COSLIGHT TECHNOLOGY INTERNATIONAL GROUP LIMITED

Incorporated in Bermuda with limited liability

Stock Code : 1043

Annual Report 2017

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. GAO Yun Zhi
Mr. XIAO Jian Min

Qualified Accountant and Company Secretary

Mr. NG Kar Keung, CPA

Audit Committee

Mr. LI Zeng Lin
Dr. GAO Yun Zhi
Mr. XIAO Jian Min

Remuneration Committee

Dr. GAO Yun Zhi
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 2017 (the "Year"), turnover from the Group's continuing operation amounted to approximately RMB3,713,493,000 (2016: RMB4,831,268,000), representing a decrease of 23% over that of the corresponding period of last year. The profit attributable to owners of the parent for the Year amounted to approximately RMB235,403,000 (2016: RMB139,883,000), representing an increase of 68% over that of the corresponding period of last year. Earnings per share for the year were RMB59.79 cents (2016: RMB34.99 cents), representing a increase of 71%.

Dividends

The Board does not recommend the payment of a final dividend to the shareholders for the year ended 31 December 2017 (2016: nil).

Business Review

Lithium Polymer Battery

During the Year, the lithium polymer cell business maintained its growth momentum, recording shipments of approximately 49 million pieces in the first half of the Year (the first half of 2016: 40 million pieces) and representing a year-on-year increase of 23%, mainly attributable to the increasing customer demand. However, the profit margin narrowed due to the increase in the cost of raw materials and wages .

On 4 July 2017, the Group entered into an agreement with an independent third party, pursuant to which the Company conditionally agreed to dispose the 51.83% of the shareholding interest of Zhuhai Coslight Battery Company Limited, at a consideration of RMB726,240,000. All conditions precedent to the disposal have been fulfilled and the completion of the disposal took place in the second half of 2017. Zhuhai Coslight Battery Company Limited ceased to be a subsidiary of the Company.

Power batteries

The production capacity of our power battery business has reached 4.5GWh. Capitalizing on our advantages of R&D, technology, equipment and quality, we have been able to provide support to automobile manufacturers such as BAIC, Hebei Yogomo, FAW-Haima, Geely Zhidou and Dongfeng Yangzijiang. In 2017, thanks to the high quality of our products, we passed the certification of automobile manufacturers such as Nanjing King Long, Ankai, Jiangling, Chery and Chang'an, achieving new break through in Power batteries.

In 2017, due to the influence of the government subsidy policy and the correlation of battery performance parameters, we adjusted our products to meet the policy demand. Therefore, the new battery production was postponed, which affected the delivery of the electric vehicle battery. Sales volume reduced by approximately 25% as compared to the previous year.

Sealed lead-acid ("SLA") Battery Products

During the Year, total sales of our SLA battery products were approximately RMB751,342,000 (2016: RMB792,126,000), representing a decrease of approximately 5% below last year, mainly due to the decrease in production volume. During the Year, our sales volume dropped approximately 7% year-on-year to approximately 1.21 million KVAH (2016: 1.30 million KVAH), of which base station batteries and batteries for electric bicycles accounted for 81% and 19%, respectively. Our production costs were adversely affected by intense market competition and rising lead prices.

Online Games

The game product Wendao ("問道") has been able to maintain its annual revenue against the recession of user-end game market during the Year, refining its operations by launching new year, anniversary and mid-year server upgrade events and thus successfully creating a sub-brand of "annual server upgrade events" under Wendao. In addition, we have agreed upon the cooperation in the fields of Wendao-based animation, literary composition, movie and TV shows, established an interactive player community named Daokedao to support data exchange with Wendao game, continued to upgrade Qibaozhai ("奇寶齋"), our virtual game item trading platform, and optimized GY Games application to better serve the players. The mobile application of GY Games has attracted over a million users, with 140 thousand weekly active users.

In the same year, GY Games launched a user-end game Shen Dao San Guo ("神道三國"), a VR game Chuang Shi-Xiu Zhen Lu ("創世一修真錄") on the Steam platform, a fighting game Shu Shan Jian Xia Zhuan ("蜀山劍俠傳") and a flying and shooting game Huan Xiang Zhi Yi ("幻想之翼"). The "NW" project, a self-developed massive battle game based on the Steam platform has completed internal testing and will be released soon.

A variety of mobile games were introduced during the Year, among which Xun Long San Guo ("馴龍三國") has achieved satisfying results during its beta test in the second quarter. Xun Long San Guo for iOS, jointly launched with iQIYI in the second half of the Year, continued to yield satisfying results, appearing on the list of App Store top 10 most popular apps upon release and remaining on the list of App Store top 15 most popular apps for three weeks. Xun Long San Guo outperformed most other games introduced by iQIYI in 2017. After launching the mobile game Xun Long San Guo successfully, an H5 version of Xun Long San Guo was also launched to test the water, laying a sound foundation for the development of H5 game business. Multiple statistical analyses have revealed that small games and segmented games market have more potential, as evidenced by the outstanding results achieved by WeChat small games and the rapid development of nijigen ("二次元") style games market.

Online game business contributed approximately RMB171,698,986 to the Group's profit, of which RMB26,840,000 was contributed by associates of the Group (2016: RMB150,950,000, of which RMB77,891,000 was from the associates of the Group), representing an increase of approximately 13% over corresponding period of last year.

Prospects

Power Batteries

In 2018, the government subsidy policy became clear, our products performance parameters fully meet the policy requirements, and the Company's electric vehicle battery performance has strong competitiveness in the industry, and the number of electric vehicle battery supplies will increase significantly. On the basis of 2016, it will increase by more than 50%. At the same time, there will be a substantial increase in the number of communication batteries in 2017 as well. The revenue growth is expected to be over 80%.

Online Games

In 2018, a serious of activities will be held to celebrate the 12th anniversary of the release of Wendao. Three expansion packs will be released in April, September and December respectively, and the release of a classic edition is under consideration. Preparation is expected be completed for the four "annual server upgrade events" during which spike in active customers is often witnessed.

Chairman's Statement

Three games developed based on Unreal Engine 4 will be released in 2018, among which one game is being connected to the Steam platform and is expected to be ready for open test in April. Another new project under the code name "MW" is scheduled to launch in the third quarter on the Steam platform as well as Tencent's WeGame and other game platforms in China. Chuangshi III ("創世3") is expected to release at the end of the year, presenting top visual and gaming experiences by using leading technologies. Thanks to the previous talent acquisition and business deployment, the release of games based on the STEAM platform, including both self-developed and licensed games, will be accelerated in 2018 to build up a new game business platform.

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, 29 March 2018

Directors

Executive Directors

Mr. SONG Dian Quan, aged 62, 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 33 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 54, 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 70, 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 33 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 61, is responsible for production and quality management of the Group. He has over 33 years' experience in the research and development of rechargeable battery products and over 20 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 62, is responsible for the international trading activities of the Group. He has more than 40 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 85, 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 53 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 60, was appointed as an 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.

Mr. XIAO Jian Min, aged 60, was appointed as an 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 35 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.

Dr. YIN Ge Ping, aged 60, 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. She resigned the office of an independent non-executive director on 18 August 2017.

Dr. Gao Yun Zhi, aged 60, was appointed as an independent non-executive Director in August 2017, he is a professor and doctoral supervisor of Harbin Institute of Technology. He graduated from Harbin Institute of Technology with a major in electrochemical engineering in 1982. Since then, he had been teaching at Harbin Institute of Technology as a teaching assistant, lecturer and associate professor. He then studied in Japan in February 1987 and obtained a master of engineering degree from Saitama University in 1990, and a doctor of science degree from Department of Chemistry of Faculty of Science at Hokkaido University with a major in physical chemistry in 1994. He had been a lecturer at Hokkaido University and Tohoku University, and served as a chief engineer, principal researcher and department head in Research and Development Department of Riken（理研公司）in Japan. In 2000, he was an overseas part-time professor and doctoral supervisor of School of Chemical Engineering of Harbin Institute of Technology. He then returned to China for a full-time position as a professor in School of Chemical Engineering of Harbin Institute of Technology in February 2011. Over the years, he has been engaging in electrochemical theories, fundamental and application research on new chemical power sources and polymer electrolyte membrane fuel cells, fundamental and technical research on lithium-ion batteries, and fundamental and application research on new all-solid-state lithium-ion batteries. He has also presided over and participated in a number of projects at national, provincial and enterprise levels. He is currently presiding over a project of The National Natural Science Foundation of China and several enterprise partnership projects, in addition to participating in multiple national projects. He has published over 100 papers on Scientific Citation Index, in conjunction with holding more than 10 foreign patents and over 10 Chinese patents.

Financial review

Assets and liabilities

As at 31 December 2017, the Group has total assets of RMB7,711,650,000 (2016: RMB8,664,304,000) which were financed by current liabilities of RMB4,966,600,000 (2016: RMB6,085,472,000), non-current liabilities of RMB284,276,000 (2016: RMB429,213,000), shareholders' equity of RMB2,285,250,000 (2016: RMB1,965,421,000) and non-controlling interests of RMB175,524,000 (2016: RMB184,198,000).

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 2017, the Group has bank and cash balances amounted to RMB292,878,000 (2016: RMB299,738,000). The total bank borrowings of the Group as at 31 December 2017 were approximately RMB1,451,203,000 (2016: RMB1,661,729,000), amongst which RMB1,181,203,000 will be due to repay within 12 months (2016: RMB1,431,729,000). These borrowings carry interest ranging from 2.60% to 6.90% (2016: from 2.60% to 6.90%) per annum. As at 31 December 2017, all the Group's bank and other borrowings were denominated in Renminbi and 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 66% (2016: 102%). The current ratio of the Group, represented by a ratio between current assets over current liabilities, was 102% (2016: 93%), reflecting the abundance of financial resources.

Charges on group assets

As at 31 December 2017, certain prepaid lease payments and property, plant and equipment, inventories and trade receivables of the Group with carrying values of RMB667,502,000 (2016: RMB493,401,00), RMB0 (2016: RMB50,000,000) and RMB39,877,000 (2016: RMB105,545,000), respectively, were pledged to secured bank borrowings of approximately RMB768,124,000 (2016: RMB1,050,899,000). 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	
	2017	2016
	RMB'000	RMB'000
Capital expenditure contracted for but not provided in the financial statements in respect of:		
Acquisition of property, plant and equipment	**13,086**	22,709
Acquisition of an associate	**–**	6,860
	13,086	29,569

Other Information

Employees and remuneration policies

As at 31 December 2017, the Group has reduced the number of employees in the PRC to 6,861 (2016: 12,320) due to the sale of Zhuhai Coslight Battery Company Limited in July 2017. The Group has adopted continuous human resources development and training programs to maintain high level of product quality and customer services. Remuneration package is generally structured by reference to market conditions and individual performance.

The directors (the "Directors") of Coslight Technology International Group Limited (the "Company") present their annual report and the audited consolidated financial statements for the year ended 31 December 2017.

Principal Activities

The Company is an investment holding company.

The principal activities of the Company's principal subsidiaries as at 31 December 2017 are set out in note 50 to the consolidated financial statements.

Results and Appropriations

The results of the Group for the year ended 31 December 2017 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 50 to 51.

The Board does not propose final dividend for the year ended 31 December 2017 (2016: 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 2017. The surplus arising on revaluation was approximately RMB9,562,000 (2016: surplus RMB45,744,000), of which approximately surplus of RMB47,417,000 (2016: surplus RMB61,346,000) (net of approximately surplus of RMB700,000 (2016: deficits RMB3,210,000) shared by the non-controlling interests) was recognised to the revaluation reserve and approximately deficits of RMB38,555,000 (2016: surplus RMB18,812,000) 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' Report

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	GAO Yun Zhi
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. SONG Dian Quan, Mr. ZHANG Li Ming, Ms. LUO Ming Hua and Dr. GAO Yun Zhi 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 2017, 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 2017 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. Gao Yun Zhi and Mr. Li Zeng Lin and one executive director, namely Mr. Zhang Li Ming. Dr. Gao Yun Zhi 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 2017, 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	261,523,300	67.37%
LUO Ming Hua	Personal	Beneficial owner	3,186,027	0.82%
LI Ke Xue	Personal	Beneficial owner	612,793	0.16%
XING Kai	Personal	Beneficial owner	470,793	0.12%
LIU Xing Quan	Personal	Beneficial owner	793	0.00%

Save as disclosed above, as at 31 December 2017, 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 2017, 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 Parties' 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. Rental

	2017 **RMB'000**	2016 RMB'000
Zhuhai Coslight Battery Company Ltd	**3,599**	–

II. Sales of Finished Goods

	2017 **RMB'000**	2016 RMB'000
瀋陽東北蓄電池有限公司	**89,415**	197,310

III. Purchase of Raw Materials

	2017 RMB'000	2016 RMB'000
瀋陽東北蓄電池有限公司	**73,649**	248,158

IV. Guarantee of Bank Borrowings

RMB270,000,000 (2016: RMB547,652,000) 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

For the year ended 31 December 2017 (the "Review Period"), the Company repurchased and cancelled an aggregate of 11,550,000 shares of its own issued ordinary shares through the Hong Kong Stock Exchange at an aggregate consideration of approximately HKD48.2 million excluding transaction costs. Save for the aforesaid, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Review Period.

Details of the shares repurchases are as follows:

Date	number of shares repurchase	Highest price per share HKD	lowest price per share HKD	Aggregate Consideration HKD
2017-January-16	2,800,000	4.93	4.79	13,730,860
2017-May-04	2,000,000	4.27	4.08	8,355,400
2017-May-05	1,750,000	4.36	4.29	7,602,878
2017-September-28	2,540,000	3.80	3.61	9,306,920
2017-September-29	2,460,000	3.77	3.69	9,213,100

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. Gao Yun zhi 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 2017 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 2017.

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, 29 March 2018

Corporate Governance Report

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 2017 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 2017.

