THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about this circular or as to the action to be taken, you should consult your stockbroker, or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Coslight Technology International Group Limited, you should at once hand this circular to the purchaser or the transferee or the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission.

COSLIGHT

COSLIGHT TECHNOLOGY INTERNATIONAL GROUP LIMITED

光宇國際集團科技有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1043)

(1) VERY SUBSTANTIAL DISPOSAL IN RELATION TO THE DISPOSAL OF ENTIRE EQUITY INTERESTS IN THE TARGET COMPANY AND (2) NOTICE OF SPECIAL GENERAL MEETING

A notice convening the SGM to be held at Room 2501-2502, COSCO Tower, 181-183 Queen's Road Central, Hong Kong on Wednesday, 18 March 2020 at 3:00 p.m. is set out on pages SGM-1 to SGM-2 of this circular.

Whether or not you are able to attend and vote at the SGM in person or any adjournment thereof (as the case may be), you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's Hong Kong branch share registrar, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not later than 48 hours (excluding any part that a day is a public holiday) before the time appointed for holding the SGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish and in such event, the form of proxy shall be deemed to be revoked.

Hong Kong, 28 February 2020

* *For identification purpose only*

CONTENTS

In this circular, unless the context otherwise requires, the following words and expressions have the following meanings ascribed to them respectively:

"Agreements"	the Investment Agreement and the Supplemental Agreements
"Announcements"	the announcements of the Company dated 20 December 2019, 14 January 2020 and 24 February 2020 in relation to, among others, the Proposed Disposal
"Assets"	certain tangible and intangible assets (such as storage lithium batteries related trademarks, patents, proprietary technologies and results of research and development), business resources (such as existing relationships with customers, suppliers, and sales networks) and human resources (including members of mid-senior management employees and other executives), which mainly form part of the storage lithium batteries business of the Businesses that have been injected into Harbin Coslight New Energy on 31 July 2019
"Board"	the board of Directors
"Businesses"	the businesses of manufacturing, research and development and sales of storage lithium batteries and nickel batteries which belong to the "lithium-ion batteries" segment and the "nickel batteries" segment of the Group, respectively
"Business Day(s)"	any day (excluding a Saturday, Sunday and public holiday) on which banks in the PRC are generally open for business throughout their normal business hours
"Company"	Coslight Technology International Group Company Limited (光宇國際集團科技有限公司*), a limited company incorporated in Bermuda with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange
"Conditions"	the conditions precedent to the Proposed Disposal as set out in the sub-section headed "Conditions Precedent" in this circular
"connected person(s)"	has the same meaning ascribed to it in the Listing Rules

"Consideration"	the total consideration in the sum of RMB860 million for the Proposed Disposal as contemplated under the Agreements
"Director(s)"	the director(s) of the Company
"Dongying Kunyu Business Administration"	東營昆宇企業管理有限公司 (Dongying Kunyu Business Administration Company Limited*), a limited liability company established under the laws of the PRC and is wholly owned by Mr. Shan Hui
"Group"	the Company and its subsidiaries
"Harbin Coslight New Energy"	哈爾濱光宇新能源有限公司 (Harbin Coslight New Energy Company Limited*), a limited liability company newly established by the Group under the laws of the PRC for the purpose of holding the Assets
"Harbin Coslight Storage Battery"	哈爾濱光宇蓄電池股份有限公司 (Harbin Coslight Storage Battery Company Limited*), a joint stock limited company established under the laws of the PRC and an indirect 97.35%-owned subsidiary of the Company
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Third Party(ies)"	any person or company and their respective ultimate beneficial owner(s), to the best knowledge, information and belief of the Directors and having made all reasonable enquiries, are third parties independent of the Company and its connected persons
"Initial Disposal"	the initial disposal of the 90% equity interests of the Target Company by the Vendor to the Purchaser pursuant to the terms of the Agreements
"Investment Agreement"	the agreement dated 20 December 2019 entered into between the Vendor (a non-wholly owned subsidiary of the Company) and Kunyu (Dongying) (the original purchaser) in relation to, *inter alia*, the Proposed Disposal

"Kunyu (Dongying)"	昆宇(東營)股權投資合夥企業(有限合夥)(Kunyu (Dongying) Equity Investment Partnership (Limited Partnership)*), a limited liability partnership established in the PRC which is ultimately beneficially controlled by Mr. Shan Hui (單輝先生)
"Lexel Battery (Shenzhen)"	深圳市力可興電池有限公司 (Lexel Battery (Shenzhen) Company Limited*), a limited liability company established under the laws of the PRC
"Latest Practicable Date"	25 February 2020, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"PRC"	the People's Republic of China
"Proposed Disposal"	the proposed disposal of the entire equity interests in the Target Company pursuant to the terms of the Agreements
"Purchaser" or "Dongying Kunyu New Energy"	東營昆宇新能源科技有限公司 (Dongying Kunyu New Energy Technology Company Limited*), a limited liability company established under the laws of the PRC, being the purchaser designated by Kunyu (Dongying) pursuant to the Agreements, which is beneficially owned by Kunyu (Dongying) as to approximately 56.37%, 東營盛聯新動能股權投資基金合夥企業(有限合夥)(Dongying Shenglian New Kinetic Energy Equity Investment Partnership (Limited Partnership)*) as to approximately 43.61% and Dongying Kunyu Business Administration as to approximately 0.02%, respectively
"Remaining Group"	the Company and its subsidiaries after completion of the Proposed Disposal
"Reorganisation"	the implementation of the transactions and actions required to transfer the Businesses to the Target Group in accordance with the terms of the Agreements as described in the sub-section headed "Reorganisation" in this circular
"RMB"	Renminbi, the lawful currency of the PRC

"SFO"	Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"SGM"	the special general meeting of the Company to be convened and held to consider and, if thought fit, to approve, among other things, the Proposed Disposal contemplated under the Agreements
"Share(s)"	ordinary share(s) of HK$0.10 each in the issued share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Shenzhen Coslight Power"	深圳光宇電源科技有限公司 (Shenzhen Coslight Power Technology Company Limited*), a limited liability company established under the laws of the PRC
"SLA"	sealed-lead acid
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supplemental Agreements"	the Supplemental Agreement, the Supplemental Agreement 1 and the Supplemental Agreement 2
"Supplemental Agreement"	the agreement dated 20 December 2019 entered into amongst the Vendor (a non-wholly owned subsidiary of the Company), Kunyu (Dongying) (a party to the Investment Agreement), the Purchaser (a company controlled by Kunyu (Dongying)) and Harbin Coslight Storage Battery (an indirect 97.35%-owned subsidiary of the Company) to amend certain terms of the Investment Agreement
"Supplemental Agreement 1"	the agreement dated 24 February 2020 entered into amongst the Vendor (a non-wholly owned subsidiary of the Company), Kunyu (Dongying) (a party to the Investment Agreement) and the Purchaser (a company controlled by Kunyu (Dongying)) to further amend terms of the Investment Agreement relating to the payment terms of the Consideration

"Supplemental Agreement 2"	the agreement dated 24 February 2020 entered into amongst the Vendor (a non-wholly owned subsidiary of the Company), Kunyu (Dongying) (a party to the Investment Agreement) and the Purchaser (a company controlled by Kunyu (Dongying)) to further amend certain terms of the Investment Agreement relating to the addition of specified time period for the non-compete undertaking and the use of the name of "Coslight" after completion of the Initial Disposal
"Target Company"	東營昆宇電源科技有限公司 (Dongying Kunyu Energy Technology Company Limited*), a limited liability company newly established under the laws of the PRC as the holding company of the Target Group
"Target Group"	the Target Company, Harbin Coslight New Energy, Shenzhen Coslight Power and Lexel Battery (Shenzhen)
"Vendor" or "Harbin Coslight Power"	哈爾濱光宇電源股份有限公司 (Harbin Coslight Power Company Limited*), a joint stock limited company established in the PRC and an indirect non-wholly owned subsidiary of the Company, being the vendor under the Agreements
"Zhuhai Coslight Battery"	珠海光宇電池有限公司 Zhuhai Coslight Battery Company Limited*, a limited company established in the PRC
"Zhuhai Coslight Power"	珠海科斯特電源有限公司 Zhuhai Coslight Power Company Limited*, a sino-foreign equity joint venture established in the PRC with limited liability and a company wholly-owned by Zhuhai Coslight Battery
"%"	per cent

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COSLIGHT TECHNOLOGY INTERNATIONAL GROUP LIMITED
光宇國際集團科技有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1043)

Executive Directors:	*Registered Office:*
Mr. SONG Dian Quan	Clarendon House
Ms. LUO Ming Hua	2 Church Street
Mr. LI Ke Xue	Hamilton HM 11
Mr. XING Kai	Bermuda
Mr. ZHANG Li Ming	
Mr. LIU Xing Quan	*Head office and principal place of business:*
Independent Non-executive Directors:	Rooms 2501-2502
Mr. GAO Yun Zhi	COSCO Tower
Mr. LI Zeng Lin	181-183 Queen's Road Central
Ms. ZHU Yan Ling	Hong Kong

28 February 2020

To the Shareholders

Dear Sir and Madam,

VERY SUBSTANTIAL DISPOSAL IN RELATION TO THE DISPOSAL OF ENTIRE EQUITY INTERESTS IN THE TARGET COMPANY

I. INTRODUCTION

Reference is made to the Announcements. The primary purpose of this circular is to provide you with, among other things, (i) further details of the Proposed Disposal; (ii) the financial information of the Group and the Target Group; (iii) the unaudited pro forma information of the Remaining Group; and (iv) the notice convening the SGM.

* *For identification purpose only*

II. THE AGREEMENTS

Principal terms

Date

20 December 2019 (Investment Agreement and Supplemental Agreement)

24 February 2020 (Supplemental Agreement 1 and Supplemental Agreement 2)

Parties to the Investment Agreement

1. Harbin Coslight Power, a joint stock limited company established in the PRC, is principally engaged in the manufacture and sales of lithium-ion batteries and its accessories. It is an indirect 89.92%-owned subsidiary of the Company, as the Vendor; and

2. Kunyu (Dongying), a limited liability partnership established in the PRC which is ultimately beneficially owned by Mr. Shan Hui (單輝先生) as to 44.87%, Mr. Wu Peng (吳鵬) as to 15.99%, Mr. Song Bai (宋柏) as to 13.99%, Mr. Liu Rong (劉榮) as to 8.00%, Mr. Liu Tie Jian (劉鐵建) as to 4.00%, Mr. Wu Zheng Shu (吳正書) as to 2.00%, Mr. Qin Dong Nian (秦東年) as to 2.00%, Mr. Wang Xing Chun (王興春) as to 1.60%, Mr. Zhang Li Hui (張立輝) as to 1.23%, Mr. Sun Zhang Liang (孫長亮) as to 0.80%, Mr. Zhang Xing Long (張興隆) as to 0.80%, Mr. Ren Yong Feng (任永鋒) as to 0.80%, Mr. Pu Hai Dong (朴海東) as to 0.80%, Mr. Wang Hai Peng (汪海澎) as to 0.60%, Mr. Yang Li (楊鸝) as to 0.40%, Mr. Li Jun Yi (李君毅) as to 0.40%, Mr. Ning Xiao Dong (寧曉東) as to 0.32%, Mr. Zhao Jin Long (趙金龍) as to 0.20%, Mr. Wang Hong Bo (王洪波) as to 0.20%, Mr. Wang Zhi Gang (王指剛) as to 0.20%, Mr. Peng Hao (彭浩) as to 0.20%, Mr. Li Yu Cheng (李玉成) as to 0.20%, Mr. Ma Nan (馬南) as to 0.16%, Mr. Wang Jie (王杰) as to 0.12%, Mr. Pan Shuang (潘爽) as to 0.08% and Mr. Qiu Zhi Peng (丘志鵬) as to 0.04%, is principally engaged in the management of equity investment funds, equity management consultancy services, and corporate governance consultancy services, as the original purchaser.

Parties to the Supplemental Agreement

1. Harbin Coslight Power;

2. Kunyu (Dongying);

3. Dongying Kunyu New Energy, a limited liability company established in the PRC and is controlled by Kunyu (Dongying), is principally engaged in investment management, as the Purchaser designated by Kunyu (Dongying); and

4. Harbin Coslight Storage Battery, a joint stock limited company established in the PRC, is principally engaged in the manufacture and sales of SLA batteries. It is an indirect 97.35%-owned subsidiary of the Company, as the corporate guarantor.

Parties to the Supplemental Agreement 1 and Supplemental Agreement 2

1. Harbin Coslight Power;

2. Kunyu (Dongying); and

3. Dongying Kunyu New Energy.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the Latest Practicable Date, save that (i) the Purchaser was a company ultimately controlled by Mr. Shan Hui who was a former director of Coslight India Telecom Private Limited (a wholly-owned insignificant subsidiary (as defined under the Listing Rules) of the Company) prior to 15 June 2019; (ii) the minority shareholders of Kunyu (Dongying), namely Mr. Song Bai, Mr. Zhang Li Hui, Mr. Qin Dong Nian, Mr. Ning Xiao Dong, Mr. Wang Zhi Gang, Mr. Wu Zheng Shu, Mr. Wang Xing Chun, Mr. Sun Zhang Liang, Mr. Zhang Xing Long, Mr. Pu Hai Dong, Mr. Yang Li, Mr. Zhao Jin Long, Mr. Wang Hong Bo, Mr. Peng Hao, Mr. Li Yu Cheng, Mr. Ma Nan and Mr. Qiu Zhi Peng, each of them is an employee of the Group who were part of the Assets (i.e. human resources) transferred to the Target Group as part of the Reorganisation, the Purchaser together with its ultimate beneficial owner(s) were Independent Third Parties.

Assets to be Disposed of

The entire equity interests in the Target Company, of which 90% of the equity interests of the Target Company shall be disposed of under the Initial Disposal as soon as practicable once the Conditions are fulfilled and the remaining 10% of the equity interests of the Target Company shall be disposed of within two years from the date of the Investment Agreement.

Consideration and Payment Terms

The Consideration payable by the Purchaser to the Vendor shall be an aggregate of RMB 860 million, of which the consideration for the 90% and 10% of the equity interests of the Target Company shall be RMB774 million and RMB86 million, respectively. The consideration for the Initial Disposal shall be payable by the Purchaser to the Vendor in accordance with the schedule below:

(i) RMB387 million, being 50% of the consideration for the Initial Disposal, shall be payable by no later than 31 December 2019, of which RMB25 million had been paid to the Vendor as deposit (the "**Deposit**") for the Proposed Disposal and RMB30 million had been advanced to the Vendor as an interest free loan, respectively, shall both be applied as part of the Consideration;

(ii) RMB20 million shall be payable by no later than 31 January 2020;

(iii) RMB150 million shall be payable by no later than 29 February 2020;

(iv) RMB100 million shall be payable by no later than 31 March 2020; and

(v) the remaining consideration for the Initial Disposal (being RMB117 million) shall be payable by no later than 30 April 2020.

As at the Latest Practicable Date, an aggregate of RMB438.3 million had been paid to the Vendor.

The consideration for the remaining 10% of the equity interests of the Target Company of RMB86 million shall be payable to the Vendor within a period of two years from the date of the Investment Agreement.

The Consideration was negotiated and determined after arm's length negotiation between the parties with reference to various factors, including, *inter alia*, (i) the historical financial position and performance of the Businesses to be injected into the Target Group; (ii) the reasons and benefits to be derived by the Group from the Proposed Disposal as set out in the section headed "Reasons for and Benefits of the Proposed Disposal" below; and (iii) the non-compete undertaking (details of which are set out in the section headed "Non-compete Undertaking" below) required to be provided by the Group. Each of the factors mentioned above are equally weighted in determination of the Consideration.

While the factors which the Purchaser had taken into account when determining the amount of the Consideration to offer as well as the reason for the substantial premium over the net asset value of Target Group were not revealed to the Vendor, taking into account the above factors, the fact that the Consideration of RMB860 million represents a considerable amount of premium of approximately RMB771 million over the unaudited net asset value of the Target Group as at 31 October 2019 of approximately RMB89 million and also a premium of approximately RMB213 million over the fair value of the Target Group of approximately RMB647 million, the Directors are of the view that the Consideration offered by the Purchaser is acceptable and financially rewarding to the Group, and is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

Conditions Precedent

Completion of the Proposed Disposal is conditional upon the fulfilment of the following Conditions:

(i) the approval from the Shareholders at the SGM approving the Agreements and the transactions contemplated thereunder as required by the Listing Rules (if applicable); and

(ii) the completion of the Reorganisation.

As at the Latest Practicable Date, item (ii) above had been completed.

Completion

Upon fulfilment of the Conditions and the payment of the consideration for the Initial Disposal, the Vendor shall transfer 90% of the equity interests of the Target Company to the Purchaser as soon as practicable and file for the transfer of title to the Purchaser with the relevant PRC government authority.

Within two years from the date of the Investment Agreement, at the request of the Purchaser, the Vendor shall further transfer the remaining 10% of the equity interests in the Target Company to the Purchaser. The splitting arrangement was a term incorporated in the 1st draft of the Investment Agreement circulated by the Purchaser and the Company did not have strong rejection to that taking into account that (i) the Purchaser is willing to pay up to 50% of the consideration for the Initial Disposal to the Vendor on or before 31 December 2019 prior to the completion of the Initial Disposal; (ii) the splitting arrangement is better than a deferred payment arrangement as the Group will still be the legal and beneficial owner of the 10% equity interests of the Target Group prior to receipt of the payment of the consideration; and (iii) the Purchaser is bound to acquire the 10% equity interests of the Target Group within the scheduled two-year period.

If the Conditions have been fulfilled, but Completion does not take place due to the default of the Purchaser, the Vendor shall have right to forfeit the Deposit in the amount of RMB25 million; while if the Conditions have been fulfilled, but Completion does not take place due to the default of the Vendor, the Vendor shall refund a sum of RMB50 million, being the Deposit of RMB25 million together with a sum equivalent to the Deposit (for that portion as compensation) to the Purchaser.

Upon completion of the Initial Disposal, the Target Group will cease to be subsidiaries of the Company and will be owned as to 90% by the Purchaser and 10% by the Vendor, and the financial results of the Target Group will no longer be consolidated into the Group's financial statements.

Corporate Guarantee

Pursuant to the Agreements, upon completion of the Initial Disposal, Harbin Coslight Storage Battery has agreed to provide corporate guarantee in favour of the Purchaser for any liability with amount exceeding RMB5 million (per annum) arising from products sold prior to the completion of the Initial Disposal to be assumed by the Vendor.

As (i) the Directors are confident in the quality of the products sold by the Group and believe that the chance for having product claims of more than RMB5 million (per annum) is little; and (ii) the Purchaser would not have entered into the Agreements without any security or guarantee provided by the Group (which the Company has successfully bargained to merely provide the corporate guarantee under the Supplemental Agreement instead of provision of equity pledge as originally contemplated under the Investment Agreement), the Directors are of the view that it is in the interests of the Company and the Shareholders to agree to the provision of corporate guarantee.

Non-compete Undertaking

Pursuant to the Agreements, the Vendor further agreed that for a term of 10 years commencing from the date of completion of the Initial Disposal, it shall not, and shall procure its associates not to, directly or indirectly, without the prior written approval of the Purchaser:

(a) invest in any company which is engaged in any business which may be in competition with the same or similar business (storage lithium batteries business) of the Target Company and Harbin Coslight New Energy; and

(b) employ or assist to employ, any current and former employees (unless the termination of such former employees have been effected for more than a period of two years) of the Target Company and Harbin Coslight New Energy or jointly with the said employees, to engage in any business which may be in competition with the same or similar business (storage lithium batteries business) of the Target Company and Harbin Coslight New Energy.

The Purchaser has undertaken to procure that the Target Group shall not be engaged in any lithium power battery business in India for a term of 10 years commencing from the date of completion of the Initial Disposal.

The Vendor agreed to give the above non-compete undertaking because the Purchaser would not enter into the Agreements or would not agree to the Consideration without the same as such non-compete undertaking constitutes one of the key reasons why the Purchaser is willing to pay the Consideration of RMB860 million which represents a considerable amount of premium of approximately RMB771 million over the unaudited net assets value of the Target Group as at 31 October 2019 of approximately RMB89 million; and the Group does not intend to continue to engage in the Businesses after completion of the Initial Disposal. In the circumstances, the Directors are of the view that it is in the interests of the Company and the Shareholders as a whole to agree to provide such non-compete undertaking to the Purchaser.

As the Purchaser has requested the non-compete undertaking restricting the Group's engagement in the storage lithium battery business, the Vendor then made a counter proposal, and after further negotiation between the parties, it is agreed that the Target Group shall be restricted from engaging in the lithium power battery business in India for a term of 10 years commencing from the date of completion of the Initial Disposal.

The Group attaches great importance to the market in India taking into account of its substantial growth potential (i.e. India has a large area, a large population and its economic development is relatively backward). It is expected that the future market demand for lithium power batteries (electric cars and electric bicycles) will be huge, which the Board is optimistic in this market's future development. Further, the Group has developed in the Indian market for a long period of time with solid foundation, which it is keen to have the said non-compete undertaking to protect this market.

Other terms

Pursuant to the Agreements, the Vendor shall give a two-year rent-free period to Harbin Coslight New Energy for the continued use of certain plants and facilities where the storage lithium batteries business operates (with a fair value of approximately RMB4.04 million). It is expected that those plants and facilities will continue to be leased to Harbin Coslight New Energy after the two-year rent-free period, and the rental payable will be determined with reference to the then prevailing market price for similar lease arrangement and the depreciation costs of those plants and facilities.

Harbin Coslight New Energy can continue to use the name "Coslight" at nil consideration for a term of five years commencing from completion of the Initial Disposal to ensure the smooth transfer of the key customers and suppliers from the Group to Harbin Coslight New Energy. Harbin Coslight New Energy can consider changing the name after the key customers and suppliers of the Businesses have been smoothly transferred to Harbin Coslight New Energy.

The Vendor shall after completion of the Initial Disposal, transfer all the inventories (including raw materials, semi-finished products and products relating to the Businesses) at cost to Harbin Coslight New Energy.

