The following is the text of a report set out on pages I-1 to I-73, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

KPMG

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF CHINA ISOTOPE & RADIATION CORPORATION AND CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED

Introduction

We report on the historical financial information of China Isotope & Radiation Corporation (the "Company") and its subsidiaries (together, the "Group") set out on pages I-3 to I-73, which comprises the consolidated statements of financial position of the Group and the statements of financial position of the Company as at December 31, 2015, 2016 and 2017 and the consolidated statements of profit or loss, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended December 31, 2015, 2016 and 2017 (the "Track Record Period"), and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-3 to I-73 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated June 22, 2018 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgment, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial

Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the Company's and the Group's financial position as at December 31, 2015, 2016 and 2017 and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-3 have been made.

Dividends

We refer to Note 31 to the Historical Financial Information which contains information about the dividends paid by the Company in respect of the Track Record Period.

KPMG

Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

June 22, 2018

HISTORICAL FINANCIAL INFORMATION

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by KPMG Huazhen LLP in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS
(Expressed in Renminbi ("RMB"))

		Years ended December 31,		
	Note	**2015**	**2016**	**2017**
		RMB'000	**RMB'000**	**RMB'000**
Revenue	4	2,152,134	2,363,122	2,672,045
Cost of sales		(664,934)	(698,762)	(787,259)
Gross profit		1,487,200	1,664,360	1,884,786
Other income	5	20,481	26,207	35,965
Selling and distribution expenses		(810,750)	(933,902)	(1,094,684)
Administrative expenses		(234,323)	(258,304)	(296,014)
Profit from operations		462,608	498,361	530,053
Finance costs	6(a)	(10,527)	(14,391)	(7,095)
Share of profits less losses of associates		17,223	11,519	14,764
Share of profits of a joint venture		16,530	17,260	20,242
Profit before taxation	6	485,834	512,749	557,964
Income tax	7	(75,452)	(78,247)	(82,326)
Profit for the year		410,382	434,502	475,638
Attributable to:				
Equity shareholders of the Company		254,205	262,108	271,454
Non-controlling interests		156,177	172,394	204,184
Profit for the year		410,382	434,502	475,638
Earnings per share	8			
Basic and diluted (RMB)		1.27	1.31	1.17

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
(Expressed in RMB)

	Years ended December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Profit for the year	410,382	434,502	475,638
Other comprehensive income for the year (after tax):			
Item that may be reclassified subsequently to profit or loss:			
—Exchange differences on translation of share of profits less losses of an associate	2,797	4,840	(4,930)
Item that will not be reclassified to profit or loss:			
—Remeasurement of defined benefit liability	(2,440)	(793)	114
Other comprehensive income for the year	357	4,047	(4,816)
Total comprehensive income	410,739	438,549	470,822
Attributable to:			
Equity shareholders of the Company for the year	254,565	266,154	266,583
Non-controlling interests	156,174	172,395	204,239
Total comprehensive income for the year	410,739	438,549	470,822

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in RMB)

	Note	As at December 31, 2015	2016	2017
		RMB'000	RMB'000	RMB'000
Non-current assets				
Property, plant and equipment	11	549,354	607,760	765,845
Investment properties	11	8,316	16,858	15,592
Lease prepayments	12	47,097	57,657	63,928
Intangible assets	13	4,699	12,865	32,176
Goodwill	17	5,670	5,670	5,670
Interests in associates	15	59,601	73,847	81,425
Interest in a joint venture	16	42,380	36,006	38,774
Long-term receivables	29(c)	27,901	29,267	30,702
Unquoted equity investments	18	7,251	47,251	47,251
Deferred tax assets	28(b)	109,468	121,050	155,489
		861,737	1,008,231	1,236,852
Current assets				
Trading securities		148	152	104
Gross amounts due from customers for contract work	21	6	467	—
Inventories	19	188,038	225,734	263,002
Trade and bill receivables	20	1,064,748	1,214,857	1,507,234
Prepayments, deposits and other receivables	22	141,403	126,920	210,683
Income tax recoverable	28(a)	2,904	3,441	86
Cash at bank and on hand	23	711,089	1,003,217	1,478,833
		2,108,336	2,574,788	3,459,942
Current liabilities				
Borrowings	24(b)	—	480,000	—
Trade payables	25	110,183	119,866	198,016
Accruals and other payables	26	1,203,384	1,254,963	1,606,489
Gross amounts due to customers for contract work	21	848	3,172	1,816
Provisions	29	54,652	59,954	64,614
Income tax payable	28(a)	35,201	34,558	45,304
		1,404,268	1,952,513	1,916,239
Net current assets		704,068	622,275	1,543,703
Total assets less current liabilities		1,565,805	1,630,506	2,780,555

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (Continued)
(Expressed in RMB)

	Note	As at December 31, 2015	2016	2017
		RMB'000	RMB'000	RMB'000
Non-current liabilities				
Borrowings	24(a)	60,000	—	150,000
Deferred income	30	26,540	26,027	37,890
Defined benefit retirement obligation	27(a)	30,912	30,898	40,511
Deferred tax liabilities	28(b)	20	21	9
Provisions	29	94,683	100,102	105,811
		212,155	157,048	334,221
Net assets		1,353,650	1,473,458	2,446,334
Capital and reserves	31			
Share capital		200,000	200,000	239,906
Reserves		647,660	727,522	1,629,038
Total equity attributable to equity shareholders of the Company		847,660	927,522	1,868,944
Non-controlling interests		505,990	545,936	577,390
Total equity		1,353,650	1,473,458	2,446,334

The accompanying notes form part of the Historical Financial Information.

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY
(Expressed in RMB)

	Note	As at December 31, 2015	2016	2017
		RMB'000	RMB'000	RMB'000
Non-current assets				
Property, plant and equipment	11	30,722	17,456	15,559
Investment property	11	1,025	859	693
Intangible assets	13	1,255	1,128	2,242
Investments in subsidiaries	14	361,510	371,510	413,990
Interests in associates	15	7,393	8,416	10,984
Interest in a joint venture	16	41,346	34,972	37,739
Unquoted equity investments	18	7,140	47,140	47,140
Deferred tax assets	28(b)	14,427	15,388	24,288
		464,818	496,869	552,635
Current assets				
Inventories	19	10,474	10,984	17,621
Trade and bill receivables	20	97,636	100,667	115,223
Prepayments, deposits and other receivables	22	173,014	186,106	484,350
Income tax recoverable	28(a)	2,293	3,387	—
Cash at bank and on hand	23	26,374	136,327	438,532
		309,791	437,471	1,055,726
Current liabilities				
Borrowings	24(b)	—	460,000	—
Trade payables	25	11,296	18,241	34,021
Accruals and other payables	26	406,887	193,179	170,630
Income tax payable	28(a)	—	—	6,887
		418,183	671,420	211,538
Net current (liabilities)/assets		(108,392)	(233,949)	844,188
Total assets less current liabilities		356,426	262,920	1,396,823
Non-current liabilities				
Borrowings	24(a)	60,000	—	—
Defined benefit retirement obligation	27(a)	22,479	22,085	23,368
		82,479	22,085	23,368
Net assets		273,947	240,835	1,373,455
Capital and reserves				
Share capital	31	200,000	200,000	239,906
Reserves		73,947	40,835	1,133,549
Total equity		273,947	240,835	1,373,455

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in RMB)

		Attributable to equity shareholders of the Company								
	Note	Share capital	Capital reserve	PRC statutory reserve	Other reserve	Exchange reserve	Retained profits	Sub-total	Non-controlling interests	Total equity
		RMB'000 Note31(c)	RMB'000 Note31(d)(i)	RMB'000 Note31(d)(ii)	RMB'000 Note31(d)(iii)	RMB'000 Note31(d)(iv)	RMB'000	RMB'000	RMB'000	RMB'000
Balance at January 1, 2015		200,000	49,222	31,266	8,310	(2,369)	478,779	765,208	410,135	1,175,343
Changes in equity:										
Profit for the year		—	—	—	—	—	254,205	254,205	156,177	410,382
Other comprehensive income		—	—	—	—	2,797	(2,437)	360	(3)	357
Total comprehensive income		—	—	—	—	2,797	251,768	254,565	156,174	410,739
Capital contributions from non-controlling equity owners of subsidiaries		—	—	—	—	—	—	—	5,950	5,950
Appropriation of maintenance and production funds		—	—	—	8,705	—	(8,705)	—	—	—
Utilization of maintenance and production funds		—	—	—	(7,238)	—	7,238	—	—	—
Appropriation to reserves		—	—	8,248	—	—	(8,248)	—	—	—
Disposal of a subsidiary		—	—	—	—	—	—	—	126	126
Dividends	31(b)	—	—	—	—	—	(172,113)	(172,113)	—	(172,113)
Distributions of subsidiaries		—	—	—	—	—	—	—	(66,395)	(66,395)
Balance at December 31, 2015		200,000	49,222	39,514	9,777	428	548,719	847,660	505,990	1,353,650

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Continued)
(Expressed in RMB)

	Note	Attributable to equity shareholders of the Company								
		Share capital	Capital reserve	PRC Statutory reserve	Other reserve	Exchange reserve	Retained profits	Sub-total	Non-controlling interests	Total equity
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		Note31(c)	Note31(d)(i)	Note31(d)(ii)	Note31(d)(iii)	Note31(d)(iv)				
Balance at January 1, 2016		200,000	49,222	39,514	9,777	428	548,719	847,660	505,990	1,353,650
Changes in equity:										
Profit for the year		—	—	—	—	—	262,108	262,108	172,394	434,502
Other comprehensive income		—	—	—	—	4,840	(794)	4,046	1	4,047
Total comprehensive income		—	—	—	—	4,840	261,314	266,154	172,395	438,549
Capital contributions from non-controlling equity owners of subsidiaries		—	—	—	—	—	—	—	2,175	2,175
Appropriation of maintenance and production funds		—	—	—	9,353	—	(9,353)	—	—	—
Utilization of maintenance and production funds		—	—	—	(7,895)	—	7,895	—	—	—
Appropriation to reserves		—	—	15,346	—	—	(15,346)	—	—	—
Dividends	31(b)	—	—	—	—	—	(186,292)	(186,292)	—	(186,292)
Distributions of subsidiaries		—	—	—	—	—	—	—	(134,624)	(134,624)
Balance at December 31, 2016		200,000	49,222	54,860	11,235	5,268	606,937	927,522	545,936	1,473,458

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Continued)
(Expressed in RMB)

		Attributable to equity shareholders of the Company								
	Note	Share capital	Capital reserve	PRC Statutory reserve	Other reserve	Exchange reserve	Retained profits	Sub-total	Non-controlling interests	Total equity
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		Note31(c)	Note31(d)(i)	Note31 (d)(ii)	Note31(d)(iii)	Note31(d)(iv)				
Balance at January 1, 2017		200,000	49,222	54,860	11,235	5,268	606,937	927,522	545,936	1,473,458
Changes in equity:										
Profit for the year		—	—	—	—	—	271,454	271,454	204,184	475,638
Other comprehensive income		—	—	—	—	(4,930)	59	(4,871)	55	(4,816)
Total comprehensive income		—	—	—	—	(4,930)	271,513	266,583	204,239	470,822
Issue of ordinary shares		39,906	810,094	—	—	—	—	850,000	—	850,000
Capital contributions from non-controlling equity owners of subsidiaries		—	—	—	—	—	—	—	23,630	23,630
Appropriation of maintenance and production funds		—	—	—	10,346	—	(10,346)	—	—	—
Utilization of maintenance and production funds		—	—	—	(7,625)	—	7,625	—	—	—
Appropriation to reserves		—	—	45,894	—	—	(45,894)	—	—	—
Dividends	31(b)	—	—	—	—	—	(175,161)	(175,161)	—	(175,161)
Distributions of subsidiaries		—	—	—	—	—	—	—	(196,415)	(196,415)
Balance at December 31, 2017		239,906	859,316	100,754	13,956	338	654,674	1,868,944	577,390	2,446,334

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in RMB)

	Note	Years ended December 31, 2015	2016	2017
		RMB'000	RMB'000	RMB'000
Cash flows from operating activities				
Profit before taxation		485,834	512,749	557,964
Adjustments for:				
Net loss/(gain) from fair value changes in trading securities		15	(4)	48
Depreciation and amortization	6(c)	53,786	65,145	67,932
Government grants	5	(4,618)	(7,291)	(9,026)
Interest income	5	(6,089)	(7,285)	(15,904)
Finance costs	6(a)	10,527	14,391	7,095
Investment income of unquoted equity investments	5	(1,408)	(563)	(1,683)
Net gain on disposal of long-term investments	5	(1,308)	—	—
Net (gain)/loss on disposal of property, plant and equipment	5	(356)	(2,395)	1,190
Share of profits less losses of associates		(17,223)	(11,519)	(14,764)
Share of profits of a joint venture		(16,530)	(17,260)	(20,242)
Changes in working capital:				
Increase in inventories	19	(9,669)	(37,696)	(37,268)
(Increase)/decrease in gross amounts due from customers for contract work	21	(6)	(461)	467
Increase in trade and bill receivables	20	(130,766)	(150,109)	(292,377)
(Increase)/decrease in prepayments, deposits and other receivables	22	(4,524)	27,603	(87,637)
Increase in trade payables	25	17,408	9,683	78,150
Increase in accruals and other payables		100,794	146,277	286,009
(Decrease)/increase in gross amounts due to customers for contract work	21	(717)	2,324	(1,356)
Increase/(decrease) in defined benefit retirement obligation	27	413	(1,191)	8,217
Increase in provisions		5,865	6,243	5,621
Cash generated from operating activities		481,428	548,641	532,436
Income tax paid	28(a)	(91,892)	(91,008)	(102,676)
Net cash generated from operating activities		389,536	457,633	429,760

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
(Expressed in RMB)