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. Gao Yun Zhi *(Appointed on 18th August 2017)*
Dr. Yin Ge Ping *(Resigned on 18th August 2017)*

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 2017, 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, two 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)*	2/2	2/2
Ms. Luo Ming Hua *(Chief Executive Officer)*	2/2	2/2
Mr. Li Ke Xue	2/2	2/2
Mr. Xing Kai	2/2	2/2
Mr. Zhang Li Ming	2/2	2/2
Mr. Liu Xing Quan	2/2	2/2
Mr. Li Zeng Lin	2/2	2/2
Mr. Xiao Jian Min	2/2	2/2
Dr. Gao Yun Zhi *(Appointed on 18th August 2017)*	1/2	1/2
Dr. Yin Ge Ping *(Resigned on 18th August 2017)*	1/2	1/2

Chairman and the Chief Executive Officer

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

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

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

Appointment of Directors

In accordance with the bye-laws of the Company, at each annual general meeting, one-third of the directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation such that each director (including those appointed for a specific term) will be subject to retirement by rotation at least once every three years at the annual general meeting. The directors who will retire, and being eligible, will offer themselves for re-election at the forthcoming annual general meeting of the Company include Mr. SONG Dian Quan, Mr. Zhang Li Ming, Ms. LUO Ming Hua, Dr GAO Yun Zhi. 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. Gao Yun Zhi *(Appointed on 18th August 2017)*	✓
Dr. Yin Ge Ping *(Resigned on 18th August 2017)*	✓

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. Gao Yun Zhi 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 2017, 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. 2016 annual and 2017 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 2017 are as follows:

Committee members	**Attendance/Number of meetings**
Mr. Li Zeng Lin *(Chairman)*	2/2
Mr. Xiao Jian Min	2/2
Dr. Gao Yun Zhi *(Appointed on 18th August 2017)*	1/2
Dr. Yin Ge Ping *(Resigned on 18th August 2017)*	1/2

The annual results of the Group for the year ended 31 December 2017 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. Gao Yun Zhi and Mr. Li Zeng Lin and one executive director, namely Mr. Zhang Li Ming. Dr. Gao Yun Zhi 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 2017 are as follows:

Committee members	**Attendance/Number of meetings**
Dr. Gao Yun Zhi *(Chairman) (Appointed on 18th August 2017)*	1/2
Mr. Li Zeng Lin	2/2
Mr. Zhang Li Ming	2/2
Dr. Yin Ge Ping *(Chairman) (Resigned on 18th August 2017)*	1/2

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 2017 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 2017 amounted to HK$1,980,000. Non-audit service charges amounted to HK$350,000 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 14 June 2017.

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 Reporting Guide under Appendix 27 to the Rules Governing the Listing of Securities of the Stock Exchange of Hong Kong Limited issued by The Stock Exchange of Hong Kong Limited ("Stock Exchange"), compliance with the recommended practices adopted by all listed companies listed in Hong Kong.

The Report covers the measures taken by the Group from 1 January 2017 to 31 December 2017 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 and Harbin Coslight Power Company Limited 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 Harbin Coslight Storage Battery Company Limited and Harbin Coslight Power Company Limited 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.

Table 1. Standard Limits of Exhaust Emissions

Pollution source type	Pollutant	Unit	Standard limit	Monitoring data during production	Comparison of monitoring data with standard limit	Origin of standard limits
Exhaust from gas boilers	Particulate matter	mg/m^3	50	12.2	Better than the limit	Standards for Second Class Area and Period II under the Boiler Air Pollutant Emission Standard (GB13271-2001)
	SO_2	mg/m^3	100	11	Better than the limit	
	NOx	mg/m^3	400	103	Better than the limit	
	Flue gas density	mg/m^3	1	< 1	Better than the limit	
Exhaust from production workshops	Particulate matter	mg/m^3	50	11.7-20.7	Better than the limit	Enterprises' air pollutant emission limits under the Battery Industry Pollutant Emission Standard (GB30484-2013)
	Lead and its compounds	mg/m^3	0.7	0.149-0.163	Better than the limit	
	Sulfuric acid mist	mg/m^3	10	1.39-1.81	Better than the limit	

1. Condition of the Harbin Coslight Storage Battery Company Limited ("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 upload the discharge information to the data center of the Municipal Environmental Protection Bureau real 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.

Table 1 shows that the levels of pollutants monitored in the production process were much lower than the standard limits under the Boiler Air Pollutant Emission Standard and the Battery Industry Pollutant Emission Standard.

Solid waste generation and disposal of the Storage Battery Company:

Name of solid waste		Volume generated (t/a)	disposal method
General solid waste	Waste paper boxes	10.6	Sold
	Waste wood	2.6	Sold
	Waste packaging foam	3.2	Recycled for reuse
	Waste plastic	3.5	Recycled for reuse
	Household garbage	306	Collected by the municipal sanitation department
Hazardous waste	HW31 lead slag, lead ash, lead mud (generated from storage battery production lines and waste gas and waste water treatment facilities)	1,111.14	Waste produced in the production process will be stored in the recyclable hazardous waste storage room and reused in its waste lead wet regeneration production line
	HW49 waste lead batteries (from unqualified products of the Company)	504.25	
	HW31 lead masks, gloves, sleeves, overalls, gas masks S5	2.65	
	HW31 waste lead slag (generated from wet lead charging regeneration production line)	712	The hazardous waste will be stored in the sellable hazardous waste storage room and acquired by a reputable recycling company
	HW31 nano filter cartridges containing lead ash in lead dust purifiers	360 cartridges	
	HW31 lead dust	1	
	Waste engine oil	0.2	Disposed of by a reputable recycling company

Total energy consumption: natural gas: 700,000 m^3; gasoline: 52 tonnes; diesel: 50 tonnes; electricity: 42.54 million kWh.

Water consumption throughout the year was approximately 130,000 tonnes (representing approximately 0.1625 tonnes/kVAh).

The measures of the Storage Battery Company for reducing emissions and the results achieved are as follows:

1. **Change of electrode plate formation from external formation to internal formation:** The Storage Battery Company has changed the formation of 2V batteries from external formation to internal formation, thereby saving 2.376 million kW of power annually.

2. **Retrofit of curing chambers:** Before the retrofit of curing chambers, each curing chamber consumed approximately 810-972 tonnes of water a year. After the retrofit, each curing chamber consumes approximately 45-54 tonnes of water each year, saving approximately 800 tonnes of purified water a year. In total, the retrofit saves 3,600 tonnes or nearly 94% of purified water a year as compared with before the retrofit.

   In addition, as reducing the waste of water resources is our responsibility, the Storage Battery Company uses water from the Songhua River and saves more than 30,000 tonnes of water each year through such measures as recycling, refining production processes and improving production equipment (e.g. retrofitting curing chambers).

3. **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.

4. **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.

5. **Change of energy-saving lights:** High efficient 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, meeting the target amount of energy-saving required by the government.

The above five items could save a total of 1,235 tons of standard coal, meeting the target amount of energy-saving required by the government.

2. Condition of the Harbin Coslight Power Company Limited ("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 its master discharge outlet was between 7.02 and 7.04, and the maximum daily average discharge concentrations of SS, COD, BOD_5, NH_3-N, animal and vegetable oils, and fluoride were 52 mg/L, 78 mg/L, 25.6 mg/L, 5.85 mg/L, 2.17 mg/L and 0.33 mg/L, respectively. Such monitoring results all meet the Class 3 standards under the Integrated Wastewater Discharge Standard (GB8978-1996).

Solid Waste Generation and Disposal of the Power Company

No.	Name of waste	Volume generated
1	Scrap aluminum foil	14.9 t/a
2	Scrap copper foil	26 t/a
3	Waste battery shells	30,764 shells/a
4	Discarded packaging cartons	2 t/a
5	Waste raw material barrels	500 barrels/a
6	Household garbage	219 t/a
7	Food & beverage waste and waste grease	100 t/a

Any reusable items in waste materials from production and waste packaging material of raw and auxiliary materials will be sold to waste recycling stations, while useless items therein will be disposed of by a municipal department together with household garbage. The sludge from wastewater treatment will be treated as hazardous waste by an environmental technology service company. Waste activated carbon will be recycled by the plants for regeneration treatment. Food & beverage waste and waste grease will be separately collected and delivered to a creditworthy agency for disposal.

The measures of the Power Company for reducing emissions and the results achieved are as follows:

1. Retrofit of NMP recovery equipment and adoption of level-3 cooling recovery technology to realize an NMP recycling rate of 99%.

2. Introduction of fully automatic liquid injection machines for liquid injection process to increase the electrolyte utilization rate to more than 98%.

The total energy consumption of the Power Company was 8,015 tonnes of standard coal, including 43.27 million kWh of power, 2,667 tons of standard coal's worth of thermal energy, and 5.2 tonnes of diesel.

Water consumption in total and density

2017			
Gross production (KWh)	**Total water consumption** (tonne)	**Water consumption cost** (RMB)	**Water cost per unit of production volume** (RMB/KWh)
373,044	68,026.74	387,752.40	1.039

Emission Reduction Measures and Results of the Power Company

No.	Process	Transformation project	Brief description of original equipment	Brief description of equipment after transformation	Power consumption of the original equipment	Power consumption after transformation
1	Drying system	Single-body dryers are replaced with continuous automatic drying kilns	1. A total of 33 positive and negative plate dryers, each with a power of 13.5 KW and a drying time of 30 hours; 2. A total of 40 cell dryers, each with a power of 9.75 KW and a drying time of 63 hours.	1. No longer using positive and negative plate dryers; 2. A total of 2 cell dryers, each with a power of 190 KW and a drying time of 9.8 hours.	Approximately 38,000 KWH (total power consumption for drying of 16,000 pole plates + battery cells)	Approximately 3,700 KWH (total power consumption for drying of 16,000 pole plates + battery cells), cutting power consumption by approximately 90%
2	Automatic welding line	Change from manual welding to automatic welding	1. 34 personnel in place; 2. the total power of equipment reached 790 KW	1. Two personnel in place; 2. the total power of equipment is 200 KW		Cutting power consumption by approximately 75%.

Through various measures, the overall power consumption is expected to be reduced by approximately 15%, representing a saving of approximately 7.2 million KWH of power or approximately 900 tonnes of standard coal.

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

Employment and Labour Practices

Coslight Storage Battery and Coslight Power have a total of 6,861 full-time employees, of which 56% are men and 44% are women. Employees below the age of 30 account for 38% of the total, and those above the age of 30 account for 62%. Among the employees that have left the Company, 66% are male and 34% are female.

Health and Safety

The Company has passed ISO9001: 2008 quality assurance system certificate, 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. Total number of work-related fatalities was nil during 2017, and there was no claim case due to work-related injury. 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.

Development and Training

The Company provides training on job duties and skills each year for different types of employees, which will be organised by the HR department. In particular, new employees will 100% receive safety training, notification of occupational hazards, and pre-job skill training. By employee type, 100% general staff, 80% middle-level executives and 78% senior executives receive training each year. By gender, 53% of the employees trained each year are male and 47% are female. The training hours of general staff, middle-level executives and senior executives are 10, 22 and 15 hours, respectively.

Labour Practices

With respect to employment, the Company has established management measures regarding prohibition of child labour, protection of minors, and forced labour, to ensure that our corporate activities comply with Law of the People's Republic of China on the Protection of Minors, Labor Contract Law of the People's Republic of China and regulations and requirements of the SA8000 standard. During the year, the Company did not breach any laws and regulations in relation to hiring minors and forced labour.

Part III: 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. During the year, approximately more than 70 main raw material suppliers received such appraisal. The supplier performance appraisal is divided into annual appraisal and semi-annual appraisal: a) monthly scoring: a) the Material Resources Department is responsible for making a "performance ranking of suppliers" each month; b) increasing the intensity and frequency of the appraisal of old exclusive suppliers and those often incurring problems. In addition, key material suppliers are subject to on-site review. Any supplier who fails to pass the appraisal or review will be given a period for rectification, during which the Company will reduce or even stop its purchase from such supplier.

Part IV: Product Responsibility

1. *After-sales services to ensure product quality*

   During the year, none of the Company's products needed to be recalled due to safety or health reasons. We received 7 and 6 customer complaints about the Storage Battery Company and the Power Company, respectively. When receiving a complaint call or notice, we will dispatch service personnel to solve the problem(s) on site within 24 hours. In the case of any defective product, we will immediately offer a new product to replace it in order to ensure the normal operation of equipment. The defective product will be returned to us for testing and analysis by our technical personnel specialised in R&D or production processes. In the end, the customer concerned will be given a written response.

   Where product recall is needed, the Company will collaborate with a competitive and reputable third-party to carry out recall work.

2. *Respect to Intellectual Property Right*

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 (87 shared patents, among which 8 were patents for inventions and 6 were appearance designs); trademark right; copy right; and various intellectual property rights including information technology and electronic design related know-how.

The Company has signed a confidentiality agreement with each customer and implements the Procedures for Controlling Secret Files to effectively control secret files, so as to ensure the security of the Company's files, data and information and protect the interests of the Company and its customers. The Company also adopts the Procedures for Accessing Secret Files which gives stringent access authority to users the Company's application systems for effective access control and prevention of unauthorised access, so as to ensure the security of its systems and information.

Part V: Anti-corruption and Bribery

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 judical authorities. The Company will endeavor to identify deficiency and discover loop holes each year regarding the formulation and implementation of anti-commercial bribery regulations based on examination and assessment, in order to further improve the regulations.

Part VI: 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, RMB200,000 of student subsidies to HIT Education Development Fund, and RMB100,000 to a neighbouring community for new rural area construction. In addition, led by the Labour Union, the Company organises cultural and sport competitions for employees each year. An amount of approximately RMB500,000 is spent each year on helping employees in financial difficulty.

