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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)**

**2019 UNAUDITED ANNUAL RESULTS ANNOUNCEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2019**

The Board of directors (the “Board”) of Coslight Technology International Group Limited (the “Company”) pleased to announce the unaudited consolidated financial results of the Company and its subsidiaries (hereafter collectively referred to as the “Group”) for the year ended 31 December 2019, as follows:

**UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND  
OTHER COMPREHENSIVE INCOME**

*For the year ended 31 December 2019*

	<b>2019</b>	2018
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Audited)
Revenue	<b>1,649,788</b>	3,196,379
Cost of sales	<b>(1,141,053)</b>	(2,599,670)
<b>Gross profit</b>	<b>508,735</b>	596,709
Other income	<b>81,448</b>	93,612
Gain on disposal of subsidiaries	<b>11,578</b>	27,318
Gain on disposal of an associate	–	175,192
Distribution and selling expenses	<b>(74,213)</b>	(71,406)
Administrative and other operating expenses	<b>(321,284)</b>	(380,860)
Finance costs	<b>(86,161)</b>	(88,719)
Impairment loss recognised	<b>(47,919)</b>	(164,767)
Change in fair value of an investment property	–	14,475
Share of results of associates	<b>(65,540)</b>	58,932
<b>Profit before tax</b>	<b>6,644</b>	260,486
Income tax expense	<b>(33,539)</b>	(35,215)
<b>(Loss) profit for the year (including continuing and discontinued operation)</b>	<b>(26,895)</b>	225,271

\* *For identification purpose only*

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

*For the year ended 31 December 2019*

	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
<b>Profit for the year from discontinued operations</b>	<b><u>2,808</u></b>	<b><u>138,092</u></b>
(Loss) profit for the year from continuing operations	<b><u>(29,703)</u></b>	<b><u>87,179</u></b>
Other comprehensive income (expense)		
<i>Items that will not be reclassified subsequently to profit or loss:</i>		
Surplus on revaluation of property, plant and equipment	(36,605)	35,931
Deferred tax effects arising on revaluation of property, plant and equipment	9,151	(8,983)
Deferred tax released on disposal of property, plant and equipment	—	—
	<b><u>(27,454)</u></b>	<b><u>26,948</u></b>
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange difference arising on translating foreign operations	34,713	(602)
Share of exchange reserve of associates	(713)	1,905
	<b><u>34,000</u></b>	<b><u>1,303</u></b>
Other comprehensive income for the year, net of income tax	<b><u>6,546</u></b>	<b><u>28,251</u></b>
<b>Total comprehensive (expense) income for the year</b>	<b><u>(20,349)</u></b>	<b><u>253,522</u></b>
(Loss) profit for the year attributable to:		
Owners of the Company	(33,134)	199,769
Non-controlling interest	6,239	25,502
	<b><u>(26,895)</u></b>	<b><u>225,271</u></b>
Total comprehensive (expense) income for the year attributable to:		
Owners of the Company	(26,588)	225,539
Non-controlling interests	6,239	27,983
	<b><u>(20,349)</u></b>	<b><u>253,522</u></b>

# UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	2019 <i>RMB'000</i> (Unaudited)	2018 <i>RMB'000</i> (Audited)
<b>Non-current assets</b>		
Property, plant and equipment	2,072,842	2,158,064
Right-of-use assets	183,681	–
Other intangible assets	4,188	4,109
Goodwill	–	–
Prepaid lease payments	–	143,937
Deposits paid for acquisition of land	9,728	9,728
Interests in associates	219,020	302,860
Interest in a joint venture	1,000	1,000
Deposits paid for finance leases	2,846	13,909
Deferred tax assets	45,881	45,728
	<u>2,539,186</u>	<u>2,679,335</u>
<b>Current assets</b>		
Inventories	1,557,641	1,307,453
Trade and other receivables	2,148,430	2,453,827
Prepaid lease payments	–	3,613
Amounts due from directors	729	360
Amounts due from related companies	85,166	117,829
Amounts due from associates	199,871	168,849
Amounts due from non-controlling interest	413	–
Amounts due from joint ventures	1,078	–
Pledged bank deposits	80,499	317,954
Bank balances and cash	201,089	129,023
	<u>4,274,916</u>	<u>4,498,908</u>
Assets classified as held for sale	135,627	–
	<u>4,410,543</u>	<u>4,498,908</u>

## UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

*As at 31 December 2019*

	2019 <i>RMB'000</i> (Unaudited)	2018 <i>RMB'000</i> (Audited)
<b>Current liabilities</b>		
Trade and other payables	2,150,865	2,381,808
Contract liabilities	5,123	47,745
Amounts due to directors	100	2,834
Amounts due to related companies	438,945	413,116
Amounts due to non-controlling interests	–	1,276
Amounts due to associates	378,461	397,796
Tax payables	51,195	108,897
Bank borrowings	1,109,414	1,082,777
Obligations under finance leases	–	26,738
Lease liabilities	11,186	–
	4,145,289	4,462,987
Liabilities associated with assets classified as held for sale	67,044	–
	4,212,333	4,462,987
<b>Net current assets</b>	198,210	35,921
	2,737,396	2,715,256
<b>Capital and reserves</b>		
Share capital	39,866	40,254
Reserves	2,286,818	2,242,804
<b>Equity attributable to owners of the Company</b>	2,326,684	2,283,058
Non-controlling interests	195,963	202,202
<b>Total equity</b>	2,522,647	2,485,260
<b>Non-current liabilities</b>		
Other payable	170	–
Deferred tax liabilities	21,675	23,141
Obligations under finance leases	–	18,557
Deferred government grants	158,489	188,298
Lease liabilities	34,415	–
	214,749	229,996
	2,737,396	2,715,256

Shareholders and potential investors are reminded that the information contained in this announcement is only based on the preliminary assessment by the Board on the unaudited management accounts of the Group for the year ended 31 December 2019, and the information contained in this announcement has not been fully reviewed or audited by the Auditors. The relevant financial information is pending for further review by the Company, its Auditors and the Audit Committee and will be subject to changes, reclassification and adjustments resulting from, among others, further review by the Company and the Auditors. The Board cannot guarantee the unaudited consolidated financial results have truly reflected the financial performance and condition of the Group if the potential adjustments have not been taken into account.

The preliminary figures disclosed above are subject to change and may differ from those appear in audited consolidated financial statements of the Group as the audit has not yet completed. As such they are strictly for information only and not for any other purpose. Investors are advised not to place any reliance on the information disclosed herein but to exercise due caution when dealing in the securities of the Company. Any investor who is in doubt is advised to seek advice from professional advisor.

Shareholders and potential investors are also cautioned not to unduly rely on the unaudited financial information disclosed above, and should exercise caution when dealing in the shares or other securities of the Company.

## **PUBLICATION OF UNAUDITED CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2019**

The Audited Consolidated Annual Results Announcement was originally scheduled to be published by the end of March 2019. The Auditor is still in the process of finalizing the audit works for 31 December 2019 and carrying out works which are necessary for the completion of audit procedures on the Group's financial statements for 31 December 2019, to the extent that these works are not affected by the Public Health Measures. However, due to the outbreak of COVID-19 and to combat and control further outbreak of this virus, the PRC and Hong Kong governments had placed strict restrictions on working and travelling, which had significantly handicapped the auditing process. Therefore, the unaudited annual results have not been agreed with the Company's auditors.

In order to keep the Shareholders and the public informed of the Group's business operation and financial position, the Board would like to provide the Shareholders and the public with the audited consolidated financial statement of the Group for the year ended 31 December 2019 once the COVID-19 outbreak situation is becoming stable and following the completion of the auditing process.

### **CHAIRMAN'S STATEMENT**

#### **Results**

For the year ended 31 December 2019 (the "Year"), turnover from the Group's continuing operation amounted to approximately RMB1,649,788,000 (2018: RMB3,196,379,000), representing a decrease of 48% over that of the corresponding period of last year. The drop in revenue was mainly due to (i) the year-by-year harsher competitive environment of Lead-acid batteries business and (ii) the government subsidies policy became tighten, local subsidies had even been cancelled in 2019 resulting in significant reduce in the demand for the new-energy automatic vehicles which are using Lithium power batteries. The loss attributable to owners of the parent for the Year amounted to approximately RMB33,134,000 (profit attributable to owners of the parent of 2018: RMB199,769,000), representing an drop of 117% over that of the corresponding period of last year.

## **BUSINESS REVIEW**

### **Power Batteries**

Company's products are widely used in key component of new energy vehicles and Company had established long-term strategic relationship with the key new energy vehicles manufacturers in China. In addition, the Company's products are also used in other fields, such as energy storage power stations, communication base stations etc. At present, the power batteries capacity reaches 4.5GWh.