	Note	Years ended December 31, 2015	2016	2017
		RMB'000	RMB'000	RMB'000
Investing activities				
Increase in deposits with banks	23	(276,566)	(106,685)	(375,155)
Withdrawal of deposits with banks	23	355,120	80,307	119,964
Payments for purchase of investment properties, property, plant and equipment, lease prepayments and intangible assets		(186,205)	(125,972)	(245,594)
Payments for acquisition of an unquoted equity investment		—	(40,000)	—
Proceeds from disposal of property, plant and equipment		32	87	5,932
Proceeds from disposal of a subsidiary		—	1,511	—
Dividends received from associates		1,871	2,114	2,252
Dividends received from a joint venture	16	12,250	23,634	17,475
Dividends received from unquoted equity investments		1,408	563	1,683
Government grants received		9,969	6,778	20,889
Interests received	5	6,089	7,285	15,082
Net cash used in investing activities		(76,032)	(150,378)	(437,472)

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
(Expressed in RMB)

	Note	2015	2016	2017
		Years ended December 31,		
		RMB'000	RMB'000	RMB'000
Financing activities				
Issue of ordinary shares		—	—	850,000
Capital contributions from non-controlling equity owners of subsidiaries		—	—	23,630
Proceeds from borrowings	24	60,000	420,000	150,000
Repayment of borrowings	24	(460,000)	—	(480,000)
Interests paid	6(a)	(5,053)	(9,001)	(2,234)
Dividends paid by the Company to equity shareholders		—	(319,004)	(177,515)
Dividends paid by subsidiaries to non-controlling equity owners		(65,935)	(132,893)	(135,514)
Net cash (used in)/generated from financing activities		(470,988)	(40,898)	228,367
Net (decrease)/increase in cash and cash equivalents		(157,484)	266,357	220,655
Cash and cash equivalents at the beginning of the year	23	809,493	652,113	918,590
Effect of foreign exchange rate changes		104	120	(89)
Cash and cash equivalents at the end of year	23	652,113	918,590	1,139,156

The accompanying notes form part of the Historical Financial Information.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION
(Expressed in RMB unless otherwise indicated)

1 BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

The Company was formerly known as China Isotope Company Limited which was established on December 4, 2007 in the People's Republic of China (the "PRC") as a state-owned enterprise with limited liability. The Company was converted into a joint stock company with limited liability on December 6, 2011. China National Nuclear Corporation ("CNNC"), China Institute of Atomic Energy ("CIAE") and Nuclear Power Institute of China ("NPIC") held 51.93%, 26.92% and 21.15% equity interests in the Company respectively immediately after the conversion. The Company converted its equity into 200,000,000 shares with a par value of RMB1 each. On March 14, 2017, the Company issued 39,906,000 new ordinary shares to CNNC, five related parties under CNNC, Beijing Aerospace Industry Investment Fund LLP and China Aerospace Investment Co., Ltd. at an aggregated consideration of RMB850,000,000. The proceeds of RMB39,906,000 received by the Company, representing the par value, were credited to the Company's share capital. The remaining proceeds received by the Company, net of transaction costs, of RMB810,094,000 were credited to the Company's capital reserve account.

The principal activities of the Company and its subsidiaries (the "Group") are research, development, manufacturing and sale of a broad range of pharmaceuticals and radioactive source products, and also design, manufacturing and installation of gamma ray irradiation facilities, provision of irradiation service for sterilization purpose as well as independent clinical laboratory services in the PRC.

The Historical Financial Information has been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs") which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations issued by the International Accounting Standards Board (the "IASB"). Further details of the significant accounting policies adopted are set out in Note 2.

The IASB has issued a number of new and revised IFRSs. For the purpose of preparing this Historical Financial Information, the Group has adopted all applicable new and revised IFRSs to the Track Record Period, except for any new standards or interpretations that are not yet effective for the accounting period beginning January 1, 2017. The revised and new accounting standards and interpretations issued but not yet effective for the accounting period beginning on January 1, 2017 are set out in Note 36.

The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The accounting policies set out below have been applied consistently to all periods presented in the Historical Financial Information.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of measurement

The Historical Financial Information is presented in RMB, rounded to the nearest thousand. The Historical Financial Information is prepared on the historical cost basis except that trading securities are stated at fair value.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Use of estimates and judgments

The preparation of Historical Financial Information in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized 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.

Judgments made by management in the application of IFRSs that have significant effect on the Historical Financial Information and major sources of estimation uncertainty are discussed in Note 3.

(c) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the Historical Financial Information from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealized profits arising from intra-group transactions are eliminated in full in preparing the Historical Financial Information. Unrealized losses resulting from intra-group transactions are eliminated in the same way as unrealized gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination involving entities not under common control, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statements of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statements of profit or loss and the consolidated statements of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statements of financial position in accordance with Note 2(p) or 2(q) depending on the nature of the liability.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Subsidiaries and non-controlling interests (Continued)

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognized.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognized in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognized at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an interest in an associate and a joint venture (Note 2(d)).

In the Company's statements of financial position, an investment in a subsidiary is stated at cost less impairment losses (Note 2(l)), unless the investment is classified as held for sale.

(d) Associates and joint venture

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group or Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the Historical Financial Information under the equity method, unless it is classified as held for sale. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (Notes 2(g) and 2(l)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognized in the consolidated statements of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognized in the consolidated statements of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the joint venture.

Unrealized profits and losses resulting from transactions between the Group and its associates and joint venture are eliminated to the extent of the Group's interest in the investee, except where unrealized losses provide evidence of an impairment of the asset transferred, in which case they are recognized immediately in profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Associates and joint venture (Continued)

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognized in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognized at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

In the Company's statements of financial position, investments in associates and joint ventures are stated at the cost less impairment losses (Note 2(l)), unless classified as held for sale.

(e) Business combination for entities under common control

Business combinations arising from transfer of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the Track Record Period or, if later, at the date that common control was established. The assets and liabilities acquired are recognized at the carrying amounts recognized previously in the Group's shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within the Group's equity and any difference between the net assets acquired and the consideration paid is recognized directly in equity.

(f) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognized immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (Note 2(l)).

On disposal of a cash generating unit during the periods, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Other investments in equity securities

The Group's and the Company's policies for investments in equity securities, other than investments in subsidiaries and associates and joint venture, are as follows:

Investments in equity securities are initially stated at fair value, which is their transaction price unless it is determined that the fair value at initial recognition differs from the transaction price and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognized in profit or loss as incurred. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognized in profit or loss. The net gain or loss recognized in profit or loss does not include any dividends or interest earned on these investments as these are recognized in accordance with the policies set out in Notes 2(w)(v) and 2(w)(vi).

Investments in equity securities that do not have a quoted market price in an active market for an identical instrument and whose fair value cannot be reliably measured are recognized in the statement of financial position at cost less impairment losses (Note 2(l)).

(h) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (Note 2(k)) to earn rental income and/or for capital appreciation. Investment properties are stated at cost less accumulated depreciation and impairment losses (Note 2(l)). The investment properties are depreciated in accordance with the accounting policy set out in Note 2(i). Rental income from investment properties are accounted for as described in Note 2(w)(iv).

(i) Property, plant and equipment

Property, plant and equipment are initially stated at cost less accumulated depreciation and impairment losses (Note 2(l)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labor, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (Note 2(y)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognized in profit or loss on the date of retirement or disposal.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Property, plant and equipment (Continued)

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

Buildings and plants	10 - 45 years
Machinery and equipment	3 - 20 years
Office equipment	3 - 15 years
Motor vehicles and others	1 - 20 years
Leasehold improvement	2 - 20 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(j) Intangible assets (other than goodwill)

Expenditure on research activities is recognized as an expense in the period in which it is incurred. Expenditure on development activities is capitalized if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalized includes the costs of materials, direct labor, and an appropriate proportion of overheads and borrowing costs, where applicable (Note 2(y)). Capitalized development costs are stated at cost less accumulated amortization and impairment losses (Note 2(l)). Other development expenditure is recognized as an expense in the period in which it is incurred.

Intangible assets that are acquired by the Group are stated at cost less accumulated amortization (where the estimated useful life is finite) and impairment losses (Note 2(l)).

Amortization of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortized from the date they are available for use and their estimated useful lives are as follows:

Patent and know-how	10 years
Royalty	10 years
Software and others	3 - 12 years

Both the period and method of amortization are reviewed annually.

(k) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Leased assets (Continued)

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(ii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal installments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognized in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

Payment made on the acquisition of land held under an operating lease are stated at cost less accumulated amortization and impairment losses (Note 2(l)). Amortization is charged to profit or loss on a straight-line basis over the period of lease term.

(l) Impairment of assets

(i) Impairment of investments in equity securities and receivables

Investments in equity securities and other current and non-current receivables that are stated at cost or amortized cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganization;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognized as follows:

- For investments in associates and joint venture accounted for under the equity method in the Historical Financial Information (Note 2(d)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with Note 2(l)(ii). The impairment loss is reversed if there has been a favorable change in the estimates used to determine the recoverable amount in accordance with Note 2(l)(ii).

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Impairment of assets (Continued)

(i) Impairment of investments in equity securities and receivables (Continued)

— For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.

— For trade and other receivables and other financial assets carried at amortized cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognized, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognized in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognized in respect of trade and bill receivables and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade and bills receivable and other receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognized in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognized no longer exists or may have decreased:

— property, plant and equipment;

— investment properties;

— lease prepayments;

— intangible assets;

— goodwill; and

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Impairment of assets (Continued)

(ii) Impairment of other assets (Continued)

— investments in subsidiaries, a joint venture and associates in the Company's statements of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill and intangible assets that are not yet available for use, the recoverable amount is estimated annually whether or not there is any indication of impairment.

— Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of 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. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— Recognition of impairment losses

An impairment loss is recognized in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

— Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favorable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognized in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognized.

(m) Inventories

Inventories are carried at the lower of cost and net realizable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Inventories (Continued)

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized. The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

(n) Construction contract

Constriction contracts are contracts specifically negotiated with a customer for the construction of an asset or a group of assets, where the customer is able to specify the major structural elements of the design. The accounting policy for contract revenue is set out in Note 2(w)(ii). When the outcome of a construction contract revenue is set out in costs are recognized as an expense by reference to the stage of completion of the contract at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately. When the outcome of a construction contract cannot be estimated reliably, contract costs are recognized as an expense in the period in which they are incurred.

Construction contracts in progress at the end of the reporting period are recorded at the net amount of costs incurred plus recognized profits less recognized losses and progress billings, and are presented in the statement of financial position as the "Gross amounts due from customers for contract work" (as an asset) or the "Gross amounts due to customer for contract work" (as an liability), as applicable. Progress billings not yet paid by the customers are included in "Trade and bill receivables". Amounts received before the related work is performed are presented as "Receipts in advance" in "Accruals and other payables".

(o) Trade and other receivables

Trade and other receivables are initially recognized at fair value and thereafter stated at amortized cost using the effective interest method, less allowance for impairment of doubtful debts (Note 2(l)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(p) Interest-bearing borrowings

Interest-bearing borrowings are recognized initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost with any difference between the amount initially recognized and redemption value being recognized in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Trade and other payables

Trade and other payables are initially recognized at fair value. Trade and other payables are subsequently stated at amortized cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(r) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(s) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Defined benefit retirement plan obligations

The Group's net obligation in respect of defined benefit retirement plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine the present value and the fair value of any plan assets is deducted. The calculation is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

Service cost and net interest expense (income) on the net defined benefit liability (asset) are recognized in profit or loss and allocated to "administrative expenses". Current service cost is measured as the increase in the present value of the defined benefit obligation resulting from employee service in the current period. When the benefits of a plan are changed, or when a plan is curtailed, the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognized as an expense in profit or loss at the earlier of when the plan amendment or curtailment occurs and when related restructuring costs or termination benefits are recognized. Net interest expense (income) for the period is determined by applying the discount rate used to measure the defined benefit obligation at the beginning of the reporting period to the net defined benefit liability (asset). The discount rate is the yield at the end of the reporting period on high quality corporate bonds that have maturity dates approximating the terms of the Group's obligations.

Remeasurements arising from defined benefit retirement plans are recognized in other comprehensive income and reflected immediately in retained earnings. Remeasurements comprise actuarial gains and losses, the return on plan assets (excluding amounts included in net interest on the net defined benefit liability (asset)) and any change in the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability (asset)).

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Employee benefits (Continued)

(iii) Termination benefits

Termination benefits are recognized at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognizes restructuring costs involving the payment of termination benefits.

(t) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognized in profit or loss except to the extent that they relate to business combinations, items recognized in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognized in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilized, are recognized. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilized.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purpose, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognized is measured based on the expected manner of realization or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Income tax (Continued)

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilized. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available to allow the related tax benefit to be utilized. Any such reduction is reversed to the extent that it comes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  — the same taxable entity; or

  — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realize the current tax assets and settle the current tax liabilities on a net basis or realize and settle simultaneously.

(u) Provisions and contingent liabilities

Provisions are recognized for liabilities of uncertain timing or amount when the Company or the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(v) Obligations for reclamation

The Group's obligations for reclamation consist of estimated expenditures for retirement of its radioactive production facilities in accordance with the relevant rules and regulations in the PRC. The Group estimates its liabilities for reclamation based on detailed calculations of the amount and timing of the future expenditures to perform the required work. Estimated expenditures have taken into account of inflation, then discounted at a discount rate that reflects current market assessments of the

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Obligations for reclamation (Continued)

time value of money and the risks specific to the liability such that the amount of provision reflects the present value of the expenditures expected to be required to settle the obligation. The Group records a corresponding asset associated with the liability for reclamation of radioactive production facilities, which is included in property, plant and equipment. The obligation and corresponding asset are recognized in the period in which the liability is incurred. The asset is depreciated using the straight line method over the expected useful life of radioactive production facilities and the liability is accreted to the projected spending date. As changes in estimates occur (such as changes in estimated costs or changes in timing of the performance of reclamation activities), the revisions to the obligation and the corresponding asset are remeasured at the appropriate discount rate and any gain or loss on remeasurement is recognized in profit or loss.

