COSLIGHT TECHNOLOGY INTERNATIONAL GROUP LIMITED

Incorporated in Bermuda with limited liability
Stock Code : 1043

2018 Annual Report

Contents

Corporate Information

Directors

Executive

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

Independent Non-executive

Mr. LI Zeng Lin
Dr. GAO Yun Zhi
Mr. XIAO Jian Min *(Resigned on 13 September 2018)*
Ms. ZHU Yan Ling *(Appointed on 13 September 2018)*

Qualified Accountant and Company Secretary

Mr. NG Kar Keung, CPA

Audit Committee

Mr. LI Zeng Lin
Dr. GAO Yun Zhi
Ms. ZHU Yan Ling

Remuneration Committee

Dr. GAO Yun Zhi
Mr. LI Zeng Lin
Mr. ZHANG Li Ming

Nomination Committee

Mr. SONG Dian Quan
Ms. ZHU Yan Ling
Mr. LI Zeng Lin

Legal Adviser

DLA Piper Hong Kong
17th Floor, Edinburgh Tower
The Landmark
15 Queen's Road
Central
Hong Kong

Auditor

SHINEWING (HK) CPA Limited
43/F., Lee Garden One,
33 Hysan Avenue,
Causeway Bay,
Hong Kong

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head Office and Principal Place of Business

Room 2501-2502, COSCO Tower
181-183 Queen's Road Central
Hong Kong

Principal Bankers

DBS Bank (Hong Kong) Limited
China Construction Bank (Asia) Corporation Limited

Principal Share Registrar and Transfer Office

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

Hong Kong Branch Share Registrar and Transfer Office

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

Results

For the year ended 31 December 2018 (the "Year"), turnover from the Group's continuing operation amounted to approximately RMB3,196,379,000 (2017: RMB3,713,493,000), representing a decrease of 14% over that of the corresponding period of last year. This was mainly due to the disposal of our lithium polymer cell manufacturing subsidiary, Zhuhai Coslight Battery Company Limited. The profit attributable to owners of the parent for the Year amounted to approximately RMB199,769,000 (2017: RMB235,403,000), representing an decrease of 15% over that of the corresponding period of last year. Earnings per share for the year were RMB51.84 cents (2017: RMB59.79 cents), representing a decrease of 13%.

Dividends

The Board does not recommend the payment of a final dividend to the shareholders for the year ended 31 December 2018 (2017: nil).

Business Review

Power Battery

In addition to being applicable to all types of electric vehicles, our power battery products can also be installed in communication base stations to supply power to telecommunication equipment. In the meantime, the power battery capacity reaches 4.5GWh. In the domestic electric vehicle market, relying on the company's advantages in research and development, technology, equipment, quality, etc., we have successfully matched with many domestic large, medium and small auto manufacturers. During the Year, 20,824 sets of electric vehicle batteries have been delivered. In 2018, the domestic electric vehicle market was highly competitive, the price of the products was under pressure, and the gross profit margin dropped significantly.

In telecommunications market, our main customers are telecommunications and mobile network operators in India, Vietnam, South Africa, South Korea, Egypt and other countries. Compared with traditional batteries, lithium batteries for communication are more suitable for power shortages and tropical locations, it has high energy density ratio, smaller size and longer service life. In the current year, a total of approximately 125,370 battery packs for base stations were delivered.

Sealed Lead-acid Batteries

The total sales of the sealed lead-acid battery products amounted to approximately RMB429,470,000 (2017: RMB751,342,000), representing a decrease of approximately 43% as compared with last year. The main reason was the transformation of the production workshop to power batteries, which led to a decline in production. Our sales volume for the year was approximately 0.74 million KVAH (2017: 1.21 million KVAH). It was down about 42% year-on-year. Among them, communication batteries account for 70%, and electric bicycle batteries are 30%. We continue to convert the production facilities and workshops of the battery into corresponding parts and supporting facilities suitable for the production of power batteries. During the transformation process, and during the handover of the products, the capacity utilization rate is low, resulting in a significant drop in gross profit margin. After the completion of the transformation, the production capacity will support the future demand of power batteries and reduce production costs. To enhance the competitiveness of products.

Online Games

Our ace game Wendao《問道》insists on the implementation of refined operations, branded server upgrade, and specialty server upgrade strategies. At the same time, we launched the directional transfer server function, which effectively reduced the user churn index. In order to attract more players, we actively cooperate with the live broadcast platform and well-known anchors to expand the publicity channels. During the year, we expanded our 道十二 anniversary brand server, which effectively boosting sales for the first half of the year. In the second half of the year, a brand-new version of the classic version was launched, which was sought after by players with a more streamlined gameplay, further enhancing popularity and revenue.

In terms of mobile games, a new game incubation centre was established in 2018, which promoted the matrix game platform project and successfully launched the first batch of H5 games. The matrix game platform also won first batch users. The various test data indicators are in line with expectations, providing experience and data for the follow-up of small games, and increasing the self-issuance advantage.

Online game business contributed approximately RMB232,320,000 to the Group's profit, of which RMB61,489,000 was contributed by associates of the Group (2017: RMB171,698,986, of which RMB26,840,000 was from the associates of the Group), representing an increase of approximately 35% over corresponding period of last year.

Prospects

Power Batteries

In 2019, with the support of the national new energy policy, we expect China's electric vehicle market to continue to grow at a high rate. The price should be kept at the current level while production costs are expected to fall. It is expected that our product sales and gross profit margin will increase. We will also continue to develop the energy storage market for communications to increase capacity utilization and sales.

Online Games

In 2019《問道》will plan to launch new feature versions to boost revenue growth. In response to the popularity of《問道》, we will continue to cooperate with new media such as live broadcast platforms or short video platforms to actively expand the publicity channels. In addition, for the online trading platform《Qi Bao Zhai》, we will expand new payment points to further enhance the income while improving the convenience of players.

Appreciation

In praise of the trust and support to the Group from our shareholders, the support for our products from our customers and the unwavering efforts and dedication from all of our staffs, I would like to take this opportunity to extend my heartfelt gratitude to our shareholders, customers and employees on behalf of the Board of Directors.

By order of the Board

SONG Dian Quan
Chairman

Harbin, the PRC, 29 March 2019

Management Profile

Directors

Executive Directors

Mr. SONG Dian Quan, aged 63, is the chairman of the Company and the key founder of the Group. He is responsible for the overall management and formulation of corporate policies and strategies. He is also responsible for the business development of the Group, and liaising with various levels of government authorities in the PRC. He has more than 33 years of experience in the research and development of electronics technology of rechargeable batteries. He graduated from the Harbin Institute of Technology in 1982 with a bachelor of engineering degree in electrochemistry.

Ms. LUO Ming Hua, aged 55, is the deputy chairman and chief executive officer of the Company. She is responsible for the overall management and administration of the Group. She has extensive manufacturing experience in rechargeable battery materials. She graduated from Harbin Institute of Electrical Engineering in 1991 with a major in industrial and electrical automation. She joined the Group in May 1994.

Mr. LI Ke Xue, aged 71, is the co-founder of the Group and the deputy general manager of the Company, and is responsible for general administration of the Group. He has over 33 years of administrative and operational experience in the battery field in the PRC. He graduated from Central Communist Party College in 1988 specializing in management.

Mr. XING Kai, aged 62, is responsible for production and quality management of the Group. He has over 33 years' experience in the research and development of rechargeable battery products and over 20 years of managerial experience in the battery industry in the PRC. He graduated from Wu Chang Teachers' College in 1981 specializing in chemistry. He joined the Group in May 1994.

Mr. ZHANG Li Ming, aged 63, is responsible for the international trading activities of the Group. He has more than 40 years of entrepreneurial experience in product development, production and corporate management in the PRC. Prior to joining the Group in November 1997, he had worked as manager of the Chinese party in a Sino-foreign joint venture for battery production. He graduated from Huazhong Polytechnic University in 1980 with a bachelor degree in mechanics.

Mr. LIU Xing Quan, aged 86, is the chief engineer of the Company and is responsible for the product design, research and development and marketing of the Group. Mr. Liu has over 53 years' experience in the research and development of electronics technology of rechargeable batteries, and extensive managerial and operational experience in the battery industry in the PRC. He graduated from Qiqihar Institute of Light Industry in 1956. He joined the Group in May 1994.

Independent Non-executive Directors

Mr. LI Zeng Lin, aged 61, was appointed as an independent non-executive director of the Company in July 1999. He is the deputy general manager of an investment and trading company set up by Harbin Municipal Government in Hong Kong. Prior to assuming his current office in April 1998, he was an economist in the Planning Committee of Harbin Municipal Government for 18 years. He graduated from the Faculty of Statistics of People's University of China.

Mr. XIAO Jian Min, aged 61, was appointed as an independent non-executive director of the Company in September 2004. Mr. Xiao is a senior auditor in Heilongjiang province since 1996 and is a member of The Chinese Institute of Certified Public Accountants. He has over 35 years' experience in the fields of finance, audit and accounting. He is currently the head of the Finance Department of Heilongjiang maritime Safety Administration. Prior to his service with Heilongjiang maritime Safety Administration, he was the deputy director of the Supervision Department of Heilongjiang Harbour and Navigation Supervision Administration from 2000 to 2002; head of the Investigation Department and subsequently the head of the Audit Department of Heilongjiang River Administration of Navigation Affairs from 1991 to 2000; chief accountant of Harbin port Authority from 1990 to 1991; and the deputy director of the Finance Department of Heilongjiang River Administration of Navigation Affairs from 1981 to 1990. He resigned the office of an independent non-executive director on 13th September 2018.

Ms ZHU Yan Ling, aged 58, was appointed as an independent non-executive Director in September 2018. She received a Bachelor of Management in 2006. She joined Industrial and Commercial Bank of China (ICBC) Hailong Jiang Branch since 2003 and took up the position of Risk Manager in internal compliance department of ICBC Hailong Jiang Branch in 2015.

Dr. Gao Yun Zhi, aged 61, was appointed as an independent non-executive Director in August 2017, he is a professor and doctoral supervisor of Harbin Institute of Technology. He graduated from Harbin Institute of Technology with a major in electrochemical engineering in 1982. Since then, he had been teaching at Harbin Institute of Technology as a teaching assistant, lecturer and associate professor. He then studied in Japan in February 1987 and obtained a master of engineering degree from Saitama University in 1990, and a doctor of science degree from Department of Chemistry of Faculty of Science at Hokkaido University with a major in physical chemistry in 1994. He had been a lecturer at Hokkaido University and Tohoku University, and served as a chief engineer, principal researcher and department head in Research and Development Department of Riken（理研公司）in Japan. In 2000, he was an overseas part-time professor and doctoral supervisor of School of Chemical Engineering of Harbin Institute of Technology. He then returned to China for a full-time position as a professor in School of Chemical Engineering of Harbin Institute of Technology in February 2011. Over the years, he has been engaging in electrochemical theories, fundamental and application research on new chemical power sources and polymer electrolyte membrane fuel cells, fundamental and technical research on lithium-ion batteries, and fundamental and application research on new all-solid-state lithium-ion batteries. He has also presided over and participated in a number of projects at national, provincial and enterprise levels. He is currently presiding over a project of The National Natural Science Foundation of China and several enterprise partnership projects, in addition to participating in multiple national projects. He has published over 100 papers on Scientific Citation Index, in conjunction with holding more than 10 foreign patents and over 10 Chinese patents.

Financial review

Assets and liabilities

As at 31 December 2018, the Group has total assets of RMB7,178,243,000 (2017: RMB7,711,650,000) which were financed by current liabilities of RMB4,462,987,000 (2017: RMB4,966,600,000), non-current liabilities of RMB229,996,000 (2017: RMB284,276,000), equity attributable to owners of the Company of RMB2,283,058,000 (2017: RMB2,285,250,000) and non-controlling interests of RMB202,202,000 (2017: RMB175,524,000).

Liquidity, financial resources and capital structure

During the year, the Group adopted prudent treasury policies in managing cash resources and bank borrowings. As at 31 December 2018, the Group has bank and cash balances amounted to RMB129,023,000 (2017: RMB292,878,000). The total bank borrowings of the Group as at 31 December 2018 were approximately RMB1,082,777,000 (2017: RMB1,451,203,000), amongst which RMB872,777,000 (2017: RMB1,181,203,000) will be due to repay within 12 months. These borrowings carry interest ranging from 2.92% to 6.09% (2017: from 2.60% to 6.90%) per annum. As at 31 December 2018, all the Group's bank and other borrowings were denominated in Renminbi and used to finance the Group's capital expenditures and working capital requirements.

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

Gearing and liquidity ratio

The Group's gearing ratio, defined as the ratio between total bank borrowings and obligations under finance leases and shareholders' equity, was 45% (2017: 66%). The current ratio of the Group, represented by a ratio between current assets over current liabilities, was 101% (2017: 102%), reflecting the abundance of financial resources.

Charges on group assets

As at 31 December 2018, certain prepaid lease payments and property, plant and equipment, and trade receivables of the Group with carrying values of RMB779,612,000 (2017: RMB685,343,000) and RMB34,256,000 (2017: RMB39,877,000), respectively, were pledged to secured bank borrowings of approximately RMB697,146,000 (2017: RMB768,124,000). In addition, pledged bank deposits were pledged to secure trade and loan financing facilities granted to the Group.

Foreign currency risk

The Group did not have any significant exposure to foreign currency risk as most of the Group's operations are in the PRC and transactions are denominated in Renminbi.

Capital Commitments

	The Group	
	2018	2017
	RMB'000	RMB'000
Capital expenditure contracted for but not provided in the financial statements in respect of:		
Acquisition of property, plant and equipment	**5,480**	13,086
Acquisition of additional equity interest in a subsidiary	**69,230**	–
	74,710	13,086

OTHER INFORMATION

Employees and remuneration policies

As at 31 December 2018, the Group has reduced the number of employees in the PRC to 6,850 (2017: 6,861). The Group has adopted continuous human resources development and training programs to maintain high level of product quality and customer services. Remuneration package is generally structured by reference to market conditions and individual performance.

Directors' Report

The directors (the "Directors") of Coslight Technology International Group Limited (the "Company") present their annual report and the audited consolidated financial statements for the year ended 31 December 2018.

Principal Activities

The Company is an investment holding company.

The principal activities of the Company's principal subsidiaries as at 31 December 2018 are set out in note 50 to the consolidated financial statements.

Results and Appropriations

The results of the Group for the year ended 31 December 2018 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 49 to 50.

The Board does not propose final dividend for the year ended 31 December 2018 (2017: nil) to shareholders.

Business Review

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

Property, Plant and Equipment

Certain of the Group's property, plant and equipment were revalued at 31 December 2018. The surplus arising on revaluation was approximately RMB38,495,000 (2017: surplus RMB9,562,000), of which approximately surplus of RMB33,463,000 (2017: surplus RMB47,417,000) (net of approximately RMB2,468,000 (2017: surplus of RMB700,000) shared by the non-controlling interests) was recognised to the revaluation reserve and approximately RMB2,564,000 (2017: deficits of RMB38,555,000) was charged to the consolidated income statement for the year ended 31 December 2018.

Details of movements in property, plant and equipment of the Group during the year are set out in note 17 to the consolidated financial statements.

Share Capital

Details of movements in the Company's share capital are set out in note 38 to the consolidated financial statements.

Directors

The Directors of the Company during the year and up to the date of this report were:

Executive directors:	*Independent non-executive directors:*
SONG Dian Quan	LI Zeng Lin
LUO Ming Hua	GAO Yun Zhi
LI Ke Xue	ZHU Yan Ling
XING Kai	
ZHANG Li Ming	
LIU Xing Quan	

In accordance with bye-law 87(1) of the bye-laws of the Company, Mr. Li Ke Xue, Mr. Liu Xing Quan, Ms. Zhu Yan Ling and Mr. Xing Kai will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Directors' Service Contracts

Each of the executive directors has entered into a service contract with the Company for an initial period of three years commencing from 1 October 2017, and renewable annually upon expiry, unless and until terminated by either party by three months' written notice.

The term of office of each independent non-executive director is the period up to his retirement by rotation in accordance with the Company's bye-laws.

Save as disclosed above, none of the directors being proposed for the re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

Directors' Interests in Contracts of Significance

Save as disclosed under the heading "Connected Transactions", no contracts of significance to which the Company or its subsidiaries was a party and in which a Director had a material beneficial interest, whether directly or indirectly, subsisted at the end of the year and at any time during the year.

Remunerations of Directors and Five Highest Paid Employees

The aggregate remunerations of the Directors and the five highest paid employees for year ended 31 December 2018 are set out in note 14 to the consolidated financial statements.

Remuneration Committee

The Company has established a Remuneration Committee on 1 June 2005 in accordance with the requirements of the Code as contained in Appendix 14 of the Listing Rules with written terms of reference. Its primary responsibility is to make proposals to the Board with respect to the overall remuneration policy and framework for directors and senior management of the Company and the establishment of formal and transparent procedure for formulating the remuneration policy. The Remuneration Committee comprises two independent non-executive directors, namely Dr. Gao Yun Zhi and Mr. Li Zeng Lin and one executive director, namely Mr. Zhang Li Ming. Dr. Gao Yun Zhi is the chairman of the Remuneration Committee.

Nomination Committee

The Company has established a Nomination Committee on 18 November 2005 in accordance with the requirements of the Code as contained in Appendix 14 of the Listing Rules with written terms of reference. Its primary responsibilities include reviewing and supervising the framework, number of members and composition of the Board, identifying and nominating suitable persons for appointment of director and making recommendations to the Board relating to appointment and reappointment of directors. The Nomination Committee comprises two independent non-executive directors, namely Ms. Zhu Yan Ling and Mr. Li Zeng Lin and one executive director, namely Mr. Song Dian Quan. Mr. Li Zeng Lin is the chairman of the Nomination Committee.

Disclosure of Interests

(1) Directors

As at 31 December 2018, the interests of each Director in the shares, underlying shares and debentures of the Company (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") which have been notified to the Company pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such Director was taken or deemed to have under such provisions of the SFO) or as recorded in the register to be kept under section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

Long Position

Ordinary shares of HK$0.10 each of the Company

Name of Director	Type of interests	Capacity	No. of shares held	Percentage of interest
SONG Dian Quan	Personal	Beneficial owner	261,523,300	68.43%
LUO Ming Hua	Personal	Beneficial owner	3,186,027	0.83%
LI Ke Xue	Personal	Beneficial owner	512,793	0.13%
XING Kai	Personal	Beneficial owner	370,793	0.10%
LIU Xing Quan	Personal	Beneficial owner	793	0.00%

Save as disclosed above, as at 31 December 2018, there were no other interests or short positions of the Directors and chief executive of the Company in any shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which have been notified to the Company pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such Director was taken or deemed to have under such provisions of the SFO) or recorded in the register maintained by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

(2) Substantial Shareholders and Others

As at 31 December 2018, there were no other interest and short positions of every person, other than the Directors and chief executive of the Company, in the shares and underlying shares of the Company which have been notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or recorded in the register required to be kept under section 336 of the SFO.

Directors' Rights to Acquire Shares or Debentures

Save as disclosed, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of shares in, or debenture of, the Company or any other body corporate and none of the Directors, their spouse or children under the age of 18 had any right to subscribe for securities of the Company or had exercised any such right.

Reserves

In addition to accumulated profits, under the Companies Act 1981 of Bermuda, contributed surplus is also available for distribution to shareholders. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus, if:

(a) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realizable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

Major Customers and Suppliers

Sales to the largest customer of the Group accounted for 18% of the Group's turnover for the year.

Save as disclosed above, none of the Directors, their associates, or any shareholder which, to the knowledge of the Directors, owned more than 5% of the Company's share capital had any beneficial interest in the share capital of any of the five largest customers or suppliers of the Group.

Related Parties' Transactions

During the year, certain transactions that had been entered into by the Group became related party transactions under the Listing Rules. Details are set out as below and refer to note 42.

I. Rental

	2018 **RMB'000**	2017 RMB'000
Zhuhai Coslight Battery Company Ltd	**3,393**	3,599

II. Sales of Finished Goods

	2018 **RMB'000**	2017 RMB'000
瀋陽東北蓄電池有限公司	**119,669**	89,415

III. Purchase of Raw Materials

	2018 **RMB'000**	2017 RMB'000
瀋陽東北蓄電池有限公司	**100,877**	73,649

IV. Provision of online game services

	2018 **RMB'000**	2017 RMB'000
Tianjin Qixin	**40,046**	11,294
Beijing Coslight Online	**175,186**	189,647

V. Guarantee of Bank Borrowings

RMB250,000,000 (2017: RMB270,000,000) of the Group's bank borrowings were guaranteed by Mr. Song Dian Quan, a director of the Company.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the year ended 31 December 2018 (the "Review Period"), the Company repurchased an aggregate of 8,600,000 shares of its own issued ordinary shares, of which 6,000,000 have been cancelled in 2018, through the Hong Kong Stock Exchange at an aggregate consideration of approximately HKD21.61 million excluding transaction costs. Save for the aforesaid, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Review Period.

Details of the shares repurchases are as follows:

Date	**Number of shares repurchase**	**Highest price per share** HKD	**Lowest price per share** HKD	**Aggregate Consideration** HKD
24 July 2018	2,300,000	2.75	2.70	6,253,720
25 July 2018	2,300,000	2.74	2.72	6,285,540
26 July 2018	1,400,000	2.75	2.67	3,802,840
13 November 2018#	1,050,000	2.03	2.01	2,125,000
14 November 2018#	1,550,000	2.03	2.02	3,146,060

2,600,000 shares are cancelled on 21st January 2019.

Corporate Governance

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

Independent Non-Executive Directors

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

Audit Committee

The Audit Committee of the Company comprises three independent non-executive directors, namely Mr. Li Zeng Lin, Dr. Gao Yun zhi and Ms. Zhu Yan Ling with Mr. Li Zeng Lin as the chairman. The primary duties of the Audit Committee is to review and monitor the Group's financial reporting process and internal control system, as well as to provide relevant recommendations and advices to the Board. As verified by the Company, none of the members had served as a partner or a former partner to the existing auditor. The annual results of the Group for the year ended 31 December 2018 have been reviewed by the Audit Committee.

Pre-Emptive Rights

There are no provisions for pre-emptive rights under the Company's bye-laws, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Sufficiency of Public Float

The Company has maintained a sufficient public float throughout the year ended 31 December 2018.

Auditor

A resolution will be submitted to the annual general meeting to re-appoint SHINEWING (HK) CPA Limited as auditor of the Company.

On behalf of the Board
SONG Dian Quan
Chairman

Harbin, the PRC, 29 March 2019

The Company is committed to a high standard of corporate governance in conducting its business. The board of directors (the "Board") believes that good corporate governance is essential for enhancing the performance of the Group and safeguarding the interests of shareholders.

Corporate Governance Code

Throughout the reporting period, the Company has applied and complied with the code provisions in the Corporate Governance Code (the "Code") set out in Appendix 14 of the Listing Rules except for the deviation from Code provision A.4.1 in respect of the service term of directors of the Company.

