



COSLIGHT TECHNOLOGY INTERNATIONAL GROUP LIMITED

Incorporation in Bermuda with limited liability
Stock Code : 1043



INTERIM REPORT 2010

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

DLA Piper Hong Kong
17th Floor, Edinburgh Tower
The Landmark
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Hong Kong

AUDITOR

Mazars CPA Limited
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REGISTERED OFFICE

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Bermuda

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Corporate Services Limited
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HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Secretaries Limited
26th Floor, Tesbury Centre
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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 4 to 28, comprising the condensed consolidated balance sheet as at 30th June, 2010 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

27th August, 2010

Or Ming Chiu

Practising Certificate number: P04786

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th June, 2010

	Note	(Unaudited)	
		Six months ended 30th June,	
		2010	2009
		RMB'000	RMB'000
Turnover	3	1,016,321	1,197,092
Cost of sales		(789,718)	(854,525)
Gross profit		226,603	342,567
Other income		14,625	11,987
Distribution costs		(95,217)	(94,865)
Administrative expenses		(91,090)	(109,961)
Finance costs	4	(31,561)	(23,824)
Share of results of associates		28,540	43,854
Profit before taxation	5	51,900	169,758
Income tax expense	6	(7,585)	(22,545)
Profit for the period		44,315	147,213
Attributable to:			
Owners of the parent		37,201	131,707
Non-controlling interests		7,114	15,506
		44,315	147,213
Earnings per share			
— Basic and diluted	8	RMB9.94 cents	RMB34.69 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th June, 2010

	(Unaudited)	
	Six months ended 30th June,	
	2010	2009
	RMB'000	RMB'000
Profit for the period	44,315	147,213
Other comprehensive income (loss) 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")	(5,303)	(31,449)
Reversal of deferred tax liability in respect of realisation on depreciation of property, plant and equipment	493	342
Other comprehensive loss for the period, net of tax	(4,810)	(31,107)
Total comprehensive income for the period	39,505	116,106
Total comprehensive income attributable to:		
Owners of the parent	32,391	100,600
Non-controlling interests	7,114	15,506
	39,505	116,106

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30th June, 2010

	Note	(Unaudited) At 30th June, 2010 RMB'000	(Audited) At 31st December, 2009 RMB'000
Non-current assets			
Property, plant and equipment	9	1,044,167	1,000,829
Mining rights		162,570	167,418
Other intangible assets		975	1,028
Goodwill		7,248	7,248
Prepaid lease payments		87,089	88,061
Interests in associates		174,747	146,207
Deferred tax assets		15,508	13,389
		1,492,304	1,424,180
Current assets			
Inventories		391,426	377,664
Trade and other receivables	10	1,753,676	1,689,820
Prepaid lease payments		1,946	1,946
Amounts due from directors		668	389
Amounts due from related companies		22,391	20,156
Amounts due from non-controlling shareholders		1,975	1,976
Amounts due from associates		68,264	66,843
Pledged bank deposits		81,940	127,251
Bank balances and cash		480,896	566,670
		2,803,182	2,852,715

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30th June, 2010

	Note	(Unaudited) At 30th June, 2010 RMB'000	(Audited) At 31st December, 2009 RMB'000
Current liabilities			
Trade and other payables	11	689,213	682,610
Amounts due to related companies		19,579	41,342
Amounts due to non-controlling shareholders		15,721	13,674
Amounts due to directors		—	4,502
Amounts due to associates		222,787	239,979
Current tax liabilities		1,856	10,122
Dividend payable		16,548	—
Bank borrowings — due within one year	12	1,322,299	1,254,067
Other borrowings — due within one year	12	3,491	15,635
		2,291,494	2,261,931
Net current assets		511,688	590,784
Total assets less current liabilities		2,003,992	2,014,964

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30th June, 2010

	Note	(Unaudited) At 30th June, 2010 RMB'000	(Audited) At 31st December, 2009 RMB'000
Capital and reserves			
Share capital	13	40,010	40,010
Reserves		1,411,155	1,395,312
Equity attributable to owners of the parent			
		1,451,165	1,435,322
Non-controlling interests		207,649	200,535
Total equity			
		1,658,814	1,635,857
Non-current liabilities			
Bank borrowings — due after one year	12	286,000	322,000
Other borrowings — due after one year	12	3,000	—
Deferred tax liabilities		13,503	13,757
Deferred government grants		42,675	43,350
		345,178	379,107
Total			
		2,003,992	2,014,964

