salaries and other benefits	**1,931**	2,106
Retirement benefits scheme contributions	**46**	58
	1,977	2,164

The emoluments of the remaining three (2015: four) individuals with the highest emoluments are within the following bands:

	2016 Number of individuals	2015 Number of Individuals
RMB nil to RMB1,000,000	**3**	4

During the years ended 31 December 2016 and 2015, 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 of the company 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 2016, nor has any dividend been proposed since the end of the reporting period (2015: 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:

	2016	2015
Profit for the year attributable to the owners of the Company (RMB'000)	**139,883**	5,232
Weighted average number of ordinary shares ('000)	**399,734**	403,157

(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 2016 and 2015.

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 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 and 1 January 2016	4,985	13,932	831,055	977,030	29,766	9,367	191,585	2,057,720
Exchange Adjustments	8	556	3,040	2,196	172	26	13	6,011
Additions	–	–	517	221,024	5,978	3,045	258,325	488,889
Transfers	–	–	–	38,691	–	–	(38,691)	–
Disposals	–	–	(4,346)	(13,115)	(1,450)	(1,720)	–	(20,631)
Revaluation	–	(556)	5,690	(120,144)	(5,784)	(2,816)	–	124,310
At 31 December 2016	**4,993**	**13,932**	**835,956**	**1,104,982**	**28,682**	**7,902**	**411,232**	**2,407,679**

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 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 and 1 January 2016	3,953	–	–	–	–	–	–	3,953
Charge for the year	852	–	30,868	141,559	6,288	1,786	–	181,353
Eliminated on disposals	–	–	(270)	(7,264)	(1,437)	(1,476)	–	(10,447)
Eliminated on revaluation	–	–	(30,598)	(134,295)	(4,851)	(310)	–	(170,054)
At 31 December 2016	**4,805**	**–**	**–**	**–**	**–**	**–**	**–**	**4,805**
Carrying values								
At 31 December 2016	**188**	**13,932**	**835,956**	**1,104,982**	**28,682**	**7,902**	**411,232**	**2,402,874**
At 31 December 2015	1,032	13,932	831,055	977,030	29,766	9,367	191,585	2,053,767

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 RMB1,104,982,000 includes an amount of approximately RMB682,141,000 (2015: RMB977,030,000 includes an amount of approximately RMB547,867,000) 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 (2016: nil).

The fair value of property, plant and equipment other than leasehold improvements and construction in progress were revalued at 31 December 2016 and 2015 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 RMB456,576,000 (31 December 2015: RMB471,785,000) to secure general banking facilities granted to the Group.

The surplus arising on revaluation of property, plant and equipment was approximately RMB45,744,000 (2015: RMB57,627,000), which are summarised as follows:

	2016 **RMB'000**	2015 RMB'000
(Deficits) surplus recognised in the consolidated statements of profit or loss	**(18,812)**	5,468
Surplus recognised in the consolidated statement of other comprehensive income		
– attributable to owners of the Company	**61,372**	52,715
– attributable to non-controlling interests	**3,184**	(556)
	64,556	52,159
Total surplus arising on revaluation of property, plant and equipment	**45,744**	57,627

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, furnitures 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 2016 and 2015 are as follows:

Property, plant and equipment	Fair value hierarchy	Fair value as at 2016 RMB'000	Fair value as at 2015 RMB'000	Valuation technique and key inputs	Significant unobservable inputs
Freehold land	Level 2	**13,932**	13,932	Market Approach – by reference to recent sale price of comparable freehold land in similar market	N/A
Buildings	Level 3	**835,956**	831,055	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 hierarchy	Fair value as at 2016 RMB'000	Fair value as at 2015 RMB'000	Valuation technique and key inputs	Significant unobservable inputs
Plant and machinery, and motor vehicle	Level 2	**1,112,884**	986,397	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	Level 3	**28,682**	29,766	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 2016 and 2015.

There was no transfer between levels of fair value hierarchy during the years ended 31 December 2016 and 2015.

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:

	2016 RMB'000	2015 RMB'000
Opening balance, 1 January	**860,821**	624,923
Exchange realignment	**3,212**	1,336
Depreciation charged	**(37,156)**	(35,994)
Gain (losses)		
– In profit or loss	**4,131**	5,109
– In other comprehensive income	**31,224**	49,854
Addition (including transfer from construction in progress)	**6,495**	215,827
Disposals (including disposal of subsidiaries)	**(4,089)**	(234)
Closing balance, 31 December	**864,638**	860,821

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**
2016						
Cost	**11,705**	**884,588**	**1,826,424**	**84,014**	**33,993**	**2,840,724**
Accumulated depreciation	**–**	**(238,917)**	**(741,156)**	**(53,301)**	**(27,331)**	**(1,060,705)**
	11,705	**645,671**	**1,085,268**	**30,713**	**6,662**	**1,780,019**