Code provision A.4.1 stipulates that non-executive directors of the Company should be appointed for a specific term and subject to re-election. None of the existing independent non-executive directors of the Company is appointed for specific term and this constitutes a deviation from Code provision A.4.1. However, in accordance with the bye-laws of the Company, at each annual general meeting one-third of the directors of the Company for the time being (or, if their number is not a multiply of three, the number nearest to but not less than one-third) shall retire from office by rotation such that each director of the Company (including those appointed for a specific term) will be subject to retirement by rotation at least every three years at the annual general meeting. As such, the Company considers that sufficient measures have been taken to ensure the Company's corporate governance code are similar to those in the Code.

Compliance with the Model Code for Securities Transactions by Directors

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in Appendix 10 to the Listing Rules (the "Model Code"). Having made specific enquiry of all the directors, all directors confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 31 December 2018.

Board of Directors

The Board of the Company comprises:

Executive Directors

Mr. Song Dian Quan *(Chairman)*
Ms. Luo Ming Hua *(Chief Executive Officer)*
Mr. Li Ke Xue
Mr. Xing Kai
Mr. Zhang Li Ming
Mr. Liu Xing Quan

Independent Non-executive Directors

Mr. Li Zeng Lin
Mr. Xiao Jian Min *(Resigned on 13th September 2018)*
Dr. Gao Yun Zhi
Ms. Zhu Yan Ling *(Appointed on 13th September 2018)*

As at the date of this report, the Board comprises 9 directors, of which 6 are executive directors, including the Chairman and the Chief Executive Officer ("CEO") and 3 are independent non-executive directors. There is no financial, business, family or other material/relevant relationship amongst the directors. All the directors have sufficient requisite experience essential for them to discharge their duties efficiently and the biographical details of the directors are set out in the section "Management Profile".

For the year ended 31 December 2018, the Board fulfilled the requirements of appointing at least three independent non-executive directors and having independent non-executive directors representing at least one-third of the Board as required by the Listing Rules. It also met the requirement under the Listing Rules of having one independent non-executive director with appropriate professional qualifications, accounting and related financial management expertise.

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

The principal functions of the Board include:

- To approve the Group's overall strategies and policies and to monitor and evaluate the performance of management;

- To oversee the processes for evaluating the adequacy of internal controls, risk management, financial reporting and compliance;

- To approve annual budgets, business plans, investment proposals and major funding proposals; and

- To assume the following responsibilities for corporate governance as set out in Code provision D.3.1:

  (a) to develop and review an issuer's policies and practices on corporate governance and make recommendations to the Board;

  (b) to review and monitor the training and continuous professional development of directors and senior management;

  (c) to review and monitor the issuer's policies and practices on compliance with legal and regulatory requirements;

  (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and

  (e) to review the issuer's compliance with the code and disclosure in the Corporate Governance Report.

A detailed agenda together with sufficient relevant information are circulated with a reasonable notice period before each Board meeting to enable the directors to make informed and appropriate decisions on matters to be discussed at the Board meetings. The Company Secretary attends all regular Board meetings to advise on corporate governance and statutory compliance when necessary. The directors may seek independent professional advice, in appropriate circumstances, at the Company's expenses in discharging their duties and responsibilities as directors. All directors are given an opportunity to include matters of their concern in the agenda of Board meetings. The Company Secretary prepares minutes and maintains records for all matters discussed and decisions resolved at all Board meetings, which are open for inspection at any reasonable time on reasonable notice by any director.

In order to enhance efficiency, the Board has delegated the day-to-day responsibilities and operations to the senior management with clear directions as to the senior management's powers.

During the year, two Board meetings and two Shareholders meeting were held and the details of attendance of the Board are as follows:

Directors	**Attendance/Number Board meetings**	**Shareholders meeting**
Mr. Song Dian Quan *(Chairman)*	2/2	2/2
Ms. Luo Ming Hua *(Chief Executive Officer)*	2/2	2/2
Mr. Li Ke Xue	2/2	2/2
Mr. Xing Kai	2/2	2/2
Mr. Zhang Li Ming	2/2	2/2
Mr. Liu Xing Quan	2/2	2/2
Mr. Li Zeng Lin	2/2	2/2
Mr. Xiao Jian Min *(Resigned on 13th September 2018)*	1/2	1/2
Dr. Gao Yun Zhi	2/2	2/2
Ms. Zhu Yan Ling *(Appointed on 13th September 2018)*	1/2	1/2

Chairman and the Chief Executive Officer

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

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

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

Appointment of Directors

In accordance with the bye-laws of the Company, at each annual general meeting, one-third of the directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation such that each director (including those appointed for a specific term) will be subject to retirement by rotation at least once every three years at the annual general meeting. The directors who will retire, and being eligible, will offer themselves for re-election at the forthcoming annual general meeting of the Company include Mr. Li Ke Xue, Mr. Liu Xing Quan, Ms. Zhu Yan Ling and Mr. Xing Kai. In accordance with the bye-laws of the Company, the directors shall have the power from time to time and at any time to appoint any person as a director either to fill a casual vacancy on the Board or as an addition to the existing Board; and such director so appointed shall hold office until the next following general or annual meeting of the Company, and shall then be eligible for re-election at that meeting.

Training and Professional Development

Newly appointed directors of the Company will receive induction packages containing the duties and responsibilities of directors under the Listing Rules and other applicable rules and regulations. Each of the Directors is briefed and updated from time to time on the latest development of the operation, business of the Company and the relevant legal requirements.

All directors had provided a record of training they received during the year to the Company. According to the training records provided by the directors, the training(s) attended by them during the reporting period is summarized as follows:

Directors	**Corporate Governance, Regulatory Development and Trainings on other relevant topics**
Executive Directors	
Mr. Song Dian Quan	✓
Ms. Luo Ming Hua	✓
Mr. Li Ke Xue	✓
Mr. Xing Kai	✓
Mr. Zhang Li Ming	✓
Mr. Liu Xing Quan	✓
Independent Non-executive Directors	
Mr. Li Zeng Lin	✓
Mr. Xiao Jian Min *(Resigned on 13th September 2018)*	✓
Dr. Gao Yun Zhi	✓
Ms. Zhu Yan Ling *(Appointed on 13th September 2018)*	✓

Audit Committee

The Company has established an Audit Committee in 2002 with written terms of reference pursuant to Rule 3.21 of the Listing Rules and in accordance with "A Guide for Effective Audit Committee" published by the Hong Kong Institute of Certified Public Accountants. The primary duties of the audit committee include reviewing and monitoring the Company's financial reporting process, internal control systems and completeness of financial reports of the Company. As at the date of this report, the Audit Committee of the Company comprised three independent non-executive directors, namely Mr. Li Zeng Lin, Dr. Gao Yun Zhi and Ms. Zhu Yan Ling with Mr. Li Zeng Lin as the chairman. As verified by the Company, none of the members had served as a partner or a former partner to the existing auditor.

The Audit Committee held two meetings in 2018, which were attended by all members. The Audit Committee has reviewed the accounting principles and methods adopted by the Group and discussed, inter alia, matters relating to internal control and financial statements of the Company (i.e. 2017 annual and 2018 interim results) prepared in accordance with the applicable accounting standards and has made relevant recommendations. The Audit Committee also monitored the Company's progress in implementing the Code as required under the Listing Rules.

Details of attendance of the members at meetings of the Audit Committee held in 2018 are as follows:

Committee members	**Attendance/Number of meetings**
Mr. Li Zeng Lin *(Chairman)*	2/2
Mr. Xiao Jian Min *(Resigned on 13th September 2018)*	1/2
Dr. Gao Yun Zhi	2/2
Ms. Zhu Yan Ling *(Appointed on 13th September 2018)*	1/2

The annual results of the Group for the year ended 31 December 2018 have been reviewed by the Audit Committee.

Remuneration Committee

The Company has established a Remuneration Committee on 1 June 2005 in accordance with the requirements of the Code as contained in Appendix 14 of the Listing Rules with written terms of reference. Its primary responsibility is to make proposals to the Board with respect to the overall remuneration policy and framework for directors and senior management of the Company and the establishment of formal and transparent procedure for formulating the remuneration policy. As at the date of this report, the Remuneration Committee comprised two independent non-executive directors, namely Dr. Gao Yun Zhi and Mr. Li Zeng Lin and one executive director, namely Mr. Zhang Li Ming. Dr. Gao Yun Zhi is the chairman of the Remuneration Committee.

The principal functions of the Remuneration Committee include:

- To make recommendation to the Board of the Company's policies and structure for the remuneration of the directors and senior management of the Group;
- To determine the remuneration packages of all executive directors and senior management of the Group;
- To make recommendation to the Board of the remuneration of independent non-executive directors;
- To review and approve the performance-based remuneration of all executive directors and senior management of the Group; and
- To ensure that no director is involved in deciding his own remuneration.

Details of attendance of the members at the meeting of Remuneration Committee held in 2018 are as follows:

Committee members	**Attendance/Number of meetings**
Dr. Gao Yun Zhi *(Chairman)*	2/2
Mr. Li Zeng Lin	2/2
Mr. Zhang Li Ming	2/2

Directors' Remuneration

The principal elements of executive remuneration package include basic salary, discretionary bonus and share options. The emoluments of executive directors are based on the skills, knowledge and involvement in the Company's affairs of each director and are determined by reference to the performance and profitability of the Company, as well as remuneration benchmark in the industry and the prevailing market conditions.

Nomination Committee

The Company has established a Nomination Committee on 18 November 2005 in accordance with the requirements of the Code as contained in Appendix 14 of the Listing Rules with written terms of reference. Its primary responsibilities include reviewing and supervising the framework, number of members and composition of the Board, identifying and nominating suitable persons for appointment of director and making recommendations to the Board relating to appointment and re-appointment of directors. As at the date of this report, the Nomination Committee comprised two independent non-executive directors, namely Ms. Zhu Yan Ling and Mr. Li Zeng Lin and one executive director, namely Mr. Song Dian Quan. Mr. Li Zeng Lin is the chairman of the Nomination Committee.

The principal functions of the Nomination Committee include:

- To review the structure, size and composition of the Board on a regular basis and make recommendations to the Board regarding any proposed changes;
- To identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of, individuals nominated for directorships;
- To assess the independence of independent non-executive directors; and
- To make recommendations to the Board on relevant matters relating to the appointment or reappointment of directors and succession planning for directors in particular the Chairman and the CEO.

Details of attendance of the members at the meeting of Nomination Committee held in 2018 are as follows:

Committee members	**Attendance/Number of meetings**
Mr. Li Zeng Lin *(Chairman)*	2/2
Mr. Song Dian Quan	2/2
Mr. Xiao Jian Min *(Resigned on 13th September 2018)*	1/2
Ms. Zhu Yan Ling *(Appointed on 13th September 2018)*	1/2

Auditor's Remuneration

The performance and remuneration of the external auditor, SHINEWING (HK) CPA Limited ("SHINEWING"), have been reviewed by the Audit Committee. Auditor's remuneration payable to SHINEWING by the Company in respect of audit services for the year ended 31 December 2018 amounted to HK$1,980,000. Non-audit service charges amounted to HK$370,000 which is for agreed-upon procedures performed on the interim financial report. The Board will propose a resolution at the forthcoming annual general meeting for the re-appointment of SHINEWING as the auditor of the Company.

Responsibility of Preparation of the Accounts

The Directors acknowledged their responsibilities for the preparation of the financial statements of the Group, and ensured that the financial statements are prepared in accordance with the requirements of laws and regulations and applicable accounting standards. The Directors also ensured the timely publication of the Group's financial statements.

Risk Management and Internal Control

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

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

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

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

Foreign currency risk

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

Credit risk

The Group has policies in place to ensure that services are rendered and products are sold to customers with appropriate credit history and the Group performs periodic assessment on the credit quality of the customers, taking into account its financial position, past experience and other factors. The directors of the Company consider the Group does not have a significant concentration of credit risk. The credit risk on bank balances is limited because the pledged bank deposits and bank balances are maintained with state-owned banks or other creditworthy financial institutions in the PRC, Hong Kong and overseas.

Interest rate risk

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

Liquidity risk

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

Investor Relations

The Company places strong emphasis on its communications with investors, and considers that maintaining on-going and open communications with investors can promote investors' understanding of and confidence in the Company. The Company disclosed all necessary information to the shareholders in compliance with the Listing Rules and met with media, securities analysts, fund managers and investors on a regular basis to respond to their enquiries so as to provide them with a clearer picture of the Company's achievements in business, management and other aspects.

The general meeting of the Company is also an effective communication channel between the Board and shareholders. The Company will meet with its shareholders and respond to their enquiries in the general meetings. The Chairman had attended the annual general meeting held on 12 June 2019.

Shareholders may send written enquiries, either by post, by facsimile or by email, together with his/her contact details, such as postal address, email or fax, addressing to the head office of the Company at the following address or facsimile number or via email:

Coslight Technology International Group Limited
Room 2501-2502, COSCO Tower
181-183 Queen's Road Central
Hong Kong
Attention to: Company Secretary

Fax: 852 2543 9932
Email: info@coslight.com.hk

Shareholders' Rights

Shareholders of the Company may request special general meetings. According to bye-laws 58 of the Company's bye-laws, shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting, the requisitionists may do so in accordance with the provisions of section 74 of the Companies Act 1981 of Bermuda.

Shareholders may put forward proposals at general meetings of the Company by sending the same to the Company at the address of the head office of the Company, either by post, by facsimiles or by email (the contact details are set out in the section headed "Investor Relations" above), specifying his/her information, contact details and the proposal(s) he/she intends to put forward at the general meeting regarding any specified transaction/business and the supporting documents.

Memorandum of Association and Bye-Laws of the Company

During the year, no amendment had been made to the memorandum of association and bye-laws of the Company.

Reporting Standards and Scope

This Environmental, Social and Governance Report is prepared in accordance with the Environmental, Social and Governance Reporting Guide under Appendix 27 the Rules Governing the Listing of Securities of the Stock Exchange of Hong Kong Limited issued by The Stock Exchange of Hong Kong Limited ("Stock Exchange"), compliance with the recommended practices adopted by all listed companies listed in Hong Kong.

The Report covers the measures taken by the Group from 1 January 2018 to 31 December 2018 with respect to Environmental, Social and Governance issues, and descriptions of the progress thereof.

Given that the business sectors of Harbin Coslight Storage Battery Company and Harbin Coslight Power Company Limited contribute significantly to the Group and can fully represent the Group's core business, they are incorporated into this Environmental, Social and Governance Report.

The senior management of the Group has reviewed and approved this Environmental, Social and Governance Report.

We hereby express our sincere gratitude towards the the employees and relevant persons from the society who have contributed to the Environmental, Social and Governance efforts of the Group.

Part I: Environment and Energy Management

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

Table 1. Standard Limits of Exhaust Emissions

Pollution source type	Pollutant	Unit	Standard limit	Monitoring data during production		Comparison of monitoring data with standard limit	Origin of standard limits
				2018	2017		
Exhaust from gas boilers	Particulate matter	mg/m^3	50	**12**	12.2	Better than the limit	Standards for Second Class Area and Period II under the Boiler Air Pollutant Emission Standard (GB13271-2001)
	SO_2	mg/m^3	100	**11.5**	11	Better than the limit	
	NOx	mg/m^3	400	**102**	103	Better than the limit	
	Flue gas density	mg/m^3	1	**< 1**	< 1	Better than the limit	
Exhaust from production workshops	Particulate matter	mg/m^3	50	**11.7-20.7**	11.7-20.7	Better than the limit	Enterprises' air pollutant emission limits under the Battery Industry Pollutant Emission Standard (GB30484-2013)
	Lead and its compounds	mg/m^3	0.7	**0.076-0.167**	0.149-0.163	Better than the limit	
	Sulfuric acid mist	mg/m^3	10	**1.4-1.85**	1.39-1.81	Better than the limit	

1. Condition of the Harbin Coslight Storage Battery Company Limited ("Storage Battery Company")

The typical pollutants of the Storage Battery Company are wastewater containing lead, sulfuric acid mist, waste gas containing lead, and solid waste. Industrial wastewater is discharged after being treated in the Wastewater Treatment Plant and meeting the standards. The discharge outlet is equipped with online monitoring devices that will upload the discharge information to the data center of the Municipal Environmental Protection Bureau real time.

- Household sewage is treated in the biological purification treatment station and discharged through the master monitoring outlet after it meets the standards.

- Sulfuric acid mist is discharged at high altitude after being treated using acid mist purifiers.

- Industrial waste gas is discharged at high altitude after being treated using HKE-type lead dust and lead fume purifying device, LT-type lead fume purifier, and acid mist purifying device, and meeting the standards.

- Gas-fired boilers are used, and as the clean energy is used as fuel, the smoke is directly discharged at high altitude.

- Solid waste is divided into normal solid waste and hazardous waste. Normal solid waste mainly includes waste packing materials and the household garbage of employees.

The main sources of hazardous waste are the lead dust collected by lead dust collectors, lead slime produced by wastewater treatment devices, and lead slime produced by lead dust treatment devices during the production of storage batteries.

Table 1 shows that the levels of pollutants monitored in the production process were much lower than the standard limits under the Boiler Air Pollutant Emission Standard and the Battery Industry Pollutant Emission Standard in 2017 and 2018.

Solid waste generation and disposal of the Storage Battery Company:

Name of solid waste		Volume generated (t/a) 2018	2017	Disposal method
General solid waste	Waste paper boxes	**7.56**	10.6	Sold
	Waste wood	**1.96**	2.6	Sold
	Waste packaging foam	**2.6**	3.2	Recycled for reuse
	Waste plastic	**2.45**	3.5	Recycled for reuse
	Household garbage	**296**	306	Collected by the municipal sanitation department
Hazardous waste	HW31 lead slag, lead ash, lead mud (generated from storage battery production lines and waste gas and waste water treatment facilities)	**921.70**	1,111.14	Waste produced in the production process will be stored in the recyclable hazardous waste storage room and reused in its waste lead wet regeneration production line
	HW49 waste lead batteries (from unqualified products of the Company)	**566.10**	504.25	
	HW31 lead masks, gloves, sleeves, overalls, gas masks S5	**2.23**	2.65	The hazardous waste will be stored in the sellable hazardous waste storage room and acquired by a reputable recycling company
	HW31 waste lead slag (generated from wet lead charging regeneration production line)	**712**	712	
	HW31 nano filter cartridges containing lead ash in lead dust purifiers	**360 cartridges**	360 cartridges	
	HW31 lead dust	**1**	1	
	Waste engine oil	**0.2**	0.2	Disposed of by a reputable recycling company

Status of Total Fuel Consumption

	2018	2017
Natural Gas	**720,000m^3**	700,000m^3
Gasoline	**55 tonnes**	52 tonnes
Diesel	**44 tonnes**	50 tonnes
Electricity	**27.47 million Kwh**	42.54 million Kwh

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

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

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

2. **Modification of scrap lead recycling process**: The original scrap lead recycling process has been modified to use the method of timed heating control, thereby saving 2,160 KWH per day, and 788,400 KWH per year when using 96kw and 120kw scrap lead recycling devices.

3. **Change of power supply mode**: Measures have been taken to adjust the power supply line so as to obtain power supply from the nearest source, thereby reducing losses on the power supply line. The focus is on modification of formation process, which will reduce reactive loss.

2. Condition of the Harbin Coslight Power Company Limited ("Power Company")

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

Wastewater discharged by the Power Company are converged and released into the municipal pipe after being pre-processed, and discharged after being treated by Wastewater Treatment Plant and meeting the standards. The pH of its master discharge outlet was between 7.02 and 8.08, and the maximum daily average discharge concentrations of SS, COD, BOD_5, NH_3-N, animal and vegetable oils, and fluoride were shown as below:

	Maximum Daily Average Discharge Concentration	
	2018 (Unit:mg/L)	2017 (Unit:mg/L)
SS	**24**	52
COD	**137**	78
BOD_2	**25.6**	25.6
NH_3-N	**3.51**	5.85
Animal and vegetable oil	**2.17**	2.17
Fluoride	**0.33**	0.33

Such monitoring results all meet the Class 3 standards under the Integrated Wastewater Discharge Standard (GB8978-1996).

Solid Waste Generation and Disposal of the Power Company

No.	**Name of waste**	**Volume generated**	
		2018	2017
1	Scrap aluminum foil	**43.71 t/a**	14.9 t/a
2	Scrap copper foil	**38.63 t/a**	26 t/a
3	Waste battery shells	**108,846 shells/a**	30,764 shells/a
4	Discarded packaging cartons	**50 t/a**	2 t/a
5	Waste raw material barrels	**560 barrels/a**	500 barrels/a
6	Household garbage	**142 t/a**	219 t/a
7	Food & beverage waste and waste grease	**60 t/a**	100 t/a

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

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

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

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

The total energy consumption of the Power Company was 9,318 tonnes of standard coal (2017: 8,015 tonnes of standard coal), including 65.24 million kWh of power (2017: 43.27 million kWh of power), and 8.4 tonnes of diesel (2017: 5.2 tonnes of diesel).

Water consumption in total and density

Year	Gross production (KWh)	Total water consumption (tonne)	Water consumption cost (RMB)	Water cost per unit of production volume (RMB/KWh)
2017	373,044	68,027	387,752	1.039
2018	1,035,276	134,109	764,421	0.738

Emission Reduction Measures and Results of the Power Company

No	Process	Transformation project	Brief Description of original equipment	Brief description of equipment after transformation	Power consumption of the original equipment	Power consumption after transformation
1	Coating process	Coating machine replaced by high-speed coating machine	1. Original coating machine can only coat 6,000 pieces per day with slower coating speed 2. Coating speed is 35 m/minute 3. Two operators are in place	1. New coating machine can coat 8,500 pieces per day with faster coating speed 2. Coating speed is 50 m/minute 3. Two operators are in place	The power of each original coating machine is 590KW	The power of each new coating machine is 480KW。Saving consumption of electricity by 18.6%
2	Punching Process	Enhance punching speed	1. Efficiency：180 piece/min 2. 16,000 pieces can be produced daily 3. Eight Machines in place 4. 10 operators in place	1. Efficiency：200 piece/min 2. 16,000 pieces can be produced daily 3. Seven Machines in place 4. 7 operators in place	Each machine consume 8,400KWh each month	Each new machine consumes 5,600KWh each month。Energy consumption save by 30%

Through above measures, approximately 590,000KWh of power or approximately 72.5 tonnes of standard coal can be saved.

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

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

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

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

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

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

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

Part II: Social Responsibility

Employment and Labour Practices

Coslight Storage Battery and Coslight Power have a total of 6,800 full-time employees, of which 53.2% are men and 46.8% are women. Employees below the age of 30 account for 37% of the total, and those above the age of 30 account for 63%. Among the employees that have left the Company, 67.6% are male and 32.4% are female.

Health and Safety

The Company has passed ISO9001: 2008 quality assurance system certificate, established ISO14001 environment management system and OHSAS18000 occupational health and safety management system in accordance with Law of Environmental Protection of the PRC and Law of Occupational Disease Prevention and Treatment of the PRC, and passed third-party certification. Number of work-related fatalities was nil during 2018. To ensure occupational health of employees, de-dusting and ventilation system and air supply system have been installed in workshops where waste gases are produced. In addition, appropriate labour protection appliances are provided based on the needs of the positions. Each year, the Company will entrust a third party to test the air quality in the workshops, and perform health check-up for employees that have contact with occupational hazards. Meanwhile, dedicated corporate bodies have been set up to check and manage environmental protection and safety on a daily basis.

