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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)**

### **2018 INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2018**

#### **INTERIM RESULTS**

The Board of directors (the “Board”) of Coslight Technology International Group Limited (the “Company”) announces the unaudited consolidated results of the Company and its subsidiaries (hereafter collectively referred to as the “Group”) for the six months ended 30 June 2018, together with the comparative figures for the previous period as follows:

#### **CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

*For the six months ended 30 June 2018*

	<i>Notes</i>	<b>Six months ended 30 June</b>	
		<b>2018</b>	<b>2017</b>
		<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
Revenue	4	<b>1,695,308</b>	2,363,701
Cost of sales		<b>(1,463,024)</b>	(2,006,720)
<b>Gross profit</b>		<b>232,284</b>	356,981
Other income		<b>40,589</b>	44,845
Gain on disposal of interest in an associate		<b>241,990</b>	–
Distribution and selling expenses		<b>(41,844)</b>	(55,981)
Administrative and other operating expenses		<b>(173,414)</b>	(256,213)
Finance costs	5	<b>(52,739)</b>	(71,735)
Share of results of associates		<b>12,713</b>	14,250
<b>Profit before tax</b>	6	<b>259,579</b>	32,147
Income tax expense	7	<b>(56,302)</b>	(21,474)
<b>Profit for the period</b>		<b>203,277</b>	10,673

\* *For identification purpose only*

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

*For the six months ended 30 June 2018*

	<b>Six months ended 30 June</b>	
<i>Notes</i>	<b>2018</b>	2017
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
	<b>(Unaudited)</b>	(Unaudited)
<b>Other comprehensive income for the period</b>		
Items that may be subsequently reclassified to profit or loss:		
Exchange difference arising on translation of foreign operations	<b>19,639</b>	27,382
Share of exchange difference reserve of associates	<b>7,461</b>	5,492
Other comprehensive income for the period	<b>27,100</b>	32,874
<b>Total comprehensive income for the period</b>	<b>230,377</b>	43,547
<b>Profit for the period attributable to:</b>		
Owners of the Company	<b>204,717</b>	5,185
Non-controlling interests	<b>(1,440)</b>	5,488
	<b>203,277</b>	10,673
<b>Total comprehensive income for the period attributable to:</b>		
Owners of the Company	<b>229,946</b>	37,667
Non-controlling interests	<b>431</b>	5,880
	<b>230,377</b>	43,547
<b>Earnings per share</b>		
– Basic and diluted	9	9
	<b>RMB52.74 cents</b>	RMB1.31 cents

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 June 2018*

		At 30 June 2018	At 31 December 2017
	<i>Notes</i>	<b><i>RMB'000</i></b> <b>(Unaudited)</b>	<b><i>RMB'000</i></b> <b>(Audited)</b>
<b>Non-current assets</b>			
Property, plant and equipment	<i>10</i>	<b>1,834,278</b>	1,719,742
Investment property		<b>163,525</b>	163,525
Other intangible assets		<b>4,044</b>	4,070
Goodwill		–	–
Prepaid lease payments		<b>145,676</b>	148,874
Deposits paid for acquisition of land		<b>9,728</b>	9,728
Interests in associates	<i>11</i>	<b>276,181</b>	486,538
Deposits paid for finance leases		<b>67,648</b>	56,311
Deferred tax assets		<b>47,355</b>	45,375
		<hr/> <b>2,548,435</b>	<hr/> 2,634,163
<b>Current assets</b>			
Inventories		<b>1,170,701</b>	1,335,824
Trade and other receivables	<i>12</i>	<b>2,279,156</b>	2,509,608
Prepaid lease payments		<b>3,653</b>	3,653
Amounts due from directors	<i>16</i>	<b>768</b>	360
Amounts due from related companies	<i>16</i>	<b>112,519</b>	117,320
Amounts due from non-controlling interests	<i>16</i>	<b>308</b>	308
Amounts due from associates	<i>16</i>	<b>395,510</b>	349,391
Financial assets at fair value			
through profit or loss		–	3,000
Pledged bank deposits		<b>389,308</b>	465,145
Bank balances and cash		<b>299,844</b>	292,878
		<hr/> <b>4,651,767</b>	<hr/> 5,077,487

