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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)

2017 INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2017

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 2017, 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 2017

	Notes	Six months ended 30 June	
		2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Revenue	4	2,363,701	2,419,163
Cost of sales		(2,006,720)	(1,969,084)
Gross profit		356,981	450,079
Other income		44,845	29,805
Distribution and selling expenses		(55,981)	(52,233)
Administrative and other operating expenses		(256,213)	(224,803)
Finance costs	5	(71,735)	(75,047)
Share of results of associates		14,250	64,811
Profit before tax	7	32,147	192,612
Income tax expense	8	(21,474)	(53,650)
Profit for the period		10,673	138,962
Profit for the period attributable to:			
Owners of the Company		5,185	126,004
Non-controlling interests		5,488	12,958
		10,673	138,962
Earnings per share	10		
– Basic and diluted		RMB1.31 cents	RMB31.52 cents

* For identification purpose only

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

For the six months ended 30 June 2017

	Six months ended 30 June	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Profit for the period	<u>10,673</u>	<u>138,962</u>
Other comprehensive income for the period		
Items that may be subsequently reclassified to profit or loss:		
Exchange difference arising on translation of foreign operations	27,382	2,365
Share of exchange difference reserve of associates	5,492	1,338
Reversal of deferred tax liability in respect of realisation on depreciation of property, plant and equipment	–	27
Other comprehensive income for the period	<u>32,874</u>	<u>3,730</u>
Total comprehensive income for the period	<u><u>43,547</u></u>	<u><u>142,692</u></u>
Total comprehensive income for the period attributable to:		
Owners of the Company	37,667	129,302
Non-controlling interests	5,880	13,390
	<u><u>43,547</u></u>	<u><u>142,692</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

		At 30 June 2017 <i>RMB'000</i> (Unaudited)	At 31 December 2016 <i>RMB'000</i> (Audited)
Non-current assets			
Property, plant and equipment	11	2,479,365	2,402,874
Mining rights		–	–
Other intangible assets		4,905	6,119
Goodwill		–	–
Prepaid lease payments		150,693	152,527
Deposits paid for acquisition of land		9,728	9,728
Interests in associates	12	309,925	318,029
Deposits paid for finance leases		105,017	100,388
Deferred tax assets		37,482	35,485
		<u>3,097,115</u>	<u>3,025,150</u>
Current assets			
Inventories		1,807,595	1,683,140
Trade and other receivables	13	2,363,790	2,818,878
Prepaid lease payments		3,653	3,653
Amounts due from directors	17	360	360
Amounts due from related companies	17	182,986	124,626
Amounts due from non-controlling interests	17	308	308
Amounts due from associates	17	163,592	58,179
Financial assets at fair value through profit or loss		–	1,500
Pledged bank deposits		621,706	648,772
Bank balances and cash		426,246	299,738
		<u>5,570,236</u>	<u>5,639,154</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 June 2017

		At 30 June 2017 <i>RMB'000</i> (Unaudited)	At 31 December 2016 <i>RMB'000</i> (Audited)
	<i>Notes</i>		
Current liabilities			
Trade and other payables	<i>14</i>	3,377,924	3,383,764
Amounts due to directors	<i>17</i>	2,964	2,995
Amounts due to related companies	<i>17</i>	344,575	215,496
Amounts due to non-controlling interests	<i>17</i>	1,475	1,475
Amounts due to associates	<i>17</i>	483,648	472,094
Tax payables		35,181	48,160
Bank borrowings	<i>15</i>	1,886,301	1,661,729
Obligations under finance leases		327,410	299,759
		<u>6,459,478</u>	<u>6,085,472</u>
Net current liabilities		<u>(889,242)</u>	<u>(446,318)</u>
Total assets less current liabilities		<u>2,207,873</u>	<u>2,578,832</u>
Capital and reserves			
Share capital	<i>16</i>	41,272	42,012
Reserves		1,552,208	1,923,409
Equity attributable to owners of the Company		1,593,480	1,965,421
Non-controlling interests		190,078	184,198
Total equity		<u>1,783,558</u>	<u>2,149,619</u>
Non-current liabilities			
Deferred tax liabilities		33,563	33,563
Obligations under finance leases		219,777	222,446
Deferred government grants		170,975	173,204
		<u>424,315</u>	<u>429,213</u>
		<u>2,207,873</u>	<u>2,578,832</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

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 sale of battery products.