Part VII: Content Index of Environmental, Social and Governance Reporting Guide of the Hong Kong Stock Exchange

Key areas, aspects, general disclosure and key performance indicators			Page
A. Environmental Aspect A1: Emissions	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.		P.28-P.33
	KPI A1.1	The types of emissions and respective emissions data.	P.28
	KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	The Group's business operations involve a very low risk in this regard, so this KPI is not listed as one of the major issues
	KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	P.30, P.32
	KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	P.30, p.32
	KPI A1.5	Description of measures to mitigate emissions and results achieved.	P.31
	KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	P.30, P.32-P.33

Key areas, aspects, general disclosure and key performance indicators			Page
Aspect A2: Use of Resources	General Disclosure Policies on the efficient use of resources, including energy, water and other raw materials.		P.30, P.33-34
	KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in'000s) and intensity (e.g. per unit of production volume, per facility).	P.30-P.33
	KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	P.33
	KPI A2.3	Description of energy use efficiency initiatives and results achieved.	P.34
	KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	P.31
	KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced	The Group's business operations involve a very low risk in this regard, so this KPI is not listed as one of the discloseable major issues

Key areas, aspects, general disclosure and key performance indicators		Page
Aspect A3: Environment and Natural Resources	General Disclosure Policies on minimizing the issuer's significant impact on the environment and natural resources.	P.34
	KPI A3.1 Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	P.34
B. Social Employment and Labour Practices		
Aspect B1: Employment	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	P.35
Aspect B2: Health and Safety	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	P.35

Key areas, aspects, general disclosure and key performance indicators		Page
Aspect B3: Development and Training	General Disclosure Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	P.35
Aspect B4: Labour Standards	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labor.	P.35
Operating Practices		
Aspect B5: Supply Chain Management	General Disclosure Policies on managing environmental and social risks of the supply chain.	P.36
Aspect B6: Product Responsibility	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labeling and privacy matters relating to products and services provided and methods of redress.	P.36-37

Key areas, aspects, general disclosure and key performance indicators		Page
Aspect B7: Anti-corruption	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	P.37
Community		
Aspect B8: Community Investment	General Disclosure Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	P.37

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 (hereinafter collectively referred to as the "Group") set out on pages 50 to 170, which comprise the consolidated statement of financial position as at 31 December 2017, 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 2017, 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 (the "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 Auditor's 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 the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide basis for our opinion.

Material Uncertainty Relating to Going Concern

We draw attention to note 2 to the consolidated financial statements, which indicates that the Group incurred net operating cash outflows of approximately RMB478,228,000 during the year ended 31 December 2017. These conditions, along with other matters as set forth in note 2 to the consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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. In addition to the matter described in the Material Uncertainty Relating to Going Concern section, we have determined the matters described below the key audit matters to be communicated in our report.

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

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

– Impairment assessment on trade and other receivables.

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 119.

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 RMB1,116,762,000 as at 31 December 2017 are stated at fair value less subsequent accumulated impairment losses and accumulated depreciation. Besides, depreciation expenses amounting to approximately RMB145,666,000 were recognised during the year ended 31 December 2017. Management has estimated the fair value of the above items to be approximately RMB1,116,762,000 as at 31 December 2017 with a revaluation gain of approximately RMB9,562,000 recognised during the year ended 31 December 2017. Independent external valuations were obtained in order to support management's estimates. Also, the management has reviewed the depreciation rates annually after taking into consideration of factors such as existence of obsolescence 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 included challenging the management's assessment on the appropriateness of the depreciation rate used as well as the residual value. Besides, we have performed checking on sampling basis by physically 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 137.

The key audit matter	How the matter was addressed in our audit
As at 31 December 2017, the Group has outstanding trade receivables of approximately RMB2,076,749,000. We have identified impairment assessment 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. These conclusions are dependent upon the management's 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 debtor.

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 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 Those Charged with Governance 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.

Those charged with governance 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 section 90 of the Bermuda Companies Act and 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 those charged with governance 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 those charged with governance 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 those charged with governance, 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
29 March 2018

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
Revenue	8	**3,713,493**	4,831,268
Cost of sales		**(3,166,487)**	(3,989,254)
Gross profit		**547,006**	842,014
Other income	10	**55,809**	97,907
Gain on disposal of a subsidiary and deemed disposal of interest in an associate	39	**514,858**	–
Distribution and selling expenses		**(98,709)**	(110,664)
Administrative and other operating expenses		**(426,275)**	(535,290)
Finance costs	11	**(144,082)**	(141,473)
Impairment loss recognised on amount due from an assoicate		**(187,363)**	–
Change in fair value of an investment property	18	**(1,116)**	–
Share of results of associates		**32,002**	75,000
Profit before tax		**292,130**	227,494
Income tax expense	12	**(14,218)**	(68,563)
Profit for the year	13	**277,912**	158,931
Other comprehensive income (expense)			
Items that will not be reclassified subsequently to profit or loss:			
Surplus on revaluation of property, plant and equipment		**48,117**	64,556
Deferred tax effects arising on revaluation of property, plant and equipment	37	**(12,040)**	(14,913)
Deferred tax released on disposal of property, plant and equipment		**289**	–
		36,366	49,643
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translating foreign operations		**84,004**	(13,289)
Share of exchange reserve of associates		**5,559**	1,903
		89,563	(11,386)
Other comprehensive income for the year, net of income tax		**125,929**	38,257
Total comprehensive income for the year		**403,841**	197,188

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2017

	Note	2017 RMB'000	2016 RMB'000
Profit (loss) for the year attributable to:			
Owners of the Company		**235,403**	139,883
Non-controlling interests		**42,509**	19,048
		277,912	158,931
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company		**361,744**	175,034
Non-controlling interests		**42,097**	22,154
		403,841	197,188
Earnings per share			
Basic and diluted (RMB cents)	16	**59.79**	34.99

Consolidated Statement of Financial Position

As at 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
Non-current assets			
Property, plant and equipment	17	**1,719,742**	2,402,874
Investment property	18	**163,525**	–
Other intangible assets	19	**4,070**	6,119
Goodwill	20	**–**	–
Prepaid lease payments	21	**148,874**	152,527
Deposits paid for acquisition of land	22	**9,728**	9,728
Interests in associates	23	**486,538**	318,029
Deposits paid for finance leases	25	**56,311**	100,388
Deferred tax assets	37	**45,375**	35,485
		2,634,163	3,025,150
Current assets			
Inventories	24	**1,335,824**	1,683,140
Trade and other receivables	25	**2,509,608**	2,818,878
Prepaid lease payments	21	**3,653**	3,653
Amounts due from directors	26	**360**	360
Amounts due from related companies	27	**117,320**	124,626
Amounts due from non-controlling interests	28	**308**	308
Amounts due from associates	28	**349,391**	58,179
Financial assets at fair value through profit or loss	29	**3,000**	1,500
Pledged bank deposits	30	**465,145**	648,772
Bank balances and cash	31	**292,878**	299,738
		5,077,487	5,639,154
Current liabilities			
Trade and other payables	32	**2,338,673**	3,383,764
Amounts due to directors	33	**2,660**	2,995
Amounts due to related companies	33	**380,567**	215,496
Amounts due to non-controlling interests	33	**1,475**	1,475
Amounts due to associates	33	**652,159**	472,094
Tax payables		**25,858**	48,160
Bank borrowings	34	**1,451,203**	1,661,729
Obligations under finance leases	35	**114,005**	299,759
		4,966,600	6,085,472
Net current assets (liabilities)		**110,887**	(446,318)
		2,745,050	2,578,832

	Notes	2017 RMB'000	2016 RMB'000
Capital and reserves			
Share capital	36	**41,012**	42,012
Reserves		**2,244,238**	1,923,409
Equity attributable to owners of the Company		**2,285,250**	1,965,421
Non-controlling interests		**175,524**	184,198
Total equity		**2,460,774**	2,149,619
Non-current liabilities			
Deferred tax liabilities	37	**36,570**	33,563
Obligations under finance leases	35	**54,503**	222,446
Deferred government grants	38	**193,203**	173,204
		284,276	429,213
		2,745,050	2,578,832

The consolidated financial statements on pages 50 to 170 were approved and authorised for issue by the board of directors on 29 March 2018 and are signed on its behalf by:

Mr. Song Dian Quan
Director

Mr. Zhang Li Ming
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

	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 2017	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
Profit for the year	–	–	–	–	–	–	–	235,403	235,403	42,509	277,912
Other comprehensive income (expense)											
Exchange difference arising on translating foreign operations	–	–	–	–	–	84,932	–	–	84,932	(928)	84,004
Share of exchange reserve of associates	–	–	–	–	–	5,559	–	–	5,559	–	5,559
Surplus on revaluation of property, plant and equipment	–	–	–	–	47,417	–	–	–	47,417	700	48,117
Deferred tax effects arising on revaluation of property, plant and equipment	–	–	–	–	(11,826)	–	–	–	(11,826)	(214)	(12,040)
Deferred tax released on disposal of property, plant and equipment	–	–	–	–	259	–	–	–	259	30	289
Other comprehensive income (expense) for the year	–	–	–	–	35,850	90,491	–	–	126,341	(412)	125,929
Total comprehensive income for the year	–	–	–	–	35,850	90,491	–	235,403	361,744	42,097	403,841
Disposal of a subsidiary (note 39)	–	–	–	–	8,455	–	–	(8,455)	–	(50,771)	(50,771)
Appropriation to statutory reserves	–	–	–	9,148	–	–	–	(9,148)	–	–	–
Realised on depreciation of property, plant and equipment	–	–	–	–	(1,157)	–	–	1,157	–	–	–
Shares repurchased and cancelled	(1,000)	(40,915)	–	–	–	–	–	–	(41,915)	–	(41,915)
At 31 December 2017	**41,012**	**73,177**	**92,545**	**393,773**	**176,847**	**(11,246)**	**(117,927)**	**1,637,069**	**2,285,250**	**175,524**	**2,460,774**
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											
Exchange difference arising on translating 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 for the year	–	–	–	–	47,112	(11,961)	–	139,883	175,034	22,154	197,188
Dilution of non-controlling interests in a subsidiary	–	–	–	–	–	–	(28,360)	–	(28,360)	(323)	(28,683)
Realised on disposal 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

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 amounted 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 2017

	2017 RMB'000	2016 RMB'000
OPERATING ACTIVITIES		
Profit before tax	**292,130**	227,494
Adjustments for:		
Finance costs	**144,082**	141,473
Depreciation of property, plant and equipment	**145,666**	181,353
Impairment loss recognised on trade and other receivables	**39,854**	37,001
Impairment loss recognised on amount due from an associate	**187,363**	–
Change in fair value of an investment property	**1,116**	–
Deficit arising on revaluation of property, plant and equipment, net	**38,555**	18,812
Investment income from financial assets at fair value through profit or loss ("FVTPL")	**(229)**	–
Amortisation of prepaid lease payments	**3,653**	3,653
Gain on disposal of property, plant and equipment	**(75)**	(6,803)
Allowance for inventories	**5,731**	4,052
Amortisation of other intangible assets	**2,049**	2,441
Imputed interest income on deposits paid for finance leases	**(2,027)**	(6,352)
Amortisation of government grants	**(4,905)**	(3,778)
Bank interest income	**(7,626)**	(6,888)
Government grants recognised as income	**(22,227)**	(45,220)
Reversal of impairment loss recognised on trade and other receivables	**(10,323)**	(7,242)
Gain on disposal of a subsidiary and deemed disposal of interest in an associates	**(514,858)**	–
Share of results of associates	**(32,002)**	(75,000)
Operating cash flows before movements in working capital	**265,927**	464,996
Increase in inventories	**(443,441)**	(270,250)
(Increase) decrease in financial asset at FVTPL	**(1,271)**	12,600
Increase in trade and other receivables	**(509,185)**	(475,354)
(Increase) decrease in amount due from associates	**(299)**	8,721
Increase in trade and other payables	**256,820**	675,761
Cash (used in) generated from operations	**(431,449)**	416,474
Income tax paid	**(46,779)**	(75,373)
Net cash (used in) generated from operating activities	**(478,228)**	341,101

	Note	2017 RMB'000	2016 RMB'000
INVESTING ACTIVITIES			
Withdrawal of pledged bank deposits		**1,322,173**	491,128
Net cash inflow on disposal of a subsidiary	39	**694,244**	–
Dividends received from associates		**100,564**	105,712
Interest received		**7,626**	6,888
Proceeds from disposal of property, plant and equipment		**3,500**	4,965
Placement of pledged bank deposits		**(1,253,802)**	(648,772)
Purchases of property, plant and equipment		**(238,464)**	(366,561)
Advance to related companies		**(124,947)**	(23,885)
Advance to associates		**(478,276)**	–
Capital injection to an associate		**–**	(2,940)
Capital injection to a subsidiary		**–**	(28,683)
Net cash generated from (used in) investing activities		**32,618**	(462,148)
FINANCING ACTIVITIES			
New bank borrowings raised		**1,560,589**	1,593,561
Proceeds from sales and leaseback		**115,002**	299,454
Government grants received		**24,904**	101,580
Advance from related companies		**556,152**	34,515
(Repayment to) advance from directors		**(335)**	474
Repayments of bank borrowings		**(1,590,769)**	(1,149,933)
Repayments of obligations under finance leases		**(222,700)**	(463,334)
Interest paid		**(143,253)**	(150,391)
Advance from (repayment to) associates		**180,065**	(63,293)
Payment on repurchase of own shares		**(41,915)**	–
Net cash generated from financing activities		**437,740**	202,633
Net (decrease) increase in cash and cash equivalents		**(7,870)**	81,384
Cash and cash equivalents at the beginning of the year		**299,738**	235,164
Effect of foreign exchange rate changes		**1,010**	(17,012)
Cash and cash equivalents at the end of the year, represented by bank balances and cash		**292,878**	299,536

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"). In the opinion of the directors, the Company is the ultimate holding company of the group and its ultimate controlling party is Mr. Song Dian Quan. 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 to as the "Group") are principally engaged in investment holding and the manufacture and sales of battery products. The principal activities of the Company's principal subsidiaries are set out in note 50.