Development and Training

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

Labour Practices

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

Part III: Supply Chain Management

With respect to supply chain management, the Company has established Purchase Control Procedures to regulate the purchase of the Company's raw materials, semi-finished products and product parts as well as relevant activities such as development and assessment of suppliers. The Company has developed the Management System for Supplier Performance Rating Standards to assess suppliers' price, product quality, supply capability, service quality, and relevant certificates. During the year, approximately more than 70 main raw material suppliers received such appraisal. The supplier performance appraisal is divided into annual appraisal and semi-annual appraisal: a) monthly scoring; the Material Resources Department is responsible for making a "performance ranking of suppliers" each month; b) increasing the intensity and frequency of the appraisal of old exclusive suppliers and those often incurring problems. In addition, key material suppliers are subject to on-site review. Any supplier who fails to pass the appraisal or review will be given a period for rectification, during which the Company will reduce or even stop its purchase from such supplier.

Part IV: Product Responsibility

1. After-sales services to ensure product quality

During the year, none of the Company's products needed to be recalled due to safety or health reasons. We received 5 and 9 customer complaints about the Storage Battery Company and the Power Company, respectively during 2018. When receiving a complaint call or notice, we will dispatch service personnel to solve the problem(s) on site within 24 hours. In the case of any defective product, we will immediately offer a new product to replace it in order to ensure the normal operation of equipment. The defective product will be returned to us for testing and analysis by our technical personnel specialised in R&D or production processes. In the end, the customer concerned will be given a written response.

2. *Respect to Intellectual Property Right*

To preserve and safeguard intellectual property rights, protect patent rights to invention and creation, encourage invention and creation, protect the Company's interests, and promote progress and innovation of science and technology, the Company has adopted the Intellectual Property Right Management System to manage internal intellectual property rights of the Company, mainly including: patent right (87 shared patents, among which 8 were patents for inventions and 6 were appearance designs); trademark right; copy right; and various intellectual property rights including information technology and electronic design related know-how.

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

Part V: Anti-corruption and Bribery

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

Part VI: Community Investment

The Company invests approximately RMB1 million in the road construction of the society and donates RMB10,000 to Coslight Primary School each year, RMB200,000 of student subsidies to HIT Education Development Fund, and RMB100,000 to a neighbouring community for new rural area construction. In addition, led by the Labour Union, the Company organises cultural and sport competitions for employees each year. An amount of approximately RMB500,000 is spent each year on helping employees in financial difficulty.

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

Key areas, aspects, general disclosure and key performance indicators			Page
A. Environmental Aspect A1: Emissions	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.		P.27-P.32
	KPI A1.1	The types of emissions and respective emissions data.	P.27
	KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	The Group's business operations involve a very low risk in this regard, so this KPI is not listed as one of the major issues
	KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	P.29, P.31
	KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	P.29, P.31
	KPI A1.5	Description of measures to mitigate emissions and results achieved.	P.30
	KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	P.29, P.31-P.32

Key areas, aspects, general disclosure and key performance indicators			Page
Aspect A2: Use of Resources	General Disclosure Policies on the efficient use of resources, including energy, water and other raw materials.		P.29-33
	KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in'000s) and intensity (e.g. per unit of production volume, per facility).	P.29-P.32
	KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	P.32
	KPI A2.3	Description of energy use efficiency initiatives and results achieved.	P.33
	KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	P.30
	KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced	The Group's business operations involve a very low risk in this regard, so this KPI is not listed as one of the discloseable major issues

Key areas, aspects, general disclosure and key performance indicators			Page
Aspect A3: Environment and Natural Resources	General Disclosure		P.33
	Policies on minimizing the issuer's significant impact on the environment and natural resources.		
	KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	P.33
B. Social			
Employment and Labour Practices			
Aspect B1: Employment	General Disclosure		P.34
	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.		
Aspect B2: Health and Safety	General Disclosure		P.34
	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.		

Key areas, aspects, general disclosure and key performance indicators		Page
Aspect B3: Development and Training	General Disclosure Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	P.34
Aspect B4: Labour Standards	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labor.	P.35
Operating Practices		
Aspect B5: Supply Chain Management	General Disclosure Policies on managing environmental and social risks of the supply chain.	P.35
Aspect B6: Product Responsibility	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labeling and privacy matters relating to products and services provided and methods of redress.	P.35-36

Key areas, aspects, general disclosure and key performance indicators		Page
Aspect B7: Anti-corruption	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	P.36
Community		
Aspect B8: Community Investment	General Disclosure Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	P.36

SHINEWING (HK) CPA Limited
43/F., Lee Garden One
33 Hysan Avenue
Causeway Bay, Hong Kong

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF COSLIGHT TECHNOLOGY INTERNATIONAL GROUP LIMITED
(incorporated in Bermuda with limited liability)

Opinion

We have audited the consolidated financial statements of Coslight Technology International Group Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages 49 to 186, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

Material Uncertainty Relating to Going Concern

We draw attention to note 2 to the consolidated financial statements, which indicates that the Group have relatively low level of bank balances of approximately RMB129,023,000 compared to bank borrowings of approximately RMB1,082,777,000 as at 31 December 2018. These conditions, along with other matters as set forth in note 2 to the consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Relating to Going Concern section, we have determined the matters described below the key audit matters to be communicated in our report.

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

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

– Impairment assessment on trade receivables.

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

Refer to note 17 to the consolidated financial statements and the accounting policies on pages 73 to 74.

The key audit matter	How the matter was addressed in our audit
The Group's property, plant and equipment (excluding leasehold improvement and construction in progress) amounting to approximately RMB1,274,743,000 as at 31 December 2018 are stated at fair value less subsequent accumulated impairment losses and accumulated depreciation. Besides, depreciation expenses amounting to approximately RMB113,832,000 were recognised during the year ended 31 December 2018. Management has estimated the fair value of the above items to be approximately RMB1,274,743,000 as at 31 December 2018 with a revaluation surplus of approximately RMB38,495,000 recognised during the year ended 31 December 2018. Independent external valuations were obtained in order to support management's estimates. Also, the management has reviewed the depreciation rates annually after taking into consideration of factors such as existence of obsolescence in property, plant and equipment, which may affect the useful life expectancy of the assets and therefore could have a material impact on any impairment charge or the depreciation charge for the year. We have identified the valuation and useful lives of the above items as a key audit matter because of its significance to the consolidated financial statements and because applying the Group's accounting policies in this area involves a significant degree of judgment by management in considering the factors indicated above which may affect both the carrying amount of the Group's property, plant and equipment as well the depreciation charge for the current year.	Our procedures in relation to management's valuation included assessing the valuation methodologies used and the appropriateness of the key assumptions. We had also checked, on a sample basis, the accuracy and relevance of the input data used in valuation. Our procedures in relation to the depreciation rate included challenging the management's assessment on the appropriateness of the depreciation rate used as well as the residual value. Besides, we have performed checking on sampling basis by physically inspecting whether the property, plant and equipment are kept in good conditions and matched with the key assumptions indicated above.

Impairment assessment on trade receivables

Refer to note 26 to the consolidated financial statements and the accounting policies on pages 86 to 90.

The key audit matter	How the matter was addressed in our audit
The Group has trade receivables of approximately RMB2,007,294,000 representing 45% of the Group's current assets, net of loss allowance of approximately RMB267,985,000 as at 31 December 2018. Net reversal of impairment loss in respect of trade receivables of approximately RMB39,069,000 has been recognised for the year ended 31 December 2018. The measurement of impairment losses of trade receivables requires management judgement, in particular, the impairment calculation adopted by the Group is based on the Group's historical credit loss experience and forward-looking information at the end of the reporting period. Expected credit losses("ECL") are assessed on an individual basis for customer with significant balance and collectively using a provision matrix with appropriate groupings. We have identified impairment assessment of trade receivables as a key audit matter because the allowance for impairment of trade receivables is considered to be a matter of significance as it requires the application of judgement and use of subjective assumptions by management.	We have considered element of the ECL models that affect the accounting judgements and estimates, including the internal credit rating model. We have evaluated the key controls that the Group has implemented to manage and monitor its credit risk, to measure the expected credit loss and the validity of the control effectiveness on a sample basis. We have assessed the reasonableness of management's loss allowance estimates by examining the information used by management to form such judgements, for instance evaluating whether the historical loss rates are appropriately adjusted based on current economic conditions and forward-looking information and examining the actual losses recorded and assessing whether there was an indication of management bias when recognising loss allowances.

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

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

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

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

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

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

Responsibilities of Directors of the Company and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors of the Company determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion, solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act and our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Mr. Lee Shun Ming.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Lee Shun Ming
Practising Certificate Number: P07068

Hong Kong
29 March 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
Revenue	8	**3,196,379**	3,713,493
Cost of sales		**(2,599,670)**	(3,166,487)
Gross profit		**596,709**	547,006
Other income	10	**93,612**	55,809
Gain on disposal of subsidiaries, net	41(a&b)	**27,318**	–
Gain on disposal of a subsidiary and deemed disposal of interest in an associate	41(c&d)	**–**	514,858
Gain on disposal of an associate	23	**175,192**	–
Distribution and selling expenses		**(71,406)**	(98,709)
Administrative and other operating expenses		**(380,860)**	(386,421)
Finance costs	11	**(88,719)**	(144,082)
Impairment loss recognised		**(164,767)**	(227,217)
Change in fair value of an investment property	18	**14,475**	(1,116)
Share of results of associates		**58,932**	32,002
Profit before tax		**260,486**	292,130
Income tax expense	12	**(35,215)**	(14,218)
Profit for the year	13	**225,271**	277,912
Other comprehensive income (expense)			
Items that will not be reclassified subsequently to profit or loss:			
Surplus on revaluation of property, plant and equipment		**35,931**	48,117
Deferred tax effects arising on revaluation of property, plant and equipment	39	**(8,983)**	(12,040)
Deferred tax released on disposal of property, plant and equipment	39	**–**	289
		26,948	36,366
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translating foreign operations		**(602)**	84,004
Share of exchange reserve of associates		**1,905**	5,559
		1,303	89,563
Other comprehensive income for the year, net of income tax		**28,251**	125,929
Total comprehensive income for the year		**253,522**	403,841

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2018

	Note	**2018 RMB'000**	2017 RMB'000
Profit for the year attributable to:			
Owners of the Company		**199,769**	235,403
Non-controlling interests		**25,502**	42,509
		225,271	277,912
Total comprehensive income for the year attributable to:			
Owners of the Company		**225,539**	361,744
Non-controlling interests		**27,983**	42,097
		253,522	403,841
Earnings per share			
Basic and diluted (RMB cents)	16	**51.84**	59.79

Consolidated Statement of Financial Position

As at 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
Non-current assets			
Property, plant and equipment	17	**2,158,064**	1,719,742
Investment property	18	**–**	163,525
Other intangible assets	19	**4,109**	4,070
Goodwill	20	**–**	–
Prepaid lease payments	21	**143,937**	148,874
Deposits paid for acquisition of land	22	**9,728**	9,728
Interests in associates	23	**302,860**	486,538
Interest in a joint venture	24	**1,000**	–
Deposits paid for finance leases	26	**13,909**	56,311
Deferred tax assets	39	**45,728**	45,375
		2,679,335	2,634,163
Current assets			
Inventories	25	**1,307,453**	1,335,824
Trade and other receivables	26	**2,453,827**	2,509,608
Prepaid lease payments	21	**3,613**	3,653
Amounts due from directors	27	**360**	360
Amounts due from related companies	28	**117,829**	117,320
Amounts due from non-controlling interests	29	**–**	308
Amounts due from associates	29	**168,849**	349,391
Financial assets at fair value through profit or loss ("FVTPL")	30	**–**	3,000
Pledged bank deposits	31	**317,954**	465,145
Bank balances and cash	32	**129,023**	292,878
		4,498,908	5,077,487
Current liabilities			
Trade and other payables	33	**2,381,808**	2,338,673
Contract liabilities	34	**47,745**	–
Amounts due to directors	35	**2,834**	2,660
Amounts due to related companies	35	**413,116**	380,567
Amounts due to non-controlling interests	35	**1,276**	1,475
Amounts due to associates	35	**397,796**	652,159
Tax payables		**108,897**	25,858
Bank borrowings	36	**1,082,777**	1,451,203
Obligations under finance leases	37	**26,738**	114,005
		4,462,987	4,966,600
Net current assets		**35,921**	110,887
		2,715,256	2,745,050

Consolidated Statement of Financial Position

As at 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
Capital and reserves			
Share capital	38	**40,254**	41,012
Reserves		**2,242,804**	2,244,238
Equity attributable to owners of the Company		**2,283,058**	2,285,250
Non-controlling interests		**202,202**	175,524
Total equity		**2,485,260**	2,460,774
Non-current liabilities			
Deferred tax liabilities	39	**23,141**	36,570
Obligations under finance leases	37	**18,557**	54,503
Deferred government grants	40	**188,298**	193,203
		229,996	284,276
		2,715,256	2,745,050

The consolidated financial statements on pages 49 to 186 were approved and authorised for issue by the board of directors on 29 March 2019 and are signed on its behalf by:

Mr. Song Dian Quan
Director

Mr. Zhang Li Ming
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

	Attributable to owners of the Company										
	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000 (Note a)	Statutory reserves RMB'000 (Note b)	Revaluation reserve RMB'000 (Note c)	Exchange reserve RMB'000 (Note d)	Other reserve RMB'000 (Note e)	Accumulated profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2018 (as originally stated)	**41,012**	**73,177**	**92,545**	**393,773**	**176,847**	**(11,246)**	**(117,927)**	**1,637,069**	**2,285,250**	**175,524**	**2,460,774**
Effect of change in accounting policies (note 3)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(208,616)**	**(208,616)**	**(1,305)**	**(209,921)**
At 1 January 2018 (as restated)	**41, 012**	**73,177**	**92,545**	**393,773**	**176,847**	**(11,246)**	**(117,927)**	**1,428,453**	**2,076,634**	**174,219**	**2,250,853**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**199,769**	**199,769**	**25,502**	**225,271**
Other comprehensive income (expense)											
Exchange difference arising on translating foreign operations	**–**	**–**	**–**	**–**	**–**	**(1,182)**	**–**	**–**	**(1,182)**	**580**	**(602)**
Share of exchange reserve of associates	**–**	**–**	**–**	**–**	**–**	**1,855**	**–**	**–**	**1,855**	**50**	**1,905**
Surplus on revaluation of property, plant and equipment	**–**	**–**	**–**	**–**	**33,463**	**–**	**–**	**–**	**33,463**	**2,468**	**35,931**
Deferred tax effects arising on revaluation of property, plant and equipment	**–**	**–**	**–**	**–**	**(8,366)**	**–**	**–**	**–**	**(8,366)**	**(617)**	**(8,983)**
Other comprehensive income for the year	**–**	**–**	**–**	**–**	**25,097**	**673**	**–**	**–**	**25,770**	**2,481**	**28,251**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**25,097**	**673**	**–**	**199,769**	**225,539**	**27,983**	**253,522**
Disposal of a subsidiary	**–**	**–**	**–**	**–**	**(58,637)**	**–**	**–**	**58,637**	**–**	**–**	**–**
Appropriation to statutory reserves	**–**	**–**	**–**	**64,805**	**–**	**–**	**–**	**(64,805)**	**–**	**–**	**–**
Shares repurchased and cancelled (note 38)	**(758)**	**(18,357)**	**–**	**–**	**–**	**–**	**–**	**–**	**(19,115)**	**–**	**(19,115)**
At 31 December 2018	**40,254**	**54,820**	**92,545**	**458,578**	**143,307**	**(10,573)**	**(117,927)**	**1,622,054**	**2,283,058**	**202,202**	**2,485,260**
At 1 January 2017	42,012	114,092	92,545	384,625	133,699	(101,737)	(117,927)	1,418,112	1,965,421	184,198	2,149,619
Profit for the year	–	–	–	–	–	–	–	235,403	235,403	42,509	277,912
Other comprehensive income											
Exchange difference arising on translating foreign operations	–	–	–	–	–	84,932	–	–	84,932	(928)	84,004
Share of exchange reserve of associates	–	–	–	–	–	5,559	–	–	5,559	–	5,559
Surplus on revaluation of property, plant and equipment	–	–	–	–	47,417	–	–	–	47,417	700	48,117
Deferred tax effects arising on revaluation of property, plant and equipment	–	–	–	–	(11,826)	–	–	–	(11,826)	(214)	(12,040)
Deferred tax released on disposal of property, plant and equipment	–	–	–	–	259	–	–	–	259	30	289
Other comprehensive income (expense) for the year	–	–	–	–	35,850	90,491	–	–	126,341	(412)	125,929
Total comprehensive income for the year	–	–	–	–	35,850	90,491	–	235,403	361,744	42,097	403,841
Disposal of a subsidiary	–	–	–	–	8,455	–	–	(8,455)	–	(50,771)	(50,771)
Appropriation to statutory reserves	–	–	–	9,148	–	–	–	(9,148)	–	–	–
Realised on depreciation of property, plant and equipment	–	–	–	–	(1,157)	–	–	1,157	–	–	–
Shares repurchased and cancelled	(1,000)	(40,915)	–	–	–	–	–	–	(41,915)	–	(41,915)
At 31 December 2017	41,012	73,177	92,545	393,773	176,847	(11,246)	(117,927)	1,637,069	2,285,250	175,524	2,460,774

Notes:

(a) Special reserve represents:

(i) The difference between the nominal value of the share capital of the subsidiaries acquired and the nominal amount of the share capital issued for their acquisition and the amount transferred from share premium accounts; and

(ii) National funds contributed by the government of the People's Republic of China (the "PRC").

During the year ended 31 December 2011, national funds amounted to RMB500,000 were contributed by the PRC government to the Group. Such funds are used specifically for production of lithium iron phosphate batteries. Pursuant to the requirements of the relevant notice, the national funds are designated as capital contribution and vested solely by the PRC government. They are non-repayable and can be converted to share capital of the entities receiving the funds by the PRC government upon approval by their shareholders and completion of other procedures.

(b) Subsidiaries in the PRC have appropriated 10% of the profit to reserve fund until the balance of the reserve reaches 50% of their respective registered capital. The reserve fund is required to be retained in the accounts of the subsidiaries to offset against accumulated losses of the respective PRC subsidiaries.

(c) The revaluation reserve has been set up and dealt with in accordance with the accounting policies adopted for the revaluation of buildings, plant and machinery, furniture, fixtures and equipment, and motor vehicles, net of deferred tax. Directors of the Company may decide to distribute the fund out of the surplus or profits of the Company as they think proper to be used to meet contingencies or for equalising dividends or for any other special purpose.

(d) The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

(e) The other reserve has been set up and dealt with in accordance with the accounting policies adopted on or after 1 January 2010 for the changes in ownership interests in subsidiaries that do not result in a loss of control.

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
OPERATING ACTIVITIES			
Profit before tax		**260,486**	292,130
Adjustments for:			
Finance costs		**88,719**	144,082
Depreciation of property, plant and equipment		**113,832**	145,666
Impairment loss recognised on trade and other receivables		**35,282**	39,854
Impairment loss recognised on amount due from an associate		**129,410**	187,363
Impairment loss recognised on a director for related companies		**75**	–
Change in fair value of an investment property		**(14,475)**	1,116
(Surplus) deficit arising on revaluation of property, plant and equipment, net		**(2,564)**	38,555
Investment income from financial assets at fair value through profit or loss		**(532)**	(229)
Amortisation of prepaid lease payments		**3,653**	3,653
Gain on disposal of property, plant and equipment		**(116)**	(75)
Written off of intangible asset		**10**	–
Allowance for inventories		**7,731**	5,731
Amortisation of other intangible assets		**38**	2,049
Imputed interest income on deposits paid for finance leases		**(2,650)**	(2,027)
Amortisation of government grants		**(4,905)**	(4,905)
Bank interest income		**(6,638)**	(7,626)
Government grants recognised as income		**(14,585)**	(22,227)
Reversal of impairment loss recognised on trade and other receivables		**(43,807)**	(10,323)
Gain on disposal of a subsidiary and deemed disposal of interest in an associate		**–**	(514,858)
Gain on disposal of subsidiaries, net	41	**(27,318)**	–
Gain on disposal of an associate	41	**(175,192)**	–
Share of results of associates		**(58,932)**	(32,002)
Operating cash flows before movements in working capital		**287,522**	265,927
Increase in inventories		**(12,507)**	(443,441)
Decrease (increase) in financial assets at FVTPL		**3,532**	(1,271)
Increase in trade and other receivables		**(145,998)**	(509,185)
Decrease (increase) in amount due from associates		**51,132**	(299)
Increase in contract liabilities		**47,745**	–
Increase in trade and other payables		**72,515**	256,820
Cash generated from (used in) operations		**303,941**	(431,449)
Income tax paid		**(93,655)**	(46,779)
Net cash generated from (used in) operating activities		**210,286**	(478,228)

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	Note	2018 RMB'000	2017 RMB'000
INVESTING ACTIVITIES			
Withdrawal of pledged bank deposits		**465,145**	1,322,173
Dividends received from associates		**7,227**	100,564
Interest received		**6,638**	7,626
Proceeds from disposal of property, plant and equipment		**25,694**	3,500
Placement of pledged bank deposits		**(317,954)**	(1,253,802)
Purchases of property, plant and equipment		**(490,837)**	(238,464)
Advance to related companies		**(644)**	(124,947)
Advance to associates		**–**	(478,276)
Capital injection to a joint venture		**(1,000)**	–
Repayment from non-controlling interest		**308**	–
Proceeds from disposal of associate		**505,479**	–
Acquisition of an intangible asset		**(87)**	–
Net cash inflow from disposal of subsidiaries	41	**198,589**	694,244
Net generated from in investing activities		**398,558**	32,618
FINANCING ACTIVITIES			
New bank borrowings raised		**1,090,773**	1,560,589
Proceeds from sales and leaseback		**–**	115,002
Government grants received		**14,585**	24,904
Advance from related companies		**32,549**	556,152
Advance from (repayment to) directors		**174**	(335)
Repayments of bank borrowings		**(1,459,199)**	(1,590,769)
Repayments of obligations under finance leases		**(78,161)**	(222,700)
Interest paid		**(99,627)**	(143,253)
(Repayment to) advance from associates		**(254,363)**	180,065
Payment on repurchase of own shares		**(19,115)**	(41,915)
Repayment to non-controlling interests		**(199)**	–
Net cash (used in) generated from financing activities		**(772,583)**	437,740
Decrease in cash and cash equivalents		**(163,739)**	(7,870)
Cash and cash equivalents at the beginning of the year		**292,878**	299,738
Effect of foreign exchange rate changes		**(116)**	1,010
Cash and cash equivalents at the end of the year, represented by bank balances and cash		**129,023**	292,878

1. General Information

Coslight Technology International Group Limited (the "Company") is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). In the opinion of the directors, the Company is the ultimate holding company of the group and its ultimate controlling party is Mr. Song Dian Quan. The Company's registered office is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and its head office and principal place of business in Hong Kong is located at Room 2501-2502, COSCO Tower, 181-183 Queen's Road Central, Hong Kong.

The consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company and its PRC subsidiaries. Other than those PRC subsidiaries, the functional currencies of two subsidiaries established in India are denoted in Indian Rupee ("INR").

The principal activities of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") are principally engaged in investment holding and the manufacture and sales of battery products. The principal activities of the Company's principal subsidiaries are set out in note 51.

2. Basis of Preparation of Consolidation Financial Statements

Notwithstanding that the Group have relatively low level of bank balances of approximately RMB129,023,000 compared to bank borrowings of approximately RMB1,082,777,000 as at 31 December 2018, the consolidated financial statements have been prepared on a going concern basis as the directors of the Company are satisfied that the liquidity of the Group can be maintained in the coming year taking into consideration of the following matters:

(i) The associates and related companies of the Group have undertaken not to demand the repayment of the balances due from the Group totaling approximately RMB397,796,000 and RMB413,116,000 as at 31 December 2018 within twelve months from the end of the reporting period and until the Group is in a financial position to do so;

(ii) As at 31 December 2018, the Group has unutilised available banking facilities of approximately RMB390,000,000;

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

(iii) The bank borrowings of approximately RMB210,000,000 with the repayment on demand clause which are not repayable within one year from the end of the reporting period according to the repayment schedule were classified as current liabilities due to the application of Hong Kong IFRS Interpretations Committee (the "IFRIC") – Interpretation 5 – Presentation of Financial Statement – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The directors of the Company believe that such bank borrowings will be repaid in two years after the reporting date in accordance with the scheduled repayment dates set out in the loan agreements; and

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

Accordingly, the directors of the Group are of the opinion that it is appropriate to prepare these consolidated financial statements for the year ended 31 December 2018 on a going concern basis. The consolidated financial statements do not include any adjustments relating to the carrying amount and reclassification of assets and liabilities that might be necessary should the Group be unable to continue as a going concern.

3. Application of New and Amendments to Hong Kong Financial Reporting Standards ("HKFRS(s)")

In the current year, the Group has applied for its first time, the following new and amendments to HKFRSs, which include HKFRSs, Hong Kong Accounting Standards ("HKAS(s)"), amendments and Interpretations ("Int(s)"), issued by the HKICPA.

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and related Amendments
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of Annual Improvements to HKFRSs 2014 – 2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration

The impact of the adoption of HKFRS 9 Financial Instruments and HKFRS 15 Revenue from Contracts with Customers have been summarised below. Except as described below, the application of other new and amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

3. Application of New and Amendments to Hong Kong Financial Reporting Standards ("HKFRS(s)") (Continued)

HKFRS 9 *Financial instruments*

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The Group has applied HKFRS 9 retrospectively to financial instruments that have not been derecognised at the date of initial application (i.e. 1 January 2018) in accordance with the transition provisions under HKFRS 9, and chosen not to restate comparative information. Differences in the carrying amounts of financial assets and financial liabilities on initial application are recognised in retained earnings as at 1 January 2018.

The Group's accounting policies for the classification and measurement of financial instruments and the impairment of financial assets are disclosed in detail in Note 4 below.

(i) Classification and measurement of financial instruments

The directors of the Company reviewed and assessed the Group's existing financial assets and financial liabilities as at 1 January 2018 based on the facts and circumstances that existed at that date and concluded that all recognised financial assets and financial liabilities that are within the scope of HKFRS 9 are continued to measure at amortised cost as were previously measured under HKAS 39.

(ii) Loss allowance for expected credit losses ("ECL")

The adoption of HKFRS 9 has changed the Group's accounting for impairment losses for financial assets by replacing HKAS 39's incurred loss model with a forward-looking expected credit loss ("ECL") model. As at 1 January 2018, the directors of the Company reviewed and assessed the Group's existing financial assets and finance leases deposits for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirement HKFRS 9.

It is concluded that, as at 1 January 2018, an additional allowance has been recognised on the Group's trade receivables, other receivables and amounts due from related companies of approximately RMB156,060,000, RMB49,256,000 and RMB4,605,000 respectively, thereby reducing the opening accumulated profits of approximately RMB208,616,000 and non-controlling interests of approximately RMB1,305,000.

3. Application of New and Amendments to Hong Kong Financial Reporting Standards ("HKFRS(s)") (Continued)

HKFRS 9 *Financial instruments* (Continued)

(iii) Summary of effects arising from initial application of HKFRS 9

The table below summarises the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets and reconciles the carrying amounts of financial assets and financial liabilities under HKAS 39 to the carrying amounts under HKFRS 9 on 1 January 2018.

	Carrying amount at 31 December 2017 (HKAS 39)	Adoption of HKFRS 9 – Reclassification	Adoption of HKFRS 9 – Remeasurement	Carrying amount at 1 January 2018 (HKFRS 9)*
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets				
Loan and receivable				
– Deposit paid for finance leases	56,311	(56,311)	–	–
– Trade and other receivables	2,307,565	(2,307,565)	–	–
– Amounts due from directors	360	(360)	–	–
– Amounts due from related companies	117,320	(117,320)	–	–
– Amounts due from non-controlling interests	308	(308)	–	–
– Amounts due from associates	349,391	(349,391)	–	–
– Pledged bank deposits	465,145	(465,145)	–	–
– Bank balances and cash	292,878	(292,878)	–	–
At amortised cost				
– Deposit paid for finance leases	–	56,311	–	56,311
– Trade receivables and other receivables	–	2,307,565	(205,316)	2,102,249
– Amounts due from directors	–	360	–	360
– Amounts due from related companies	–	117,320	(4,605)	112,715
– Amounts due from associates	–	349,391	–	349,391
– Amounts due from non-controlling interests	–	308	–	308
– Pledged bank deposits	–	465,145	–	465,145
– Bank balances and cash	–	292,878	–	292,878

* The amounts in this column are before the adjustments from the application of HKFRS 15.

3. Application of New and Amendments to Hong Kong Financial Reporting Standards ("HKFRS(s)") (Continued)

HKFRS 9 *Financial instruments* (Continued)

(iii) Summary of effects arising from initial application of HKFRS 9 (Continued)

The table below summarises the impact of transition to HKFRS 9 on accumulated profits and other components of equity at 1 January 2018:

	Accumulated profits RMB'000	**Non-controlling interests** RMB'000
Balance at 31 December 2017 as originally stated	1,637,069	175,524
Recoginition of additional expected credit losses	(208,616)	(1,305)
Total change as a result of adoption of HKFRS 9 on January 2018	(208,616)	(1,305)
Balance at 1 January 2018 as restated	1,428,453	174,219

All the financial liabilities have not been impacted by the application of HKFRS 9 and continue to be classified and measured on the same basis as they were under HKAS 39. There were no financial assets or financial liabilities which the Group had previously designed as at FVTPL under HKAS 39 that were subject to reclassification or which the Group has elected to reclassify upon the application of HKFRS 9. There were no financial assets or financial liabilities which the Group has elected to designate as at FVTPL at the date of initial application of HKFRS 9.

3. Application of New and Amendments to Hong Kong Financial Reporting Standards ("HKFRS(s)") (Continued)

HKFRS 15 *Revenue from Contracts with Customers*

HKFRS 15 superseded HKAS 11 Construction Contracts, HKAS 18 Revenue and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard established a five-step model for determining whether, how much and when revenue is recognised. The Group has elected to adopt the modified retrospective approach for contracts with customers that are not completed as at the date of initial application (i.e. 1 January 2018) with the cumulative effect of initially applying HKFRS 15 as an adjustment to the opening balance of retained earnings and comparative information is not restated. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 Revenue.

The Group's accounting policies for its revenue streams are disclosed in detail in Note 4 below. There is no impact of transition to HKFRS 15 on accumulated profits as at 1 January 2018 upon the adoption of HKFRS 15.

The amount of adjustment for each financial statement line item of the consolidated statement of financial position at 1 January 2018 affected by the application of HKFRS 15 is illustrated below. Line items that were not affected by the changes have not been included.

	Carrying amount previously reported at 31 December 2017	**Impact on adoption of HKFRS 15**	**Carrying amount as restated at 1 January 2018***
	RMB'000	RMB'000	RMB'000
Trade and other payables (note a)	2,338,673	(49,974)	2,288,699
Contract liabilities (note a)	–	49,974	49,974

* The amounts in this column are before the adjustments from the application of HKFRS 9.

3. Application of New and Amendments to Hong Kong Financial Reporting Standards ("HKFRS(s)") (Continued)

HKFRS 15 *Revenue from Contracts with Customers* (Continued)

(a) Receipt in advances

The Group receives advances from customers in respect of sale of goods. Prior to the adoption of HKFRS 15, the Group presented these advances in trade and other payables in the consolidated statement of financial position. As at 1 January 2018, such "Receipt in advances" of approximately RMB49,974,000 was classified to "Contract liabilities".

Disclosure of the estimated impact on the amounts reported in respect of the year ended 31 December 2018 as a result of the adoption of HKFRS 15 on 1 January 2018

The following tables summarise the estimated impact of applying HKFRS 15 on the consolidated statement of financial position at 31 December 2018, by comparing the amounts reported under HKAS 18 that were in effect before the change. Line items that were not affected by the adjustments have not been included. The adoption of HKFRS 15 did not have material impact on the Group's operating, investing and financing cash flows.

Impact on the consolidated statement of financial position at 31 December 2018

	As reported	**Impact of adopting HKFRS 15**	**Amount excluding impacts of adopting HKFRS 15**
	RMB'000	RMB'000	RMB'000
Trade and other payables (note 33)	2,381,808	47,745	2,429,553
Contract liabilities (note 34)	47,745	(47,745)	–

3. Application of New and Amendments to Hong Kong Financial Reporting Standards ("HKFRS(s)") (Continued)

New and revised HKFRSs issued but not yet effective

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

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[4]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[3]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to HKAS 1 and HKAS 8	Amendments to definition of Material[2]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2019.
2 Effective for annual periods beginning on or after 1 January 2020.
3 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.
4 Effective for annual periods beginning on or after 1 January 2021.
5 Effective for annual periods beginning on or after a date to be determined.

The directors of the Company anticipate that, except as described below, the application of other new and amendments to HKFRSs will have no material impact on the results and the financial position of the Group.

HKFRS 16 Leases

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

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

3. Application of New and Amendments to Hong Kong Financial Reporting Standards ("HKFRS(s)") (Continued)

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

***HKFRS 16 Leases** (Continued)*

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

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

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

HKFRS 16 will supersede the current lease standards including HKAS 17 Leases and the related interpretations when it becomes effective.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of RMB59,403,000 as disclosed in note 46. Out of this balance, an amount of approximately RMB59,326,000 represents operating leases with original lease terms of over one year in which the Group will recognise right-of-use assets and corresponding lease liabilities unless they are exempt from the reporting obligations under HKFRS 16. The directors of the Company expect that, apart from the changes in the measurement, presentation and disclosure as indicated above, the adoption of HKFRS 16 will not have other material impact on amounts in the reported Group's consolidated financial statements.

4. Significant Accounting Policies

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

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

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal (or most advantageous) market at the measurement date under current market condition (i.e. an exit price), regardless of whether that price is directly observable or estimated using another valuation technique.

Details of fair value measurement are explained in the accounting policies set out below.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries.

Control is achieved when the Group:

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

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

4. Significant Accounting Policies (Continued)

Basis of consolidation (Continued)

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

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

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

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

Changes in the Group's ownership interests in existing subsidiaries

The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group has directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs).

Goodwill

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

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

4. Significant Accounting Policies (Continued)

Goodwill (Continued)

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

Investment properties

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

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

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

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no further economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

4. Significant Accounting Policies (Continued)

Interest in associates and a joint venture

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

An joint venture is a joint arrangement whereby the parties that has joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an agreement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The Group's interest in associates or a joint venture are accounted for in the consolidated financial statements using the equity method. Under the equity method, interest in associates or a joint venture are initially recognised at cost. The Group's share of the profit or loss and changes in the other comprehensive income of the associates and a joint venture are recognised in profit or loss and other comprehensive income respectively after the date of acquisition. If the Group's share of losses of an associate or a joint venture equals or exceeds its interest in the associate or a joint venture, which determined using the equity method together with any long-term interests that, in substance, form part of the Group's net investment in the associate or a joint venture, the Group discontinues recognising its share of further losses. Additional losses are provided for, and a liability is recognised, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or a joint venture.

After application of the equity method, including recognising the associate's or a joint venture's losses (if any), the Group determines whether it is necessary to recognise any additional impairment loss with respect to its interests in the associate and a joint venture. The entire carrying amount of the investment is tested for impairment as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount.

Any impairment loss recognised forms part of the carrying amount of the investment in the associate or a joint venture. Any reversal of that impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

When the investment ceases to be an associate or a joint venture upon the Group losing significant influence over the associate or joint control over the joint venture, the Group discontinues to apply equity method. Any difference between any proceeds from disposing of the interest in the associate or joint venture and the carrying amount of the investment at the date the equity method was discontinued is recognised in profit or loss.

4. Significant Accounting Policies (Continued)

Interest in associates and a joint venture (Continued)

Profits and losses resulting from transactions between the Group and its associate or a joint venture are recognised in consolidated financial statements only to the extent of unrelated investor's interests in the associate or a joint venture. The Group's share in the associate's or the joint venture's profits or losses resulting from these transactions is eliminated.

Revenue recognition

Policy applicable to the year ended 31 December 2018 (with application of HKFRS 15)

Revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Group uses a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

The Group recognised revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to customers.

A performance obligation represents a goods or services that is distinct or a series of distinct goods or services that are substantially same.

4. Significant Accounting Policies (Continued)

Revenue recognition (Continued)

Policy applicable to the year ended 31 December 2018 (with application of HKFRS 15) *(Continued)*

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- The Group's performance creates and enhances an asset that the customer controls as the asset is created and enhanced; or
- The Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct goods or service.

Revenue is measured based on the consideration specified in a contract with a customer, excludes amounts collected on behalf of third parties, discounts and sales related taxes.

Contract liabilities

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration from the customer. A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

The Group recognised revenue from the following major sources:

- sale of goods;
- provision of online game services

4. Significant Accounting Policies (Continued)

Revenue recognition (Continued)

Policy applicable to the year ended 31 December 2018 (with application of HKFRS 15) *(Continued)*

Sale of goods

Revenue from sale of goods is recognised at the point when the control of the good is transferred to the customers, generally on delivery of the goods, which is the point in time when the customer has the ability to direct the use of the good and obtain substantially all of the remaining benefits of the good.

Provision of online game services

Provision of online game services is recognised at a point in time when services are provided.

Policy applicable to the year ended 31 December 2017

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

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

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

Provision for online game services is recognised when services are provided.

4. Significant Accounting Policies (Continued)

Revenue recognition (Continued)

Policy applicable to the year ended 31 December 2017 *(Continued)*

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

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

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

Property, plant and equipment

Property, plant and equipment including freehold land and buildings (classified as finance lease) held for use in the production or supply of goods or services, or for administrative purposes, other than leasehold improvements and construction in progress, are stated in the consolidated statement of financial position at fair value, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed annually such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period.

Any revaluation increase arising on the revaluation of such assets are recognised in other comprehensive income and accumulated in equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease preciously expensed. A decrease in the carrying amount arising on the revaluation of such assets is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued assets is recognised in profit or loss. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus remains in the revaluation reserve.

Freehold land is not depreciated.

4. Significant Accounting Policies (Continued)

Property, plant and equipment (Continued)

Leasehold improvements are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses while construction in progress represents properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is provided so as to allocate the cost or fair value of items of property, plant and equipment other than construction in progress and freehold land less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

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

Leasing

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

The Group as lessor

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

4. Significant Accounting Policies (Continued)

Leasing (Continued)

The Group as lessee

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

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

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

Leasehold land and building

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

Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

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

4. Significant Accounting Policies (Continued)

Foreign currencies

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

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

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency (i.e. RMB) of the Group at the rates of exchange prevailing at the end of each reporting period, and their income and expenses are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve (attributed to non-controlling interests as appropriate).

Borrowing costs

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

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

4. Significant Accounting Policies (Continued)

Government grants

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

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

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

Retirement benefit costs and termination benefits

Payments to defined contribution plans including state-managed retirement benefit schemes and Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Short term and other long term benefits

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

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

4. Significant Accounting Policies (Continued)

Taxation

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

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

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of their assets and liabilities.

4. Significant Accounting Policies (Continued)

Taxation (Continued)

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

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

Intangible assets

Intangible assets acquired separately

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

Internally-generated intangible assets – research and development expenditure

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

4. Significant Accounting Policies (Continued)

Intangible assets (Continued)

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

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

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

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

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

4. Significant Accounting Policies (Continued)

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

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

Recoverable amount is the higher of fair value less costs to disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or the cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or the cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increases under the standard.

Inventories

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

4. Significant Accounting Policies (Continued)

Cash and cash equivalents

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

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at FVTPL are recognised immediately in profit or loss.

Under HKFRS 9 (applicable on or after 1 January 2018)

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets. Financial assets are classified, at initial recognition, as subsequently measured at amortised cost and FVTPL.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

4. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Under HKFRS 9 (applicable on or after 1 January 2018) *(Continued)*

Financial assets (Continued)

Financial assets at amortised cost (debt instruments)

The Group measures financial assets subsequently at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment.

(i) Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

4. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Under HKFRS 9 (applicable on or after 1 January 2018) *(Continued)*

Financial assets (Continued)

Financial assets at amortised cost (debt instruments) (Continued)

(i) Amortised cost and effective interest method (Continued)

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

Interest income is recognised in profit or loss and is included in the "other income" line item (note 10).

4. Significant Accounting Policies (Continued)

Financial instruments (Continued)

***Under HKFRS 9 (applicable on or after 1 January 2018)** (Continued)*

Financial assets (Continued)

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or fair value through other comprehensive income ("FVTOCI") are measured at FVTPL. Specifically:

- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the 'investment income from financial asset at FVTPL'. Fair value is determined in the manner described in note 7(c).

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition, it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

4. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Under HKFRS 9 (applicable on or after 1 January 2018) *(Continued)*

Financial assets (Continued)

Financial assets at FVTPL (Continued)

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables, deposits and other receivables, amount due from related companies and amount due from associates. The expected credit losses on these financial assets are estimated on an individual basis for customer with significant balance and/or collectively by using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group measures the loss allowance equal to 12-month ECL, unless when there has a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate as well as consideration of various external sources of actual and forecast economic information that relate to the Group's operations.

4. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Under HKFRS 9 (applicable on or after 1 January 2018) *(Continued)*

Significant increase in credit risk (Continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

4. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Under HKFRS 9 (applicable on or after 1 January 2018) *(Continued)*

Significant increase in credit risk (Continued)

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term, and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or

- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

4. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Under HKFRS 9 (applicable on or after 1 January 2018) *(Continued)*

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

4. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Under HKFRS 9 (applicable on or after 1 January 2018) *(Continued)*

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets and deposits paid for finance leases, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

4. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Under HKFRS 9 (applicable on or after 1 January 2018) *(Continued)*

Derecognition of financial assets

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

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

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

4. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Under HKFRS 9 (applicable on or after 1 January 2018) *(Continued)*

Financial liabilities and equity instruments (Continued)

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

Financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Group, are measured in accordance with the specific accounting policies set out below.

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not 1) contingent consideration of an acquirer in a business combination, 2) held-for-trading, or 3) designated as at FVTPL, are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

4. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Under HKAS 39 (applicable before 1 January 2018)

Financial assets

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

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments other than short-term receivables when the effect of discounting is immaterial and financial asset classified as FVTPL, of which interest income is included in other income in note 10.

Financial assets at FVTPL

A financial asset is classified as held for trading if:

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

4. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Under HKAS 39 (applicable before 1 January 2018) *(Continued)*

Financial assets (Continued)

Financial assets at FVTPL (Continued)

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables including trade and other receivables, pledged bank deposits, bank balances and cash, amounts due from directors, related companies, non-controlling interests and associates and deposits paid for finance leases are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Impairment loss on financial assets

Financial assets other than those at FVTPL are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

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

4. Significant Accounting Policies (Continued)

Financial instruments (Continued)

***Under HKAS 39 (applicable before 1 January 2018)** (Continued)*

Financial assets (Continued)

Impairment loss on financial assets (Continued)

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

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

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of deposits paid for finance leases, trade and other receivables, amounts due from directors, amounts due from related companies, amounts due from non-controlling interests and amounts due from associates where the carrying amounts are reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When trade and other receivables, amounts due from directors, amounts due from related companies, amounts due from non-controlling interests and amounts due from associates are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses were recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

4. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Under HKAS 39 (applicable before 1 January 2018) *(Continued)*

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

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

Other financial liabilities

Other financial liabilities including trade and other payables, amounts due to directors, related companies, non-controlling interests and associates, obligations under finance leases and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

4. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Under HKAS 39 (applicable before 1 January 2018) *(Continued)*

Financial liabilities and equity instruments (Continued)

Financial guarantee contracts

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

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

Derecognition

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

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

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

4. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Under HKAS 39 (applicable before 1 January 2018) *(Continued)*

Fair value measurement

When measuring fair value except for the Group's leasing transactions, net realisable value of inventories and value in use of intangible assets for the purpose of impairment assessment, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

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

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

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

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

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

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

5. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

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

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

Critical judgements in applying the entity's accounting policies

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

Going concern and liquidity

As explained in note 2, the consolidated financial statements have been prepared on a going concern basis and have not included any adjustments that would be required should the Group fail to continue as a going concern since the directors of the Company are satisfied that the liquidity of the Group can be maintained in the coming year after taking into the considerations as detailed in note 2. The directors of the Company also believe that the Group will have sufficient cash resources to satisfy its future working capital and other financing requirements for the next twelve months from 31 December 2018.

Application of cost approach on revaluation of buildings of the Group

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

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

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

Significant influence over an associate

As per note 23, the directors of the Company considered 瀋陽東北蓄電池有限公司 ("Shenyang Dongbei") in which the Group has 9.5% (2017: 9.5%) equity interests, is an associate of the Group. The Group has significant influence over Shenyang Dongbei by virtue of its contractual right to appoint one out of the three directors of the associate and one-third voting right of the board of directors under the provisions stated in the shareholders' agreement of the associate.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

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

The best evidence of fair value is current prices in an active market for similar property, plant and equipments. In the absence of such information, the Group determines the amount within a range of reasonable fair values estimated. In making its estimates, the Group considers the information from the valuations of property, plant and equipments performed by external professional valuers by using the depreciated replacement cost approach and market approach. Had the Group used different valuation techniques, the fair value of the property, plant and equipments would be different and thus may have an impact to the consolidated statement of profit or loss and other comprehensive income. As at 31 December 2018, the carrying amounts of the property, plant and equipment other than leasehold improvements and construction in progress measured at fair value is approximately RMB1,274,743,000 (2017: RMB1,116,762,000).

Income tax

As at 31 December 2018, no deferred tax asset has been recognised on the tax losses of approximately RMB891,127,000 (2017: RMB869,611,000) due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal takes place.