2. BASIS OF PREPARATION

The condensed consolidated financial statements of the Group for the six months ended 30 June 2017 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 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 2017 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2016 except as described below.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

In the current interim period, the Group has applied, for the first time, the following amendments (“new and revised HKFRSs”) issued by the HKICPA which are effective for the Group’s financial year beginning 1 January 2017.

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

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 position for the current and prior periods and/or disclosures set out in these condensed consolidated financial statements.

Amendments to HKAS 7 Disclosure Initiative

The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments do not prescribe a specific method to fulfil the new disclosure requirements. However, the amendments indicate that one way is to provide a reconciliation between the opening and closing balances for liabilities arising from financing activities.

The application of amendments to HKAS 7 results in additional disclosures on the Group’s financing activities, especially reconciliation between the opening and closing balances for liabilities arising from financing activities. The Group will disclose additional information in its annual consolidated financial statements for the year ended 31 December 2017. On initial application of the amendments, the Group is not required to provide comparative information for preceding periods.

Amendments to HKAS 12 Recognition of Deferred Tax Assets for Unrealised Losses

The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

Amendments to HKAS 12 Recognition of Deferred Tax Assets for Unrealised Losses (Continued)

The amendments also provide guidance on how an entity should determine future taxable profits to support the recognition of a deferred tax asset arising from a deductible temporary difference.

The amendments should be applied retrospectively. The directors of the Company anticipate that the application of Amendments to HKAS 12 will have a material effect on the Group's condensed consolidated financial statements in relation of deferred tax effect from unrealised loss on the intragroup transaction.

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 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>
Revenue						
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>
Results						
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)
Bank interest income						3,405
Imputed interest income on other receivables						8,810
Finance costs						(71,735)
Share of results of associates						<u>14,250</u>
Profit before tax						<u><u>32,147</u></u>

4. SEGMENT INFORMATION (Continued)

(a) Segment revenue and results (Continued)

For the six months ended 30 June 2016 (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>
Revenue						
External sales	371,731	1,826,256	57,064	164,112	–	2,419,163
Inter-segment sales	<u>44,635</u>	<u>392,881</u>	<u>5,059</u>	<u>9,660</u>	<u>(452,235)</u>	<u>–</u>
Total	<u><u>416,366</u></u>	<u><u>2,219,137</u></u>	<u><u>62,123</u></u>	<u><u>173,772</u></u>	<u><u>(452,235)</u></u>	<u><u>2,419,163</u></u>
Results						
Segment (loss) profit	<u><u>(24,568)</u></u>	<u><u>175,989</u></u>	<u><u>5,155</u></u>	<u><u>38,685</u></u>	<u><u>–</u></u>	195,261
Unallocated operating income and expenses						3,277
Bank interest income						2,817
Imputed interest income on other receivables						1,493
Finance costs						(75,047)
Share of results of associates						<u>64,811</u>
Profit before tax						<u><u>192,612</u></u>

Segment (loss) profit represents the (loss) profit from each segment without allocation of central administration costs, directors' emoluments, imputed interest income on other receivables, bank 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 2017 and 31 December 2016:

As at 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>	Consolidated <i>RMB'000</i>
ASSETS					
Segment assets	<u>1,823,873</u>	<u>4,956,775</u>	<u>82,154</u>	<u>592,186</u>	7,454,988
Interests in associates					309,925
Unallocated assets					<u>902,438</u>
Consolidated assets					<u><u>8,667,351</u></u>
LIABILITIES					
Segment liabilities	<u>314,635</u>	<u>2,748,628</u>	<u>52,861</u>	<u>220,536</u>	3,336,660
Unallocated liabilities					<u>3,547,133</u>
Consolidated liabilities					<u><u>6,883,793</u></u>