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June, 2010

	Attributable to owners of the parent							Non-controlling interests		Total
	Share capital	Share premium	Special reserve	Statutory reserves	Revaluation reserve	Exchange reserve	Accumulated profits	Total	interests	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1st January, 2010 (Audited)	40,010	—	92,045	279,394	68,014	(83,215)	1,039,074	1,435,322	200,535	1,635,857
Total comprehensive income for the period	—	—	—	—	493	(5,303)	37,201	32,391	7,114	39,505
Transfer	—	—	—	1,361	—	—	(1,361)	—	—	—
Realised on depreciation of property, plant and equipment	—	—	—	—	(3,286)	—	3,286	—	—	—
Dividend	—	—	—	—	—	—	(16,548)	(16,548)	—	(16,548)
At 30th June, 2010 (Unaudited)	40,010	—	92,045	280,755	65,221	(88,518)	1,061,652	1,451,165	207,649	1,658,814
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 for the period	—	—	—	—	342	(31,449)	131,707	100,600	15,506	116,106
Reduction of share premium and transfer to special reserve	—	(122,040)	122,040	—	—	—	—	—	—	—
Transfer	—	—	—	2,137	—	—	(2,137)	—	—	—
Realised on depreciation of property, plant and equipment	—	—	—	—	(2,278)	—	2,278	—	—	—
Dividend	—	—	—	—	—	—	(23,167)	(23,167)	—	(23,167)
Repurchase of share capital	(2,369)	—	(64,578)	—	—	—	—	(66,947)	—	(66,947)
Dividend to non-controlling 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

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th June, 2010

	(Unaudited)	
	Six months ended 30th June,	
	2010	2009
	RMB'000	RMB'000
Net cash (used in) generated from operating activities	(15,253)	122,106
Net cash used in investing activities	(46,613)	(106,621)
Net cash (used in) generated from financing activities	(23,543)	96,923
Net (decrease) increase in cash and cash equivalents	(85,409)	112,408
Cash and cash equivalents at beginning of the period	566,670	409,247
Effect of foreign exchange rate changes	(365)	(275)
Cash and cash equivalents at end of the period, represented by bank balances and cash	480,896	521,380

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2010

1. BASIS OF PREPARATION

The unaudited interim condensed consolidated financial statements for the six months ended 30th June, 2010 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, 2009. They have been prepared on the historical cost basis, except for certain property, plant and equipment, which are measured at revalued amount or fair value.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation applied in preparation of these interim financial statements are consistent with those applied in preparing the Group’s financial statements for the year ended 31st December, 2009. The adoption of the new/ revised Hong Kong Financial Reporting Standards (“HKFRS”), which collective term includes all applicable individual HKFRS, HKAS and Interpretations issued by the HKICPA that are relevant to the Group and effective from the current period, did not have any significant effect on the financial position or performance of the Group.

The Group has not early adopted any new and revised HKFRS that have been issued but are not yet effective for the current period. The Group has already commenced an assessment of the impact of these new and revised HKFRS but is not yet in a position to reasonably estimate whether these new and revised HKFRS would have a significant impact on the Group’s results of operations and financial position.

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 operating 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 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

The following tables present revenue and profit information regarding the Group's operating segments for the six months ended 30th June, 2010 and 2009, respectively.