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

*As at 30 June 2018*

		At 30 June 2018 <i>RMB'000</i> (Unaudited)	At 31 December 2017 <i>RMB'000</i> (Audited)
	<i>Notes</i>		
<b>Current liabilities</b>			
Trade and other payables	<i>13</i>	1,971,827	2,338,673
Amounts due to directors	<i>16</i>	3,095	2,660
Amounts due to related companies	<i>16</i>	450,256	380,567
Amounts due to non-controlling interests	<i>16</i>	2,614	1,475
Amounts due to associates	<i>16</i>	623,832	652,159
Tax payables		59,563	25,858
Bank borrowings	<i>14</i>	1,093,690	1,451,203
Obligations under finance leases		69,244	114,005
		4,274,121	4,966,600
<b>Net current assets</b>		377,646	110,887
		2,926,081	2,745,050
<b>Capital and reserves</b>			
Share capital	<i>15</i>	41,012	41,012
Reserves		2,474,184	2,244,238
<b>Equity attributable to owners of the Company</b>		2,515,196	2,285,250
Non-controlling interests		175,955	175,524
<b>Total equity</b>		2,691,151	2,460,774
<b>Non-current liabilities</b>			
Deferred tax liabilities		36,996	36,570
Obligations under finance leases		32,088	54,503
Deferred government grants		165,846	193,203
		234,930	284,276
		2,926,081	2,745,050

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2018*

## 1. GENERAL INFORMATION

Coslight Technology International Group Limited (the “Company”) was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The Company’s registered office is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and its head office and principal place of business in Hong Kong is located at Room 2501-2502, COSCO Tower, 181-183 Queen’s Road Central, Hong Kong.

The condensed consolidated financial statements are presented in Renminbi (“RMB”), which is also the functional currency of the Company and its People’s Republic of China (the “PRC”) subsidiaries. Other than those PRC subsidiaries, the functional currency of those subsidiaries established in India is denoted in Indian Rupee (“INR”).

The principal activities of the Company and its subsidiaries (collectively referred to as the “Group”) are principally engaged in investment holding and the manufacture and sales of battery products.

## 2. BASIS OF PREPARATION

The condensed consolidated financial statements of the Group for the six months ended 30 June 2018 have been prepared in accordance with the applicable disclosure provisions of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

## 3. PRINCIPAL AND CHANGE IN ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial assets at fair value through profit or loss which are measured at revalued amounts, as appropriate.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2018 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2017 except as described below.

### 3. PRINCIPAL AND CHANGE IN ACCOUNTING POLICIES (Continued)

In the current interim period, the Group has applied, for the first time, the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA which are effective for the Group’s financial year beginning on 1 January 2018.

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

The application of the new and revised HKFRSs in the current interim period has had no material effect on the Group’s financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

#### 3.1 *HKFRS 9 Financial instruments*

HKFRS 9 replaced HKAS 39 Financial Instruments: Recognition and Measurement, and introduces new requirements for the 1) classification and measurement of financial assets and financial liabilities; 2) impairment of financial assets and 3) general hedge accounting. The Group has applied HKFRS 9 retrospectively to financial instruments that have not been derecognised at the date of initial application (i.e. 1 January 2018) in accordance with the transition provisions under HKFRS 9, and chosen not to restate comparative information. Differences in the carrying amounts of financial assets and financial liabilities on initial application are recognised in retained earnings and other components of equity as at 1 January 2018.

##### 3.1.1 *Classification and measurements*

At the date of initial application of HKFRS 9, the Group’s management has reviewed and assessed all financial assets held by the Group on the basis of the Group’s business model for managing these financial assets and their contractual cash flow characteristics, and has classified its financial assets and financial liabilities into the appropriate categories of HKFRS 9, as explained below:

### 3. PRINCIPAL AND CHANGE IN ACCOUNTING POLICIES (Continued)

#### 3.1 HKFRS 9 Financial instruments (Continued)

##### 3.1.1 Classification and measurements (Continued)

Trade and other receivables, amounts due from directors, amounts due from related companies, amounts due from non-controlling interests, amounts due from associates, pledged bank deposits and bank balances and cash previously classified as loan and receivables carried at amortised cost:

They are held within a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on the principal outstanding. Accordingly, these financial assets continue to be subsequently measured at amortised cost upon application of HKFRS 9.