	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

18. Mining Rights

	RMB'000
Cost	
At 1 January 2015	8,800
Derecognised on disposal of subsidiaries (note 39)	(8,800)
At 31 December 2015 and 31 December 2016	–
Amortisation	
At 1 January 2015	8,800
Derecognised on disposal of subsidiaries (note 39)	(8,800)
At 31 December 2015 and 31 December 2016	–
Carrying values	
At 31 December 2016	**–**
At 31 December 2015	–

The mining rights represented the rights to conduct mining activities in Henan, the PRC. During the year ended 31 December 2015, the mining rights had been derecognised upon the disposal of subsidiaries. Details are set out in note 39.

19. Other Intangible Assets

	Patents, trademarks and software RMB'000 (Note a)	Online games licensing rights RMB'000 (Note b)	Total RMB'000
Cost			
At 1 January 2015	10,176	–	10,176
Additions	72	4,717	4,789
At 31 December 2015 and 2016	10,248	4,717	14,965
Amortisation			
At 1 January 2015	5,927	–	5,927
Charge for the year	85	393	478
At 31 December 2015	6,012	393	6,405
Charge for the year	83	2,358	2,441
At 31 December 2016	**6,095**	**2,751**	**8,846**
Carrying values			
At 31 December 2016	**4,153**	**1,966**	**6,119**
At 31 December 2015	4,236	4,324	8,560

Note a: 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.

Note b: 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.

20. Goodwill

	2016 RMB'000	2015 RMB'000
Cost		
At 1 January and 31 December	**33,205**	33,205
Accumulated impairment losses		
At 1 January	**33,205**	7,248
Impairment loss recognised during the year	**–**	25,957
At 31 December	**33,205**	33,205
Carrying value		
At 31 December	**–**	–

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 2016 and 2015 allocated to these units are as follow:

	2016 RMB'000	2015 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")	**–**	–
	–	–

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

* The English translation is for identification purposes only.

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 was approximately RMB30,817,000 had been determined based on a value-in-use calculation. The value-in-use was calculated based on discounted cash flow projection, which was 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 represented 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 was approximately RMB17,940,000 and had been determined on the basis of value-in-use calculation. The value-in-use was calculated based on discounted cash flow projection, which was prepared on the basis of financial budget approved by management of QJC covering a 5-year period with a average growth rate of 9% and a steady 3% growth rate for budget beyond 5-year period. The growth rate was 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% per annum, which represented 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 was 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 had been recognised during the year ended 31 December 2015.

21. Prepaid Lease Payments

The carrying amount of prepaid lease payments of the Group analysed for reporting purposes as:

	2016 RMB'000	2015 RMB'000
Current assets	**3,653**	3,705
Non-current assets	**152,527**	156,128
	156,180	159,833

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 RMB36,825,000 (2015: RMB37,748,000) to secure general banking facilities granted to the Group.

22. Deposits Paid for Acquisition of Land

For the year ended 31 December 2016, deposits of approximately RMB9,728,000 (2015: RMB9,728,000) 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 (2016: nil) has been transferred to prepaid lease payments as the land use right certificates have been obtained.

23. Interests in Associates

	2016 RMB'000	2015 RMB'000
Cost of investment in associates – unlisted	**36,320**	33,380
Share of post acquisition profit and other comprehensive income, net of dividends received	**281,709**	310,518
	318,029	343,898

23. Interests in Associates (Continued)

At 31 December 2016 and 2015, 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 power held by the Group		Principal activities
			2016	2015	**2016**	2015	
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
MR Gamez Corporation ("MR Gamez") (note i)	Incorporated	People's Republic of Korea	**25.91%**	–	**25.91%**	–	Sales and distribution of online games
Russia (Golden Stone) Limited Liability Company ("RLL")	Incorporated	Russia	**20.00%**	20.00%	**20.00%**	20.00%	Mining
瀋陽東北 Shenyang Dongbei Storage Battery Company Ltd.*	Incorporated	PRC	**19.00%**	19.00%	**19.00%**	19.00%	Manufacture and sales of sealed lead acid batteries
秦皇島科斯特新能源汽車制造有限公司 Qinhuangdao Coslight New Energy Motor Manufacturing Co., Ltd.* ("Qinhuangdao Coslight") (note ii)	Incorporated	PRC	**49.00%**	–	**49.00%**	–	Manufacturing and sales of motor vehicles

* The English translation is for identification purposes only.

Note i) On 16 February 2016, Tianjin Mo Huan acquired 52% equity interest in MR Gamez from an independent third party, with a cash consideration of RMB5,000,000. After the acquisition, MR Gamz becomes one of the associates of the Group and has been accounted for using equity method. The effective interest in MR Gamez of the Group is 25.91%.

