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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)

2013 INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2013

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 2013, together with the comparative figures for the previous period as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2013

		Six months ended 30 June	
		2013	2012
	<i>Notes</i>	RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Revenue	4	1,356,329	1,237,909
Cost of sales		(1,154,788)	(1,050,212)
Gross profit		201,541	187,697
Other income		14,561	19,719
Distribution and selling expenses		(73,123)	(71,671)
Administrative and other operating expenses		(109,332)	(116,673)
Finance costs	5	(55,294)	(40,790)
Share of results of associates		63,810	50,759
Profit before tax	6	42,163	29,041
Income tax expense	7	(5,259)	(4,852)
Profit for the period		36,904	24,189
Attributable to:			
Owners of the Company		33,866	22,929
Non-controlling interests		3,038	1,260
		36,904	24,189
Earnings per share			
– Basic and diluted	9	RMB9.05 cents	RMB6.13 cents

* *For identification purpose only*

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2013

	Six months ended 30 June	
	2013	2012
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Profit for the period	<u>36,904</u>	<u>24,189</u>
Other comprehensive income (expenses) for the period		
Items that may be subsequently reclassified to profit or loss:		
Exchange difference arising on translation	2,335	(35,722)
Reversal of deferred tax liability in respect of realisation on depreciation of property, plant and equipment	<u>332</u>	<u>682</u>
Other comprehensive income (expenses) for the period	<u>2,667</u>	<u>(35,040)</u>
Total comprehensive income (expenses) for the period	<u><u>39,571</u></u>	<u><u>(10,851)</u></u>
Total comprehensive income (expenses) attributable to:		
Owners of the Company	36,321	(11,586)
Non-controlling interests	<u>3,250</u>	<u>735</u>
	<u><u>39,571</u></u>	<u><u>(10,851)</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2013

		At 30 June 2013 <i>RMB'000</i> (Unaudited)	At 31 December 2012 <i>RMB'000</i> (Audited)
Non-current assets			
Property, plant and equipment	10	1,384,365	1,273,647
Other intangible assets		4,182	4,204
Goodwill		29,012	29,012
Interests in associates		345,065	309,316
Prepaid lease payments		138,452	140,083
Deposits paid for acquisition of land		28,500	28,500
Other receivables	11	–	7,314
Deferred tax assets		31,945	30,970
		1,961,521	1,823,046
Current assets			
Inventories		709,919	638,904
Trade and other receivables	11	2,116,975	2,094,288
Prepaid lease payments		3,177	3,177
Amounts due from directors		17	809
Amounts due from related companies		61,523	54,113
Amounts due from non-controlling interests		1,690	22,951
Amounts due from associates		63,617	67,548
Available-for-sale investments		–	1,500
Pledged bank deposits		264,550	284,747
Bank balances and cash		384,657	392,154
		3,606,125	3,560,191
Assets classified as held for sale		297,266	322,017
		3,903,391	3,882,208

		At 30 June 2013	At 31 December 2012
	<i>Notes</i>	RMB'000 (Unaudited)	RMB'000 (Audited)
Current liabilities			
Trade and other payables	12	1,860,271	1,718,013
Amounts due to related companies		54,414	61,188
Amounts due to non-controlling interests		3,747	3,747
Amounts due to directors		2,502	2,722
Amounts due to associates		659,510	600,381
Tax payables		13,162	18,088
Bank borrowings	13	1,579,550	1,563,382
		4,173,156	3,967,521
Liabilities associated with assets classified as held for sale		24,482	21,476
		4,197,638	3,988,997
Net current liabilities		(294,247)	(106,789)
Total assets less current liabilities		1,667,274	1,716,257
Capital and reserves			
Share capital	14	40,010	40,010
Reserves		1,479,654	1,482,384
Equity attributable to owners of the Company		1,519,664	1,522,394
Non-controlling interests		70,254	115,058
Total equity		1,589,918	1,637,452
Non-current liabilities			
Deferred tax liabilities		19,943	20,275
Deferred government grants		57,413	58,530
		77,356	78,805
		1,667,274	1,716,257

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

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 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 the same as the functional currency of the Company. RMB is the currency of the primary economic environment in which the subsidiaries of the Company operate (functional currency of the subsidiaries).