##### 3.1.2 Impairment of financial assets

The Group has the following type of financial instruments that are subject to the new impairment requirements under HKFRS 9.

Trade and other receivables, amounts due from directors, amounts due from related companies, amounts due from non-controlling interests and amounts due from associates at amortised cost:

The Group applied the simplified approach to provide for expected credit losses (“ECL”) under HKFRS 9 and recognised lifetime expected losses for all trade receivables. The trade receivables are grouped based on shared credit risk characteristics and past due information for measuring ECL.

Financial assets with low credit risk/credit risk has not increased significantly:

The Group measured a 12-month ECL in respect of other financial assets including bills receivables, other receivables, restricted bank deposits and cash and bank balances for which credit risk has not increased significantly since initial recognition.

Based on assessment by the management of the Group, no loss allowance at 1 January 2018 was made.

### 3. PRINCIPAL AND CHANGE IN ACCOUNTING POLICIES (Continued)

#### 3.2 HKFRS 15 Revenue from Contracts with Customers

The major sources of revenue of the Group are sales of goods and provision of services. Under HKFRS 15, revenue is recognised for each of the performance obligations when control over a good or service is transferred to a customer. The directors of the Company have preliminarily assessed each type of the performance obligations and consider that the performance obligations are similar to the current identification of separate revenue components under HKAS 18 Revenue. Furthermore, HKFRS 15 requires the transaction price to be allocated to each performance obligation on a relative stand-alone selling price basis, which may affect the timing and amounts of revenue recognition and results in more disclosures in the consolidated financial statements. However, the directors of the Company expect that the adoption of HKFRS 15 will not have a material impact on the timing and amounts of revenue recognition based on the existing business model of the Group as at 30 June 2018.

### 4. SEGMENT INFORMATION

For management purposes, the Group is currently organised into three major reporting divisions – sealed lead acid batteries and related accessories, lithium-ion batteries and nickel batteries.

Principal activities are as follows:

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

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

#### 4. SEGMENT INFORMATION (Continued)

##### (a) Segment revenue and results

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

For the six months ended 30 June 2018 (Unaudited)

	Sealed lead acid batteries and related accessories <i>RMB'000</i>	Lithium-ion batteries <i>RMB'000</i>	Nickel batteries <i>RMB'000</i>	Others <i>RMB'000</i>	Elimination <i>RMB'000</i>	Consolidated <i>RMB'000</i>
<b>Revenue</b>						
External sales	215,442	1,241,459	54,892	183,515	-	1,695,308
Inter-segment sales	<u>67,993</u>	<u>15,765</u>	<u>111</u>	<u>4,779</u>	<u>(88,648)</u>	<u>-</u>
Total	<u><u>283,435</u></u>	<u><u>1,257,224</u></u>	<u><u>55,003</u></u>	<u><u>188,294</u></u>	<u><u>(88,648)</u></u>	<u><u>1,695,308</u></u>
<b>Results</b>						
Segment (loss) profit	<u><u>(42,465)</u></u>	<u><u>49,175</u></u>	<u><u>1,544</u></u>	<u><u>50,668</u></u>	<u><u>-</u></u>	58,922
Unallocated operating income and expenses						(5,341)
Gain on disposal of interest in an associate						241,990
Interest income						4,034
Finance costs						(52,739)
Share of results of associates						<u>12,713</u>
<b>Profit before tax</b>						<u><u>259,579</u></u>

#### 4. SEGMENT INFORMATION (Continued)

##### (a) Segment revenue and results (Continued)

For the six months ended 30 June 2017 (Unaudited)