For the six months ended 30th June, 2010 (Unaudited)

	Sealed lead acid batteries and related accessories RMB'000	Lithium-ion batteries RMB'000	Nickel batteries RMB'000	Others RMB'000	Elimination RMB'000	Consolidated RMB'000
Turnover						
External sales	717,462	148,669	79,247	70,943	—	1,016,321
Inter-segment sales	—	—	—	1,321	(1,321)	—
Total	717,462	148,669	79,247	72,264	(1,321)	1,016,321
Interest income	1,265	91	173	47	—	1,576
Result						
Segment result	59,783	(9,200)	4,017	1,825	—	56,425
Unallocated expenses						(1,504)
Finance costs						(31,561)
Share of results of associates						28,540
Profit before taxation						51,900
Income tax expense						(7,585)
Profit for the period						44,315

3. TURNOVER AND SEGMENT INFORMATION (CONTINUED)

Operating segments (Continued)

For the six months ended 30th June, 2009 (Unaudited)

	Sealed lead acid batteries and related accessories RMB'000	Lithium-ion batteries RMB'000	Nickel batteries RMB'000	Others RMB'000	Elimination RMB'000	Consolidated RMB'000
Turnover						
External sales	901,251	176,718	69,432	49,691	—	1,197,092
Inter-segment sales	1,105	—	—	1,249	(2,354)	—
Total	902,356	176,718	69,432	50,940	(2,354)	1,197,092
Interest income	1,097	73	48	35	—	1,253
Result						
Segment result	164,501	(8,118)	2,947	(9,260)	—	150,070
Unallocated corporate income						2,460
Unallocated corporate expenses						(2,802)
Finance costs						(23,824)
Share of results of associates						43,854
Profit before taxation						169,758
Income tax expense						(22,545)
Profit for the period						147,213

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, 2010 and 31st December, 2009:

As at 30th June, 2010 (Unaudited)

	Sealed lead acid batteries and related accessories RMB'000	Lithium-ion batteries RMB'000	Nickel batteries RMB'000	Others RMB'000	Consolidated RMB'000
ASSETS					
Segment assets	2,174,171	706,115	128,107	333,458	3,341,851
Mining rights					162,570
Interests in associates					174,747
Unallocated assets					616,318
Consolidated total assets					4,295,486

As at 31st December, 2009 (Audited)

	Sealed lead acid batteries and related accessories RMB'000	Lithium-ion batteries RMB'000	Nickel batteries RMB'000	Others RMB'000	Consolidated RMB'000
Segment assets	2,117,319	713,735	98,743	289,823	3,219,620
Mining rights					167,418
Interests in associates					146,207
Unallocated assets					743,650
Consolidated total assets					4,276,895

4. FINANCE COSTS

	(Unaudited)	
	Six months ended 30th June,	
	2010	2009
	RMB'000	RMB'000
Interest on discounted bank notes, bank loans and other borrowings wholly repayable within five years	38,914	34,336
Less: Interest expenses capitalised at a rate of 4.97%(2009: 6.35%) per annum	(7,353)	(10,512)
	31,561	23,824

5. PROFIT BEFORE TAXATION

This is stated after charging (crediting):

	(Unaudited)	
	Six months ended 30th June,	
	2010	2009
	RMB'000	RMB'000
Amortisation of intangible assets (included in administrative expenses and cost of sales)	241	238
Amortisation of prepaid lease payments (included in administrative expenses)	973	722
Depreciation of property, plant and equipment	40,605	35,210
Impairment loss on trade receivables	2,755	19,524
Impairment loss on trade receivables recovered	—	(1,341)

6. INCOME TAX EXPENSE

	(Unaudited)	
	Six months ended 30th June,	
	2010	2009
	RMB'000	RMB'000
The charge comprises:		
PRC Enterprise Income Tax	9,466	28,095
Deferred tax credit	(1,881)	(5,550)
	7,585	22,545

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, 2010 (six months ended 30th June, 2009: 25%) under the income tax rules and regulations of the PRC.

A PRC subsidiary of the Company is subject to state and local income taxes in the PRC at preferential rates of 15% and 3% respectively in accordance with applicable enterprise income tax laws. In addition, this subsidiary had received official designation by the local authority as a foreign-invested enterprise engaged in manufacturing activities and 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 18%, 20%, 22% and 24% for the years ending from 2008 to 2011, respectively.

Major operating subsidiaries of the Company are subject to PRC enterprise income tax in the current period. Three of these subsidiaries 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, 2009: 15%).