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

Key sources of estimation uncertainty (Continued)

Estimated impairment on trade and other receivables and amounts due from related companies and associates

The policy for making impairment loss on trade receivables and other receivables and amounts due from related companies and associates is based on the evaluation of collectability and ageing analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including using an individual basis and provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to each debtor, general economic conditions and/or an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

As at 31 December 2018, the carrying amount of the trade receivables was approximately RMB2,007,294,000 (2017: RMB2,076,749,000), net of accumulated impairment loss of approximately RMB267,985,000 (2017: RMB151,156,000 based on incurred loss model). Net reversal of impairment loss in respect of trade receivables of approximately RMB39,069,000 (net impairment loss recognised in 2017: RMB29,531,000) has been recognised for the year ended 31 December 2018.

As at 31 December 2018, the carrying amount of other receivables was approximately RMB218,186,000 (2017: RMB254,210,000), net of accumulated impairment loss of approximately RMB103,307,000 (2017: RMB23,507,000 based on incurred loss model). Impairment loss in respect of the deposits and other receivables of approximately RMB30,544,000 (2017: Nil) has been recognised for the year ended 31 December 2018.

As at 31 December 2018, the carrying amount of amounts due from related companies was approximately RMB117,829,000 (2017: RMB117,320,000), net of accumulated impairment loss of approximately RMB5,776,000 (2017: RMB1,096,000 based on incurred loss model). Impairment loss in respect of amounts due from related companies of approximately RMB75,000 (2017: Nil) has been recognised for the year ended 31 December 2018.

As at 31 December 2018, the carrying amount of amounts due from associates was approximately RMB168,849,000 (2017: RMB349,391,000), net of accumulated impairment loss of approximately RMB316,773,000 (2017: RMB187,363,000 based on incurred loss model). Impairment loss in respect of amounts due from associates of approximately RMB129,410,000 (2017: RMB187,363,000) has been recognised for the year ended 31 December 2018.

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

Key sources of estimation uncertainty (Continued)

Fair value of financial guarantee

The fair values of financial guarantee that are measured using default analysis based on the valuation performed by independent professional valuers. In determining the fair value, the valuers have based on a method of valuation where the main assumptions are the probability of default by the specified counterparty extrapolated from market-based credit information and the amount of loss, given the default. When relying on the valuation report, the directors of the Company have exercised their judgement and are satisfied that the assumptions used in the valuation reflect market condition. Changes to these assumptions would result in changes in the fair values of the Group's financial guarantee and the corresponding adjustments to the amount of liability reported in the consolidated statement of financial position. No recognition of financial guarantee as at 31 December 2018 and 2017.

Estimated impairment on interests in associates

Where there is objective evidence of impairment loss, the directors of the Company assesses the recoverable amount of the interests in associates which is the higher of its fair value less costs of disposal and its value-in-use. An impairment loss is made if the carrying amount of interests in associates exceeds its recoverable amount. In determining the recoverable amount of the interests in associates, the directors of the Company require an estimation of the future cash flows expected to arise from the expected dividend yield from the associates in order to determine the value-in-use of the interests in associates.

As at 31 December 2018, the carrying amount of interests in associates is approximately RMB302,860,000 (2017: RMB486,538,000). No Impairment loss was recognised for the year ended 31 December 2018 and 2017.

Allowance for obsolete inventories

As at 31 December 2018, the carrying amount of inventories is approximately RMB1,307,453,000 (2017: RMB1,335,824,000), net of accumulated allowance for obsolete inventories of approximately RMB34,224,000 (2017: RMB26,493,000). During the year ended 31 December 2018, impairment loss in respect of inventories of RMB7,731,000 was recognised (2017: RMB5,731,000). The management of the Group reviews an aging analysis at the end of each reporting period, and makes allowance for obsolete and slow-moving inventory items and for price reduction in the market prices. The management estimates the net realisable value for inventories based primarily on the latest invoice prices and current market conditions. The Group carries out an inventory review on a product-by-product basis at the end of each reporting period and makes allowance for obsolete items.

6. Capital Risk Management

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

The capital structure of the Group consists of net debt, which includes the amounts due to directors, amounts due to related companies, amounts due to non-controlling interests, amount due to associates, bank borrowings, and obligations under finance leases, disclosed in note 35, 36 and 37 respectively, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure periodically. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through the issue of new share and debt or the redemption of existing debt. The Group has targeted to maintain the net debt-to-adjusted capital ratio below 200%.

The net debt-to-adjusted capital ratio at 31 December 2018 and 2017 are as follows:

	2018 **RMB'000**	2017 RMB'000
Amounts due to directors, related companies, non-controlling interests and associates	**815,022**	1,036,861
Obligations under finance leases	**45,295**	168,508
Bank borrowings	**1,082,777**	1,451,203
Total debts	**1,943,094**	2,656,572
Bank balances and cash	**(129,023)**	(292,878)
Net debts	**1,814,071**	2,363,694
Total equity	**2,485,260**	2,460,774
Net debt-to adjusted capital ratio	**73%**	96%

7. Financial Instruments

(a) Categories of financial instruments

	2018 RMB'000	2017 RMB'000
Financial assets		
Financial assets at FVTPL	–	3,000
Financial assets at amortised cost	2,976,878	–
Loans and receivables (including cash and cash equivalents)	–	3,589,278
	2,976,878	3,592,278
Financial liabilities		
Financial liabilities at amortised cost	4,192,164	4,755,865

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, deposits paid for finance leases, financial assets at FVTPL, amounts due from (to) directors, amounts due from (to) related companies, amounts due from (to) non-controlling interests, amounts due from (to) associates, pledged bank deposits, bank balances and cash, trade and other payables, obligations under finance leases and bank borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risks (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

The majority of trade and other receivables, bank balances and cash and trade and other payables of the Group are denominated in foreign currencies which expose the Group to currency risk. The Group did not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

7. Financial Instruments (Continued)

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

***Market risk** (Continued)*

Currency risk (Continued)

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

At 31 December 2018 and 2017, the carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	2018			2017		
	Monetary assets RMB'000	Monetary liabilities RMB'000	Net exposure RMB'000	Monetary assets RMB'000	Monetary liabilities RMB'000	Net exposure RMB'000
Hong Kong Dollar ("HK$")	4,083	167	3,916	269	–	269
United States Dollar ("US$")	80,927	67,487	13,440	11,978	–	11,978
Japanese Yen ("JPY")	307	171	136	–	–	–
EURO ("EUR")	14,050	–	14,050	–	–	–

The Group is mainly exposed to HK$, US$, JPY and EUR.

Sensitivity analysis

The following table details the Group's sensitivity to a 10% (2017: 10%) increase or decrease in RMB against the relevant foreign currencies. 10% (2017: 10%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 10% (2017: 10%) change in foreign currency rates.

7. Financial Instruments (Continued)

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

***Market risk** (Continued)*

Currency risk (Continued)

Sensitivity analysis (Continued)

A positive number below indicates an increase (2017: increase) in post-tax profit for the year where RMB weakening 10% (2017: 10%) against the relevant currencies. For a 10% (2017: 10%) strengthening of RMB against the relevant currencies, there would be an equal and opposite impact on the post-tax profit and the balances below would be negative.

Effect on post-tax profit:

	2018 RMB'000	2017 RMB'000
HK$	**294**	20
US$	**1,008**	898
JPY	**10**	–
EUR	**1,054**	–

Interest rate risk

As at 31 December 2018 and 2017, the Group is exposed to fair value interest rate risk in relation to fixed-rate bank borrowings (note 36) and obligations under finance leases (note 37).

As at 31 December 2018 and 2017, the Group is also exposed to cash flow interest rate risk in relation to variable-rate pledged bank deposits (note 31), variable-rate bank balances (note 32), and variable-rate bank borrowings (note 36). It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

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

7. Financial Instruments (Continued)

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

Market risk *(Continued)*

Interest rate risk (Continued)

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

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 100 (2017: 100) basis points increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rate on variable-rate bank balances, pledged bank deposits and bank borrowings had been 100 basis points (2017: 100 basis points) higher/lower and all other variables held constant, the Group's post-tax profit for the year ended 31 December 2018 would decrease/increase by approximately RMB943,000 (2017: decrease/increase by approximately RMB419,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rates bank borrowings.

Credit risk

As at 31 December 2018, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position and the amount of contingent liabilities in relation to financial guarantee issued by the Group was disclosed in note 48.

7. Financial Instruments (Continued)

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

***Credit risk** (Continued)*

The credit risk of the Group mainly arises from cash and cash equivalents, trade and other receivables. The carrying amounts of these balances represent the Group's maximum exposure to credit risk in relation to financial assets.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts.

As at 31 December 2017, impairment loss was recognised when there was objective evidence of impairment loss. Starting from 1 January 2018, for trade related receivables: trade receivables and amount due from related companies and associates, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL on an individual basis for customer with significant balances and/or collectively by using a provision matrix, estimated based on historical credit loss experience, as well as the general economic conditions of the industry in which the debtors operate. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

For other non-traded related receivables, the Group has assessed whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime rather than 12-month ECL.

Management considered certain amounts due from associates and amounts due from directors to be low credit risk and thus the impairment provision recognised during the year was limited to 12-month ECL.

Amounts due from related companies and certain amounts due from associates are continuously monitored by management team assessing the credit quality of the counterparty, taking into account its financial position, past experience of repayment and other factors. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime ECL.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

7. Financial Instruments (Continued)

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

***Credit risk** (Continued)*

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout the reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- internal credit rating
- actual or expected significant adverse change in business, financial or economic conditions that are expected to cause a significant change to the borrowers' ability to make its obligations
- actual or expected significant changes in the operating results of the borrower
- significant changes in the value of the collateral supporting the obligation or in the quality of thirdparty guarantees or credit enhancements
- significant increase in credit risk on other financial instruments of the borrower
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the Group and changes in the operating results of the borrower

The Group's exposure to credit risk

In order to minimise credit risk, the Group has tasked its management team to develop and maintain the Group's credit risk grading to categorise exposures according to their degree of risk of default. The management team uses publicly available financial information and the Group's own trading records to rate its major customers and other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

7. Financial Instruments (Continued)

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

***Credit risk** (Continued)*

The Group's current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognising ECL
Performing	For financial assets where there has low risk of default or has not been a significant increase in credit risk since initial recognition and that are not credit impaired (refer to as Stage 1)	12-month ECL
Doubtful	For financial assets where there has been a significant increase in credit risk since initial recognition but that are not credit impaired (refer to as Stage 2)	Lifetime ECL – not credit impaired
Default	Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred (refer to as Stage 3)	Lifetime ECL – credit impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off

7. Financial Instruments (Continued)

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

***Credit risk** (Continued)*

The credit quality of the Group's financial assets as well as the Group's maximum exposure to credit risk by credit risk rating grades are disclosed below.

31/12/2018	Internal credit rating	12-month or lifetime ECL	Gross carrying amount RMB'000	Loss allowance RMB'000	Net carrying amount RMB'000
Trade receivables – collectively assessed	Doubtful	lifetime ECL (not credit-impaired)	2,123,151	(115,857)	2,007,294
Trade receivables – individually assessed	Default	lifetime ECL (credit-impaired)	152,128	(152,128)	–
Bill receivable	Performing	12-month ECL	17,383	–	17,383
Consideration receivables on disposal of subsidiaries and an associate	Performing	12-month ECL	61,298	–	61,298
Deposits and other receivables	Default	lifetime ECL (credit-impaired)	272,584	(103,307)	169,277
Amount due from related companies					
– collectively assessed	Doubtful	lifetime ECL (not credit-impaired)	122,402	(4,573)	117,829
– individually assessed	Default	lifetime ECL (credit-impaired)	1,203	(1,203)	–
Amount due from associates					
– collectively assessed	Performing	12-month ECL	168,849	–	168,849
– individually assessed	Default	lifetime ECL (credit-impaired)	316,773	(316,773)	–
Amount due from directors	Performing	12-month ECL	360	–	360
				(693,841)	

7. Financial Instruments (Continued)

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

***Credit risk** (Continued)*

As at 31 December 2018, the Group has concentration of credit risk as 20% (2017: 1%) and 38% (2017: 17%) of the total trade receivables was due from the Group's largest customer and the top five customers respectively in the lithium-ion batteries business segment.

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for approximately 99% (2017: 99%) of the total trade receivables as at 31 December 2018.

Liquidity risk

The directors of the Company carry out a prudent liquidity risk management that includes maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities as disclosed in note 2. Due to the dynamic nature of the underlying business, the Group aims to maintain a reasonable level of cash and cash equivalents and flexibility in funding by keeping committed credit lines available.

The Group finances its working capital requirements through a combination of funds generated from operations and bank borrowings.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

7. Financial Instruments (Continued)

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

***Liquidity risk** (Continued)*

	On demand or within 1 year RMB'000	After 1 year but within 2 years RMB'000	After 2 years but within 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At 31 December 2018					
Trade and other payables	2,249,070	–	–	2,249,070	2,249,070
Amounts due to directors	2,834	–	–	2,834	2,834
Amounts due to related companies	413,116	–	–	413,116	413,116
Amounts due to non-controlling interests	1,276	–	–	1,276	1,276
Amounts due to associates	397,796	–	–	397,796	397,796
Bank borrowings with fixed interest rate	533,816	–	–	533,816	514,808
Bank borrowings with variable interest rate	372,793	–	–	372,793	357,969
Bank borrowings with variable interest rate that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause (show under current liabilities)	210,000	–	–	210,000	210,000
Obligations under finance leases	28,341	18,895	–	47,236	45,295
Financial guarantee contracts (note 48)	774,377	–	–	774,377	–
	4,983,419	18,895	–	5,002,314	4,192,164

7. Financial Instruments (Continued)

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

Liquidity risk *(Continued)*

	On demand or within 1 year RMB'000	After 1 year but within 2 years RMB'000	After 2 years but within 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At 31 December 2017					
Trade and other payables	2,099,293	–	–	2,099,293	2,099,293
Amounts due to directors	2,660	–	–	2,660	2,660
Amounts due to related companies	380,567	–	–	380,567	380,567
Amounts due to non-controlling interests	1,475	–	–	1,475	1,475
Amounts due to associates	652,159	–	–	652,159	652,159
Bank borrowings with fixed interest rate	650,943	–	–	650,943	637,278
Bank borrowings with variable interest rate	558,244	–	–	558,244	543,925
Bank borrowings with variable interest rate that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)	270,000	–	–	270,000	270,000
Obligations under finance leases	119,258	37,623	18,895	175,776	168,508
Financial guarantee contracts (note 48)	786,800	–	–	786,800	–
	5,521,399	37,623	18,895	5,577,917	4,755,865

7. Financial Instruments (Continued)

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

***Liquidity risk** (Continued)*

Bank borrowings with a repayment on demand clause are included in the "on demand or within 1 year" time band in the above maturity analysis. As at 31 December 2018, the aggregate undiscounted principal amounts of these bank borrowings amounted to approximately RMB210,000,000 (2017: RMB270,000,000). Taking into account the Group's financial position, the directors of the Company do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors of the Company believe that such bank borrowings will be repaid four years (2017: two years) after the reporting date in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to approximately RMB223,475,000 (2017: RMB282,055,000).

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

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

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

7. Financial Instruments (Continued)

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

	As at 31 December 2018 Level 2 RMB'000	As at 31 December 2017 Level 2 RMB'000
Financial assets at FVTPL		
Unlisted funds	–	3,000

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

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation techniques and inputs used).

Financial instruments	Fair value hierarchy	Fair value as at 2018 RMB'000	Fair value as at 2017 RMB'000	Valuation technique and key inputs	Significant unobservable inputs
Financial assets at FVTPL – Unlisted funds	Level 2	–	3,000	By reference to the fair values of the underlying assets held through an investment fund	N/A

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

7. Financial Instruments (Continued)

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

The directors of the Company consider that the carrying amounts of current financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values due to short-term maturities. The directors of the Company also consider that the fair value of the long-term portion of liabilities including obligations under finance lease approximates to their carrying amount as they are carried at amortised cost by using the effective interest method.

8. Revenue

Revenue represents revenue arising from sales of sealed lead acid batteries, provision of online game services and related accessories, sales of lithium-ion batteries, sales of nickel batteries and others, net of discounts and sales related tax, for the year. An analysis of the Group's revenue for the year is as follows:

Revenue from contracts with customers within the scope of HKFRS 15 for the year ended 31 December 2018:

	2018 **RMB'000**	2017* RMB'000 (Restated)
Disaggregated of revenue by type of major products and services lines		
Sealed lead acid batteries and related accessories	**429,470**	751,342
Lithium-ion batteries	**2,254,287**	2,418,238
Nickel batteries	**118,469**	126,792
Online game services	**232,320**	198,459
Others	**161,833**	218,662
	3,196,379	3,713,493

* The amounts for the year ended 31 December 2017 were recognised under HKAS 18.

8. Revenue (Continued)

	2018 RMB'000
Disaggregated of revenue by timing of recognition	
By timing of revenue recognition:	
At a point in time	**3,196,379**

By major products and primary geographical markets:

	Sealed lead acid batteries and related accessories RMB'000	Lithium-ion batteries RMB'000	Nickel batteries RMB'000	Online game services RMB'000	Others RMB'000	2018 Total RMB'000
The PRC	339,750	1,635,598	74,244	232,320	161,833	2,443,745
Hong Kong	–	–	12,730	–	–	12,730
Japan	–	–	12,718	–	–	12,718
Korea	18,563	–	4,688	–	–	23,251
India	71,157	506,922	2,368	–	–	580,447
South Africa	–	58,533	–	–	–	58,533
Vietnam	–	53,234	–	–	–	53,234
Others	–	–	11,721	–	–	11,721
	429,470	2,254,287	118,469	232,320	161,833	3,196,379

9. Segment Information

Information reported to the board of directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

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

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

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

During the year ended 31 December 2018, the chief operating decision maker revisited the Group's operating segments and considered that the separation of online game services business segment from "Others" business segment can better reflect the Group's segment performance. Accordingly, the corresponding comparative amounts of the segment information have been restated to conform with the current year's presentation.

9. Segment Information (Continued)

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segment:

For the year ended 31 December 2018

	Sealed lead acid batteries and related accessories RMB'000	Lithium-ion Batteries RMB'000	Nickel batteries RMB'000	Online game services RMB'000	Others RMB'000	Elimination RMB'000	Consolidated RMB'000
Revenue							
External sales	429,470	2,254,287	118,469	232,320	161,833	–	3,196,379
Inter-segment sales	182,187	18,040	–	–	25,678	(225,905)	–
Segment revenue	611,657	2,272,327	118,469	232,320	187,511	(225,905)	3,196,379
Segment (loss) profit	(125,256)	180,571	593	208,038	(55,999)	–	207,947
Unallocated operating income and expenses							(11,887)
Impairment loss recognised on amounts due from associates							(129,410)
Change in fair value of an investment property							14,475
Gain on disposal of subsidiaries, net							27,318
Gain on disposal of an associate							175,192
Bank interest income							6,638
Finance costs							(88,719)
Share of results of associates							58,932
Profit before tax							260,486

9. Segment Information (Continued)

Segment revenue and results (Continued)

For the year ended 31 December 2017

	Sealed lead acid batteries and related accessories RMB'000	Lithium-ion Batteries RMB'000	Nickel batteries RMB'000	Online game services RMB'000 (Restated)	Others RMB'000 (Restated)	Elimination RMB'000	Consolidated RMB'000
Revenue							
External sales	751,342	2,418,238	126,792	198,459	218,662	–	3,713,493
Inter-segment sales	124,317	141,843	896	–	35,813	(302,869)	–
Segment revenue	875,659	2,560,081	127,688	198,459	254,475	(302,869)	3,713,493
Segment (loss) profit	(39,210)	40,065	8,458	191,737	(433)	–	200,617
Unallocated operating income and expenses							(130,412)
Impairment loss recognised on amounts due from associates							(187,363)
Change in fair value of an investment property							(1,116)
Gain on disposal of a subsidiary and deemed disposal of interest in an associate							514,858
Bank interest income							7,626
Finance costs							(144,082)
Share of results of associates							32,002
Profit before tax							292,130

9. Segment Information (Continued)

Segment revenue and results (Continued)

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 4. Segment profit (loss) represents the profit earned by/(loss) from each segment without allocation of central administration costs, directors' emoluments, bank interest income and certain other income, impairment loss recognised on amounts due from associates, change in fair value of an investment property, gain on disposal of subsidiaries, net and deemed disposal of interest in an associate, gain on disposal of an associate, finance costs and share of results of associates. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

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

Segment assets and liabilities

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

Segment assets

	2018 **RMB'000**	2017 RMB'000 (restated)
Sealed lead acid batteries and related accessories	**1,794,316**	1,603,003
Lithium-ion batteries	**3,613,534**	3,617,879
Nickel batteries	**78,961**	89,960
Online game services	**6,882**	15,211
Others	**600,741**	625,077
Total segment assets	**6,094,434**	5,951,130
Interest in associates	**302,860**	486,538
Corporate and other assets	**780,949**	1,273,982
Total assets	**7,178,243**	7,711,650

9. Segment Information (Continued)

Segment assets and liabilities (Continued)

Segment liabilities

	2018 RMB'000	2017 RMB'000 (restated)
Sealed lead acid batteries and related accessories	**297,838**	254,870
Lithium-ion batteries	**1,913,397**	1,978,984
Nickel batteries	**63,137**	46,166
Online game services	**7,901**	27,105
Others	**247,330**	214,295
Total segment liabilities	**2,529,603**	2,521,420
Corporate and other liabilities	**2,163,380**	2,729,456
Total liabilities	**4,692,983**	5,250,876

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

– all assets are allocated to operating segments other than interests in associates, interest in a joint venture, deferred tax assets, amounts due from directors, related companies, non-controlling interests and associates, financial assets at fair value through profit or loss, pledged bank deposits, bank balances and cash and other corporate assets; and

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

9. Segment Information (Continued)

Other segment information

For the year ended 31 December 2018

	Sealed lead acid batteries and related accessories RMB'000	Lithium-ion Batteries RMB'000	Nickel batteries RMB'000	Online game services RMB'000	Others RMB'000	Unallocated RMB'000	Consolidated RMB'000
Amounts included in the measure of segment profit or loss or segment assets:							
Additions to non-current assets (note)	38,894	540,612	2,496	25	10,143	–	592,170
Depreciation and amortisation	40,766	60,550	2,192	124	13,891	–	117,523
Allowance for inventories	–	4	–	–	7,727	–	7,731
(Gain)/loss arising on revaluation of property, plant and equipment	18,731	(27,455)	(1,156)	–	7,316	–	(2,564)
Reversal of impairment loss recognised on trade receivables	(14,560)	(25,346)	(961)	–	(2,940)	–	(43,807)
Impairment recognised of trade receivables and other receivables	30,568	–	4,695	–	19	–	35,282
Impairment recognised of related companies	–	–	–	–	75	–	75
(Gain)/loss on disposals of property, plant and equipment	(20)	(110)	14	–	–	–	(116)
Written-off of other intangible asset	–	10	–	–	–	–	10
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:							
Bank interest income	(1,708)	(4,272)	(271)	(9)	(371)	(7)	(6,638)
Interest income from financial assets of fair value	–	–	–	–	(532)	–	(532)
Imputed interest income on deposits paid for finance leases	(232)	(2,418)	–	–	–	–	(2,650)
Finance costs	30,679	56,961	344	–	735	–	88,719
Interests in associates	1,473	–	–	–	–	301,387	302,860
Share of results of associates	652	–	–	–	–	(59,584)	(58,932)
Investment in a joint venture	–	1,000	–	–	–	–	1,000

9. Segment Information (Continued)

Other segment information (Continued)

For the year ended 31 December 2017

	Sealed lead acid batteries and related accessories RMB'000	Lithium-ion Batteries RMB'000	Nickel batteries RMB'000	Online game services RMB'000	Others RMB'000	Unallocated RMB'000	Consolidated RMB'000
Amount include in the measure of segment profit or loss or segment assets:							
Additions to non-current assets (note)	56,568	279,368	3,523	–	12,062	–	351,521
Depreciation and amortisation	50,130	72,723	–	2,087	26,418	–	151,358
Allowance for inventories	–	964	–	–	4,767	–	5,731
Impairment loss recognised on trade and other receivables	10,645	25,435	–	–	3,774	–	39,854
Deficits arising on revaluation of property, plant and equipment	3,734	14,585	3,591	–	16,645	–	38,555
Reversal of impairment loss recognised on trade and other receivables	(3,615)	(5,276)	(189)	(7)	(1,236)	–	(10,323)
Gain on disposals of property, plant and equipment	(75)	–	–	–	–	–	(75)
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:							
Impairment loss recognised on amount due from an associate	–	–	–	–	–	187,363	187,363
Bank interest income	(2,660)	(4,743)	(52)	(4)	(167)	–	(7,626)
Investment income from financial assets at FVTPL	–	–	–	–	(229)	–	(229)
Imputed interest income on deposits paid for finance leases and other receivables	(76)	(1,951)	–	–	–	–	(2,027)
Finance costs	30,548	110,278	655	–	531	2,070	144,082
Interests in associates	237,288	–	–	–	2,124	247,126	486,538

Note: Non-current assets exclude goodwill, deposit paid for acquisition of land, interests in associates, interest in a joint venture, deposits paid for finance lease and deferred tax assets for the years ended 31 December 2018 and 2017.