2. Basis of Preparation of Consolidation Financial Statements

Notwithstanding that the Group incurred operating cash outflows of approximately RMB478,228,000 during the year ended 31 December 2017, 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 and related companies of the Group have undertaken not to demand the repayment of the balances due from the Group totaling approximately RMB652,159,000 and RMB380,567,000 as at 31 December 2017 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 2017, the Group has unutilised available banking facilities of approximately RMB448,518,000; and

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

(iii) The bank borrowings of approximately RMB270,000,000 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 two years after the reporting date in accordance with the scheduled repayment dates set out in the loan agreements; and

(iv) The Group will be able to obtain available financing from banks through successful negotiations for extension or renewal of those existing bank borrowings that are repayable within 1 year from the end of the reporting period.

Accordingly, the directors of the Group are of the opinion that it is appropriate to prepare these consolidated financial statements for the year ended 31 December 2017 on a going concern basis. The consolidated financial statements do not include any adjustments relating to the carrying amount and reclassification of assets and liabilities that might be necessary should the Group be unable 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 HKICPA.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2014 – 2016 Cycle: Amendments to HKFRS 12
Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses

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

Amendments to HKAS 7 Disclosure Initiative

The amendments require entities 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 amendments indicate that one way is to provide a reconciliation between the opening and closing balances for liabilities arising from financing activities.

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

Amendments to HKAS 7 Disclosure Initiative (Continued)

The application of amendments to HKAS 7 has resulted in additional disclosures on the Group's financing activities, especially a reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities is provided in note 48. On initial application of the amendments, the Group is not required to provide comparative information for preceding periods. Apart from the additional disclosure in note 48, the directors of the Company considered that these amendments have had no impact on the Group's consolidated financial statements.

New and revised HKFRSs issued but not yet effective

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

HKFRS 9 (2014)	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[3]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014 – 2016 Cycle[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to HKAS 40	Transfers of Investment Property[1]
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[2]

1 Effective for annual periods beginning on or after 1 January 2018.
2 Effective for annual periods beginning on or after 1 January 2019.
3 Effective for annual periods beginning on or after 1 January 2021.
4 Effective date not yet been determined.

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

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

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

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

- All recognised financial assets that are within the scope of HKFRS 9 (2014) Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9 (2014), entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

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

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

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

- With regard to the measurement of financial liabilities designated as at FVTPL, 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 FVTPL was presented in profit or loss.

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

- HKFRS 9 (2014) introduces a new model which is more closely aligns hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risk exposures. As a principle-based approach, HKFRS 9 (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.

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)*

The directors of the Company has performed a preliminary analysis of the Group's financial instruments as at 31 December 2017 based on the fact and circumstances existing at that date. The directors of the Company have assessed the impact of adoption of HKFRS 9 (2014) on the Group's results and financial position, including the classification categories and the measurement of financial assets, and disclosures, as follows:

(a) Classification and measurement

The directors of the Company expect to continue recognising initially at fair value for all financial assets which are subsequently measured at amortised costs. The directors of the Company anticipate that the adoption of HKFRS 9 (2014) will not have a material impact on the classification and measurement of the financial assets.

(b) Impairment

The directors of the Company expect to apply the simplified approach and record lifetime expected credit losses that are estimated based on the present value of all cash shortfalls over the remaining life of all of its trade and other receivables, amounts due from directors, related companies, non-controlling interests and associates. The application of the expected credit loss model may result in earlier recognition of credit losses for trade and other receivables and amounts due from directors, related companies, non-controlling interests and associates. increase the amount of impairment allowance recognised for these items.

The directors of the Company will perform a more detailed analysis which considers all reasonable and supportable information for the estimation of the effect of adoption of HKFRS 9 (2014). Based on the preliminary assessment, the directors of the Company expect that the adoption of HKFRS 9 (2014) will not have other material impact on amounts reported in the Group's consolidated financial statements.

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

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

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.

The major sources of revenue of the Group are sales of goods and provision of services. Under HKFRS 15, revenue is recognised for each of the performance obligations when control over a good or service is transferred to a customer. The directors of the Company have preliminarily assessed each type of the performance obligations and consider that the performance obligations are similar to the current identification of separate revenue components under HKAS 18 Revenue. Furthermore, HKFRS 15 requires the transaction price to be allocated to each performance obligation on a relative stand-alone selling price basis, which may affect the timing and amounts of revenue recognition and results in more disclosures in the consolidated financial statements. However, the directors of the Company expect that the adoption of HKFRS 15 will not have a material impact on the timing and amounts of revenue recognition based on the existing business model of the Group as at 31 December 2017.

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.

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** (Continued)*

As at 31 December 2017, the Group has non-cancellable operating lease commitments of RMB49,696,000 as disclosed in note 45. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in the measurement, presentation and disclosure as indicated above. The directors of the Company are in the process to determine the amounts of right-of-use assets and lease liabilities to be recognised in the consolidated statement of financial position, after taking into account all practical expedients and recognition exemption under HKFRS 16. The directors of the Company expect that the adoption of HKFRS 16 will not have material impact on the Group's result but certain portion of these lease commitments will be required to be recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities.

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, financial assets at FVTPL and an investment property 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.

4. Significant Accounting Policies (Continued)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (i.e. its subsidiaries).

Control is achieved when the Company:

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

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

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

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

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

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

4. Significant Accounting Policies (Continued)

Changes in the Group's ownership interests in existing subsidiaries

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

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) 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)

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties include land held for undetermined future use, which is regarded as held for capital appreciation purpose.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

If an item of property, plant and equipment becomes an investment property when there is a change in use, as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in properties revaluation reserve. The properties revaluation reserve in respect of that item will be transferred directly to retained earnings when it is derecognised.

Interest 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 Interest in associates are accounted for in the consolidated financial statements using the equity method. Under the equity method, Interest 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.

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.

4. Significant Accounting Policies (Continued)

Interest in associates (Continued)

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.

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

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 for online game services is recognised when services are provided.

4. Significant Accounting Policies (Continued)

Revenue recognition (Continued)

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.

Rental income

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Dividend income

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

Property, plant and equipment

Property, plant and equipment including freehold 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.

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.

4. Significant Accounting Policies (Continued)

Property, plant and equipment (Continued)

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 contruction 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 lessor

Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease.

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.

4. Significant Accounting Policies (Continued)

Leasing (Continued)

***Leasehold land and building** (Continued)*

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as prepaid lease payments in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. Prepaid lease payments are stated in the consolidated financial statements at cost less subsequent accumulated amortisation and accumulated impairment losses. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Foreign currencies

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

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

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.

4. Significant Accounting Policies (Continued)

Borrowing costs

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

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

Government grants

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

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

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

Retirement benefit costs and termination benefits

Payments to defined contribution 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)

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale The directors of the Company reviewed the Group's investment property and concluded that none of the Group's investment property is held under a business model whose objective is to consume substantially all of the economic benefits embodied in investment property over time, rather than through sale. Therefore, the directors of the Company have determined that the "sale" presumption set out in the amendments to HKAS 12 is not rebutted. As a result, the Group has not recognised any deferred taxes on changes in fair value of the investment property as the Group is not subject to any income taxes on the fair value changes of the investment properties on disposal.

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.

4. Significant Accounting Policies (Continued)

Intangible assets (Continued)

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

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

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

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is 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.

4. Significant Accounting Policies (Continued)

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

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

Recoverable amount is the higher of fair value less costs to 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.

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, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

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, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increases under the standard.

Inventories

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

4. Significant Accounting Policies (Continued)

Cash and cash equivalents

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

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets at FVTPL) 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 FVTPL are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into loans and receivables and financial assets at 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 other income in note 10.

4. Significant Accounting Policies (Continued)

Financial instruments (Continued)

***Financial assets** (Continued)*

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 determined in the manner described in note 7.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables including trade and other receivables, pledged bank deposits, bank balances and cash, amounts due from directors, related companies, non-controlling interests 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).

4. Significant Accounting Policies (Continued)

Financial instruments (Continued)

***Financial assets** (Continued)*

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.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of trade receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 90 to 270 days, observable changes in national or local economic conditions that correlate with default on receivables.

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

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of deposits paid for finance leases, 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 trade and other receivables, 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.

4. Significant Accounting Policies (Continued)

Financial instruments (Continued)

***Financial assets** (Continued)*

Impairment loss on financial assets (Continued)

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 were 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.

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.

4. Significant Accounting Policies (Continued)

Financial instruments (Continued)

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

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 FVTPL is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of obligation under the contract, as determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the revenue recognition policy.

Derecognition

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

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

4. Significant Accounting Policies (Continued)

Financial instruments (Continued)

***Derecognition** (Continued)*

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 intangible assets for the purpose of impairment assessment, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

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

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

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

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

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

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

5. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

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

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

Critical judgements in applying the entity's accounting policies

The following are the critical judgements, apart from those involving estimation (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised 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 have 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 2017.

Application of cost approach on revaluation of buildings of the Group

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

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

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

Significant influence over an associate

As per note 23, the directors of the Company considered 瀋陽東北蓄電池有限公司 ("Shenyang Dongbei") in which the Group has 9.5% (2016: 19%) equity interests, is an associate of the Group. The Group has significant influence over Shenyang Dongbei 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.

Deferred taxation on investment property

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment property that is measured using the fair value model, the directors of the Company reviewed the Group's investment property and concluded that none of the Group's investment property is held under a business model whose objective is to consume substantially all of the economic benefits embodied in investment property over time, rather than through sale. Therefore, the directors of the Company have determined that the "sale" presumption set out in the amendments to HKAS 12 is not rebutted. As a result, the Group has not recognised any deferred taxes on changes in fair value of the investment property as the Group is not subject to any income taxes on the fair value changes of the investment properties on disposal.

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.

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

Key sources of estimation uncertainty (Continued)

Valuation of property, plant and equipments other than leasehold improvements and construction in progress

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 2017, the carrying amount of the property, plant and equipment other than leasehold improvements and construction in progress measured at fair value is approximately RMB1,116,762,000 (2016: RMB1,991,454,000).

Income tax

As at 31 December 2017, no deferred tax asset has been recognised on the tax losses of approximately RMB869,611,000 (2016: RMB590,387,000) 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 2017, an impairment loss in respect of trade and other receivables of approximately RMB39,854,000 and nil respectively (2016: RMB17,882,000 and RMB19,119,000 respectively) were recognised. An impairment loss in respect of amounts due from related companies and associates were recognised approximately of RMB187,363,000 and nil respectively during the years ended 31 December 2017 and 2016. As at 31 December 2017, the carrying amount of trade receivables is approximately RMB2,076,749,000 (2016: RMB2,392,735,000), net of allowance for doubtful debts of RMB151,156,000 (2016: RMB131,687,000). As at 31 December 2017, the carrying amount of other receivables, including prepayment and advances to supplies, is approximately RMB456,254,000 (2016: RMB486,469,000), net of allowance for doubtful debts of approximately RMB23,507,000 (2016: RMB23,507,000). As at 31 December 2017, the carrying amounts of amounts due from related companies and associates are approximately RMB117,320,000 and RMB349,391,000 respectively (2016: RMB124,626,000 and RMB58,179,000), net of allowance for doubtful debts approximately of RMB1,096,000 and RMB187,363,000 (2016: 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 2017 is approximately RMB3,000,000 (2016: RMB1,500,000). 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 2017 and 2016.

Fair value of investment property

Investment property is carried in the consolidated statement of financial position as at 31 December 2017 at its fair value of approximately RMB163,525,000 (2016: Nil). In determining the fair value, an independent professional valuer assessed the significant unobservable input by reference to market data and took into consideration certain estimates of market conditions. Favourable or unfavourable changes to these assumptions would result in changes in the fair value of the Group's investment property and corresponding adjustments to the amount of profit reported in the consolidated statement of profit or loss.

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

Key sources of estimation uncertainty (Continued)

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 2017, the carrying amount of interests in associates is approximately RMB486,538,000 (2016: RMB318,029,000). No impairment loss was recognised during the years ended 31 December 2017 and 2016.

Allowance for obsolete inventories

As at 31 December 2017, the carrying amount of inventories is approximately RMB1,335,824,000 (2016: RMB1,683,140,000), net of accumulated allowance for obsolete inventories of approximately RMB26,493,000 (2016: RMB20,762,000). During the year ended 31 December 2017, impairment loss in respect of inventories of RMB5,731,000 was recognised (2016: RMB4,052,000). The management of the Group reviews an aging analysis at the end of each reporting period, and makes allowance for obsolete and slow-moving inventory items and for price reduction in the market prices. The management estimates the net realisable value for inventories based primarily on the latest invoice prices and current market conditions. The Group carries out an inventory review on a product-by-product basis at the end of each reporting period and makes allowance for obsolete items.

6. Capital Risk Management

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

The capital structure of the Group consists of net debt, which includes the 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 2017 and 2016 are as follows:

	2017 **RMB'000**	2016 RMB'000
Amounts due to directors, related companies, non-controlling interests and associates	**1,036,861**	692,060
Obligations under finance leases	**168,508**	522,205
Bank borrowings	**1,451,203**	1,661,729
Total debts	**2,656,572**	2,875,994
Bank balances and cash	**(292,878)**	(299,738)
Net debts	**2,363,694**	2,576,256
Total equity	**2,460,774**	2,149,619
Net debt-to adjusted capital ratio	**96%**	120%

7. Financial Instruments

(a) Categories of financial instruments

	2017 RMB'000	2016 RMB'000
Financial assets		
Financial asset at FVTPL	**3,000**	1,500
Loans and receivables (including cash and cash equivalents)	**3,592,830**	3,887,109
	3,595,830	3,888,609
Financial liabilities		
Financial liabilities at amortised cost	**4,841,775**	6,025,569

(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 and trade and other payables 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 respective group entities making the purchases for both years.