23. Interests in Associates (Continued)

Note ii) On 4 February 2016, a subsidiary of the Company entered into an agreement with an independent third party to establish a PRC company, Qinhuangdao Coslight. According to the agreement, both parties have to contribute total capital of RMB20,000,000. The subsidiary of the Company committed to contribute RMB9,800,000, representing 49% equity interest in Qinhuangdao Coslight. After the completion of the capital contribution, Qinhuangdao Coslight became one of the associates of the Group and has been accounted for using equity method. During the year ended 31 December 2016, both parties only contribute RMB6,000,000 for the consideration, the Group's capital commitment of its associate was is RMB6,860,000.

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.

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

	2016 **RMB'000**	2015 RMB'000
Current assets	**207,433**	732,568
Non-current assets	**676,280**	186,703
Current liabilities	**(174,075)**	(157,622)
Non-current liabilities	**(76,905)**	(76,905)

	2016 **RMB'000**	2015 RMB'000
Revenue	**330,768**	432,539
Profit for the year	**156,313**	166,633
Other comprehensive income (expense) for the year	**3,818**	(1,686)
Total comprehensive income for the year	**160,131**	164,947
Dividends received from the associate during the year	**(105,712)**	(82,518)

23. Interests in Associates (Continued)

Summarised financial information of material associates (Continued)

***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 Associate Group recognised in consolidated financial statements is set out below:

	2016 **RMB'000**	2015 RMB'000
Net assets of the associates	**632,733**	684,744
Proportion of the Group's ownership interest in Associate Group	**49.83%**	49.83%
Carrying amount of the Group's interest in Associate Group	**315,291**	341,207

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, Tianjin Mo Huan and MR Gamez.

The Group's interests in associates, except for 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.

	2016 **RMB'000**	2015 RMB'000
The Group's share of loss for the year	**(2,891)**	(10,455)

	2016 **RMB'000**	2015 RMB'000
Aggregate carrying amount of the Group's interests in these immaterial associates	**2,738**	2,691

23. Interests in Associates (Continued)

Summarised financial information of material associates (Continued)

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

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:

	2016 **RMB'000**	2015 RMB'000
Unrecognised share of loss of an associate for the year	**10,098**	131
Accumulative unrecognised share of loss of an associate	**10,324**	226

24. Inventories

	2016 **RMB'000**	2015 RMB'000
Raw materials	**297,430**	263,003
Work in progress	**427,625**	508,666
Finished goods	**958,085**	645,273
	1,683,140	1,416,942

The Group has pledged inventories with carrying value of approximately RMB50,000,000 (2015: nil) to secure general banking facilities granted to the Group.

25. Trade Receivables, Deposits and Other Receivables

	2016 RMB'000	2015 RMB'000
Trade receivables	**2,524,422**	1,962,465
Less: allowance for doubtful debts	**(131,687)**	(121,047)
	2,392,735	1,841,418
Bill receivables	**40,062**	17,700
Trade and bill receivables	**2,432,797**	1,859,118
Consideration receivables on disposal of:		
– Subsidiaries (Note a)	**–**	112,146
– An associate (Note b)	**15,000**	44,000
Prepayment and advances to suppliers	**138,819**	175,265
Deposits and other receivables	**356,157**	261,430
Less: allowance for doubtful debts for other receivables	**(23,507)**	(4,388)
	486,469	588,453
Total trade receivables, deposits and other receivables	**2,919,266**	2,447,571

	2016 RMB'000	2015 RMB'000
Analysed for reporting purpose:		
Current portion	**2,818,878**	2,388,561
Non-current portion		
Deposits paid for finance leases (Note c)	**100,388**	59,010
	2,919,266	2,447,571

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 RMB105,545,000 (2015: RMB245,658,000) 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 was fully settled in August 2016. The imputed interest for the year ended 31 December 2016 was approximately RMB1,586,000 (2015: RMB3,746,000).

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 at 31 December 2015, the amount outstanding was approximately RMB67,346,000 and was fully settled in March 2016.

(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. The imputed interest for the year ended 31 December 2016 is approximately RMB902,000 (2015: RMB2,906,000). All the outstanding amount becomes current portion as at 31 December 2016. As at 31 December 2016, the amount outstanding was approximately RMB15,000,000 and was fully settled in March 2017.

(c) During the year ended 31 December 2016, 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 RMB100,388,000 at 31 December 2016 (2015: RMB59,010,000). Imputed interest for the year ended 31 December 2016 is approximately RMB3,864,000 (2015: RMB7,682,000).