4. SEGMENT INFORMATION (Continued)

(b) Segments assets and liabilities (Continued)

As at 31 December 2016 (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>
ASSETS					
Segment assets	<u>1,805,228</u>	<u>4,700,312</u>	<u>88,408</u>	<u>583,131</u>	7,177,079
Interests in associates					318,029
Unallocated assets					<u>1,169,196</u>
Consolidated assets					<u><u>8,664,304</u></u>
LIABILITIES					
Segment liabilities	<u>331,828</u>	<u>2,860,230</u>	<u>68,830</u>	<u>285,742</u>	3,546,630
Unallocated liabilities					<u>2,968,055</u>
Consolidated liabilities					<u><u>6,514,685</u></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/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/associates, obligations under finance leases, tax payables, bank borrowings, deferred tax liabilities and other corporate liabilities.

5. FINANCE COSTS

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interests on:		
– bank borrowings wholly repayable within five years	46,808	54,874
– obligations under finance leases	24,927	20,173
	71,735	75,047

6. ACQUISITION OF NON-CONTROLLING INTERESTS

During the six months ended 30 June 2016, the Group acquired an additional 1.58% equity interest in Coslight Infra Company Private Limited (“CICP”) by capital injection of approximately RMB10,488,000. This resulted in an increase in the Group’s equity interest in CICP from 96.72% to 98.30%. Approximately RMB78,000, representing the difference between the carrying amounts of the additional 1.58% equity interest in CICP and the amount of capital injected, was transferred from non-controlling interests to other reserve. The changes in its ownership interest do not result in a loss of control.

7. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	101,665	98,449
Amortisation of other intangible assets (included in administrative expenses)	1,214	1,227
Amortisation of prepaid lease payments (included in administrative expenses)	1,820	1,820
Reversal of impairment on trade and other receivables	–	(1,091)
Reversal of impairment on amounts due from a related company	–	(482)
Interest income	(3,405)	(2,817)
Written off of property, plant and equipment	504	–
Deferred income in respect of government grants	(2,229)	(2,267)
Gain on disposal of property, plant and equipment	–	(5,392)
Net exchange loss	4,602	3,805

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Current tax:		
PRC Enterprise Income Tax	23,470	55,944
Deferred tax	<u>(1,996)</u>	<u>(2,294)</u>
	<u>21,474</u>	<u>53,650</u>

9. 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 2016: nil).

10. 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 RMB5,185,000 (six months ended 30 June 2016: RMB126,004,000) and the weighted average number of ordinary shares of 394,792,000 (six months ended 30 June 2016: 399,734,000) in issue during the period.

Since there were no potential dilutive shares in issue during the six months ended 30 June 2017 and 2016, basic and diluted earnings per share are the same for both periods.

11. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately RMB174,982,000 (six months ended 30 June 2016: approximately RMB183,301,000) on additions to property, plant and equipment. Net carrying value of property, plant and equipment was written off during the period amounted to approximately RMB504,000 (six months ended 30 June 2016: nil).

During the period, net carrying value of property, plant and equipment amounted to nil (six months ended 30 June 2016: approximately RMB7,608,000) were disposed of, with no gain or loss on disposal on property, plant and equipment was recognised in profit or loss (six months ended 30 June 2016: gain on disposal RMB5,392,000).

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 2017 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.

