



Interim Report
2009

**Coslight Technology
International Group Limited**

(incorporated in Bermuda with limited liability)



Stock Code: 1043

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CORPORATE INFORMATION

Directors

Executive

Mr. SONG Dian Quan
Ms. LUO Ming Hua
Mr. LI Ke Xue
Mr. XING Kai
Mr. ZHANG Li Ming
Mr. LIU Xing Quan

Independent non-executive

Mr. LI Zeng Lin
Dr. JIANG Zhao Hua
Mr. XIAO Jian Min

Qualified Accountants and Company Secretary

Mr. CHOU Yung CPA

Legal Adviser

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Principal Share Registrar and Transfer Office

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Bermuda

Hong Kong Branch Share Registrar and Transfer Office

Tricor Secretaries Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Hong Kong

REPORT ON REVIEW OF INTERIM FINANCIAL STATEMENTS



To the directors of

Coslight Technology International Group Limited

(incorporated in Bermuda with limited liability)

Introduction

We have reviewed the interim financial statements of Coslight Technology International Group Limited (“the Company”) and its subsidiaries (collectively referred to as “the Group”) set out on pages 5 to 28, comprising the condensed consolidated balance sheet as at 30th June, 2009 and the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated cash flow statement for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial statements to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these interim financial statements in accordance with HKAS 34.

Our responsibility is to express a conclusion on these interim financial statements based on our review and report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Mazars CPA Limited

Certified Public Accountants

Hong Kong

21st September, 2009

Or Ming Chiu

Practising Certificate number: P04786

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th June, 2009

		(Unaudited) Six months ended 30th June,	
	Note	2009 RMB'000	2008 RMB'000
Turnover	3	1,197,092	1,291,864
Cost of sales		(854,525)	(990,514)
Gross profit		342,567	301,350
Other income		11,987	9,294
Distribution costs		(94,865)	(86,418)
Administrative expenses		(109,961)	(80,003)
Gain on disposal of property, plant and equipment and prepaid lease payments in relation to factory relocation		—	28,378
Discount on acquisition of additional interest in an associate		—	1,836
Finance costs	4	(23,824)	(41,522)
Share of results of associates		43,854	28,628
Profit before taxation	5	169,758	161,543
Income tax expense	6	(22,545)	(31,218)
Profit for the period		147,213	130,325
Attributable to:			
Equity holders of the Company		131,707	118,649
Minority interests		15,506	11,676
		147,213	130,325
Dividends	7	23,167	19,076
Earnings per share			
— Basic	8	34.69 cents	28.24 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th June, 2009

	(Unaudited)	
	Six months ended	
	30th June,	
	2009	2008
	RMB'000	RMB'000
Profit for the period	147,213	130,325
Other comprehensive income for the period, net of tax:		
Exchange difference arising from translation of financial statements of operations outside the People's Republic of China (the "PRC")	(31,449)	3,715
Reversal of deferred tax liability in respect of disposal of revalued property, plant and equipment	—	2,051
Reversal of deferred tax liability in respect of realisation on depreciation of property, plant and equipment	342	—
Other comprehensive income for the period, net of tax	(31,107)	5,766
Total comprehensive income for the period	116,106	136,091
Total comprehensive income attributable to:		
Equity holders of the Company	100,600	124,415
Minority interests	15,506	11,676
	116,106	136,091

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30th June, 2009

	Note	(Unaudited) At 30th June, 2009 RMB'000	(Audited) At 31st December, 2008 RMB'000
Non-current assets			
Property, plant and equipment	9	882,429	820,492
Mining rights		169,578	178,073
Other intangible assets		6,366	6,604
Goodwill		4,193	4,193
Prepaid lease payments		83,243	65,856
Interests in associates		142,915	99,061
Deferred tax assets		9,151	2,161
		1,297,875	1,176,440
Current assets			
Inventories		338,733	341,528
Trade and other receivables	10	1,725,091	1,729,468
Prepaid lease payments		1,826	1,456
Amounts due from directors	14	422	758
Amounts due from related companies	14	30,452	32,652
Amounts due from minority shareholders	14	1,702	1,702
Amounts due from associates	14	36,507	48,241
Pledged bank deposits		101,886	103,794
Bank balances and cash		521,380	409,247
		2,757,999	2,668,846
Current liabilities			
Trade and other payables	11	628,528	675,491
Amounts due to related companies	14	40,209	15,356
Amounts due to minority shareholders	14	12,865	5,874
Amounts due to associates	14	206,141	180,627
Current tax liabilities		14,031	19,236
Dividend payable		23,167	—
Bank borrowings — due within one year	12	1,366,558	1,172,933
Other borrowings — due within one year	12	97	108
		2,291,596	2,069,625
Net current assets		466,403	599,221
		1,764,278	1,775,661