7. DIVIDEND

Dividend payable to owners of the parent attributable to the previous financial year which was approved during the period:

	(Unaudited)	
	Six months ended 30th June,	
	2010	2009
	RMB'000	RMB'000
2008 final — HK\$0.07 (shown as RMB0.06191)	—	23,167
2009 final — HK\$0.05 (shown as RMB0.04423)	16,548	—
	16,548	23,167

The directors do not recommend the payment of a dividend for the six months ended 30th June, 2010 (six months ended 30th June, 2009: Nil).

8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to owners of the parent for the period of RMB37,201,000 (six months ended 30th June, 2009: RMB131,707,000) and the weighted average number of ordinary shares in issue of 374,180,000 (six months ended 30th June, 2009: 379,650,000) shares during the period.

Since there were no potential dilutive ordinary shares in issue during the six months ended 30th June, 2010 and 2009, basic and diluted earnings per share are the same for both periods.

9. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

The Group spent approximately RMB95,563,000 (six months ended 30th June, 2009: approximately RMB103,376,000) 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, 2010 was not materially different from that as at 31st December, 2009 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 by delivery date of trade and bills receivables at the balance sheet date:

	(Unaudited) At 30th June, 2010 RMB'000	(Audited) At 31st December, 2009 RMB'000
Within 90 days	609,203	760,935
More than 90 days, but not exceeding 180 days	317,896	359,303
More than 180 days, but not exceeding 270 days	326,557	224,541
More than 270 days, but not exceeding 360 days	169,701	122,658
More than 360 days, but not exceeding 540 days	105,791	88,346
More than 540 days, but not exceeding 720 days	42,496	10,453
Trade and bills receivables	1,571,644	1,566,236
Other receivables and payments in advance	182,032	123,584
	1,753,676	1,689,820

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, 2010 RMB'000	(Audited) At 31st December, 2009 RMB'000
Within 30 days	78,637	123,052
More than 30 days, but not exceeding 60 days	61,662	68,776
More than 60 days, but not exceeding 90 days	67,862	38,439
More than 90 days, but not exceeding 180 days	128,890	90,479
Over 180 days	56,628	62,895
Trade and bills payables	393,679	383,641
Other payables	295,534	298,969
	689,213	682,610

12. BANK AND OTHER BORROWINGS

During the period, the Group obtained new bank and other borrowings of RMB779,830,000 (six months ended 30th June, 2009: RMB738,625,000) and repaid bank and other borrowings of RMB756,667,000 (six months ended 30th June, 2009: RMB598,963,000).

Other borrowings of the Group are unsecured and interest-free. Bank borrowings of the Group bear interest at rates ranging from 2.25% to 7.23% per annum (31st December, 2009: 0.16% to 7.23% per annum) and have maturity periods ranging from one month to two years (31st December, 2009: one month to two years).

Approximately RMB488,577,000 (31st December, 2009: RMB502,762,000) of the Group's bank borrowings are secured by certain prepaid lease payments, property, plant and equipment, trade receivables and pledged bank deposits.

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, 2010 and 31st December, 2009	1,000,000	100,000	107,000
Issued and fully paid:			
At 30th June, 2010 and 31st December, 2009	374,180	37,418	40,010

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,	
		2010 RMB'000	2009 RMB'000
哈爾濱光宇電線電纜 有限公司 Harbin Guangyu Electric Wire and Cable Company Limited ("HGEWC") *	Purchase of raw materials	4,109	2,684
哈爾濱開關 有限責任公司 Harbin Switch Company Limited ("HBS")*	Purchase of raw materials Sale of finished goods	190 37	321 100

* 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

(1) Amounts due from directors

Name of director	(Unaudited) At 30th June, 2010 RMB'000	(Audited) At 31st December, 2009 RMB'000
Song Dian Quan	299	—
Li Ke Xue	188	212
Zhang Li Ming	12	7
Liu Xing Quan	169	170
	668	389

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, 2010 RMB'000	(Audited) At 31st December, 2009 RMB'000
HBS	17,246	13,546
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	2,088	3,553
北京兆唐科技有限公司 Beijing Zhaotong Science and Technology Company Limited (“BZSTC”)*	785	785
Global Universe Development Limited	303	303
	22,391	20,156

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

* *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)