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

2. BASIS OF PREPARATION

The condensed consolidated financial statements for the six months ended 30 June 2013 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) and with the Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

These condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2012.

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated interim financial statements have been prepared on the historical cost basis except for certain properties and available-for-sale financial assets, which are measured at revalued amounts or fair values, as appropriate.

The accounting policies and methods of computation used in the condensed consolidated interim financial statements for the six months ended 30 June 2013 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2012 except as described below.

3. PRINCIPAL 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 Standard (“HKFRS”) issued by the HKICPA.

Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle
Amendments to HKFRS 1	Government Loans
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
HK (International Financial Reporting Interpretation Committee) – Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine

Except as described below, the application of the above new or revised standards, amendments and interpretations in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 introduce new terminology for statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the existing option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

Amendments to HKFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments to HKFRS 7 are effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should also be provided retrospectively for all comparative periods.

HKFRS 13 Fair Value Measurement

The Group has applied HKFRS 13 for the first time in the current interim period. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements, and replaces those requirements previously included in various HKFRSs. Consequential amendments have been made to HKAS 34 to require certain disclosures to be made in the interim condensed consolidated financial statements.

The scope of HKFRS 13 is broad, and applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, subject to a few exceptions. HKFRS 13 contains a new definition for 'fair value' and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

In accordance with the transitional provisions of HKFRS 13, the Group has applied the new fair value measurement and disclosure requirements prospectively.

Amendments to HKAS 34 Interim Financial Reporting (as part of the Annual Improvements to HKFRSs 2009-2011 Cycle)

The Group has applied the amendments to HKAS 34 Interim Financial Reporting as part of the Annual Improvements to HKFRSs 2009-2011 Cycle for the first time in the current interim period. The amendments to HKAS 34 clarify that the total assets and total liabilities for a particular reportable segment would be separately disclosed in the interim financial statements only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amounts disclosed in the last annual financial statements for that reportable segment.

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 mining (none of which are of a sufficient size to be reported separately). |

Inter-segment sales 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 operating segments for the interim period.

For the six months ended 30 June 2013 (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	470,161	682,330	67,432	136,406	–	1,356,329
Inter-segment sales	<u>4,173</u>	<u>7,189</u>	<u>2,149</u>	<u>1,760</u>	<u>(15,271)</u>	<u>–</u>
Total	<u><u>474,334</u></u>	<u><u>689,519</u></u>	<u><u>69,581</u></u>	<u><u>138,166</u></u>	<u><u>(15,271)</u></u>	<u><u>1,356,329</u></u>
Result						
Segment profit	<u><u>(25,607)</u></u>	<u><u>51,990</u></u>	<u><u>2,674</u></u>	<u><u>6,707</u></u>	<u><u>–</u></u>	35,764
Unallocated operating income and expenses						(4,410)
Interest income						2,293
Finance costs						(55,294)
Share of results of associates						<u>63,810</u>
Profit before tax						<u><u>42,163</u></u>

4. SEGMENT INFORMATION (Continued)

(a) Segment revenue and results (Continued)

For the six months ended 30 June 2012 (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	687,504	379,248	74,704	96,453	–	1,237,909
Inter-segment sales	<u>4,065</u>	<u>3,914</u>	<u>2,635</u>	<u>4,958</u>	<u>(15,572)</u>	<u>–</u>
Total	<u><u>691,569</u></u>	<u><u>383,162</u></u>	<u><u>77,339</u></u>	<u><u>101,411</u></u>	<u><u>(15,572)</u></u>	<u><u>1,237,909</u></u>
Result						
Segment profit	<u><u>(5)</u></u>	<u><u>24,207</u></u>	<u><u>2,533</u></u>	<u><u>(10,170)</u></u>	<u><u>–</u></u>	16,565
Unallocated operating income and expenses						(865)
Interest income						3,372
Finance costs						(40,790)
Share of results of associates						<u>50,759</u>
Profit before tax						<u><u>29,041</u></u>