12. INTERESTS IN ASSOCIATES

	At 30 June 2017 <i>RMB'000</i> (Unaudited)	At 31 December 2016 <i>RMB'000</i> (Audited)
Costs of investments in unlisted associates	36,320	36,320
Share of post-acquisition profit and other comprehensive income	<u>273,605</u>	<u>281,709</u>
	<u>309,925</u>	<u>318,029</u>

On 4 February 2016, the Group jointly incorporated 秦皇島科斯特新能源汽車製造有限公司 in the PRC which engages in manufacture and sale of automobile and related accessories with 北京光宇在綫科技有限責任公司 (“北京在綫”), a related company of the Group. The Group owned 49% equity interests and the cost of the 49% equity interests at the transaction date is approximately RMB2,940,000.

13. TRADE AND OTHER RECEIVABLES

	At 30 June 2017 <i>RMB'000</i> (Unaudited)	At 31 December 2016 <i>RMB'000</i> (Audited)
Trade and bills receivables	1,990,386	2,564,484
<i>Less: impairment loss recognised</i>	<u>(46,124)</u>	<u>(131,687)</u>
	1,944,262	2,432,797
Other receivables	<u>419,528</u>	<u>386,081</u>
	<u>2,363,790</u>	<u>2,818,878</u>

13. TRADE AND OTHER RECEIVABLES (Continued)

The Group allows credit period ranging from 90 to 270 days (2016: 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 2017 <i>RMB'000</i> (Unaudited)	At 31 December 2016 <i>RMB'000</i> (Audited)
Within 90 days	846,415	1,331,918
91 days – 180 days	432,924	425,081
181 days – 270 days	204,870	301,260
271 days – 360 days	154,098	121,267
Over 1 year, but not exceeding 2 years	<u>305,955</u>	<u>253,271</u>
Trade and bills receivables	<u><u>1,944,262</u></u>	<u><u>2,432,797</u></u>

14. 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 2017 <i>RMB'000</i> (Unaudited)	At 31 December 2016 <i>RMB'000</i> (Audited)
Within 30 days	1,795,578	1,888,526
31 days – 60 days	76,276	156,868
61 days – 90 days	51,725	189,058
91 days – 180 days	194,609	293,697
Over 180 days	<u>272,915</u>	<u>212,382</u>
Trade and bills payables	2,391,103	2,740,531
Other payables	<u>986,821</u>	<u>643,233</u>
	<u><u>3,377,924</u></u>	<u><u>3,383,764</u></u>

15. BANK BORROWINGS

During the period, the Group obtained new bank borrowings of approximately RMB1,221,789,000 (six months ended 30 June 2016: approximately RMB1,029,283,000) and repaid bank borrowings of approximately RMB997,217,000 (six months ended 30 June 2016: approximately RMB913,215,000).

Bank borrowings carry interest at variable market rates ranging from 2.60% to 6.90% per annum (31 December 2016: 2.60% to 6.90% per annum) and have maturity periods ranging from one month to four years (31 December 2016: one month to four years).

Approximately RMB1,616,437,000 (31 December 2016: approximately RMB1,050,899,000) 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.

16. 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 2016 and 30 June 2017	<u>1,000,000</u>	<u>100,000</u>	<u>107,000</u>
<i>Issued and fully paid:</i>			
At 31 December 2016	399,734	39,973	42,012
Share repurchased	<u>(6,550)</u>	<u>(655)</u>	<u>(740)</u>
At 30 June 2017	<u>393,184</u>	<u>39,318</u>	<u>41,272</u>

17. 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	
		2017 RMB'000 (Unaudited)	2016 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	2,623	3,934
瀋陽東北蓄電池有限公司	Sales of goods	54,527	60,559
瀋陽東北蓄電池有限公司	Purchase of raw materials	<u>32,033</u>	<u>77,117</u>

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

17. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(b) Balances

(1) Amounts due from related companies

Name of related companies	At 30 June 2017 RMB'000 (Unaudited)	At 31 December 2016 RMB'000 (Audited)
HBS	18,807	18,744
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*	478	–
Global Universal Development Limited	109,537	96,698
光宇延邊蓄電池有限責任公司	13,719	9,184
杭州光宇電源有限公司	482	482
杭州越西客車銷售服務有限公司	9,439	–
哈爾濱光宇開關廠	49	–
哈爾濱光宇電線電纜有限公司	11,656	–
天津盤龍科技有限責任公司	4,300	–
天津啟新明動科技有限責任公司	8,937	–
北京光宇線上科技有限責任公司	4,892	–
哈爾濱光宇集團股份有限公司	1,172	–
	184,082	125,722
Less: allowance for doubtful debts	(1,096)	(1,096)
	182,986	124,626

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.*

17. 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	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Short-term benefits	878	800
Post-employment benefits	9	9
	<u>887</u>	<u>809</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.