(w) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognized in profit or loss as follows:

(i) Sale of goods

Revenue is recognized when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax ("VAT") and is after deduction of any trade discounts.

(ii) Contract revenue

When the outcome of a construction contract can be estimated reliably, revenue from a fixed price contract is recognized using the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to estimated total contract costs for the contract.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognized only to the extent of contract costs incurred that it is probable will be recoverable.

(iii) Rendering of services

Revenue from irradiation services and other services rendered is recognized upon the delivery or performance of the services.

(iv) Rental income from operating leases

Rental income receivable under operating leases is recognized in profit or loss in equal installments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognized in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognized as income in the accounting period in which they are earned.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) Revenue recognition (Continued)

(v) Dividends

- Dividend income from unlisted investments is recognized when the shareholder's right to receive payment is established.
- Dividend income from listed investments is recognized when the share price of the investment goes ex-dividend.

(vi) Interest income

Interest income is recognized as it accrues using the effective interest method.

(vii) Government grants

Government grants are recognized in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognized as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are initially recognized as deferred income and are subsequently recognized in profit or loss over the useful life of the asset.

(x) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognized in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates.

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions.

(y) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalization of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(z) Related parties

(i) A person, or a close member of that person's family, is related to the Group if that person:

(a) has control or joint control over the Group;

(b) has significant influence over the Group; or

(c) is a member of the key management personnel of the Group or the Group's parent.

(ii) An entity is related to the Group if any of the following conditions applies:

(a) The entity and the Group are members of the same group.

(b) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(c) Both entities are joint ventures of the same third party.

(d) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(e) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(f) The entity is controlled or jointly controlled by a person identified in (i).

(g) A person identified in (i)(a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(h) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(aa) Segment reporting

Operating segments, and the amounts of each segment item reported in the Historical Financial Information are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated in the Historical Financial Information unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 ACCOUNTING JUDGMENTS AND ESTIMATES

Note 32(d) contains information about the assumptions and their risk factors relating to fair value of financial instruments. Other key sources of estimation uncertainty are as follows:

(a) Impairment loss for doubtful debts

The Group estimates impairment losses for doubtful debts resulting from the inability of the customers and other debtors to make the required payments. The assessment includes a specific element based on individual debtors and a collective element based on groups of debtors with similar credit risk characteristics. The Group bases the estimates on the aging of the receivable balance, debtors' credit-worthiness, historical write-off experience and relevant current factors relating to the collectively assessed debtors. If the financial condition of the customers and debtors were to deteriorate, actual write-offs would be higher than estimated.

(b) Depreciation

Property, plant and equipment and investment property are depreciated on a straight-line basis over their estimated useful lives, after taking into account the estimated residual values, if any. The Group reviews the estimated useful lives and residual values, if any, of the property, plant and equipment and investment property regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The determination of useful lives and residual values, if any, are based on the historical experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

(c) Recognition of deferred tax assets

Deferred tax assets in respect of unused tax losses and deductible temporary differences are recognized and measured based on the expected manner of realization or settlement of the carrying amount of the assets, using tax rates enacted or substantively enacted at the end of reporting period. In determining the carrying amounts of deferred assets, expected taxable profits are estimated which involves a number of assumptions relating to the operating environment of the Group and require a significant level of judgment exercised by the directors. Any change in such assumptions and judgment would affect the carrying amounts of deferred tax assets to be recognized and hence the net profit in future years.

(d) Obligation for reclamation

The estimation of the liabilities for reclamation and disposal of the radioactive production facilities involves the estimates of the amount and timing of future expenditures as well as rate of inflation and the discount rate used for reflecting current market assessments of the time value of money and the risks specific to the liability. The Group considers the factors including future production plan, useful life of relevant assets, and level of radioactivity to determine the scope, amount and timing of reclamation and disposal of the radioactive production facilities to be performed. Determination of the effect of these factors involves judgments from the Group and the estimated liabilities may turn out to be different from the actual expenditure to be incurred. The discount rate used by the Group may also be altered to reflect the changes in the market assessments of the time value of money and the risks specific to the liability, such as change of the borrowing rate and inflation rate in the market. As changes in estimates occur (such as changes in estimated costs, or changes in

3 ACCOUNTING JUDGMENTS AND ESTIMATES (Continued)

(d) Obligation for reclamation (Continued)

timing of the performance of reclamation activities), the revisions to the obligation will be remeasured at the appropriate discount rate and any gain or loss on remeasurement is recognized in profit or loss.

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

The Group is principally engaged in research, development, manufacturing and sale of a broad range of pharmaceuticals and radioactive source products, and also design, manufacturing, construction and installation of gamma ray irradiation facilities, provision of irradiation service for sterilization purpose as well as independent clinical laboratory services.

The amounts of each significant category of revenue recognized during the Track Record Period are as follows:

	Years ended December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Sales of goods			
—pharmaceuticals	1,752,010	1,952,932	2,244,259
—radioactive source products	240,605	249,839	246,468
Rendering of services			
—irradiation services	38,505	44,320	52,991
—technical services	56,211	56,063	55,253
—others	55,433	53,183	60,121
Revenue from construction contracts	9,370	6,785	12,953
	2,152,134	2,363,122	2,672,045

During the Track Record Period, the Group's customer base was diversified and there was no customer with whom transactions had exceeded 10% of the Group's revenue in the respective years. Details of the concentration of credit risk arising from the Group's customers are set out in Note 32(a).

(b) Segment reporting

The Group manages its businesses by divisions, which are mainly organized by business lines (products and services). In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following four reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Pharmaceuticals: manufacturing and sale of a range of imaging diagnostic and therapeutic radio pharmaceuticals imaging, UBT diagnostic kits and test analyzers, in vitro immunoassay diagnostic reagents and kits and other products.
- Radioactive source products: sale of medical and industrial radioactive source products and technical services.

4 REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

- Irradiation: provision of irradiation services to manufacturers of medical facilities, pharmaceuticals, cosmetics and food in the PRC for steriliation purposes, and also design, manufacturing and installation of gamma ray irradiation facilities to irradiation service providers.
- Independent clinical laboratory services and other businesses: provision of independent clinical laboratory services for customers. Others mainly represented agent service for trading of copper which has been abandoned in April 2016 and other miscellaneous services.

(i) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources among segments, the Group's senior executive management monitors the results attributable to each reportable segment on the following basis:

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments. The measure used for reporting segment profit is gross profit. The Group's other income and expense items, such as other income, selling and distribution expenses, administrative and other operating expenses, and assets and liabilities, are not measured under individual segments. Accordingly, neither information on segment assets and liabilities nor information concerning capital expenditure, interest income and interest expenses is presented.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purpose of resource allocation and assessment of segment performance for the Track Record Period is set out below.

	Year ended December 31, 2015				
	Pharmaceuticals	Radioactive source products	Irradiation	Independent clinical laboratory services and other businesses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue from external customers	1,773,631	275,195	47,875	55,433	2,152,134
Inter-segment revenue	5,668	33,306	—	12,054	51,028
Reportable segment revenue	1,779,299	308,501	47,875	67,487	2,203,162
Reportable segment profit (gross profit)	1,320,111	133,463	18,015	23,704	1,495,293

	Year ended December 31, 2016				
	Pharmaceuticals	Radioactive source products	Irradiation	Independent clinical laboratory services and other businesses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue from external customers	1,971,096	287,738	51,105	53,183	2,363,122
Inter-segment revenue	3,125	22,028	—	11,844	36,997
Reportable segment revenue	1,974,221	309,766	51,105	65,027	2,400,119
Reportable segment profit (gross profit)	1,479,824	149,379	19,130	24,296	1,672,629

4 REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

(i) Segment results, assets and liabilities (Continued)

	Year ended December 31, 2017				
	Pharmaceuticals	Radioactive source products	Irradiation	Independent clinical laboratory services and other businesses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue from external customers	2,253,758	292,222	65,944	60,121	2,672,045
Inter-segment revenue	2,588	21,178	708	45,447	69,921
Reportable segment revenue	2,256,346	313,400	66,652	105,568	2,741,966
Reportable segment profit (gross profit)	1,676,291	138,526	21,657	61,926	1,898,400

(ii) Reconciliation of reportable segment profit (gross profit)

	Years ended December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Reportable segment profit (gross profit)	1,495,293	1,672,629	1,898,400
Elimination of inter-segment profit (gross profit)	(8,093)	(8,269)	(13,614)
Consolidated gross profit	1,487,200	1,664,360	1,884,786

(iii) Geographic information

All of the Group's operations are carried out and most of the Group's customers are located in the PRC. The Group's non-current assets, including property, plant and equipment, investment property, lease prepayments and intangible assets are all located or allocated to operations located in the PRC.

5 OTHER INCOME

	Years ended December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Government grants	4,618	7,291	9,026
Interest income	6,089	7,285	15,904
Rental income from operating leases	5,721	7,052	6,691
Net gain/(loss) on disposal of property, plant and equipment	356	2,395	(1,190)
Net gain on disposal of long-term investments	1,308	—	—
Distributions from unquoted equity investments	1,408	563	1,683
Others	981	1,621	3,851
	20,481	26,207	35,965

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Finance costs

	Years ended December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Interests on borrowings	5,053	9,001	2,234
Net foreign exchange loss	1,556	1,101	151
Interest accretion on reclamation obligations, net	2,858	3,112	3,314
Interest cost on defined benefit retirement plans (Note 27)	1,060	1,177	1,396
	10,527	14,391	7,095

(b) Staff costs

	Years ended December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Salaries, wages and other benefits	265,319	273,459	278,754
Contributions to defined contribution retirement plans	20,588	23,482	34,163
Expenses recognized in respect of defined benefit retirement plans (Note 27)	241	304	602
	286,148	297,245	313,519

(c) Other items

	Years ended December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Depreciation (Note 11)	51,379	61,561	63,823
Amortization			
—lease prepayments (Note 12)	1,408	1,579	1,660
—intangible assets (Note 13)	999	2,005	2,449
Impairment losses			
—trade and bill receivables (Note 20)	14,652	11,386	14,538
—prepayments, deposits and other receivables	321	397	448
Auditors' remuneration			
—statutory audit services	398	947	407
Research and development costs (other than amortization costs)	44,579	58,717	73,452
Increase in provisions for reclamation obligations	5,465	6,713	5,621
Operating lease charges: minimum lease payment	6,473	7,581	7,025
Cost of inventories # (Note 19(b))	570,631	599,231	660,993

\# Cost of inventories includes RMB177,818,000, RMB190,290,000 and RMB199,807,000 relating to staff costs, depreciation and amortization expenses and operating lease charges for the years ended December 31, 2015, 2016 and 2017, respectively, which are also included in the respective total amounts disclosed separately above or in Note 6(b) for each of these types of expenses.

7 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

(a) Taxation in the consolidated statements of profit or loss represent:

	Years ended December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Current tax			
Provision for the year	87,947	89,679	113,303
Under provision in respect of prior years	124	149	3,474
	88,071	89,828	116,777
Deferred tax			
Origination and reversal of temporary differences	(12,619)	(11,581)	(34,451)
	75,452	78,247	82,326

(b) Reconciliation between tax expenses and accounting profits at applicable tax rates:

	Years ended December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Profit before taxation	485,834	512,749	557,964
National tax on profit before taxation at PRC statutory tax rate	121,459	128,187	139,491
Tax effect of non-deductible expenses	3,395	1,991	2,367
Tax effect of non-taxable income	(8,790)	(7,356)	(9,422)
Tax effect of unused tax losses and temporary differences not recognized	3,132	3,214	2,368
Tax concessions (Note (ii))	(41,483)	(46,693)	(47,906)
Tax effect of unused tax losses and temporary differences not recognized in previous year but utilized in current year	(2,385)	(1,245)	(602)
Effect on deferred tax balances at January 1 resulting from a change in tax rate	—	—	(7,444)
Under provision in respect of prior years	124	149	3,474
Actual tax expense	75,452	78,247	82,326

Notes:

(i) The Company and its subsidiaries established in the PRC are subject to PRC Corporate Income Tax rate of 25% during the Track Record Period.

(ii) Certain subsidiaries of the Group are approved High and New Technology Enterprises and are subject to a preferential PRC Corporate Income Tax rate of 15% during the approved period, subject to fulfillment of recognition criteria.

8 EARNINGS PER SHARE

The calculation of basic earnings per share during the Track Record Period is based on the profit attributable to equity shareholders of the Company of RMB254,205,000, RMB262,108,000 and RMB271,454,000 and the weighted average number of ordinary shares in issue of 200,000,000, 200,000,000 and 232,034,000 for the years ended December 31, 2015, 2016 and 2017, respectively.

Weighted average number of ordinary shares

	Years ended December 31,		
	2015 '000	2016 '000	2017 '000
Ordinary shares at January 1	200,000	200,000	200,000
Effect of issue of ordinary shares	—	—	32,034
Weighted average number of ordinary shares at December 31	200,000	200,000	232,034

The Company did not have any potential dilutive shares throughout the Track Record Period. Accordingly, diluted earnings per share is the same as basic earnings per share.