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 2013 and 31 December 2012:

As at 30 June 2013 (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>2,217,405</u>	<u>1,715,194</u>	<u>102,781</u>	<u>731,455</u>	4,766,835
Interests in associates					345,065
Unallocated assets					<u>753,012</u>
Consolidated total assets					<u><u>5,864,912</u></u>
LIABILITIES					
Segment liabilities	<u>1,173,426</u>	<u>1,059,933</u>	<u>78,181</u>	<u>215,763</u>	2,527,303
Unallocated liabilities					<u>1,747,691</u>
Consolidated liabilities					<u><u>4,274,994</u></u>

4. SEGMENT INFORMATION (Continued)

(b) Segments assets and liabilities (Continued)

As at 31 December 2012 (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>2,256,802</u>	<u>1,533,156</u>	<u>104,488</u>	<u>729,817</u>	4,624,263
Interests in associates					309,316
Unallocated assets					<u>771,675</u>
Consolidated total assets					<u><u>5,705,254</u></u>
LIABILITIES					
Segment liabilities	<u>1,108,994</u>	<u>979,091</u>	<u>85,375</u>	<u>195,481</u>	2,368,941
Unallocated liabilities					<u>1,698,861</u>
Consolidated liabilities					<u><u>4,067,802</u></u>

5. FINANCE COSTS

	Six months ended 30 June	
	2013	2012
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Interest on bank and other borrowings wholly repayable within five years	55,997	46,025
Less: interest expenses capitalised at a rate of 2.01% (2012: 2.70%) per annum	<u>(703)</u>	<u>(5,235)</u>
	<u>55,294</u>	<u>40,790</u>

6. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2013	2012
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	40,784	38,274
Amortisation of other intangible assets (included in administrative expenses and cost of sales)	22	60
Amortisation of prepaid lease payments (included in administrative expenses)	1,631	1,545
Impairment loss on trade receivables	–	1,623
Government subsidies granted	–	(7,679)
Dividend income from associates	(28,061)	(4,378)
Interest income	(2,293)	(3,372)
Imputed interest income on other receivables	(239)	–
Loss on written off of property, plant and equipment	2,583	219
Reversal of impairment loss recognised in respect of trade receivables	–	(2,035)
Deferred income in respect of government grants	(1,117)	(2,142)
Net exchange loss	<u>1,162</u>	<u>7,416</u>

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2013	2012
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
The charge comprises:		
Current tax:		
PRC Enterprise Income Tax	6,234	2,513
Other jurisdictions	—	13
	<u>6,234</u>	<u>2,526</u>
Deferred tax	<u>(975)</u>	<u>2,326</u>
	<u><u>5,259</u></u>	<u><u>4,852</u></u>

8. INTERIM DIVIDEND

No dividends were paid, declared or proposed during the reporting periods. The directors do not recommend the payment of an interim dividend (six months ended 30 June 2012: 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 RMB33,866,000 (six months ended 30 June 2012: RMB22,929,000) and the weighted average number of ordinary shares of 374,180,000 (six months ended 30 June 2012: 374,180,000) in issue during the period.

Since there were no potential dilutive shares in issue during the six months ended 30 June 2013 and 2012, basic and diluted earnings per share are the same for both periods.

10. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately RMB150,517,000 (six months ended 30 June 2012: approximately RMB109,467,000) on additions to property, plant and equipment. Net carrying value of property, plant and equipment being written off during the period was amounted to RMB2,583,000 (six months ended 30 June 2012: approximately RMB219,000).