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:

	2016 RMB'000	2015 RMB'000
US$	**26,763**	96,686

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:

	2016 RMB'000	2015 RMB'000
Within 90 days	**1,331,918**	1,143,195
91 – 180 days	**425,081**	328,952
181 – 270 days	**301,260**	180,198
271 – 365 days	**121,267**	118,960
Over 1 year, but not exceeding 2 years	**253,271**	87,813
	2,432,797	1,859,118

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)

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

	2016 RMB'000	2015 RMB'000
At 1 January	**121,047**	123,629
Impairment loss recognised on trade receivables	**17,882**	22,603
Exchange realignment	**–**	(1,708)
Derecognised on disposal of subsidiaries	**–**	(1,284)
Impairment loss reversed	**(7,242)**	(22,193)
At 31 December	**131,687**	121,047

Included in the allowance for impairment of trade receivables are individually impaired trade receivables which is considered uncollectible with an aggregate balance of RMB131,687,000 (2015: RMB121,047,000) which are due to long outstanding.

As at 31 December 2016, RMB380,022,000 (2015: RMB71,300,000) of the Group's trade receivables were past due but not impaired. The ageing analysis of these receivables is as follows:

	2016 RMB'000	2015 RMB'000
Past due but not impaired:		
Within three months	**128,256**	43,773
Three to six months	**163,422**	15,747
Six to nine months	**88,344**	11,780
	380,022	71,300

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.

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

The movement in the allowance for doubtful debts for other receivables is as follows:

	2016 **RMB'000**	2015 RMB'000
At 1 January	**4,388**	13,610
Impairment loss recognised on other receivables	**19,119**	1,634
Derecognised on disposal of subsidiaries	**–**	(10,110)
Impairment loss reversed	**–**	(746)
At 31 December	**23,507**	4,388

Included in the allowance for impairment of other receivables are individually impaired other receivables which is considered uncollectible with an aggregate balance of approximately RMB23,507,000 (2015: RMB4,388,000) which are due to long outstanding.

26. Amounts Due from Directors

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

	2016 **RMB'000**	2015 RMB'000
Name of directors		
Mr. Li Ke Xue	**190**	190
Mr. Liu Xing Quan	**170**	170
	360	360

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

26. Amounts Due from Directors (Continued)

Further information about loans entered into by the Company or subsidiary undertaking of the Company, where applicable, in favour of directors is as follow:

As at 31 December 2016

Name of directors	Total loan amount RMB'000	Outstanding/ aggregate outstanding amount at 01/01/2016 RMB'000	Outstanding/ aggregate outstanding amount at 31/12/2016 RMB'000	Maximum amount outstanding during the year RMB'000
Loans				
Mr. Li Ke Xue	**190**	**190**	**190**	**190**
Mr. Liu Xing Quan	**170**	**170**	**170**	**170**

As at 31 December 2015

Name of directors	Total loan amount RMB'000	Outstanding/ aggregate outstanding amount at 01/01/2015 RMB'000	Outstanding/ aggregate outstanding amount at 31/12/2015 RMB'000	Maximum amount outstanding during the year RMB'000
Loans				
Mr. Li Ke Xue	190	189	190	190
Mr. Liu Xing Quan	170	170	170	170
Mr. Zhang Li Ming	–	4	–	4

27. Amounts Due from Related Companies

Name of related companies	2016 RMB'000	2015 RMB'000	Maximum amount outstanding during the year ended 2016 RMB'000	Maximum amount outstanding during the year ended 2015 RMB'000
Related parties in which certain directors of the Company have beneficial interests:				
哈爾濱開關有限責任公司 Harbin Switch Company Limited ("HBS")*	18,744	17,963	18,744	18,294
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*	9,184	8,649	9,184	8,649
哈爾濱光宇電源廠 Harbin Guangyu Power Supply Factory*	–	249	249	437
哈爾濱亞光新型隔板有限公司 Harbin Ya Guang Modern Separators Company Limited*	71	71	71	71
哈爾濱光宇電綫電纜有限公司 Harbin Guangyu Electric Wire and Cable Company Limited*	–	11,682	11,682	12,396
Global Universal Development Limited	96,698	45,262	123,477	56,322
杭州光宇電源有限公司	482	482	482	482
	125,722	84,901		
Less: allowance for doubtful debts	(1,096)	(1,096)		
	124,626	83,805		

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

* The English translation is for identification purposes only.

27. Amounts Due from Related Companies (Continued)

The movement in the allowance for doubtful debts for amounts due from related companies is as follows:

	2016 **RMB'000**	2015 RMB'000
At 1 January and 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 (2015: RMB1,096,000) which due to long outstanding.