18. CAPITAL COMMITMENTS

	At 30 June 2017 RMB'000 (Unaudited)	At 31 December 2016 RMB'000 (Audited)
Capital expenditure contracted for but not provided in the financial statements in respect of:		
Acquisition of property, plant and equipment	24,610	22,709
Acquisition of an associate	–	6,860
	<u>24,610</u>	<u>29,569</u>

19. CONTINGENT LIABILITIES

The Group has issued guarantees in respect of banking facilities granted to an independent third party and an associate of approximately RMB330,325,000 (31 December 2016: approximately RMB554,940,000) without charge. The aggregate amounts that could be required to be paid if the guarantees were called upon in entirety amounted to approximately RMB20,000,000 (31 December 2016: approximately RMB20,000,000), of which approximately RMB20,000,000 (31 December 2016: approximately RMB20,000,000) has been utilised by the independent third parties.

20. 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.

21. SUBSEQUENT EVENT

On 4 July 2017, the Company conditionally entered into an agreement with an independent third party to sell 57.83% equity interest of Zhuhai Coslight Battery Company Limited at the consideration of RMB726,240,000. Upon completion of the disposal, Zhuhai Coslight Battery Company Limited will cease to be a subsidiary of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

For the period ended 30 June 2017 (the “Period”), turnover from the Group’s continuing operation amounted to approximately RMB2,363,701,000 (2016: RMB2,419,163,000), representing a decrease of 2% over the corresponding period last year. The profit attributable to owners of the Company for the Period decreased by 96% to approximately RMB5,185,000 (2016: RMB126,004,000). Earnings per share for the Period was RMB1.31 cents (2016: RMB31.52 cents).

DIVIDEND

The Board does not recommend the payment of an interim dividend to the shareholders for the Period (2016: nil).

BUSINESS REVIEW

Lithium Polymer Battery

During the Period, the lithium polymer cells business continues to grow. The lithium polymer cells shipment was about 49 million pieces (2016: 40 million pieces), an increase of about 22% over the corresponding period last year. The volume increase was due to increase in demand from our customers. Our major customers are both local and international PCs and handsets makers. We have been proactively developing new products and exploring new markets in the past few years and get a fruitful result. The price of cathode material of lithium polymer battery increased during the period, we had been experienced material costs pressure. We adjusted our selling price according to costs, however, there were timing differences among material cost prices increased and selling price hiked, which resulted in drop in gross margin.

Post-date event

On 4 July 2017, the Board announced that it conditionally entered into an agreement with an independent third party to sell 57.83% equity interest of Zhuhai Coslight Battery Company Limited at the consideration of RMB726,240,000. Upon completion of the disposal, Zhuhai Coslight Battery Company Limited will cease to be a subsidiary of the Company.

Power Battery

On December 2016, the Chinese government had significantly adjusted the new energy vehicles subsidies policies which had major impact to the market. Up to June 2017, China had sold approximately 150,000 all types of new energy vehicles, a significant drop as compare to the corresponding period last year. The Group was also affected, sales volume decreased accordingly. During the Period, we had delivered all types of new energy vehicles of 6,214 sets of battery systems (2016: 11,127 sets), representing a decrease of 44% over corresponding period last year. We continued to collaborate with local and international auto makers to provide battery system solutions for electric vehicles. Our products include lithium ferrite phosphate batteries and ternary power batteries which are applicable to different types of electric vehicles and telecom base stations. Sales of all types of lithium battery products for the Period amounted to approximately RMB1,850,025,000 (2016: RMB1,826,256,000).