(3) Amounts due from non-controlling shareholders

Name of non-controlling shareholders	(Unaudited) At 30th June, 2010 RMB'000	(Audited) At 31st December, 2009 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
哈爾濱格曼電氣自動化設備 有限責任公司	273	274
	1,975	1,976

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

* 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) At 30th June, 2010 RMB'000	(Audited) At 31st December, 2009 RMB'000
HBS	673	673
光宇延邊蓄電池有限公司 Guangyu Yanbian Storage Battery Manufacturing Company Limited*	4,438	4,432
BZSTC	54	54
HYGMS	3	3
HGEWC	2,993	3,632
哈爾濱光宇(集團)股份有限公司 Harbin Coslight Group Company Limited*	4,125	4,025
光宇廢陽物資分公司 Guangyu Feiyeung Resources Company*	14	16
Global Universe Development Limited	7,279	28,507
	19,579	41,342

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

* *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)

(5) Amounts due to non-controlling shareholders

Name of non-controlling shareholders	(Unaudited) At 30th June, 2010 RMB'000	(Audited) At 31st December, 2009 RMB'000
瀋陽東北蓄電池	3,488	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*	1,694	2,260
Best Chance Technology Limited	6,992	6,992
	15,721	13,674

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

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

(6) Amounts due from (to) associates/directors

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, 2010, RMB455,633,000 (At 31st December, 2009: RMB422,741,000) of the Group's bank borrowings were secured by guarantees issued by Mr. Song Dian Quan, a director of the Company.

As at 30th June, 2010, RMB13,000,000 (At 31st December, 2009: RMB13,600,000) of the Group's bank borrowings were guaranteed by Mr. Gao Xue Feng, a non-controlling shareholder of a subsidiary.

(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,	
	2010	2009
	RMB'000	RMB'000
Short-term benefits	474	435
Post-employment benefits	4	2
	478	437

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)	(Audited)
	At 30th	At 31st
	June,	December,
	2010	2009
	RMB'000	RMB'000
Capital expenditure authorised but not contracted for in respect of acquisition of property, plant and equipment	1,372,833	1,442,273
Capital expenditure contracted but not provided in the financial statements in respect of acquisition of property, plant and equipment	73,800	76,577

16. FINANCIAL GUARANTEES ISSUED

The Group has issued guarantees in respect of banking facilities granted to an independent third party of RMB139,700,000 (At 31st December, 2009: RMB125,100,000) 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.

As at the balance sheet date, the directors do not consider it probable that a claim will be made against the Group under these guarantees. The maximum liability of the Group at the balance sheet date under these guarantees is RMB139,700,000 (At 31st December, 2009: RMB125,100,000), representing the banking facilities drawn down by the independent third party as at the balance sheet date.

On the other hand, the independent third party also provided counter-guarantees on banking facilities granted to the Group to the extent of RMB160,000,000 (At 31st December, 2009: RMB160,000,000). As at the balance sheet date, the Group had utilised RMB110,000,000 (At 31st December, 2009: RMB135,000,000) of the banking facilities.

REPORT OF THE BOARD

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

For the period ended 30th June, 2010 (the “Period”), turnover from the Group’s ongoing operations amounted to approximately RMB1,016,321,000 (2009: RMB1,197,092,000), representing a decrease of 15% as compared with the corresponding period of last year. The profit attributable to owners of the parent for the Period amounted to approximately RMB37,201,000 (2009: RMB131,707,000) which represents a decrease of 72% over the corresponding period of last year. Earnings per share for the Period amounted to RMB9.94 cents (2009: RMB34.69 cents).

BUSINESS REVIEW

Sealed lead-acid (“SLA”) products

In the Period, China’s telecom operators cut down their capital expenditures as expected and the overseas markets remained weak, causing a drop of the sales volume of the Group’s core business of SLA batteries, with turnover amounting to approximately RMB717,462,000 (2009: RMB 901,251,000).

Thanks to the rapid growth of China’s auto market and greater growth of demand for starter batteries, the Group increased the production of starter batteries in the Period. The sales volume of starter batteries for the Period increased by 50% to approximately 350,000KVAH as compared with the corresponding period of last year.