28. Amounts Due from Non-Controlling Interests and Associates

Amounts due from associates of approximately RMB41,844,000 (2015: RMB52,823,000) are trading in nature and is unsecured, interest-free and of credit period of 90 days. The remaining amounts due from associates and non-controlling interests are unsecured, interest-free and repayable on demand.

29. Financial Assets 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 RMB648,772,000 (2015: RMB491,128,000) 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 the prevailing market rates ranging from 1.5% to 3.25% (2015: 1.3% to 3.4%) per annum.

31. Bank Balances and Cash

The bank balances carried interest at the prevailing market rate ranging from 0.30% to 3.25% per annum (2015: 0.35 % to 3.03 % 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:

	2016 RMB'000	2015 RMB'000
HK$	265	192
US$	18,061	14,234

32. Trade and Other Payables

	2016 RMB'000	2015 RMB'000
Trade payables	1,455,763	1,361,009
Bill payables	1,284,768	755,857
	2,740,531	2,116,866
Receipt in advances	55,511	57,244
Other payables	587,722	533,371
Trade and other payables	3,383,764	2,707,481

32. Trade and Other Payables (Continued)

The following is an aged analysis of trade and bill payables presented based on invoice date at the end of the reporting period:

	2016 RMB'000	2015 RMB'000
Within 30 days	**1,888,526**	1,082,716
31 – 60 days	**156,868**	280,759
61 – 90 days	**189,058**	226,998
91 – 180 days	**293,697**	385,471
Over 180 days	**212,382**	140,922
	2,740,531	2,116,866

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:

	2016 RMB'000	2015 RMB'000
US$	**29,351**	35,812

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

The shareholders of the related companies are also the common directors of the Company. The amounts are unsecured, interest-free and repayable on demand.

34. Bank Borrowings

	2016 RMB'000	2015 RMB'000
Secured	**1,050,899**	574,521
Unsecured	**610,830**	652,725
	1,661,729	1,227,246

Carrying amount repayable (based on scheduled repayment dates set out in the loan agreements):

	2016 RMB'000	2015 RMB'000
Within one year	**1,431,729**	1,149,826
After one year but within two years	**40,000**	77,420
After two years but within five years	**190,000**	–
	1,661,729	1,227,246
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)	**230,000**	77,420
Carrying amount repayable within one year	**1,431,729**	1,149,826
	1,661,729	1,227,246
Amount shown under current liabilities	**(1,661,729)**	(1,227,246)
	–	–

34. Bank Borrowings (Continued)

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 2016, approximately RMB547,652,000 (2015: RMB354,000,000) 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 (note 47).

At 31 December 2016, Mr. Song Dianquan, the controlling shareholder, chairman and the executive director of the Company, has executed a share charge to pledge the shares of the Company held by him to secure certain bank borrowings of approximately RMB170,653,000 (2015: 244,000,000) granted to the Group.

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

	2016 **RMB'000**	2015 RMB'000
Fixed-rate borrowings	**528,855**	482,118
Variable-rate borrowings	**1,132,874**	745,128
	1,661,729	1,227,246

During the year ended 31 December 2016, the Group obtained new loans in the amount of approximately RMB1,593,561,000 (2015: RMB1,583,969,000). The loans bear interest at market rates and will be repayable during 2016 to 2017. The proceeds were used for general operating working capital.

34. Bank Borrowings (Continued)

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

	2016 RMB'000	2015 RMB'000
Fixed-rate borrowings	**3.60% to 6.90%**	4.35% to 7.26%
Variable-rate borrowings	**2.60% to 6.44%**	2.60% to 6.44%

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

	2016 RMB'000	2015 RMB'000
US$	**128,522**	123,152

35. Obligations Under Finance Leases

The Group leases certain its plant and machinery and equipments under finance leases during the years ended 31 December 2016 and 2015. The average lease term of these leases is two to three years (2015: 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	
	2016	2015	**2016**	2015
	RMB'000	RMB'000	**RMB'000**	RMB'000
Amounts payable under finance leases				
Within one year	**321,440**	292,923	**299,759**	264,335
More than one year but less than two years	**212,162**	206,813	**205,852**	192,040
More than two years but less than five years	**16,801**	83,376	**16,594**	81,274
	550,403	583,112	**522,205**	537,649
Less: future finance charges	**(28,198)**	(45,463)		
Present value of obligations under finance lease	**522,205**	537,649		
Less: amounts due for settlement within 1 year (shown under current liabilities)			**(299,759)**	(264,335)
Amounts due for settlement after 1 year			**222,446**	273,314

35. Obligations Under Finance Leases (Continued)

During the year ended 31 December 2016, the Group entered into several finance lease agreements pursuant to which finance leasing suppliers (the "lessors") purchased the equipments from the Group at approximately RMB299,454,000 (2015: RMB328,180,000) and the Group leased back these equipments with the lease period ranged from two to three years from the date of inception. The fixed interest rate inherent in the lease is ranged from 4.46% to 12.51% per annum (2015: 4.46% to 12.51%).