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30th June, 2009

	Note	(Unaudited) At 30th June, 2009 RMB'000	(Audited) At 31st December, 2008 RMB'000
Capital and reserves			
Share capital	13	40,010	42,379
Reserves		1,288,210	1,275,355
Equity attributable to equity holders of the Company			
		1,328,220	1,317,734
Minority interests		181,166	167,833
Total equity			
		1,509,386	1,485,567
Non-current liabilities			
Other borrowings — due after one year	12	5,000	5,000
Bank borrowings — due after one year	12	197,000	251,000
Deferred tax liabilities		8,192	7,094
Deferred government grants		44,700	27,000
		254,892	290,094
		1,764,278	1,775,661

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June, 2009

	Attributable to equity holders of the Company							Total	Minority interests	Total
	Share capital	Share premium	Special reserve	Statutory reserves	Revaluation reserve	Exchange reserve	Accumulated profits			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1st January 2009 (Audited)	42,379	122,040	34,583	237,448	42,725	(60,148)	898,707	1,317,734	167,833	1,485,567
Total comprehensive income attributable to equity holders of the Company	–	–	–	–	342	(31,449)	131,707	100,600	15,506	116,106
Reduction of share premium and transfer to special reserve (note)	–	(122,040)	122,040	–	–	–	–	–	–	–
Transfer	–	–	–	2,137	–	–	(2,137)	–	–	–
Realised on depreciation of property, plant and equipment	–	–	–	–	(2,278)	–	2,278	–	–	–
Dividends	–	–	–	–	–	–	(23,167)	(23,167)	–	(23,167)
Repurchase of share capital	(2,369)	–	(64,578)	–	–	–	–	(66,947)	–	(66,947)
Dividends to minority shareholders	–	–	–	–	–	–	–	–	(2,173)	(2,173)
At 30th June, 2009 (Unaudited)	40,010	–	92,045	239,585	40,789	(91,597)	1,007,388	1,328,220	181,166	1,509,386
At 1st January 2008 (Audited)	46,308	245,111	34,583	207,435	37,003	4,707	728,747	1,303,894	153,611	1,457,505
Total comprehensive income attributable to equity holders of the Company	–	–	–	–	2,051	3,715	118,649	124,415	11,676	136,091
Transfer	–	–	–	666	–	–	(666)	–	–	–
Realised on depreciation of property, plant and equipment	–	–	–	–	(2,663)	–	2,663	–	–	–
Realised on disposal of property, plant and equipment	–	–	–	–	(6,992)	–	9,323	2,331	(2,331)	–
Dividends	–	–	–	–	–	–	(19,076)	(19,076)	–	(19,076)
Capital contributions by minority shareholders of subsidiaries	–	–	–	–	–	–	–	–	1,048	1,048
Repurchase of share capital	(2,307)	(76,948)	–	–	–	–	–	(79,255)	–	(79,255)
Dividends to minority shareholders	–	–	–	–	–	–	–	–	(5,700)	(5,700)
At 30th June, 2008 (Unaudited)	44,001	168,163	34,583	208,101	29,399	8,422	839,640	1,332,309	158,304	1,490,613

Note: The application of the share premium account is governed by Section 46(2) of the Bermuda Companies Act. During the period, a special resolution was passed on 4th June, 2009 to approve the share premium reduction and the balance of share premium account as at 31st December, 2008 of RMB122,040,000 was transferred to special reserve.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th June, 2009

	(Unaudited) Six months ended 30th June,	
	2009 RMB'000	2008 RMB'000
Net cash generated from (used in) operating activities	122,106	(64,366)
Net cash used in investing activities	(106,621)	(87,827)
Net cash generated from financing activities	96,923	75,771
Net increase (decrease) in cash and cash equivalents	112,408	(76,422)
Cash and cash equivalents at beginning of the period	409,247	362,243
Effect of foreign exchange rate changes	(275)	(366)
Cash and cash equivalents at end of the period, represented by bank balances and cash	521,380	285,455

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2009

1. BASIS OF PREPARATION

The unaudited interim condensed consolidated financial statements for the six months ended 30th June, 2009 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

These interim condensed 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 31st December, 2008.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in preparing these interim financial statements are consistent with those applied in preparing the Group’s financial statements for the year ended 31st December, 2008, except for the impact of the adoption of the following:

HKAS 1 (Revised): *Presentation of Financial Statements*

The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the standard introduces the statement of comprehensive income which presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Group has elected to present two statements: an income statement and a statement of comprehensive income. The adoption has had no impact on the reported results or financial position of the Group.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Hong Kong Financial Reporting Standards 8: *Operating Segments*

This standard replaces HKAS 14: *Segment Reporting*. It requires segment information to be reported based on internal information used by the Group's chief operating decision maker to evaluate the performance of operating segments and allocate resources to those segments and replaces the requirement to determine primary (business) and secondary (geographical) reporting segments previously identified under HKAS 14. Adoption of this standard did not have any effect on the financial position or performance of the Group. The Group determined that the operating segments were the same as the business segments previously identified under HKAS 14.

3. TURNOVER AND SEGMENT INFORMATION

Turnover in the income statement represents revenue from external sales as included in the segment information.

For management purposes, the Group is currently organised into three major reportable operating segments — 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 and pharmaceutical products, none of which are of a sufficient size to be reported separately.

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

3. TURNOVER AND SEGMENT INFORMATION *(CONTINUED)*

Operating segments *(Continued)*

The following tables present segment assets of the Group's operating segments as at 30th June, 2009 and 31st December, 2008:

As at 30th June, 2009 (Unaudited)

	Sealed lead acid batteries and related accessories	Lithium-ion batteries	Nickel batteries	Others	Consolidated
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment assets	2,033,631	581,873	94,807	379,787	3,090,098
Mining rights					169,578
Interests in associates					142,915
Unallocated assets					653,283
Consolidated total assets					4,055,874

As at 31st December, 2008 (Audited)

	Sealed lead acid batteries and related accessories	Lithium-ion batteries	Nickel batteries	Others	Consolidated
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment assets	1,975,629	620,395	78,285	359,361	3,033,670
Mining rights					178,073
Interests in associates					99,061
Unallocated assets					534,482
Consolidated total assets					3,845,286

4. FINANCE COSTS

	(Unaudited) Six months ended 30th June,	
	2009 RMB'000	2008 RMB'000
Interest on discounted bank notes, bank loans and other borrowings wholly repayable within five years	34,336	50,658
Less: Interest expenses capitalised at a rate of 6.35% (2008: 6.62%) per annum	(10,512)	(9,136)
	23,824	41,522

5. PROFIT BEFORE TAXATION

This is stated after charging:

	(Unaudited) Six months ended 30th June,	
	2009 RMB'000	2008 RMB'000
Amortisation of intangible assets (included in administrative expenses and cost of sales)	238	240
Amortisation of prepaid lease payments (included in administrative expenses)	722	722
Depreciation of property, plant and equipment	35,210	30,040

6. INCOME TAX EXPENSE

	(Unaudited) Six months ended 30th June,	
	2009 RMB'000	2008 RMB'000
The charge comprises:		
PRC Enterprise Income Tax	28,095	22,308
Deferred tax (credit) charge	(5,550)	8,910
	22,545	31,218

No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from, Hong Kong.

The Group is subject to the statutory enterprise income tax rate of 25% for the six months ended 30th June, 2009 (six months ended 30th June, 2008: 25%) under the income tax rules and regulations of the PRC.

A PRC subsidiary of the Company is entitled to exemption from PRC enterprise income tax for the first two years commencing from its first profit-making year of operation in 2006 and thereafter, a 50% reduction for the following three years. The Implementation Regulations to the enterprise income tax provide a five-year transition period for this subsidiary which is entitled to a preferential lower tax rate of 9%, 10%, 11%, 24% and 25% for the years ending from 2008 to 2012, respectively.

Three major operating subsidiaries of the Company have been officially designated by the local tax authority as "New and High Technology Enterprises". As a result, the effective tax rate for these major operating subsidiaries was 15% for the period (six months ended 30th June, 2008: 25%).

7. DIVIDENDS

Dividends recognised as distribution during the period represent the Company's final dividends proposed for the previous financial year, which was approved during the period:

	(Unaudited)	
	Six months ended	
	30th June,	
	2009	2008
	RMB'000	RMB'000
2007 final — HK\$0.05 (shown as RMB0.04405)	—	19,076
2008 final — HK\$0.07 (shown as RMB0.06191)	23,167	—
	23,167	19,076

The directors do not recommend the payment of a dividend for the six months ended 30th June, 2009 (six months ended 30th June, 2008: Nil).

8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company for the period of RMB131,707,000 (six months ended 30th June, 2008: RMB118,649,000) and the weighted average number of shares in issue of 379,650,000 (six months ended 30th June, 2008:420,187,714) during the period.