9 DIRECTORS' AND SUPERVISORS' EMOLUMENTS

Details of the directors' and supervisors' emoluments during the Track Record Period are as follows:

	Year ended December 31, 2015				
	Directors' and supervisors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Directors					
Mr Zhang Zhiren	—	96	—	29	125
Mr Wang Guoguang	—	176	297	79	552
Mr Zhou Liulai	—	—	—	—	—
Mr Luo Qi	—	—	—	—	—
Mr Ye Qin	—	—	—	—	—
Supervisors					
Mr Tian Jianchun	—	160	421	45	626
Mr Guo Chunsheng	—	170	406	69	645
Total	—	602	1,124	222	1,948

	Year ended December 31, 2016				
	Directors' and supervisors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Directors					
Mr Zhang Zhiren (resigned on February 28, 2016)	—	16	—	29	45
Mr Wang Guoguang	—	52	96	17	165
Mr Zhou Liulai	—	—	—	—	—
Mr Luo Qi	—	—	—	—	—
Mr Ye Qin	—	—	—	—	—
Supervisors					
Mr Tian Jianchun	—	160	421	51	632
Mr Guo Chunsheng	—	170	409	74	653
Total	—	398	926	171	1,495

9 DIRECTORS' AND SUPERVISORS' EMOLUMENTS (Continued)

	Year ended December 31, 2017				
	Directors' and supervisors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Directors					
Mr Meng Yanbin (appointed on February 28, 2017)	—	207	335	52	594
Mr Wu Jian (appointed on February 28, 2017)	—	201	341	59	601
Mr Du Jin (appointed on February 28, 2017)	—	219	366	67	652
Mr Guo Qingliang (appointed on February 28, 2017)	—	—	—	—	—
Mr Meng Yan (appointed on February 28, 2017)	—	138	—	—	138
Mr Chen Yisheng (appointed on February 28, 2017)	—	165	—	—	165
Mr Wang Guoguang	—	—	—	—	—
Mr Zhou Liulai	—	—	—	—	—
Mr Luo Qi	—	—	—	—	—
Mr. Ye Qin (resigned on February 28, 2017)	—	—	—	—	—
Supervisors					
Mr Tian Jianchun (resigned on February 28, 2017)	—	28	62	8	98
Mr Guo Chunsheng (resigned on Februry 28, 2017)	—	28	78	12	118
Mr Li Guoxiang (appointed on February 28, 2017)	—	229	261	54	544
Mr Zhang Yiming (appointed on February 28, 2017)	—	245	122	51	418
Mr Zhang Qingjun (appointed on February 28, 2017)	—	—	—	—	—
Mr Liu Zhonglin (appointed on February 28, 2017)	—	—	—	—	—
Mr Chen Shoulei (appointed on February 28, 2017)	—	—	—	—	—
Total	—	1,460	1,565	303	3,328

During the Track Record Period, no emoluments were paid by the Group to the directors or the supervisors as an inducement to join or upon joining the Group or as compensation for loss of office. No remuneration was paid to independent non-executive directors during the Track Record Period as the independent non-executive directors were appointed subsequent to the Track Record Period.

10 INDIVIDUALS WITH HIGHEST EMOLUMENTS

During the Track Record Period, of the five individuals with the highest emoluments, three, two and one are directors and supervisors of the Company for the years ended December 31, 2015, 2016 and 2017, respectively, whose emoluments are disclosed in Note 9. The aggregate of the emoluments in respect of the remaining highest paid individuals are as follows:

	Years ended December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Salaries and other emoluments	316	644	848
Retirement scheme contributions	148	191	273
Discretionary bonuses	533	1,103	1,444
Total	997	1,938	2,565

10 INDIVIDUALS WITH HIGHEST EMOLUMENTS (Continued)

The emoluments of the individuals with the highest emoluments are within the following band:

	Years ended December 31,		
	2015	2016	2017
	Number of individuals	Number of individuals	Number of individuals
Nil to HKD 1,000,000	2	3	4

During the Track Record Period, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

11 PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

The Group

	Property, plant and equipment								
	Buildings and plants	Machinery and equipment	Office equipment	Motor vehicles and others	Leasehold improvement	Construction in progress	Sub-total	Investment Properties	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:									
At January 1, 2015	134,080	420,712	40,461	68,082	55,566	119,086	837,987	19,316	857,303
Additions	138	33,915	4,118	15,273	—	134,397	187,841	—	187,841
Disposals	(4,801)	(17,467)	(602)	(841)	—	(1,786)	(25,497)	—	(25,497)
Transfer in/(out)	69,289	4,405	—	3,924	2,300	(79,918)	—	—	—
At December 31, 2015 and January 1, 2016	198,706	441,565	43,977	86,438	57,866	171,779	1,000,331	19,316	1,019,647
Additions	10,992	29,036	4,789	8,456	5,224	85,677	144,174	9,445	153,619
Disposals	(23,975)	(5,078)	(1,786)	(1,523)	(2,093)	(4,440)	(38,895)	—	(38,895)
Transfer in/(out)	23,927	1,516	—	17,418	2,911	(45,772)	—	—	—
At December 31, 2016 and January 1, 2017	209,650	467,039	46,980	110,789	63,908	207,244	1,105,610	28,761	1,134,371
Additions	60	38,910	6,051	2,530	310	173,685	221,546	—	221,546
Disposals	(461)	(5,476)	(1,236)	(1,757)	—	—	(8,930)	—	(8,930)
Transfer in/(out)	4,167	71	—	—	—	(3,624)	614	(614)	—
At December 31, 2017	213,416	500,544	51,795	111,562	64,218	377,305	1,318,840	28,147	1,346,987

11 PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES (Continued)

	Property, plant and equipment								
	Buildings and plants	Machinery and equipment	Office equipment	Motor vehicles and others	Leasehold improvement	Construction in progress	Sub-total	Investment properties	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Accumulated depreciation:									
At January 1, 2015	(56,240)	(268,496)	(24,777)	(31,402)	(37,795)	—	(418,710)	(10,410)	(429,120)
Charge for the year	(5,116)	(27,248)	(6,298)	(5,810)	(6,317)	—	(50,789)	(590)	(51,379)
Written back on disposals	996	16,186	572	768	—	—	18,522	—	18,522
At December 31, 2015 and January 1, 2016	(60,360)	(279,558)	(30,503)	(36,444)	(44,112)	—	(450,977)	(11,000)	(461,977)
Charge for the year	(8,172)	(35,767)	(2,817)	(8,728)	(5,157)	—	(60,641)	(920)	(61,561)
Written back on disposals	6,200	4,522	1,684	1,362	—	—	13,768	17	13,785
At December 31, 2016 and January 1, 2017	(62,332)	(310,803)	(31,636)	(43,810)	(49,269)	—	(497,850)	(11,903)	(509,753)
Charge for the year	(7,098)	(38,088)	(3,243)	(8,683)	(5,754)	—	(62,866)	(957)	(63,823)
Written back on disposals	353	4,819	1,149	1,400	—	—	7,721	305	8,026
At December 31, 2017	(69,077)	(344,072)	(33,730)	(51,093)	(55,023)	—	(552,995)	(12,555)	(565,550)
Carrying amount:									
At December 31, 2015	138,346	162,007	13,474	49,994	13,754	171,779	549,354	8,316	557,670
At December 31, 2016	147,318	156,236	15,344	66,979	14,639	207,244	607,760	16,858	624,618
At December 31, 2017	144,339	156,472	18,065	60,469	9,195	377,305	765,845	15,592	781,437

11 PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES (Continued)

The Company

	Property, plant and equipment							
	Buildings and plants	Machinery and equipment	Office equipment	Motor vehicles and others	Construction in progress	Sub-total	Investment property	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:								
At January 1, 2015	14,522	20,177	2,979	6,997	100	44,775	3,455	48,230
Additions	—	—	285	—	—	285	—	285
Disposals	—	(3)	(21)	—	—	(24)	—	(24)
At December 31, 2015 and January 1, 2016	14,522	20,174	3,243	6,997	100	45,036	3,455	48,491
Additions	—	16	228	—	—	244	—	244
Disposals	(13,120)	—	(619)	—	—	(13,739)	—	(13,739)
Transfer in/(out)	—	—	100	—	(100)	—	—	—
At December 31, 2016 and January 1, 2017	1,402	20,190	2,952	6,997	—	31,541	3,455	34,996
Additions	—	—	875	21	—	896	—	896
Disposals	—	—	(507)	—	—	(507)	—	(507)
At December 31, 2017	1,402	20,190	3,320	7,018	—	31,930	3,455	35,385
Accumulated depreciation:								
At January 1, 2015	(2,582)	(2,193)	(2,161)	(4,245)	—	(11,181)	(2,264)	(13,445)
Charge for the year	(378)	(2,040)	(228)	(511)	—	(3,157)	(166)	(3,323)
Written back on disposals	—	3	21	—	—	24	—	24
At December 31, 2015 and January 1, 2016	(2,960)	(4,230)	(2,368)	(4,756)	—	(14,314)	(2,430)	(16,744)
Charge for the year	(378)	(2,018)	(270)	(393)	—	(3,059)	(166)	(3,225)
Written back on disposals	2,700	—	588	—	—	3,288	—	3,288
At December 31, 2016 and January 1, 2017	(638)	(6,248)	(2,050)	(5,149)	—	(14,085)	(2,596)	(16,681)
Charge for the year	(67)	(1,967)	(345)	(394)	—	(2,773)	(166)	(2,939)
Written back on disposals	—	—	487	—	—	487	—	487
At December 31, 2017	(705)	(8,215)	(1,908)	(5,543)	—	(16,371)	(2,762)	(19,133)
Carrying amount:								
At December 31, 2015	11,562	15,944	875	2,241	100	30,722	1,025	31,747
At December 31, 2016	764	13,942	902	1,848	—	17,456	859	18,315
At December 31, 2017	697	11,975	1,412	1,475	—	15,559	693	16,252

The Group's and the Company's property, plant and buildings are all allocated in the PRC.

The Group and the Company lease out investment properties and a number of items of machinery and equipment under operating leases. The leases typically run for an initial period of 1 to 3 years, with an option to renew the lease after that date at which time all terms are renegotiated. None of the leases includes contingent rentals.

As at December 31, 2015, 2016 and 2017, the aggregate carrying amounts of the investment property and machinery and equipment of the Group leased out amounted to RMB8,316,000, RMB16,858,000 and RMB15,592,000 respectively.

11 PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES (Continued)

As at the date of this report, the Group has yet to obtain the ownership certificates for certain properties with aggregate carrying amount of RMB14,340,000 as at December 31, 2017. After consulting with the legal advisor of the Group, the directors of the Company are of the opinion that the Group is entitled to lawfully and validly occupy and use the above-mentioned properties without incurring significant costs. The directors of the Company are also of the opinion that the aforesaid matter will not have any significant impact on the Group's financial position as at the end of the reporting period.

The fair value of investment properties of the Group as at December 31, 2015, 2016 and 2017 were RMB20,066,000, RMB33,298,000 and RMB49,777,000.

Total future minimum lease payments under non-cancellable operating leases are receivable as follows:

The Group

	As at December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Within 1 year	5,721	7,052	7,576
After 1 year but within 5 years	878	2,591	1,096
	6,599	9,643	8,672

12 LEASE PREPAYMENTS

The Group

	Years ended December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Cost:			
At January 1	22,094	51,841	63,980
Additions	29,747	12,139	7,931
At December 31	51,841	63,980	71,911
Accumulated amortization:			
At January 1	(3,336)	(4,744)	(6,323)
Charge for the year	(1,408)	(1,579)	(1,660)
At December 31	(4,744)	(6,323)	(7,983)
Carrying amount	47,097	57,657	63,928

Lease prepayments represent land use right premiums paid by the Group for land located in the PRC.

These land use rights are with lease periods of 30 to 50 years. As at the date of this report, the Group was in the process of applying for the ownership certificates for certain land use rights with aggregate carrying amounts of RMB5,807,000 as at December 31, 2017. After consulting with the legal advisor of the Group, the directors of the Company are of the opinion that the Group is entitled to lawfully and validly occupy and use the above-mentioned land use rights without incurring significant

12 LEASE PREPAYMENTS (Continued)

costs. The directors of the Company are also of the opinion that the aforesaid matter will not have any significant impact on the Group's financial position as at the end of the reporting period.

13 INTANGIBLE ASSETS

	The Group				The Company
	Patents and know-how	Royalty	Software and others	Total	Software
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:					
At January 1, 2015	7,062	1,500	3,034	11,596	1,743
Additions	—	—	789	789	324
At December 31, 2015 and January 1, 2016	7,062	1,500	3,823	12,385	2,067
Additions	—	7,980	2,191	10,171	239
At December 31, 2016 and January 1, 2017	7,062	9,480	6,014	22,556	2,306
Additions	19,535	—	2,225	21,760	1,595
At December 31, 2017	26,597	9,480	8,239	44,316	3,901
Accumulated amortization:					
At January 1, 2015	(3,453)	(1,500)	(1,734)	(6,687)	(562)
Charge for the year	(618)	—	(381)	(999)	(250)
At December 31 2015 and January 1, 2016	(4,071)	(1,500)	(2,115)	(7,686)	(812)
Charge for the year	(689)	(638)	(678)	(2,005)	(366)
At December 31, 2016 and January 1, 2017	(4,760)	(2,138)	(2,793)	(9,691)	(1,178)
Charge for the year	(690)	(798)	(961)	(2,449)	(481)
At December 31, 2017	(5,450)	(2,936)	(3,754)	(12,140)	(1,659)
Carrying amount:					
At December 31, 2015	2,991	—	1,708	4,699	1,255
At December 31, 2016	2,302	7,342	3,221	12,865	1,128
At December 31, 2017	21,147	6,544	4,485	32,176	2,242

The amortization charges are included in "cost of sales" in the consolidated statements of profit or loss of the Group.