In addition, during the year ended 31 December 2016, the Group leased certain plant and machinery with the aggregate amount of approximately RMB112,627,000 (2015: RMB127,092,000) with the lease period ranged from two to three years from the date of inception (2015: two to three years). The fixed interest rate inherent in the lease is ranged from 4.33% to 10.47% per annum (2015: from 5.44% to 17.83%).

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 2015, 31 December 2015 and 31 December 2016	1,000,000	100,000	107,000
Issued and fully paid:			
At 1 January 2015	404,180	40,418	42,377
Share repurchased and cancelled (Note)	(4,446)	(445)	(365)
At 31 December 2015 and 31 December 2016	**399,734**	**39,973**	**42,012**

36. Share Capital (Continued)

Note: During the year ended 31 December 2015, 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), after set off certain deferred tax assets against deferred tax liabilities of the same taxable entity, for financial reporting purposes:

	2016 RMB'000	2015 RMB'000
Deferred tax assets	**35,485**	16,925
Deferred tax liabilities	**(33,563)**	(23,234)
	1,922	(6,309)

37. Deferred Taxation (Continued)

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

	Allowances 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	Government grant RMB'000	Others RMB'000	Total RMB'000
At 1 January 2015	13,662	3,625	(6,259)	(4,117)	–	7,338	14,249
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)
Credit (charge) to profit or loss	6,100	–	4,584	–	13,172	(712)	23,144
Credit to other comprehensive income	–	–	(14,913)	–	–	–	(14,913)
At 31 December 2016	**17,099**	**–**	**(29,446)**	**(4,117)**	**13,172**	**5,214**	**1,922**

As at 31 December 2016, no deferred tax asset has been recognised on the tax losses of approximately RMB590,387,000 (2015: RMB456,778,000) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately RMB576,608,000 (31 December 2015: RMB440,676,000) that will be expired within next five years. Other losses may be carried forward indefinitely.

38. Deferred Government Grants

	RMB'000
At 1 January 2015	123,417
Amortisation during the year	(2,795)
At 31 December 2015	120,622
Additions	56,360
Amortisation during the year	(3,778)
At 31 December 2016	**173,204**

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 RMB3,778,000 (2015: RMB2,795,000).

In relation to certain government grants of the amount of approximately RMB56,360,000 (2015: nil) obtained during the year ended 31 December 2016, certain production facilities are not in use which cannot fulfill the conditions of the government grant, no amortisation of the deferred government related to those production facilities was recognised.

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" 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)

39. Disposal of Subsidiaries (Continued)

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

40. Changes in Ownership Interest in Subsidiaries

During the year, the Group has the following changes in the ownership interest in subsidiaries:

For the year ended 31 December 2016

Acquisition of additional interest in a subsidiary

During the year ended 31 December 2016, the Group acquired an additional 1.83% equity interest in Coslight Infra Company Private Limited ("CICP") by capital injection of approximately RMB28,683,000. This resulted in an increase in the Group's equity interest in CICP from 96.67% to 98.55%. Approximately RMB323,000, representing the difference between the carrying value of the addition 1.83% equity interest in CICP, was transferred from non-controlling interests to other reserve.

For the year ended 31 December 2015

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.

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 2016 and 2015.

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

Nature of transaction	2016 RMB'000	2015 RMB'000
Sales of finished goods to 瀋陽東北	197,310	203,132
Purchase of raw materials from 瀋陽東北	248,158	215,737
Purchase of intangible assets from 北京光宇華夏科技有限責任公司 ("北京華夏")	–	4,717
Purchase of intangible assets from 北京光宇在綫科技有限責任公司 ("北京在綫")	–	38,776
Purchase of intangible assets from 天津啟新明動科技有限責任公司 ("天津啟新明動")	–	38,793

The director of the Company, Mr. Song Dianquan, has beneficial interest in 北京華夏, 北京在綫 and 天津啟新明動.

(b) Emoluments of key management personnel

	2016 RMB'000	2015 RMB'000
Short-term benefits	1,774	1,436
Post-employment benefits	44	85
	1,818	1,521

The emoluments of directors and key management of the Company 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 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 RMB85,022,000 (2015: RMB76,526,000) 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, property, plant and equipment with an aggregate carrying value of approximately RMB493,401,000 (2015: RMB509,533,000);

(ii) certain of the Group's inventories with an aggregate carrying value of approximately RMB50,000,000 (2015: nil);

(iii) certain of trade receivables with an aggregate amount of approximately RMB105,545,000 (2015: RMB245,658,000); and

(iv) pledged bank deposits with an aggregate amount of approximately RMB648,772,000 (2015: RMB491,128,000).