At 31 December 2017 and 2016, 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:

	2017			2016		
	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$")	**269**	**–**	**269**	265	–	265
United States Dollar ("US$")	**11,978**	**–**	**11,978**	44,824	(157,873)	(113,049)

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

Sensitivity analysis

The following table details the Group's sensitivity to a 10% (2016: 10%) increase or decrease in RMB against the relevant foreign currencies. 10% (2016: 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% (2016: 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)*

Currency risk (Continued)

Sensitivity analysis (Continued)

A positive number below indicates an increase (2016: increase) in post-tax profit for the year where RMB weakening 10% (2016: 10%) against the relevant currencies. For a 10% (2016: 10%) strengthening of RMB against the relevant currencies, 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:

	2017 RMB'000	2016 RMB'000
HK$	**20**	20
US$	**898**	(8,479)

Interest rate risk

As at 31 December 2017 and 2016, the Group is exposed to fair value interest rate risk in relation to fixed-rate bank borrowings (note 34) and obligations under finance leases (note 35).

As at 31 December 2017 and 2016, 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.

7. Financial Instruments (Continued)

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

Market risk *(Continued)*

Interest rate risk (Continued)

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 LIBOR arising from the Group's USD denominated bank borrowings.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 100 (2016: 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 (2016: 100 basis points) higher/lower and all other variables held constant, the Group's post-tax profit for the year ended 31 December 2017 would decrease/increase by approximately RMB419,000 (2016: decrease/increase by approximately RMB1,515,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rates bank borrowings.

Credit risk

As at 31 December 2017, the carrying amounts of trade and other receivables (except for prepayments to suppliers), amounts due from directors, amounts due from non-controlling interests, amounts due from related companies, amounts due from associates, pledged bank deposits and bank balances represent the Group's maximum exposure to credit risk in relation to financial assets.

7. Financial Instruments (Continued)

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

***Credit risk** (Continued)*

The Group has policies in place to ensure that services are rendered and products are sold to customers with appropriate credit history and the Group performs periodic assessment on the credit quality of the customers, taking into account its financial position, past experience and other factors. Normally the Group does not hold any collateral as security. The directors of the Company consider the Group does not have a significant concentration of credit risk.

As at 31 December 2017, the Group's 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 2017 and 2016. 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 evaluated based on the debtor's past history of making payments and current ability to pay.

The counterparties of the Group are mainly in the PRC which accounted for 99% (2016: 99%) of the total trade receivables as at 31 December 2017. 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 2017 and 2016.

The Group has concentration of credit risk as 1% (2016: 1%) and 17% (2016: 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

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 derived from 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 2017					
Trade and other payables	2,185,203	–	–	2,185,203	2,185,203
Amounts due to directors	2,660	–	–	2,660	2,660
Amounts due to related companies	380,567	–	–	380,567	380,567
Amounts due to non-controlling interests	1,475	–	–	1,475	1,475
Amounts due to associates	652,159	–	–	652,159	652,159
Bank borrowings with fixed interest rate	650,943	–	–	650,943	637,278
Bank borrowings with variable interest rate	558,244	–	–	558,244	543,925
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 (show under current liabilities)	270,000	–	–	270,000	270,000
Obligations under finance leases	119,258	37,623	18,895	175,776	168,508
Financial guarantee contracts (note 47)	1,021,884	–	–	1,021,884	–
	5,842,393	37,623	18,895	5,898,911	4,841,775

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)	230,000	–	–	230,000	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	–
	6,414,855	212,162	16,801	6,643,818	6,025,569

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 2017, the aggregate undiscounted principal amounts of these bank borrowings amounted to approximately RMB270,000,000 (2016: RMB230,000,000). 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 RM282,055,000 (2016: RMB240,269,000).

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 measurement, grouped into Level 2 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 2017 Level 2 RMB'000	As at 31 December 2016 Level 2 RMB'000
Financial assets at FVTPL		
Unlisted funds	**3,000**	1,500

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

Some of the Group's financial assets 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 are determined (in particular, the valuation techniques and inputs used).

Financial instruments	Fair value hierarchy	Fair value as at 2017 RMB'000	Fair value as at 2016 RMB'000	Valuation technique and key inputs	Significant unobservable inputs
Financial assets at FVTPL – Unlisted funds	Level 2	**3,000**	1,500	By reference to the fair values of the underlying assets held through an investment fund	N/A

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 discounts and sales related tax, for the year. An analysis of the Group's revenue for the year is as follows:

	2017 RMB'000	2016 RMB'000
Sealed lead acid batteries and related accessories	**751,342**	792,126
Lithium-ion batteries	**2,418,238**	3,597,541
Nickel batteries	**126,792**	120,386
Others	**417,121**	321,215
	3,713,493	4,831,268

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.

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 2017

	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	751,342	2,418,238	126,792	417,121	–	3,713,493
Inter-segment sales	124,317	141,843	896	35,813	(302,869)	–
Segment revenue	875,659	2,560,081	127,688	452,934	(302,869)	3,713,493
Segment (loss) profit	(39,210)	40,065	8,458	191,304	–	200,617
Unallocated operating income and expenses						(130,412)
Impairment loss recognised on amount from an associate						(187,363)
Change in fair value of an investment property						(1,116)
Gain on disposal of a subsidiary and deemed disposal of interest in an associate						514,858
Bank interest income						7,626
Finance costs						(144,082)
Share of results of associates						32,002
Profit before tax						292,130

9. Segment Information (Continued)

Segment revenue and results (Continued)

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						(2,098)
Impairment loss recognised on other receivables						(13,278)
Bank interest income						6,888
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)

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 deposits paid for finance leases and other receivables, bank interest income and certain other income, impairment loss recognised on other receivables, impairment loss recognised on amount due from an associate, gain on disposal of a subsidiary and deemed disposal of interest in an associate, 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

	2017 **RMB'000**	2016 RMB'000
Sealed lead acid batteries and related accessories	**1,603,003**	1,805,228
Lithium-ion batteries	**3,617,879**	4,700,312
Nickel batteries	**89,960**	88,408
Others	**640,288**	583,131
Total segment assets	**5,951,130**	7,177,079
Interest in associates	**486,538**	318,029
Corporate and other assets	**1,273,982**	1,169,196
Total assets	**7,711,650**	8,664,304

9. Segment Information (Continued)

Segment assets and liabilities (Continued)

Segment liabilities

	2017 **RMB'000**	2016 RMB'000
Sealed lead acid batteries and related accessories	**254,870**	331,828
Lithium-ion batteries	**1,978,984**	2,860,230
Nickel batteries	**46,166**	68,830
Others	**241,400**	285,742
Total segment liabilities	**2,521,420**	3,546,630
Corporate and other liabilities	**2,729,456**	2,968,055
Total liabilities	**5,250,876**	6,514,685

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 2017

	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
Amounts included in the measure of segment profit or loss or segment assets:						
Additions to non-current assets (note)	56,568	279,368	3,523	12,062	–	351,521
Depreciation and amortisation	50,130	72,723	–	28,505	–	151,358
Allowance for inventories	–	964	–	4,767	–	5,731
Impairment loss recognised on trade receivables	10,645	25,435	–	3,774	–	39,854
Deficits arising on revaluation of property, plant and equipment	3,734	14,585	3,591	16,645	–	38,555
Reversal of impairment loss recognised on trade receivables	(3,615)	(5,276)	(189)	(1,243)	–	(10,323)
Gain on disposals of property, plant and equipment	(75)	–	–	–	–	(75)
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:						
Impairment loss recognised on amount due from an associate	–	–	–	–	187,363	187,363
Bank interest income	(2,660)	(4,743)	(52)	(171)	–	(7,626)
Investment income from financial assets at FVTPL	–	–	–	(229)	–	(229)
Imputed interest income on deposits paid for finance leases and other receivables	(76)	(1,951)	–	–	–	(2,027)
Finance costs	30,548	110,278	655	531	2,070	144,082
Interests in associates	237,288	–	–	2,124	247,126	486,538
Share of result of associates	(5,775)	–	–	613	(26,840)	(32,002)
Income tax expenses	2,761	7,479	200	3,778	–	14,218

9. Segment Information (Continued)

Other segment information (Continued)

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 loss 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
Interests 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

Note: Non-current assets excluded goodwill, deposit paid for acquisition of land, interests in associates, deposits paid for finance lease and deferred tax assets for the years ended 31 December 2017 and 2016.

9. Segment Information (Continued)

Geographical information

During the years ended 31 December 2017 and 2016, 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 (note)	
	2017	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000
The PRC	**3,344,432**	2,983,264	**1,793,064**	2,484,690
Taiwan	**–**	664,293	**–**	–
India	**265,263**	407,146	**135,859**	153,737
Other countries	**103,798**	776,565	**603,554**	250,850
	3,713,493	4,831,268	**2,532,477**	2,889,277

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

Information about major customer

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

	2017	2016
	RMB'000	RMB'000
Customer A[1]	**N/A[2]**	521,651

[1] Revenue from Lithium-ion batteries in Lithium-ion batteries segment.

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

10. Other Income

	2017 RMB'000	2016 RMB'000
Bank interest income	**7,626**	6,888
Investment income from financial assets at FVTPL	**229**	202
Gain on disposals of property, plant and equipment	**75**	6,803
Reversal of impairment loss recognised on trade receivables (note 25)	**10,323**	7,242
Government grants recognised as income (Note a)	**22,227**	45,220
Amortisation of government grants (note 38)	**4,905**	3,778
Exchange gain, net	**–**	12,837
Imputed interest income on deposits paid for finance leases	**2,027**	6,352
Refund of value-added tax	**1,639**	2,143
Gross rental income (Note b)	**3,599**	–
Sundry income	**3,159**	6,442
	55,809	97,907

Note:

(a) 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.

(b) An analysis of the Group's net rental income is as follows:

	2017 RMB'000	2016 RMB'000
Gross rental income	**3,599**	–
Less: outgoings incurred for investment properties that generated rental income during the year	**(509)**	–
Net rental income	**3,090**	–

11. Finance Costs

	2017 RMB'000	2016 RMB'000
Interests on:		
– bank borrowings	**108,752**	113,235
– obligations under finance leases	**43,086**	37,156
– imputed interest on finance leases	**829**	783
Total borrowing costs	**152,667**	151,174
Less: amounts capitalised	**(8,585)**	(9,701)
	144,082	141,473

Borrowing cost capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 7.25% (2016: 7.58%) per annum to expenditure on qualifying assets.

12. Income Tax Expenses

	2017 RMB'000	2016 RMB'000
Current tax:		
PRC Enterprise Income Tax ("EIT")	**34,547**	91,435
Under-provision in prior years:		
PRC EIT	**–**	272
Deferred taxation (note 37)	**(20,329)**	(23,144)
	14,218	68,563

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 Expenses (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 2017 and 2016, certain subsidiaries of the Group were recognised as high technology enterprise and obtained a preferential tax rate of 15% from 2016 to 2019.

The income tax expenses 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:

	2017	2016
	RMB'000	RMB'000
Profit before taxation	**292,130**	227,494
Tax at the applicable income tax rate at 25%	**73,033**	56,873
Tax effect of share of results of associates	**(8,001)**	(18,750)
Tax effect of income not taxable	**(162,847)**	(3,683)
Tax effect of expenses not deductible	**49,612**	5,870
Tax effect of tax losses not recognised	**72,878**	41,749
Utilisation of tax losses previously not recognised	**(3,072)**	(6,788)
Under-provision in prior years	**–**	272
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(7,385)**	(6,980)
Income tax expenses for the year	**14,218**	68,563

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:

	2017 RMB'000	2016 RMB'000
Directors' and chief executive's emoluments (note 14)	**1,956**	1,818
Other staff costs	**560,894**	763,405
Retirement benefits scheme contributions (excluding contributions for directors)	**77,727**	84,978
Total employee benefit expenses	**640,577**	850,201
Amortisation of prepaid lease payments (included in administrative expenses)	**3,653**	3,653
Depreciation of property, plant and equipment	**145,666**	181,353
Amortisation of other intangible assets (included in cost of sales)	**2,049**	2,441
Total depreciation and amortisation	**151,368**	187,447
Auditor's remuneration	**2,300**	2,244
Deficit arising on revaluation of property, plant and equipment, net (note 17)	**38,555**	18,812
Research and development costs recognised as expense (included in administrative expenses)	**168,272**	115,339
Minimum lease payments under operating leases in respect of premises	**29,549**	13,405
Share of income tax expense from associates	**14,620**	28,154
Impairment loss recognised on trade and other receivables	**39,854**	37,001
Allowance for inventories (included in cost of sales)	**5,731**	4,052
Amount of inventories recognised as an expense	**3,160,756**	3,985,202

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 of the Company 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 2017				
Executive directors				
Mr. Song Dian Quan	–	512	11	523
Ms. Luo Ming Hua (note a)	–	284	–	284
Mr. Li Ke Xue	–	270	–	270
Mr. Xing Kai	–	227	–	227
Mr. Zhang Li Ming (note b)	–	621	13	634
Mr. Liu Xing Quan	–	–	–	–
Independent non-executive directors				
Mr. Li Zhen Lin	–	–	–	–
Dr. Yin Ge Ping	–	–	–	–
Mr. Xiao Jian Min	–	18	–	18
Total	–	1,932	24	1,956

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

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 2016				
Executive directors				
Mr. Song Dian Quan	–	445	8	453
Ms. Luo Ming Hua (note a)	–	263	–	263
Mr. Li Ke Xue	–	209	–	209
Mr. Xing Kai	–	259	23	282
Mr. Zhang Li Ming (note b)	–	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

Note a: Ms. Luo Ming Hua is also the chief executive of the Company for the years ended 31 December 2017 and 2016 and her emoluments disclosed above include those for services rendered by her as the chief executive.

Note b: Included in the amount paid to Mr. Zhang Li Ming HKD235,000 (approximately of RMB203,000) is the estimated money value of one year's free use of an apartment of a subsidiary (2016: Nil).