Diluted earnings per share has not been presented because there were no dilutive potential shares in issue during the six months ended 30th June, 2009 and 2008.

9. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

The Group spent approximately RMB103,376,000 (six months ended 30th June, 2008: approximately RMB95,309,000) on additions to infrastructure of the mining sites and manufacturing plant in order to expand its production capability.

In the opinion of the directors, the fair value of the Group's buildings, plant and machinery, furniture, fixtures and equipment and motor vehicles as at 30th June, 2009 was not materially different from that as at 31st December, 2008 or the cost of those assets acquired during the period. Consequently, no revaluation surplus or deficit has been recognised in the current period.

10. TRADE AND OTHER RECEIVABLES

Credit term given to the customers varies from 3 months to 9 months from the final acceptance and is generally based on the financial strength of individual customers. The following is an ageing analysis of trade and bills receivables at the balance sheet date:

	(Unaudited) At 30th June, 2009 RMB'000	(Audited) At 31st December, 2008 RMB'000
Within 90 days	764,569	878,197
More than 90 days, but not exceeding 180 days	364,906	385,063
More than 180 days, but not exceeding 270 days	266,580	148,288
More than 270 days, but not exceeding 360 days	103,204	59,364
More than 360 days, but not exceeding 540 days	64,653	76,604
More than 540 days, but not exceeding 720 days	6,677	20,625
Trade and bills receivables	1,570,589	1,568,141
Other receivables and payments in advance	154,502	161,327
	1,725,091	1,729,468

11. TRADE AND OTHER PAYABLES

The following is an ageing analysis of trade and bills payables at the balance sheet date:

	(Unaudited) At 30th June, 2009 RMB'000	(Audited) At 31st December, 2008 RMB'000
Within 30 days	102,484	87,660
More than 30 days, but not exceeding 60 days	65,064	72,689
More than 60 days, but not exceeding 90 days	51,334	60,586
More than 90 days, but not exceeding 180 days	79,260	123,680
Over 180 days	47,088	43,341
Trade and bills payables	345,230	387,956
Other payables	283,298	287,535
	628,528	675,491

12. BANK AND OTHER BORROWINGS

During the period, the Group obtained new bank borrowings of RMB738,625,000 and repaid bank and other borrowings of RMB598,963,000. At the balance sheet date, the bank and other borrowings of the Group are interest-bearing at rates ranging from 2% to 10% per annum and have maturity periods ranging from 1 month to 3 years. Approximately RMB556,835,000 of the Group's bank and other borrowings are secured.

13. 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			
Authorised:			
At 30th June, 2009 and 31st December, 2008	1,000,000	100,000	107,000
Issued and fully paid:			
At 31st December, 2008 (audited)	396,338	39,634	42,379
Shares repurchased during the period	(22,158)	(2,216)	(2,369)
At 30th June, 2009 (unaudited)	374,180	37,418	40,010

During the period, the Company repurchased its own ordinary shares on the Stock Exchange as follows:

Month of repurchases	Number of shares repurchased '000	Highest price paid per share HK\$	Lowest price paid per share HK\$	Aggregate price paid HK\$'000
January 2009	12,898	3.37	3.30	43,108
March 2009	6,750	3.39	3.37	22,891
May 2009	2,510	3.60	3.56	8,956

14. CONNECTED AND 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

(1) Transactions with related parties

Name of related parties	Nature of transactions	(Unaudited) Six months ended 30th June,	
		2009 RMB'000	2008 RMB'000
哈爾濱光宇電纜電纜有限公司 Harbin Guangyu Electric Wire and Cable Company Limited ("HGEWC") *	Purchase of raw materials	2,684	1,852
哈爾濱開關有限責任公司 Harbin Switch Company Limited ("HBS") *	Purchase of raw materials Sale of finished goods	321 100	325 —

* These are direct translation of name in Chinese for identification purpose only and are not official name in English.