44. Major Non-Cash Transaction

During the years ended 31 December 2016, 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 RMB112,627,000 (2015: RMB127,092,000).

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:

	2016 **RMB'000**	2015 RMB'000
Within one year	**11,345**	11,897
In the second to fifth year inclusive	**17,877**	3,459
	29,222	15,356

Leases are negotiated for a term of one to five years (2015: one to five years) and rentals are fixed during the lease period.

46. Capital Commitments

	2016 **RMB'000**	2015 RMB'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
Acquisition of property, plant and equipment	**22,709**	34,459
Acquisition of an associate	**6,860**	–
	29,569	34,459

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 RMB554,940,000 (2015: RMB631,769,000). 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 2016, 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 (2015: RMB20,000,000). As at 31 December 2016, the Group has utilised the banking facilities of RMB20,000,000 (2015: RMB20,000,000).

48. Information About the Statement of Financial Position of the Company

	Note	2016 RMB'000	2015 RMB'000
Non-current asset			
Investments in subsidiaries		**204,890**	204,890
Current assets			
Other receivables		**222**	20,206
Amounts due from subsidiaries		**73,037**	68,067
Bank balances and cash		**1,354**	86
		74,613	88,359
Current liabilities			
Other payables		**9,745**	9,159
Amounts due to subsidiaries		**62,123**	72,211
Amounts due to related companies		**7,405**	6,893
Amounts due to directors		**1,800**	1,675
		81,073	89,938
Net current liabilities		**(6,460)**	(1,579)
Total assets less current liabilities		**198,430**	203,311
Capital and reserves			
Share capital	36	**42,012**	42,012
Share premium		**114,092**	114,092
Special reserve	(a)	**227,226**	227,226
Accumulated losses		**(184,900)**	(180,019)
		198,430	203,311

Note a: 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.

49. Particulars of Principal Subsidiaries of the Company

Details of the Company's subsidiaries as at 31 December 2016 and 2015 are as follows:

Name of subsidiary	Forms of legal entity	Place of incorporation or registration/ operation	Issued and fully paid share capital/ registered capital	Percentage of equity interest attributable to the Company				Principal activities
				Direct		Indirect		
				2016	2015	**2016**	2015	
Coslight Hong Kong Limited	Private limited company	Hong Kong	HK$400,000	**100%**	100%	**–**	–	Investment holding
Coslight International (B.V.I.) Company Limited	Private limited company	British Virgin Island/Hong Kong	US$50,000	**100%**	100%	**–**	–	Investment holding
光宇國際有限公司 Coslight International Company Limited	Private limited company	Hong Kong	HK$2	**–**	–	**100%**	100%	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%**	89.62%	Manufacture and sale of lithium-ion batteries and sealed lead acid batteries and its accessories
哈爾濱光宇蓄電池股份有限公司 Harbin Coslight Storage Battery Company Limited*	Joint stock limited company	PRC	RMB640,190,000	**–**	–	**97.35%**	97.35%	Manufacture and sale of sealed lead acid batteries
哈爾濱光宇電氣自動化有限公司 Harbin Coslight Electric Automation Company Limited*	Sino-foreign equity joint venture	PRC	RMB20,000,000	**16.20%**	16.20%	**63.80%**	63.80%	Manufacture of electricity control devices

* The English translation is for identification purposes only.

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

Name of subsidiary	Forms of legal entity	Place of incorporation or registration/ operation	Issued and fully paid share capital/ registered capital	Percentage of equity interest attributable to the Company				Principal activities
				Direct		Indirect		
				2016	2015	**2016**	2015	
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%**	80%	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%**	100%	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%**	70%	Manufacture and sale of small-size and sealed rechargeable nickel batteries
延邊光宇電池有限責任公司 Yanbian Guangyu Battery Company Limited*	Domestic equity joint venture	PRC	RMB500,000	**–**	–	**98%**	98%	Manufacture and sale 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%**	100%	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%**	100%	Manufacture and sales of lithium-polymer batteries

* The English translation is for identification purposes only.

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

Name of subsidiary	Forms of legal entity	Place of incorporation or registration/ operation	Issued and fully paid share capital/ registered capital	Percentage of equity interest attributable to the Company Direct 2016	Direct 2015	Indirect 2016	Indirect 2015	Principal activities
Coslight Newgen Limited	Private limited company	Russia	RUB1,000,000	**–**	–	**58%**	58%	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%**	35.44%	**64.56%**	64.56%	Manufacture and sales of sealed lead acid batteries
HYX	Wholly-owned foreign enterprise	PRC	RMB100,000,000	**–**	–	**100%**	100%	Manufacture and sales of passengers coach
Coslight India Telecom Private Limited	Private limited company	India	INR2,249,461,120	**–**	–	**100%**	100%	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%**	75%	Manufacture and sales of battery products
QJC	Wholly-owned foreign enterprise	PRC	RMB91,860,000	**–**	–	**96%**	96%	Manufacture and sales of passengers coach

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.