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

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

No directors and chief executive of the Company waived or agreed to waive any emoluments during the years ended 31 December 2017 and 2016.

b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, two (2016: two) were the directors (including chief executive) of the Company whose emoluments are set out in note 14(a) above. The emoluments of the remaining three (2016: three) individuals are as follows:

	2017 RMB'000	2016 RMB'000
Salaries and other benefits	**1,932**	1,931
Retirement benefits scheme contributions	**24**	46
	1,956	1,977

The emoluments of the remaining three (2016: three) individuals with the highest emoluments are within the following bands:

	2017 Number of individuals	2016 Number of Individuals
Nil to HK$1,000,000 (equivalent to Nil to RMB866,000) (2016: equivalent to Nil to RMB856,000)	**3**	3

During the years ended 31 December 2017 and 2016, 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 2017, nor has any dividend been proposed since the end of the reporting period (2016: 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:

	2017	2016
Profit for the year attributable to the owners of the Company (RMB'000)	**235,403**	139,883
Weighted average number of ordinary shares ('000)	**393,699**	399,734

(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 2017 and 2016.

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 2016	4,985	13,932	831,055	977,030	29,766	9,367	191,585	2,057,720
Exchange Adjustments	8	556	3,040	1,496	172	26	13	5,311
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)	–	(123,610)
At 31 December 2016 and 1 January 2017	4,993	13,932	835,956	1,104,982	28,682	7,902	411,232	2,407,679
Exchange Adjustments	–	(15)	(87)	(69)	(5)	–	–	(176)
Additions	787	–	–	96,685	2,920	1,918	250,211	352,521
Transfers	–	–	–	36,721	–	–	(36,721)	–
Disposal of a subsidiary (note 39)	–	–	–	(744,852)	(17,800)	(1,247)	(22,417)	(786,316)
Disposals	–	–	–	(3,522)	(25)	(140)	–	(3,687)
Transfer to investment property (note 18)	–	–	(173,795)	–	–	–	–	(173,795)
Revaluation	–	(541)	33,142	(92,957)	(7,150)	(3,873)	–	(71,379)
At 31 December 2017	**5,780**	**13,376**	**695,216**	**396,988**	**6,622**	**4,560**	**602,305**	**1,724,847**

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 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 and 1 January 2017	4,805	–	–	–	–	–	–	4,805
Charge for the year	300	–	30,619	109,433	3,929	1,385	–	145,666
Transfer to investment property (note 18)	–	–	(9,154)	–	–	–	–	(9,154)
Disposal of a subsidiary (note 39)	–	–	–	(52,611)	(2,239)	(159)	–	(55,009)
Eliminated on disposals	–	–	–	(235)	(4)	(23)	–	(262)
Eliminated on revaluation	–	–	(21,465)	(56,587)	(1,686)	(1,203)	–	(80,941)
At 31 December 2017	**5,105**	**–**	**–**	**–**	**–**	**–**	**–**	**5,105**
Carrying values								
At 31 December 2017	**675**	**13,376**	**695,216**	**396,988**	**6,622**	**4,560**	**602,305**	**1,719,742**
At 31 December 2016	188	13,932	835,956	1,104,982	28,682	7,902	411,232	2,402,874

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

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

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

The carrying values of plant and machinery of approximately RMB396,988,000 includes an amount of approximately RMB292,145,000 (2016: RMB1,104,982,000 includes an amount of approximately RMB682,141,000) in respect of assets held under finance leases.

17. Property, Plant and Equipment (Continued)

The fair value of property, plant and equipment other than leasehold improvements and construction in progress were revalued at 31 December 2017 and 2016 by an independent valuer not connected to the Group, Jones Lang LaSalle Corporate Appraisal & Advisory Limited ("Jones Lang"). 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 RMB631,600,000 (31 December 2016: RMB456,576,000) to secure general banking facilities granted to the Group.

The surplus arising on revaluation of property, plant and equipment was approximately RMB9,562,000 (2016: RMB45,744,000), which are summarised as follows:

	2017 **RMB'000**	2016 RMB'000
Deficits recognised in the consolidated statements of profit or loss	**(38,555)**	(18,812)
Surplus recognised in the consolidated statement of other comprehensive income		
– attributable to owners of the Company	**47,417**	61,346
– attributable to non-controlling interests	**700**	3,210
	48,117	64,556
Total surplus arising on revaluation of property, plant and equipment	**9,562**	45,744

17. Property, Plant and Equipment (Continued)

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

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

An analysis of the Group's freehold land, buildings, plant and machinery, furniture, fixtures and equipment and motor vehicles that are measured at fair value subsequent to initial recognition and information about the fair value hierarchy as at 31 December 2017 and 2016 are as follows:

Property, plant and equipment	**Fair value hierarchy**	**Fair value as at**		**Valuation technique and key inputs**	**Significant unobservable inputs**
		2017 RMB'000	2016 RMB'000		
Freehold land	Level 2	**13,376**	13,932	Market Approach – by reference to recent sale price of comparable freehold land in similar market	N/A
Buildings	Level 3	**695,216**	835,956	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 2017 RMB'000	Fair value as at 2016 RMB'000	Valuation technique and key inputs	Significant unobservable inputs
Plant and machinery, and motor vehicle	Level 2	**401,548**	1,112,884	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	**6,622**	28,682	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 2017 and 2016.

There was no transfer between levels of fair value hierarchy during the years ended 31 December 2017 and 2016.

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:

	2017 **RMB'000**	2016 RMB'000
Opening balance, 1 January	**864,638**	860,821
Exchange realignment	**(92)**	3,212
Depreciation charged	**(34,548)**	(37,156)
Gain (losses)		
– In profit or loss	**(9,713)**	4,133
– In other comprehensive income	**58,856**	31,222
Addition (including transfer from construction in progress)	**2,920**	6,495
Disposals (including disposal of a subsidiary)	**(15,582)**	(4,089)
Transfer to investment property	**(164,641)**	–
Closing balance, 31 December	**701,838**	864,638

During the year ended 31 December 2017, the net increase in fair value recognised in the comprehensive income of approximately RMB48,117,000 (2016: RMB64,556,000) are included in revaluation reserve in equity. Included in the net increase in fair value is the amount of RMB58,856,000 (2016: RMB31,222,000) that is attributable to the unrealised gains relating to buildings and furniture, fixture and equipment measured at fair value held at the end of the reporting period.

17. Property, Plant and Equipment (Continued)

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
2017						
Cost	**11,690**	**710,706**	**1,211,387**	**69,104**	**34,523**	**2,037,410**
Accumulated depreciation	**–**	**(260,382)**	**(797,743)**	**(54,987)**	**(28,534)**	**(1,141,646)**
	11,690	**450,324**	**413,644**	**14,117**	**5,989**	**895,764**

	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

18. Investment Property

	2017 **RMB'000**
FAIR VALUE	
Transfer from property, plant and equipment during the year (note 17)	**164,641**
Change in fair value recognised in profit and loss	**(1,116)**
At 31 December	**163,525**

The fair value of the Group's investment property at 31 December 2017 has been arrived at on the basis of a valuation carried out on that date by Jones Lang. The valuation was arrived at by reference to the income approach. Details of the valuation techniques and assumptions are discussed below.

In estimating the fair value of the property, the highest and best use of the property is its current use.

The Group's property interest held under operating leases to earn rentals or for capital appreciation purposes is measured using the fair value model and is classified and accounted for as investment property.

An analysis of the Group's investment property that is measured subsequent to initial recognition at fair value, grouped into fair value hierarchy Level 3 based on the degree to which the inputs to fair value measurements is observable is as follows:

	Fair value hierarchy	**Fair value as at 31 December 2017** RMB'000
Investment property	Level 3	163,525

There were no transfers between levels of fair value hierarchy during the year.

18. Investment Property (Continued)

The following table gives information about how the fair value of the investment property as at 31 December 2017 is determined (in particular, the valuation techniques and inputs used):

Fair value hierarchy	Fair value as at 31 December 2017	Valuation technique and key inputs	Significant unobservable inputs	Range	Relationship of key inputs and significant unobservable inputs to fair value
Level 3	RMB163,525,000	Income approach – by reference to capitalised income derived from existing tenancies and the reversionary potential of the properties	Prevailing market rents	From RMB 9 per square meter ("sq.m") per month to RMB 15 per square meter ("sq.m") per month	The higher the prevailing market rent, the lower the fair value
			Reversionary yield	5%	The higher the rental yield, the lower the fair value

During the year ended 31 December 2017, the decrease in fair value recognised in profit or loss of approximately RMB1,116,000 is included in profit or loss.

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 2016, 31 December 2016 and 2017	10,248	4,717	14,965
AMORTISATION			
At 1 January 2016	6,012	393	6,405
Charge for the year	83	2,358	2,441
At 31 December 2016	6,095	2,751	8,846
Charge for the year	83	1,966	2,049
At 31 December 2017	6,178	4,717	10,895
CARRYING VALUES			
At 31 December 2017	4,070	–	4,070
At 31 December 2016	4,153	1,966	6,119

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

	2017 RMB'000	2016 RMB'000
Cost		
At 1 January and 31 December	**33,205**	33,205
Accumulated impairment losses		
At 1 January and 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 2017 and 2016 allocated to these units are as follow:

	2017 RMB'000	2016 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

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

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

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:

	2017 **RMB'000**	2016 RMB'000
Current assets	**3,653**	3,653
Non-current assets	**148,874**	152,527
	152,527	156,180

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 RMB35,902,000 (2016: RMB36,825,000) to secure general banking facilities granted to the Group.

22. Deposits Paid for Acquisition of Land

For the year ended 31 December 2017, deposits of approximately RMB9,728,000 (2016: RMB9,728,000) were paid for the acquisition of several land use rights situated in Qinhuangdao, the PRC.

23. Interests in Associates

	2017 **RMB'000**	2016 RMB'000
Cost of investment in associates – unlisted	**267,833**	36,320
Share of post acquisition profit and other comprehensive income, net of dividends received	**218,705**	281,709
	486,538	318,029

23. Interests in Associates (Continued)

At 31 December 2017 and 2016, 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
			2017	2016	**2017**	2016	
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	Caymand 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 Coporation ("MR Gamez") (note i)	Incorporated	The Republic of Korea	**25.91%**	25.91%	**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%	Dormant
沈陽東北蓄電池有限公司 Shenyang Dongbei Storage Battery Company Ltd.*("Shenyang Dongbei") (note ii)	Incorporated	PRC	**9.50%**	19.00%	**9.50%**	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")	Incorporated	PRC	**49.00%**	49.00%	**49.00%**	49.00%	Manufacturing and sales of motor vehicles
珠海光宇電池有限公司 Zhuhai Coslight Battery Company Ltd. (note iii)	Incorporated	PRC	**26.14%**	N/A	**26.14%**	N/A	Manufacture and sales of lithium–polymer batteries
光宇電池香港有限公司 Coslight Battery (Hong Kong) Co., Limited (note iii)	Incorporated	Hong Kong	**26.14%**	N/A	**26.14%**	N/A	Sales of lithium batteries

* The English translation is for identification purposes only.

23. Interests in Associates (Continued)

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 became 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%.

Note (ii) During the year ended 31 December 2017, the Group's interest in Shenyang Dongbei was diluted to an aggregate 9.5% due to capital injection of RMB80,000,000 from the other existing shareholder of Shenyang Dongbei. Upon the completion of the capital injection, the Group's share of losses of Shenyang Dongbei continued to exceed the interest in associate, no gain or loss is recognised from the deemed disposal. The Group has significant influence over Shenyang Dongbei 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.

Note (iii) 珠海光宇電池有限公司 Zhuhai Coslight Battery Company Ltd (the "Disposed Subsidiary") is an indirectly non-wholly owned subsidiary of the Group. The Group previously held 89.62% effective interest of the Disposed Subsidiary. On 4 July 2017, the Group entered into an agreement with an independent third party, 北京易科匯投資管理有限公司 Beijing Yi Kehui Investment and Management Company Limited*, to sell 51.83% interest of the Disposed Subsidiary with a total consideration of RMB726,240,000. According to the agreement, Mr. Xu Yanming, the Chairman, the General Manager and the Legal Representative of Zhuhai Coslight, and the senior management designated by Mr. Xu Yanming (collectively referred to as the "Target Management"), of the Disposed Subsidiary has also agreed to inject an aggregate of RMB300,000,000 for 30.82% of equity interest in the Disposed Subsidiary. As at 31 December 2017, the capital injection was fully received by the Disposed Subsidiary and the Group held 26.14% effective interest of the Disposed Subsidiary. The Disposed Subsidiary ceased to be a subsidiary of the Group and became an associate of the Group.

Summarised financial information of material associates

Summarised financial information in respect of each of the Group's material associates, namely Coslight Network Company Limited and its subsidiaries (the "Associate Group") (note i) and Zhuhai Coslight Battery Company Limited and its subsidiary (the "Zhuhai Coslight Group") (note ii), is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with HKFRSs.

23. Interests in Associates (Continued)

Summarised financial information of material associates (Continued)

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

	Associate Group		Zhuhai Coslight Group	
	2017	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000
Current assets	**891,951**	207,433	**2,020,585**	N/A
Non-current assets	**98,341**	676,280	**1,196,862**	N/A
Current liabilities	**(368,997)**	(174,075)	**(2,165,137)**	N/A
Non-current liabilities	**(125,356)**	(76,905)	**(144,552)**	N/A

	Associate Group		Zhuhai Coslight Group	
	2017	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000
Revenue	**166,282**	330,768	**2,008,255**	N/A
Profit for the year	**53,864**	156,313	**22,093**	N/A
Other comprehensive income for the year	**11,155**	3,818	**–**	N/A
Total comprehensive income for the year	**65,019**	160,131	**22,093**	N/A
Dividends income received from the associate during the year	**(100,564)**	(105,712)	**–**	N/A

23. Interests in Associates (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:

	Associate Group		Zhuhai Coslight Group	
	2017 RMB'000	2016 RMB'000	**2017 RMB'000**	2016 RMB'000
Net assets of the associates	**495,939**	632,733	**907,758**	N/A
Proportion of the Group's ownership interest in associates	**49.83%**	49.83%	**26.14%**	N/A
Carrying amount of the Group's interest in associates	**247,126**	315,291	**237,287**	N/A

Note i: 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.