Lithium-ion batteries

During the Period, the sales of mobile lithium-ion batteries amounted to approximately RMB107,232,000 (2009: RMB141,211,000), representing a decrease of approximately 24% over the corresponding period of last year. The lithium polymer batteries manufactured by the Group's factory in Zhuhai continued to grow in sales in the Period. Lithium polymer batteries can be used in more diverse applications such as various kinds of portable electronic devices, laptops and Bluetooth earphones. The sales of lithium-polymer batteries for the Period amounted to approximately RMB41,437,000 (2009: RMB35,507,000), a 17% rise over the corresponding period of last year.

Lithium Ferrite Batteries

The Group has invested resources on the R&D of lithium ferrite batteries which are specially designed for electric vehicles and now we have fully developed the know-how that allows us to manufacture products of stable and high performance. The batteries can basically last for 8 to 10 years and have reached the standard of commercialization. During the Period, as announced by the PRC government relevant subsidy programmes, faster development and growth of application of electric vehicles can be expected, and thus it is believed that these will bring significant business opportunities to the Group.

The Group's production base for lithium ferrite batteries in the Harbin Economic-Tech & High-Tech Development Zone commenced operation during the Period. The lithium ferrite batteries for use on electric bicycles and motorcycles developed by the Group were on bulk sales and approximately 2,500 sets were sold in the Period. The market response is satisfactory and the batteries are exported to Taiwan. In addition, the Group sold 34 lithium ferrite batteries to two domestic car manufacturers to enable them to develop their products into hybrid electric cars.

Online Games

The Group effectively owns 46.16% shares of Beijing Guangyu Huaxia Technology Corporation Limited (“Guangyu Huaxia”), 天津魔幻動力科技有限責任公司 (“天津魔幻動力”) and Costar Software Limited, which specialize in online games operation. During the Period, the online game “問道” operated by Guangyu Huaxia and 天津魔幻動力 launched an upgrade version and attracted increasing number of online players. The technology tests of our 2D turn-based “夢幻蜀山” were launched and received an overwhelming response. Moreover, the Group became the contracted agent of 2 latest games developed by Korea: FPS online game “絕地反擊” and action strategy-based RPG online game “靈魂戰神”. During the Period, the online game business contributed RMB28,540,000 (2009: RMB43,854,000) to the Group’s profit.

Mineral Products

During the period under review, the civil construction works, construction work on mining shaft and construction of ore dressing and mining facilities of the Altai Krai Mines continued to proceed.

FINANCIAL REVIEW

Assets and liabilities

As at 30th June, 2010, the Group had total assets of RMB4,295,486,000 (31.12.2009: RMB4,276,895,000) which were financed by current liabilities of RMB2,291,494,000 (31.12.2009: RMB2,261,931,000), non-current liabilities of RMB345,178,000 (31.12.2009: RMB379,107,000), equity attributable to owners of the parent of RMB1,451,165,000 (31.12.2009: RMB1,435,322,000) and non-controlling interests of RMB207,649,000 (31.12.2009: RMB200,535,000).

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, 2010, the Group had bank and cash balances amounted to RMB480,896,000 (31.12.2009: RMB566,670,000). The total bank and other borrowings of the Group as at 30th June, 2010 were approximately RMB1,614,790,000 (31.12.2009: RMB1,591,702,000), of which RMB1,325,790,000 (31.12.2009: RMB1,269,702,000) was repayable within 12 months and the remaining RMB289,000,000 (31.12.2009: RMB322,000,000) repayable after 12 months. These borrowings carry interest ranging from 2.25% to 7.23% (31.12.2009: from 0.16% to 7.23%) per annum. As at 30th June, 2010, approximately 97% (31.12.2009: 92%) of the Group's bank and other borrowings were denominated in Renminbi and 3% (31.12.2009: 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 and other borrowings and shareholders' equity, was 1.11 (31.12.2009: 1.11). The current ratio of the Group, represented by a ratio between current assets over current liabilities, was 1.22 (31.12.2009: 1.26), reflecting the abundance of financial resources.