14 INVESTMENTS IN SUBSIDIARIES

The Company

	As at December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Unlisted shares, at cost	219,125	229,125	271,605
Listed shares, at cost	146,085	146,085	146,085
	365,210	375,210	417,690
Less: impairment loss	(3,700)	(3,700)	(3,700)
	361,510	371,510	413,990

14 INVESTMENTS IN SUBSIDIARIES (Continued)

During the Track Record Period, the Company had direct or indirect interests in the following subsidiaries, all of which were established in the PRC. The particulars of the principal subsidiaries are set out below:

Company name	Place and date of establishment	Registered and fully paid-up capital	Proportion of ownership interest: The Group's effective interest	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by subsidiaries	Principal activities
		RMB				
Beijing North Institute of Biological Technology Co. Ltd. 北京北方生物技術研究所有限公司	The PRC June 6, 1985	18,000,000	100%	100%	—	Production and sale of bio-pharmaceuticals
Beijing Clae-riar Rediosotope Technique Co., Ltd. (Note (iv)) 北京雙原同位素技術有限公司	The PRC September 30, 1992	4,000,000	34.14%	—	50%	Production and sale of radioactive sources
Shanghai Yuanzi Kexing (Note (iv)) 上海原子科興藥業有限公司	The PRC March 23, 1995	84,320,000	47.80%	—	70%	Sale of radioactive medicine
Shenzhen Zhonghe Headway Bio-Sci & Tech Co., Ltd. (Note (iv)) 深圳市中核海得威生物科技有限公司	The PRC August 9, 1996	25,000,000	47.76%	34.10%	20%	Production and sale of bio-pharmaceuticals
HTA (Guangzhou) Isotope Pharmaceutical Co., Ltd. 廣州市原子高科同位素醫藥有限公司	The PRC January 24, 2000	16,800,000	54.62%	—	80%	Production and sale of radioactive medicine
HTA Co., Ltd. (Note (v)) 原子高科股份有限公司	The PRC May 18, 2001	132,560,000	68.28%	68.28%	—	Application of nuclear technology
Anhui Young-Hearty Medical Appliance & Equipment Co., Ltd. (Note (iv)) 安徽養和醫療器械設備有限公司	The PRC July 2, 2002	7,750,000	47.76%	—	100%	Medical diagnostic equipment manufacturing
Chengdu Gaotong Isotope Co., Ltd. (Note (v)) 成都中核高通同位素股份有限公司	The PRC June 11, 2002	40,000,000	90.38%	90.38%	—	Application of nuclear technology
CNNC Tongxing (Beijing) Nuclear Technology Co., Ltd. 中核同興(北京)核技術有限公司	The PRC March 12, 2010	30,000,000	51%	51%	—	Application of nuclear technology

Notes:

(i) The official names of all these entities are in Chinese. The English translation of these entities are for identification only.

(ii) The statutory financial statements of the Company and its subsidiaries for the year ended December 31, 2015 were audited by Baker Tilly China Certified Public Accountants LLP (天職國際會計師事務所(特殊普通合夥)), a certified public accounting firm registered in the PRC. The statutory financial statements of the Company and its subsidiaries for the years ended December 31, 2016 and 2017 were audited by Jonten Certified Public Accountants LLP (中天運會計師事務所(特殊普通合夥)), a certified public accounting firm registered in the PRC.

(iii) The statutory financial statements of the Company and its subsidiaries for the years ended December 31, 2015, 2016 and 2017 were prepared in accordance with the Accounting Standards for Business Enterprise applicable to the enterprises in the PRC.

(iv) The Group is exposed, or has rights, to variable returns from its involvement with these companies and has the ability to affect those returns through its power over these companies since their establishments.

(v) These subsidiaries represent companies limited by shares established in the PRC. Other subsidiaries are companies with limited liability established in the PRC.

14 INVESTMENTS IN SUBSIDIARIES (Continued)

The following table lists out the information relating to subsidiaries of the Group which have material non-controlling interests ("NCI"). The summarized financial information presented below represents the amounts before any intercompany elimination.

HTA Co., Ltd.	As at December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
NCI percentage	31.72%	31.72%	31.72%
Current assets	400,529	479,071	529,000
Non-current assets	374,393	389,855	430,679
Current liabilities	(285,684)	(296,284)	(277,894)
Non-current liabilities	(76,698)	(79,617)	(91,845)
Net assets	412,540	493,025	589,940
Carrying amount of NCI	130,858	156,388	187,129

	Years ended December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Revenue	466,973	510,761	604,194
Profit for the year	127,970	146,761	182,904
Profit allocated to NCI	40,592	46,553	58,073
Dividend paid to NCI	8,410	21,024	27,331

Shenzhen Zhonghe Headway Bio-Sci & Tech Co., Ltd.	As at December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
NCI percentage	52.24%	52.24%	52.24%
Current assets	637,621	716,708	1,044,526
Non-current assets	114,044	160,946	236,651
Current liabilities	(500,131)	(599,148)	(908,726)
Non-current liabilities	(19,029)	(17,771)	(168,801)
Net assets	232,505	260,735	203,650
Carrying amount of NCI	121,461	136,208	106,387

	Years ended December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Revenue	683,027	794,367	963,848
Profit for the year	116,761	202,760	212,916
Profit allocated to NCI	60,996	105,922	111,227
Dividend paid to NCI	31,344	91,420	141,048

15 INTERESTS IN ASSOCIATES

	The Group			The Company		
	As at December 31,			As at December 31,		
	2015	2016	2017	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Share of net assets	59,601	73,847	81,425	—	—	—
Unlisted investments, at cost	—	—	—	7,393	8,416	10,984
Total	59,601	73,847	81,425	7,393	8,416	10,984

15 INTERESTS IN ASSOCIATES (Continued)

The following list contains only the particulars of a material associate of the Group, which is an unlisted entity whose quoted market price is not available:

Company name	Place and date of establishment	Registered and fully paid-up capital	Group's effective interest	Principal activities
Shenzhen CICAM Manufacturing Co., Ltd. 深圳西卡姆同位素有限公司*	The PRC August 31, 1992	USD 1,000,000	49%	Production and sales of fire detector

* The English translation of the name is for identification only. The official name of the entity is in Chinese.

The Group's associates are accounted for using the equity method in the Historical Financial Information.

Summarized financial information of the material associate, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the Historical Financial Information, are disclosed below:

Shenzhen CICAM Manufacturing Co., Ltd.	As at December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Gross amounts			
Current assets	153,052	147,123	159,184
Non-current assets	26,351	23,849	17,533
Current liabilities	(57,688)	(32,123)	(30,288)
Non-current liabilities	(15,168)	(5,318)	(2,672)
Net assets	106,547	133,531	143,757

	Years ended December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Gross amounts			
Revenue	484,789	191,167	230,328
Profit for the year	28,755	17,107	20,295
Other comprehensive income	5,707	9,070	(10,066)
Total comprehensive income	34,462	26,177	10,299
Reconciled to the Group's interests			
Gross amounts of net assets of the associate	106,547	133,531	143,757
The Group's effective interest	49%	49%	49%
The Group's share of net assets	52,208	65,430	70,441
Carrying amount in the Historical Financial Information	52,208	65,430	70,441

Aggregate information of associates of the Group that are not individually material:

	As at December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Aggregate carrying amount of individually immaterial associates' in the Historical Financial Information	7,393	8,417	10,984

	Years ended December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Aggregate amounts of the Group's share of those associates' profit and total comprehensive for the year	3,133	3,137	4,819

16 INTEREST IN A JOINT VENTURE

	The Group			The Company		
	As at December 31,			As at December 31,		
	2015	2016	2017	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Share of net assets	42,380	36,006	38,774	—	—	—
Unlisted investments, at cost	—	—	—	41,346	34,972	37,739
Total	42,380	36,006	38,774	41,346	34,972	37,739

Details of the Group's interest in the joint venture, which is accounted for using the equity method in the Historical Financial Information, are as follows:

Company name	Place and date of establishment	Registered and fully paid-up capital	Group's effective interest	Principal activities
Shanghai GMS Pharmaceutical Co., Ltd. 上海欣科醫藥有限公司*	The PRC October 7, 1993	USD 1,530,000	49%	Production and sales of bio-pharmaceuticals

* The English translation of the name is for identification only. The official name of the entity is in Chinese.

Shanghai GMS Pharmaceutical Co., Ltd., the only joint venture in which the Group participates, is a private company of which market value is not available.

Summarized financial information of the joint venture, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the Historical Financial Information, are disclosed below:

Shanghai GMS Pharmaceutical Co., Ltd.	As at December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Current assets	118,749	131,151	162,117
Non-current assets	20,786	19,836	23,691
Current liabilities	(52,239)	(75,899)	(105,703)
Non-current liabilities	(806)	(1,606)	(975)
Net assets	86,490	73,482	79,130

	Years ended December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Gross Amounts			
Revenue	173,691	195,947	227,515
Profit and total comprehensive income for the year	33,736	35,225	41,312
Dividend received	12,250	23,634	17,475
Reconciled to the Group's interest			
Gross amounts of net assets	86,490	73,482	79,130
The Group's effective interest	49%	49%	49%
The Group's share of net assets	42,380	36,006	38,774
Carrying amount in the Historical Financial Information	42,380	36,006	38,774

17 GOODWILL

	The Group
	RMB'000
Cost and carrying amount:	
At January 1, 2015, December 31, 2015, 2016 and 2017	5,670

17 GOODWILL (Continued)

Goodwill is allocated to the Group's cash-generating units identified according to operation and operating segment as follows:

	The Group
	RMB'000
Pharmaceuticals	4,586
Irradiation	1,084
	5,670

The recoverable amount of the goodwill is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using estimated weighted average growth rates and the cash flows are discounted using pre-tax discount rates as set out below.

	Years ended December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Estimated weighted average growth rate	0%	0%	0%
Pre-tax discount rate	7.9%	7.9%	7.9%

With regard to the assessment of value in use of the cash-generating units, the directors of the Company are of the opinion that reasonably possible changes in any of the above key assumptions would not cause the carrying value of the units to materially exceed their recoverable amount.

18 UNQUOTED EQUITY INVESTMENTS

	The Group			The Company		
	As at December 31,			As at December 31,		
	2015	2016	2017	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Unquoted equity investments, at cost	7,251	47,251	47,251	7,140	47,140	47,140

The Group and the Company invested RMB40,000,000 and held 4% equity interest in CNNC Financial Leasing Co., Ltd. ("CNNC Financial Leasing Company"), a related party under CNNC, in January 2016.

19 INVENTORIES

(a) Inventories comprise:

	The Group			The Company		
	As at December 31,			As at December 31,		
	2015	2016	2017	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials	97,658	112,455	119,540	—	—	—
Work in progress	42,523	61,719	60,641	—	—	—
Finished goods	43,899	40,636	65,531	10,681	11,191	17,828
Others	4,165	11,657	18,023	—	—	—
	188,245	226,467	263,735	10,681	11,191	17,828
Less: write down of inventories	(207)	(733)	(733)	(207)	(207)	(207)
	188,038	225,734	263,002	10,474	10,984	17,621

19 INVENTORIES (Continued)

(b) The analyses of the amounts of inventories recognized as expenses and included in the consolidated statements of profit or loss are as follows:

The Group

	Years ended December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Carrying amount of inventories sold	568,871	599,757	660,993
Write down of inventories	(207)	(526)	—
Reversal of write down of inventories	1,967	—	—
	570,631	599,231	660,993

20 TRADE AND BILL RECEIVABLES

	The Group			The Company		
	As at December 31,			As at December 31,		
	2015	2016	2017	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Bill receivables	15,275	15,792	22,341	300	4,732	6,428
Trade receivables due from						
—related parties under CNNC	13,129	12,055	16,522	3,485	4,286	1,877
—associates and a joint venture	8,948	28,180	46,168	392	800	354
—subsidiaries	—	—	—	16,643	10,255	17,635
—third parties	1,117,192	1,259,115	1,536,383	82,748	87,059	94,963
	1,154,544	1,315,142	1,621,414	103,568	107,132	121,257
Less: allowance for doubtful debts	(89,796)	(100,285)	(114,180)	(5,932)	(6,465)	(6,034)
	1,064,748	1,214,857	1,507,234	97,636	100,667	115,223

All of the trade and bill receivables, net of allowance for doubtful debts, are expected to be recovered within one year.

(a) Aging analysis

The aging analyses of trade and bill receivables, based on the invoice dates and net of allowance for doubtful debts, are as follows:

	The Group			The Company		
	As at December 31,			As at December 31,		
	2015	2016	2017	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	959,289	1,085,661	1,352,610	88,234	83,244	104,772
1 to 2 years	84,917	91,456	118,193	8,890	15,825	10,186
2 to 3 years	10,395	32,005	22,516	360	1,397	62
Over 3 years	10,147	5,735	13,915	152	201	203
	1,064,748	1,214,857	1,507,234	97,636	100,667	115,223

Further details on the Group's credit policy are set out in Note 32(a).

(b) Impairment of trade and bill receivables

Impairment losses in respect of trade and bill receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade and bill receivables directly (Note 2(l)(i)).

20 TRADE AND BILL RECEIVABLES (Continued)

(b) Impairment of trade and bill receivables (Continued)

Movements in the allowance of doubtful debts during the Track Record Period are set out as follows:

	The Group			The Company		
	As at December 31,			As at December 31,		
	2015	2016	2017	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1,	76,663	89,796	100,285	1,444	5,932	6,465
Impairment loss recognized	14,652	11,386	14,538	4,488	533	—
Uncollectible accounts written off	(1,519)	(897)	(643)	—	—	(431)
At December 31,	89,796	100,285	114,180	5,932	6,465	6,034

The Group's trade and bill receivables of RMB161,222,000, RMB166,827,000 and RMB212,973,000 were individually determined to be impaired as at December 31, 2015, 2016 and 2017, respectively. The Company's trade and bill receivables of RMB65,189,000, RMB79,808,000 and RMB87,640,000 were individually determined to be impaired as at December 31, 2015, 2016 and 2017, respectively. The individually impaired receivables related to customers that were in financial difficulties and management assessed that only a portion of the receivables are expected to be recovered consequently, and accordingly, specific allowances for doubtful debts were recognized by the Group and the Company. The Group and the Company does not hold any collateral over these balances.

(c) Trade and bill receivables that are not impaired

The aging analyses of trade and bill receivables that are not individually considered to be impaired are as follows:

	The Group			The Company		
	As at December 31,			As at December 31,		
	2015	2016	2017	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Less than 1 year past due	891,001	1,019,119	1,255,703	34,847	24,480	23,605
1 to 2 years past due	83,357	91,456	124,264	3,020	1,248	9,747
2 to 3 years past due	10,271	32,005	22,274	360	1,397	62
More than 3 years past due	8,693	5,735	6,200	152	199	203
	993,322	1,148,315	1,408,441	38,379	27,324	33,617

Receivables that were past due but not individually impaired relate to a number of customers that have a good track record with the Group. Based on past experience, the management believes that no specific impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered recoverable.