These arrangements are all for the purpose of facilitating the smooth transfer of the Businesses as well as the key customers and suppliers of the Businesses to Harbin Coslight New Energy, which are all key to the acquisition of the Target Group by the Purchaser. As the Target Group is light in assets, it is of utmost concern of the Purchaser that the Businesses can be smoothly transferred, in particular, the key suppliers and customers attributable to the Businesses.

The fair values of both the two-year rent-free period (of approximately RMB 4.04 million) and right to use the name "Coslight" at nil consideration for a term of five years have been considered by the valuer in preparing the valuation as set out in the valuation report incorporated in Appendix IV to this circular. As the Target Group is valued by using the market approach, employing the actual operation history of the carved out business under the tradename of "Coslight", the valuation obtained thereunder has already reflected the value of using the tradename of "Coslight" in the business operations and no adjustment is required for the right of use of the tradename at nil consideration.

The Vendor agreed to the above term because the Purchaser would not enter into the Agreements or would not agree to the Consideration (which represents a considerable amount of premium of approximately RMB771 million over the unaudited net assets value of the Target Group as at 31 October 2019 of approximately RMB89 million) without the same as the smooth transfer of the Businesses under the same name "Coslight" is one of the key concerns raised by the Purchaser which the Vendor needs to address. In the circumstances, the Directors are of the view that it is in the interests of the Company and the Shareholders as a whole to agree to such terms in the Agreements.

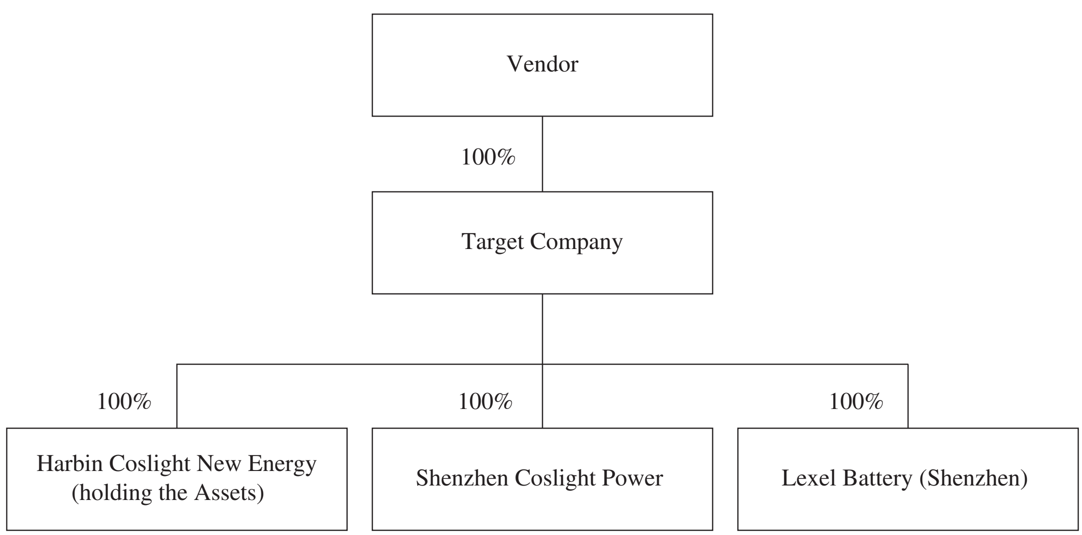
III. INFORMATION ON THE TARGET GROUP

Reorganisation

Pursuant to the Agreements, the Vendor has undertaken to procure a series of reorganisation steps under which (i) the Vendor has established the Target Company on 26 August 2019 and Harbin Coslight New Energy on 5 July 2019; and (ii) the transfer of (a) the Assets to Harbin Coslight New Energy has been completed on 31 July 2019 and (b) the entire equity interests in each of Harbin Coslight New Energy, Shenzhen Coslight Power and Lexel Battery (Shenzhen) to the Target Company has been completed on 27 November 2019.

As at the Latest Practicable Date, the Reorganisation had been completed.

Set out below is the shareholding structure of the Target Group upon completion of the Reorganisation:



The Target Group is restructured to be principally engaged in the businesses of manufacturing, research and development and sales of storage lithium batteries and nickel batteries.

Details of each members of the Target Group are set out as follows:

Target Company

The Target Company is a limited company newly established in the PRC on 26 August 2019 as the immediate holding company of the Target Group.

Harbin Coslight New Energy

Harbin Coslight New Energy is an investment holding company newly established by the Vendor in the PRC on 5 July 2019 for the purpose of holding the Assets.

Shenzhen Coslight Power

Shenzhen Coslight Power is a company established in the PRC in May 2013 and a direct wholly-owned subsidiary of the Target Company. It does not have material business activities and just provides lithium batteries processing and assembling services required by the Vendor for its storage lithium batteries business. As its operation scale is small and it is mainly engaged in provision of processing services, the financial information of Shenzhen Coslight Power was presented under the "Others" segment as at 30 June 2019.

Lexel Battery (Shenzhen)

Lexel Battery (Shenzhen) is a company established in the PRC with limited liability in October 1997 and was originally a 70%-owned subsidiary of Harbin Coslight Storage Battery (an indirect 97.35%-owned subsidary of the Company). For the purpose of the Reorganisation, the Vendor has acquired (i) the 70% equity interests of Lexel Battery (Shenzhen) from Harbin Coslight Storage Battery at a consideration of RMB21 million; and (ii) the remaining 10% and 20% equity interests of Lexel Battery (Shenzhen) from Mr. Gao Xue Feng and Harbin Coslight Group Company Limited (a company owned as to 91.66% by Mr. Song Yang (the son of Mr. Song Dian Quan, the controlling Shareholder, chairman and executive Director of the Company)), at a consideration of RMB3 million and RMB6 million, respectively, all on 25 September 2019. The Vendor then subsequently transferred the entire equity interests in Lexel Battery (Shenzhen) to the Target Company on 27 November 2019.

Lexel Battery (Shenzhen) is principally engaged in the manufacture and sale of nickel batteries. The financial information of Lexel Battery (Shenzhen) was presented under the "nickel batteries" segment as at 30 June 2019. The entire nickel batteries business forms part of the Target Group subject to the Proposed Disposal, as Lexel Battery (Shenzhen) represents the entire "nickel batteries" segment of the Group.

Despite that the non-compete undertaking does not restrict the Company to further engage/develop in the "nickel batteries" business, it is intended that the Company would not continue to engage in the nickel batteries business immediately after the Proposed Disposal taking into account the Group's nickel batteries products do not have a large market share and the low profit margin contribution to the Group from this business segment. As such, the Group does not intend to allocate resources in the "nickel batteries" business in the near future.

Financial Information of the Target Group

Set out below is the unaudited financial information of the Target Group for the years ended 31 December 2018 and 2017, the six months ended 30 June 2019, and the ten months ended 31 October 2019, respectively:

	Year ended 31 December		Six months ended 30 June	Ten months ended 31 October
	2018	**2017**	**2019**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(approximate)	*(approximate)*	*(approximate)*	*(approximate)*
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue	899,276	328,847	344,697[1]	524,075
Net (loss)/profit before taxation[2]	164,585	13,673	(6,315)	7,605
Net (loss)/profit after taxation	138,092	10,523	(6,954)	5,057

Notes:

1. As disclosed in the interim report of the Company for the six months ended 30 June 2019, the revenue of Lexel Battery (Shenzhen) (presented under "Nickel Batteries" segment), the revenue of Shenzhen Coslight Power (presented under "Others" segment) and the revenue attributable to the Assets (presented under "Lithium-ion Batteries" segment) was approximately RMB60.958 million, approximately RMB1.294 million and approximately RMB274.07 million, respectively, which in aggregate amounted to approximately RMB336.322 million, which is close to RMB344.697 million as disclosed above. The variance was due to audit adjustments (i.e. reverse of inter-segment sale elimination and cut-off adjustment).

2. The fluctuations in the Target Group's net profits/loss for the years ended 31 December 2017 and 2018, for the six months ended 30 June 2019 and for the ten months ended 31 October 2019 was principally due to change in gross margins contributed by drop in sales price of storage lithium batteries with limited reduction in production cost as well as change in proportion of sales contributed by different geographical location of customers (with different gross margins, i.e. from higher to lower – South Africa, South Korea, India and Vietnam) in these periods:

   (i) for the year ended 31 December 2017, for the purpose of expansion of its market share in Vietnam, the Group provided greater discount to new customer in Vietnam (with negative gross margin generated from this geographical location), which seriously affected the gross margin. Also, the proportion of sales contributed by customers in India decreased in 2017 which seriously affected the volume of sales and the Group was unable to enjoy the economies of scale in production resulting in a higher production cost per unit. Also, the sales price of the storage lithium batteries demonstrated a decreasing trend;

   (ii) for the year ended 31 December 2018, the sales contributed by customers in India reached record high so that the Group enjoyed the economies of scale in production resulting in a lower production cost per unit with improved gross margin when compared to the year in 2017, despite the continuous decrease in sales prices of the storage lithium batteries;

(iii) for the six months ended 30 June 2019, the sales price of the storage lithium batteries further decreased by more than approximately 20% when compared to the price in 2018, the proportion of sales contributed by customers in India decreased while the same from customers in Vietnam (with negative gross margin) increased to approximately 30% (versus approximately 16% in 2017) and increasing production costs per unit, resulting in a net loss position for this period; and

(iv) for the ten months ended 31 October 2019, there was again change in proportion of sales contributed by different geographical location of customers from the first half of 2019 and the second half of 2019. As mentioned in (iii) above the sales contributed by customers of Vietnam in the first half of 2019 represented approximately 30% but the profit margin attributed thereunder was negative; while in the second half of 2019, there was no sales contributed by customers in Vietnam, which indirectly improved the profit margin in such period.

The unaudited combined total assets and net assets of the Target Group as at 31 October 2019 were approximately RMB228 million and RMB89 million, respectively.

INFORMATION OF THE GROUP

The principal activities of the Group are the research and development, manufacture and sales of battery products and related accessories and the operation, research and development of online games. As a leading cell and battery manufacturer in the PRC, the primary product of the Group is battery, which is classified into three major categories: SLA batteries, lithium-ion batteries and nickel batteries.

- **SLA batteries and related accessories – manufacture and sale of SLA batteries and related accessories**

The Group specialized in the production of fixed-valve regulated SLA battery products which are mainly used as standby power for telephone and telecommunications exchange stations and power control stations and can also be used on electric bicycles.

Gross margin of batteries for telecommunication base stations was put under pressure due to keen competition among peers in the industry and the rise in production costs and the increase in price of the main raw materials for the production of SLA battery products. The Group has begun to transform the SLA battery production facilities and workshops in Harbin into corresponding parts and supporting facilities suitable for the production of lithium power battery to cope with the huge future demand for lithium power battery and to reduce production costs, so as to enhance the competitiveness of power battery products.

Despite the above, the manufacture and sale of SLA batteries and related accessories will still be an important business segment of the Group, due to the increasingly stringent approval process for production of SLA batteries (which nearly no new production permit will be issued by the government) and the increasing demand for batteries with high performance and quality standards and the continued emphasis on environmental protection in the manufacturing process had already adversely affected the operation of relatively small SLA batteries manufacturers and therefore offer more opportunities for established market leaders like the Group in the PRC and also in India.

- **Lithium-ion batteries – manufacture and sale of lithium-ion batteries**

Lithium-ion batteries are secondary cells which are rechargeable. It can be formed into many shapes which makes them ideal for portable consumer products items such as laptops, smartphones, etc with high energy-densities and do not require priming when first used and have a low self-discharge.

Lithium polymer battery

Lithium-ion batteries have become the core business segment of the Group since 2010, as driven by strong demand and rapid development for smartphone and tablet personal computers, in particular, cell phones lithium-ion batteries and lithium polymer batteries. Despite the continuous increase in demand for lithium polymer batteries, the profit margin narrowed due to the increase in the cost of raw materials and wages and keen competition in this thin-margin industry The Group has no longer been engaged in any manufacture and sale of lithium polymer battery business after the disposal of various subsidiaries engaged in this business in 2017 and 2018.

Power battery

The Group has invested resources on the R&D of lithium ferrite batteries (lithium power batteries) which are specially designed for bike, electric bicycles, and/or electric vehicles (EV battery) and for power station since 2007. The same has been launched to the market since 2008 initially for bikes and electric bicycles and then for electric vehicles since 2012.

The Group has strategically tied up stronger partnerships with domestic and international carriers in relation to the provision of a wide range of system solutions for power battery, which replace traditional lead-acid battery products with the outstanding advantages of clean energy, environment friendly, small in size, light in weight, long life, etc. in recent years. The Group's power battery products, include lithium ferrite phosphate batteries and ternary power batteries, are applicable to different types of electric vehicles, including pure electric passenger vehicles, hybrid passenger vehicles, electric vehicles and pure electric sedans; and electric bicycles and electric motorcycles. The Group provides complete sets of battery solutions for electric vehicles, including cells and battery management system, targeting larger-scale electric carmakers.

Driven by China's new energy policy, the demand for new energy electric vehicles is expected to continue to grow, the EV battery has become the growth engine of the Group.

Storage lithium battery

In respect of the applications in telecommunications base stations and energy storage systems, storage lithium ferrite batteries are more suitable for providing continuous and reliable power supply in regions where there is an unstable supply of electricity, in mountainous areas and under high temperature environment, when compared to traditional lead-acid battery products. The major customers of the Group's storage lithium battery for communication were the telecom operators and mobile operators in India, Vietnam, South Africa, South Korea, Russia and China.

The gross margin of storage lithium battery for communication manufactured by the Group was put under pressure due to keen competition among peers in the industry, the sale price significantly drop in 2019 when compared to that in 2013 and longer account receivable period. It also comes along with increasing cost pressure arising from the need for substantial capital investment for this business operation as it needs to commit resources to continuously expand its production capacity with high debt ratio. As such, the Group decided to further shift its core business focus to lithium power batteries as described above, taking advantage of the increasing demand for new energy electric vehicles driven by the China new energy policy, by disposing of the Target Group.

- **Nickel batteries – manufacture and sale of nickel batteries**

Nickel batteries are small-size and sealed rechargeable nickel batteries, such as AA and AAA size rechargeable batteries with characteristics of high energy provision, long life, etc. The nickel batteries of the Group are produced by Lexel Battery (Shenzhen), which is the sole holder of the invention patent of ultra-low self-discharge nickel batteries in China. The major customers for the Group's nickel batteries are the enterprises in China, Hong Kong, Japan, East of Asia, European and the United States of America.

Save for members of the Target Group, the Group does not have any other subsidiaries which will be principally engaged in the storage lithium batteries and nickel batteries businesses.

Set out below is the unaudited financial information of the other existing businesses of the Group for the six months ended/as at 30 June 2019:

	SLA batteries and related accessories	Lithium batteries (excluding storage lithium batteries)	Online game services	Others
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	231,126	108,157	94,291	83,938
(Loss)/profit before tax	(20,406)	(11,110)	80,739	(7,311)
Assets	1,718,115	3,599,133	4,230	638,662

Notes:

1. The principal activities of this segment are: manufacture and sale of SLA batteries and related accessories.

2. The principal activities of this segment (excluding the storage lithium batteries business) are: manufacture and sale of lithium-ion power batteries; and assembling of lithium battery shell.

3. The principal activities of this segment are: provision of online game services.

4. The principal activities of this segment are: manufacture and sale of signal strength systems, electric and automation system, motor vehicle and pharmaceutical products.

As at the Latest Practicable Date, the Company did not have any intention or plan to downsize, cease or dispose of any of its existing businesses, save for the Proposed Disposal.

FINANCIAL EFFECT OF THE PROPOSED DISPOSAL

The unaudited consolidated total assets and total liabilities of the Group as at 30 June 2019 were approximately RMB7,255.6 million and RMB4,801.8 million, respectively as disclosed in the interim report of the Company for the six months ended 30 June 2019. Based on the unaudited pro forma financial information of the Remaining Group as set out in Appendix III to this circular, assuming completion of the Proposed Disposal had taken place on 30 June 2019, the unaudited pro forma consolidated total assets and total liabilities of the Remaining Group would be approximately RMB7,898.9 million and RMB4,798.9 million, respectively; and the gearing ratio and the current ratio of the Group as at 30 June 2019 would be 36%* (from 50%) and 117%* (from 100%), respectively.

* *After consideration that RMB60 million are used to repay the bank borrowing (current liabilities), RMB350 million for settlement of outstanding payments to the supplier (current liabilities), RMB95 million for tax related to the proposed disposal (current liabilities).*

It is expected that the Group will record a book gain (before taxation) of approximately RMB737 million as a result of the Initial Disposal which represents the difference of (a) the sum of (i) the consideration for the Initial Disposal of RMB774 million and (ii) the fair value attributable to 10% of the Target Group of approximately RMB52 million* (as valued by Ascent Partners Valuation Service Limited, an independent valuer based on market approach) and (b) the combined unaudited net assets values of the Target Group as at 31 October 2019 of approximately RMB89 million.

* *The fair value attributable to 10% equity interests of the Target Group is not proportioned by the 100% equity interests of the Target Group because there is a control premium applied in the valuation of 90% equity interests of the Target Group, which constitutes controlling interest. In comparison, no control premium is applied in the valuation of 10% equity interests of the Target Group.*

The expected book gain (before taxation) as a result of the disposal of the remaining 10% of the equity interests of the Target Group is expected to be approximately RMB34 million (being the difference of the consideration of RMB86 million less the fair value attributable to 10% of the Target Group of approximately RMB52 million).

Shareholders should note that the above figures are for illustrative purpose only. The actual gain on the Proposed Disposal may be different from the above and will be determined based on the financial position of the Target Group on the date of completion of the Proposed Disposal and the review by the Group's auditors upon finalization of the consolidated financial statements of the Group.

Based on the unaudited pro forma financial information of the Remaining Group as set out in Appendix III to this circular, assuming completion of the Proposed Disposal had taken place on 1 January 2018, the unaudited pro forma consolidated profit of the Remaining Group for the year ended 31 December 2018 would be approximately RMB735.8 million.

USE OF PROCEEDS

The Company intends to use the net proceeds from the Proposed Disposal of approximately RMB858 million for the following purpose:

(a) approximately RMB95 million for settlement of tax related to the Proposed Disposal;

(b) approximately RMB350 million for settlement of outstanding payments to suppliers;

(c) approximately RMB60 million for the repayment of the Company's outstanding bank borrowings;

(d) approximately RMB75 million for market expansion; and

(e) approximately RMB278 million for general working capital of the Group.

REASONS FOR AND BENEFITS OF THE PROPOSED DISPOSAL

As disclosed in the 2019 interim report of the Company, the Group has a relatively low level of bank balances of approximately RMB154,817,000 compared to bank borrowings of approximately RMB1,176,923,000 as at 30 June 2019. Also, the Group's gearing ratio, defined as the ratio between sum of bank borrowing and obligations under finance leases or lease liabilities and Shareholders' equity, was 50%; and the current ratio of the Group, represented by a ratio between current assets over current liabilities, reached 100% as at 30 June 2019.

Having considered (i) the high gearing ratio of the Group; and (ii) the uncertain outlook of the Chinese economy, particularly the possible fall-outs from the US-China trade war and the continuing structural weaknesses in the Chinese economy, the Board considers that it would be prudent for the Group to trim its assets and reduce its gearing as and when the opportunity arises; thus improving the Group's resilience to further downturns in the economy. The Board believes that it is a good opportunity to dispose of the Target Group at such a good price which would also allow the Group to repay its outstanding payments to suppliers and outstanding bank loans and therefore strengthen the liquidity and overall financial position of the Group.

Further, as mentioned above, the Company is of the view that there is keen competition among peers in the industry which led to the significant drop in sale price of the storage lithium batteries in 2019 when compared to the same in 2013. If the Group would like to maintain its position in this industry, it needs to commit further financial resources to continuously upgrade its equipment and expand its production capacity, which is difficult to achieve taking into account the Group's existing financial situation (high debt ratio).

The lithium power battery, especially the electric vehicle lithium power battery, has always been the top priority of the Company's future development, because the Company believes that the lithium-ion battery is still the preferred power source for new energy vehicles for a long time. The Company is convinced that the China's government policy for the development of new energy vehicles will not be changed, and its determination to use the new energy to achieve "curve overtaking" in the auto industry will not be changed, and lithium power batteries will have its broad development prospect.

As such, the Company considers that the Proposed Disposal represents an optimal opportunity for the Group to realise the value of its investments in the Businesses and would benefit the Group by strengthening the liquidity and the overall financial position of the Group by reducing its financial pressure substantially and immediately, and allowing the Group to focus its resources in its other existing businesses (in particular, the lithium power batteries business) which are considered to be more viable, sustainable and with growth potentials and increase the Company's ability to repay its debt, lower the Company's debt-to-assets ratio. All these will help improve the financial performance and position of the Company, enhance the core competitiveness and the comprehensive efficiency of the Company.

The Directors consider that the terms of the Agreements are fair and reasonable and are on normal commercial terms, and the Proposed Disposal is in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As one of the applicable percentage ratios (as defined under the Listing Rules) for the Proposed Disposal as calculated under Rule 14.07 of the Listing Rules exceeds 75%, the Proposed Disposal constitutes a very substantial disposal for the Company under Rule 14.06(4) of the Listing Rules and is subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

SGM

The SGM will be convened and held for the Shareholders to consider and, if thought fit, approve the Agreements and the transaction contemplated thereunder. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder has a material interest in the Proposed Disposal which is different from other Shareholders and accordingly, no Shareholder is required to abstain from voting in respect of the ordinary resolution to approve the Proposed Disposal at the SGM.