(b) Balances

(1) Amounts due from directors

Name of director	(Unaudited) At 30th June, 2009 RMB'000		(Audited) At 31st December, 2008 RMB'000
	Song Dian Quan	30	400
Li Ke Xue	186	186	
Xing Kai	6	1	
Zhang Li Ming	30	1	
Liu Xing Quan	170	170	
	422	758	

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

14. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES

(CONTINUED)

(b) Balances (Continued)

(2) Amounts due from related companies

Name of related companies	(Unaudited) At 30th June, 2009 RMB'000	(Audited) At 31st December, 2008 RMB'000
HBS	13,164	15,958
石家莊光宇高能電池材料有限公司 Shijia Zhuang Guangyu Battery Material Company Limited*	553	553
哈爾濱光宇電源廠 Harbin Guangyu Power Supply Factory*	478	478
哈爾濱亞光新型隔板有限公司 Harbin Ya Guang Modern Separators Company Limited ("HYGMS")*	938	938
HGEWC	5,833	5,179
北京兆唐科技有限公司 Beijing Zhaotong Science and Technology Company Limited ("BZSTC")*	786	846
Global Universe Development Limited	8,700	8,700
	30,452	32,652

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

* *These are direct translation of name in Chinese for identification purpose only and are not official name in English.*

14. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(b) Balances (Continued)

(3) Amounts due from minority shareholders

Name of minority shareholders	(Unaudited) At 30th June, 2009 RMB'000	(Audited) At 31st December, 2008 RMB'000
瀋陽東北蓄電池股份有限公司 ("瀋陽東北蓄電池")	1,423	1,423
深圳柏仁塑膠製品有限公司 Shenzhen Boren Plastic Ware Company Limited*	279	279
	1,702	1,702

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

* This is direct translation of name in Chinese for identification purpose only and is not official name in English.

14. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES

(CONTINUED)

(b) Balances (Continued)

(4) Amounts due to related companies

Name of related companies	(Unaudited)	(Audited)
	At 30th June, 2009 RMB'000	At 31st December, 2008 RMB'000
HBS	752	1,696
光宇延邊蓄電池有限公司 Guangyu Yanbian Storage Battery Manufacturing Company Limited*	4,432	4,432
BZSTC	54	54
HYGMS	1,651	1,651
HGEWC	5,348	4,813
哈爾濱光宇(集團)股份有限公司 Harbin Coslight Group Company Limited*	1,956	1,956
北京光宇在綫科技有限責任公司 Beijing Guangyu Online Technology Company Limited*	26,000	—
光宇廢陽物資分公司 Guangyu Feiyeung Resources Company*	16	16
佳運科技有限公司 Easywin Technologies Limited	—	738
	40,209	15,356

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

* These are direct translation of name in Chinese for identification purpose only and are not official name in English.

14. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(b) Balances (Continued)

(5) Amounts due to minority shareholders

Name of minority shareholders	(Unaudited) At 30th June, 2009 RMB'000	(Audited) At 31st December, 2008 RMB'000
瀋陽東北蓄電池	875	875
昌都邦達工貿有限公司 Tibet Bangda Industrial & Trade Company Limited*	3,547	3,547
天津自行車三廠技術開發中心 Tianjin Bike Third Factory Technology Development Centre*	526	526
哈爾濱格曼電氣自動化設備 有限責任公司	926	926
Best Chance Technology Limited	6,991	—
	12,865	5,874

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

* *These are direct translation of name in Chinese for identification purpose only and are not official name in English.*

(6) Amounts due from (to) associates

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

14. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES

(CONTINUED)

(c) Other arrangements

As at 30th June, 2009, RMB368,741,000 (At 31st December, 2008: RMB429,288,000) of the Group's bank borrowings were secured by guarantees issued by Mr. Song Dian Quan, a director of the Company.

(d) Compensation of key management personnel

The remunerations of directors and other members of key management are as follows:

	(Unaudited) Six months ended 30th June,	
	2009 RMB'000	2008 RMB'000
Short-term benefits	435	1,205
Post-employment benefits	2	17
	437	1,222

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

15. CAPITAL COMMITMENTS

	(Unaudited) At 30th June, 2009 RMB'000	(Audited) At 31st December, 2008 RMB'000
Capital expenditure authorised but not contracted for in respect of acquisition of property, plant and equipment	574,791	583,005
Capital expenditure contracted for but not provided in the financial statements in respect of acquisition of property, plant and equipment	43,788	61,274

16. FINANCIAL GUARANTEES ISSUED

The Group has issued guarantees in respect of banking facilities granted to an independent third party of RMB142,100,000 (At 31st December, 2008: RMB148,400,000) without charge. The Group has not recognised a value for the financial guarantees given in the financial statements as their fair values as assessed by the directors are insignificant and their transaction price is RMB Nil.

On the other hand, the independent third party also provided counter-guarantees of banking facilities granted to the Group to the extent of RMB160,000,000 (At 31st December, 2008: RMB160,000,000).