21 GROSS AMOUNTS DUE FROM/TO CUSTOMERS FOR CONTRACT WORK

The Group

	Years ended December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Contract costs incurred plus recognized profits less recognized losses in connection with construction contracts in progress	21,586	19,451	4,900
Less: progress billings	(22,428)	(22,156)	(6,716)
	(842)	(2,705)	(1,816)

	As at December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Gross amounts due from customers for contract work (Note (i))	6	467	—
Gross amounts due to customers for contract work	(848)	(3,172)	(1,816)
	(842)	(2,705)	(1,816)

Note:

(i) Gross amounts due from customers for contract work represent unbilled revenue for contract work and are presented as assets in the consolidated statements of financial position. Gross amounts due to customers for contract work represent the amounts billed in advance of the contract work delivered and are presented as liabilities in the consolidated statements of financial position.

22 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	The Group			The Company		
	As at December 31,			As at December 31,		
	2015	2016	2017	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Prepayments for purchase of inventories from						
—related parties under CNNC	2,510	5,269	4,588	13	1,432	735
—associates and a joint venture	—	101	53	—	101	53
—subsidiaries	—	—	—	516	6,287	168
—third parties	74,170	47,724	101,931	3,073	4,468	51,441
Receivables from sale of property, plant and equipment						
—CNNC	—	13,120	13,120	—	13,120	13,120
—related parties under CNNC	4,258	4,258	4,258	—	—	644
Other non-trade amounts due from						
—CNNC	20	—	—	20	—	—
—related parties under CNNC	1,671	5,711	2,489	356	4,390	418
—associates and a joint venture	383	579	1,164	383	579	1,164
—subsidiaries	—	—	—	149,186	122,118	87,512
Deposits (Note (ii))	30,045	18,780	26,879	19,071	8,052	4,588
Deductible input VAT	6,748	12,529	23,550	—	—	—
Staff advances	8,342	5,874	5,079	151	57	78
Dividends receivable from subsidiaries	—	—	—	—	22,565	304,823
Prepayments for costs incurred in connection with the proposed initial listing of the Company's shares (Note (iii))	—	2,643	16,036	—	2,643	16,036
Others	13,256	10,332	11,536	245	294	3,570
	141,403	126,920	210,683	173,014	186,106	484,350

Notes:

(i) All of the prepayments, deposits and other receivables are expected to be recovered or recognized as expenses within one year.

(ii) As at December 31, 2015, 2016 and 2017, deposits mainly represent rental deposit, deposits made to obtain land use rights and deposits for bidding.

(iii) The balance will either be recognized as expenses or transferred to the capital reserve account within equity upon the listing of the Company's shares on the Stock Exchange.

23 CASH AT BANK AND ON HAND AND OTHER CASH FLOW INFORMATION

(a) Cash at bank and on hand comprised:

	The Group			The Company		
	As at December 31,			As at December 31,		
	2015	2016	2017	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cash on hand	232	273	125	—	—	—
Cash at bank	403,666	446,649	933,406	22,424	11,015	393,508
Cash at CNNC Finance Company Ltd. ("CNNCFC")	307,191	556,295	545,302	3,950	125,312	45,024
	711,089	1,003,217	1,478,833	26,374	136,327	438,532
Representing:						
Cash and cash equivalents	652,113	918,590	1,139,156	26,374	136,327	238,532
Time deposits with original maturity over three months	57,478	83,856	339,047	—	—	200,000
Restricted deposits (Note (i))	1,498	771	630	—	—	—
	711,089	1,003,217	1,478,833	26,374	136,327	438,532

Note:

(i) Restricted deposits mainly represent deposits for guarantee of letters of credit.

(b) Reconciliation of liabilities arising from financing activities

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

	Borrowings
	RMB'000 (Note)
At January 1, 2015	460,000
Changes from financing cash flows:	
Proceeds from new bank loans	60,000
Repayment of bank loans	(460,000)
Other borrowing costs paid	(5,053)
Total changes from financing cash flows	**(405,053)**
Other changes:	
Interest paid (Note 6(a))	5,053
Total other changes	**5,053**
At December 31, 2015 and January 1, 2016	**60,000**
Changes from financing cash flows:	
Proceeds from new bank loans	20,000
Proceeds from new other borrowings	400,000
Repayment of bank loans	—
Other borrowing costs paid	(9,001)
Total changes from financing cash flows	**410,999**
Other changes	
Interest paid (Note 6(a))	9,001
Total other changes	**9,001**
At December 31, 2016 and January 1, 2017	**480,000**

23 CASH AT BANK AND ON HAND AND OTHER CASH FLOW INFORMATION (Continued)

(b) Reconciliation of liabilities arising from financing activities (Continued)

	Borrowings
	RMB'000 (Note)
Changes from financing cash flows:	
Proceeds from new bank loans	150,000
Repayment of bank loans	(20,000)
Repayment of other borrowings	(460,000)
Other borrowing costs paid	(2,234)
Total changes from financing cash flows	**(332,234)**
Other changes:	
Interest paid (Note 6 (a))	2,234
Total other changes	**2,234**
At December 31, 2017	**150,000**

Note: Borrowings consist of bank loans, loans from CNNC and loans from related parties under CNNC as disclosed in Note 24.

24 BORROWINGS

(a) The long-term borrowings comprised:

	The Group			The Company		
	As at December 31,			As at December 31,		
	2015	2016	2017	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Bank loan						
—secured (Note (i))	—	—	150,000	—	—	—
Loan from CNNC						
—unsecured (Note (iii))	60,000	—	—	60,000	—	—

(b) The short-term borrowings comprised:

	The Group			The Company		
	As at December 31,			As at December 31,		
	2015	2016	2017	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Bank loan						
—unsecured (Note (iv))	—	20,000	—	—	—	—
Loans from CNNCFC						
—unsecured (Note (ii))	—	400,000	—	—	400,000	—
Loan from CNNC						
—unsecured (Note (iii))	—	60,000	—	—	60,000	—
	—	480,000	—	—	460,000	—

Notes:

(i) Secured bank loan represented a five-year loan borrowed by a subsidiary of the Group, bearing an interest rate of 5.0% above the PBOC five year benchmark lending rate per annum, which was jointly guaranteed by the shareholders of the subsidiary, and certain of the Group's land lease prepayments with carrying amount of RMB26,772,000 and time deposits with original maturity over three months of RMB18,000,000 as at December 31, 2017 were pledged as security for the bank loan.

(ii) Unsecured loans from CNNCFC, a fellow subsidiary of the Group, represented loans borrowed by the Company, bore interest rates ranging from 3.9% to 4.1% for the year ended December 31, 2016.

(iii) Unsecured loan from CNNC represented a loan borrowed by the Company, bore an interest rate 10% below the benchmark interest rate of the People's Bank of China for the years ended December 31, 2015 and 2016.

(iv) Unsecured bank loan represented a loan borrowed by a subsidiary of the Group, bearing an interest rate of 3.9%.

24 BORROWINGS (Continued)

(c) The long-term borrowings are repayable as follows:

	The Group			The Company		
	As at December 31,			As at December 31,		
	2015	2016	2017	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
After 1 year but within 2 years	60,000	—	—	60,000	—	—
After 2 years but within 5 years	—	—	150,000	—	—	—
	60,000	—	150,000	60,000	—	—

25 TRADE PAYABLES

	The Group			The Company		
	As at December 31,			As at December 31,		
	2015	2016	2017	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables due to						
—related parties under CNNC	48,470	43,104	53,191	6,205	81	7,569
—associates and a joint venture	6,124	7,143	7,569	—	7,143	765
—subsidiaries	—	—	—	325	149	273
—third parties	55,589	69,619	137,256	4,766	10,868	25,414
	110,183	119,866	198,016	11,296	18,241	34,021

(a) Aging analysis

At December 31, 2015, 2016 and 2017, the aging analyses of trade payables, based on the invoice dates, are as follows:

	The Group			The Company		
	As at December 31,			As at December 31,		
	2015	2016	2017	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	110,183	119,866	175,613	11,296	18,241	27,986
1 to 2 years	—	—	22,403	—	—	6,035
	110,183	119,866	198,016	11,296	18,241	34,021

As at December 31, 2015, 2016 and 2017, all of the trade payables of the Group and the Company are expected to be settled within one year or are repayable on demand.

26 ACCRUALS AND OTHER PAYABLES

	The Group			The Company		
	As at December 31,			As at December 31,		
	2015	2016	2017	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Deposits from promoters (Note (i))	239,269	295,997	391,250	—	—	—
Payables to distributors (Note (ii))	443,149	529,470	708,154	61,018	67,563	85,004
Payables for staff related costs	162,772	137,069	120,596	13,497	13,959	10,542
Amounts due to subsidiaries	—	—	—	148,387	50,613	124
Dividends payables	173,081	42,100	100,647	172,113	39,401	37,047
Other taxes payables	30,016	40,778	51,048	2,864	2,780	2,421
Other accruals and payables:						
—CNNC	518	825	801	508	825	801
—related parties under CNNC	10,756	15,616	22,617	720	1,063	2,351
—associates and a joint venture	2	76	1	—	75	—
—third parties	98,360	112,188	122,366	3,888	5,120	6,729
Total financial liabilities measured at amortized cost	1,157,923	1,174,119	1,517,480	402,995	181,399	145,019
Receipts in advance:						
—related parties under CNNC	7,068	3,247	9,287	17	807	4,272
—associates and a joint venture	22	550	166	2	—	166
—third parties	38,371	77,047	79,556	3,873	10,973	21,173
	1,203,384	1,254,963	1,606,489	406,887	193,179	170,630

Notes:

(i) The balances represent deposits from promoters for ordering goods which will be repaid to promoters after the trade receivables have been paid by customers. These deposits are unsecured, interest free and have no fixed repayment terms.

(ii) The balances represent service fee payables to promoters and bonus payables to promoters and distributors.

(iii) As at December 31, 2015, 2016 and 2017, all of the accruals and other payables are expected to be settled or recognized as revenue within one year or are repayable on demand.

27 EMPLOYEE RETIREMENT BENEFITS

(a) Defined benefit retirement plans

In addition to the government-mandated basic pension and medical program, the Group provides defined retirement benefits to civil retirees, current retirees and certain eligible active employees (the "Plan"), which covers 14%, 14% and 41% of the Group's employees as at December 31, 2015, 2016 and 2017, respectively. The Plan is administered by the Group and funded by the working capital of the Group.

Under the Plan, the qualified retirees and/or employees are entitled to fixed supplemental post-retirement pension benefits, fixed death benefits and supplemental post-retirement medical benefits.

The independent actuarial valuations of the defined benefit retirement obligation at December 31, 2015, 2016 and 2017 were prepared by qualified staff of Towers Watson Management Consulting (Shenzhen) Co., Ltd., Beijing Branch, using the projected unit credit method.

The Plan exposes the Group to actuarial risks, such as interest rate risk and longevity risk.

27 EMPLOYEE RETIREMENT BENEFITS (Continued)

(a) Defined benefit retirement plans (Continued)

Information about the Plan disclosed below:

(i) The amounts recognized in the consolidated statements of financial position are as follows:

	The Group			The Company		
	As at December 31,			As at December 31,		
	2015	2016	2017	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Present value of obligations	30,912	30,898	40,511	22,479	22,085	23,368

A portion of the above liability is expected to be settled after more than one year. However, it is not practicable to segregate this amount from the amounts payable in the next twelve months. The Group expects the amount of RMB2,399,000 of the defined benefit retirement obligation to be paid in the next twelve months.

(ii) Movements in the present value of the defined benefit retirement obligation were as follows:

	The Group			The Company		
	2015	2016	2017	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at January 1	29,439	30,912	30,898	21,931	22,479	22,085
Remeasurements:						
—actuarial losses arising from changes in financial assumptions	2,440	793	(114)	1,562	419	609
Benefits paid by the plans	(2,268)	(2,288)	(2,168)	(1,912)	(1,877)	(1,790)
Current service cost	241	304	602	111	138	151
Effect of new participants and increase in payment rates (Note)	—	—	9,897	—	—	1,468
Interest expenses	1,060	1,177	1,396	787	926	845
Balance at December 31	30,912	30,898	40,511	22,479	22,085	23,368

The effect of new participants and increase in payment rates is the change in the present value of the defined benefit obligation resulting from expanding the employee groups covered by the Plan and increasing the benefits that are payable after retirement.

(iii) Amounts recognized in the consolidated statements of profit or loss and the consolidated statements of profit or loss and other comprehensive income are as follows:

	The Group			The Company		
	Years ended December 31,			Years ended December 31,		
	2015	2016	2017	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Service cost	241	304	602	111	138	151
Net interest on net defined benefit liability	1,060	1,177	1,396	787	926	845
Total amounts recognized in profit or loss	1,301	1,481	1,998	898	1,064	996
Total amounts recognized in other comprehensive income						
—Actuarial losses	2,440	793	(114)	1,562	419	609
Total defined benefit costs	3,741	2,274	1,884	2,460	1,483	1,605

27 EMPLOYEE RETIREMENT BENEFITS (Continued)

(a) Defined benefit retirement plans (Continued)

The service cost and the net interest on net defined benefit liability are recognized in the following line items in the consolidated statements of profit or loss:

	The Group			The Company		
	Years ended December 31,			Years ended December 31,		
	2015	2016	2017	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Finance costs	1,060	1,177	1,396	787	926	845
Administrative expenses	241	304	602	111	138	151
	1,301	1,481	1,998	898	1,064	996

(iv) Significant actuarial assumptions (expressed as weighted averages) are as follows:

	Years ended December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Discount rates	3.00%	3.25%	4.25%
Future salary increases	6.00%	6.00%	6.00%
Annual turnover rates of active employees	5.00%	5.00%	5.00%

The below analyses show how the defined benefit obligation of the Group would have increased (decreased) as a result of 1% change in the significant actuarial assumptions:

	Increase by 1%		
	Years ended December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Discount rates	(3,180)	(3,175)	(5,036)
Future salary increases	975	1,085	2,341
Annual turnover rates of active employees	(534)	(567)	(1,315)

	Decrease by 1%		
	Years ended December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Discount rates	3,941	3,943	6,487
Future salary increases	(741)	(824)	(1,732)
Annual turnover rates of active employees	607	644	1,509

The above sensitivity analyses is based on the assumption that changes in actuarial assumptions are not correlated and therefore it does not take into account the correlations between the actuarial assumptions.