Whether or not you intend to attend and vote at the SGM in person or any adjournment thereof (as the case may be), you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's Hong Kong branch share registrar, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not later than 48 hours (excluding any part that a day is a public holiday) before the time appointed for holding the SGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof if you so wish and in such event, the form of proxy shall be deemed to be revoked.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 16 March 2020 to Wednesday, 18 March 2020 (both dates inclusive) for determining the identity of the Shareholders who are entitled to attend and vote at the SGM. No transfer of Shares will be registered during this period. In order to be eligible to attend and vote at the SGM, unregistered holders of the Shares should ensure that all Share transfer documents accompanied by the relevant Share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Friday, 13 March 2020.

RECOMMENDATION

Having considered the reasons set out herein, the Directors are of the view that the Agreements and the transactions contemplated thereunder were on normal commercial terms, and the terms of the Agreements and the transactions contemplated thereunder are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend all the Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Agreements and the transactions contemplated thereunder.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

By Order of the Board
Coslight Technology International Group Limited
SONG Dian Quan
Chairman

1. FINANCIAL INFORMATION OF THE GROUP

The financial information of the Group:

(i) for the six months ended 30 June 2019 has been disclosed on pages 3 to 28 of the Company's 2019 interim report published on 26 September 2019;
https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0926/2019092600409.pdf

(ii) for the year ended 31 December 2018 has been disclosed on pages 49 to 186 of the Company's 2018 annual report published on 29 April 2019;
https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0429/ltn201904291815.pdf

(iii) for the year ended 31 December 2017 has been disclosed on pages 50 to 170 of the Company's 2017 annual report published on 30 April 2018; and
http://www1.hkexnews.hk/listedco/listconews/sehk/2018/0430/ltn20180430247.pdf

(iv) for the year ended 31 December 2016 has been disclosed on pages 40 to 152 of the Company's 2016 annual report published on 27 April 2017.
http://www1.hkexnews.hk/listedco/listconews/sehk/2017/0427/ltn20170427609.pdf

The aforesaid interim and annual reports of the Company have been published on the websites of the Stock Exchange (http://www.hkexnews.hk) and of the Company (http://www.irasia.com/listco/hk/coslight/).

2. INDEBTEDNESS

As at the close of business on 31 January 2020, being the latest practicable date for the purpose of the statement of indebtedness prior to the printing of this circular, the Group had outstanding indebtedness as follows:

Borrowings

The Group had secured bank borrowings amounting to approximately RMB609,100,000, unsecured bank borrowings amounting to approximately RMB472,500,000, amounts due to related companies amounting to approximately RMB537,482,000, amounts due to associates amounting to approximately RMB388,547,000, amounts due to non-controlling interests amounting to approximately RMB2,072,000 and amount due to directors amounting to approximately RMB110,000.

The outstanding secured bank borrowings were secured by properties and land owned by certain subsidiaries of the Group and guaranteed by certain subsidiaries of the Group. All the unsecured bank borrowings are guaranteed by i) certain subsidiaries of the Group and ii) a director of the Group. All the leases liabilities are secured by the leased assets. The lease liabilities amounting to approximately RMB3,920,000 are guaranteed by a subsidiary of the Group. All the amounts due to related companies, associates, non-controlling interests and directors are unsecured and unguaranteed.

Contingent liabilities

The Group has issued guarantees in respect of banking facilities amounting to RMB170,000,000 granted to an associate.

Save as disclosed in this Appendix I and apart from intra-group liabilities, the Group did not, as at the close of business on 31 January 2020, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, have any loan capital issued and outstanding or agreed to be issued, loans or other similar indebtedness, liabilities under acceptance (other than normal trade bills) or acceptance credits, bank overdraft, debentures, mortgages, charges, finance lease or hire purchase commitments, guarantees or other material contingent liabilities.

3. WORKING CAPITAL

In determining the sufficiency of the working capital of the Group, the Directors have made the assumption that the Group can renew their existing banking facilities of approximately RMB883,258,000 when they fall due in the next twelve months from the date of this circular. As at the Latest Practicable Date, the existing banking facilities had yet to be due. The Directors are of the opinion that the Group will be able to renew their existing banking facilities when they fall due in the next twelve months since they have confirmed the intention with the banks.

After the consideration of the above assumption, the Directors are of the opinion that, in the absence of unforeseeable circumstances, after taking into account its existing cash and bank balances, the abovementioned banking facilities and other internal resources available and also the effect of the Proposed Disposal, the Group will have sufficient working capital for its present requirements and for at least twelve months from the date of publication of this circular. Should the abovementioned bank borrowings be excluded from the working capital forecasts, the Group will not have sufficient working capital for the Group's present requirements for at least the next twelve months from the date of the circular.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2018, being the date on which the latest published audited consolidated financial statements of the Group were made up.

5. FINANCIAL AND TRADING PROSPECTS

The Measures for the Parallel Administration of the Average Fuel Consumption and New Energy Vehicle Credits of Passenger Vehicle Enterprises (乘用車企業平均燃料消耗量與新能源汽車積分並行管理辦法) (the "Dual Credits Measures")[1], *which was promulgated by five PRC government authorities, have become effective in 2018. The introduction of the Dual Credits Measures has played a role in supporting the new energy vehicle market (which was affected by the reduction in subsidies in the electric vehicle market).*

As to the future development of new energy vehicles, pursuant to the Planning for the Development of the Energy-Saving and New Energy Automobile Industry (新能源汽車產業發展規劃) (2021-2035) (the "Plan")[2] *issued by the Ministry of Industry and Information Technology of the PRC in December 2019, China adheres to the direction of vehicles with pure electric drive. New energy vehicles have achieved world-renowned achievements and have become an important force leading the transformation of the world's automotive industry. At present, the new global technological revolution is booming and new energy vehicles are facing unprecedented opportunities. According to the Plan, in 2025, the number of new energy vehicles in China will reach 25% of the total number of vehicles in China. Based on the total of 28 million vehicles in China in 2018, it is expected that the number of new energy vehicles will reach 7 million per year by then. The development potential of the industry is still huge, and the Dual Credits Measures will continue to support the development of the domestic new energy vehicles market.*

Although the electric vehicle industry has been affected by the reduction in subsidies in the electric vehicle market recently, and the growth rate of the domestic electric vehicle industry and the industrial chain has slowed down, the new energy vehicle industry is still in its golden development stage in the near future. The wave of energy revolution is far from over, and it is reasonable for the Group to remain optimistic about the prospect of power batteries for electric vehicle. It is expected that the demand for new energy electric vehicles will resume growth in 2020. According to the Group's orders on hand and current market conditions, its power battery delivery and sales revenue in 2020 will be expected to increase compared with the year in 2019.

Sources of information:

1. http://www.gov.cn/xinwen/2017-09/28/content_5228217.htm
2. http://www.miit.gov.cn/n1146285/n1146352/n3054355/n3057585/n3057592/c7553294/content.html

In 2020, the Group will continue to launch new feature suits and different featured servers to meet the needs of different players. At the same time, the Group will also carry out a comprehensive revision of its Guangyu APP to expand its Guangyu community.

6. MANAGEMENT DISCUSSION AND ANALYSIS OF THE REMAINING GROUP

Set out below are the management discussion and analysis on the Remaining Group for the six months ended 30 June 2019 and for the three years ended 31 December 2018, 2017 and 2016.

A. For the six months ended 30 June 2019

RESULTS

For the six months ended 30 June 2019, turnover of the Group's continuing operation amounted to approximately RMB853,835,000 (2018: RMB1,695,308,000), representing a decrease of 50% over the corresponding period last year. The loss attributable to owners of the Company for the period was RMB33,414,000 (2018: Profits, RMB204,717,000). This was mainly due to the disposal of stakes in one of our associates, Zhuhai Coslight Battery which resulted in a gain of RMB241,990,000 in the same period of 2018. Loss per share for the period was RMB8.81 cents (2018: Earnings per share, RMB52.74 cents).

DIVIDEND

The Board does not recommend the payment of an interim dividend to the Shareholders for the period (2018: Nil).

BUSINESS REVIEW

Storage Lithium Battery and Lithium Power Battery

During the period, the main customers of our storage lithium battery for communication were the telecom operators in India, Vietnam, South Africa and South Korea. During the period, a total of approximately 55,000 sets of battery packs for base stations were delivered. This was a decrease of approximately 45% compared to approximately 100,000 units in the same period last year. This was mainly due to the supply of telecom operators in India last year was concentrated in the first half of the year. This year, they delayed some orders from the period to the second half of the year. On the other hand, the PRC government 2019 new energy vehicles subsidies policy adjustments gave the electric vehicles industry a significant impact. Due to the decline in subsidies and weak demand for products, coupled with fierce market competition, product prices were under pressure and gross profit margins fell sharply.

SLA Battery

During the period, the sales volume of SLA battery products amounted to RMB231,126,000 (2018: RMB215,422,000), a slight increase of 7.29% compared with the same period of last year. It is a general trend that the storage battery for communication be changed from using the lead-acid battery to the lithium battery so the sales of SLA storage batteries for communication continued to decline during this period, but the sale of SLA batteries for electric bicycles increased which offset the said decline.

The Company continues to rebuild some of the SLA battery production facilities and plants into various parts and supporting facilities suitable for the production of power lithium batteries to match with the Company's future growth of lithium power batteries.

During the period, the Company's SLA power batteries for electric bicycles have gradually won the favor of customers, and it is expected to achieve larger growth in the near future.

Online Games

During the period, "問道" revenue increased slightly compared with the same period of 2018. In the first half of the year, we updated the new paid game "浮生錄", which is popular with players. In order to attract more players, based on the three featured servers, fixed digital server, anniversary server and PK server, we have used the high-end player PK competition this year to create a new star costume of "星耀中洲", attracting a large number of celebrity players and their followers. On the mobile side, we have started the construction of the mobile official website. At the same time, we further optimized the functions of the Guangyu APP, added related functions such as binding on the mobile phone, and re-planned the Guangyu APP finishing function and interface, further increasing users experience and enhance players' adherence. In addition, due to the policy adjustment of the government regulatory authorities, the suspension of the game version number, the Company's self research and development products "創世三" and several mobile games, H5 game promotion plan has been affected to a certain extent. As the release of the game version is gradually restored, the promotion and operation of new products will gradually back to normal. The online game business contributed a segment profit of RMB80,739,000 (2018: RMB69,603,000) to the Group, representing an increase of 16% over the corresponding period last year.

PROSPECTS

Driven by the marketization of the PRC's new energy policy, the industry has gradually separated from the impact of subsidies. We expect the price of new energy electric vehicles to bottom out in the second half of 2019, and demand will restore to grow. According to our orders on hand and current market conditions, our power battery delivery and sales revenue in the second half of the year will be expected to increase compared with the first half.

In the second half of 2019, we will launch a new expansion pack, new feature suits and different featured servers to meet the needs of different players. At the same time, we will also carry out a comprehensive revision of our Guangyu APP to create a small Guangyu community. In addition, the Company's PC game "創世三" also entered into the preparatory stage of operation. It will be launched at the end of 2019.

FINANCIAL REVIEW

Assets and Liabilities

As at 30 June 2019, the Group had total assets of RMB7,255,579,000 (31 December 2018: RMB7,178,243,000) which were financed by current liabilities of RMB4,553,789,000 (31 December 2018: RMB4,462,987,000), non-current liabilities of RMB248,052,000 (31 December 2018: RMB229,996,000), equity attributable to owners of the Company of RMB2,252,016,000 (31 December 2018: RMB2,283,058,000) and non-controlling interests of RMB201,722,000 (31 December 2018: RMB202,202,000).

Liquidity, Financial Resources and Capital Structure

During the period, the Group adopted prudent treasury policies in managing cash resources and bank borrowings. As at 30 June 2019, the Group had bank and cash balances amounted to RMB154,817,000 (31 December 2018: RMB129,023,000). The current bank borrowings of the Group as at 30 June 2019 were approximately RMB1,176,923,000 (31 December 2018: RMB1,082,777,000). These borrowings carry interest ranging from 4.35% to 5.96% (31 December 2018: from 2.92% to 6.09%) per annum. All bank and other borrowings were used to finance the Group's capital expenditures and working capital requirements.

Significant Investments, Acquisitions and Disposals

For the six months ended 30 June 2019, the Group had no significant investments, acquisitions and disposals.

As at 30 June 2019, the Group had no future plans for any material investments or its capital assets in their respective coming years.

Gearing and Liquidity Ratio

The Group's gearing ratio, defined as the ratio between sum of bank borrowing and obligations under finance leases or lease liabilities and Shareholders' equity, was 50% (31 December 2018: 45%). The current ratio of the Group, represented by a ratio between current assets over current liabilities, was 100% (31 December 2018: 101%).

Charges on Group Assets

As at 30 June 2019, property, plant and equipment and trade receivables of the Group with carrying values of RMB540,732,000 (31 December 2018: RMB779,612,000) and Nil (31 December 2018: RMB34,256,000) respectively, were pledged to secure bank borrowings of approximately RMB623,144,000 (31 December 2018: RMB697,146,000). In addition, pledged bank deposits were used 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. The Group did not use any financial instruments for hedging purposes and did not have foreign currency investments being hedged by foreign currency borrowings and other hedging instruments.

Contingent Liabilities

As at 30 June 2019, the Group had issued guarantees in respect of banking facilities granted to an Independent Third Party and an associate of approximately RMB185,000,000 (31 December 2018: approximately RMB154,000,000) without charge.

Capital Commitments

	At 30 June 2019 *RMB'000* (Unaudited)	At 31 December 2019 *RMB'000* (Audited)
Capital expenditure contracted for but not provided in the financial statements in respect of:		
Acquisition of property, plant and equipment	523	5,480
Acquisition of additional equity interest in a subsidiary	69,230	69,230
	69,753	74,710

OTHER INFORMATION

Employees and Remuneration Policies

As of 30 June 2019, the number of Group's employee in PRC reduces to 5,996 (2018: 6,969) due to an automated production process and reduced production volume. The Group has adopted continuous human resources development and training programmes to maintain high level of product quality and customer services. Remuneration package is generally structured by reference to market conditions and individual performance.

B. For the year ended 31 December 2018

RESULTS

For the year ended 31 December 2018, turnover of the Group's continuing operation amounted to approximately RMB3,196,379,000 (2017: approximately RMB3,713,493,000), representing a decrease of 14% over the corresponding period of last year. This was mainly due to the disposal of the majority stake in one of its major lithium polymer battery manufacturing subsidiary, Zhuhai Coslight Battery. The profit attributable to owners of the parent for the year amounted to approximately RMB199,769,000 (2017: approximately RMB235,403,000), representing a decrease of 15% over that of the corresponding period of last year. In addition, earnings per Share for the year were RMB51.84 cents (2017: RMB59.79 cents), representing a decrease of 13%.

BUSINESS REVIEW

Lithium 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 major 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, they have 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.

SLA Battery

During the year, the total sales of SLA battery products was approximately RMB429,470,000 (2017: approximately RMB751,342,000), representing a decrease of 43% 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 0.7 million KVAH (2017: 1.21 million KVAH). It was down about 42% year-on-year. Among those, communication batteries and electric bicycle batteries account for 70% and 30%, respectively. 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, reduce production costs and 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 rate. 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 approximately RMB61,489,000 was contributed by associates of the Group (2017: approximately RMB171,698,986, of which approximately 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.

FINANCIAL REVIEW

Assets and Liabilities

As at 31 December 2018, the Group had total assets of approximately RMB7,178,243,000 (2017: approximately RMB7,711,650,000) which were financed by current liabilities of approximately RMB4,462,987,000 (2017: approximately RMB4,966,600,000), non-current liabilities of approximately RMB229,996,000 (2017: approximately RMB284,276,000), equity attributable to owners of the Company of approximately RMB2,283,058,000 (2017: approximately RMB2,285,250,000) and noncontrolling interests of approximately RMB202,202,000 (2017: approximately 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 had bank and cash balances amounted to approximately RMB129,023,000 (2017: approximately RMB292,878,000). The total bank and other borrowings of the Group as at 31 December 2018 were approximately RMB1,082,777,000 (2017: approximately RMB1,451,203,000) amount which approximately RMB872,777,000 (2017: approximately 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 6.44%) per annum. All bank and other borrowings were used to finance the Group's capital expenditures and working capital requirements.

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

Significant Investments, Acquisitions and Disposals

For the year ended 31 December 2018, the Group had completed the disposal of all equity interests in Zhuhai Coslight Power at a consideration of approximately RMB236,000,000.

As at 31 December 2018, the Group had no future plans for any material investments or its capital assets in their respective coming years.

Gearing and Liquidity Ratio

The Group's gearing ratio, defined as the ratio between total bank borrowing 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%).

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 approximately RMB779,612,000 (2017: approximately RMB685,343,000) and approximately RMB34,256,000 (2017: approximately RMB39,877,000), respectively, were pledged to secured bank borrowings of approximately RMB697,146,000 (2017: approximately 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 RMB. The Group did not have a foreign hedging policy. However, the management monitored foreign exchange exposure and would consider hedging significant foreign currency exposure should the need arise. The Group did not speculate on foreign currencies. The Group did not use any financial instruments for hedging purposes and did not have foreign currency investments being hedged by foreign currency borrowings and other hedging instruments.

Contingent Liabilities

As at 31 December 2018, the Group had 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 LaSalle Corporate Appraisal & Advisory Limited, had assessed the fair values of the financial guarantees of the Group and the Directors concluded that the effect was 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 had been released during the year.

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 of 31 December 2018, the number of Group's employee in the PRC reduced to 6,850 (2017: 6,861) due to disposal of Zhuhai Coslight Battery. The Group has adopted continuous human resources development and training programmes to maintain high level of product quality and customer services. Remuneration package is generally structured by reference to market conditions and individual performance.

C. For the year ended 31 December 2017

RESULTS

For the year ended 31 December 2017, turnover from the Group's continuing operation amounted to approximately RMB3,713,493,000 (2016: RMB4,831,268,000), representing a decrease of 23% over that of the corresponding period of last year. The profit attributable to owners of the parent for the year amounted to approximately RMB235,403,000 (2016: RMB139,883,000), representing an increase of 68% over that of the corresponding period of last year. Earnings per share for the year were RMB59.79 cents (2016: RMB34.99 cents), representing an increase of 71%.

DIVIDENDS

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

BUSINESS REVIEW

Lithium Polymer Battery

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

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

Power Batteries

The production capacity of our power battery business has reached 4.5GWh. Capitalizing on our advantages of research and development, technology, equipment and quality, we have been able to provide support to automobile manufacturers such as BAIC, Hebei Yogomo, FAW-Haima, Geely Zhidou and Dongfeng Yangzijiang. In 2017, thanks to the high quality of our products, we passed the certification of automobile manufacturers such as Nanjing King Long, Ankai, Jiangling, Chery and Chang'an, achieving new break through in Power batteries. In 2017, due to the influence of the government subsidy policy and the correlation of battery performance parameters, we adjusted our products to meet the policy demand. Therefore, the new battery production was postponed, which affected the delivery of the electric vehicle battery. Sales volume reduced by approximately 25% as compared to the previous year.

SLA Battery Products

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

Online Games

The game product Wendao ("問道") has been able to maintain its annual revenue against the recession of user-end game market during the year, refining its operations by launching new year, anniversary and midyear server upgrade events and thus successfully creating a sub-brand of "annual server upgrade events" under Wendao. In addition, we have agreed upon the cooperation in the fields of Wendao-based animation, literary composition, movie and TV shows, established an interactive player community named Daokedao to support data exchange with Wendao game, continued to upgrade Qibaozhai ("奇寶齋"), our virtual game item trading platform, and optimized GY Games application to better serve the players. The mobile application of GY Games has attracted over a million users, with 140 thousand weekly active users. In the same year, GY Games launched a user-end game Shen Dao San Guo ("神道三國"), a VR game Chuang Shi-Xiu Zhen Lu ("創世－修真錄") on the Steam platform, a fighting game Shu Shan Jian Xia Zhuan ("蜀山劍俠傳") and a flying and shooting game Huan Xiang Zhi Yi ("幻想之翼"). The "NW" project, a self-developed massive battle game based on the Steam platform has completed internal testing and will be released soon.

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

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

PROSPECTS

Power Batteries

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

Online Games

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

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

FINANCIAL REVIEW

Assets and Liabilities

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

Liquidity, Financial Resources and Capital Structure

During the year, the Group adopted prudent treasury policies in managing cash resources and bank borrowings. As at 31 December 2017, the Group has bank and cash balances amounted to RMB292,878,000 (2016: RMB299,738,000). The total bank borrowings of the Group as at 31 December 2017 were approximately RMB1,451,203,000 (2016: RMB1,661,729,000), amongst which RMB1,181,203,000 will be due to repay within 12 months (2016: RMB1,431,729,000). These borrowings carry interest ranging from 2.60% to 6.90% (2016: from 2.60% to 6.90%) per annum. As at 31 December 2017, all the Group's bank and other borrowings were denominated in Renminbi and used to finance the Group's capital expenditures and working capital requirements.

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

Significant Investments, Acquisitions and Disposals

For the year ended 31 December 2017, the Group had completed the disposal of 51.83% equity interests in Zhuhai Coslight Battery at a consideration of approximately RMB726,240,000.

As at 31 December 2017, the Group had no future plans for any material investments or its capital assets in their respective coming years.

Gearing and Liquidity Ratio

The Group's gearing ratio, defined as the ratio between total bank borrowings and obligations under finance leases and Shareholders' equity, was 66% (2016: 102%). The current ratio of the Group, represented by a ratio between current assets over current liabilities, was 102% (2016: 93%), reflecting the abundance of financial resources.

Charges on Group Assets

As at 31 December 2017, certain prepaid lease payments and property, plant and equipment, inventories and trade receivables of the Group with carrying values of RMB685,343,000 (2016: RMB493,401,00), RMB0 (2016: RMB50,000,000) and RMB39,877,000 (2016: RMB105,545,000), respectively, were pledged to secured bank borrowings of approximately RMB768,124,000 (2016: RMB1,050,899,000). In addition, pledged bank deposits were pledged to secure trade and loan financing facilities granted to the Group.

Foreign Currency Risk

The Group did not have any significant exposure to foreign currency risk as most of the Group's operations are in the PRC and transactions are denominated in Renminbi. The Group did not use any financial instruments for hedging purposes and did not have foreign currency investments being hedged by foreign currency borrowings and other hedging instruments.