	Sealed lead acid batteries and related accessories <i>RMB'000</i>	Lithium-ion batteries <i>RMB'000</i>	Nickel batteries <i>RMB'000</i>	Others <i>RMB'000</i>	Elimination <i>RMB'000</i>	Consolidated <i>RMB'000</i>
<b>Revenue</b>						
External sales	282,984	1,850,025	65,304	165,388	–	2,363,701
Inter-segment sales	48,058	140,343	692	13,267	(202,360)	–
Total	<u>331,042</u>	<u>1,990,368</u>	<u>65,996</u>	<u>178,655</u>	<u>(202,360)</u>	<u>2,363,701</u>
<b>Results</b>						
Segment (loss) profit	<u>(45,899)</u>	<u>79,624</u>	<u>(262)</u>	<u>50,164</u>	<u>–</u>	83,627
Unallocated operating income and expenses						(6,210)
Interest income						12,215
Finance costs						(71,735)
Share of results of associates						<u>14,250</u>
<b>Profit before tax</b>						<u>32,147</u>

Segment (loss) profit represents the (loss) profit from each segment without allocation of central administration costs, directors' emoluments, interest income and certain other income, finance costs and share of results of associates. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

#### 4. SEGMENT INFORMATION (Continued)

##### (b) Segments assets and liabilities

The following tables present segment assets and liabilities of the Group's operating segments as at 30 June 2018 and 31 December 2017:

##### As at 30 June 2018 (Unaudited)

	Sealed lead acid batteries and related accessories <i>RMB'000</i>	Lithium-ion batteries <i>RMB'000</i>	Nickel batteries <i>RMB'000</i>	Others <i>RMB'000</i>	Consolidated <i>RMB'000</i>
<b>ASSETS</b>					
Segment assets	<u>1,844,645</u>	<u>2,904,726</u>	<u>84,303</u>	<u>593,668</u>	5,427,342
Interests in associates					276,181
Unallocated assets					<u>1,496,679</u>
Consolidated assets					<u><u>7,200,202</u></u>
<b>LIABILITIES</b>					
Segment liabilities	<u>375,383</u>	<u>2,371,795</u>	<u>83,429</u>	<u>255,235</u>	3,085,842
Unallocated liabilities					<u>1,423,209</u>
Consolidated liabilities					<u><u>4,509,051</u></u>

#### 4. SEGMENT INFORMATION (Continued)

##### (b) Segments assets and liabilities (Continued)

As at 31 December 2017 (Audited)

	Sealed lead acid batteries and related accessories <i>RMB'000</i>	Lithium-ion batteries <i>RMB'000</i>	Nickel batteries <i>RMB'000</i>	Others <i>RMB'000</i>	Consolidated <i>RMB'000</i>
<b>ASSETS</b>					
Segment assets	1,603,003	3,617,879	89,960	640,288	5,951,130
Interests in associates					486,538
Unallocated assets					1,273,982
Consolidated assets					<u>7,711,650</u>
<b>LIABILITIES</b>					
Segment liabilities	254,870	1,978,984	46,166	241,400	2,521,420
Unallocated liabilities					2,729,456
Consolidated liabilities					<u>5,250,876</u>

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

- all assets are allocated to operating segments other than interests in associates, deferred tax assets, amounts due from directors, related companies, non-controlling interests and associates, financial assets at fair value through profit or loss, pledged bank deposits, bank balances and cash and other corporate assets; and
- all liabilities are allocated to operating segments other than amounts due to directors, related companies, non-controlling interests and associates, obligations under finance leases, tax payables, bank borrowings, deferred tax liabilities and other corporate liabilities.

## 5. FINANCE COSTS

	<b>Six months ended 30 June</b>	
	<b>2018</b>	2017
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
	<b>(Unaudited)</b>	(Unaudited)
Interests on:		
– bank borrowings wholly repayable within five years	<b>49,009</b>	46,808
– obligations under finance leases	<b>3,730</b>	24,927
	<u><b>52,739</b></u>	<u>71,735</u>

## 6. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging (crediting) the following items:

	<b>Six months ended 30 June</b>	
	<b>2018</b>	2017
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
	<b>(Unaudited)</b>	(Unaudited)
Depreciation of property, plant and equipment	<b>46,430</b>	101,665
Amortisation of other intangible assets	<b>256</b>	1,214
Amortisation of prepaid lease payments	<b>1,669</b>	1,820
Reversal of impairment on trade receivables	<b>(7,201)</b>	–
Interest income	<b>(4,034)</b>	(12,215)
Written off of property, plant and equipment	<b>–</b>	504
Deferred income in respect of government grants	<b>(3,998)</b>	(2,229)
Gain on disposal of property, plant and equipment	<b>(18,944)</b>	–
Net exchange (gain) loss	<u><b>(307)</b></u>	<u>4,602</u>