However, the state's new subsidy policy was announced in 2019. The national subsidy will declined by more than 50% and local subsidies had been cancelled after the transition period. The implementation of the new subsidy policy had also made the funding of new energy vehicle companies tighten, leading to prolonged repayment periods and reducing orders. The adjustment of the policy has caused the new energy vehicle market to decline rapidly, and even drastically decline after the transition period. Under this consequence, lithium power batteries sale volume is expected to drop sharply.

### **Sealed lead-acid batteries products**

With the rapid development of lithium batteries, the replacement of lead-acid batteries by lithium batteries for communication batteries has become a general trend. The Company is fully aware of this and plans ahead, and began to transform to electric bicycle batteries as early as 2014. However, the several large-scale manufacturers had already been pioneer in the business of electric bicycle batteries in the agency market and it is lacking experience of electric bicycle batteries market so the transition process become more difficult for the Company. In 2019 product transformation bottomed out and "Coslight" Sealed lead-acid batteries occupied a position in the electric bicycle batteries market as a result. With a good reputation, the market rapidly expand and it is expected to achieve a successful transformation in 2020, that is, the main shift from communication batteries to electric bicycle batteries.

### **Online game**

Against the background of intensified competition in online games markets, "Asktao" (《問道》) in 2019 has achieved good results with rich and variable play updates, refined operations close to users, and continuous exploration of user needs.

On the strategic basis of ensuring the original version to keep update throughout the year, a special return-server “Xingyao Zhongzhou”(「星耀中洲」) was opened for the churn users. The star player effect was used to attract a large number of users to return and successfully created a celebrity brand server. Attributable to the mobile online popularisation in 2019, it was strongly promoted the original “Asktao” update on the mobile terminal, and upgraded it to “Asktao Pocket Edition” to give it more game attributes. Users can complete daily tasks in the game through the pocket version, and can communicate with online game player through the pocket version to achieve two-end data inter-connection.

The company conducted in-depth cooperation with well-known game live broadcast platforms within the year, which significantly enhanced the brand image of “ Asktao “ and its popularity in the general public. The gameplay of “Genesis 3”(《創世3》) has been further optimized, multiple systems have been innovated, and the game graphics and action with special effects have also been significantly improved in 2019. At the same time, “Genesis 3” mobile game version is also under development.

## **FINANCIAL REVIEW**

### **Assets and liabilities**

As at 31 December 2019, the Group has total assets of RMB6,949,729,000 (2018: RMB7,178,243,000) which were financed by current liabilities of RMB4,145,289,000 (2018: RMB4,462,987,000), non-current liabilities of RMB214,749,000 (2018: RMB229,996,000), shareholders’ equity of RMB2,326,684,000 (2018: RMB2,283,058,000) and non-controlling interests of RMB195,963,000 (2018: RMB202,202,000).

### **Liquidity, financial resources and capital structure**

During the year, the Group adopted prudent treasury policies in managing cash resources and bank borrowings. As at 31 December 2019, the Group has bank and cash balances amounted to RMB201,089,000 (2018: RMB129,023,000). The total bank borrowings of the Group as at 31 December 2019 were approximately RMB1,109,414,000 (2018: RMB1,082,777,000). As at 31 December 2019, all the Group’s bank and other borrowings were denominated in Renminbi and used to finance the Group’s capital expenditures and working capital requirements.

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



## **Gearing and liquidity ratio**

The Group's gearing ratio, defined as the ratio between total bank borrowings, obligations under finance leases and lease liabilities and shareholders' equity, was 46% (2018: 45%). The current ratio of the Group, represented by a ratio between current assets over current liabilities, was 105% (2018: 101%), reflecting the abundance of financial resources.

## **PROSPECTS**

### **Lead-acid batteries**

Lead-acid batteries has been changed from communication batteries to electric bicycle batteries, and the product structure has been successfully transformed. In 2020, it is expected that our electric bicycle lead-acid batteries can deliver about 1.5 million sets.

### **Power Batteries**

At the beginning of 2020, due to the impact of COVID-2019, the domestic automotive industries, including new energy vehicles industries, are greatly affected. The supply chains become discontinued, resumption of operation of 4S shop delayed, the demand for automobiles reduced. Under the impact, automotive lithium batteries demand is sluggish and it is expected that it will gradually recover after May,

Regarding the development direction of new energy vehicles in the future, according to the latest development plan of the new energy vehicle industry (2021-2035) issued by the Ministry of Industry and Information Technology in December 2019, the plan proposes that by 2025, China's new energy vehicle production will reach 25% of all automobile production. The industry has huge room for development, and the dual credit measures will support the development of domestic new energy vehicles.