Contingent Liabilities

As at 31 December 2017, the Group had issued guarantees in respect of banking facilities granted to an Independent Third Party and an associate in aggregate of approximately RMB786,800,000 (2016: RMB554,940,000). The valuer, Jones Lang LaSalle Corporate Appraisal & Advisory Limited, had assessed the fair values of the financial guarantees of the Group and the Directors concluded that the effect was insignificant.

As at 31 December 2017, an Independent Third Party provided a counter-guarantee of banking facilities granted to the Group to the extent of RMB20,000,000 (2016: RMB20,000,000). As at 31 December 2017, the Group had utilised the banking facilities of RMB20,000,000 (2016: RMB20,000,000).

Capital Commitments

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

OTHER INFORMATION

Employees and Remuneration Policies

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

D. For the year ended 31 December 2016

RESULTS

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

DIVIDENDS

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

BUSINESS REVIEW

Lithium Polymer Battery

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

Power Batteries

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

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

SLA Battery Products

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

Online Games

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

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

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

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

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

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

PROSPECTS

Lithium Polymer Batteries

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

Power Batteries

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

Online Games

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

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

FINANCIAL REVIEW

Assets and Liabilities

As at 31 December 2016, the Group has total assets of RMB8,664,304,000 (2015: RMB7,350,118,000) which were financed by current liabilities of RMB6,085,472,000 (2015: RMB4,951,834,000), non-current liabilities of RMB429,213,000 (2015: RMB417,170,000), Shareholders' equity of RMB1,965,421,000 (2015: RMB1,818,747,000) and non-controlling interests of RMB184,198,000 (2015: RMB162,367,000).

Liquidity, Financial Resources and Capital Structure

During the year, the Group adopted prudent treasury policies in managing cash resources and bank borrowings. As at 31 December 2016, the Group has bank and cash balances amounted to RMB299,738,000 (2015: RMB235,164,000). The total bank borrowings of the Group as at 31 December 2016 were approximately RMB1,661,729,000 (2015: RMB1,227,246,000), amongst which RMB1,431,729,000 will be due to repay within 12 months (2015: RMB1,149,826,000). These borrowings carry interest ranging from 2.60% to 6.90% (2015: from 2.60% to 7.26%) per annum. As at 31 December 2016, approximately 92% of the Group's bank and other borrowings were denominated in Renminbi and 8% were denominated in US dollars. All bank and other borrowings were used to finance the Group's capital expenditures and working capital requirements.

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

Significant Investments, Acquisitions and Disposals

For the year ended 31 December 2016, the Group had no significant investments, acquisitions and disposals.

As at 31 December 2016, the Group had no future plans for any material investments or its capital assets in their respective coming years.

Gearing and Liquidity Ratio

The Group's gearing ratio, defined as the ratio between total bank borrowings and obligations under finance leases and Shareholders' equity, was 102% (2015: 89%). The current ratio of the Group, represented by a ratio between current assets over current liabilities, was 93% (2015: 95%), reflecting the abundance of financial resources.

Charges on Group Assets

As at 31 December 2016, certain prepaid lease payments and property, plant and equipment, inventories and trade receivables of the Group with carrying values of RMB493,401,000 (2015: RMB509,533,000), RMB50,000,000 (2015: Nil) and RMB105,545,000 (2015: RMB245,658,000), respectively, were pledged to secured bank borrowings of approximately RMB1,050,899,000 (2015: RMB574,521,000). In addition, pledged bank deposits were pledged to secure trade and loan financing facilities granted to the Group.

Foreign Currency Risk

The Group did not have any significant exposure to foreign currency risk as most of the Group's operations are in the PRC and transactions are denominated in Renminbi. The Group did not use any financial instruments for hedging purposes and did not have foreign currency investments being hedged by foreign currency borrowings and other hedging instruments.

Contingent Liabilities

As at 31 December 2016, the Group had issued guarantees in respect of banking facilities granted to an Independent Third Party and an associate in aggregate of approximately RMB554,940,000 (2015: RMB631,769,000). The valuer, Jones Lang LaSalle Corporate Appraisal & Advisory Limited, had assessed the fair values of the financial guarantees of the Group and the Directors concluded that the effect was insignificant.

As at 31 December 2016, the abovementioned Independent Third Party also provided a counter-guarantee of banking facilities granted to the Group to the extent of RMB20,000,000 (2015: RMB20,000,000). As at 31 December 2016, the Group had utilised the banking facilities of RMB20,000,000 (2015: RMB20,000,000).

Capital Commitments

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

OTHER INFORMATION

Employees and Remuneration Policies

As at 31 December 2016, the Group has employed 12,320 (2015: 9,922) employees in the PRC. The Group has adopted continuous human resources development and training programs to maintain high level of product quality and customer services. Remuneration package is generally structured by reference to market conditions and individual performance.

Set out below are the unaudited combined statements of financial position of the Target Group as at 31 December 2016, 2017, 2018 and 31 October 2019 and the unaudited combined profit or loss and other comprehensive income, unaudited combined statements of changes in equity and unaudited combined statements of cash flows of the Target Group for the years ended 31 December 2016, 2017, 2018 and ten months ended 31 October 2019 and certain explanatory notes (the "Unaudited Combined Financial Information"). The Unaudited Combined Financial Information has been presented on the basis set out in Notes to the Unaudited Combined Financial Information and prepared in accordance with the accounting policies adopted by the Company and paragraph 14.68(2)(a)(i) of the Listing Rules. The Unaudited Combined Financial Information is prepared by the Directors solely for the purpose of inclusion in this circular in connection with the Proposed Disposal. The Company's reporting accountants, SHINEWING (HK) CPA Limited, was engaged to review the Unaudited Combined Financial Information set out on pages II-2 to II-10 in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" and with reference to Practice Note 750 "Review of Financial Information under the Hong Kong Listing Rules for a Very Substantial Disposal" issued by the Hong Kong Institute of Certified Public Accountants. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable the auditor to obtain assurance that the auditor would become aware of all significant matters that might be identified in an audit. Accordingly, the auditor does not express an audit opinion. The auditor has issued an unmodified review report.

UNAUDITED COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE THREE YEARS ENDED 31 DECEMBER 2016, 2017 AND 2018 AND THE TEN MONTHS ENDED 31 OCTOBER 2019

	Year ended 31 December			Ten months ended 31 October	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	392,192	328,847	899,276	837,854	524,075
Cost of sales	(273,808)	(282,123)	(711,683)	(655,354)	(472,406)
Gross profit	118,384	46,724	187,593	182,500	51,669
Other income	2,189	2,211	15,962	14,067	3,849
Distribution and selling expenses	(13,466)	(8,011)	(12,300)	(10,976)	(10,304)
Administrative and other operating expenses	(25,764)	(26,909)	(26,326)	(27,783)	(34,229)
Finance costs	(577)	(342)	(344)	(292)	(3,380)
Profit before tax	80,766	13,673	164,585	157,516	7,605
Income tax expense	(12,823)	(3,150)	(26,493)	(25,501)	(2,548)
Profit for the year/period	67,943	10,523	138,092	132,015	5,057
Other comprehensive income (expense)					
Items that will not be reclassified subsequently to profit or loss:					
Surplus (deficit) on revaluation of property, plant and equipment	1,135	(268)	(632)	(2,188)	(1,875)
Deferred tax effects arising on revaluation of property, plant and equipment	(170)	40	(168)	221	469
Other comprehensive income (expense) for the year/period, net of income tax	965	(228)	(800)	(1,967)	(1,406)
Total comprehensive income for the year/period	68,908	10,295	137,292	130,048	3,651

UNAUDITED COMBINED STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016, 2017 AND 2018 AND 31 OCTOBER 2019

	As at 31 December			As at 31 October
	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets				
Property, plant and equipment	72,205	70,404	66,293	63,957
Deferred tax assets	2,589	2,478	3,521	4,560
Right-of-use assets	–	–	–	35,477
	74,794	72,882	69,814	103,994
Current assets				
Inventories	29,982	37,526	24,293	22,987
Trade and other receivables	50,018	44,640	44,631	36,263
Amounts due from remaining group entities	14,295	11,788	12,216	16,581
Pledged bank deposits	11,297	18,640	23,429	19,836
Bank balances and cash	17,030	13,342	9,683	28,713
	122,622	125,936	114,252	124,380
Current liabilities				
Trade and other payables	72,061	69,779	67,748	62,001
Contract liabilities	–	–	693	1,689
Amount due to a related company	1,806	1,806	1,806	1,806
Amounts due to remaining group entities	21,475	25,746	20,303	25,160
Tax payables	2,322	2,774	3,542	4,496
Lease liabilities	–	–	–	5,566
Bank borrowings	5,701	3,124	4,669	7,375
	103,365	103,229	98,761	108,093
Net current assets	19,257	22,707	15,491	16,287
	94,051	95,589	85,305	120,281
Capital and reserves				
Registered capital	20,000	20,000	20,000	50,000
Reserves	74,051	75,589	65,305	38,826
Total equity	94,051	95,589	85,305	88,826
Non-current liability				
Lease liabilities	–	–	–	31,455
	94,051	95,589	85,305	120,281

UNAUDITED COMBINED STATEMENTS OF CHANGES IN EQUITY

FOR THE THREE YEARS ENDED 31 DECEMBER 2016, 2017 AND 2018 AND THE TEN MONTHS ENDED 31 OCTOBER 2019

	Registered capital *RMB'000* *(Note a)*	General reserves *RMB'000* *(Note b)*	Statutory reserves *RMB'000*	Revaluation reserve *RMB'000*	Accumulated profits *RMB'000*	Total *RMB'000*
At 1 January 2016	20,000	46,744	24,483	2,033	(5,428)	87,832
Profit for the year	–	–	–	–	67,943	67,943
Other comprehensive income (expense)						
Surplus on revaluation of property, plant and equipment	–	–	–	1,135	–	1,135
Deferred tax effects arising on revaluation of property, plant and equipment	–	–	–	(170)	–	(170)
Other comprehensive income for the year	–	–	–	965	–	965
Total comprehensive income for the year	–	–	–	965	67,943	68,908
Capital distribution to shareholders	–	(62,689)	–	–	–	(62,689)
At 31 December 2016	20,000	(15,945)	24,483	2,998	62,515	94,051
At 1 January 2017	20,000	(15,945)	24,483	2,998	62,515	94,051
Profit for the year	–	–	–	–	10,523	10,523
Other comprehensive income (expense)						
Deficit on revaluation of property, plant and equipment	–	–	–	(268)	–	(268)
Deferred tax effects arising on revaluation of property, plant and equipment	–	–	–	40	–	40
Other comprehensive expense for the year	–	–	–	(228)	–	(228)
Total comprehensive (expense) income for the year	–	–	–	(228)	10,523	10,295
Capital distribution to shareholders	–	(8,757)	–	–	–	(8,757)
At 31 December 2017	20,000	(24,702)	24,483	2,770	73,038	95,589
As 1 January 2018 (as originally stated)	20,000	(24,702)	24,483	2,770	73,038	95,589
Initial application of HKFRS 9	–	–	–	–	(9,299)	(9,299)
As 1 January 2018 (as restated)	20,000	(24,702)	24,483	2,770	63,739	86,290
Profit for the year	–	–	–	–	138,092	138,092
Other comprehensive expense						
Deficit on revaluation of property, plant and equipment	–	–	–	(632)	–	(632)
Deferred tax effects arising on revaluation of property, plant and equipment	–	–	–	(168)	–	(168)
Other comprehensive expense for the year	–	–	–	(800)	–	(800)
Total comprehensive (expenses) income for the year	–	–	–	(800)	138,092	137,292
Capital distribution to shareholders	–	(138,277)	–	–	–	(138,277)
At 31 December 2018	20,000	(162,979)	24,483	1,970	201,831	85,305

FOR THE THREE YEARS ENDED 31 DECEMBER 2016, 2017 AND 2018 AND THE TEN MONTHS ENDED 31 OCTOBER 2019

	Registered capital *RMB'000* *(Note a)*	General reserves *RMB'000* *(Note b)*	Statutory reserves *RMB'000*	Revaluation reserve *RMB'000*	Accumulated profits *RMB'000*	Total *RMB'000*
At 1 January 2019	20,000	(162,979)	24,483	1,970	201,831	85,305
Profit for the period	–	–	–	–	5,057	5,057
Arising from reorganisation *(note c)*	30,000	(30,000)	–	–	–	–
Other comprehensive income (expense)						
Deficit on revaluation of property, plant and equipment	–	–	–	(1,875)	–	(1,875)
Deferred tax effects arising on revaluation of property, plant and equipment	–	–	–	469	–	469
Other comprehensive expense for the period	–	–	–	(1,406)	–	(1,406)
Total comprehensive (expense) income for the period	–	–	–	(1,406)	5,057	3,651
Capital distribution to shareholders	–	(130)	–	–	–	(130)
At 31 October 2019	50,000	(193,109)	24,483	564	206,888	88,826
As 1 January 2018 (as original stated)	20,000	(24,702)	24,483	2,770	73,038	95,589
Initial application of HKFRS 9	–	–	–	–	(9,299)	(9,299)
As 1 January 2018 (as restated)	20,000	(24,702)	24,483	2,770	63,739	86,290
Profit for the year	–	–	–	–	132,015	132,015
Other comprehensive income (expense)						
Deficit on revaluation of property, plant and equipment	–	–	–	(2,188)	–	(2,188)
Deferred tax effects arising on revaluation of property, plant and equipment	–	–	–	221	–	221
Other comprehensive expense for the period	–	–	–	(1,967)	–	(1,967)
Total comprehensive (expense) income for the period	–	–	–	(1,967)	132,015	130,048
Capital distribution to shareholders	–	(140,979)	–	–	–	(140,979)
At 31 October 2018	20,000	(165,681)	24,483	803	195,754	75,359

Notes:

a) The amounts at 31 December 2016, 2017, 2018 and 31 October 2018 represent the combined registered capital of Lexel Battery (Shenzhen) Company Limited ("Lexel Battery") and Shenzhen Coslight Power Company Limited ("Shenzhen Coslight Power") while the amounts at 31 October 2019 represent the combined registered capital of Lexel Battery, Shenzhen Coslight Power and Harbin Coslight New Energy Limited ("Harbin Coslight New Energy").

b) The amount represents i) the shareholders' capital injection of assets and operating result of injected assets to shareholders and ii) the registered capital of Harbin Coslight New Energy injected, which are arosed from the reorganisation.

c) The amount represents the registered capital of Harbin Coslight New Energy which was newly established in the People's Republic of China (the "PRC") on 5 July 2019.

UNAUDITED COMBINED STATEMENTS OF CASH FLOWS

FOR THE THREE YEARS ENDED 31 DECEMBER 2016, 2017 AND 2018 AND THE TEN MONTHS ENDED 31 OCTOBER 2019

	Year ended 31 December			Ten months ended 31 October	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
OPERATING ACTIVITIES					
Profit before tax	80,766	13,673	164,585	157,516	7,605
Adjustments for:					
Finance costs	577	342	344	292	3,380
Depreciation of property, plant and Equipment	2,698	2,802	2,752	2,259	1,668
Deficit arising on revaluation of property, plant and equipment	2,096	5,119	5,405	9,739	11,019
Amortisation of right-of-use assets	–	–	–	–	5,979
Loss on disposal of property, plant and equipment	77	17	14	–	1,707
Impairment loss (reversal of impairment loss) on trade and other receivables	1,912	(644)	(13,380)	(12,090)	1,410
Impairment loss on inventories	–	2,026	11,947	12,728	–
Bank interest income	(91)	(81)	(272)	(235)	(264)
Increase in operating result contributed by injected assets	(78,714)	(14,796)	(164,907)	(166,758)	(15,373)
Operating cash flows before movements in working capital	9,321	8,458	6,488	3,451	17,131
(Increase) decrease in inventories	(515)	(9,570)	1,286	1,096	1,306
(Increase) decrease in trade and other receivables	(7,828)	6,022	2,450	(5,656)	6,958
Increase in contract liabilities	–	–	693	2,284	996
Increase (decrease) in trade and other payables	4,706	(2,282)	(2,031)	18,068	(5,747)
Cash generated from operations	5,684	2,628	8,886	19,243	20,644
Income tax (paid) refund	(591)	(329)	(557)	(441)	143
Net cash generated from operating activities	5,093	2,299	8,329	18,802	20,787

FOR THE THREE YEARS ENDED 31 DECEMBER 2016, 2017 AND 2018 AND THE TEN MONTHS ENDED 31 OCTOBER 2019

	Year ended 31 December			Ten months ended 31 October	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
INVESTING ACTIVITIES					
Purchases of property, plant and equipment	(2,194)	(2,584)	(2,801)	(1,667)	(997)
Placement of pledged bank deposits	(11,297)	(18,640)	(23,429)	(19,987)	(19,836)
Withdrawal of pledged bank deposits	8,747	11,297	18,640	18,640	23,429
Advance from a related company	116	–	–	–	–
Interest received	91	81	272	235	264
(Advance to) repayment from Remaining Group	(4,705)	2,507	(428)	(3,395)	(4,365)
Net cash used in investing activities	(9,242)	(7,339)	(7,746)	(6,174)	(1,505)
FINANCING ACTIVITIES					
New bank borrowings raised	5,701	5,000	7,870	7,870	8,000
Repayment of bank borrowings	(14,175)	(7,577)	(6,325)	(5,795)	(5,294)
Interest paid	(577)	(342)	(344)	(292)	(3,380)
Repayment of lease liabilities	–	–	–	–	(4,435)
Repayment from (advance to) Remaining Group	7,635	4,271	(5,443)	(14,871)	4,857
Net cash (used in) generated from financing activities	(1,416)	1,352	(4,242)	(13,088)	(252)
Net (decrease) increase in cash and cash equivalents	(5,565)	(3,688)	(3,659)	(460)	19,030
Cash and cash equivalents at the beginning of the year/period	22,595	17,030	13,342	13,342	9,683
Cash and cash equivalents at the end of the year/period, represented by bank balances and cash	17,030	13,342	9,683	12,882	28,713

NOTES TO THE UNAUDITED COMBINED FINANCIAL INFORMATION

1. GENERAL INFORMATION

東營昆宇電源科技有限公司 (Dongying Kunyu Energy Technology Company Limited*), (the "Target Company"), a private limited company established in the People's Republic of China (the "PRC") on 26 August 2019. Up to the date of this report, it is an investment-holding company and indirect non-wholly owned subsidiary of Coslight Technology International Group Limited (the "Company"). The immediate holding company of the Target Company is 哈爾濱光宇電源股份有限公司 (Harbin Coslight Power Company Limited*) ("Harbin Coslight Power"), an indirect 89.92%-owned subsidiary of the Company.

On 20 December 2019, Harbin Coslight Power, as vendor, entered into a sale and purchase agreement pursuant to which Harbin Coslight Power has conditionally agreed to dispose of the Target Company at the aggregate cash consideration of RMB860,000,000 (the "Proposed Disposal") to 昆宇(東營)股權投資合夥企業(有限合夥)(Kunyu (Dongying) Equity Investment Partnership (Limited Partnership)*) (the "Acquirer") which is an Independent Third Party to the Company. For further details of the sale and purchase agreements (including the consideration and payment terms), please refer to the section headed "II. Agreements" in the circular of the Company dated 28 February 2020 in connection with the disposal of equity interests of the Target Company (the "Circular").

A reorganisation would be implemented prior to the completion of the Proposed Disposal. Upon completion of the reorganisation and immediately before completion of the Proposed Disposal, the Target Company becomes the immediate holding company of (i) 深圳光宇電源科技有限公司 (Shenzhen Coslight Power Company Limited*) ("Shenzhen Coslight Power"), which is a private limited company established in the PRC on 2 May 2013, (ii) 深圳市力可興電池有限公司 (Lexel Battery (Shenzhen) Company Limited*) ("Lexel Battery"), which is a private limited company established in the PRC on 7 October 1997 and (iii) 哈爾濱光宇新能源有限公司 (Harbin Coslight New Energy Limited*) ("Harbin Coslight New Energy"), which is a private limited company newly established in the PRC on 5 July 2019, and certain plant and machinery of Harbin Coslight Power and related operation will be injected into Harbin Coslight New Energy (Collectively the "Disposal Group"). Up to the date of this report, Shenzhen Coslight Power and Harbin Coslight New Energy are principally engaged in manufacturing and sales of lithium batteries and Lexel Battery is principally engaged in manufacturing and sales of nickel batteries.

Detail of the reorganisation are set out in the Section headed "Reorganisation" in the Circular.

* *for identification only*

2. BASIS OF PRESENTATION AND PREPARATION OF THE UNAUDITED COMBINED FINANCIAL INFORMATION

The Disposal Group had not been a separate legal group for the three years ended 31 December 2016, 2017, 2018 and ten months ended 31 October 2019 (the "Relevant Periods"). The Unaudited Combined Financial Information is prepared on basis that combines the results, assets and liabilities of the Disposal Group using their carrying values by applying the principles below throughout the Relevant Periods as if the reorganisation had been completed.

The following summarises the principles applied in preparing the Unaudited Combined Financial Information:

– Transactions and balances between entities included in the Disposal Group within the Unaudited Combined Financial Information have been eliminated. All intra-group balances, transactions, income and expenses and profits and losses, including unrealised profits arising from intra-group transactions, have been eliminated on combination;

– Certain plants and machineries of Harbin Coslight Power and the related operating results generated by those plant and machinery being injected into the Disposal Group. These represent the capital distribution of the Harbin Coslight Power into the Disposal Group which is recognised in general reserve of the Disposal Group; and,

– Registered capital at 31 December 2016, 2017, 2018 and 31 October 2018 represented combined registered capital of Lexel Battery and Shenzhen Coslight Power while the registered capital at 31 October 2019 represented the combined registered capital of the Lexel Battery, Shenzhen Coslight Power and Harbin Coslight New Energy.