9. Segment Information (Continued)

Geographical information

During the years ended 31 December 2018 and 2017, the Group's operations are mainly located in the PRC, India and others.

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

	Revenue from external customers		Non-current assets (note)	
	2018	2017	**2018**	2017
	RMB'000	RMB'000	**RMB'000**	RMB'000
The PRC	**2,443,745**	3,344,432	**2,131,429**	1,793,064
India	**580,447**	265,263	**146,327**	135,859
Other countries	**172,187**	103,798	**341,942**	603,554
	3,196,379	3,713,493	**2,619,698**	2,532,477

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

Information about major customer

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

	2018	2017
	RMB'000	RMB'000
Customer A[1]	**561,149**	N/A[2]

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

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

10. Other Income

	2018 RMB'000	2017 RMB'000
Bank interest income	**6,638**	7,626
Investment income from financial assets at FVTPL	**532**	229
Gain on disposals of property, plant and equipment	**116**	75
Reversal of impairment loss recognised on trade receivables (note 26)	**43,807**	10,323
Government grants recognised as income (Note a)	**14,585**	22,227
Amortisation of government grants (note 40)	**4,905**	4,905
Exchange gain, net	**4,645**	1,059
Imputed interest income on deposits paid for finance leases	**2,650**	2,027
Refund of value-added tax	**2,022**	1,639
Gross rental income (Note b)	**10,766**	3,599
Sundry income	**2,946**	2,100
	93,612	55,809

Note:

(a) Government grants recognised as other income are awarded to the Group by the PRC government as incentives primarily to encourage the development of the Group and the contribution to the local economic development. The government grants are one-off with no specific condition attached.

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

	2018 RMB'000	2017 RMB'000
Gross rental income	**10,766**	3,599
Less: outgoings incurred for investment properties that generated rental income during the year	**(541)**	(509)
Net rental income	**10,225**	3,090

11. Finance Costs

	2018 RMB'000	2017 RMB'000
Interests on:		
– bank borrowings	**95,114**	108,752
– obligations under finance leases	**4,513**	43,086
– imputed interest on initial recognition of deposits for finance leases	**–**	829
Total borrowing costs	**99,627**	152,667
Less: amounts capitalised	**(10,908)**	(8,585)
	88,719	144,082

Borrowing cost capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 7.16% (2017: 7.25%) per annum to expenditure on qualifying assets.

12. Income Tax Expenses

	2018 RMB'000	2017 RMB'000
Current tax:		
PRC Enterprise Income Tax ("EIT")	**31,409**	34,547
Deferred taxation (note 39)	**3,806**	(20,329)
	35,215	14,218

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group did not generate any assessable profit arising from Hong Kong for both years.

Income tax on the overseas profits has been calculated on the estimated assessable profit for both years at the rates of taxation prevailing in the overseas countries in which the Group operates.

12. Income Tax Expenses (Continued)

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years. During the years ended 31 December 2018 and 2017, certain subsidiaries of the Group were recognised as high technology enterprise and obtained a preferential tax rate of 15% from 2016 to 2019.

The income tax expenses for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2018 **RMB'000**	2017 RMB'000
Profit before taxation	**260,486**	292,130
Tax at the applicable income tax rate at 25%	**65,122**	73,033
Tax effect of share of results of associates	**(14,733)**	(8,001)
Tax effect of income not taxable	**(10,678)**	(162,847)
Tax effect of expenses not deductible	**50,500**	49,612
Tax effect of tax losses not recognised	**20,160**	72,878
Utilisation of tax losses previously not recognised	**–**	(3,072)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(75,156)**	(7,385)
Income tax expenses for the year	**35,215**	14,218

Details of the deferred taxation are set out in note 39.

13. Profit For The Year

Profit for the year has been arrived at after charging:

	2018 RMB'000	2017 RMB'000
Directors' and chief executive's emoluments (note 14)	**1,860**	1,956
Other staff costs	**380,815**	560,894
Retirement benefits scheme contributions (excluding contributions for directors)	**74,681**	77,727
Total employee benefit expenses	**457,356**	640,577
Amortisation of prepaid lease payments (included in administrative expenses)	**3,653**	3,653
Depreciation of property, plant and equipment	**113,832**	145,666
Amortisation of other intangible assets (included in cost of sales)	**38**	2,049
Total depreciation and amortisation	**117,523**	151,368
Auditor's remuneration	**2,800**	2,300
(Surplus)/Deficit arising on revaluation of property, plant and equipment, net (note 17)	**(2,564)**	38,555
Research and development costs recognised as expense (included in administrative expenses)	**66,984**	168,272
Minimum lease payments under operating leases in respect of rented premises	**16,024**	29,549
Share of income tax expense from associates	**2,392**	14,620
Written off of other intangible asset	**10**	–
Impairment loss recognised on trade receivables	**4,738**	39,854
Impairment loss recognised on other receivables	**30,544**	–
Impairment loss recognised on amounts due from related companies	**75**	–
Impairment loss recognised on amounts due from associates	**129,410**	187,363
Allowance for inventories (included in cost of sales)	**7,731**	5,731
Amount of inventories recognised as an expense	**2,591,939**	3,160,756

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

a) Directors' and chief executive's emoluments

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

Emoluments paid or receivable in respect of a person's services as a director, whether of the Company and its subsidiary undertakings:

	Fees RMB'000	Salaries and other benefits RMB'000	Retirement benefits scheme contributions RMB'000	Total RMB'000
Year ended 31 December 2018				
Executive directors				
Mr. Song Dian Quan	–	533	11	544
Ms. Luo Ming Hua (note a)	–	310	–	310
Mr. Li Ke Xue	–	270	–	270
Mr. Xing Kai	–	240	–	240
Mr. Zhang Li Ming (note b)	–	458	13	471
Mr. Liu Xing Quan	–	–	–	–
Independent non-executive directors				
Mr. Li Zeng Lin	–	25	–	25
Dr. Gao Yun Zhi	–	–	–	–
Ms. Zhu Yan Ling (Appointed on 13 September 2018)	–	–	–	–
Mr. Xiao Jian Min (Resigned on 13 September 2018)	–	–	–	–
Total	–	1,836	24	1,860

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

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

Emoluments paid or receivable in respect of a person's services as a director, whether of the company and its subsidiary undertakings:

	Fees RMB'000	Salaries and other benefits RMB'000	Retirement benefits scheme contributions RMB'000	Total RMB'000
Year ended 31 December 2017				
Executive directors				
Mr. Song Dian Quan	–	512	11	523
Ms. Luo Ming Hua (note a)	–	284	–	284
Mr. Li Ke Xue	–	270	–	270
Mr. Xing Kai	–	227	–	227
Mr. Zhang Li Ming (note b)	–	621	13	634
Mr. Liu Xing Quan	–	–	–	–
Independent non-executive directors				
Mr. Li Zeng Lin	–	–	–	–
Mr. Xiao Jian Min	–	18	–	18
Dr. Gao Yun Zhi (Appointed on 18 August 2017)	–	–	–	–
Dr. Yin Ge Ping (Resigned on 18 August 2017)	–	–	–	–
Total	–	1,932	24	1,956

Note a: Ms. Luo Ming Hua is also the chief executive of the Company for the years ended 31 December 2018 and 2017 and her emoluments disclosed above include those for services rendered by her as the chief executive.

Note b: Included in the amount paid to Mr. Zhang Li Ming, HKD201,600 (approximately of RMB170,000) is the estimated money value of one year's free use of an apartment of a subsidiary (2017: HKD235,000 (approximately of RMB203,000)).

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

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

No directors and chief executive of the Company waived or agreed to waive any emoluments during the years ended 31 December 2018 and 2017.

b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, two (2017: two) were the directors (including chief executive) of the Company whose emoluments are set out in note 14(a) above. The emoluments of the remaining three (2017: three) individuals are as follows:

	2018 RMB'000	2017 RMB'000
Salaries and other benefits	**1,858**	1,932
Retirement benefits scheme contributions	**46**	24
	1,904	1,956

The emoluments of the remaining three (2017: three) individuals with the highest emoluments are within the following bands:

	2018 Number of individuals	2017 Number of Individuals
Nil to HK$1,000,000 (equivalent to Nil to RMB842,744) (2017: equivalent to Nil to RMB866,000)	**2**	3
HK$1,000,001 to HK$1,500,000(equivalent to RMB842,745 to RMB1,264,116) (2017: equivalent to RMB866,001 to RMB1,299,000)	**1**	–

During the years ended 31 December 2018 and 2017, no emoluments were paid by the Group to any of the directors (including chief executive) of the Company or the five highest paid individuals (including directors of the Company and employees) as an inducement to join or upon joining the Group or as compensation for loss of office.

15. Dividend

No dividend was paid or proposed during the year ended 31 December 2018, nor has any dividend been proposed since the end of the reporting period (2017: nil).

16. Earnings Per Share

(a) Basic

The calculation of the basic earnings per share attributable to the owners of the Company is based on the following data:

	2018	2017
Profit for the year attributable to the owners of the Company (RMB'000)	**199,769**	235,403
Weighted average number of ordinary shares ('000)	**385,341**	393,699

(b) Diluted

Diluted earnings per share was the same as the basic earnings per share as there were no potential dilutive ordinary shares outstanding during the years ended 31 December 2018 and 2017.

17. Property, Plant and Equipment

	Leasehold improvements RMB'000	Freehold land RMB'000	Buildings RMB'000	Plant and machinery RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Cost or valuation								
At 1 January 2017	4,993	13,932	835,956	1,104,982	28,682	7,902	411,232	2,407,679
Exchange Adjustments	–	(15)	(87)	(69)	(5)	–	–	(176)
Additions	787	–	–	96,685	2,920	1,918	250,211	352,521
Transfers	–	–	–	36,721	–	–	(36,721)	–
Disposal of a subsidiary (note 41)	–	–	–	(744,852)	(17,800)	(1,247)	(22,417)	(786,316)
Disposals	–	–	–	(3,522)	(25)	(140)	–	(3,687)
Transfer to investment property (note 18)	–	–	(173,795)	–	–	–	–	(173,795)
Revaluation	–	(541)	33,142	(92,957)	(7,150)	(3,873)	–	(71,379)
At 31 December 2017 and 1 January 2018	5,780	13,376	695,216	396,988	6,622	4,560	602,305	1,724,847
Exchange Adjustments	24	36	199	91	128	9	1	488
Additions	1,519	–	882	266,400	9,928	333	313,021	592,083
Transfers	–	–	–	34,080	–	–	(34,080)	–
Disposal of subsidiaries (note 41)	–	–	–	(57,903)	(1,785)	(225)	–	(59,913)
Disposals	–	–	–	(56,076)	(594)	(1,033)	–	(57,703)
Revaluation	–	–	(60,516)	23,973	(3,367)	3,421	–	(36,489)
At 31 December 2018	**7,323**	**13,412**	**635,781**	**607,553**	**10,932**	**7,065**	**881,247**	**2,163,313**

17. Property, Plant and Equipment (Continued)

	Leasehold improvements RMB'000	Freehold Land RMB'000	Buildings RMB'000	Plant and machinery RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Accumulated depreciation								
At 1 January 2017	4,805	–	–	–	–	–	–	4,805
Charge for the year	300	–	30,619	109,433	3,929	1,385	–	145,666
Transfer to investment property (note 18)	–	–	(9,154)	–	–	–	–	(9,154)
Disposal of a subsidiary (note 41)	–	–	–	(52,611)	(2,239)	(159)	–	(55,009)
Eliminated on disposals	–	–	–	(235)	(4)	(23)	–	(262)
Eliminated on revaluation	–	–	(21,465)	(56,587)	(1,686)	(1,203)	–	(80,941)
At 31 December 2017 and 1 January 2018	5,105	–	–	–	–	–	–	5,105
Exchange adjustment	2	–	144	261	42	3	–	452
Charge for the year	142	–	22,407	86,310	3,663	1,310	–	113,832
Disposal of subsidiaries (note 41)	–	–	–	(6,935)	(28)	(68)	–	(7,031)
Eliminated on disposals	–	–	–	(30,826)	(488)	(811)	–	(32,125)
Eliminated on revaluation	–	–	(22,551)	(48,810)	(3,189)	(434)	–	(74,984)
At 31 December 2018	**5,249**	**–**	**–**	**–**	**–**	**–**	**–**	**5,249**
Carrying values								
At 31 December 2018	**2,074**	**13,412**	**635,781**	**607,553**	**10,932**	**7,065**	**881,247**	**2,158,064**
At 31 December 2017	675	13,376	695,216	396,988	6,622	4,560	602,305	1,719,742

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

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

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

The carrying values of plant and machinery of approximately RMB607,553,000 includes an amount of approximately RMB22,814,000 (2017: RMB396,988,000 includes an amount of approximately RMB292,145,000) in respect of assets held under finance leases.

17. Property, Plant and Equipment (Continued)

The fair value of property, plant and equipment other than leasehold improvements and construction in progress were revalued at 31 December 2018 and 2017 by independent valuers not connected to the Group, Jones Lang LaSalle Corporate Appraisal & Advisory Limited ("Jones Lang") and Asset Partners Valuation Service Limited. The valuation of freehold land, buildings, plant and machinery, furniture, fixtures and equipment and motor vehicles which conforms to the RICS Valuation Standards published by the Royal Institution of Chartered Surveyors and the HKIS Valuation Standards on Properties published by the Hong Kong Institute of Surveyors, was mainly arrived at using the market approach and depreciated replacement cost approach.

The Group has pledged property, plant and equipment to secure general banking facilities granted to the Group. Details of the pledged property, plant and equipment are disclosed in note 44.

The surplus arising on revaluation of property, plant and equipment was approximately RMB38,495,000 (2017: RMB9,562,000), which are summarised as follows:

	2018 **RMB'000**	2017 RMB'000
Surplus (deficits) recognised in the consolidated statements of profit or loss	**2,564**	(38,555)
Surplus recognised in the consolidated statement of other comprehensive income		
– attributable to owners of the Company	**33,463**	47,417
– attributable to non-controlling interests	**2,468**	700
	35,931	48,117
Total surplus arising on revaluation of property, plant and equipment	**38,495**	9,562

17. Property, Plant and Equipment (Continued)

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

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

An analysis of the Group's freehold land, buildings, plant and machinery, furniture, fixtures and equipment and motor vehicles that are measured at fair value subsequent to initial recognition and information about the fair value hierarchy as at 31 December 2018 and 2017 are as follows:

Property, plant and equipment	Fair value hierarchy	Fair value as at		Valuation technique and key inputs	Significant unobservable inputs
		2018 RMB'000	2017 RMB'000		
Freehold land	Level 2	**13,412**	13,376	Market Approach – by reference to recent sale price of comparable freehold land in similar market	N/A
Buildings	Level 3	**635,781**	695,216	Cost approach – fair value determined based on the adjusted acquisition cost and buildings costs	– Rate of obsolescence to adjust the replacement cost, which ranged from 6% to 50% (2017: 6% to 26%) based on the utilisation, specialty in nature and age of the buildings (note)

17. Property, Plant and Equipment (Continued)

Property, plant and equipment	Fair value hierarchy	Fair value as at 2018 RMB'000	Fair value as at 2017 RMB'000	Valuation technique and key inputs	Significant unobservable inputs
Plant and machinery, and motor vehicle	Level 2	**614,618**	401,548	Market Approach – by reference to recent sale price of comparable plant and machinery and motor vehicle in similar market	N/A
Furniture, fixtures and equipment	Level 3	**10,932**	6,622	Cost approach – fair value determined based on the adjusted acquisition costs	– Rate of obsolescence to adjust the replacement cost, which ranged from 0% to 95% (2017: 10% to 60%) based on the utilisation and specialty in nature (note)

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

There were no transfers into or out of Level 3 during the years ended 31 December 2018 and 2017.

There was no transfer between levels of fair value hierarchy during the years ended 31 December 2018 and 2017.

17. Property, Plant and Equipment (Continued)

The reconciliation of Level 3 fair value measurements of buildings and furniture, fixtures and equipment on recurring basis is as follows:

	2018 RMB'000	2017 RMB'000
Opening balance, 1 January	**701,838**	864,638
Exchange realignment	**141**	(92)
Depreciation charged	**(26,070)**	(34,548)
Gain (losses) on revaluation		
– In profit or loss	**(14,230)**	(9,713)
– In other comprehensive income	**(23,913)**	58,856
Addition (including transfer from construction in progress)	**10,810**	2,920
Disposals (including disposal of subsidiaries)	**(1,863)**	(15,582)
Transfer to investment property	**–**	(164,641)
Closing balance, 31 December	**646,713**	701,838

During the year ended 31 December 2018, the net increase in fair value recognised in the comprehensive income of approximately RMB35,931,000 (2017: RMB48,117,000) are included in revaluation reserve in equity. Included in the net decrease in fair value is the amount of RMB23,913,000 (2017: increase of RMB58,856,000) that is attributable to the unrealised gains relating to buildings and furniture, fixture and equipment measured at fair value held at the end of the reporting period.

17. Property, Plant and Equipment (Continued)

If the Group's property, plant and equipment (excluding leasehold improvements and construction in progress) were stated at cost less accumulated depreciation, the carrying values would have been as follows:

	Freehold land RMB'000	Buildings RMB'000	Plant and machinery RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
2018						
Cost	**11,726**	**662,236**	**1,405,207**	**75,733**	**33,565**	**2,188,467**
Accumulated depreciation	**–**	**(282,933)**	**(847,182)**	**(57,733)**	**(28,924)**	**(1,216,772)**
	11,726	**379,303**	**558,025**	**18,000**	**4,641**	**971,695**

	Freehold land RMB'000	Buildings RMB'000	Plant and machinery RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
2017						
Cost	11,690	710,706	1,211,387	69,104	34,523	2,037,410
Accumulated depreciation	–	(260,382)	(797,743)	(54,987)	(28,534)	(1,141,646)
	11,690	450,324	413,644	14,117	5,989	895,764

18. Investment Property

	RMB'000
FAIR VALUE	
Transfer from property, plant and equipment the year ended 31 December 2017	**164,641**
Change in fair value recognised in profit and loss	**(1,116)**
At 31 December 2017	**163,525**
Change in fair value recognised in profit and loss	**14,475**
Disposal of a subsidiary (note 41(d))	**(178,000)**
At 31 December 2018	**–**

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

18. Investment Property (Continued)

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

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

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

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

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

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

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

During the year ended 31 December 2018, the increase in fair value recognised of approximately RMB14,475,000 (2017: decrease in fair value of RMB1,116,000) is included in profit or loss.

19. Other Intangible Assets

	Patents, trademarks and software RMB'000 (Note a)	Online games licensing rights RMB'000 (Note b)	Total RMB'000
COST			
At 1 January 2017, 31 December 2017 and 1 January 2018	10,248	4,717	14,965
Additions	87	–	87
Written off	(39)	–	(39)
At 31 December 2018	10,296	4,717	15,013
AMORTISATION			
At 1 January 2017	6,095	2,751	8,846
Charge for the year	83	1,966	2,049
At 31 December 2017 and 1 January 2018	6,178	4,717	10,895
Charge for the year	38	–	38
Elimination on Written off	(29)	–	(29)
At 31 December 2018	6,187	4,717	10,904
CARRYING VALUES			
At 31 December 2018	4,109	–	4,109
At 31 December 2017	4,070	–	4,070

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

Note b: Online game licensing rights related to provision of online games, which are amortised on a straight-line basis over 2 years which are acquired from an associate of the Group in 2016. The license was extended further from 2017 to 2020 without additional charge.

20. Goodwill

	2018 RMB'000	2017 RMB'000
Cost		
At 1 January and 31 December	**33,205**	33,205
Accumulated impairment losses		
At 1 January and 31 December	**33,205**	33,205
Carrying value		
At 31 December	**–**	–

For the purposes of impairment testing, goodwill set out above have been allocated to three individual cash generating units ("CGUs"). The carrying amounts of goodwill as at 31 December 2018 and 2017 allocated to these units are as follow:

	2018 RMB'000	2017 RMB'000
Manufacture and sales of signal strength system unit – Shenzhen Coslight Communication Equipment Co., Ltd.* 深圳光宇通信設備有限公司 ("SCC")	**–**	–
Manufacture and sales of passenger coach unit – Hangzhou Yuexi Bus Manufacture Co., Ltd.* 杭州越西客車製造有限公司 ("HYX")	**–**	–
Manufacture and sales of passenger coach unit – Qinhuangdao Jincheng Automobile Manufacture Co., Ltd.* 秦皇島金程汽車製造有限公司 ("QJC")	**–**	–
	–	–

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

* The English translation is for identification purposes only.