## 7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Current tax:		
PRC Enterprise Income Tax	57,856	23,470
Deferred tax	<u>(1,554)</u>	<u>(1,996)</u>
	<u>56,302</u>	<u>21,474</u>

## 8. INTERIM DIVIDEND

No dividends were paid, declared or proposed during the reporting periods. The directors of the Company do not recommend the payment of an interim dividend (six months ended 30 June 2017: nil).

## 9. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's profit attributable to owners of the Company for the period of approximately RMB204,717,000 (six months ended 30 June 2017: RMB5,185,000) and the weighted average number of ordinary shares of 388,184,000 (six months ended 30 June 2017: 394,792,000) in issue during the period.

Since there were no potential dilutive shares in issue during the six months ended 30 June 2018 and 2017, basic and diluted earnings per share are the same for both periods.

## 10. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately RMB184,042,000 (six months ended 30 June 2017: approximately RMB174,982,000) on additions to property, plant and equipment. None of the net carrying value of property, plant and equipment being written off during the period (six months ended 30 June 2017: approximately RMB504,000).

During the period, net carrying value of property, plant and equipment amounted to RMB18,157,000 (six months ended 30 June 2017: nil) were disposed of, with gain on disposal of property, plant and equipment RMB18,944,000 was recognised in profit or loss (six months ended 30 June 2017: nil).

In the opinion of the directors of the Company, the aggregate carrying amount of the Group's buildings, plant and machinery, furniture, fixtures and equipment and motor vehicles as at 30 June 2018 that is carried at revalued amount does not differ significantly from their estimated fair value. Consequently, no revaluation surplus or deficit has been recognised in the current period.

## 11. INTERESTS IN ASSOCIATES

	At 30 June 2018 <i>RMB'000</i> (Unaudited)	At 31 December 2017 <i>RMB'000</i> (Audited)
Costs of investments in unlisted associates	36,320	267,833
Share of post-acquisition profit and other comprehensive income	<u>239,861</u>	<u>218,705</u>
	<u><b>276,181</b></u>	<u><b>486,538</b></u>

## 12. TRADE AND OTHER RECEIVABLES

	At 30 June 2018 <i>RMB'000</i> (Unaudited)	At 31 December 2017 <i>RMB'000</i> (Audited)
Trade and bills receivables	2,202,180	2,260,822
<i>Less: impairment loss recognised</i>	<u>(143,955)</u>	<u>(151,156)</u>
	2,058,225	2,109,666
Other receivables	<u>220,931</u>	<u>399,942</u>
	<u><b>2,279,156</b></u>	<u><b>2,509,608</b></u>

## 12. TRADE AND OTHER RECEIVABLES (Continued)

The Group allows credit period ranging from 90 to 270 days (2017: 90 to 270 days) to its trade customers. The Group granted a longer credit period to individual customers based on financial strength of customers to maintain the loyal customers. The following is an ageing analysis of trade and bills receivables net of impairment loss recognised on trade and bills receivables presented based on invoice date at the end of the reporting period.

	At 30 June 2018 <i>RMB'000</i> (Unaudited)	At 31 December 2017 <i>RMB'000</i> (Audited)
Within 90 days	640,332	753,031
91 days – 180 days	383,580	391,922
181 days – 270 days	378,855	298,135
271 days – 360 days	329,626	233,376
Over 1 year, but not exceeding 2 years	<u>325,832</u>	<u>433,202</u>
Trade and bills receivables	<u><u>2,058,225</u></u>	<u><u>2,109,666</u></u>

## 13. TRADE AND OTHER PAYABLES

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

	At 30 June 2018 <i>RMB'000</i> (Unaudited)	At 31 December 2017 <i>RMB'000</i> (Audited)
Within 30 days	280,601	1,274,689
31 days – 60 days	264,622	129,535
61 days – 90 days	290,876	107,572
91 days – 180 days	271,435	147,708
Over 180 days	<u>221,046</u>	<u>252,673</u>
Trade and bills payables	1,328,580	1,912,177
Other payables	<u>643,247</u>	<u>426,496</u>
	<u><u>1,971,827</u></u>	<u><u>2,338,673</u></u>

#### 14. BANK BORROWINGS

During the period, the Group obtained new bank borrowings of approximately RMB532,190,000 (six months ended 30 June 2017: approximately RMB1,221,789,000) and repaid bank borrowings of approximately RMB889,703,000 (six months ended 30 June 2017: approximately RMB997,217,000).