* The English translation is for identification purposes only.

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

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	
		2016	2015
Investment holding	Hong Kong	**7**	7
Manufacture and trading of batteries	PRC	**7**	7
	Korea	**1**	1
	India	**2**	2
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.

Details of subsidiaries that have non-controlling interests that are material to the Group:

Name of subsidiary	Place of incorporation	Proportion of ownership interest and voting rights held by non-controlling interest		Loss allocated to non-controlling interests		Accumulated non-controlling interests	
		2016	2015	**2016 RMB'000**	2015 RMB'000	**2016 RMB'000**	2015 RMB'000
Harbin Coslight Storage Battery Company Limited	PRC	**2.65%**	2.65%	**1,433**	2,884	**21,694**	23,127

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.

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

Harbin Coslight Storage Battery Company Limited

	2016 RMB'000	2015 RMB'000
Current assets	**1,732,426**	1,692,405
Non-current assets	**1,024,490**	952,616
Current liabilities	**(1,987,444)**	(1,772,321)
Equity attributable to owners of the Company	**747,778**	849,573
Non-controlling interests	**21,694**	23,127

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

Harbin Coslight Storage Battery Company Limited (Continued)

	2016 RMB'000	2015 RMB'000
Revenue	**866,028**	639,960
Expenses	**(920,081)**	(748,807)
Loss and total comprehensive expense for the year	**(54,053)**	(108,847)
Loss and total comprehensive expense attributable to owners of the Company	**(52,620)**	(105,963)
Loss and total comprehensive expense attributable to the non-controlling interests	**(1,433)**	(2,884)
Loss and total comprehensive expense for the year	**(54,053)**	(108,847)
Net cash (outflow) inflow from operating activities	**(20,881)**	86,754
Net cash outflow from investing activities	**(117,092)**	(43,654)
Net cash inflow from financing activities	**132,952**	43,130
Net cash (outflow) inflow	**(5,021)**	86,230

Consolidated Statement of Profit or Loss

	For the year ended 31 December				
	2012 RMB'000	2013 RMB'000	2014 RMB'000	2015 RMB'000	**2016** **RMB'000**
Revenue	2,675,144	3,034,323	3,530,664	4,101,669	**4,831,268**
Cost of sales	(2,328,622)	(2,507,318)	(3,161,830)	(3,515,676)	**(3,989,254)**
Gross profit	346,522	527,005	368,834	585,993	**842,014**
Other income	67,553	26,675	48,846	105,621	**97,907**
(Loss) gain on disposal of subsidiaries	–	100,257	114,963	(3,725)	**–**
Distribution and selling expenses	(157,407)	(142,236)	(121,977)	(111,579)	**(110,664)**
Administrative and other operating expenses	(294,634)	(286,641)	(377,648)	(411,164)	**(535,290)**
Impairment loss in respect of interests in an associate	–	(17,000)	–	–	**–**
Finance costs	(97,260)	(112,565)	(108,027)	(126,720)	**(141,473)**
Impairment on goodwill	–	–	(3,055)	(25,957)	**–**
Share of results of associates	109,935	139,429	135,692	72,578	**75,000**
Profit (loss) before tax	(25,291)	234,924	57,628	85,047	**227,494**
Income tax expense	(7,040)	(49,489)	(29,295)	(68,311)	**(68,563)**
Profit (loss) for the year	(32,331)	185,435	28,333	16,736	**158,931**
Attributable to:					
Owners of the Company	(20,610)	172,985	32,154	5,232	**139,883**
Non-controlling interests	(11,721)	12,450	(3,821)	11,504	**19,048**
	(32,331)	185,435	28,333	16,736	**158,931**

Financial Summary

Consolidated Statement of Financial Position

	At 31 December				
	2012 RMB'000	2013 RMB'000	2014 RMB'000	2015 RMB'000	**2016** **RMB'000**
Total assets	5,705,254	6,127,198	6,361,474	7,350,118	**8,664,304**
Total liabilities	(4,067,802)	(4,356,472)	(4,482,302)	(5,369,004)	**(6,514,685)**
Total equity	1,637,452	1,770,726	1,879,172	1,981,114	**2,149,619**
Non-controlling interests	(115,058)	(71,217)	(67,393)	(162,367)	**(184,198)**
Equity attributable to owners of the Company	1,522,394	1,699,509	1,811,779	1,818,747	**1,965,421**