The Unaudited Combined Financial Information of the Disposal Group has been prepared solely for the purpose of inclusion in the circular to be issued by the Company in connection with the disposal of the equity interests of the Target Company in accordance with 14.68(2)(a)(i)(A) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The Unaudited Combined Financial Information of the Disposal Group comprising the unaudited combined statements of financial position of the Disposal Group as at 31 December 2016, 2017, 2018 and 31 October 2019, and the unaudited combined statements of profit or loss and other comprehensive income, the unaudited combined statements of changes in equity and the unaudited combined statements of cash flows for the three years ended 31 December 2016, 2017 and 2018 and ten months ended 31 October 2019, and explanatory notes, has been prepared in accordance with the accounting policies adopted by the Company and its subsidiaries in the preparation of the consolidated financial statements of the Company for the years ended 31 December 2016, 2017 and 2018 and for the six months ended 30 June 2019, for respective years and periods, which conform with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The Unaudited Combined Financial Information has been prepared under the historical cost convention, and is presented in Renminbi ("RMB") and on a going concern basis. All values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

The Unaudited Combined Financial Information of the Disposal Group does not contain sufficient information to constitute a complete set of financial statements as defined in Hong Kong Accounting Standard 1 (Revised) "Presentation of Financial Statements" or an interim financial report as defined in Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the HKICPA.

The following is a summary of the illustrative unaudited pro forma consolidated statement of financial position as at 30 June 2019, unaudited pro forma consolidated statement of profit or loss and other comprehensive income and unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2018 of Coslight Technology International Group Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") excluding 東營昆宇電源科技有限公司 (Dongying Kunyu Energy Technology Company Limited*) (the "**Target Company**") and its subsidiaries upon the completion of the reorganisation (the "**Disposal Group**") (hereinafter referred to as the "**Remaining Group**") (the "**Unaudited Pro Forma Financial Information**") which has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the disposal (i) 90% of equity interests of the Target Company (the "**Initial Disposal**") and (ii) the remaining 10% equity interests of the Target Company (the "**Remaining Disposal**") (collectively refer as the "**Proposed Disposal**") as if the Proposed Disposal and the reorganisation had been completed on 30 June 2019 for the unaudited pro forma consolidated statement of financial position, and on 1 January 2018 for the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows.

The unaudited pro forma consolidated statement of financial position of the Remaining Group is prepared based on the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2019 as extracted from the published interim report of the Group for the six months ended 30 June 2019 after making pro forma adjustments relating to the Proposed Disposals that are factually supportable and directly attributable to the Proposed Disposals as set out below.

The unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Remaining Group are prepared based on the audited consolidated statement of profit or loss and other comprehensive income and the audited consolidated statement of cash flows of the Group for the year ended 31 December 2018 as extracted from the published annual report of the Group for the year ended 31 December 2018 after making pro forma adjustments relating to the Proposed Disposals that are factually supportable and directly attributable to the Proposed Disposals as set out below.

The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company in accordance with paragraph 4.29 of Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for illustrative purposes only, based on their judgments, estimations and assumptions, and because of its hypothetical nature, it may not give a true picture of the financial position of the Remaining Group as at 30 June 2019 or at any future date, or the financial performance and cash flows of the Remaining Group for the year ended 31 December 2018 or for any future period.

The Unaudited Pro Forma Financial Information should be read in conjunction with the historical financial information of the Group as set out in the published interim report of the Group for the six months ended 30 June 2019 and the published annual report of the Group for the year ended 31 December 2018 and other financial information included elsewhere in this circular.

* *For identification only*

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE REMAINING GROUP

As at 30 June 2019

	The Group	Pro forma adjustments						The Remaining Group after the completion of the Initial Disposal	Pro forma adjustments		The Remaining Group after the completion of the Proposed Disposal
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 1)	*(Note 2a)*	*(Note 2b)*	*(Note 3)*	*(Note 4)*	*(Note 5a)*	*(Note 6)*		*(Note 7a)*	*(Note 7c)*	
Non-current assets											
Property, plant and equipment	2,185,134	–	–	(63,957)	–	–	–	2,121,177	–	–	2,121,177
Right-of-use assets	172,581	–	–	(35,477)	–	–	–	137,104	–	–	137,104
Goodwill	–	–	–	–	–	–	–	–	–	–	–
Other intangible assets	4,142	–	–	–	–	–	–	4,142	–	–	4,142
Deposits paid for acquisition of land	9,728	–	–	–	–	–	–	9,728	–	–	9,728
Interests in associates	292,787	–	–	–	–	–	–	292,787	–	–	292,787
Interest in a joint venture	1,000	–	–	–	–	–	–	1,000	–	–	1,000
Deposits paid for finance leases	2,152	–	–	–	–	–	–	2,152	–	–	2,152
Financial instruments at fair value through profit or loss	–	–	–	–	51,700	–	–	51,700	(51,700)	–	–
Deferred tax assets	45,566	–	–	(4,560)	–	4,473	–	45,479	–	(4,473)	41,006
	2,713,090	–	–	(103,994)	51,700	4,473	–	2,665,269	(51,700)	(4,473)	2,609,096
Current assets											
Inventories	1,446,067	–	–	(22,987)	–	–	–	1,423,080	–	–	1,423,080
Trade and other receivables	2,276,143	–	–	(36,263)	–	–	25,160	2,265,040	–	–	2,265,040
Right-of-use assets	13,244	–	–	–	–	–	–	13,244	–	–	13,244
Amounts due from directors	637	–	–	–	–	–	–	637	–	–	637
Amounts due from related companies	214,618	–	–	–	–	–	–	214,618	–	–	214,618
Amounts due from a joint ventures	288	–	–	–	–	–	–	288	–	–	288
Amounts due from remaining group entities	–	–	–	(16,581)	–	–	16,581	–	–	–	–
Amounts due from associates	185,817	–	–	–	–	–	–	185,817	–	–	185,817
Pledged bank deposits	250,858	–	–	(19,836)	–	–	–	231,022	–	–	231,022
Bank balances and cash	154,817	–	(9,000)	(28,713)	753,000	–	–	870,104	86,000	–	956,104
	4,542,489	–	(9,000)	(124,380)	753,000	–	41,741	5,203,850	86,000	–	5,289,850
Current liabilities											
Trade and other payables	2,322,760	–	–	(62,001)	(21,000)	–	16,581	2,256,340	–	–	2,256,340
Contract liabilities	46,398	–	–	(1,689)	–	–	–	44,709	–	–	44,709
Amounts due to related companies	534,198	–	–	(1,806)	–	–	–	532,392	–	–	532,392
Amounts due to non-controlling interests	1,475	–	–	–	–	–	–	1,475	–	–	1,475
Amounts due to associates	419,160	–	–	–	–	–	–	419,160	–	–	419,160
Amounts due to remaining group entities	–	–	–	(25,160)	–	–	25,160	–	–	–	–
Tax payables	39,459	–	–	(4,496)	104,235	–	–	139,198	11,582	–	150,780
Bank borrowings	1,176,923	–	–	(7,375)	–	–	–	1,169,548	–	–	1,169,548
Lease liabilities	13,416	–	–	(5,566)	–	–	–	7,850	–	–	7,850
	4,553,789	–	–	(108,093)	83,235	–	41,741	4,570,672	11,582	–	4,582,254
Net current (liabilities) assets	(11,300)	–	(9,000)	(16,287)	669,765	–	–	633,178	74,418	–	707,596
	2,701,790	–	(9,000)	(120,281)	721,465	4,473	–	3,298,447	22,718	(4,473)	3,316,692

	The Group	Pro forma adjustments						The Remaining Group after the completion of the Initial Disposal	Pro forma adjustments		The Remaining Group after the completion of the Proposed Disposal
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 1)	*(Note 2a)*	*(Note 2b)*	*(Note 3)*	*(Note 4)*	*(Note 5a)*	*(Note 6)*		*(Note 7a)*	*(Note 7c)*	
Capital and reserves											
Share capital	40,094	–	–	–	–	–	–	40,094	–	–	40,094
Reserves	2,211,922	(2,703)	6,595	–	568,869	(22,792)	–	2,761,891	20,428	22,792	2,805,111
Equity attributable to owners of the Company	2,252,016	(2,703)	6,595	–	568,869	(22,792)	–	2,801,985	20,428	22,792	2,845,205
Non-controlling interests	201,722	2,703	(15,595)	–	63,770	(2,555)	–	250,045	2,290	2,555	254,890
Total equity	2,453,738	–	(9,000)	–	632,639	(25,347)	–	3,052,030	22,718	25,347	3,100,095
Non-current liabilities											
Deferred tax liabilities	23,566	–	–	–	–	–	–	23,566	–	–	23,566
Lease liabilities	38,641	–	–	(31,455)	–	–	–	7,186	–	–	7,186
Deferred government grants	185,845	–	–	–	–	–	–	185,845	–	–	185,845
Derivative	–	–	–	–	–	29,820	–	29,820	–	(29,820)	–
	248,052	–	–	(31,455)	–	29,820	–	246,417	–	(29,820)	216,597
	2,701,790	–	(9,000)	(31,455)	632,639	4,473	–	3,298,447	22,718	(4,473)	3,316,692

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OF THE REMAINING GROUP

For the year ended 31 December 2018

	The Group	Pro forma adjustments			The Remaining Group after the completion of the Initial Disposal	Pro forma adjustments		The Remaining Group after the completion of the Proposed Disposal
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 8)	*(Note 5b)*	*(Note 9)*	*(Note 10)*		*(Note 7b)*	*(Note 7c)*	
Continuing operations								
Revenue	3,196,379	–	(899,276)	–	2,297,103	–	–	2,297,103
Cost of sales	(2,599,670)	–	711,683	–	(1,887,987)	–	–	(1,887,987)
Gross Profit	596,709	–	(187,593)	–	409,116	–	–	409,116
Other income	93,612	–	(15,962)	–	77,650	–	–	77,650
Gain on disposal of subsidiaries, net	27,318	–	–	–	27,318	–	–	27,318
Gain on disposal of remaining 10% equity interest	–	–	–	–	–	40,500	–	40,500
Gain on disposal of an associate	175,192	–	–	–	175,192	–	–	175,192
Distribution and selling expenses	(71,406)	–	12,300	–	(59,106)	–	–	(59,106)
Administrative and other operating expenses	(380,860)	–	26,326	–	(354,534)	–	–	(354,534)
Finance costs	(88,719)	–	344	–	(88,375)	–	–	(88,375)
Impairment loss recognised	(164,767)	–	–	–	(164,767)	–	–	(164,767)
Change in fair value of an investment property	14,475	–	–	–	14,475	–	–	14,475
Recognition of fair value of derivative	–	(34,200)	–	–	(34,200)	–	34,200	–
Share of results of associates	58,932	–	–	–	58,932	–	–	58,932
Profit before tax	260,486	(34,200)	(164,585)	–	61,701	40,500	34,200	136,401
Income tax expenses	(35,215)	5,130	26,493	–	(3,592)	(11,582)	(5,130)	(20,304)
Profit for the year from continuing operations	225,271	(29,070)	(138,092)	–	58,109	28,918	29,070	116,097
Discontinued operations								
Gain on disposal of discontinued operations	–	–	–	619,676	619,676	–	–	619,676
Profit for the year	225,271	(29,070)	(138,092)	619,676	677,785	28,918	29,070	735,773

	The Group	Pro forma adjustments			The Remaining Group after the completion of the Initial Disposal	Pro forma adjustments		The Remaining Group after the completion of the Proposed Disposal
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 8)	*(Note 5b)*	*(Note 9)*	*(Note 10)*		*(Note 7b)*	*(Note 7c)*	
Other comprehensive income (expense), net of income tax								
Items that will not be reclassified subsequently to profit or loss:								
Surplus on revaluation of property, plant and equipment	35,931	–	632	–	36,563	–	–	36,563
Deferred tax effects arising on revaluation of property, plant and equipment	(8,983)	–	168	–	(8,815)	–	–	(8,815)
	26,948	–	800	–	27,748	–	–	27,748
Items that may be reclassified subsequently to profit or loss:								
Exchange difference arising on translating foreign operations	(602)	–	–	–	(602)	–	–	(602)
Share of exchange reserve of associates	1,905	–	–	–	1,905	–	–	1,905
	1,303	–	–	–	1,303	–	–	1,303
Other comprehensive income for the year, net of income tax	28,251	–	800	–	29,051	–	–	29,051
Total comprehensive income for the year	253,522	(29,070)	(137,292)	619,676	706,836	28,918	29,070	764,824
Profit (loss) for the year attributable to:								
Owners of the Company								
– from continuing operations	199,769	(26,140)	(124,172)	–	49,457	26,003	26,140	101,600
– from discontinued operations	–	–	–	557,213	557,213	–	–	557,213
	199,769	(26,140)	(124,172)	557,213	606,670	26,003	26,140	658,813
Non-controlling interests								
– from continuing operations	25,502	(2,930)	(13,920)	–	8,652	2,915	2,930	14,497
– from discontinued operations	–	–	–	62,463	62,463	–	–	62,463
	25,502	(2,930)	(13,920)	62,463	71,115	2,915	2,930	76,960
	225,271	(29,070)	(138,092)	619,676	677,785	28,918	29,070	735,773
Total comprehensive income (expense) for the year attributable to:								
Owners of the Company								
– from continuing operations	225,539	(26,140)	(123,453)	–	75,946	26,003	26,140	128,089
– from discontinued operations	–	–	–	557,213	557,213	–	–	557,213
	225,539	(26,140)	(123,453)	557,213	633,159	26,003	26,140	685,302
Non-controlling interests								
– from continuing operations	27,983	(2,930)	(13,839)	–	11,214	2,915	2,930	17,059
– from discontinued operations	–	–	–	62,463	62,463	–	–	62,463
	27,983	(2,930)	(13,839)	62,463	73,677	2,915	2,930	79,522
	253,522	(29,070)	(137,292)	619,676	706,836	28,918	29,070	764,824

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS OF THE REMAINING GROUP

For the year ended 31 December 2018

	The Group	Pro forma adjustments				The Remaining Group after the completion of the Initial Disposal	Pro forma adjustments	The Remaining Group after the completion of the Proposed Disposal
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 8)	*(Note 2b)*	*(Note 5b)*	*(Note 9)*	*(Note 11)*		*(Note 12)*	
OPERATING ACTIVITIES								
Profit before tax								
– from continuing operations	260,486	–	(34,200)	(164,585)	–	61,701	74,700	136,401
– from discontinued operations	–	–	–	–	723,911	723,911	–	723,911
	260,486	–	(34,200)	(164,585)	723,911	785,612	74,700	860,312
Adjustments for:								
Finance costs	88,719	–	–	(344)	–	88,375	–	88,375
Depreciation of property, plant and equipment	113,832	–	–	(2,752)	–	111,080	–	111,080
Impairment loss recognised on trade and other receivables	35,282	–	–	13,380	–	48,662	–	48,662
Impairment loss recognised on amount due from an associate	129,410	–	–	–	–	129,410	–	129,410
Impairment loss recognised on a director for related companies	75	–	–	–	–	75	–	75
Change in fair value of an investment property	(14,475)	–	–	–	–	(14,475)	–	(14,475)
Deficit arising on revaluation of property, plant and equipment, net	(2,564)	–	–	(5,405)	–	(7,969)	–	(7,969)
Investment income from financial assets at fair value through profit or loss ("**FVTPL**")	(532)	–	–	–	–	(532)	–	(532)
Amortisation of prepaid lease payments	3,653	–	–	–	–	3,653	–	3,653
Gain on disposal of property, plant and equipment	(116)	–	–	(14)	–	(130)	–	(130)
Written off of intangible assets	10	–	–	–	–	10	–	10
Allowance for inventories	7,731	–	–	(11,947)	–	(4,216)	–	(4,216)
Amortisation of other intangible assets	38	–	–	–	–	38	–	38
Imputed interest income on deposits paid for finance leases	(2,650)	–	–	–	–	(2,650)	–	(2,650)
Amortisation of government grants	(4,905)	–	–	–	–	(4,905)	–	(4,905)
Bank interest income	(6,638)	–	–	272	–	(6,366)	–	(6,366)
Government grants recognised as income	(14,585)	–	–	–	–	(14,585)	–	(14,585)
Recognition of fair value of derivative	–	–	34,200	–	–	34,200	(34,200)	–
Reversal of impairment loss recognised on trade and other receivables	(43,807)	–	–	–	–	(43,807)	–	(43,807)
Gain on disposal of subsidiaries, net	(27,318)	–	–	–	–	(27,318)	–	(27,318)
Gain on the Proposed Disposal	–	–	–	–	(723,911)	(723,911)	(40,500)	(764,411)
Gain on disposal of an associate	(175,192)	–	–	–	–	(175,192)	–	(175,192)
Share of results of associates	(58,932)	–	–	–	–	(58,932)	–	(58,932)
Increase in operating result contributed by injected assets	–	–	–	164,907	–	164,907	–	164,907
Operating cash flows before movements in working capital	287,522	–	–	(6,488)	–	281,034	–	281,034

	The Group	Pro forma adjustments				The Remaining Group after the completion of the Initial Disposal	Pro forma adjustments	The Remaining Group after the completion of the Proposed Disposal
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 8)	*(Note 2b)*	*(Note 5b)*	*(Note 9)*	*(Note 11)*		*(Note 12)*	
Increase in inventories	(12,507)	–	–	(1,286)	–	(13,793)	–	(13,793)
Increase in financial asset at FVTPL	3,532	–	–	–	–	3,532	–	3,532
Increase in trade and other receivables	(145,998)	–	–	(2,450)	–	(148,448)	–	(148,448)
Increase in amount due from associates	51,132	–	–	–	–	51,132	–	51,132
Increase in contract liabilities	47,745	–	–	(693)	–	47,052	–	47,052
Increase in trade and other payables	72,515	–	–	2,031	–	74,546	–	74,546
Cash used in operations	303,941	–	–	(8,886)	–	295,055	–	295,055
Income tax paid	(93,655)	–	–	557	–	(93,098)	–	(93,098)
Net cash used in operating activities	210,286	–	–	(8,329)	–	201,957	–	201,957
INVESTING ACTIVITIES								
Withdrawal of pledged bank deposits	465,145	–	–	(18,640)	–	446,505	–	446,505
Net cash inflow on disposal of subsidiaries	198,589	–	–	–	774,000	972,589	86,000	1,058,589
Dividends received from associates	7,227	–	–	–	–	7,227	–	7,227
Interest received	6,638	–	–	(272)	–	6,366	–	6,366
Proceeds from disposal of property, plant and equipment	25,694	–	–	–	–	25,694	–	25,694
Placement of pledged bank deposits	(317,954)	–	–	23,429	–	(294,525)	–	(294,525)
Purchases of property, plant and equipment	(490,837)	–	–	2,801	–	(488,036)	–	(488,036)
Advance to related companies	(644)	–	–	428	–	(216)	–	(216)
Capital injection to a joint venture	(1,000)	–	–	–	–	(1,000)	–	(1,000)
Repayment from non-controlling interest	308	–	–	–	–	308	–	308
Proceeds from disposal of associate	505,479	–	–	–	–	505,479	–	505,479
Acquisition of an intangible asset	(87)	–	–	–	–	(87)	–	(87)
Net cash generated from investing activities	398,558	–	–	7,746	774,000	1,180,304	86,000	1,266,304
FINANCING ACTIVITIES								
New bank borrowings raised	1,090,773	–	–	(7,870)	–	1,082,903	–	1,082,903
Government grants received	14,585	–	–	–	–	14,585	–	14,585
Advance from related companies	32,549	–	–	5,443	–	37,992	–	37,992
Advance from (repayment to) directors	174	–	–	–	–	174	–	174
Repayments of bank borrowings	(1,459,199)	–	–	6,325	–	(1,452,874)	–	(1,452,874)
Repayments of obligations under finance leases	(78,161)	–	–	–	–	(78,161)	–	(78,161)
Interest paid	(99,627)	–	–	344	–	(99,283)	–	(99,283)
Advance from associates	(254,363)	–	–	–	–	(254,363)	–	(254,363)
Payment on repurchase of own shares	(19,115)	–	–	–	–	(19,115)	–	(19,115)
Repayment to non-controlling interest	(199)	–	–	–	–	(199)	–	(199)
Payment for acquisition of addition interest of a subsidiary	–	(9,000)	–	–	–	(9,000)	–	(9,000)
Net cash generated from financing activities	(772,583)	(9,000)	–	4,242	–	(777,341)	–	(777,341)

	The Group	Pro forma adjustments				The Remaining Group after the completion of the Initial Disposal	Pro forma adjustments	The Remaining Group after the completion of the Proposed Disposal
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 8)	*(Note 2b)*	*(Note 5b)*	*(Note 9)*	*(Note 11)*		*(Note 12)*	
Net (decrease) increase in cash and cash equivalents	(163,739)	(9,000)	–	3,659	774,000	604,920	86,000	690,920
Cash and cash equivalents at the beginning of the year	292,878	–	–	–	(13,342)	279,536	–	279,536
Effect of foreign exchange rate changes	(116)	–	–	–	–	(116)	–	(116)
Cash and cash equivalents at the end of the year, represented by bank balances and cash	129,023	(9,000)	–	3,659	760,658	884,340	86,000	970,340

NOTES TO UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP:

(1) Balances are extracted from the unaudited condensed consolidated statement of financial position of the Group, as set out in the published interim report of the Group for the six months ended 30 June 2019.

(2a) The adjustment represents deemed disposal without losing control arising from the deduction of effective equity interest of 深圳市力可興電池有限公司 (Lexel Battery (Shenzhen) Company Limited*) ("**Lexel battery**") from 68.145% to 62.94% due to the transfer of 70% Lexel battery from 哈爾濱光宇蓄電池股份有限公司 (Harbin Coslight Storage Company Limited*) ("**Harbin Coslight Storage Battery**") to 哈爾濱光宇電源股份有限公司 (Harbin Coslight Power Company Limited*) ("**Harbin Coslight Power**") of which the Company hold Harbin Coslight Storage Battery and Harbin Coslight Power equity interest of 97.35% and 89.92% respectively upon the reorganisation. The amount is calculated as 5.2% (the change in the equity interest of Lexel Battery after the transfer) of the net asset value of Lexel Battery as at 31 October 2019, amounting to approximately RMB51,983,000, which is included in the unaudited combined statements of financial position of the Target Company as at 31 October 2019 as set out in the Appendix II to this circular (the "**NAV**").