In the opinion of the directors, the aggregate carrying amount of the Group's buildings, plant and machinery, furniture, fixtures and equipment and motor vehicles as at 30 June 2013 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. TRADE AND OTHER RECEIVABLES

	At 30 June 2013 <i>RMB'000</i> (Unaudited)	At 31 December 2012 <i>RMB'000</i> (Audited)
Analysed for reporting purpose:		
Current portion	2,116,975	2,094,288
Non-current portion	—	7,314
	<u>2,116,975</u>	<u>2,101,602</u>
	At 30 June 2013 <i>RMB'000</i> (Unaudited)	At 31 December 2012 <i>RMB'000</i> (Audited)
Trade and bills receivables	1,911,844	1,968,721
Less: impairment loss recognised	<u>(138,645)</u>	<u>(138,645)</u>
	1,773,199	1,830,076
Other receivables	<u>343,776</u>	<u>271,526</u>
	<u>2,116,975</u>	<u>2,101,602</u>

The non-current portion balance as at 31 December 2012 is non-interest bearing and repayment on or before 1 May 2014 and its effective interest rate is 6.65%. The balance has been transferred to current portion during the reporting period.

The Group allows credit period ranging from 90 to 540 days (2012: 90 to 540 days) to its trade customers. The Group granted a longer credit period to individual customers base on financial strength of customers to maintain the loyal customers. The following is an ageing analysis of trade receivables net of impairment loss recognised on trade and bills receivables presented based on goods delivery date at the end of the reporting period.

	At 30 June 2013 <i>RMB'000</i> (Unaudited)	At 31 December 2012 <i>RMB'000</i> (Audited)
Within 90 days	723,746	871,868
More than 90 days, but not exceeding 180 days	292,594	323,702
More than 180 days, but not exceeding 270 days	286,633	312,329
More than 270 days, but not exceeding 360 days	147,015	124,472
More than 360 days, but not exceeding 540 days	260,210	155,950
More than 540 days, but not exceeding 720 days	63,001	41,755
	<u>1,773,199</u>	<u>1,830,076</u>
Trade and bills receivables	<u>1,773,199</u>	<u>1,830,076</u>

12. TRADE AND OTHER PAYABLES

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

	At 30 June 2013 <i>RMB'000</i> (Unaudited)	At 31 December 2012 <i>RMB'000</i> (Audited)
Within 30 days	430,502	482,453
More than 30 days, but not exceeding 60 days	207,706	198,038
More than 60 days, but not exceeding 90 days	153,098	202,940
More than 90 days, but not exceeding 180 days	190,220	219,801
Over 180 days	206,649	123,701
	<u>1,188,175</u>	<u>1,226,933</u>
Trade and bills payables	<u>1,188,175</u>	<u>1,226,933</u>
Other payables	<u>672,096</u>	<u>491,080</u>
	<u>1,860,271</u>	<u>1,718,013</u>

13. BANK BORROWINGS

During the period, the Group obtained new bank borrowings of approximately RMB950,636,000 (six month ended 30 June 2012: RMB653,300,000) and repaid bank borrowings of approximately RMB934,468,000 (six month ended 30 June 2012: RMB518,127,000).

Bank borrowings carrying interest at variable market rates ranging from 2.51% to 7.87% per annum (31 December 2012: 2.51% to 8.53% per annum) and have maturity periods ranging from one month to four years (31 December 2012: one month to five years).

Approximately RMB568,400,000 (31 December 2012: RMB503,400,000) of the Group's bank borrowings are secured by land use rights, property, plant equipment and trade receivables. The proceeds were used to finance the operation of the Group.