Bank borrowings carry interest at variable market rates ranging from 4.57% to 6.09% per annum (31 December 2017: 2.60% to 6.44% per annum) and have maturity periods ranging from one month to four years (31 December 2017: one month to four years).

Approximately RMB589,515,000 (31 December 2017: approximately RMB768,124,000) of the Group's bank borrowings are secured by land use rights, property, plant and equipment and trade receivables and guaranteed by the executive director, Mr. Song Dian Quan. The proceeds were used to finance the operation of the Group.

#### 15. SHARE CAPITAL

	Number of shares '000	Amount in original currency HK\$'000	Shown in the financial statements as RMB'000
Ordinary shares of HK\$0.10 each			
<i>Authorised:</i>			
At 31 December 2017 and 30 June 2018	<u>1,000,000</u>	<u>100,000</u>	<u>107,000</u>
<i>Issued and fully paid:</i>			
At 31 December 2017 and 30 June 2018	<u>388,184</u>	<u>38,818</u>	<u>41,012</u>

## 16. RELATED PARTY TRANSACTIONS AND BALANCES

During the period, the Group had certain transactions and balances with related parties. Certain directors of the Company have beneficial interests in these related parties. Details of transactions and balances with these related parties are as follows:

### (a) Transactions

#### *Transactions with related parties*

Name of related parties	Nature of transactions	Six months ended 30 June	
		2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
哈爾濱光宇電綫電纜有限公司 Harbin Guangyu Electric Wire and Cable Company Limited ("HGEWC") *	Purchase of raw materials	5,690	2,623
瀋陽東北蓄電池有限公司	Sales of goods	39,330	54,527
瀋陽東北蓄電池有限公司	Purchase of raw materials	<u>12,073</u>	<u>32,033</u>

\* *Direct translation of name in Chinese for identification only and is not official name in English.*

16. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(b) Balances

(1) Amounts due from related companies

Name of related companies	At 30 June 2018 RMB'000 (Unaudited)	At 31 December 2017 RMB'000 (Audited)
哈爾濱開關有限責任公司 Harbin Switch Company Limited*	18,647	19,272
石家莊光宇高能電池材料有限公司 Shijia Zhuang Guangyu Battery Material Company Limited*	543	543
哈爾濱亞光新型隔板有限公司 Harbin Ya Guang Modern Separators Company Limited*	71	71
哈爾濱光宇電源廠 Harbin Guangyu Power Supply Factory*	452	478
Global Universal Development Limited	81,641	88,617
光宇延邊蓄電池有限責任公司	9,184	5,052
杭州光宇電源有限公司	482	482
HGEWC	1,595	3,901
天津鳳舞雲動科技有限責任公司	1,000	–
	<u>113,615</u>	<u>118,416</u>
Less: allowance for doubtful debts	<u>(1,096)</u>	<u>(1,096)</u>
	<u><b>112,519</b></u>	<u><b>117,320</b></u>

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

\* Direct translation of name in Chinese for identification only and is not official name in English.

## 16. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

### (b) Balances (Continued)

(2) Amounts due from/to associates/directors/non-controlling interests, amounts due to related companies

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

### (c) Compensation of key management personnel

The remuneration of directors of the Company and other members of key management are as follows:

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Short-term benefits	895	878
Post-employment benefits	17	9
	<u>912</u>	<u>887</u>

The remuneration of directors of the Company and other members of key management were determined by the remuneration committee having regard to the performance of individuals and market trends.