Obviously, although the electric vehicle industry has recently been doubly affected by the decline of electric vehicle subsidy policies and the COVID-2019, the growth rate of the domestic electric vehicle industry and the industrial chain has slowed down, but from long term, the new energy vehicle industry is still in the golden stage of development. The wave of the new energy revolution is far from over, and it is no doubt to believe that it is optimistic about the prospect of electric vehicle batteries business.

In terms of power lithium batteries products, the Company has developed and industrialized lithium iron phosphate battery cells with a single energy density exceeding 190Wh/kg through measures such as optimization of material system, improvement of cell structure design, and improvement of equipment control capabilities. Energy passenger cars with low-to-medium-end models of 400Km and below have outstanding advantages; in the ternary batteries products, the single energy density has exceeded 240Wh/kg, the life cycle of the battery has exceeded 1500 weeks, the design of the highly-safe ternary batteries has been verified, and achieve mass production.

In market expansion, the Company gets beyond the convention, it has steadily developed the automotive lithium batteries market and innovatively developed the electric two-wheeler lithium batteries market.

In terms of cost optimization and quality control, it promotes the Company's technological innovation and refined management, promotes cost control of the entire value chain, and analyzes the improvement feasibilities in product development, engineering construction, raw material procurement, manufacturing, and management control. Respond to customer demands in a timely manner, proactively serve customers, improve product after-sales quality, and win customer satisfaction.

### **Online game**

In 2020, in view of the success of the classic version of "Asktao" and the success of other game with traditional server, we will further study the feasibility of the featured version of "Asktao", and strive to launch "Asktao" in the second half of 2020. For the current version, we will further optimize the players' experience, by increasing the in-game catch-up mechanism, releasing more benefits to the small and medium-sized paid users or, and reducing the burden on players etc, to induce user to login and encourage user retention, thereby achieving the goal of increasing overall revenue.

The development of company's large-scale online-game sequel of "Genesis"(創世), "Genesis III", is also entered into the later stage of development. The game is built with Unreal 4 engine and is expected to be launched in 2020 after continuous improvement. The company will launch more game products globally in the future.

## OTHER INFORMATION

### Purchase, Sale or Redemption of Listed Securities

For the year ended 31 December 2019 (the “Review Period”), the Company repurchased and cancelled an aggregate of 4,310,000 shares of its own issued ordinary shares, through the Hong Kong Stock Exchange at an aggregate consideration of approximately HKD6.99 million excluding transaction costs. Save for the aforesaid, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during the Review Period.

Details of the shares repurchases are as follows:

Date	number of shares repurchase	Highest price per share <i>HKD</i>	lowest price per share <i>HKD</i>	Aggregate Consideration <i>HKD</i>
11 June 2019	610,000	1.64	1.60	993,200
12 June 2019	600,000	1.64	1.63	981,000
13 June 2019	600,000	1.64	1.64	984,000
19 September 2019	1,254,000	1.63	1.60	2,019,140
20 September 2019	1,246,000	1.62	1.61	2,010,160

## CORPORATE GOVERNANCE CODE

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

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

## **COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in Appendix 10 to the Listing Rules (the “Model Code”). Having made specific enquiry of all the directors, all directors confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 31 December 2019.

## **AUDIT COMMITTEE**

The Audit Committee of the Company comprises three independent non-executive directors, namely Mr. Li Zeng Lin, Dr. Gao Yun Zhi and Miss Zhu Yan Ling with Mr. Li Zeng Lin as the chairman. The primary duties of the Audit Committee is to review and monitor the Group’s financial reporting process and internal control system, as well as to provide relevant recommendations and advices to the Board. As verified by the Company, none of the members had served as a partner or a former partner to the existing auditor.

## **REMUNERATION COMMITTEE**

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

## **NOMINATION COMMITTEE**

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

## **PUBLICATION OF RESULTS ANNOUNCEMENT AND REPORT**

This results announcement is published on the website of Hong Kong Exchange and Clearing Limited (<http://www.hkex.com.hk>) and the Company's website (<http://www.irasia.com/listco/hk/coslight>). The annual report of the Company containing all the information required by Appendix 16 to the Listing Rules will be dispatched to the share-holders and published on the above websites in due course.

## **APPRECIATION**

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

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

Harbin, the PRC, 31st March 2020

*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. Gao Yun Zhi, Ms. ZHU Yan Ling.*