Sealed lead-acid (“SLA”) Battery

During the Period, turnover of SLA battery was approximately RMB282,984,000 (2016: RMB371,731,000), representing a decrease of 24% when compared to the corresponding period last year. The decrease of the SLA battery was due to increase/decrease in demand of the product. Due to the major raw material of the production of the SLA battery increase in price during the Period, the cost of production increased and therefore, resulted in a lower gross margin of the product.

Online Games

(《問道》) game enters into its 11th year of operation. In April, we launched a major anniversary documentary of the game, expected two new update versions to be released in the second half of 2017. For mobile game, we had in associate with iQiYi to jointly released a mobile card game (《馴龍三國》), the result was satisfactory. We are not only started a deep corporation with iQiYi, but also started to plan for the H5 game. The online game operation contributed a profit of RMB66,130,000 (2016: RMB101,287,000) to the Group, of which RMB14,614,000 (2016: RMB67,568,000) was generated from associates of the Group, representing a decrease of 35% over the corresponding period last year.

FINANCIAL REVIEW

Assets and liabilities

As at 30 June 2017, the Group had total assets of RMB8,667,351,000 (31.12.2016: RMB8,664,304,000) which were financed by current liabilities of RMB6,459,478,000 (31.12.2016: RMB6,085,472,000), non-current liabilities of RMB424,315,000 (31.12.2016: RMB429,213,000), equity attributable to owners of the Company of RMB1,593,480,000 (31.12.2016: RMB1,965,421,000) and non-controlling interests of RMB190,078,000 (31.12.2016: RMB184,198,000).

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 2017, the Group had bank and cash balances amounted to RMB426,246,000 (31.12.2016: RMB299,738,000). The total bank and other borrowings of the Group as at 30 June 2017 were approximately RMB1,886,301,000 (31.12.2016: RMB1,661,729,000). These borrowings carry interest ranging from 2.60% to 6.90% (31.12.2016: from 2.60% to 6.90%) 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 and other borrowings and shareholders' equity, was 136% (31.12.2016: 102%). The current ratio of the Group, represented by a ratio between current assets over current liabilities, was 86% (31.12.2016: 93%).

Charges on group assets

As at 30 June 2017, certain prepaid lease payments and property, plant and equipment, inventories and trade receivables of the Group with carrying values of RMB358,183,000 (31.12.2016: RMB493,401,000), RMBNil (31.12.2016: RMB50,000,000) and RMB142,440,000 (31.12.2016: RMB105,545,000) respectively, were pledged to secure bank borrowings of approximately RMB1,616,437,000 (31.12.2016: RMB1,050,899,000). 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

According to the new released of the (《汽車產業中長期發展規劃》) by the Chinese government, the new energy vehicles were announced to be the focus areas of the transformation of automobile industry in China. The Chinese central government will continue to support the development of the new energy vehicles, it is anticipated that the demand for the new energy vehicles will continue to increase. Our power batteries sales are expected to increase in the second half of 2017 and forecasted to reach last year turnover. We will continue to explore various batteries technologies and enhance vertical production mode to reduce costs pressure, in addition, we plan to standardize our products to increase our competitiveness in the market.

For online games, we plan to launch 3 self-developed PC based games, one of which will be our first ever Steam platform game. We also plan to launch a MMORPG game (《萬魂殺》) in the second half. Due to the successful on the (《馴龍三國》) game, we will launch the H5 version of the game. It is expected that these games will generate revenue for the Company and continue to deliver good return to the Group.

OTHER INFORMATION

Employees and remuneration policies

As of 30 June 2017, the Group hired a total of 10,362 (2016: 10,152) employees in the PRC. 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 16 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 2017 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) and the Company's website (www.irasia.com/listco/hk/coslight/). The 2017 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 2017