## 17. CAPITAL COMMITMENTS

	At	At
	30 June	31 December
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Capital expenditure contracted for but not provided in the financial statements in respect of:		
Acquisition of property, plant and equipment	<u>194,260</u>	<u>13,086</u>

## **18. CONTINGENT LIABILITIES**

The Group has issued guarantees in respect of banking facilities granted to an independent third party and an associate of approximately RMB615,154,000 (31 December 2017: approximately RMB786,800,000) without charge. The aggregate amounts that could be required to be paid if the guarantees were called upon in entirety amounted to approximately RMB46,000,000 (31 December 2017: approximately RMB20,000,000), of which approximately RMB46,000,000 (31 December 2017: approximately RMB20,000,000) has been utilised by the independent third parties.

## **19. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS**

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair value.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **RESULTS**

For the period ended 30 June 2018 (the “Period”), turnover of the Group’s continuing operation amounted to approximately RMB1,695,308,000 (2017: RMB2,363,701,000), representing a decrease of 28% over the corresponding period last year. This was mainly due to the disposal of majority stake in one of our major subsidiary, Zhuhai Coslight Battery Company Limited. The profit attributable to owners of the Company for the Period increased by 39 times approximately to RMB204,717,000 (2017: RMB5,185,000). Earnings per share for the Period was RMB52.74 cents (2017: RMB1.31 cents).

### **DIVIDEND**

The Board does not recommend the payment of an interim dividend to the shareholders for the Period (2017: nil)

### **BUSINESS REVIEW**

#### **Lithium Power Battery**

During the period, the main customers of our lithium battery for communication were the telecom operators and mobile operators in India, Vietnam, South Africa, South Korea, Russia and China. During the period, a total of approximately 100,000 sets of battery packs for base stations were delivered. This is a significant increase of approximately 488% compared to approximately 17,000 units in the same period last year. During the period, our lithium batteries for electric vehicles had provided to several domestic large-scale automobile manufacturers. During the period, 9,832 sets of electric vehicle batteries (2017: 6,214 sets) have been delivered, an increase of 58% over the same period of last year. It is expected that more than 20,000 sets of various models will be delivered in the second half of the year. Although the competition is fierce and the selling price of the products is obviously under pressure, the management of the company is actively working to reduce costs and strive to achieve better returns in the case of increased production.

## **Sealed lead-acid (“SLA”) Battery**

During the Period, the turnover of sealed lead-acid battery products was approximately RMB215,442,000 (2017: RMB282,984,000), representing a decrease of 24% compared with last year, mainly due to the decrease in demand. As the price of the main raw materials for the production of sealed lead-acid battery products increased, the production cost increased and the gross profit margin decreased. We have begun to transform the SLA battery production facilities and workshops into corresponding parts and supporting facilities suitable for the production of power battery to cope with the future huge demand for power battery and reduce production costs. To enhance the competitiveness of power battery products.

## **Online Games**

Due to the proliferation of private services, the income from 《問道》 in the first half of the year declined. At the beginning of the year, we filed the case to police and jointly launched a special strike against the gangs. 8 private gangs and related personnel were arrested. At the same time, we cooperated with major live broadcast platforms to stop the processing of the anchor account for the private service live broadcast at its earliest possible. By June, the private service has been greatly curbed. In the meantime, through characteristic and refined operation, we continued to provide upgrade version of the 《問道》, and at the same time, launched more promotional activities so as to continuously consolidate the stickiness and activity of the players. The major server “2018” upgrade had been formed and continued to deliver high popularity and high income. The anniversary server, for the first time, named “道12” came with great success, and will soon become the second-round annual upgrade each year. In April, the “五行論劍” and the anniversary activities, successfully attracted new players and the return of old players. The planned two-year classic server is also coming soon, laying the foundation for the popularity and revenue growth in the second half of the year.

In terms of mobile games, while maintaining the good release results of the mobile game 《馴龍三國》, it has made a breakthrough in IOS free traffic expansion cooperation, and the business has also been on the right track and formed a sizeable income. The online game operation contributed a profit of RMB44,749,000 (2017: RMB66,130,000) to the Group, of which RMB13,081,000 (2017: RMB14,614,000) was generated from associates of the Group, representing a decrease of 32% over the corresponding period last year.