(2b) The adjustment represents the acquisition of additional 30% equity interest of Lexel Battery by Harbin Coslight Power from non-controlling shareholders of Lexel Battery upon the completion of the reorganisation at the cash consideration of approximately RMB9,000,000. The amount is calculated as 30% of the NAV.

(3) The adjustment represents the deconsolidation of the assets and liabilities of the Disposal Group as at 31 October 2019 as if the Initial Disposal and the reorganisation had been completed on 30 June 2019. The balances are extracted from the review report on the unaudited combined financial information of the Target Company as at 31 October 2019 as set out in Appendix II to this Circular.

* *for identification only*

(4) Harbin Colight Power, which is indirect non-wholly-owned subsidiary of the Company, propose to dispose of 90% equity interests of the Target Company at the aggregate cash consideration of approximately RMB774,000,000. The adjustment represents the pro forma gain on the Initial Disposal as if the Initial Disposal and reorganisation was completed on 30 June 2019 as follows:

	RMB'000
Consideration received *(Note i)*	774,000
Less: Net asset value of the Disposal Group *(Note ii)*	(88,826)
Add: Fair value of 10% of the remaining interest of Target Company *(Note iii)*	51,700
Estimated gain on the Initial Disposal before taxation	736,874
Estimated tax payable in relation with the estimated gain on the Initial Disposal calculated at the applicable tax law and the applicable tax rate of 15% *(Note iv)*	(104,235)
Estimated gain on the Initial Disposal after taxation	632,639
Estimated gain on the Initial Disposal after taxation attributable to:	
Owners of the Company	568,869
Non-controlling interests, representing 10.08% of equity interest in Harbin Coslight Power	63,770
	632,639

(i) In the opinion of the directors of the Company, the estimated direct transaction expenses is insignificant. Cash Deposit of RMB 21,000,000 was received by the Remaining Group on 28 June 2019 and recognised as other payable in the consolidated financial statement of the Group as at 30 June 2019.

(ii) The net assets values of the Disposal Group as at 31 October 2019 are extracted from the review report of the unaudited financial information of the Target Company as at 31 October 2019 as set out in Appendix II to the Circular.

(iii) The amount represents the fair value of 10% remaining interest in the Target Company as at 31 October 2019 being unsold as if the Initial Disposal completed on 30 June 2019. Pursuant to the Sales and Purchase agreement (the "**S and P Agreement**"), Harbin Coslight Power has obligation to dispose the remaining 10% equity interest at a fixed cash consideration of RMB86,000,000 within two years since the signing of the S and P Agreement of the Proposed Disposal. The remaining interest will be designated as financial asset at fair value through profit or loss and therefore it is classified as financial asset at fair value through profit or loss under Hong Kong Financial Reporting Standard 9 Financial Instrument ("**HKFRS 9**"). The fair value is extracted from the valuation report performed by an independent valuer, Ascent Partners Valuation Service Limited. The valuation date of the fair value is 31 October 2019. Except that no controlling premium of 25% was applied in valuation, the other key assumption and valuation approach are the same as those applied for the valuation of 90% equity interest in the Target Company, of which details are set out in Appendix IV of this Circular. The fair value is subject to change in the subsequent accounting period.

(iv) The estimated tax expense is calculated in accordance with the Law of the PRC on Enterprise Income Tax and Implementation Regulation of the EIT Law (the "**EIT Law**"); i.e. consideration minus investment cost injected to the Target Company at the applicable tax rate of 15% as Harbin Coslight Power is recognised as high technology enterprise and obtained a preferential tax rate of 15%. It will not be paid at the completion date as if the Initial Disposal was completed on 30 June 2019. Therefore, income tax payable of RMB104,235,000 was included in the pro forma adjustment.

(5a) The adjustment represents the recognition of derivative, which is classified as financial liabilities at fair values under HKFRS 9 as at 31 October 2019 arising from the obligation to dispose the remaining 10% interest of the Target Company (the "**Remaining Disposal**") within two years since the signing of S and P Agreement, amounting to approximately RMB29,820,000, net of deferred tax asset of approximately RMB4,473,000. The fair value is extracted from valuation report performed by an independent valuer, Ascent Partners Valuation Service Limited. The valuation date of the fair value is 31 October 2019. The fair value is subject to change in the subsequent accounting period.

	RMB'000
Recognition of fair value of derivative after taxation attributable to:	
Owners of the Company	22,792
Non-controlling interests, representing 10.08% of equity interest in Harbin Coslight Power	2,555
	25,347

(5b) The adjustment represents the recognition of derivative, which is classified as financial liabilities at fair values under HKFRS 9 as at 1 January 2018 arising from the obligation to dispose the remaining 10% interest of the Target Company (the "**Remaining Disposal**") within two years since the signing of the S and P Agreement, amounting to approximately RMB34,200,000, net of deferred tax asset of approximately RMB5,130,000. The fair value is extracted from valuation report performed by an independent valuer, Ascent Partners Valuation Service Limited. The valuation date of the fair value is 1 January 2018. The fair value is subject to change in the subsequent accounting period.

	RMB'000
Recognition of fair value of derivative after taxation attributable to:	
Owners of the Company	26,140
Non-controlling interests, representing 10.08% of equity interest in Harbin Coslight Power	2,930
	29,070

(6) The adjustment represents the reinstatements of the balances between Remaining Group and Disposal Group as if the Initial Disposal and the reorganisation had been completed on 30 June 2019.

(7a) The adjustment represents the pro forma gain on the Remaining Disposal at a cash consideration of RMB86,000,000 as if the Remaining Disposal and reorganisation was completed on 30 June 2019:

	RMB'000
Consideration received	86,000
Less: Fair value of 10% of the remaining interest of Target Company *(Note 4iii)*	(51,700)
Estimated gain on the Remaining Disposal before taxation	34,300
Estimated tax payable in relation with the estimated gain on the Remaining Disposal calculated at the applicable tax law and the applicable tax rate of 15% *(Note i)*	(11,582)
Total estimated gain on the Remaining Disposal after taxation	22,718
Estimated gain on the Remaining Disposal after taxation attributable to:	
Owners of the Company	20,428
Non-controlling interests, representing 10.08% of equity interest in Harbin Coslight Power	2,290
	22,718

(i) The estimated tax expense is calculated in accordance with the EIT Law; i.e. consideration minus investment cost injected to the Target Company at the applicable tax rate of 15% as Harbin Coslight Power is recognised as high technology enterprise and obtained a preferential tax rate of 15%. It will not be paid at the completion date as if the Initial Disposal was completed on 30 June 2019. Therefore, income tax payable of RMB11,582,000 was included in the pro forma adjustment.

(7b) The adjustment represents the pro forma gain on the Remaining Disposal at a cash consideration of RMB86,000,000 as if the Remaining Disposal and reorganisation was completed on 1 January 2018:

	RMB'000
Consideration received	86,000
Less: Fair value of 10% of the remaining interest of Target Company *(Note i)*	(45,500)
Estimated gain on the Remaining Disposal before taxation	40,500
Estimated tax payable in relation with the estimated gain on the Remaining Disposal calculated at the applicable tax law and the applicable tax rate of 15% *(Note ii)*	(11,582)
Total estimated gain on the Remaining Disposal after taxation	28,918
Estimated gain on the Remaining Disposal after taxation attributable to:	
Owners of the Company	26,003
Non-controlling interests, representing 10.08% of equity interest in Harbin Coslight Power	2,915
	28,918

(i) The amount represents the fair value of 10% remaining equity interest in the Target Company as at 1 January 2018 being unsold as if the Initial Disposal completed on 1 January 2018. Pursuant to the S and P Agreement, Harbin Colight Power has obligation to dispose the remaining 10% equity interest at a fixed cash consideration of RMB86,000,000 within two years since the signing of the S and P Agreement. The remaining interest will be designated financial asset at fair value as through profit or loss and therefore it is classified as financial asset at fair value through profit or loss under HKFRS 9. The fair value is extracted from the valuation report performed by an independent valuer, Ascent Partners Valuation Service Limited. The valuation date of the fair value is 1 January 2018. Except that no controlling premium of 25% was applied in valuation, the other key assumption and valuation approach are same as those applied for the valuation of 90% equity interest in the Target Company, of which details are set out in Appendix IV of this Circular. The fair value is subject to change in the subsequent accounting period.

(ii) The estimated tax expense is calculated in accordance with the EIT Law; i.e. consideration minus investment cost injected to the Target Company at the applicable tax rate of 15% as Harbin Coslight Power is recognised as high technology enterprise and obtained a preferential tax rate of 15%. It will not be paid at the completion date as if the Remaining Disposal was completed on 1 January 2018.

(7c) The adjustment represents the de-recognition of derivative and deferred tax recognised in notes (5a) and (5b) above upon the completion of the Remaining Disposal and reorganisation on 30 June 2019 for pro forma statement of financial position and 1 January 2018 for pro forma statement of profit or loss and other comprehensive income, respectively.

(8) Balances are extracted from the audited consolidated statement of profit or loss and other comprehensive income and the audited consolidated statement of cash flows of the Group for the year ended 31 December 2018, as set out in the published annual report of the Group for the year ended 31 December 2018.

(9) The adjustment represents the deconsolidation of the financial performance and cash flows of the Disposal Group for the year ended 31 December 2018 as if the Initial Disposal and the reorganisation had been completed on 1 January 2018. The balances are extracted from the review report on the unaudited combined financial information of the Target Company for the year ended 31 December 2018 as set out in Appendix II to this Circular.

(10) The adjustment represents the pro forma gain on the Initial Disposal as if the Initial Disposal and the reorganisation was completed on 1 January 2018 as follows:

	RMB'000
Consideration received *(Note i)*	774,000
Less: Net asset value of the Disposal Group *(Note ii)*	(95,589)
Add: Fair value of 10% of the remaining interest of Target Company *(Note 7bi)*	45,500
Estimated gain on Initial Disposal before taxation	723,911
Estimated tax expense paid in relation with the estimated gain on the Initial Disposal calculated at the applicable tax law and the applicable tax rate of 15% *(Note iii)*	(104,235)
Estimated gain on the Initial Disposal after taxation	619,676
Estimated gain on the Initial Disposal after taxation attributable to:	
Owners of the Company	557,213
Non-controlling interests, representing 10.08% of equity interest in Harbin Coslight Power	62,463
	619,676

(i) In the opinion of the directors of the Company, the estimated direct transaction expense is insignificant.

(ii) The net assets value of the Disposal Group as at 1 January 2018 is extracted from the review report of the unaudited financial information of the Target Company as at 31 December 2017 as set out in Appendix II to this circular.

(iii) The estimated tax expense is calculated in accordance with the EIT Law; i.e. consideration minus investment cost injected to the Target Company at the applicable tax rate of 15% as Harbin Coslight Power is recognised as high technology enterprise and obtained a preferential tax rate of 15%. It will not be paid at the completion dated as if the Initial Disposal was completed as at 1 January 2018.

(iv) Since the Disposal Group qualified as discontinued operations under Hong Kong Financial Reporting Standard 5 "Non-current assets held for sale and discontinued operations", such gain on disposal are separately disclosed under discontinued operations.

(11) The adjustment represented non-cash adjustment of the pro forma gain before taxation of the Initial Disposal (calculated in note 10) on pro forma statement of cash flow and the net cash inflows arising from the Proposed Disposal as if the Proposed Disposal was completed on 1 January 2018 as follows:

	RMB'000
Cash consideration received from the Initial Disposal	774,000
Less: Bank balances and cash of the Disposal Group as at 1 January 2018	(13,342)
	760,658

(12) The adjustment represented non-cash adjustment of the Remaining Disposal (calculated in note 7b and 7c) on pro forma statement of cash flow and the net cash inflows arising from the Remaining Disposal as if the Remaining Disposal and reorganisation was completed on 1 January 2018 as follows:

	RMB'000
Cash consideration received from the Remaining Disposal	86,000

(13) No adjustments have been made to adjust any trading results or other transactions of the Group or the Remaining Group entered into subsequent to 31 October 2019 and 31 December 2018.

(14) All the pro forma adjustments, except those stated in the notes, will not have a continuing effect on the Remaining Group in the subsequent reporting periods.

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP EXCLUDING DONGYING KUNYU ENERGY TECHNOLOGY COMPANY LIMITED AND ITS SUBSIDIARIES

信永中和 ShineWing

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

28 February 2020

The Board of Directors
Coslight Technology International Group Limited
Room 2501-2502, COSCO Tower,
181-183 Queen's Road Central,
Hong Kong

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Coslight Technology International Group Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") excluding 東營昆宇電源科技有限公司 (Dongying Kunyu Energy Technology Company Limited*) (the "**Target Company**") and its subsidiaries (the "**Disposal Group**") upon the completion of the reorganisation by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 30 June 2019, the unaudited pro forma consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2018, the unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2018, and related notes as set out on pages III-1 to III-15 of the circular dated 28 February 2020 (the "**Circular**") in connection with the disposal of the equity interests of the Target Company (the "**Proposed Disposal**") issued by the Company. The applicable criteria on the basis of which the directors of the Company have compiled the unaudited pro forma financial information are described in Appendix III to the Circular.

* *For identification only*

The unaudited pro forma financial information has been compiled by the directors of the Company to illustrate the impact of the Proposed Disposal on the Group's consolidated financial position as at 30 June 2019 and the Group's consolidated financial performance and consolidated cash flows for the year ended 31 December 2018 as if the Proposed Disposal and the reorganisation had taken place at 30 June 2019 and 1 January 2018 respectively. As part of this process, information about the Group's consolidated financial position has been extracted by the directors of the Company from the Group's unaudited condensed consolidated financial information as included in the interim report for the six months ended 30 June 2019 on which no audit or review report has been published, and information about the Group's consolidated financial performance and consolidated cash flows have been extracted by the directors of the Company from the Group's consolidated financial information as included in the annual report for the year ended 31 December 2018, on which an audit report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors of the Company are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("**AG7**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

Our Independence and Quality Control

We have complied with the independence and other ethical requirement of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants' plan and perform procedures to obtain reasonable assurance about whether the directors of the Company have compiled the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Listing Rules and with reference to AG7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of the Proposed Disposal and the reorganisation on unadjusted financial information of the Group as if the Proposed Disposal and the reorganisation had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Proposed Disposal at 30 June 2019 and for the year ended 31 December 2018 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors of the Company in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related unaudited pro forma adjustments give appropriate effect to those criteria; and

- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

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

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

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

ASCENT PARTNERS
Together We Flourish

The following is the text of a valuation report, prepared for the purpose of incorporation in this circular received from Ascent Partners Valuation Service Limited, an independent valuer, in connection with its valuation as at 31 October 2019 of the Target Group.

Date: 28 February 2020

The Board of Directors
Coslight Technology International Group Limited
Room 2501-2502, COSCO Tower,
181-183 Queen's Road Central,
Sheung Wan, Hong Kong.

Dear Sir/Madam,

Re: Valuation of 90% Equity Interest in Dongying Kunyu Energy Technology Company Limited

In accordance with the instruction of **Coslight Technology International Group Limited** (the "**Company**") we have undertaken a valuation task to determine the fair value of the 90% equity interest in **Dongying Kunyu Energy Technology Company Limited** (the "**Target Company**") as at 31 October 2019 (the "**Valuation Date**").

This report outlines the factors considered, valuation methodology, basis and assumptions employed in formulating our opinion and our conclusion of value.

Ascent Partners Valuation Service Limited ("**Ascent Partners**") is an independent firm providing full range of valuation and advisory services. This report is prepared independently in accordance with the International Valuation Standards. Neither Ascent Partners nor any authors of this report hold any interest in the Company, the Target Company or their related parties. The fee for providing this report is based on Ascent Partners' normal professional rates, whilst expenses (if incurred) are being reimbursed at cost. Payment of fees and reimbursements are not contingent upon the conclusions drawn in this report.

1. PURPOSE OF VALUATION

The purpose of this valuation is to express an independent opinion on the fair value of the Target Company as at the Valuation Date. This report outlines our latest findings and valuation conclusion, and is prepared solely for the senior management of the Company for public disclosure purpose.

2. SCOPE OF WORK

In conducting this valuation exercise, we have:

- Co-ordinated with the Company representatives to obtain the required information and documents for our valuation;

- Gathered the relevant information of the Target Company, including the legal documents, licenses, financial statements, projections, etc. made available to us;

- Discussed with the senior management of the Target Company (the "**Management**") and the Company to understand the history, business model, operations, customer base, business development plan and profit forecast, etc. of the business enterprises for valuation purpose;

- Carried out researches in the sector concerned and collected relevant market data from reliable sources for analysis;

- Investigated into the information of the Target Company made available to us and considered the basis and assumptions of our conclusion of value;

- Designed an appropriate valuation model to analyze the market data and derived the estimated fair value of the Target Company; and

- Compiled a report on the valuation, which outlines our findings, valuation methodologies and assumptions, and conclusion of value.

When performing our valuation, all relevant information, documents, and other pertinent data concerning the assets, liabilities and contingent liabilities should be provided to us. We relied on such data, records and documents in arriving at our opinion of values and had no reason to doubt the truth and accuracy of the information provided to us by the Company, the Target Company and its authorized representatives.

3. BACKGROUND OF THE TARGET COMPANY

The Target Company is a newly founded investment holding company with 100% equity interest in Harbin Coslight New Energy Company Limited ("**HCNE**"), 100% equity interest in Shenzhen Coslight Power Company Limited ("**SCP**") and 100% equity interest in Lexel Battery (Shenzhen) Company Limited ("**LBS**").

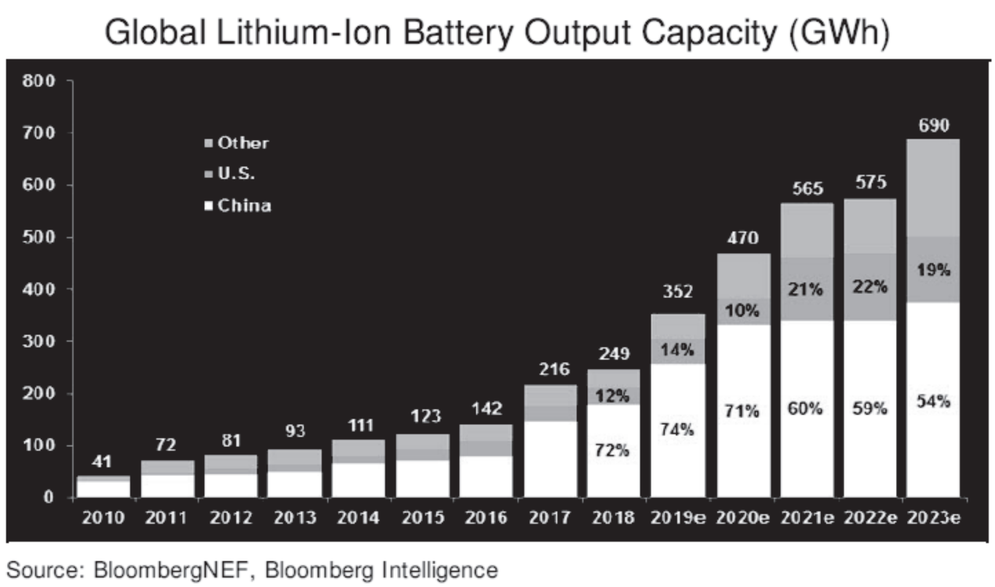
HCNE is a newly established company that incorporates the business operation of manufacturing and selling lithium related batteries for energy storage (the "**Lithium Battery Business**") from the subsidiary of the Company, of which the subsidiary has been operated Lithium Battery Business for several years with track earnings.

SCP is a company that has been found with main operation of manufacturing lithium related batteries for the Lithium Battery Business only. As a nickel metal hybrid (Ni-MH) battery manufacturer, LBS has been committed to the research and development, production and marketing of environmental protection nickel batteries.

4. INDUSTRY OVERVIEW

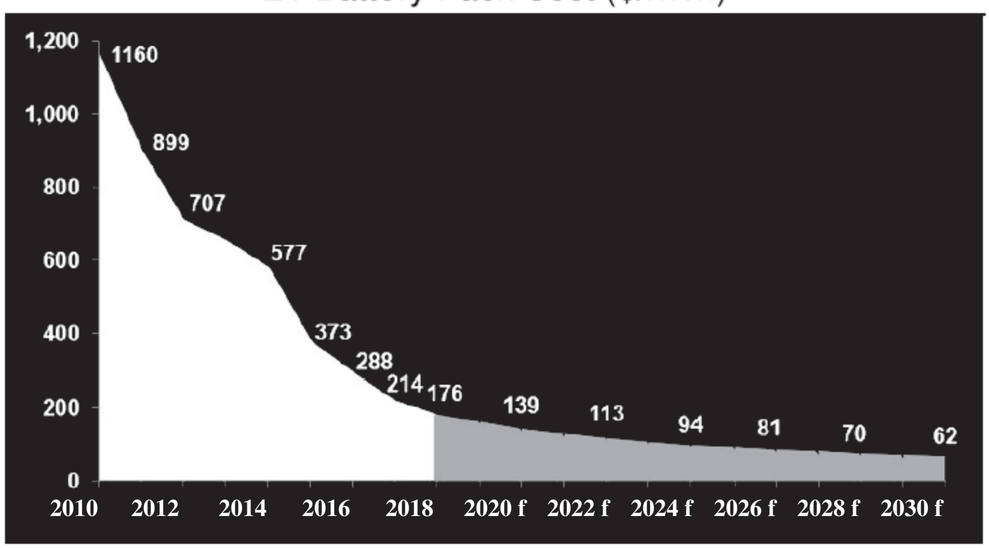
Lithium Batteries

The lithium-ion battery ("**LiB**") industry is one of the fastest growing industries, and it does not seem like it will be slowing down anytime soon. One of the key growth areas is in energy storage systems, where it is projected just in the United States (**U.S.**) and the People's Republic of China ("**PRC**") alone, that there could be a possible jump in capacity to 101 gigawatt hours ("**GWh**") in 2025 from 5 GWh in 2018. Globally, the capacity is expected to rise by 89%, from 249 GWh fully commissioned in 2018 to 470 GWh by 2020. There are also initiatives for electric vehicles ("**EV**") as more manufacturers are expanding their car line ups. It does not mean that all companies within the industry are equally profitable, as competition is increasing and there will be pressure on prices because companies are investing to increase capacity to meet demands. The key points that are vital for the LiB industries are the declining prices for LiB, the ever-growing demand for LiB as the world is transitioning towards sustainable and renewable energy, and the government policies that are being enacted.