REPORT OF THE BOARD

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

For the period ended 30th June, 2009 (the “Period”), turnover from the Group’s ongoing operations amounted to approximately RMB1,197,092,000 (2008: RMB1,291,864,000), representing a decrease of 7% as compared with the corresponding period of last year. The profit attributable to equity holders of the Company for the Period amounted to approximately RMB131,707,000 (2008: RMB118,649,000) which represents an increase of 11% over the corresponding period of last year. For the Period, earnings per share amounted to RMB0.3469 (2008: RMB0.2824).

BUSINESS REVIEW

Sealed lead-acid (“SLA”) products

The Group’s core business of production of SLA batteries maintained a satisfactory growth for the Period, with sales quantity achieved another record high. Turnover still maintained approximately RMB901,251,000 (2008: RMB945,740,000) despite the selling price of SLA batteries decreased. The increase in sales volume was mainly attributable to the strong growth of business of telecommunication operators in the PRC. Lead is one of the major raw materials for production of SLA batteries and its market price fell significantly during 2008 and up to the period under review, which decrease the pressure on the production cost of SLA batteries. In addition, the pricing/cost linked system established between the Group and its customers for adjusting the selling price of products based on the cost movements of lead, steadily improved the gross profit margin of our SLA products.

Lithium-ion batteries

The sales of lithium-ion batteries for the Period were approximately RMB141,211,000 (2008: RMB194,777,000), representing a decrease of approximately 28% over the corresponding period of last year. Our sales orders were negatively impacted by the financial tsunami at the beginning of the period under review, which caused the decrease in sales volume for the Period as compared to the corresponding period of last year. Fortunately, the sales orders resumed to a normal level in the later period under review. The sales of lithium-polymer batteries for the Period were approximately RMB35,507,000 (2008: RMB16,691,000), representing an increase of 113% over the corresponding period of last year.

Online Games

The Group effectively owns 46.16% shares of Beijing Guangyu Huaxia Technology Corporation Limited (“Guangyu Huaxia”), and Costar Software Limited, which are companies that specialize in online games operation. The domestic online game “問道” operated by Guangyu Huaxia was a popular game among players and its peak concurrent users increased significantly and reached 1 million for the first time during the Period. Another two games “秦始皇” and “西遊Q記” were launched in the market and “炫舞吧” started its trial run during the Period. The game business contributed RMB43,854,000 (2008: RMB28,628,000) to the Group’s profit for the Period.

Lithium Ferrite Batteries

The Group constructed a production base for lithium ferrite batteries in the Harbin Economic-Tech & High-Tech Development Zone, which will be completed and commence operation at the end of 2009. Upon the commencement of the production base, the Group’s annual production capacity will reach 5 million of batteries cells. The Group is under discussion with some domestic and foreign automakers regarding certain cooperation projects on the supply of battery systems for hybrid electric cars or pure electric cars.

The Group is currently discussing with some domestic bicycles makers on the supply of lithium ferrite batteries for their next generation electric bicycles. At present, the annual output of electric bicycles in the PRC is over 5 million sets and there are over 100 million electric bicycles in the market, presenting significant market opportunities to us.

Mineral Products

During the period under review, all pre-work and part of the civil construction of the Altai Krai Mines were completed, and the construction work on mining shaft formally commenced. It is expected that the construction of ore dressing and mining facilities will be completed in 2010.

FINANCIAL REVIEW

Assets and liabilities

As at 30th June, 2009, the Group has total assets of RMB4,055,874,000 (31.12.2008: RMB3,845,286,000) which were financed by current liabilities of RMB2,291,596,000 (31.12.2008: RMB2,069,625,000), non-current liabilities of RMB254,892,000 (31.12.2008: RMB290,094,000), shareholders' equity of RMB1,328,220,000 (31.12.2008: RMB1,317,734,000) and minority interests of RMB181,166,000 (31.12.2008: RMB167,833,000).

Liquidity, financial resources and capital structure

During the Period, the Group adopted prudent treasury policies in managing cash resources and bank borrowings. As at 30th June, 2009, the Group has bank and cash balances amounted to RMB521,380,000 (31.12.2008: RMB409,247,000). The total bank and other borrowings of the Group as at 30th June, 2009 were approximately RMB1,568,655,000 (31.12.2008: RMB1,429,041,000), of which RMB1,366,655,000 (31.12.2008: RMB1,173,041,000) will be due to repay within 12 months and the remaining RMB202,000,000 (31.12.2008: RMB256,000,000) will

be due to repay after 12 months. These borrowings carry interest ranging from 2% to 10% (31.12.2008: from 3.15% to 10.00%) per annum. As at 30th June, 2009, approximately 92% (31.12.2008: 92%) of the Group's bank and other borrowings were denominated in Renminbi and 8% (31.12.2008: 8%) were denominated in Hong Kong dollars or United States dollars. All bank and other borrowings were used to finance the Group's capital expenditures and working capital requirements.