14. 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 30 June 2013 and 31 December 2012	<u>1,000,000</u>	<u>100,000</u>	<u>107,000</u>
<i>Issued and fully paid:</i>			
At 30 June 2013 and 31 December 2012	<u>374,180</u>	<u>37,418</u>	<u>40,010</u>

15. CAPITAL COMMITMENTS

	At 30 June 2013 <i>RMB'000</i> (Unaudited)	At 31 December 2012 <i>RMB'000</i> (Audited)
Capital expenditure authorised but not contracted for in respect of acquisition of property, plant and equipment and land use rights	<u><u>601,000</u></u>	<u><u>601,000</u></u>
Capital expenditure contracted for but not provided in the financial statements in respect of acquisition of property, plant and equipment and land use rights	<u><u>133,730</u></u>	<u><u>141,447</u></u>

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

For the period ended 30 June 2013 (the “Period”), turnover for the Group’s ongoing operations amounted to approximately RMB1,356,329,000 (2012: RMB1,237,909,000), representing an increase of 10% over the same period last year. The profit attributable to owners of the Company for the Period amounted to approximately RMB33,866,000 (2012: RMB22,929,000). During the Period, earnings per share amounted to RMB9.05 cents (2012: RMB6.13 cents).

BUSINESS REVIEW

Sealed lead-acid (“SLA”) Products

During the Period, the revenue of SLA battery products was about RMB470,161,000 (2012: RMB687,504,000), representing a decrease of 32% when compared to the corresponding period of last year. 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 costs. We have strategically tied up stronger partnerships with domestic and international carriers in relation to the provision of a wide range of system solutions for lithium ferrite batteries, which replace traditional lead-acid battery products. Similarly, sales volume and revenue of automotive starter batteries fell by 4% and 8% respectively compared to the corresponding period due to fierce competition in the market. During the Period, sales volume of automotive starter batteries reached approximately 480,000 KVAH.

Lithium-ion Batteries

In Zhuhai, the manufacturing of Lithium polymer batteries continued to grow rapidly for the Period. During the Period, sales volume of lithium polymer batteries was approximately 24,260,000 pieces (2012: 11,920,000 pieces), representing a surge of 104% over the corresponding period of last year. The major customers were famous enterprises such as Lenovo, Coolpad, Huawei and ZTE. The Group is expanding the production facilities for lithium polymer batteries so as to meet the robust demand from the market. Sales amount of lithium polymer batteries for the Period was approximately RMB520,343,000 (2012: RMB233,582,000), rising by 123% compared to last period.

Lithium Ferrite Batteries

The Group is enhancing closer business relationship with a number of famous domestic and foreign telecommunication carriers with a vision to offer a wide variety of system solutions for lithium ferrite batteries. In respect of the applications of lithium ferrite batteries in telecommunications base stations, the Group is exploring into overseas markets in India, Egypt, Turkey, Greece and Albania. In India, the Group has secured orders with a sum of US\$70 million, which is expected to be completed for delivery during the year. In relation to lithium ferrite batteries, the Group keeps incorporating with domestic and foreign automobile manufacturers to provide a variety of system solutions for batteries that can be applied in electric vehicles. Total sales of electric vehicles batteries for the Period was 559 sets, including batteries for pure electric passenger vehicles, hybrid electric vehicles and pure electric vehicles. Total sales volume of electric bicycle batteries and electric motorcycle batteries were 6,405 sets.

In respect of the sales, marketing and production of new energy-power vehicle in Hangzhou, the annual production capacity is up to 2,000 units of electric vehicles. The site area of the project covers 100,000 square metres, within which 80,000 square metres plant area has been constructed. The plant is expected to be put into production during the year.

Online Games

“問道” continued to release updated versions and attracted an increasing number of online users. In addition, we released two brand new products, namely “靈魂戰神” – the world’s first-ever online games in undefined tactic and action categories and “蜀山劍俠傳” – fighting online game in the latest 3D horizontal version. “靈魂戰神” is an innovative action game that is exclusively distributed by Coslight and developed by a Korean company. Online game business generated profit contribution of RMB63,810,000 (2012: RMB50,759,000) for the Group, representing an increase of approximately 26% over the corresponding period last year.