The PRC and the U.S. will continue to dominate the market pertaining to energy-storage systems and EV. The PRC currently leads with 72% of the current market share. The PRC will continue to be the leader as most of the global capacity will be fulfilled by Chinese producers. The future projections have the PRC's market share shrinking to 54% by 2023 from 72% in 2018 due to the increase in capacity in developing economies such as Thailand and Turkey. The U.S. on the other hand is projected to grab more market share with an expected market share of 19% by 2023. These rises in output from larger producers will consequently place price pressure on global battery manufacturers, where smaller plants will be more affected by the increased competition.

EV Battery Pack Cost ($/kWh)



Source: BloombergNEF

The battery prices could plunge by as much as 47% by 2024 as compared to 2018 due to the construction of new and larger plants in the PRC. Also, improvement in technologies would lower the cost of manufacturing the batteries which would also be a contributing factor to the falling prices. The drop in prices could be slowed down due to rising costs in raw materials such as lithium and cobalt. Although, it is projected that the sensitivity to cobalt prices is declining as manufacturers are likely to reduce the content of the metal in the future, especially with lithium-iron-phosphate batteries becoming more popular.

Although an increase in supply will cause downward pressure on prices, upward pressure from increasing demand is still high and is growing as the electrification of the automotive industry continues, the use of batteries on the power-grid rises, and as governments push clean air policies. The demand for LiB used by EV is projected to grow at a compound annual growth rate ("**CAGR**") of 31% through 2030. The catalyst for the growth is the dropping prices of LiB, the embracement of the technology by the automakers, and the push by governments to cut down on carbon emissions. With the increased number of EV on the road, the need for energy-storage will also rise to fulfil the growth of charging centres. This will be linked to the automakers ability to improve the range of EV and the time needed to charge the batteries. If automakers fail to make significant improvement in such areas, the adoption of EV will be slowed, which would significantly impact the aforementioned projections.

Many utility companies are using energy storage systems to help smooth the power supply of renewable energy generation, by storing excess energy for peak-demand periods, and by supplementing it when energy production is low due to low wind or a lack of sunshine. This will undoubtedly increase the demand for utility-scale energy storage as the cost of building them declines and as governments provides incentives to integrate batteries into the power grid.

Governments will play a key role in increasing the demand for the LiB. Governments around the world are setting renewable-energy targets to move away from fossil fuels. In the U.S. state energy-storage mandates and a federal rule may expand opportunities for battery suppliers. There is also a small possibility that the U.S. congress will extend the investment-tax credits available to energy storage projects. If the measure is agreed upon, it would expand the deployment of LiB energy storage alongside solar energy that many companies offer.

Ni-MH Battery

At present, in developed countries, the Ni-MH Battery industry is generally at a more advanced level. The world's large enterprises are mainly concentrated in Japan and the PRC. Meanwhile, foreign companies have more advanced equipment, strong R&D capability, and leading technical level. However, foreign companies' manufacturing cost is relatively higher, compared with companies in the PRC. With the development of Chinese Ni-MH Battery production technology, their share in the international market is increasing, and competitiveness in the international market gradually increases.

The PRC's Ni-MH Battery industry has developed into a national wide status with certain research and production capacity, industry product mix has gradually improved, currently. The PRC has become a large international production country of Ni-MH Battery, but the production technology is relatively focused in producing some low-end products. The key product of China Ni-MH Battery market is small-sized battery for household consumer electronics. Due to the rapid development of lithium batteries in the PRC, the future of Ni-MH Battery is challenged for the substituted by lithium battery in consumer electronics application.

5. ECONOMIC OVERVIEW

Global Economic Overview

The global economy has been volatile recently due to ongoing trade war between the United States and China. The effects of the dispute have subdued global growth. According to the International Monetary Fund ("**IMF**") global growth is forecasted at 3.2% in 2019, with a small bump in 2020 to 3.5%. With the GDP releases thus far, the global activity is pointing towards a weaker than anticipated levels. Spending on investments and demands for consumer durables have been weakening across all market economies, advanced and emerging. Therefore, global trade has taken a huge hit and remains sluggish. The slight rise in growth in 2020 depends on stabilization in the currently distressed economic environment, and it assumes there is progress in resolving trade policy differences.

The apparent risks on the forecast are mainly downside due to the possibility of further escalation in tensions. The sentiment around trade and the economy has already caused an increase in risk aversion. Along with the fact that the current situation with monetary policy limits the possible actions to counter any downturns in the foreseeable future, which makes adverse shocks more persistent than normal.

In regard to advanced economies, the projected growth in the United States is 2.6% in 2019 and slowing down to 1.9% in 2020. The 2019 growth is due to the stronger than expected first quarter performance. The slow in growth is due to signs of weakening momentum into the rest of 2019 due to the data in regard to exports, inventory accumulation, and domestic demand showing weakness along with weaker imports due to the effect of tariffs. The euro zone is projected to grow at a rate of 1.3% in 2019 and slightly strengthening to 1.6% in 2020. The lower forecast for 2019 is due to Germany's weaker than expected external demand. Within the euro zone the rest remain unchanged for other countries.

Regarding emerging and developing economies, Asia will be highlighted with an expected growth rate of 6.2% in 2019-2020. The forecast has actually weakened by 0.1% largely due to the impact of tariffs on trade and investment. Although policy stimulus is expected to support activity in the face of the external shock, there is still downside risk to the unpredictability of the United States.

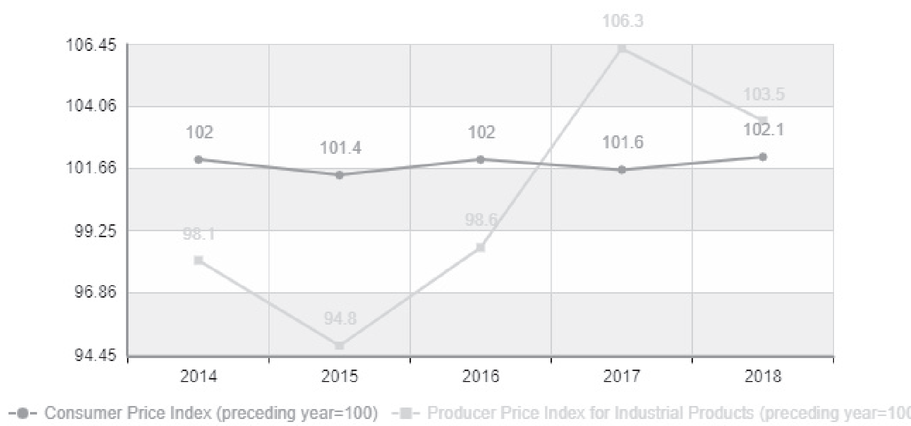
Economic Overview of the PRC

Consistent with market expectations, Gross Domestic Product ("**GDP**") of the PRC has moderated to 6.4% YoY in the fourth quarter of 2018 and first quarter of 2019, from 6.8% in the first half of 2018. This moderation has been mainly due to weak domestic consumption and investment. Stronger net exports, beyond expectation, compensated 1.5% to GDP growth in the first quarter of 2019. The increase in net exports compared to fourth quarter of 2018 is due to a combination of somewhat slower export growth and possibly some import substitution, as imports contracted.

According to World Bank, the current account surplus in the first quarter of 2019 widened to 1.9% of GDP, from 0.4% of GDP in 2018, as imports declined. Growth in the exports of goods and services slowed but remained positive, as a result of the higher US tariffs, with goods export to the US having contracted in most months since November 2018. On the other hand, weaker domestic demand was reflected in declining imports in the first quarter of 2019, with imports of goods and services contracted across product categories and trading partners.

Consumption continued to drive the economic activity and the expansion of GDP, with a growth rate of 9% YoY in 2018, which was contributed mainly by the rising household spending and declining saving. Households are spending an increasing share of their budget on health care, transport and telecommunication, and housing and a lower share on food and clothing. The rising share of healthcare in household spending was likely due to higher inflation in healthcare costs compared to the other items in consumer budgets. But its contribution to GDP growth declined to 4.2% YoY from 4.5% in last quarter of 2018. This is because recent growth in real consumption expenditure has been generally weaker than real disposable income growth, especially for urban households. While for rural households, family consumption growth has been, on average, higher than income growth, contributing to the ongoing rebalancing from investment to consumption with increased demand for domestic consumer goods and services.

Consumer price inflation increased in recent months from higher growth in food prices, while producer price inflation further moderated. Consumer prices accelerated to 2.5% YoY in April 2019, up from an average of 2.1% YoY in 2018. The main driver for higher inflation was rising food prices, driven by a supply shortfall caused by bad weather and an outbreak of swine flu, while weaker energy prices exerted downward pressure on inflation. Core inflation, excluding food and energy prices, has remained broadly stable. Driven by weaker coal and metals price growth, producer price inflation moderated to 0.4% YoY in the first four months of 2019, down from 3.5% YoY in last year. The orders of the manufacturing industry continued to decline, and the pressure of weakening of demand increased.



Economic Outlook

Referencing the World Bank's baseline projection, the PRC's economic growth in 2019 will remain unchanged at 6.2% and slightly decline to 6.1% in 2020. Despite the positive surprise in GDP growth in the first quarter of 2019, net exports are unlikely to provide a sustained boost in the coming months, as new trade tariffs take effect and global growth slows. A deceleration in global demand growth and the escalation in trade tensions will negatively affect exports further. Consumption will remain the main driver of growth and saving will continue to decline, while higher investor uncertainty and slower credit growth are expected to weigh on investment.

These dynamics will result in greater downside risks in GDP growth, as opposed to much faster growth in the previous decade. At the same time, the PRC still has significant potential for catching up to the productivity level of high-income countries and can continue to contribute to and benefit from global integration. Economic prospects both in the PRC and in its trading partners would receive a significant boost from resolving the current trade disputes.

6. BASIS OF VALUATION

Our valuation is carried out on a fair value basis. Hong Kong Financial Reporting Standard (HKFRS) 13 *Fair Value Measurement* defines fair value as "*the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as at the measurement date*".

7. BASIS OF OPINION

We have conducted our valuation with reference to International Valuation Standards issued by International Valuation Standards Council (IVSC).[1] The valuation procedure includes review of the financial and economic conditions of the subject business, an assessment of key assumptions, estimates, and representations made by the Target Company. All matters essential to the proper understanding of the valuation are disclosed in the valuation report. Opinion of value included in the valuation report is impartial, independent, and unbiased.

The following factors also form a considerable part of our basis of opinion:

- Assumptions on the market and on the subject business that are considered to be fair and reasonable;
- Historical financial performance that shows a consistent trend of the operation of the subject business;
- Consideration and analysis on the micro- and macro-economic factors; and
- Analytical review of the subject business.

We have planned and performed our valuation so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to express our opinion on the subject asset. We believe that our valuation provides a reasonable basis for our opinion.

[1] The IVSC has been in existence for more than 25 years. Its origins were in the need identified by a number of professional bodies from around the world for uniformity in the valuation approaches used in real estate markets. Over the past decade it has evolved and expanded and now produces standards for many types of assets, including plant and equipment, intangible assets and businesses. The International Valuation Standards are already recognised and accepted by a wide range of organisations including the UK Financial Services Authority, the Hong Kong Securities and Futures Commission, the Securities and Exchange Board of India and the European Public Real Estate Association amongst others. IVSC has also worked in liaison with the International Accounting Standards Board (IASB) in producing guidance on valuations required under IFRS, an increasingly important need as IFRS is adopted in more states.

8. SOURCES OF INFORMATION

In conducting our valuation of the subject asset, we have considered, reviewed and relied upon the following key information provided by the instructing party and from the public:

- Overview of the business nature of the Target Company;
- Historical financial reports of the Target Company;
- Publications and research reports regarding the related industry; and
- Bloomberg, Hong Kong Stock Exchange and other reliable sources of market data.

In arriving at our opinion, we have assumed and relied upon the accuracy and completeness of the information reviewed by us for the purpose of this valuation. In addition, we have relied upon the statements, information, opinion and representations provided to us by the Company.

We also conducted research using various sources including government statistical releases and other publications to verify the reasonableness and fairness of information provided and we believe that the information is reasonable and reliable.

Our opinion is based upon existing economic, market, financial and other conditions which can be evaluated on the date of this report and we assume no responsibility to update or revise our opinion based on events or circumstances occurring after the date of this report. In reaching our opinion, we have made assumptions with respect to such economic, market, financial and other conditions and other matters, many of which are beyond our control or the control of any party involved in this valuation exercise.

9. VALUATION APPROACH AND METHODOLOGY

In carrying out this valuation exercise, we have considered the following approaches and methodologies:

Cost Approach – The cost approach considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation arising from condition, utility, age, wear and tear, or obsolescence (physical, functional or economical) present, taking into consideration past and present maintenance policy and rebuilding history. This approach is the most practical way to produce a reliable valuation without a known established market.

Unlike market and income approaches which incorporate either market sentiments or future earnings capacity of an asset as a function to determine its current value, the cost approach considers the fundamental cost that takes to form the asset.

Market Approach – In this approach, the value of an asset is appraised with reference to market prices of similar assets. A general way of estimating a value indication of an asset, the market approach considers prices recently paid for similar assets, with adjustments made to the indicated market prices to reflect differences in terms, conditions, etc. relative to the market comparative. Assets for which there is an established market may be appraised by this approach.

There are two methods to implement the market approach:

The Guideline Transaction Method – In the first market approach, transaction data for private and public companies is used to compute the value. In this method, a database of buy and sale records of enterprises with financial fundamentals on companies similar to the subject company is used as basis for transaction prices.

The Guideline Public Company Method – In the second market approach, the valuation multiples derived from the market prices and financial data of listed companies in a similar business is used to appraise the subject company.

Income Approach – In the income approach, the value of an asset is the present worth of the expected future economic benefits of ownership. The value of the asset to be valued is developed through the application of the discounted cash flow method to devolve the values of expected future income generated by the asset into a present value. This method eliminates the discrepancy in time value of money by using a discount rate to reflect all business risks including intrinsic and extrinsic uncertainties in relation to its underlying business operation.

Approach Adopted – In this valuation exercise for SCP, the cost approach is adopted because it has been operating with negative earnings in the past few years and its business is not expected to turn around in the future. In this respect, the cost approach which considers the net value that could be recovered from the company is the most appropriate valuation approach.

For the valuation exercise of both HCNE and LBS, the cost approach is not adopted because it does not capture the future economic benefits contributed by HCNE and LBS, and it is not generally adopted in the valuation of a going concern. The income approach is not adopted because it requires detailed information for the business operation and long-term financial projections, which requires the Management's estimation and assumptions with uncertainty. We believed that the market approach would be appropriate and reasonable in the appraisal for the fair value of both HCNE and LBS. The fair values of both HCNE and LBS have been developed through the Guideline Public Company Method. Since there are sufficient public companies in a similar business and with a similar business model as those of both HCNE and LBS being valued with shares being traded freely and actively on the markets, their market values are good indicators of the industry. Hence, this method is adopted in this valuation for both HCNE and LBS.

10. ASSUMPTIONS AND NOTES TO VALUATION

The following assumptions considered, having significant sensitivity effects in this valuation, have been evaluated and validated in arriving at our assessed values.

a) We have assumed that there will be no material change in the existing political, legal, technological, fiscal or economic conditions which might adversely affect the economy in general and the business of the Target Company.

b) We have not investigated any financial data to determine the earning capacity of the operation in which the assets are used, and we assumed that the prospective earnings would provide a reasonable return on the fair market value of the assets.

c) As part of our analysis, we have reviewed the information related to this valuation, which is made available to us. We have no reason to doubt the accuracy and fairness of such information on which we have relied to a considerable extent in arriving at our opinion of value.

11. ANALYSIS AND VALUATION

In the valuation task for HCNE and LBS, following ratios have been considered:

- Price-to-Revenue
- Price-to-Earnings
- Price-to-Book Value

The valuation multiples considered inappropriate in this valuation are:

The Price-to-Revenue ratio is considered not appropriate since revenue does not take into account the profitability of a company, which affects its value.

Price-to-Book ratio is considered not appropriate for this valuation because book value captures only the tangible assets of a company which, if a company creates any market value added (as reflected by a price to book ratio of larger than 1), should have its own competencies and advantages. These intangible company-specific competencies and advantages are not captured in the price-to-book ratio and so it is not a good measurement of the market value of a company. As per Pablo Fernandez, PricewaterhouseCoopers Professor of Corporate Finance, IESE Business School, book value bears little relationship to market value, only if the company adds no value.

The valuation multiple considered appropriate and adopted in this valuation is:

Price-to-earnings ratio – This is one of the most commonly employed valuation multiples. It relates the market value of a company's equity to its normalized earnings, an important driver of shareholder's value. This multiple is derived by dividing the market capitalization of the underlying company as of the Valuation Date to its historical earnings as at the Valuation Date.

The P/E multiples, along with the market capitalisation of the following guideline public companies for HCNE and LBS as at the Valuation Date, are listed in the table respectively as below:

HCNE

Guideline Public Company	**P/E**	**Market Cap** *(USD, Million)*
3211 TT Equity	12.24	292
3625 TT Equity	16.67	58
6558 TT Equity	30.21	216
002074 CH Equity	27.53	1,977
300014 CH Equity	25.34	5,082
300438 CH Equity	19.29	723
300750 CH Equity	41.87	21,558
Average P/E Multiple	**24.73**	

Details and the selection process and criteria of these guideline public companies can be found in Appendix II.

LBS

Guideline Public Company	**P/E**	**Market Cap** *(USD, Million)*
GPI SP Equity	5.11	206
40 HK Equity	2.80	78
3919 HK Equity	7.01	15
Average P/E Multiple	**4.97**	

Details and the selection process and criteria of these guideline public companies can be found in Appendix III.

Size Adjustment for the Valuation Multiple

Guideline public companies are often of significantly different in size as compared to the Target Company, leading to different risk premiums with respect to company size. A guideline public company with lower risk premium of size (i.e. larger size) than the Target Company generally implied lower inherent risk in terms of business operation and financial performance, resulting in higher valuation multiple that derives into higher value. Similarly, the Target Company with higher risk premium of size (i.e. smaller size) implied higher business risk, resulting in lower valuation multiple. Therefore, the Price-to-Earnings ratio is adjusted to account the difference in size effect between the guideline public companies and the Target Company by using the following formula with reference to the academic paper "Market Multiples Adjustments for Differences in Risk Profile – An Airline Company Example" by Nina Milenković from KPMG:

$$M_{adj} = \frac{1}{\frac{1}{M_{Or}} + (SRP_S - SRP_B)}$$

where:

- M_{adj} is the adjusted Price-to-Earnings multiple for size.
- M_{or} is the original Price-to-Earnings multiple of the guideline public companies.
- SRP_s is the Specific Risk Premium and the Company Specific Risk Premium of the Target Company.
- SRP_B is the Specific Risk Premium of the guideline public companies.

Source: Market Multiples Adjustments for Differences in Risk Profile – An Airline Company Example

With reference to the size premium data in "Duff & Phelps Cost of Capital Navigator" by Duff & Phelps Valuation Handbook 2018, a small company risk premium of 5.22% is applied to HCNE and LBS, and a range of size premium between 0.52% and 5.22% is applied to the guideline public companies of HCNE according to their respective sizes (i.e. market capitalisation). On the other hand, no size premium is applied to the guideline public companies of LBS as their respective market capitalizations are at the same size level of LBS. As a result, 15.92 and 4.97, being the average of the adjusted Price-to-Earnings multiples listed in the following tables, are adopted to derive the fair values of equity interest of business operation in HCNE and LBS, respectively.

HCNE

Guideline Public Company	**Market Cap**	**Size Premium**[1]	**Adjusted P/E**
	(USD, Milllion)		
3211 TT Equity	292	5.22%	12.24
3625 TT Equity	58	5.22%	16.67
6558 TT Equity	216	5.22%	30.21
002074 CH Equity	1,977	1.50%	13.60
300014 CH Equity	5,082	0.85%	12.02
300438 CH Equity	723	2.46%	12.59
300750 CH Equity	21,558	0.52%	14.11
Average Adjusted P/E Multiple			**15.92**

LBS

Guideline Public Company	**Market Cap**	**Size Premium**[1]	**Adjusted P/E**
	(USD, Milllion)		
GPI SP Equity	206	5.22%	5.11
40 HK Equity	78	5.22%	2.80
3919 HK Equity	15	5.22%	7.01
Average Adjusted P/E Multiple			**4.97**

Notes:

1. Each size premium is referenced to the size premium data table in "Duff & Phelps Cost of Capital Navigator" provided by Duff & Phelps Valuation Handbook 2018, in which different size premiums have been assigned to different ranges of market capitalization. The market capitalization of each guideline company that falls into certain ranges of market capitalization in the size premium data table is assigned a definite size premium accordingly.

Adopting the average valuation multiple is a generally accepted valuation practice. The respective average adjusted Price-to-Earnings multiple of guideline public companies above are is then applied to each of the average earnings, which is the average historical earnings of past three years and ten months prior to the Valuation Date, of HCNE and LBS to derive the value of the 100% equity interest of business operation for HCNE and LBS.

As HCNE and LBS are private firms and their shares lack marketability, i.e. they are non-trading and non-marketable, compared to the shares of adopted guideline public companies, an adjustment for the lack of marketability of the equity interest in HCNE and LBS is adopted by the means of a DLOM of 15.80%. The adopted DLOM value is referenced from "Stout Restricted Stock Study Companion Guide 2019" published by Stout Risius Ross, LLC.