## **FINANCIAL REVIEW**

### **Assets and liabilities**

As at 30 June 2018, the Group had total assets of RMB7,200,202,000 (31.12.2017: RMB7,711,650,000) which were financed by current liabilities of RMB4,274,121,000 (31.12.2017: RMB4,966,600,000), non-current liabilities of RMB234,930,000 (31.12.2017: RMB284,276,000), equity attributable to owners of the Company of RMB2,515,196,000 (31.12.2017: RMB2,285,250,000) and non-controlling interests of RMB175,955,000 (31.12.2017: RMB175,524,000).

### **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 2018, the Group had bank and cash balances amounted to RMB299,844,000 (31.12.2017: RMB292,878,000). The total bank and other borrowings of the Group as at 30 June 2018 were approximately RMB1,093,690,000 (31.12.2017: RMB1,451,203,000). These borrowings carry interest ranging from 4.57% to 6.09% (31.12.2017: 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.

### **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 44% (31.12.2017: 66%). The current ratio of the Group, represented by a ratio between current assets over current liabilities, was 109% (31.12.2017: 102%).

### **Charges on group assets**

As at 30 June 2018, property, plant and equipment and trade receivables of the Group with carrying values of RMB566,160,000 (31.12.2017: RMB667,502,000) and RMBNil (31.12.2017: RMB39,877,000) respectively, were pledged to secure bank borrowings of approximately RMB589,515,000 (31.12.2017: RMB768,124,000). 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.

## **PROSPECTS**

Driven by China new energy policy, the demand for new energy electric vehicles is expected to continue to grow. According to our orders on hand and market conditions, our power battery delivery and sales revenue in the second half of the year is expected to increase compared with the first half. We will continue to develop various battery technologies and reduce production costs by vertical production methods, and strive to standardize power batteries to enhance the competitiveness of our products.

《問道》 will be benefited from the various tasks achieved in the first half of the year. In the second half of the year, we plan to launch the new version of the “Classic Server” and “PK Server”, therefore revenue is expected to increase. The PC based game 《創世3》 still in the development stage, the test version will be completed by the end of 2018, and a small-scale test will then be started.

## **OTHER INFORMATION**

### **Employees and remuneration policies**

As of 30 June 2018, the number of Group's employee in PRC reduces to 6,969 (2017: 10,362) due to sale of Zhuhai Coslight Battery Company Limited in July 2017. 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.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

During the period, details of movements in the Company's share capital are set out in note 15 to the condensed consolidated financial statements.

## **CORPORATE GOVERNANCE CODE**

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

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

## **SECURITIES TRANSACTIONS BY DIRECTORS OF THE COMPANY**

The Company has adopted a code of conduct regarding directors’ securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all directors of the Company, the Company was not aware of any non-compliance with the required standard set out in the Model Code and its code of conduct regarding directors’ securities transactions.

## **AUDIT COMMITTEE**

The Audit Committee of the Company comprises three independent non-executive directors, namely Mr. Li Zeng Lin, Dr. Gao Yun Zhi and Mr. Xiao Jian Min with Mr. Li Zeng Lin as the chairman. The primary duties of the Audit Committee are to review and monitor the Group’s financial reporting process and internal control system, as well as to provide relevant recommendations and advices to the Board. The unaudited interim results of the Group for the six months ended 30 June 2018 have been reviewed by the Audit Committee.

## **PUBLICATION OF THE DETAILED INTERIM RESULTS ON THE STOCK EXCHANGE'S WEBSITE**

The result announcement is published on the website of Hong Kong Exchange and Clearing Limited ([www.hkex.com.hk](http://www.hkex.com.hk)) and the Company's website ([www.irasia.com/listco/hk/coslight/](http://www.irasia.com/listco/hk/coslight/)). The 2018 interim report of the Company containing all the information required by Appendix 16 to the Listing Rules will be dispatched to shareholders and published on the above websites in due course.

## **BOARD OF DIRECTORS**

As at the date of this announcement, the executive directors of the Company 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 Mr. Li Zeng Lin, Dr. Gao Yun Zhi and Mr. Xiao Jian Min.

By Order of the Board  
**SONG Dian Quan**  
*Chairman*

Harbin, the PRC, 31 August 2018