(b) Defined contribution retirement plan

Pursuant to the relevant laws and regulations of the PRC, the Company and its subsidiaries participate in defined contribution retirement benefit schemes managed by government organizations. The Group makes contributions to basic pension insurance plans based on the applicable benchmarks and rates stipulated by the government authorities, whereby these entities are required to contribute to the schemes at a rate of 19% of the employees' basic salaries. Employees of these entities are entitled to retirement benefits, calculated based on a percentage of the average salaries level in the PRC, from the above mentioned retirement schemes at their normal retirement.

28 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(a) Income tax payable/(recoverable)

	The Group			The Company		
	2015	2016	2017	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1	36,118	32,297	31,117	(3,721)	(2,293)	(3,387)
Provision for the year	88,071	89,828	116,777	1,238	584	10,239
Income tax (paid)/received	(91,892)	(91,008)	(102,676)	190	(1,678)	35
At December 31	32,297	31,117	45,218	(2,293)	(3,387)	6,887

	As at December 31,			As at December 31,		
	2015	2016	2017	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Representing						
Income tax payable	35,201	34,558	45,304	—	—	6,887
Income tax recoverable	(2,904)	(3,441)	(86)	(2,293)	(3,387)	—
	32,297	31,117	45,218	(2,293)	(3,387)	6,887

(b) Deferred tax assets and liabilities recognized

The components of deferred tax assets/(liabilities) recognized in the consolidated statements of financial position and movements during the Track Record Period are as follows:

The Group

	Accruals	Impairment losses on assets	Provision for reclamation obligations	Sub-total	Fair value change in trading securities	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2015	75,509	13,008	8,336	96,853	(24)	96,829
Credited to consolidated statement of profit or loss (Note 7(a))	10,473	1,528	614	12,615	4	12,619
At December 31, 2015 and January 1, 2016	85,982	14,536	8,950	109,468	(20)	109,448
Credited/(charged) to consolidated statement of profit or loss (Note 7(a))	8,674	2,207	701	11,582	(1)	11,581
At December 31, 2016 and January 1, 2017	94,656	16,743	9,651	121,050	(21)	121,029
Credited to consolidated statement of profit or loss (Note 7(a))	25,562	1,659	7,218	34,439	12	34,451
At December 31, 2017	120,218	18,402	16,869	155,489	(9)	155,480

28 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (Continued)

(b) Deferred tax assets and liabilities recognized (Continued)

The Company

	Accruals	Impairment losses on assets	Total
	RMB'000	RMB'000	RMB'000
At January 1, 2015	10,519	1,286	11,805
Credited to profit or loss	1,448	1,174	2,622
At December 31, 2015 and January 1, 2016	11,967	2,460	14,427
Credited to profit or loss	828	133	961
At December 31, 2016 and January 1, 2017	12,795	2,593	15,388
Credited/(charged) to profit or loss	9,008	(108)	8,900
At December 31, 2017	21,803	2,485	24,288

(c) Deferred tax assets not recognized

In accordance with the accounting policy set out in Note 2(t), the Group has not recognized deferred tax assets in respect of tax losses of RMB13,479,000, RMB18,226,000 and RMB25,721,000 as at December 31, 2015, 2016 and 2017, respectively, as it is not probable that future taxable profits against which the losses can be utilized will be available in the relevant tax jurisdiction and entity. The tax losses can be carried forward for five years from the year incurred.

As at December 31, 2017, tax losses of RMB1,856,000, RMB2,281,000, RMB3,867,000, RMB9,370,000 and RMB8,347,000 will expire, if unused by the end of December 31, 2018, 2019, 2020, 2021 and 2022, respectively.

29 PROVISIONS

(a) The balance of provisions comprised:

The Group

	As at December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Reclamation obligations (Note(b))	145,545	156,736	167,105
Others	3,790	3,320	3,320
	149,335	160,056	170,425
Less: current portion of the provisions	(54,652)	(59,954)	(64,614)
	94,683	100,102	105,811

(b) The movements of the provision for reclamation obligations during the Track Record Period are as follows:

	Years ended December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
At January 1	135,918	145,545	156,736
Increase in estimated cost	5,465	6,713	5,621
Interest expenses	4,162	4,478	4,748
At December 31	145,545	156,736	167,105

29 PROVISIONS (Continued)

(b) The movements of the provision for reclamation obligations during the Track Record Period are as follows (Continued):

The Group's obligations for reclamation consist of estimated expenditures for retirement of its radioactive production facilities in accordance with the relevant rules and regulations in the PRC. The provision is therefore determined based on management's best estimates. The estimate of the associated costs may be subject to change in the near term when the reclamation on the disposal of the radioactive production facilities becomes apparent in future periods. At the end of each reporting period, the Group reassessed the estimated costs and adjusted the accrued reclamation obligations, where necessary. The Group's management believes that the accrued reclamation obligations at December 31, 2015, 2016 and 2017 are adequate and appropriate. The accruals are based on estimates and therefore, the ultimate liabilities may exceed or be less than such estimates.

(c) Long-term receivables

Long-term receivable represents present value of a part of reclamation obligations which is due from CIAE according to the commitment agreement between a subsidiary of the Group and CIAE.

30 DEFERRED INCOME

The Group

	2015	2016	2017
	RMB'000	RMB'000	RMB'000
At January 1	21,189	26,540	26,027
Additions	7,200	3,520	15,992
Credit to the consolidated statements of profit or loss	(1,849)	(4,033)	(4,129)
At December 31	26,540	26,027	37,890

Deferred income mainly represents government grants relating to construction of property, plant and equipment, as well as technology research funding related to radiopharmaceutical and other pharmaceuticals related assets, which would be recognized as income on a straight-line basis over the expected useful life of the relevant assets. The deferred income recognized is included in "other income" in the consolidated statements of profit or loss.

31 SHARE CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statements of changes in equity. Details of the changes in the Company's individual components of equity during the Track Record Period are set out below:

	Share capital	Capital reserve	PRC statutory reserve	Other reserve	(Accumulated losses)/ retained profits	Total equity
	RMB'000 (Note 31(c))	RMB'000 (Note 31(d)(i))	RMB'000 (Note 31(d)(ii))	RMB'000 (Note 31(d)(iii))	RMB'000	RMB'000
At January 1, 2015	200,000	134,809	31,266	1,804	(2,884)	364,995
Changes in equity:						
Profit for the year	—	—	—	—	82,627	82,627
Other comprehensive income	—	—	—	—	(1,562)	(1,562)
Total comprehensive income	—	—	—	—	81,065	81,065
Appropriation of maintenance and production funds	—	—	—	177	(177)	—
Utilization of maintenance and production funds	—	—	—	(26)	26	—
Appropriation to reserves	—	—	8,248	—	(8,248)	—
Dividends (Note 31(b))	—	—	—	—	(172,113)	(172,113)
At December 31, 2015 and January 1, 2016	200,000	134,809	39,514	1,955	(102,331)	273,947
Changes in equity:						
Profit for the year	—	—	—	—	153,599	153,599
Other comprehensive income	—	—	—	—	(419)	(419)
Total comprehensive income	—	—	—	—	153,180	153,180
Appropriation of maintenance and production funds	—	—	—	176	(176)	—
Utilization of maintenance and production funds	—	—	—	(25)	25	—
Appropriation to reserves	—	—	15,346	—	(15,346)	—
Dividends (Note 31(b))	—	—	—	—	(186,292)	(186,292)
At December 31, 2016 and January 1, 2017	200,000	134,809	54,860	2,106	(150,940)	240,835
Changes in equity:						
Profit for the year	—	—	—	—	458,390	458,390
Other comprehensive income	—	—	—	—	(609)	(609)
Total comprehensive income	—	—	—	—	457,781	457,781
Issue of ordinary shares (Note 31(c))	39,906	810,094	—	—	—	850,000
Appropriation to reserves	—	—	45,894	—	(45,894)	—
Appropriation of maintenance and production funds	—	—	—	89	(89)	—
Dividends (Note 31(b))	—	—	—	—	(175,161)	(175,161)
At December 31, 2017	**239,906**	**944,903**	**100,754**	**2,195**	**85,697**	**1,373,455**

31 SHARE CAPITAL, RESERVES AND DIVIDENDS (Continued)

(b) Dividends

Dividends payable to equity shareholders of the Company attributable to the previous financial years, approved during the Track Record Period.

	Years ended December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Final dividend in respect of the previous financial years, approved during the year	172,113	186,292	175,161
Final dividend per ordinary share (RMB)	0.86	0.93	0.73

The directors of the Company consider that the dividends made during the Track Record Period are not indicative of the future dividend policy of the Company and the Group.

(c) Share capital

	No. of shares	RMB'000
Ordinary shares issued		
At January 1, 2015 and December 31, 2015 and 2016	200,000	200,000
Shares issued	39,906	39,906
December 31, 2017	**239,906**	**239,906**

All shareholders are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings of the Company. All shares rank equally with regard to the Company's residual assets.

On March 14, 2017, the Company issued 39,906,000 new ordinary shares to CNNC, five related parties under CNNC, Beijing Aerospace Industry Investment Fund LLP and China Aerospace Investment Co., Ltd. at an aggregated consideration of RMB850,000,000. The proceeds of RMB39,906,000 received by the Company, representing the par value, were credited to the Company's share capital. The remaining proceeds received by the Company, net of transaction costs, of RMB810,094,000 were credited to the Company's capital reserve account.

(d) Nature and purpose of reserves

(i) Capital reserve

Capital reserve represents (i) the proceeds in excess of the par value upon shares issuance received by the Company as disclosed in Note 31(c); and (ii) the amount of carrying amount of the net assets of certain subsidiaries acquired in excess of the consideration paid by the Group, as a result of business combination under common control.

(ii) PRC statutory reserve

In accordance with the relevant PRC laws and regulations and the Company's articles of association, the Company is required to transfer 10% of its net profit as determined in accordance with accounting rules and regulations of the PRC to the statutory PRC reserve until the reserve reaches 50%

31 SHARE CAPITAL, RESERVES AND DIVIDENDS (Continued)

(d) Nature and purpose of reserves (Continued)

(ii) PRC statutory reserve (Continued)

of the registered capital. The transfer to this reserve must be made before distributions to equity shareholders. This reserve can be utilized in setting off accumulated losses or increase capital and is non-distributable other than in liquidation.

(iii) Other reserve

Other reserve represents specific reserve for production and maintenance funds. Pursuant to the relevant PRC regulations, the Group is required to transfer production and maintenance funds at fixed rates of relevant production outputs or revenue. The maintenance and production funds could be utilized when expenses or capital expenditures on production maintenance and safety measures are incurred. The amount of production and maintenance funds utilized would be transferred from the specific reserve back to retained profits.

(iv) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of an associate. The reserve is dealt with in accordance with the accounting policies as set out in Note 2(x).

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optional capital structure to reduce the cost of capital.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholders returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments for the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of an assets to liability ratio. During the Track Record Period, the Group's strategy was to maintain the assets to liability ratio. The liability-to-asset ratio of the Group was 54%, 59% and 48% as at December 31, 2015, 2016 and 2017, respectively.

Neither the Company nor its subsidiaries are subject to externally imposed capital requirements.

Exposure to credit, liquidity and interest rate risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

(a) Credit risk

The Group's credit risk is primarily attributable to cash at bank and on hand, and trade and other receivables. Management has a credit policy in place and the exposure to these credit risk are monitored on an ongoing basis.

Substantially all the Group's cash at bank and on hand are deposited in the state owned/controlled PRC banks or CNNCFC, a financial institution under CNNC, which the directors assessed the credit risk to be low.

In practice, three months credit period will be granted to customers of the Group. Individual credit evaluations are performed on all customers requiring credit over a certain amount.

These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. As at December 31, 2015, 2016 and 2017, 6%, 4% and 7% of trade receivables was due from the Group's five largest customers, respectively.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables and are set out in Note 20 and Note 22.

(b) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the end of each reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of each reporting period) and the earliest dates the Group can be required to pay:

	The Group December 31, 2015				The Company December 31, 2015			
	Contractual undiscounted cash flow				Contractual undiscounted cash flow			
	Within 1 year or on demand	More than 1 year but less than 2 years	Total	Carrying amount	Within 1 year or on demand	More than 1 year but less than 2 years	Total	Carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Borrowings (Note 24)	2,460	61,651	64,111	60,000	2,460	61,651	64,111	60,000
Trade payables (Note 25)	110,183	—	110,183	110,183	11,296	—	11,296	11,296
Accruals and other payables (Note 26)	1,157,923	—	1,157,923	1,157,923	402,995	—	402,995	402,995
Total	1,270,566	61,651	1,332,217	1,328,106	416,751	61,651	478,402	474,291

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(b) Liquidity risk (Continued)

	The Group December 31, 2016		The Company December 31, 2016	
	Contractual undiscounted cash flow		Contractual undiscounted cash flow	
	Within 1 year or on demand	Carrying amount	Within 1 year or on demand	Carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000
Borrowings (Note 24)	491,060	480,000	470,361	460,000
Trade payables (Note 25)	119,866	119,866	18,241	18,241
Accruals and other payables (Note 26)	1,174,119	1,174,119	181,399	181,399
Total	1,785,045	1,773,985	670,001	659,640

	The Group December 31, 2017					The Company December 31, 2017				
	Contractual undiscounted cash flow					Contractual undiscounted cash flow				
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 year but less than 5 years	Total	Carrying amount	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 year but less than 5 years	Total	Carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Borrowings (Note 24)	7,481	7,481	167,012	181,974	150,000	—	—	—	—	—
Trade payables (Note 25)	198,016	—	—	198,016	198,016	34,021	—	—	34,021	34,021
Accruals and other payables (Note 26)	1,517,480	—	—	1,517,480	1,517,480	145,019	—	—	145,019	145,019
Total	1,722,977	7,481	167,012	1,897,470	1,865,496	179,040	—	—	179,040	179,040

(c) Interest rate risk

The Group's interest rate risk arises primarily from borrowings. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk, respectively.