Note ii: The "Zhuhai Coslight Group" included Zhuhai Coslight Battery Company Limited and Coslight Battery (Hong Kong) Company Limited.

The Group's interests in associates, except for disclosed above, are 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.

	2017 RMB'000	2016 RMB'000
The Group's share of loss for the year	**(613)**	(2,891)

	2017 RMB'000	2016 RMB'000
Aggregate carrying amount of the Group's interests in these immaterial associates	**2,125**	2,738

23. Interests in Associates (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:

	2017 **RMB'000**	2016 RMB'000
Unrecognised share of loss of an associate for the year	**7,191**	10,098
Accumulative unrecognised share of loss of an associate	**17,515**	10,324

24. Inventories

	2017 **RMB'000**	2016 RMB'000
Raw materials	**161,588**	297,430
Work in progress	**170,921**	427,625
Finished goods	**1,003,315**	958,085
	1,335,824	1,683,140

At 31 December 2016, the Group has pledged inventories of approximately RMB50,000,000 (2017:nil) to secure general banking facilities granted to the Group.

25. Trade Receivables, Deposits and Other Receivables

	2017 RMB'000	2016 RMB'000
Trade receivables	**2,227,905**	2,524,422
Less: allowance for doubtful debts	**(151,156)**	(131,687)
	2,076,749	2,392,735
Bill receivables	**32,917**	40,062
Trade and bill receivables	**2,109,666**	2,432,797
Consideration receivables on disposal of:		
– An associate (note a)	**–**	15,000
Prepayment and advances to suppliers	**176,723**	138,819
Deposits and other receivables	**303,037**	356,157
Less: allowance for doubtful debts for other receivables	**(23,507)**	(23,507)
	456,253	486,469
Total trade receivables, deposits and other receivables	**2,565,919**	2,919,266

	2017 RMB'000	2016 RMB'000
Analysed for reporting purpose:		
Current portion	**2,509,608**	2,818,878
Non-current portion		
Deposits paid for finance leases (Note b)	**56,311**	100,388
	2,565,919	2,919,266

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 RMB39,877,000 (2016: RMB105,545,000) 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 receivables.

Note:

(a) 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.

(b) During the year ended 31 December 2017, 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% (2016: 6%) per annum and the net present value of these deposits for the finance leases are approximately RMB56,311,000 at 31 December 2017 (2016: RMB100,388,000). Imputed interest for the year ended 31 December 2017 is approximately RMB2,027,000 (2016: RMB6,352,000).

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:

	2017 **RMB'000**	2016 RMB'000
US$	**–**	26,763

Ageing analysis of the Group's trade and bill receivables net of allowance for doubtful debts at the end of the reporting period presented based on the invoice date which approximates to the revenue recognition date are as follows:

	2017 **RMB'000**	2016 RMB'000
Within 90 days	**753,031**	1,331,918
91 – 180 days	**391,922**	425,081
181 – 270 days	**298,135**	301,260
271 – 365 days	**233,376**	121,267
Over 1 year, but not exceeding 2 years	**433,202**	253,271
	2,109,666	2,432,797

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:

	2017 RMB'000	2016 RMB'000
At 1 January	**131,687**	121,047
Impairment loss recognised on trade receivables	**39,854**	17,882
Derecognised on disposal of a subsidiary	**(10,062)**	–
Impairment loss reversed	**(10,323)**	(7,242)
At 31 December	**151,156**	131,687

Included in the allowance for impairment of trade receivables are individually impaired trade receivables which is considered uncollectible with an aggregate balance of RMB151,156,000 (2016: RMB131,687,000) which are due to long outstanding.

As at 31 December 2017, RMB673,332,000 (2016: RMB380,022,000) of the Group's trade receivables were past due but not impaired. The ageing analysis of these receivables is as follows:

	2017 RMB'000	2016 RMB'000
Past due but not impaired:		
Within three months	**237,502**	128,256
Three to nine months	**384,720**	163,422
Nine to fifteen months	**51,110**	88,344
	673,332	380,022

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:

	2017 **RMB'000**	2016 RMB'000
At 1 January	**23,507**	4,388
Impairment loss recognised on other receivables	**–**	19,119
At 31 December	**23,507**	23,507

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 (2016: RMB23,507,000) 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:

	2017 **RMB'000**	2016 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 amounts due from directors is as follow:

As at 31 December 2017

Name of director	Amount RMB'000	Outstanding amount at 01/01/2017 RMB'000	Outstanding amount at 31/12/2017 RMB'000	Maximum amount outstanding during the year RMB'000
Mr. Li Ke Xue	190	190	190	190
Mr. Liu Xing Quan	170	170	170	170

As at 31 December 2016

Name of director	Amount RMB'000	Outstanding amount at 01/01/2016 RMB'000	Outstanding amount at 31/12/2016 RMB'000	Maximum amount outstanding during the year RMB'000
Mr. Li Ke Xue	190	190	190	190
Mr. Liu Xing Quan	170	170	170	170

27. Amounts Due from Related Companies

Name of related companies	2017 RMB'000	2016 RMB'000	Maximum amount outstanding during the year ended 31 December 2017 RMB'000	Maximum amount outstanding during the year ended 31 December 2016 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")*	**19,272**	18,744	**19,272**	18,744
石家莊光宇高能電池材料有限公司 Shijiazhuang Guangyu Battery Material Company Limited *	**543**	543	**543**	543
光宇延邊蓄電池有限責任公司 Guangyu Yanbian Storage Battery Manufacturing Company Limited *	**5,052**	9,184	**9,184**	9,184
哈爾濱光宇電源廠 Harbin Guangyu Power Supply Factory *	**478**	–	**478**	249
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*	**3,901**	–	**3,902**	11,682
Global Universal Development Limited	**88,617**	96,698	**96,698**	123,477
杭州光宇電源有限公司	**482**	482	**482**	482
	118,416	125,722		
Less: allowance for doubtful debts	**(1,096)**	(1,096)		
	117,320	124,626		

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:

	2017 **RMB'000**	2016 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 approximately RMB1,096,000 (2016: RMB1,096,000).

28. Amounts Due from Non-Controlling Interests and Associates

Amounts due from associates of approximately RMB42,143,000 (2016: RMB41,844,000) 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.

Included in the allowance for impairment of amounts due from associates is an individually impaired amount due from an associate which is considered uncollectible with a balance of approximately RMB187,363,000 (2016: Nil).

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 RMB465,145,000 (2016: RMB648,772,000) 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% (2016: 1.5% to 3.25%) 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 (2016: 0.30 % to 3.25 % 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:

	2017 RMB'000	2016 RMB'000
HK$	269	265
US$	11,978	18,061

32. Trade and Other Payables

	2017 RMB'000	2016 RMB'000
Trade payables	1,237,325	1,455,763
Bill payables	674,852	1,284,768
	1,912,177	2,740,531
Receipt in advances	49,974	55,511
Other payables	376,522	587,722
Trade and other payables	2,338,673	3,383,764

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:

	2017 RMB'000	2016 RMB'000
Within 30 days	**1,274,689**	1,888,526
31 – 60 days	**129,535**	156,868
61 – 90 days	**107,572**	189,058
91 – 180 days	**147,708**	293,697
Over 180 days	**252,673**	212,382
	1,912,177	2,740,531

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:

	2017 RMB'000	2016 RMB'000
US$	**–**	29,351

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

	2017 RMB'000	2016 RMB'000
Secured	**768,124**	1,050,899
Unsecured	**683,079**	610,830
	1,451,203	1,661,729

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

	2017 RMB'000	2016 RMB'000
Within one year	**1,181,203**	1,431,729
After one year but within two years	**–**	40,000
After two years but within five years	**270,000**	190,000
	1,451,203	1,661,729
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)	**270,000**	230,000
Carrying amount repayable within one year	**1,181,203**	1,431,729
	1,451,203	1,661,729
Amount shown under current liabilities	**(1,451,203)**	(1,661,729)
	–	–

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), inventories (note 24), trade receivables (note 25) and pledged bank deposits (note 30).

At 31 December 2017, approximately RMB270,000,000 (2016: RMB547,652,000) 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 2017, Mr. Song Dian Quan, 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 RMB70,000,000 (2016: 170,653,000) granted to the Group.

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

	2017 **RMB'000**	2016 RMB'000
Fixed-rate borrowings	**637,278**	528,855
Variable-rate borrowings	**813,925**	1,132,874
	1,451,203	1,661,729

During the year ended 31 December 2017, the Group obtained new loans in the amount of approximately RMB1,560,589,000 (2016: RMB1,593,561,000). The loans bear interest at market rates and will be repayable during 2017 to 2018 (2016: 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:

	2017 RMB'000	2016 RMB'000
Fixed-rate borrowings	**2.92% to 6.90%**	3.60% to 6.90%
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:

	2017 RMB'000	2016 RMB'000
US$	**–**	128,522

35. Obligations Under Finance Leases

The Group leases certain its plant and machinery and equipments under finance leases during the years ended 31 December 2017 and 2016. The average lease term of these leases is two to three years (2016: 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	
	2017	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000
Amounts payable under finance leases				
Within one year	**119,258**	321,440	**114,005**	299,759
More than one year but less than two years	**37,623**	212,162	**35,946**	205,852
More than two years but less than five years	**18,895**	16,801	**18,557**	16,594
	175,776	550,403	**168,508**	522,205
Less: future finance charges	**(7,268)**	(28,198)		
Present value of obligations under finance leases	**168,508**	522,205		
Less: amounts due for settlement within one year (shown under current liabilities)			**(114,005)**	(299,759)
Amounts due for settlement after one year			**54,503**	222,446

35. Obligations Under Finance Leases (Continued)

During the year ended 31 December 2017, the Group entered into several finance lease agreements pursuant to which finance leasing suppliers (the "lessors") purchased the equipments from the Group at approximately RMB115,002,000 (2016: RMB299,454,000) and the Group leased back these equipments with the lease period ranged from two to three years (2016: 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 (2016: 4.46% to 12.51%).

In addition, during the year ended 31 December 2017, the Group leased certain plant and machinery with the aggregate amount of approximately RMB126,528,000 (2016: RMB112,627,000) with the lease period ranged from two to three years from the date of inception (2016: two to three years). The fixed interest rate inherent in the lease is ranged from 4.33% to 17.83% per annum (2016: from 4.33% 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 2016, 31 December 2016 and 31 December 2017	1,000,000	100,000	107,000
Issued and fully paid:			
At 1 January 2016 and 31 December 2016	399,734	39,973	42,012
Share repurchased and cancelled (note)	(11,550)	(1,155)	(1,000)
At 31 December 2017	**388,184**	**38,818**	**41,012**

36. Share Capital (Continued)

Note: During the year ended 31 December 2017, the Company repurchased its own shares through the Stock Exchange as follows:

Month of purchase	Number of ordinary shares of HK$0.10 each	Price per share Highest HK$	Price per share Lowest HK$	Aggregation consideration paid RMB'000
February 2017	2,800,000	4.93	4.79	11,891
June 2017	3,750,000	4.36	4.08	13,770
November 2017	5,000,000	3.80	3.61	16,254
	11,550,000			41,915

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:

	2017 RMB'000	2016 RMB'000
Deferred tax assets	**45,375**	35,485
Deferred tax liabilities	**(36,570)**	(33,563)
	8,805	1,922

37. Deferred Taxation (Continued)

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

	Allowances on trade and other receivables 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 2016	10,999	(19,117)	(4,117)	–	5,926	(6,309)
Credit 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
Disposal of a subsidiary (note 39)	–	–	–	–	(1,695)	(1,695)
Credit to profit or loss	6,408	8,744	–	5,177	–	20,329
Charge to other comprehensive income	–	(11,751)	–	–	–	(11,751)
At 31 December 2017	**23,507**	**(32,453)**	**(4,117)**	**18,349**	**3,519**	**8,805**

As at 31 December 2017, no deferred tax asset has been recognised on the tax losses of approximately RMB869,611,000 (2016: RMB590,387,000) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately RMB512,103,000 (31 December 2016: RMB576,608,000) that will be expired within next five years. Other losses may be carried forward indefinitely.

38. Deferred Government Grants

	RMB'000
At 1 January 2016	120,622
Additions	56,360
Amortisation during the year	(3,778)
At 31 December 2016	173,204
Additions	24,904
Amortisation during the year	(4,905)
At 31 December 2017	**193,203**

The Group received government grants towards the Group's investment in a land use right and related production facilities to be constructed in areas 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 RMB4,905,000 (2016: RMB3,778,000).

During the year ended 31 December 2017, government grants of approximately RMB24,904,000 (2016: RMB56,360,000) were obtained. As 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 a Subsidiary and Deemed Disposal of Interest in an Associate

(a) Disposal of a subsidiary

During the year ended 31 December 2017, 哈爾濱光宇電源股份有限公司 (Harbin Coslight Power Company Limited*) ("Harbin Coslight Power"), a non-wholly owned subsidiary of the Group, entered into an agreement (the "Disposal Agreement") with an independent third party, 北京易科匯投資管理有限公司 (Beijing Yi Kehui Investment and Management Company Limited*) (the "Transferee"), to dispose of 51.83% equity interests of 珠海光宇電池有限公司 (Zhuhai Coslight Battery Company Ltd*) ("Zhuhai Coslight"), which was a directly wholly-owned subsidiary of Harbin Coslight Power, and its subsidiary (collectively referred to as the "Zhuhai Coslight Group"), at a total consideration of approximately RMB726,240,000.

On 4 July 2017, the disposal was completed and Zhuhai Coslight ceased to be a subsidiary of the Group. Upon the completion of the disposal, the Group retained 37.79% equity interests in Zhuhai Coslight and the interests are classified and included in interests in associates.