20. Goodwill (Continued)

Notes:

a) SCC

At 31 December 2010, the Group assessed the recoverable amount of goodwill on value-in-use basis and determined that the carrying amount of RMB4,193,000 was fully impaired because the business of signal strength systems had slowed down and demand dropped.

b) HYX

At 31 December 2014, the Group assessed the recoverable amount of goodwill on value-in-use basis and determined that the carrying amount of RMB3,055,000 was fully impaired due to worsening of business.

c) QJC

Due to worsening of business, the directors of the Company considered that the entire amount of goodwill attributable to QJC was irrecoverable. As such, an impairment loss on goodwill of approximately RMB25,957,000 had been recognised during the year ended 31 December 2015.

21. Prepaid Lease Payments

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

	2018 **RMB'000**	2017 RMB'000
Current assets	**3,613**	3,653
Non-current assets	**143,937**	148,874
	147,550	152,527

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

The Group has pledged prepaid lease payment to secure general banking facilities granted to the Group. Details of the pledged prepaid lease payments are disclosed in note 44.

22. Deposits Paid for Acquisition of Land

For the year ended 31 December 2017 and 2018, the balance represents deposits of approximately RMB9,728,000 paid for the acquisition of several land use rights situated in Qinhuangdao, the PRC.

23. Interests in Associates

	2018 RMB'000	2017 RMB'000
Cost of investment in associates – unlisted	**36,320**	267,833
Share of post acquisition profit and other comprehensive income, net of dividends received	**266,540**	218,705
	302,860	486,538

23. Interests in Associates (Continued)

At 31 December 2018 and 2017, the Group had interests in the following associates:

Name of entities	Form of business	Principal place of operation and establishment	Proportion of ownership interest or participating shares held by the Group		Proportion of voting power held by the Group		Principal activities
			2018	2017	**2018**	2017	
Directly held:							
Hong Kong Coslight Network Limited	Incorporated	Hong Kong	**49.83%**	49.83%	**49.83%**	49.83%	Investment holding
Indirectly held:							
Coslight Interactive Company Limited	Incorporated	Caymand Islands	**49.83%**	49.83%	**49.83%**	49.83%	Investment holding
Coslight Network Company Limited	Incorporated	British Virgin Islands	**49.83%**	49.83%	**49.83%**	49.83%	Investment holding
北京光宇華夏科技有限責任公司 Beijing Guangyu Huaxia Technology Corporation Limited*	Incorporated	PRC	**49.83%**	49.83%	**49.83%**	49.83%	Sales and distribution of online games
瀋陽藍火炬軟件有限公司 Blue Torch Soft Corporation*	Incorporated	PRC	**41.36%**	41.36%	**37.20%**	37.20%	Software development
深圳科詩特軟件有限責任公司 Shenzhen Costar Software Company Limited *	Incorporated	PRC	**49.83%**	49.83%	**49.83%**	49.83%	Software development
天津魔幻動力科技有限責任公司 Tianjin Mo Huan Motive Power Technology Co., Ltd.*	Incorporated	PRC	**49.83%**	49.83%	**49.83%**	49.83%	Sales and distribution of online games
MR Gamez Coporation ("MR Gamez")	Incorporated	The Republic of Korea	**25.91%**	25.91%	**25.91%**	25.91%	Sales and distribution of online games
Russia (Golden Stone) Limited Liability Company	Incorporated	Russia	**20.00%**	20.00%	**20.00%**	20.00%	Dormant
瀋陽東北蓄電池有限公司 Shenyang Dongbei Storage Battery Company Ltd.* ("Shenyang Dongbei")	Incorporated	PRC	**9.50%**	9.50%	**9.50%**	9.50%	Manufacture and sales of sealed lead acid batteries
秦皇島科斯特新能源汽車制造有限公司 Qinhuangdao Coslight New Energy Motor Manufacturing Co., Ltd.* ("QCNEM")	Incorporated	PRC	**49.00%**	49.00%	**49.00%**	49.00%	Manufacturing and sales of motor vehicles
珠海光宇電池有限公司 Zhuhai Coslight Battery Company Ltd. (note i) ("Zhuhai Coslight Battery")	Incorporated	PRC	**–**	26.14%	**–**	26.14%	Manufacture and sales of lithium-polymer batteries
Coslight Battery (Hong Kong) Co., Limited (note i)	Incorporated	Hong Kong	**–**	26.14%	**–**	26.14%	Sales of lithium batteries

* The English translation is for identification purposes only.

23. Interests in Associates (Continued)

Note (i) Zhuhai Coslight Battery Company Ltd. (the "Disposed Subsidiary") was an indirectly non-wholly owned subsidiary of the Group, which the Group previously held 89.62% effective interest of the Disposed Subsidiary before 30 June 2017. On 4 July 2017, the Group entered into an agreement with an independent third party, 北京易科匯投資管理有限公司 Beijing Yi Kehui Investment and Management Company Limited*, to sell 51.83% interest of the Disposed Subsidiary with a total consideration of RMB726,240,000. According to the agreement, Mr. Xu Yanming, the Chairman, the General Manager and the Legal Representative of Zhuhai Coslight, and the senior management designated by Mr. Xu Yanming (collectively referred to as the "Target Management"), of the Disposed Subsidiary, have also agreed to inject an aggregate of RMB300,000,000 for 30.82% of equity interest in the Disposed Subsidiary. As at 31 December 2017, the capital injection was fully received by the Disposed Subsidiary and the Group held 26.14% effective interest of the Disposed Subsidiary. The Disposed Subsidiary ceased to be a subsidiary of the Group and became an associate of the Group.

During the year ended 2018, the Group disposed the remaining interest, i.e. 26.14% to independent third parties at cash consideration of RMB529,277,000. As at the date of the disposal, the carrying amount of the associate was approximately RMB237,288,000. The transaction was completed in 2018 and gain of approximately RMB175,192,000 after deducting the tax expense was recognised.

* The English translation is for identification purposes only.

The financial information and carrying amount in aggregate of the Groups interest in associates and that are not individually material and are accounted for using the equity method are set out below:

	2018 **RMB'000**	2017 RMB'000
The Group's share of profit	**58,932**	32,002
The Group's share of other comprehensive income	**1,905**	5,559
The Group's share of total comprehensive income	**60,837**	37,561
Dividends received from the associates during the year	**7,227**	100,564
Carrying amount of the Group's interest in immaterial associate	**302,860**	486,538

23. Interests in Associates (Continued)

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

	2018 RMB'000	2017 RMB'000
Unrecognised share of loss of an associate for the year	**4,995**	7,191
Accumulative unrecognised share of loss of an associate	**22,510**	17,515

24. Interests in a Joint Venture

	2018 RMB'000	2017 RMB'000
Cost of investment in a joint venture, unlisted	**1,000**	–
Share of post-acquisition loss	**–**	–
	1,000	–

At 31 December 2018, the Group had immaterial interests in the following joint venture:

Names of entities	**Form of business**	**Principal place of operation and establishment**	**Proportion of ownership interests and voting power held by the Group**	**Principal activities**
Indirectly held:				
哈爾濱誠朋能源科技有限公司*	Incorporated	PRC	50%	Manufacturing and sales of motor vehicles

* The joint venture was newly set up by the Group during the year ended 31 December 2018.

25. Inventories

	2018 RMB'000	2017 RMB'000
Raw materials	**244,989**	161,588
Work in progress	**325,706**	170,921
Finished goods	**736,758**	1,003,315
	1,307,453	1,335,824

26. Trade and Other Receivables

	31/12/2018 RMB'000	1/1/2018 RMB'000	31/12/2017 RMB'000
Trade receivables	**2,275,279**	2,227,905	2,227,905
Less: allowance for impairment of trade receivables	**(267,985)**	(307,216)	(151,156)
	2,007,294	1,920,689	2,076,749
Bill receivables	**17,383**	32,917	32,917
Trade and bill receivables	**2,024,677**	1,953,606	2,109,666
Consideration receivables on disposal of:			
An associate (note 23)	**23,798**	–	–
Subsidiaries (notes 41(a), 41(b))	**37,500**	–	–
Prepayment and advances to suppliers	**212,484**	176,723	176,723
Deposits and other receivables	**272,584**	303,037	303,037
Less: allowance for impairment of other receivables	**(103,307)**	(72,763)	(23,507)
	443,059	406,997	456,253
Total trade receivables, deposits and other receivables	**2,467,736**	2,360,603	2,565,919

26. Trade and Other Receivables (Continued)

	2018 RMB'000	2017 RMB'000
Analysed for reporting purpose:		
Current portion	**2,453,827**	2,509,608
Non-current portion		
Deposits paid for finance leases (note a)	**13,909**	56,311
	2,467,736	2,565,919

The Group does not hold any collateral over these balances.

Settlement of trade receivables is in accordance with the terms specified in the contracts governing the relevant transactions. Included in the Group's trade receivables balances are amounts pledged to banks with an aggregate amount of approximately RMB34,256,000 (2017: RMB39,877,000) as security for bank borrowings as disclosed in note 44.

Note:

(a) During the year ended 31 December 2017, the Group has entered into several finance lease agreements as a lessee and at the inception of the finance leases, the Group is required to pay deposits for the leases. According to the repayment terms set out in the finance lease agreements, all deposits will be recovered after 1 year, therefore, such deposits are classified as non-current. The effective interest rate is 4.88% (2017: 6%) per annum and the net present value of these deposits for the finance leases are approximately RMB13,909,000 at 31 December 2018 (2017: RMB56,311,000). Imputed interest for the year ended 31 December 2018 is approximately RMB2,650,000 (2017: RMB2,027,000).

26. Trade and Other Receivables (Continued)

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

	HK$ RMB'000	US$ RMB'000	JPY RMB'000	EUR RMB'000
As at 31 December 2018	2,926	69,757	307	13,875
As at 31 December 2017	–	–	–	–

The Group allows credit period ranging from 90 to 270 days from the final acceptance to its trade receivables. Ageing analysis of the Group's trade and bill receivables net of allowance for impairment at the end of the reporting period presented based on the invoice date which approximates to the respective revenue recognition date are as follows:

	2018 **RMB'000**	2017 RMB'000
Within 90 days	**720,187**	753,031
91 – 180 days	**448,722**	391,922
181 – 270 days	**318,784**	298,135
271 – 365 days	**254,784**	233,376
Over 1 year, but not exceeding 2 years	**282,200**	433,202
	2,024,677	2,109,666

26. Trade and Other Receivables (Continued)

As at 31 December 2017, approximately RMB673,332,000 of the group's trade receivables were past due but not impaired. The aging analysis of these receivables is as follows:

	2017 RMB'000
Past due but not impaired:	
Within three months	237,502
Three to nine months	384,720
Nine to fifteen months	51,110
	673,332

Trade receivables that were past due but not impaired were related to a number of individual customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances that are still considered fully recoverable.

Starting from 1 January 2018, the Group measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The Group considers the credit risk characteristic of trade receivables to measure the expected credit losses. The Group considers the historical loss rates in the past three years and adjusts for forward looking macroeconomic data in calculating the expected credit loss rates.

As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's difference customer bases. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

26. Trade and Other Receivables (Continued)

	Lifetime ECL RMB'000	**Lifetime ECL – credit impaired** RMB'000	**Total** RMB'000
At 31 December 2017	–	151,156	151,156
Impact on adoption of HKFRS 9	156,060	–	156,060
At 1 January 2018	156,060	151,156	307,216
Increase during the year	–	4,738	4,738
Exchange realignment	–	(162)	(162)
Reversal of impairment losses	(40,203)	(3,604)	(43,807)
At 31 December 2018	115,857	152,128	267,985

As at 31 December 2018, the expected credit losses on trade receivables are estimated on an individual basis for significant balance and collectively by using a provision matrix. Loss allowances on trade receivables were recognised as credit impaired at the amount of approximately RMB4,738,000.

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

	31/12/2018 **RMB'000**	1/1/2018 RMB'000	31/12/2017 RMB'000
At the beginning of the period	**307,216**	151,156	131,687
Effect on adoption of HKFRS 9	**–**	156,060	–
Impairment loss recognised on trade receivables	**4,738**	–	39,854
Derecognised on disposal of a subsidiary	**–**	–	(10,062)
Impairment loss reversed	**(43,807)**	–	(10,323)
Exchange realignment	**(162)**	–	–
At the end of the period	**267,985**	307,216	151,156

Included in the allowance for impairment of trade receivables are impaired trade receivables which is considered uncollectible with an aggregate balance of RMB267,985,000 (2017: RMB151,156,000) which are due to long outstanding.

26. Trade and Other Receivables (Continued)

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

	31/12/2018 RMB'000	1/1/2018 RMB'000	31/12/2017 RMB'000
At the beginning of the period	**72,763**	23,507	23,507
Effect on adoption of HKFRS 9	**–**	49,256	–
Impairment loss recognised on other receivables	**30,544**	–	–
At the end of the period	**103,307**	72,763	23,507

As at 31 December 2018 and 1 January 2018, included in the allowance for impairment of other receivables were individually impaired other receivables with an aggregate balance of approximately RMB103,307,000 and RMB72,763,000 respectively which have either been placed in financial difficulties.

As at 31 December 2017, included in the allowance for impairment of other receivables are individually impaired other receivables which is considered uncollectible with an aggregate balance of approximately RMB23,507,000 which are due to long outstanding.

	Lifetime ECL – credit impaired RMB'000	**Total** RMB'000
At 31 December 2017	23,507	23,507
Impact on adoption of HKFRS 9	49,256	49,256
At 1 January 2018	72,763	72,763
Increase during the year	30,544	30,544
At 31 December 2018	103,307	103,307

As at 31 December 2018, the expected credit losses on other receivables are estimated on an individual basis for significant balance. Loss allowances on other receivables were recognised as credit impaired at the amount of approximately RMB30,544,000.

27. Amounts Due from Directors

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

	2018 RMB'000	2017 RMB'000
Name of directors		
Mr. Li Ke Xue	**190**	190
Mr. Liu Xing Quan	**170**	170
	360	360

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

Further information about amounts due from directors is as follow:

As at 31 December 2018

Name of director	**Amount RMB'000**	**Outstanding amount at 01/01/2018 RMB'000**	**Outstanding amount at 31/12/2018 RMB'000**	**Maximum amount outstanding during the year RMB'000**
Mr. Li Ke Xue	**190**	**190**	**190**	**190**
Mr. Liu Xing Quan	**170**	**170**	**170**	**170**

As at 31 December 2017

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

28. Amounts Due from Related Companies

Name of related companies	31/12/2018 RMB'000	01/01/2018 RMB'000	31/12/2017 RMB'000	Maximum amount during the year ended 31 December 2018 RMB'000	Maximum amount during the year ended 31 December 2017 RMB'000
Related companies in which certain directors of the Company have beneficial interests:					
哈爾濱開關有限責任公司 Harbin Switch Company Limited*	**18,056**	19,272	19,272	**19,272**	19,272
石家莊光宇高能電池材料有限公司 Shijiazhuang Guangyu Battery Material Company Limited*	**543**	543	543	**543**	543
光宇延邊蓄電池有限責任公司 Guangyu Yanbian Storage Battery Manufacturing Company Limited*	**5,034**	5,052	5,052	**5,034**	9,184
哈爾濱市光宇電源廠 Harbin Guangyu Power Supply Factory*	**–**	478	478	**478**	478
哈爾濱市光宇電池廠 Harbin Guangyu Battery Factory*	**5**	–	–	**5**	–
哈爾濱亞光新型隔板有限公司 Harbin Ya Guang Modern Separators Company Limited*	**71**	71	71	**71**	71
哈爾濱光宇電綫電纜有限公司 Harbin Guangyu Electric Wire and Cable Company Limited*	**3,753**	3,901	3,901	**3,901**	3,902
Global Universal Development Limited	**77,467**	88,617	88,617	**88,617**	96,698
杭州光宇電源有限公司 Hangzhou Guangyu Power Supply Limited*	**482**	482	482	**482**	482
哈爾濱光宇集團有限公司 Harbin Guangyu Group Company Limited*	**18,194**	–	–	**18,194**	–
	123,605	118,416	118,416		
Less: allowance for doubtful debts	**(5,776)**	(5,701)	(1,096)		
	117,829	112,715	117,320		

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

* The English translation is for identification purposes only.

28. Amounts Due from Related Companies (Continued)

The movement in the allowance for impairment of amounts due from related companies is as follows:

	31/12/2018 **RMB'000**	1/1/2018 RMB'000	31/12/2017 RMB'000
At the beginning of the period	**5,701**	1,096	1,096
Effect on adoption of HKFRS 9	**–**	4,605	–
Impairment loss recognised	**75**	–	–
At the end of the period	**5,776**	5,701	1,096

As at 31 December and 1 January 2018, included in the allowance for impairment of amount due from related companies were individually impaired amount due from related companies with an aggregate balance of approximately RMB5,776,000 and RMB5,701,000 respectively which have either been placed in financial difficulties.

As at 31 December 2017, included in the allowance for impairment of amounts due from related companies are individually impaired amounts due from related companies which is considered uncollectible with an aggregate balance of approximately RMB1,096,000.

	Lifetime ECL RMB'000	**Lifetime ECL – credit impaired** RMB'000	**Total** RMB'000
At 31 December 2017	–	1,096	1,096
Impact on adoption of HKFRS 9	4,573	32	4,605
At 1 January 2018	4,573	1,128	5,701
Increase during the year	–	75	75
At 31 December 2018	4,573	1,203	5,776

As at 31 December 2018, the expected credit losses on amounts due from related companies are estimated on an individual basis for significant balance and collectively by using a provision matrix. Loss allowances on amounts due from related companies were recognised as credit impaired at the amount of approximately RMB75,000.

29. Amounts Due from Non-Controlling Interests and Associates

	31/12/2018 RMB'000	31/12/2017 RMB'000
Amounts due from non-controlling interests	**–**	308
Amounts due from associates	**485,622**	536,754
Less: impairment loss recognised	**(316,773)**	(187,363)
	168,849	349,391

The movement in the allowance for impairment of amounts due from associates is as follows:

	31/12/2018 RMB'000	31/12/2017 RMB'000
At the beginning of the period	**187,363**	–
Impairment loss recognised	**129,410**	187,363
At the end of the period	**316,773**	187,363

As at 31 December 2018, the carrying amounts due from associates of approximately RMB168,849,000 (2017: RMB349,391,000), net of accumulated impairment loss of approximately RMB316,773,000 (2017: RMB187,363,000) are trading in nature and is unsecured, interest-free and of credit period of 90 days. The amounts due from non-controlling interests are unsecured, interest-free and repayable on demand.

Included in the allowance for impairment of amounts due from associates is an individually impaired amount due from an associate which is considered uncollectible with a balance of approximately RMB316,773,000 (2017: 187,363,000).

30. Financial Assets at FVTPL

At 31 December 2017, financial asset at FVTPL represents unlisted funds managed by the investment trusts of the PRC with underlying financial instrument mainly consist of the bank deposits, deposit reservation balances and bonds of the PRC. The unlisted funds can be redeemed at anytime at the discretion of the Group. All financial asset was matured during the year.

It was classified as financial asset at fair value under HKAS 39 and HKFRS 9 at 1 January 2018.

31. Pledged Bank Deposits

Pledged bank deposits of approximately RMB317,954,000 (2017: RMB465,145,000) are held in dedicated bank accounts in the name of the Group securing short-term trade financing facilities granted to the Group and are therefore classified as current asset. The pledged bank deposits carried interest at the prevailing market rates ranging from 1.5% to 3.25% (2017: 1.5% to 3.25%) per annum.

32. Bank Balances and Cash

The bank balances carried interest at the prevailing market rate ranging from 0.01% to 3.25% per annum (2017: 0.30 % to 3.25 % per annum).

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

	HK$	**US$**	**EUR**
	RMB'000	RMB'000	RMB'000
As at 31 December 2018	1,157	11,170	175
As at 31 December 2017	269	11,978	–

33. Trade and Other Payables

	31/12/2018 RMB'000	1/1/2018 RMB'000	31/12/2017 RMB'000
Trade payables	**1,263,643**	1,237,325	1,237,325
Bill payables	**609,762**	674,852	674,852
	1,873,405	1,912,177	1,912,177
Receipt in advances	**–**	–	49,974
Other payables	**508,403**	376,522	376,522
Trade and other payables	**2,381,808**	2,288,699	2,338,673

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

	2018 RMB'000	2017 RMB'000
Within 30 days	**607,018**	1,274,689
31 – 60 days	**355,962**	129,535
61 – 90 days	**251,203**	107,572
91 – 180 days	**317,602**	147,708
Over 180 days	**341,620**	252,673
	1,873,405	1,912,177

The credit period on purchases of goods ranges from 90 days to 180 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit time frame.

33. Trade and Other Payables (Continued)

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

	HK$ RMB'000	US$ RMB'000	JPY RMB'000
As at 31 December 2018	167	67,487	171
As at 31 December 2017	–	–	–

34. Contract Liabilities

	31/12/2018 **RMB'000**	1/1/2018 RMB'000
Sales of goods	**47,745**	49,974

Contract liabilities include advances received to deliver goods.

Revenue recognised during the year ended 31 December 2018 that was included in the contract liabilities as at 1 January 2018 is approximately RMB49,974,000. There was no revenue recognised in the current year that related to performance obligations that were satisfied in a prior year.

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

The shareholders of the related companies are also the common directors of the Company. The amounts due to directors, related companies, non-controlling interests and associates are unsecured, interest-free and repayable on demand.

36. Bank Borrowings

	2018 RMB'000	2017 RMB'000
Secured	**697,146**	768,124
Unsecured	**385,631**	683,079
	1,082,777	1,451,203

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

	2018 RMB'000	2017 RMB'000
Within one year	**872,777**	1,181,203
After one year but within two years	**60,000**	–
After two years but within five years	**150,000**	270,000
	1,082,777	1,451,203
Carrying amount of bank borrowings that are not repayable on demand or within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)	**210,000**	270,000
Carrying amount repayable within one year	**872,777**	1,181,203
	1,082,777	1,451,203
Amount shown under current liabilities	**(1,082,777)**	(1,451,203)
	–	–

36. Bank Borrowings (Continued)

Secured borrowings of the Group were secured by the Group's property, plant and equipment (note 17), prepaid lease payments (note 21), trade receivables (note 26) and pledged bank deposits (note 31).

At 31 December 2018, approximately RMB250,000,000 (2017: RMB270,000,000) of the Group's bank borrowings were guaranteed by Mr. Song Dian Quan, a director of the Company.

Certain borrowings of the Group were guaranteed by an independent third party (note 48).

As at 31 December 2018, Mr. Song Dian Quan, the controlling shareholder, chairman and the executive director of the Company, has executed a share charge to pledge the shares of the Company held by him to secure certain bank borrowings of approximately RMB150,000,000 (2017: 70,000,000) granted to the Group.

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

	2018 **RMB'000**	2017 RMB'000
Fixed-rate borrowings	**514,808**	637,278
Variable-rate borrowings	**567,969**	813,925
	1,082,777	1,451,203

During the year ended 31 December 2018, the Group obtained new loans in the amount of approximately RMB1,090,773,000 (2017: RMB1,560,589,000). The loans bear interest at market rates and will be repayable during 2018 to 2019 (2017: repayable during 2017 to 2018). The proceeds were used for general operating working capital.

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

	2018 **RMB'000**	2017 RMB'000
Fixed-rate borrowings	**2.92% to 5.96%**	2.92% to 6.90%
Variable-rate borrowings	**4.44% to 6.09%**	2.60% to 6.44%

The Group's bank borrowings are denominated in functional currencies of the relevant subsidiaries.