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

Gearing and liquidity ratio

The Group's gearing ratio, defined as the ratio between total bank borrowings and shareholders' equity, was 1.18 (31.12.2008: 1.08). The current ratio of the Group, represented by a ratio between current assets over current liabilities, was 1.20 (31.12.2008: 1.29), reflecting the abundance of financial resources.

Charges on group assets

As at 30th June, 2009, certain land use rights and property, plant and equipment, and trade receivables of the Group with carrying value of RMB150,409,000 (31.12.2008: RMB150,665,000), and RMB220,465,000 (31.12.2008: RMB50,000,000) respectively, were pledged to secure bank borrowings of approximately RMB556,835,000 (31.12.2008: RMB308,376,000). In addition, pledged bank deposits of RMB101,886,000 (31.12.2008: RMB103,794,000) were pledged to secure trade and loan financing facilities granted to the Group.

Foreign currency risk

The Group did not have any significant exposure to foreign currency risk as most of the Group's operations are in the PRC and transactions are denominated in Renminbi.

Capital Commitments

	(Unaudited) At 30th June, 2009 RMB'000	(Audited) At 31st December, 2008 RMB'000
Capital expenditure authorised but not contracted for in respect of acquisition of property, plant and equipment	574,791	583,005
Capital expenditure contracted for but not provided in the financial statements in respect of acquisition of property, plant and equipment	43,788	61,274

PROSPECTS

SLA battery business will maintain its strong growth in 2009 and the coming years, because of the sustained high growth in demand in the PRC market. The restructuring of PRC telecommunications operators and the grant of 3G licenses will continue to serve as the major driving force for the growth in demand for SLA batteries.

The Group's construction of a new SLA battery production base in Zhuhai City is underway and it is anticipated that preparation work for pre-commencement will be completed in the second half of 2009. The annual production capacity of the Group will then be increased by 1,200,000 kVAH. The SLA batteries produced in the new production base will be mainly sold to customers in Southern China. This will lower the transportation costs and bring higher profitability to the Group.

Towards the end of the period under review, the operation of the PRC mobile manufacturers stabilised gradually. With the grant of 3G licenses, the Group expects that the production of PRC mobile manufacturers will improve steadily. The Group is one of the major suppliers of PRC mobile manufacturers and our lithium-ion battery business will benefit from the recovery of the industry. The Group's lithium polymer batteries manufactured in Zhuhai City experienced a considerable growth during the period under review and it is expected that such momentum for growth will continue for the rest of 2009. The Group' lithium ferrite battery for bicycles had been launched and is gradually being used on electric bicycles to replace the lead-acid battery generally accepted in the market. The Group anticipates that the business will achieve a satisfactory performance.

The Group owns a number of online games, such as “問道”, “西遊Q記”, “秦始皇”, “炫舞吧”, “創世”, “幻想之翼”, “狂想之都”, “希望”, “爭霸天下”, etc., which have attracted a huge player base. The domestic online game “問道” operated by Guangyu Huaxia has achieved an excellent record of concurrent online users of 1 million, making it the first free online turn-based game reaching one million concurrent online users. The major online game “創世” developed by the Group is expected to be launched for trial in the second half of 2009. In addition, “問道”, “西遊Q記”, “秦始皇” and “炫舞吧” will be updated with new contents and features in the second half of 2009 and we expect that they will continue to attract more players in 2009.

The Group anticipates that in the coming years, the R&D and operation of online games will continue to bring greater contribution to the operating results of the Group and maintain to be one of the most important businesses of the Group.

OTHER INFORMATION

EMPLOYEES AND REMUNERATION POLICIES

As at 30th June, 2009, the Group has employed 9,253 (31.12.2008: 9,228) staff 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.

INTERIM DIVIDENDS

The Board does not recommend the distribution of interim dividend for the six months ended 30th June, 2009 (2008: NIL).