(b) Deemed disposal of interest in an associate

Pursuant to the Disposal Agreement signed on 4 July 2017, the Target Management injected an aggregate of RMB300,000,000 to Zhuhai Coslight (the "Capital Injection") in consideration for 13.00% equity interests in Zhuhai Coslight from Harbin Coslight Power (11.65% attributed to the Group and 1.35% attributed to non-controlling interest) and 17.82% equity interest from the Transferee. The Capital Injection constitutes as a deemed disposal in Zhuhai Coslight, and upon its completion on 4 July 2017, the Group's equity interest in Zhuhai Coslight was diluted from 37.79% to 26.14%. A fair value gain on the deemed disposal of approximately RMB23,333,000 was recognised and included in the Group's consolidated statement of profit or loss and other comprehensive income.

Mr. Xu Yanming is a connected person of the Group at the subsidiary level and the transactions contemplated under the Disposal Agreement constitute connected transactions on the part of the Group under Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

Detail are disclosed in the Group's announcement dated 4 July 2017.

* English name is for identification only.

39. Disposal of a Subsidiary and Deemed Disposal of Interest in an Associate (Continued)

For the year ended 31 December 2017

Consideration received:	RMB'000
Cash received	726,240

Analysis of assets and liabilities over which control was lost	**Zhuhai Coslight Group** RMB'000
Property, plant and equipment	731,307
Deferred tax assets	1,695
Deposits paid for finance leases	57,746
Trade and other receivables	814,714
Inventories	785,025
Amounts due from related companies	132,253
Pledged bank deposits	107,630
Bank balances and cash	31,996
Trade and other payables	(1,214,676)
Amounts due to related companies	(391,081)
Tax payables	(10,070)
Bank borrowings	(180,346)
Obligations under finance leases	(372,527)
Net assets disposed of	493,666
Less: Non-controlling interest	(50,771)
	442,895

39. Disposal of a Subsidiary and Deemed Disposal of Interest in an Associate (Continued)

For the year ended 31 December 2017 (Continued)

Gain on disposal of a subsidiary:	RMB'000
Consideration received	726,240
Net assets disposed of	(493,666)
Non-controlling interests	50,771
	283,345
Fair value of interest in an associate retained on loss of control of a subsidiary	208,180
Deemed gain on disposal of an associate through capital injection	23,333
Gain on disposal of a subsidiary and deemed gain on disposal of an associate	514,858

Net cash inflow arising on disposal:	RMB'000
Cash consideration received	726,240
Bank balances and cash disposed of	(31,996)
	694,244

39. Disposal of a Subsidiary and Deemed Disposal of Interest in an Associate (Continued)

During the year ended 31 December 2017, Zhuhai Coslight Group contributed RMB3 million (2016: contributed RMB61 million) to the Group's net operating cash flows, paid RMB185 million (2016: paid RMB155 million) in respect of investing activities and contributed RMB199 million (2016: contributed RMB54 million) in respect of financing activities.

The results of Zhuhai Coslight Group for the period from 1 January 2017 to 4 July 2017, which have been included in the consolidated statement of profit or loss and other comprehensive income, were as follows:

	Period ended 4/7/2017 RMB'000	Year ended 31/12/2016 RMB'000
Revenue	**1,162,804**	2,197,772
Cost of sales	**(1,058,027)**	(1,896,728)
Other income	**22,488**	38,499
Distribution and selling expenses	**(8,857)**	(18,971)
Administrative and other operating expense	**(83,808)**	(153,328)
Finance costs	**(28,820)**	(42,412)
Profit before tax	**5,780**	124,832
Income tax expense	**–**	(19,098)
Profit for the period/year	**5,780**	105,734

40. Changes in 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.

41. Related Party Transactions

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 2017 and 2016.

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	**2017** **RMB'000**	2016 RMB'000
Rental income from Zhuhai Coslight	**3,599**	–
Sales of finished goods to Shenyang Dongbei	**89,415**	197,310
Purchase of raw materials from Shenyang Dongbei	**73,649**	248,158

41. Related Party Transactions (Continued)

(b) Emoluments of key management personnel

	2017 **RMB'000**	2016 RMB'000
Short-term benefits	**1,932**	1,774
Post-employment benefits	**24**	44
	1,956	1,818

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 RMB77,751,000 (2016: RMB85,022,000) 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 RMB667,502,000 (2016: RMB493,401,000);

(ii) certain of the Group's inventories with an aggregate carrying value of approximately RMB50,000,000 as at 31 December 2016 (2017: Nil);

(iii) certain of trade receivables with an aggregate amount of approximately RMB39,877,000 (2016: RMB105,545,000); and

(iv) pledged bank deposits with an aggregate amount of approximately RMB465,145,000 (2016: RMB648,772,000).

44. Major Non-Cash Transaction

During the years ended 31 December 2017, 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 RMB126,528,000 (2016: RMB112,627,000).

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:

	2017 **RMB'000**	2016 RMB'000
Within one year	**13,429**	11,345
In the second to fifth year inclusive	**36,267**	17,877
	49,696	29,222

Leases are negotiated for a term of one to five years (2016: one to five years) and rentals are fixed during the lease period.

45. Operating Leases (Continued)

The Group as lessor

Property rental income earned during the year is approximately RMB3,599,000 (2016: Nil). The investment property is expected to generate rental yield of 5.2% (2016: Nil) on an ongoing basis. The investment property held has committed a tenant for an indefinite period.

46. Capital Commitments

	2017 **RMB'000**	2016 RMB'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
Acquisition of property, plant and equipment	**13,086**	22,709
Acquisition of an associate	**–**	6,860
	13,086	29,569

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 RMB786,800,000 (2016: RMB554,940,000). 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 2017, an independent third party provided a counter-guarantee of banking facilities granted to the Group to the extent of RMB20,000,000 (2016: RMB20,000,000). As at 31 December 2017, the Group has utilised the banking facilities of RMB20,000,000 (2016: RMB20,000,000).

48. Reconciliation of Liabilities Arising from Financing Activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the consolidated statement of cash flows as cash flows from financing activities.

			Non-cash changes			
	1/1/2017	**Financing cash flows**	**Amortisation**	**New finance leases**	**Disposal of a subsidiary**	**31/12/2017**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Bank borrowings	1,661,729	(30,180)	–	–	(180,346)	1,451,203
Deferred government grants	173,204	24,904	(4,905)	–	–	193,203
Obligations under finance leases	522,205	(107,698)	–	126,528	(372,527)	168,508
Amount due to related companies	215,496	556,152	–	–	(391,081)	380,567
Amount due to directors	2,995	(335)	–	–	–	2,660
Amount due to associates	472,094	180,065	–	–	–	652,159

49. Information about the Statement of Financial Position of the Company

	Note	2017 RMB'000	2016 RMB'000
Non-current asset			
Investments in subsidiaries		**204,890**	204,890
Current assets			
Other receivables		**207**	222
Amounts due from subsidiaries		**66,187**	73,037
Bank balances and cash		**8,292**	1,354
		74,686	74,613
Current liabilities			
Other payables		**9,131**	9,745
Amounts due to subsidiaries		**67,892**	62,123
Amounts due to related companies		**6,864**	7,405
Amounts due to directors		**1,413**	1,800
		85,300	81,073
Net current liabilities		**(10,614)**	(6,460)
Total assets less current liabilities		**194,276**	198,430
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		**(189,054)**	(184,900)
		194,276	198,430

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.

50. Particulars of Principal Subsidiaries of the Company

Details of the Company's subsidiaries as at 31 December 2017 and 2016 are as follows:

Name of subsidiary	Forms of legal entity	Place of incorporation or registration/ operation	Issued and fully paid share capital/ registered capital	Proportion of ownership interest and voting power held by the Company Direct 2017	Direct 2016	Indirect 2017	Indirect 2016	Principal activities
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%	**59.45%**	62.48%	Manufacture of electricity control devices

* The English translation is for identification purposes only.

50. 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	Proportion of ownership interest and voting power held by the Company Direct		Indirect		Principal activities
				2017	2016	2017	2016	
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	**–**	–	**77.88%**	77.88%	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	**–**	–	**68.15%**	68.15%	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	**–**	–	**97.29%**	97.29%	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	**–**	–	**92.94%**	92.73%	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* (note i)	Wholly-owned foreign enterprise	PRC	(2016: RMB85,000,000)	**N/A**	–	**N/A**	89.62%	Manufacture and sales of lithium-polymer batteries

* The English translation is for identification purposes only.

50. 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	Proportion of ownership interest and voting power held by the Company				Principal activities
				Direct		Indirect		
				2017	2016	**2017**	2016	
Coslight Newgen Limited	Private limited company	Russia	RUB1,000,000	**–**	–	**56.46%**	56.46%	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%	**62.85%**	62.85%	Manufacture and sales of sealed lead acid batteries
HYX	Wholly-owned foreign enterprise	PRC	RMB100,000,000	**–**	–	**97.35%**	97.35%	Manufacture and sales of passengers coach
Coslight India Telecom Private Limited	Private limited company	India	INR2,249,461,120	**–**	–	**98.89%**	98.55%	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	**–**	–	**97.35%**	97.35%	Manufacture and sales of passengers coach

* The English translation is for identification purposes only.

Note (i) As set out in note 23, on 4 July 2017, the Group entered into the Disposal Agreement to sell 51.83% shares of the Disposed Subsidiary, with a total consideration of RMB726,240,000. As a result of share transfer and the Capital Injection from management of the Disposed Subsidiary, the Disposed Subsidiary ceased to be a subsidiary of the Group and became an associate of the Group. Details are disclosed in note 39.

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.

50. 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 2017	2016
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
Online game & platform development	PRC	**2**	1
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 or registration/ operation	Proportion of ownership interest and voting power held by non-controlling interests	Profit allocated to non-controlling interests RMB'000	Accumulated non-controlling interests RMB'000
2017				
Harbin Coslight Power Company Limited	**PRC**	**10.38%**	**37,417**	**87,026**
2016				
Harbin Coslight Storage Battery Company Limited	PRC	2.65%	1,433	21,694

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

The summarised financial information in respect of the Group's subsidiary that has material non-controlling interests as at 31 December 2017 is set out below. The summarised financial information below represents amounts before intragroup eliminations.

Harbin Coslight Power Company Limited

	2017 RMB'000
Current assets	3,983,931
Non-current assets	912,664
Current liabilities	(4,058,194)
Equity attributable to owners of the Company	751,375
Non-controlling interests	87,026

	2017 RMB'000
Revenue	1,125,387
Expenses	(764,915)
Profit and total comprehensive income for the year	360,472
Profit and total comprehensive income attributable to owners of the Company	323,055
Profit and total comprehensive income attributable to the non-controlling interests	37,417
Profit and total comprehensive income for the year	360,472
Net cash outflow from operating activities	(79,912)
Net cash outflow from investing activities	(83,687)
Net cash inflow from financing activities	63,122
Net cash outflow	(100,477)

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

The summarised financial information in respect of the Group's subsidiary that has material non-controlling interests as at 31 December 2016 is set out below. The summarised financial information below represents amounts before intragroup eliminations.

Harbin Coslight Storage Battery Company Limited

	2016 RMB'000
Current assets	1,732,426
Non-current assets	1,024,490
Current liabilities	(1,987,444)
Equity attributable to owners of the Company	747,778
Non-controlling interests	21,694

	2016 RMB'000
Revenue	866,028
Expenses	(920,081)
Loss and total comprehensive expense for the year	(54,053)
Loss and total comprehensive expense attributable to owners of the Company	(52,620)
Loss and total comprehensive expense attributable to the non-controlling interests	(1,433)
Loss and total comprehensive expense for the year	(54,053)
Net cash outflow from operating activities	(20,881)
Net cash outflow from investing activities	(117,092)
Net cash inflow from financing activities	132,952
Net cash outflow	(5,021)

Consolidated Statement of Profit or Loss

	For the year ended 31 December				
	2013 RMB'000	2014 RMB'000	2015 RMB'000	2016 RMB'000	**2017** **RMB'000**
Revenue	3,034,323	3,530,664	4,101,669	4,831,268	**3,713,493**
Cost of sales	(2,507,318)	(3,161,830)	(3,515,676)	(3,989,254)	**(3,166,487)**
Gross profit	527,005	368,834	585,993	842,014	**547,006**
Other income	26,675	48,846	105,621	97,907	**55,809**
(Loss) gain on disposal of subsidiaries	100,257	114,963	(3,725)	–	**514,858**
Distribution and selling expenses	(142,236)	(121,977)	(111,579)	(110,664)	**(98,709)**
Administrative and other operating expenses	(286,641)	(377,648)	(411,164)	(535,290)	**(426,275)**
Impairment loss in respect of interests in an associate	(17,000)	–	–	–	**–**
Finance costs	(112,565)	(108,027)	(126,720)	(141,473)	**(144,082)**
Impairment loss recognised on amount due from an associate	–	(3,055)	(25,957)	–	**(187,363)**
Change in fair value of an investment property	–	–	–	–	**(1,116)**
Share of results of associates	139,429	135,692	72,578	75,000	**32,002**
Profit (loss) before tax	234,924	57,628	85,047	227,494	**292,130**
Income tax expense	(49,489)	(29,295)	(68,311)	(68,563)	**(14,218)**
Profit (loss) for the year	185,435	28,333	16,736	158,931	**277,912**
Attributable to:					
Owners of the Company	172,985	32,154	5,232	139,883	**235,403**
Non-controlling interests	12,450	(3,821)	11,504	19,048	**42,509**
	185,435	28,333	16,736	158,931	**277,912**

Consolidated Statement of Financial Position

	At 31 December				
	2013 RMB'000	2014 RMB'000	2015 RMB'000	2016 RMB'000	**2017** **RMB'000**
Total assets	6,127,198	6,361,474	7,350,118	8,664,304	**7,711,650**
Total liabilities	(4,356,472)	(4,482,302)	(5,369,004)	(6,514,685)	**(5,250,876)**
Total equity	1,770,726	1,879,172	1,981,114	2,149,619	**2,460,774**
Non-controlling interests	(71,217)	(67,393)	(162,367)	(184,198)	**(175,524)**
Equity attributable to owners of the Company	1,699,509	1,811,779	1,818,747	1,965,421	**2,285,250**