37. Obligations Under Finance Leases

The Group leases certain its plant and machinery and equipments under finance leases during the years ended 31 December 2018 and 2017. The average lease term of these leases is two to three years (2017: two to three years).

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

	Minimum lease payments		Present value of minimum lease payments	
	2018	2017	**2018**	2017
	RMB'000	RMB'000	**RMB'000**	RMB'000
Amounts payable under finance leases				
Within one year	**28,341**	119,258	**26,738**	114,005
More than one year but less than two years	**18,895**	37,623	**18,557**	35,946
More than two years but less than five years	**–**	18,895	**–**	18,557
	47,236	175,776	**45,295**	168,508
Less: future finance charges	**(1,941)**	(7,268)		
Present value of obligations under finance leases	**45,295**	168,508		
Less: amounts due for settlement within one year (shown under current liabilities)			**(26,738)**	(114,005)
Amounts due for settlement after one year			**18,557**	54,503

37. Obligations Under Finance Leases (Continued)

The fixed interest rate inherent in the lease is ranged from 4.46% to 5.03% per annum (2017: 4.46% to 12.51%).

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

38. Share Capital

	Number of shares '000	Amount in original currency HK$'000	Shown in the consolidated financial statements as RMB'000
Ordinary shares of HK$0.10 each			
Authorised:			
At 1 January 2017, 31 December 2017 and 2018	1,000,000	100,000	107,000
Issued and fully paid:			
At 1 January 2017	399,734	39,973	42,012
Share repurchased and cancelled (note)	(11,550)	(1,155)	(1,000)
At 31 December 2017	388,184	38,818	41,012
Share repurchased and cancelled (note)	(8,600)	(860)	(758)
At 31 December 2018	379,584	37,958	40,254

38. Share Capital (Continued)

Note: During the year ended 31 December 2017 and 2018, the Company repurchased its own shares through the Stock Exchange as follows:

For the year ended 31 December 2018

Month of purchase	Number of ordinary shares of HK$0.10 each	Price per share Highest HK$	Lowest HK$	Aggregation consideration paid RMB'000
July 2018	**6,000,000**	**2.75**	**2.67**	**14,453**
November 2018	**2,600,000**	**2.03**	**2.01**	**4,662**
	8,600,000			**19,115**

For the year ended 31 December 2018, 6,000,000 shares were cancelled in November 2018 and 2,600,000 shares were cancelled in January 2019.

For the year ended 31 December 2017

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

For the year ended 31 December 2017, the shares were cancelled upon repurchase.

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

39. Deferred Taxation

The following is the analysis of the deferred tax assets (liabilities), after set off certain deferred tax assets against deferred tax liabilities of the same taxable entity, for financial reporting purposes:

	2018 **RMB'000**	2017 RMB'000
Deferred tax assets	**45,728**	45,375
Deferred tax liabilities	**(23,141)**	(36,570)
	22,587	8,805

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

	Allowances on trade and other receivables RMB'000	**Revaluation of property, plant and equipment** RMB'000	**Undistributable profits of subsidiaries** RMB'000	**Government grant** RMB'000	**Others** RMB'000	**Total** RMB'000
At 1 January 2017	17,099	(29,446)	(4,117)	13,172	5,214	1,922
Disposal of a subsidiary (note 41(c))	–	–	–	–	(1,695)	(1,695)
Credit to profit or loss	6,408	8,744	–	5,177	–	20,329
Charge to other comprehensive income	–	(11,751)	–	–	–	(11,751)
At 31 December 2017	23,507	(32,453)	(4,117)	18,349	3,519	8,805
Disposal of subsidiaries (note 41(a))	–	26,642	–	–	(71)	26,571
Credit (charge) to profit or loss	–	(4,258)	–	(1,226)	1,678	(3,806)
Charge to other comprehensive income	–	(8,983)	–	–	–	(8,983)
At 31 December 2018	**23,507**	**(19,052)**	**(4,117)**	**17,123**	**5,126**	**22,587**

As at 31 December 2018, no deferred tax asset has been recognised on the tax losses of approximately RMB891,127,000 (2017: RMB869,611,000) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately RMB533,619,000 (31 December 2017: RMB512,103,000) that will be expired within next five years. Other losses may be carried forward indefinitely.

39. Deferred Taxation (Continued)

Under the EIT law, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to approximately RMB1,290,683,000 (31 December 2017: RMB783,961,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

40. Deferred Government Grants

	RMB'000
At 1 January 2017	173,204
Additions	24,904
Amortisation during the year	(4,905)
At 31 December 2017	193,203
Amortisation during the year	(4,905)
At 31 December 2018	**188,298**

The Group received government grants towards the Group's investment in a land use right and related production facilities to be constructed in areas located in the development zone of Harbin, Qinghuangdao and Hangzhou, the PRC. The amounts have been treated as deferred income and transferred to income over the useful lives of the related assets ranging from 20 to 50 years. This policy has resulted in a credit to other income in the current year of approximately RMB4,905,000 for both years.

During the year ended 31 December 2017, government grants of approximately RMB24,904,000 were obtained. As certain production facilities are not in use which cannot fulfill the conditions of the government grant, no amortisation of the deferred government related to those production facilities was recognised for both years.

41. Disposal of Subsidiaries and Deemed Disposal of Interest in an Associate

(a) Disposal of Zhuhai Coslight Power Company Ltd.

In December 2018, the Group entered into an agreement with a former associate of the Group, Zhuhai Coslight Battery Company Ltd. to dispose of 100% equity interest in a subsidiary, namely Zhuhai Coslight Power Company Ltd. ("Zhuhai Coslight Power") and the related shareholders' loans at an aggregate cash consideration of RMB236 million. Zhuhai Coslight Power held an investment property located in Zhuahi, the PRC and engaged in manufacturing and sales of lithium-ion batteries. The transaction was completed on 29 December 2018. Details are disclosed in the Group's announcement dated 3 September 2018.

The assets and liabilities of Zhuhai Coslight Power as at the date of disposal were as follow:

	29/12/2018 RMB'000
Property, plant and equipment	52,610
Investment property	178,000
Prepaid lease payments – Non current portion	1,284
Inventories	33,132
Trade and other receivables	34,512
Prepaid lease payments – Current portion	39
Amounts due from related companies	60
Bank balances and cash	238
Trade and other payables	(104,983)
Amount due to the group companies	(161,661)
Deferred tax liabilities	(26,571)
Net assets disposed of	6,660
Gain on disposal of a subsidiary:	
Consideration received/receivable	236,000
Shareholders' loans assigned of	(161,661)
Net assets disposal of	(6,660)
Gain on disposal of a subsidiary	67,679
Less: tax payable	(28,637)
Net gain on disposal	39,042

41. Disposal of Subsidiaries and Deemed Disposal of Interest in an Associate (Continued)

(a) Disposal of Zhuhai Coslight Power Company Ltd. (Continued)

	29/12/2018 RMB'000
Net cash inflow arising on disposal:	
Cash consideration received	200,000
Less: Bank balances and cash disposal of	(238)
	199,762

During the year ended 2018, Zhuhai Coslight Power contributed approximately RMB71,728,000 of revenue and RMB8,560,000 of loss to the Group. It also contributed approximately RMB33,000 to the Group's net cash flow.

(b) Disposal of a subsidiary in 2018

On 30 November 2018, the Group entered a sale and purchase agreement with a former associate of the Group, Zhuhai Coslight Battery, to dispose of 100% equity interest of 珠海光宇新能源科技有限公司 ("珠海光宇新能源"), an indirectly non wholly owned subsidiary of the Company to Zhuihai Coslight Battery at cash consideration of RMB1,500,000. The subsidiary is engaged in sale of batteries. The transaction was completed on 25 December 2018. Details are disclosed in the Group's announcement dated 8 March 2019.

Analysis of asset and liabilities of 珠海光宇新能源:

	25/12/2018 RMB'000
Property, plant and equipment	272
Inventories	15
Trade and other receivables	39,499
Bank balances and cash	1,173
Trade and other payables	(27,587)
Tax payables	(148)
Net assets disposed of	13,224

41. Disposal of Subsidiaries and Deemed Disposal of Interest in an Associate (Continued)

(b) Disposal of a subsidiary in 2018 (Continued)

Loss on disposal of a subsidiary	RMB'000
Cash consideration receivable	1,500
Less: Net assets disposal of	(13,224)
	(11,724)

Net cash outflow arising on disposal	RMB'000
Bank balances and cash disposal of	1,173

The consideration was fully settled in January 2019.

During the year, the company contributed approximately RMB382,000,000 of revenue and approximately RMB4 million of profit to the Group. It also contributed approximately RMB205,000 to the Group's net cash flows.

(c) Disposal of a subsidiary in 2017

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

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

* English name is for identification only.

41. Disposal of Subsidiaries and Deemed Disposal of Interest in an Associate (Continued)

(d) Deemed disposal of interest in an associate in 2017

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

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

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

For the year ended 31 December 2017

Consideration received:	RMB'000
Cash received	726,240

41. Disposal of Subsidiaries and Deemed Disposal of Interest in an Associate (Continued)

(d) Deemed disposal of interest in an associate in 2017 (Continued)

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

41. Disposal of Subsidiaries and Deemed Disposal of Interest in an Associate (Continued)

(d) Deemed disposal of interest in an associate in 2017 (Continued)

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

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

41. Disposal of Subsidiaries and Deemed Disposal of Interest in an Associate (Continued)

(d) Deemed disposal of interest in an associate in 2017 (Continued)

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

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

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

42. Related Party Transactions

Except for the related party information disclosed elsewhere in the consolidated financial statements, the following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties during the years ended 31 December 2018 and 2017.

The transactions with related parties are carried out on pricing and settlement terms agreed with counter parties in the ordinary course of business.

(a) Related parties' transactions

Nature of transaction	2018 RMB'000	2017 RMB'000
Rental income from Zhuhai Coslight Battery*	**3,393**	3,599
Sales of finished goods to Shenyang Dongbei*	**119,669**	89,415
Purchase of raw materials from Shenyang Dongbei*	**100,877**	73,649
Provision of online game services to Tianjin Qixin**	**40,046**	11,294
Provision of online game services to Beijing Coslight Online**	**175,186**	189,647

* Associates of the Group

** Entities controlled by immediate family member of the director of the Group

42. Related Party Transactions (Continued)

(b) Emoluments of key management personnel

	2018 RMB'000	2017 RMB'000
Short-term benefits	**1,836**	1,932
Post-employment benefits	**24**	24
	1,860	1,956

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

43. Retirement Benefit Plans

Defined contribution plans

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

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

The total expense recognised in profit or loss of approximately RMB74,705,000 (2017: RMB77,751,000) represents contributions payable to these schemes by the Group in respect of the current accounting period.

44. Pledge Of Assets

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

(i) certain of the Group's prepaid lease payments with an aggregate carrying value of approximately RMB64,088,000 (2017: RMB53,743,000);

(ii) certain of the Group's property, plant and equipment with an aggregate carrying value of approximately RMB715,524,000 (2017: RMB631,600,000);

(iii) certain of trade receivables with an aggregate amount of approximately RMB34,256,000 (2017: RMB39,877,000); and

(iv) pledged bank deposits with an aggregate amount of approximately RMB317,954,000 (2017: RMB465,145,000).

45. Major Non-Cash Transaction

During the year ended 31 December 2018, the Group had settled finance lease payment with the deposits for finance lease amounting to approximately RMB45,052,000.

During the year ended 31 December 2017, the Group entered into finance lease arrangements in respect of certain plant and equipment with a total capital value at the inception of the leases of approximately RMB126,528,000.

46. Operating Leases

The Group as lessee

The Group leases various offices, warehouses and residential properties under non-cancellable operating lease agreements. At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2018 **RMB'000**	2017 RMB'000
Within one year	**11,914**	13,429
In the second to fifth year inclusive	**33,707**	36,267
Over five years	**13,782**	–
	59,403	49,696

Leases are negotiated for a term of one to seven years (2017: one to five years) and rentals are fixed during the lease period.

46. Operating Leases (Continued)

The Group as lessor

Property rental income earned during the year is approximately RMB10,766,000 (2017: RMB3,599,000). The investment property is expected to generate rental yield of 5.1% (2017: 5.2%) on an ongoing basis. The investment property held has committed a tenant for 3 month period.

The related property was disposed through disposal of a subsidiary (note 41(a)) during the year. Thus, there is no commitment for the Group as 31 December 2018.

47. Capital Commitments

	2018 **RMB'000**	2017 RMB'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
Acquisition of property, plant and equipment	**5,480**	13,086
Acquisition of additional equity interest in a subsidiary	**69,230**	–
	74,710	13,086

48. Contingent Liabilities

The Group has issued guarantees in respect of finance lease amounting to RMB620,377,000 (2017:RMB786,800,000) and banking facilities amounting to RMB154,000,000 (2017: Nil) granted to an independent third party, a former associate of the Group, and an associate respectively. The valuer, Jones Lang, has assessed the fair values of the financial guarantees of the Group and the directors of the Company concluded that the effect is insignificant.

As at 31 December 2017, an independent third party provided a counter-guarantee of banking facilities granted to the Group to the extent of RMB20,000,000. As at 31 December 2018, the guarantee has been released during the year.

49. Reconciliation of Liabilities Arising from Financing Activities

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

			Non-cash changes		
	1/1/2018	**Financing cash flows**	**Amortisation**	**Offset with deposit paid for finance leases**	**31/12/2018**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Bank borrowings	1,451,203	(368,426)	–	–	1,082,777
Deferred government grants	193,203	–	(4,905)	–	188,298
Obligations under finance leases	168,508	(78,161)	–	(45,052)	45,295
Amounts due to related companies	380,567	32,549	–	–	413,116
Amounts due to directors	2,660	174	–	–	2,834
Amounts due to associates	652,159	(254,363)	–	–	397,796
Amounts due to non-controlling interests	1,475	(199)	–	–	1,276

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

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

	Note	2018 RMB'000	2017 RMB'000
Non-current asset			
Investments in subsidiaries		**204,890**	204,890
Current assets			
Other receivables		**143**	207
Amounts due from subsidiaries		**69,702**	66,187
Bank balances and cash		**8**	8,292
		69,853	74,686
Current liabilities			
Other payables		**11,210**	9,131
Amounts due to subsidiaries		**132,366**	108,220
Amounts due to related companies		**3,940**	6,864
Amounts due to directors		**1,488**	1,413
		149,004	125,628
Net current liabilities		**(79,151)**	(50,942)
Total assets less current liabilities		**125,739**	153,948
Capital and reserves			
Share capital	38	**40,254**	41,012
Share premium		**54,820**	73,177
Special reserve	(a)	**227,226**	227,226
Accumulated losses		**(196,561)**	(187,467)
		125,739	153,948

Note a: The special reserve represents the difference between the nominal value of the share capital of the subsidiaries acquired and the nominal amount of the share capital issued for their acquisition and the amount transferred from share premium accounts.

51. Particulars of Principal Subsidiaries of the Company

Details of the Company's subsidiaries as at 31 December 2018 and 2017 are as follows:

Name of subsidiary	Forms of legal entity	Place of incorporation or registration/ operation	Issued and fully paid share capital/ registered capital	Proportion of ownership interest and voting power held by the Company				Principal activities
				Direct		Indirect		
				2018	2017	**2018**	2017	
Coslight Hong Kong Limited	Private limited company	Hong Kong	HK$400,000	**100%**	100%	**–**	–	Investment holding
Coslight International (B.V.I.) Company Limited	Private limited company	British Virgin Island/Hong Kong	US$50,000	**100%**	100%	**–**	–	Investment holding
光宇國際有限公司 Coslight International Company Limited	Private limited company	Hong Kong	HK$2	**–**	–	**100%**	100%	Provision of management services for the Group
Harbin Coslight Power	Joint stock limited company	PRC	RMB279,811,070	**–**	–	**89.62%**	89.62%	Manufacture and sale of lithium-ion batteries and sealed lead acid batteries and its accessories
哈爾濱光宇蓄電池股份有限公司 Harbin Coslight Storage Battery Company Limited*	Joint stock limited company	PRC	RMB640,190,000	**–**	–	**97.35%**	97.35%	Manufacture and sale of sealed lead acid batteries
哈爾濱光宇電氣自動化有限公司 Harbin Coslight Electric Automation Company Limited*	Sino-foreign equity joint venture	PRC	RMB20,000,000	**16.20%**	16.20%	**59.45%**	59.45%	Manufacture of electricity control devices

* The English translation is for identification purposes only.

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

Name of subsidiary	Forms of legal entity	Place of incorporation or registration/ operation	Issued and fully paid share capital/ registered capital	Proportion of ownership interest and voting power held by the Company Direct 2018	Direct 2017	Indirect 2018	Indirect 2017	Principal activities
西藏昌都光宇利民藥業有限責任公司 Tibet Changdu Guangyu Limin Pharmaceutical Company Limited*	Domestic equity joint venture	PRC	RMB6,600,000	–	–	**77.88%**	77.88%	Manufacture of pharmaceutical products
哈爾濱光宇開關有限公司 Harbin Coslight Switch Company Limited *	Wholly-owned foreign enterprise	PRC	RMB2,000,000	–	–	**100%**	100%	Manufacture of high and low voltage switch
深圳市力可興電池有限公司 Lexel Battery (Shenzhen) Company Limited*	Sino-foreign equity joint venture	PRC	RMB10,000,000	–	–	**68.15%**	68.15%	Manufacture and sale of small-size and sealed rechargeable nickel batteries
延邊光宇電池有限責任公司 Yanbian Guangyu Battery Company Limited*	Domestic equity joint venture	PRC	RMB500,000	–	–	**97.29%**	97.29%	Manufacture and sale of automobile batteries
哈爾濱光宇電子有限公司 Harbin Coslight Electronics Company Limited*	Wholly-owned foreign enterprise	PRC	RMB50,000,000	–	–	**92.94%**	92.94%	Manufacture and sales of lead-acid battery for fueling electronic bicycles

* The English translation is for identification purposes only.

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

Name of subsidiary	Forms of legal entity	Place of incorporation or registration/ operation	Issued and fully paid share capital/ registered capital	Proportion of ownership interest and voting power held by the Company Direct 2018	Direct 2017	Indirect 2018	Indirect 2017	Principal activities
Coslight Newgen Limited	Private limited company	Russia	RUB1,000,000	–	–	**56.46%**	56.46%	Trading of sealed lead acid batteries
珠海科斯特電源有限公司 Zhuhai Coslight Power Company Limited* (note)	Sino-foreign equity joint venture	PRC	RMB61,545,000	–	35.44%	–	62.85%	Manufacture and sales of sealed lead acid batteries
HYX	Wholly-owned foreign enterprise	PRC	RMB100,000,000	–	–	**97.35%**	97.35%	Manufacture and sales of passengers coach
Coslight India Telecom Private Limited	Private limited company	India	INR2,249,461,120	–	–	**98.89%**	98.89%	Manufacture and sales of sealed lead acid batteries
上海睿芯微電子有限公司 Shanghai Sino-IC Microelectronics Company Limited	Sino-foreign equity joint venture	PRC	RMB2,400,000	–	–	**75%**	75%	Manufacture and sales of battery products
Qinhuangdao Jincheng	Wholly-owned foreign enterprise	PRC	RMB91,860,000	–	–	**97.35%**	97.35%	Manufacture and sales of passengers coach

* The English translation is for identification purposes only.

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

Note: The subsidiary has been disposed of during the year ended 31 December 2018. Details refer to note 41(a).

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

At the end of the reporting period, the Company has other subsidiaries that are not material to the Group. A majority of these subsidiaries engage in manufacture and trading of batteries and automobile, investment holding and inactive. The aggregation shown below based on the geographical location and nature of business. A summary of these subsidiaries are set out as follows:

Principal activities	Place of incorporation or registration/operation	Number of subsidiaries	
		2018	2017
Investment holding	Hong Kong	**7**	7
Manufacture and trading of batteries	PRC	**7**	7
	India	**2**	2
Manufacture and trading of automobile	PRC	**3**	3
Online game & platform development	PRC	**3**	2
Inactive	PRC	**12**	12

None of the subsidiaries had any debt securities outstanding at the end of both years or during both years.

In the opinion of the directors of the Group, non-controlling interests are immaterial to be disclosed for both years.

52. Comparative figures

Certain comparative figures have been restated to conform to the presentation of the current year: Impairment loss recognised on trade and other receivables of approximately RMB39,854,000 which had previously been recorded under "Administrative and other operating expense" in the consolidated financial statements for the year ended 31 December 2017, was restated to "Impairment loss recognised". As there was no effect to the consolidated statement of financial position as at 1 January 2018 and thus not presented.

Consolidated Statement of Profit or Loss

	For the year ended 31 December				
	2014 RMB'000	2015 RMB'000	2016 RMB'000	2017 RMB'000	**2018 RMB'000**
Revenue	3,530,664	4,101,669	4,831,268	3,713,493	**3,196,379**
Cost of sales	(3,161,830)	(3,515,676)	(3,989,254)	(3,166,487)	**(2,599,670)**
Gross profit	368,834	585,993	842,014	547,006	**596,709**
Other income	48,846	105,621	97,907	55,809	**93,612**
(Loss) gain on disposal of subsidiaries	114,963	(3,725)	–	514,858	**27,318**
Gain on disposal of an associate	–	–	–	–	**175,192**
Distribution and selling expenses	(121,977)	(111,579)	(110,664)	(98,709)	**(71,406)**
Administrative and other operating expenses	(377,648)	(411,164)	(535,290)	(386,421)	**(380,860)**
Finance costs	(108,027)	(126,720)	(141,473)	(144,082)	**(88,719)**
Impairment loss recognised on amount due from an associate	(3,055)	(25,957)	–	(227,217)	**(164,767)**
Change in fair value of an investment property	–	–	–	(1,116)	**14,475**
Share of results of associates	135,692	72,578	75,000	32,002	**58,932**
Profit (loss) before tax	57,628	85,047	227,494	292,130	**260,486**
Income tax expense	(29,295)	(68,311)	(68,563)	(14,218)	**(35,215)**
Profit (loss) for the year	28,333	16,736	158,931	277,912	**225,271**
Attributable to:					
Owners of the Company	32,154	5,232	139,883	235,403	**199,769**
Non-controlling interests	(3,821)	11,504	19,048	42,509	**25,502**
	28,333	16,736	158,931	277,912	**225,271**

Financial Summary

Consolidated Statement of Financial Position

	At 31 December				
	2014 RMB'000	2015 RMB'000	2016 RMB'000	2017 RMB'000	**2018** **RMB'000**
Total assets	6,361,474	7,350,118	8,664,304	7,711,650	**7,178,243**
Total liabilities	(4,482,302)	(5,369,004)	(6,514,685)	(5,250,876)	**(4,692,983)**
Total equity	1,879,172	1,981,114	2,149,619	2,460,774	**2,485,260**
Non-controlling interests	(67,393)	(162,367)	(184,198)	(175,524)	**(202,202)**
Equity attributable to owners of the Company	1,811,779	1,818,747	1,965,421	2,285,250	**2,283,058**