In addition, the valuation considers that there is a controlling equity interest in both HCNE and LBS. Therefore, this factor of control must be accounted for by applying a control premium of 25.00%. The adopted value for the control premium is suggested by the following academic paper, "Value of Corporate Control: Some International Evidence" by Paul Hanouna, Atulya Sarin, and Alan C. Shapiro.

Based on the hypothetic management account[1] of HCNE, the above calculation and adjustment is tabulated as follows:

Size-adjusted PEM:	15.92x
Earnings of business operation of HCNE[1]:	RMB37,050,000
100% equity interest of business operation in HCNE:	RMB589,811,000
Less: 15.80% discount for lack of marketability of HCNE	
Add: 25% premium for controlling interest of HCNE	
100% equity interest of business operation in HCNE:	RMB620,780,000
Transaction agreement specific items adjustment:	
Less: working capital[2]	RMB4,920,000
Add: rent-free term in the transaction agreement[3]	RMB4,040,000
Adjusted 100% equity interest in HCNE:	RMB619,900,000
Adjusted 90% equity interest in HCNE:	RMB557,910,000

Notes:

1. HCNE is a newly founded company, however, as it incorporated the Lithium Battery Business that operated for years, we assume as if HCNE had operated the Lithium Battery Business for years.

2. The working capital is not transferred to and assumed by the buyer of HCNE as per the transaction agreement specified, therefore, we have deducted the working capital from the 100% equity interest of business operation in HCNE for the comparison purpose to the consideration.

3. As there is a two-year rent-free term in the transaction agreement specifying that the seller will give a two-year rent-free period to the buyer for the continued use of some plants and facilities where the Lithium Battery Business operates, we have added back the value of the two-year rents for the comparison purpose to the consideration.

Based on the latest management account of LBS, the calculation and adjustment are tabulated as follows:

Size-adjusted PEM:	4.97x
Earnings of business operation of LBS:	RMB5,055,000
100% equity interest of business operation in LBS:	RMB25,126,000
Less: 15.80% discount for lack of marketability of LBS	
Add: 25% premium for controlling interest of LBS	
100% equity interest of business operation in LBS:	RMB26,450,000
Add: Non-operating Asset[1]	RMB520,000
100% equity interest in LBS:	RMB26,970,000
90% equity interest in LBS:	RMB24,270,000

Notes:

1. The non-operating asset is the net amount due from related companies.

In the valuation task of SCP, cost approach has been adopted by taking into consideration of the key assumptions and basis below:

1. The historical earnings in the past three years are negative and there is no anticipated turnaround.

2. The net asset value is negative as at the Valuation Date.

3. The fair values of all the assets deducted by the fair values of all the liabilities of SCP are used to derive the fair value of net asset that attributable to the shareholder, which equals to the fair value of the equity interest of SCP.

Based on the management account of SCP, the net asset value as at the Valuation Date of SCP is approximately (RMB3,000,000), therefore the fair value of the 90% equity interest in SCP is determined to be zero as its net asset value is negative.

The fair value of the equity interest in the Target Company is the sum of the fair values of the equity interest in the three companies, SCP, LBS and HCNE. Hence, the 90% equity interest of the Target Company is derived to be approximately RMB582,200,000.

12. VALUATION COMMENTS

As part of our analysis, we have reviewed the financial and business information, such as project documents and other pertinent data concerning the Target Company, provided to us by the Target Company and the Company. We have assumed the accuracy of, and have relied on, such information to a considerable extent in arriving at our opinion of value.

We confirm that we have made relevant searches and enquiries and have obtained such further information as is considered necessary for the purpose of this valuation.

The conclusion of value is based on generally accepted valuation procedures and practices that rely substantially on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. Further, while the assumptions and consideration of such matters are regarded by us to be reasonable, they are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Target Company, the Company, and Ascent Partners.

13. RISK FACTORS

a) General Economic, Political, and Social Considerations

Due to the uncertainties in economic situation, there is no guarantee that the expected financial performance will materialize. Any changes in global political, economic and social conditions, laws, regulations and policies may have significant impacts on the projections of the future income of the Target Company. None of these changes can be foreseen with certainty.

b) Inflation

The concurrent loosening of monetary policies by the central banks in many developed and developing countries pose a significant risk of inflation, which will erode the profitability of the Target Company.

c) Company Specific Risk

The performance of the Target Company may be better or worse than the expectation, and the resulting earnings and cash flows can be very different from our estimates. The possibility of severe operational incidence, whether it is exogenous or endogenous, cannot be precluded.

d) Technological Changes

Any changes in the technological developments and advancements may have significant impacts on the projections of the future income of the Target Company. To remain competitive in the industry, the Target Company may be required to make substantial capital expenditures to keep up with technological changes.

e) Concentration Risk

The revenue of the Target Company is heavily dependent on a single business segment. There is no guarantee that this business relationship can be maintained and that the products of the Target Company will remain popular.

14. OPINION OF VALUE

Based on the result of our investigations and analyses outlined in this report, we are of the opinion that the fair value of the 90% equity interest in the Target Company, ***adjusted by certain terms specified in the transaction agreement for the purpose of comparison to the consideration***, as at the Valuation Date, free from any encumbrances, is **RMB582,200,000 (RENMINBI FIVE HUNDRED EIGHTY-TWO MILLION TWO HUNDRED THOUSAND ONLY)**.

Yours faithfully,

For and on behalf of
Ascent Partners Valuation Service Limited

William Yuen	**Paul Wu**
Director	*Principal*
CFA, FRM	*MSc, CMA (Aust.), CVA*

Notes:

1. Mr. William Yuen is a Chartered Financial Analyst® charterholder and Financial Risk Manager – Certified by the Global Association of Risk Professionals. He also holds a Master degree of Science in Finance. Mr. Yuen has over 10 years' experience in valuation of business entities, tangible and intangible assets and financial instruments for private and public companies in various industries.

2. Mr. Paul Wu is a Certified Management Accountant (CMA) and Chartered Valuer and Appraiser (CVA). He also holds a Master degree of Science. He has extensive experience in corporate advisory and valuation of business entities, tangible and intangible assets and financial instruments for private and public companies in various industries. Prior to working in the financial service industry, Mr. Wu had worked as a senior management in world class technology companies.

3. This valuation report is co-authorised by Mr. Wayne Hu.

APPENDIX I LIMITING CONDITIONS

1. As part of our analysis, we have reviewed financial and business information from public sources together with such financial information, client representation and other pertinent data concerning this valuation made available to us. We have assumed the accuracy of, and have relied on the information and client representations provided in arriving at our opinion of value.

2. We have explained as part of our service engagement procedure that it is the director's responsibility to ensure proper documentation is maintained, and the financial statements and other information give a true and fair view and have been prepared in accordance with the relevant companies' ordinance.

3. Ascent Partners shall not be required to give testimony or attendance in court or to any government agency by reason of this valuation unless prior arrangements have been made.

4. No opinion is intended to be expressed for matters which require legal or other specialised expertise or knowledge, beyond what is customarily employed by valuers.

5. Our conclusions assume continuation of prudent client policies over whatever period of time that is considered to be necessary in order to maintain the character and integrity of the valuation subject.

6. We assume that there are no hidden or unexpected conditions associated with valuation subject that might adversely affect the reported value(s). Further, we assume no responsibility for changes in market conditions after the date of this report.

7. This report is confidential to the client for the specific purpose to which it refers and is for the use only of the party to whom it is addressed. No responsibility is accepted with respect to any third party for the whole or any part of its contents.

APPENDIX II GUIDELINE PUBLIC COMPANIES FOR HCNE

Bloomberg is searched exhaustively for all listed companies principally engaged in manufacturing and selling lithium batteries related business. A short-list of companies resulted from the exhaustive search. The business model and product profiles of the short-listed companies are examined in further screening, with the information obtained from the companies' web-sites and/or other reliable sources, if needed. Companies satisfying the following criteria, pertinent to the business operations of HCNE, are adopted as guideline public companies for the valuation:

a. The companies are principally engaged in manufacturing and selling lithium batteries related business;

b. The principal business revenue of the companies is generated in Asia as that of HCNE;

c. Shares of the companies are listed in major stock exchanges and have been actively trading for a reasonable period of time; and

d. Detailed financial and operational information in respect of the companies are available at Bloomberg or other publicly available sources.

By studying the companies' operations in detail, 7 guideline public companies are adopted:

Guideline Public Company 1

Ticker: 3211 TT Equity

Name: Dynapack International Technology Corporation

Exchange: Taipei

Description: Dynapack International Technology Corporation manufactures and markets battery packs for notebook computers, cell phones, smart phones, and DVD (Digital Versatile Disc) players.

Guideline Public Company 2

Ticker: 3625 TT Equity

Name: C-Tech United Corp.

Exchange: Taipei

Description: C-TECH UNITED CORP. provides services in researching, developing, producing and selling battery pack, portable device and power adapter.

Guideline Public Company 3

Ticker: 6558 TT Equity

Name: SYNergy ScienTech Corp.

Exchange: Taiwan

Description: SYNergy ScienTech Corp. designs, develops, manufactures, distributes batteries. The company produces chargeable lithium-ion batteries, lithium-ion polymer batteries, and advanced hybrid batteries. SYNergy ScienTech markets its products in Europe, America, Mainland China, and other areas of Asia.

Guideline Public Company 4

Ticker: 002074 CH Equity

Name: Guoxuan High-Tech Co., Ltd.

Exchange: Shenzhen

Description: Guoxuan High-Tech Co., Ltd. researches, develops, manufacture and markets lithium batteries. The company mainly produces power lithium battery sets, and other related products. Guoxuan High-Tech supplies its products for electric commercial vehicles, passenger cars, power stations, and other fields.

Guideline Public Company 5

Ticker: 300014 CH Equity

Name: Eve Energy Co., Ltd.

Exchange: Shenzhen

Description: EVE Energy Co., Ltd. researches, manufactures and sells lithium battery. The company also provides portable power source solutions.

Guideline Public Company 6

Ticker: 300438 CH Equity

Name: Guangzhou Great Power Energy & Technology Co., Ltd.

Exchange: Shenzhen

Description: Guangzhou Great Power Energy & Technology Co., Ltd. specializes in green and high-performance portable battery development, manufacturing, and sales. The company's main products include rechargable batteries, such as, lithium ion, lithium iron, lithium manganese, and nickel-hydrogen batteries.

Guideline Public Company 7

Ticker: 300750 CH Equity

Name: Contemporary Amperex Technolog

Exchange: Shenzhen

Description: Contemporary Amperex Technology Co., Ltd. operates as a battery products manufacturing company. The company produces and sells power battery materials, energy storage batteries energy storage battery cells, systems, and other products. Contemporary Amperex Technology also provides batteries recycling services.

APPENDIX III GUIDELINE PUBLIC COMPANIES FOR LBS

Bloomberg is searched exhaustively for all listed companies principally engaged in manufacturing and selling household batteries related business. A short-list of companies resulted from the exhaustive search. The business model and product profiles of the short-listed companies are examined in further screening, with the information obtained from the companies' web-sites and/or other reliable sources, if needed. Companies satisfying the following criteria, pertinent to the business operations of LBS, are adopted as guideline public companies for the valuation:

e. The companies are principally engaged in manufacturing and selling household batteries related business;

f. The principal business revenue of the companies is generated in China as that of LBS;

g. Shares of the companies are listed in major stock exchanges and have been actively trading for a reasonable period of time; and

h. Detailed financial and operational information in respect of the companies are available at Bloomberg or other publicly available sources.

By studying the companies' operations in detail, 3 guideline public companies are adopted:

Guideline Public Company 1

Ticker: GPI SP Equity

Name: GP Industries Ltd.

Exchange: Singapore

Description: GP Industries Limited develops, manufactures, and markets electronics, batteries and electrical installation products. The company also manufactures and markets wire harness and cables, automotive electronics, specialty electronics, parts and components, and loudspeakers.

Guideline Public Company 2

Ticker:	40 HK Equity
Name:	Gold Peak Industries Holdings Ltd.
Exchange:	Hong Kong
Description:	Gold Peak Industries Holdings Ltd. through its subsidiaries, manufactures and distributes Light Emitting Diode (LED) display screens. The company also develops, manufactures, and distributes electronic products, batteries, battery related products, and electrical wiring installation products.

Guideline Public Company 3

Ticker:	3919 HK Equity
Name:	Golden Power Group Holdings Ltd.
Exchange:	Hong Kong
Description:	Golden Power Group Holdings Limited manufactures and sells a range of batteries for electronic devices. The company's products are used in battery operated toys, watches and clocks, remote controls, alarms, healthcare products and calculators.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Interests of Directors and Chief Executives

As at the Latest Practicable Date, the interests and short positions of the Directors and the Company's chief executive in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company under 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 (the "**Model Code**") set out in Appendix 10 to the Listing Rules, were as follows:

Long positions in the Shares and underlying Shares

Name of Shareholders	Capacity	Number of Shares held	Approximate percentage interest in the issued Share
Song Dian Quan	Beneficial owner	261,523,300	69.69%
Luo Ming Hua	Beneficial owner	3,186,027	0.85%
Li Ke Xue	Beneficial owner	252,793	0.07%
Xing Kai	Beneficial owner	6,793	0.00%
Liu Xing Quan	Beneficial owner	793	0.00%

Save as disclosed above, as at the Latest Practicable Date, 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 corporations (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.

(b) Substantial Shareholder's interests

As at the Latest Practicable Date, so far as was known to the Directors or the chief executive of the Company, no person (other than Director or chief executive of the Company) had, an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provision of Divisions 2 and 3 of Part XV of the SFO or, who was, directly or indirectly, interested in 10% or more of the total number of issued Shares carrying rights to vote in all circumstance at general meetings of any other member of the Company (if any) or had any options in respect of such Shares.

3. DIRECTORS' INTERESTS IN THE GROUP'S ASSETS OR CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE GROUP

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any assets which had been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2018, the date to which the latest published audited financial statements of the Group were made up. There was no contract or arrangement entered into by any member of the Group, subsisting as at the Latest Practicable Date, in which any of the Directors was materially interested and which was significant in relation to the business of the Group as a whole.

4. COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors and his/her respective associates was considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group, other than those businesses to which the Directors and his/her associates were appointed to represent the interests of the Company and/or the Group.

5. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into any service agreement with any member of the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

6. LITIGATION

As at the Latest Practicable Date, the Directors were not aware of any litigation or claims of material importance which were pending or threatened against any members of the Group.

7. MATERIAL CONTRACTS

As at the Latest Practicable Date, save as disclosed below, no material contracts (not being contracts entered into in the ordinary course of business) had been entered into by members of the Group within the two years preceding the issue of this circular:

(a) all the equity transfer agreements entered into by Harbin Coslight Power with eight Independent Third Parties, namely, Xu Haizhong, Ningbo Xuanmu Equity Investment Partnership Enterprise (limited partnership), Zhuhai Cold Spring Investment Partnership Enterprise (limited partnership), Wang Zhenjiang, Zhuhai Preda Investment Co., Ltd., Zhuhai Technology Venture Capital Co., Ltd., Chongqing Preda Enterprise Management Co., Ltd. and Zhuhai Huajin Alpha No. 3 Equity Investment Fund Partnership Enterprise (limited partnership), during the period from 8 December 2017 to 2 May 2018 in relation to a series of disposal of all the remaining interests in Zhuhai Coslight Battery held by Harbin Coslight Power which was completed on or before 7 May 2018;

(b) the sale and purchase agreement dated 18 September 2018 entered into between Harbin Coslight Storage, Zhuhai Coslight Battery and Zhuhai Coslight Power in relation to, *inter alia*, the disposal of the entire equity interests in Zhuhai Coslight Power which was completed in December 2018;

(c) the sale and purchase agreement dated 30 November 2018 entered into between Harbin Coslight Power (as vendor), Zhuhai Coslight Battery (as purchaser) and 珠海光宇新能源科技有限公司 Zhuhai Coslight New Energy Technology Company Limited* (the former direct wholly-owned subsidiary of Harbin Coslight Power, as target) ("**Zhuhai Coslight New Energy**") in relation to, *inter alia*, the disposal of the entire equity interest in Zhuhai Coslight New Energy at a consideration of RMB1.5 million; and

(d) the Agreements.

8. EXPERTS AND CONSENTS

The following are the qualifications of the experts whose statements have been included in this circular:

Name	Qualification
Ascent Partners Valuation Services Limited	Independent professional valuer
SHINEWING (HK) CPA Limited	Certified Public Accountant

As at the Latest Practicable Date, each of the abovenamed expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letters or opinions or reports or references to its name in the form and context in which it appears.

As at the Latest Practicable Date, the experts had not had (i) any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; nor (ii) any direct or indirect interests in any assets which have been, since 31 December 2018 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group.

9. GENERAL

i. The registered office of the Company is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. Its principal place of business is in Room 2501-2502, COSCO Tower, 181-183, Queen's Road Central, Hong Kong.

ii. The branch share registrar and transfer office of the Company in Hong Kong is Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

iii. The secretary of the Company is Mr. Ng Kar Keung (CPA). Mr. Ng is a member of Hong Kong Institute of Certified Public Accountants.

iv. The English text of this circular shall prevail over the Chinese text.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection: (i) during normal business hours from 9:30 a.m. to 4:00 p.m. (other than Saturdays, Sundays and public holidays) at the Company's principal place of business in Hong Kong at the address of Room 2501-2502, COSCO Tower, 181-183, Queen's Road Central, Hong Kong up to the date of SGM:

i. the bye-laws of the Company;

ii. the material contracts disclosed in the paragraph under the heading "7. Material Contracts" in this Appendix;

iii. the report by the auditors on the unaudited pro forma financial information of the Remaining Group as set out in Appendix III to this circular;

iv. the valuation report prepared by Ascent Partners Valuation Service Limited in relation to the Target Group as set out in Appendix IV to this circular;

v. the interim report of the Company for the six months ended 30 June 2019;

vi. the annual reports of the Company for each of the two financial years ended 31 December 2018;

vii. the circular in relation to very substantial disposal dated 21 June 2019; and

viii. this circular.

COSLIGHT TECHNOLOGY INTERNATIONAL GROUP LIMITED
光宇國際集團科技有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1043)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting of Coslight Technology International Group Limited (the "**Company**") will be held at Room 2501-2502, COSCO Tower, 181-183 Queen's Road Central, Hong Kong on Wednesday, 18 March 2020 at 3:00 p.m., for the purpose of considering and, if thought fit, passing the following resolution (with or without amendments) as ordinary resolution of the Company:

ORDINARY RESOLUTION

"THAT

(i) (a) the investment agreement dated 20 December 2019 entered into between 哈爾濱光宇電源股份有限公司 (Harbin Coslight Power Company Limited*) (a non-wholly owned subsidiary of the Company) (the "**Vendor**") and 昆宇(東營)股權投資合夥企業(有限合夥)(Kunyu (Dongying) Equity Investment Partnership (Limited Partnership)*) (the original purchaser) ("**Kunyu (Dongying)**"), (b) the supplemental agreement dated 20 December 2019 entered into amongst the Vendor, Kunyu (Dongying), 東營昆宇新能源科技有限公司 (Dongying Kunyu New Energy Technology Company Limited*) (a company controlled by and being the purchaser designated by Kunyu (Dongying)) (the "**Purchaser**") and 哈爾濱光宇蓄電池股份有限公司 (Harbin Coslight Storage Battery Company Limited*) (an indirect 97.35%-owned subsidiary of the Company) to amend certain terms of the investment agreement and (c) the two other supplemental agreements both dated 24 February 2020 entered into between the Vendor, Kunyu (Dongying) and the Purchaser to further amend the terms of the investment agreement relating to the payment terms of the consideration, and the addition of specified time period for the non-compete undertaking and the use of the name of "Coslight", respectively, collectively in relation to, *inter alia*, the proposed disposal of the entire equity interests in 東營昆宇電源科技有限公司 (Dongying Kunyu Energy Technology Company Limited*) to the Purchaser at an aggregate consideration of RMB860 million (collectively, the "**Agreements**") and any transactions contemplated thereunder be and are hereby approved; and

* *For identification purpose only*

(ii) the directors of the Company be and are hereby authorised to do all such acts and things, to sign, execute and ratify all such documents, deeds, acts, matters and things, as the case may be in their discretion consider necessary, desirable or expedient to carry out and implement the Agreements and all the transactions contemplated thereunder into full effect."

By Order of the Board
Coslight Technology International Group Limited
SONG Dian Quan
Chairman

Hong Kong, 28 February 2020

Notes:

(i) A shareholder of the Company entitled to attend and vote at the above meeting is entitled to appoint one proxy or more than one proxy (if he/she holds two or more shares) who must be an individual or individuals to attend and vote instead of him/her. A proxy does not need to be a shareholder of the Company.

(ii) The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power of attorney or authority, must be deposited with the Company's Hong Kong branch share registrar, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not less than 48 hours (excluding any part that a day is a public holiday) before the time appointed for holding the meeting and any adjourned meeting.

(iii) For determining the entitlement to attend and vote at the above meeting, the register of members of the Company will be closed from Monday, 16 March 2020 to Wednesday, 18 March 2020 both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the above meeting, unregistered holders of shares of the Company should ensure that all the share transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Friday, 13 March 2020.

(iv) If typhoon signal no. 8 or above remains hoisted or a black rainstorm warning signal is in force at 8:00 a.m. on the date of the above meeting, the above meeting will be postponed. The Company will post an announcement on the Company's website at http://www.irasia.com/listco/hk/coslight and the HKExnews website at http://www.hkexnews.hk to notify shareholders of the date, time and place of the rescheduled meeting.

As at the date of this notice, the executive Directors are Mr. SONG Dian Quan, Ms. LUO Ming Hua, Mr. LI Ke Xue, Mr. XING Kai, Mr. ZHANG Li Ming and Mr. LIU Xing Quan; and the independent non-executive Directors are Dr. GAO Yun Zhi, Mr. LI Zeng Lin and Ms. ZHU Yan Ling.