Charges on group assets

As at 30th June, 2010, certain prepaid lease payments and property, plant and equipment, and trade receivables of the Group with carrying value of RMB150,449,000 (31.12.2009: RMB75,637,000), and RMB191,405,000 (31.12.2009: RMB265,459,000) respectively, were pledged to secure bank borrowings of approximately RMB488,577,000 (31.12.2009: RMB502,762,000). 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.

Capital Commitments

	(Unaudited) At 30th June, 2010 RMB'000	(Audited) At 31st December, 2009 RMB'000
Capital expenditure authorised but not contracted for in respect of acquisition of property, plant and equipment	1,372,833	1,442,273
Capital expenditure contracted but not provided in the financial statements in respect of acquisition of property, plant and equipment	73,800	76,577

PROSPECTS

The development of SLA batteries in the second half of 2010 and in the coming few years depends on the pace of growing demand in China. China Mobile announced the investment in the Phase 4 of 3G networks development, with an investment amount of nearly RMB100 billion, and 102,000 base stations will be built. The result of the tender is recently announced. The operators further increased and accelerated the capital expenditures served as the major driving force for the growth in demand for SLA batteries.

The Group also placed great emphasis on expanding into the markets other than China. The Group's new SLA battery production base in India is under construction. India is a huge market with a population of over 1 billion people and its base station construction is in a phase of rapid growth. Moreover, India's power supply system has not fully developed and it is expected that its SLA battery market will surpass that of China in the future. The completion and operation of our India production base will become a new driver behind the growth of Company's SLA battery business.

The Group will continue to increase our production of starter batteries in the second half of 2010, and it is expected that the sales volume for 2010 will reach 800,000KVAH. In the coming few years, we will see starter batteries become one of the businesses providing contributions to the Group.

Lithium Ferrite Batteries for Electric Vehicles

Following the announcement by Chinese government in stages of subsidies granted and investment made to new energy vehicles, the Group may benefit from the development and sale of lithium ferrite batteries for electric vehicles, which will bring new and promising growth to the Group's results in reduced time. The batteries for electric bicycles and motorcycles produced by the Group have been launched to the market, and it is expected that 6,000 sets can be sold in 2010. Subsequent to strategic analysis, the Group focuses on the passenger coach market. The market well responded to the sale of 34 sets of lithium ferrite batteries sold in the first half of 2010 and it is expected that 200 sets of lithium ferrite batteries will be sold in 2010. The Group plans to manufacture and sell new energy passenger coaches in Hangzhou. Phase I, with annual production output of 2,000 new energy passenger coaches, is scheduled to be completed and put into operation in 2 years, and the estimated capital investment is RMB200 million.

The associates of the Group operate a number of online games, such as “問道”, “夢幻蜀山”, “創世OL”, “神界”, “秦始皇OL”, “希望OL” and “爭霸天下”, which have attracted a huge player base. The Group’s 2D turn-based “夢幻蜀山” is expected to commence commercial operation in the second half of 2010. Furthermore, the recently contracted FPS online game “絕地反擊” that the Group is operating as an agent is expected to be launched to the market in the second half of 2010, while action strategy-based RPG online game “靈魂戰神” is expected to be launched to the market in the first half of 2011, and it is expected that the number of our online players will continue to surge in 2010.

The Group expects that in the next few years, the R&D and operation of online games will have a bigger contribution to our results and continue to provide good return to our shareholders.

OTHER INFORMATION

EMPLOYEES AND REMUNERATION POLICIES

As at 30th June, 2010, the Group has employed 9,262 (31.12.2009: 9,272) 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, 2010 (2009: NIL).

DISCLOSURE OF INTERESTS

(1) Directors

As at 30th June, 2010, 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%
LI Ke Xue	Personal	Beneficial owner	668,793	0.18%
XING Kai	Personal	Beneficial owner	526,793	0.14%
LIU Xing Quan	Personal	Beneficial owner	20,793	0.01%

Save as disclosed above, as at 30th June, 2010, 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, 2010, 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, 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 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 of the Rules Governing the Listing 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, Dr. 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, 2010 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 27th August, 2010.

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, Dr. Jiang Zhao Hua and Mr. Xiao Jian Min.

By Order of the Board
SONG Dian Quan
Chairman

Harbin, the PRC, 27th August, 2010