The following tables detail the profile of the Group's interest-bearing financial liabilities at the end of each reporting period. The detailed interest rates and maturity information of the Group's borrowings are disclosed in Note 24.

	The Group			The Company		
	As at December 31,			As at December 31,		
	2015	2016	2017	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Net fixed rate borrowings:						
Borrowings	60,000	60,000	150,000	60,000	60,000	—
Net floating rate borrowings:						
Borrowings	—	420,000	—	—	400,000	—

(i) Sensitivity analysis

At December 31, 2015, 2016 and 2017, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after tax and retained profits by approximately nil, RMB3,150,000 and nil, respectively.

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(c) Interest rate risk (Continued)

(i) Sensitivity analysis (Continued)

At December 31, 2015, 2016 and 2017, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decrease/increase the Company's profit after tax and retained profits by approximately nil, RMB3,000,000 and nil, respectively.

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax (and retained profits) that would arise assuming that the change in interest rates had occurred at the end of each reporting period. The impact is estimated as an annualized impact on interest expense of such a change in interest rates. The sensitivity analysis is performed on the same basis for the Track Record Period.

(d) Fair values measurement

(i) Financial assets measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of each reporting period on a recurring basis, categorized into the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

At December 31, 2015, 2016 and 2017, the financial instruments of the Group carried at fair value were trading securities which fall into Level 1 of the fair value hierarchy described above. The fair value of the trading securities at December 31, 2015, 2016 and 2017 were RMB148,000, RMB152,000 and RMB104,000, respectively.

(ii) Fair value of financial instruments carried at other than fair value

The carrying amounts of the financial instruments carried at cost or amortized cost are not materially different from their fair values as at December 31, 2015, 2016 and 2017.

33 COMMITMENTS

(a) Capital commitments

Capital commitments outstanding at respective reporting period end dates not provided for in the Historical Financial Information were as follows:

The Group

	As at December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Purchase of property, plant and equipment:			
Contracted for	221,789	187,078	106,254
Authorized but not contracted for	205,702	60,000	76,855
	427,491	247,078	183,109

(b) Operating lease commitments

As at the respective reporting period end dates, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

The Group

	As at December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Within 1 year	3,618	3,869	10,052
After 1 year but within 5 years	16,160	16,512	23,837
After 5 years	8,442	4,221	—
	28,220	24,602	33,889

The Group leases certain buildings through operating leases. These operating leases do not contain provisions for contingent lease rentals. None of the agreements contain escalation provisions that may require higher future rental payments.

34 MATERIAL RELATED PARTY TRANSACTIONS

(a) Transaction with related parties during the Track Record Period

The Group is part of a large group of companies under CNNC, and has significant transactions and relationships with CNNC and related parties under CNNC.

The principle transactions which were carried out in the ordinary course of business are as follows:

	Years ended December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Sales of goods to			
Related parties under CNNC#	70,204	52,929	50,942
Associates and a joint venture	23,530	21,863	18,267
Construction service provided to			
Related parties under CNNC	—	936	—
Service provided to			
Related parties under CNNC#	816	1,694	2,722
Associates and a joint venture	18,807	44,900	64,896
Purchase of goods from			
Related parties under CNNC#	7,337	3,144	7,028
Associates and a joint venture	21,083	21,183	24,171
Purchase of property, plant and equipment from			
Related parties under CNNC	3,864	7,557	5,815
Sales of equipment to			
CNNC	—	13,440	—
Related parties under CNNC	4,258	—	—
Service provided by			
CNNC#	300	300	300
Related parties under CNNC#	61,596	64,900	87,881
Leases from			
Related parties under CNNC#	4,599	3,469	3,798
Loans received from			
CNNC	60,000	—	—
Related parties under CNNC#	—	400,000	—
Loans repaid to			
CNNC	60,000	—	60,000
Related parties under CNNC#	400,000	—	400,000
Interest expenses			
CNNC	2,421	2,259	144
Related parties under CNNC#	2,632	6,677	2,045
Net deposits placed with/(withdrawn from)			
Related parties under CNNC#	(259,777)	249,104	(10,993)
Interest income			
Related parties under CNNC#	4,488	5,847	14,465
Dividend paid to			
CNNC	—	146,719	90,961
Related parties under CNNC	—	172,285	168,324
Dividend received from			
Related parties under CNNC	1,408	563	—
Capital investment in			
Related parties under CNNC	—	40,000	—
Capital investment from			
CNNC	—	—	60,000
Related parties under CNNC	—	—	710,000

These transactions are to be continued after the listing of the Company's shares on the Stock Exchange.

34 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(b) Balances with related parties

Details of the outstanding balance with related parties are set out in Notes 20, 21, 22, 23, 24, 25, 26 and 29.

Except for cash deposited with and loans from related parties, balance with related parties are unsecured, non-interest bearing and have no fixed terms of repayment.

(c) Transactions with other government-related entities in the PRC

The Group is a state-owned entities and operates in an economic regime currently dominated by entities directly or indirectly owned or controlled by the PRC government and numerous government authorities and agencies (collectively referred to as "State-owned Entities").

During the Track Record Period, the Group had transactions with State-owned Entities including, but not limited to, sales of goods, deposits and borrowings, purchase of materials and receiving construction work services. The directors consider that the transactions with these State-owned Entities are activities in the ordinary course of the Group's business and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and these State-owned Entities are ultimately controlled or owned by the PRC government. The Group has also established pricing policies for services and products, and such pricing policies do not depend on whether or not the counterparties are State-owned Entities. Having due regard to the substance of the relationship, the directors are of the opinion that none of these transactions are material related party transactions that require separate disclosure.

(d) Key management personnel remuneration

Key management personnel are those persons holding positions with authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including the Company's directors.

Remuneration for key management personnel, including amounts paid to the Company's directors as disclosed in Note 9, and certain of the highest paid employees as disclosed in Note 10, is as follows:

	Years ended December 31,		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Salaries and other emoluments	1,181	1,302	2,308
Retirement scheme contributions	483	483	575
Discretionary bonuses	2,064	2,556	3,010
Total	3,728	4,341	5,893

35 IMMEDIATE AND ULTIMATE HOLDING COMPANY

As at December 31, 2015, 2016 and 2017, the directors of the Company consider the immediate and ultimate holding company of the Group to be CNNC, which is a state-owned enterprise established in the PRC. CNNC does not produce financial statements available for public use.

36 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ACCOUNTING PERIOD BEGINNING ON JANUARY 1, 2017

Up to date of issue of the Historical Financial Information, the IASB has issued a number of amendments and new standards which are not yet effective for the accounting year beginning on January 1, 2017 and which have not been adopted in the Historical Financial Information.

	Effective for accounting periods beginning on or after
IFRS 9, *Financial instruments*	January 1, 2018
IFRS 15, Revenue from contracts with customers	January 1, 2018
Amendments to IFRS 2, *Share-based payment. Classification and measurement of share-based payment transactions*	January 1, 2018
Amendments to IAS 40, *Investment property: Transfers of investment property*	January 1, 2018
IFRIC 22, *Foreign currency transactions and advance consideration*	January 1, 2018
IFRS 16, *Leases*	January 1, 2019
IFRIC 23, *Uncertainty over income tax treatments*	January 1, 2019

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below.

IFRS 9*, Financial instruments*

IFRS 9 will replace the current standard on accounting for financial instruments, IAS 39, *Financial instruments: Recognition and measurement*. IFRS 9 introduces new requirements for classification and measurement of financial assets, calculation of impairment of financial assets and hedge accounting. On the other hand, IFRS 9 incorporates without substantive changes the requirements of IAS 39 for recognition and derecognition of financial instruments and the classification of financial liabilities. Expected impacts of the new requirements on the Group's consolidated financial statements are as follows:

Classification and measurement

IFRS 9 contains three principal classification categories for financial assets: measured at (1) amortized cost, (2) fair value through profit or loss (FVTPL) and (3) fair value through other comprehensive income (FVTOCI):

For equity securities, the classification is FVTPL regardless of the entity's business model. The only exception is if the equity security is not held for trading and the entity irrevocably elects to designate that security as FVTOCI. If an equity security is designated as FVTOCI then only dividend income on that security will be recognized in profit or loss. Gains, losses and impairments on that security will be recognized in other comprehensive income without recycling.

The Group has assessed that its financial assets currently measured at amortized cost and FVTPL will continue with their respective classification and measurements upon the adoption of IFRS 9. The equity security will be designated as FVTOCI then only dividend income on that security will be recognized in profit or loss.

The classification and measurement requirements for financial liabilities under IFRS 9 are largely unchanged from IAS 39, except that IFRS 9 requires the fair value change of a financial

36 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ACCOUNTING PERIOD BEGINNING ON JANUARY 1, 2017 (Continued)

liability designated at FVTPL that is attributable to changes of that financial liability's credit risk to be recognized in other comprehensive income (without reclassification to profit or loss). The Group currently does not have any financial liabilities designated at FVTPL and therefore this new requirement will not have any impact on the group on adoption of IFRS 9.

Impairment

The new impairment model in IFRS 9 replaces the "incurred loss" model in IAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognized. Instead, an entity is required to recognize and measure expected credit losses as either 12-month expected credit losses or lifetime expected credit losses, depending on the asset and the facts and circumstances. This new impairment model may result in an earlier recognition of credit losses on the Group's trade receivables and other financial assets. Based on a preliminary assessment, the Group expects the accumulated impairment loss provision will not materially change.

IFRS 15, *Revenue from contracts with customers*

IFRS 15 establishes a comprehensive framework for recognizing revenue from contracts with customers. IFRS 15 will replace the existing revenue standards, IAS 18, *Revenue*, which covers revenue arising from sale of goods and rendering of services, and IAS 11, *Construction contracts*, which specifies the accounting for revenue from construction contracts. Based on the assessment completed to date, the Group has identified the following area which is expected to be affected:

Timing of revenue recognition

The Group's revenue recognition policies are disclosed in Note 2(w). Currently, revenue arising from construction contracts and the provision of services is recognized over time, whereas revenue from the sale of goods is generally recognized when the risks and rewards of ownership have passed to the customers.

Under IFRS 15, revenue is recognized when the customer obtains control of the promised good or service in the contract. IFRS 15 identifies 3 situations in which control of the promised good or service is regarded as being transferred over time:

(a) When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

(b) When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

(c) When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under IFRS 15 the entity recognizes revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs.

36 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ACCOUNTING PERIOD BEGINNING ON JANUARY 1, 2017 (Continued)

The Group has assessed that the new revenue standard is not likely to have significant impact on how it recognises revenue. The Group plans to elect to use the cumulative effect transition method for the adoption of IFRS 15 and will recognize the cumulative effect of initial application as an adjustment to the opening balance of equity at January 1, 2018. As allowed by IFRS 15, the Group plans to apply the new requirements only to contracts that are not completed before January 1, 2018. Since the number of "open" contracts at December 31, 2017 is limited, the Group expects that the transition adjustment to be made upon the initial adoption of IFRS 15 will not be material. The expected changes in accounting policies as described above will not have a material impact on the Group's financial results from 2018 onwards.

IFRS 16, Leases

As disclosed in Note 2(k), currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into some leases as the lessor and others as the lessee.

IFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once IFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognize and measure a lease liability at the present value of the minimum future lease payments and will recognize a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognize interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognizing rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognized on a systematic basis over the lease term.

IFRS 16 will primarily affect the Group's accounting as a lessee of leases for property, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease. As disclosed in Note 33(b), at December 31, 2017 the Group's future minimum lease payments under non-cancellable operating leases amount to RMB33,889,000, the majority of which is payable either between 1 and 5 years after the reporting date or in more than 5 years. Some of these amounts may therefore need to be recognized as lease liabilities, with corresponding right-of-use assets, once IFRS 16 is adopted. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of IFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of IFRS 16 and the effects of discounting. Based on the preliminary assessment, the adoption of IFRS 16 is not expected to have a material impact on its consolidated financial statements.

IFRS 16 is effective for annual periods beginning on or after January 1, 2019. The standard offers different transition options and practical expedients, including the practical expedient to

36 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ACCOUNTING PERIOD BEGINNING ON JANUARY 1, 2017 (Continued)

grandfather the previous assessment of which existing arrangements are, or contain, leases. If this practical expedient is chosen, the Group will apply the new definition of a lease in IFRS16 only to contracts that are entered into on or after the date of initial application. If the practical expedient is not chosen, the Group will need to reassess all of its decisions about which existing contracts are, or contain, leases, using the new definition. Depending on whether the Group elects to adopt the standard retrospectively or follow a modified retrospective method of recognizing a cumulative-effect adjustment to the opening balance of equity at the date of initial application, the Group may or may not need to restate comparative information for any changes in accounting resulting from the reassessment.

The Group has started an initial assessment of the potential impact on its consolidated financial statements. So far, the most significant impact identified is that the Group will recognize new assets and liabilities for its operating leases. In addition, the nature of expenses related to those leases will change as IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities.

37 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

(1) On March 30, 2018, the Company declared cash dividends of RMB66,477,980.31 to the shareholders.

(2) On April 27, 2018, the Company entered into a share purchase agreement ("SPA") with Beijing Liuhe Zhongxin Culture Development Co. Limited ("Beijing Liuhe", 北京六合衆信文化發展有限公司). Pursuant to the SPA, the Company agreed to purchase 100% of the equity interest in Beijing Sanjin Electronic Corporation Limited ("Beijing Sanjin", 北京三金電子集團有限公司) from Beijing Liuhe at the consideration of RMB 211.5 million. As of the date of this report, the directors of the Company are of the opinion that the acquisition has not been completed, as the operation of Beijing Sanjin has not been taken over by the Company.

SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company and its subsidiaries in respect of any period subsequent to December 31, 2017.