DISCLOSURE OF INTERESTS

(1) Directors

As at 30th June, 2009, the interests of each director in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) which have been notified to the Company pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such director was taken or deemed to have under such provisions of the SFO) or as recorded in the register to be kept under section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

Long Position

Ordinary shares of HK\$0.10 each of the Company

Name of director	Type of interests	Capacity	No. of shares held	Percentage of interest
SONG Dian Quan	Personal	Beneficial owner	260,323,300	69.57%
LUO Ming Hua	Personal	Beneficial owner	3,186,027	0.85%
LIU Xing Quan	Personal	Beneficial owner	892,793	0.24%
XING Kai	Personal	Beneficial owner	826,793	0.22%
LI Ke Xue	Personal	Beneficial owner	668,793	0.18%

Save as disclosed above, as at 30th June, 2009, there were no other interests or short positions of the directors and chief executive of the Company in any shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which have been notified to the Company pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such director was taken or deemed to have under such provisions of the SFO) or recorded in the register maintained by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

(2) Substantial Shareholders and Others

As at 30th June, 2009, there were no other interests and short positions of every person, other than the directors and chief executive of the Company, in the shares and underlying shares of the Company which have been notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or recorded in the register required to be kept under section 336 of the SFO.

SHARE OPTIONS

Pursuant to the resolution passed on the annual general meeting held on 27th May, 2004, the Company has adopted a new share options scheme (the “New Scheme”) and the old share options scheme of the Company was terminated on 27th May, 2004. According to the New Scheme, the Company may grant to its employee (including directors of the Company and any of its subsidiaries) share options to subscribe shares of the Company.

An option may be accepted by a participant within 28 business days from the date of the offer of grant of the option and by payment of HK\$1.00 as consideration for the grant of an option. An option may be exercised in accordance with the terms of the New Scheme at any time during a period to be determined and notified by the directors of the Company to each grantee, which period may commence from the date of acceptance of the offer for the grant of the options but shall end in any event not later than 10 years from the date of adoption of the New Scheme.

The subscription price for the share option under the New Scheme shall be at least the highest of:

- (a) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant of an option, which must be a trading day;
- (b) the average closing price of the shares as stated in the Stock Exchange's daily quotations for the 5 trading days immediately preceding the date of the offer of grant of an option; and
- (c) the nominal value of the shares.

The total number of shares subject to the New Scheme and any other share option schemes must not exceed 30% of the issued share capital of the Company from time to time. The total number of share available for issue under option granted under the New Scheme must not exceed 10% of the share capital of the Company from time to time. The Company may seek approval from shareholders in general meeting for renewing the 10% limit or for granting further options beyond the 10% limit. The total number of shares issued and to be issued upon exercise of the options granted to each participant (including exercised, cancelled and outstanding options) under the New Scheme in any 12-month period must not exceed 1% of the relevant class of securities in issue. Where any further grant of options to a participant would result in the shares issued and to be issued upon exercise of all options granted and to be granted to such participant (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the share capital of the Company in issue, such further grant must be separately approved by the shareholders in general meeting. No option was granted under the New Scheme by the Company since its adoption.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the heading "Share options" above, at no time during the Period was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire benefits by means of shares in, or debenture of, the Company or any other body corporate and none of the directors, their spouse or children under the age of 18 had any right to subscribe for securities of the Company or had exercised any such right.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the Period, the Company repurchased 22,158,000 shares of its own ordinary shares on the Stock Exchange as follows:

Month of repurchases	Number of shares repurchased '000	Highest price paid per share HK\$	Lowest price paid per share HK\$	Aggregate price paid HK\$'000
January 2009	12,898	3.37	3.30	43,108
March 2009	6,750	3.39	3.37	22,891
May 2009	2,510	3.60	3.56	8,956

Apart from the above repurchases of shares, there was no other 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 the opinion of the Board, the Company has complied throughout the Period with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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.

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 directors, all directors confirmed that they have complied with the required standard set out in the Model Code throughout the Period.

AUDIT COMMITTEE

The Audit Committee of the Company comprises three independent non-executive directors, namely Mr. Li Zeng Lin, Mr. Jiang Zhao Hua 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 30th June, 2009 have been reviewed by the Audit Committee and external auditor, Mazars CPA Limited.

APPROVAL OF THE INTERIM FINANCIAL REPORT

These condensed interim financial statements were approved and authorised for issue by the Board on 21st September, 2009.

LIST OF DIRECTORS OF THE COMPANY

As at the date of this report, the Board comprises 9 directors, of which 6 are executive directors, namely Mr. Song Dian Quan, Ms. Luo Ming Hua, Mr. Li Ke Xue, Mr. Xing Kai, Mr. Liu Xing Quan and Mr. Zhang Li Ming and 3 are independent non-executive directors, namely Mr. Li Zeng Lin, Mr. Jiang Zhao Hua and Mr. Xiao Jian Min.

By Order of the Board

SONG Dian Quan

Chairman

Harbin, the PRC, 21st September, 2009