FINANCIAL REVIEW

Assets and liabilities

As at 30 June 2013, the Group had total assets of RMB5,864,912,000 (31.12.2012: RMB5,705,254,000) which were financed by current liabilities of RMB4,197,638,000 (31.12.2012: RMB3,988,997,000), non-current liabilities of RMB77,356,000 (31.12.2012: RMB78,805,000), equity attributable to owners of the Company of RMB1,519,664,000 (31.12.2012: RMB1,522,394,000) and non-controlling interests of RMB70,254,000 (31.12.2012: RMB115,058,000).

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 2013, the Group had bank and cash balances amounted to RMB384,657,000 (31.12.2012: RMB392,154,000). The total bank and other borrowings of the Group as at 30 June 2013 were approximately RMB1,579,550,000 (31.12.2012: RMB1,563,382,000). These borrowings carry interest ranging from 2.51% to 7.87% (31.12.2012: from 2.51% to 8.53%) 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 total equity, was 0.99 (31.12.2012: 0.95). The current ratio of the Group, represented by a ratio between current assets over current liabilities, was 0.93 (31.12.2012: 0.97).

Charges on group assets

As at 30 June 2013, certain prepaid lease payments and property, plant and equipment, and trade receivables of the Group with carrying value of RMB239,768,000 (31.12.2012: RMB244,509,000), and RMB91,729,000 (31.12.2012: RMB91,729,000) respectively, were pledged to secure bank borrowings of approximately RMB568,400,000 (31.12.2012: RMB503,400,000). 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

Battery Products

We have begun to promote the advantages of the application of lithium ferrite batteries in telecommunications base stations in China and abroad on a large scale. It is expected that lithium ferrite batteries will enter into a rapid growth period in 2013. Total sales amount is expected to reach more than RMB500 million, representing a significant increase against the figure of last year.

The production capacity of lithium polymer batteries in Zhuhai plant will be expanded from the current level of 6 million pieces per month to 10 million pieces per month at the end of this year and further to over 20 million pieces per month in 2014. Lithium-polymer batteries will continue to grow throughout the year, with an expected increase in sales amount of over 70% to RMB1 billion.

Coslight's games

In 2013, we are commencing a cross-platform strategy. In the aspect of R&D and operations, it covers multi-platform services ranging from user-end games, web games to cell phone games. Coslight now owns three self-developed cell phone game projects and an in-house team of cell phone games. In respect of cell phone game projects, Coslight will roll out about 6 or 7 products into the market in the near term, of which, “神之戰” and “航海Q時代” have been released at Chinajoy this year.

It is expected that these new games will generate revenue for the Company and continue to reap promising returns for shareholders of the Group.

OTHER INFORMATION

Employees and remuneration policies

As of 30 June 2013, the Group hired a total of 9,719 (2012: 9,452) 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.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the Period, there was no purchase, sale or redemption of listed securities of the Company by the Company or any of its subsidiaries during the Period.

CODE ON CORPORATE GOVERNANCE PRACTICES

In November 2004, The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) introduced the Code on Corporate Governance Practices (the “Code”) to replace the Code of Best Practice in Appendix 14 of the Rules Governing the Listing Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and a new Appendix 23 stipulating the rules on the Corporate Governance Report. The Code which provides the code provisions and recommended best practices for corporate governance became effective on 1 January 2005. The Company has complied throughout the period ended 30 June 2013 with the Code as 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.

Code provision A.4.1 stipulates that non-executive directors 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 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 (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 practices are similar to those in the Code.

SECURITIES TRANSACTIONS BY DIRECTORS

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 ("Model Code") as set out in Appendix 10 of the Listing Rules. Having made specific enquiry of all directors, 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. Yin Ge Ping 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 2013 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 2013 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, Mr. Liu Xing Quan; and the Independent Non-Executive Directors are Mr. Li Zeng Lin, Dr. Yin Ge Ping and Mr. Xiao Jian Min.

By Order of the Board
SONG Dian Quan
Chairman

Harbin, the PRC, 30 August 2013