



COSLIGHT TECHNOLOGY INTERNATIONAL GROUP LIMITED

Incorporated in Bermuda with limited liability
Stock Code : 1043



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. Ng Kar Keung

LEGAL ADVISER

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

AUDITOR

SHINEWING (HK) CPA Limited
43/F., The Lee Gardens
33 Hysan Avenue
Causeway Bay
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REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 2501-2502, COSCO Tower
181-183 Queen's Road Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Corporate Services Limited
Rosebank Centre
11 Bermudiana Road
Pembroke
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2011

	Notes	Six months ended 30 June	
		2011 RMB'000 (Unaudited)	2010 RMB'000 (Unaudited)
Revenue	4	1,184,772	1,016,321
Cost of sales		(981,589)	(789,718)
Gross profit		203,183	226,603
Other income		27,812	14,625
Distribution costs		(78,459)	(95,217)
Administrative expenses		(122,063)	(91,090)
Finance costs	5	(35,631)	(31,561)
Share of results of associates		39,182	28,540
Profit before tax	6	34,024	51,900
Income tax expense	7	(10,990)	(7,585)
Profit for the period		23,034	44,315
Attributable to:			
Owners of the Company		15,586	37,201
Non-controlling interests		7,448	7,114
		23,034	44,315
Earnings per share			
– Basic and diluted	9	RMB4.17 cents	RMB9.94 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2011

	Six months ended 30 June	
	2011 RMB'000 (Unaudited)	2010 RMB'000 (Unaudited)
Profit for the period	23,034	44,315
Other comprehensive income (expenses) for the period		
Exchange difference arising on translation	4,692	(5,303)
Reversal of deferred tax liability in respect of realisation on depreciation of property, plant and equipment	653	493
Other comprehensive income (expenses) for the period	5,345	(4,810)
Total comprehensive income for the period	28,379	39,505
Total comprehensive income attributable to:		
Owners of the Company	20,931	32,391
Non-controlling interests	7,448	7,114
	28,379	39,505

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2011

	Notes	At 30 June 2011 RMB'000 (Unaudited)	At 31 December 2010 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	10	1,217,024	1,137,657
Mining rights		170,579	160,804
Goodwill		24,368	3,055
Other intangible assets		439	542
Interests in associates	11	198,700	159,518
Prepaid lease payments		135,117	106,923
Deposits paid for acquisition of land use rights		13,500	19,260
Deferred tax assets		17,611	22,748
		1,777,338	1,610,507
Current assets			
Inventories		490,363	486,848
Trade and other receivables	12	1,936,693	1,683,957
Prepaid lease payments		2,977	2,372
Amounts due from directors	16	611	770
Amounts due from related companies	16	27,016	23,934
Amounts due from non-controlling shareholders	16	4,123	3,011
Amounts due from associates	16	118,372	116,891
Pledged bank deposits		38,670	54,560
Bank balances and cash		665,536	529,697
		3,284,361	2,902,040

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2011

	Notes	At 30 June 2011 RMB'000 (Unaudited)	At 31 December 2010 RMB'000 (Audited)
Current liabilities			
Trade and other payables	13	1,208,509	830,121
Amounts due to related companies	16	21,732	20,065
Amounts due to non-controlling shareholders	16	16,168	15,040
Amounts due to directors	16	2,582	1,699
Amounts due to associates	16	382,697	292,555
Tax payable		2,556	3,249
Bank and other borrowings – due within one year	14	1,385,437	1,591,692
		3,019,681	2,754,421
Net current assets		264,680	147,619
Total assets less current liabilities		2,042,018	1,758,126

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2011

	Notes	At 30 June 2011 RMB'000 (Unaudited)	At 31 December 2010 RMB'000 (Audited)
Capital and reserves			
Share capital	15	40,010	40,010
Reserves		1,433,572	1,412,641
Equity attributable to owners of the Company			
		1,473,582	1,452,651
Non-controlling interests		208,800	201,352
Total equity			
		1,682,382	1,654,003
Non-current liabilities			
Bank and other borrowings			
– due after one year	14	297,441	40,600
Deferred tax liabilities		20,870	21,523
Deferred government grants		41,325	42,000
		359,636	104,123
Total non-current liabilities			
		2,042,018	1,758,126

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2011

	Attributable to owners of the Company							Total	Non-controlling interests	Total
	Share capital	Special reserve	Statutory reserve	Revaluation reserve	Exchange reserve	Other reserve	Retained profits			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2011 (Audited)	40,010	92,045	282,984	103,435	(93,780)	(5,423)	1,033,380	1,452,651	201,352	1,654,003
Profit for the period	-	-	-	-	-	-	15,586	15,586	7,448	23,034
Other comprehensive income for the period	-	-	-	653	4,692	-	-	5,345	-	5,345
Total comprehensive income for the period	-	-	-	653	4,692	-	15,586	20,931	7,448	28,379
Realised on depreciation of property, plant and equipment	-	-	-	(4,351)	-	-	4,351	-	-	-
At 30 June 2011 (Unaudited)	40,010	92,045	282,984	99,737	(89,088)	(5,423)	1,053,317	1,473,582	208,800	1,682,382
At 1 January 2010 (Audited)	40,010	92,045	279,394	68,014	(83,215)	-	1,039,074	1,435,322	200,535	1,635,857
Profit for the period	-	-	-	-	-	-	37,201	37,201	7,114	44,315
Other comprehensive income for the period	-	-	-	493	(5,303)	-	-	(4,810)	-	(4,810)
Total comprehensive income for the period	-	-	-	493	(5,303)	-	37,201	32,391	7,114	39,505
Appropriation to statutory reserve	-	-	1,361	-	-	-	(1,361)	-	-	-
Realised on depreciation of property, plant and equipment	-	-	-	(3,286)	-	-	3,286	-	-	-
Dividend recognised as distribution	-	-	-	-	-	-	(16,548)	(16,548)	-	(16,548)
At 30 June 2010 (Unaudited)	40,010	92,045	280,755	65,221	(88,518)	-	1,061,652	1,451,165	207,649	1,658,814

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2011

	Six months ended 30 June	
	2011 RMB'000 (Unaudited)	2010 RMB'000 (Unaudited)
Net cash generated from (used in) operating activities	211,641	(18,176)
Net cash used in investing activities	(181,729)	(42,111)
Net cash generated from (used in) financing activities	106,225	(28,045)
Net increase (decrease) in cash and cash equivalents	136,137	(88,332)
Cash and cash equivalents at beginning of the period	529,697	566,670
Effect of foreign exchange rate changes	(298)	2,558
Cash and cash equivalents at 30 June, represented by bank balances and cash	665,536	480,896

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2011

1. GENERAL INFORMATION

Coslight Technology International Group Limited (the “Company”) was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The Company’s registered office is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and its head office and principal place of business in Hong Kong is located at Room 2501-2502, COSCO Tower, 181-183 Queen’s Road Central, Hong Kong.

The condensed consolidated financial statements are presented in Renminbi (“RMB”), which is the same as the functional currency of the Company. RMB is the currency of the primary economic environment in which the subsidiaries of the Company operate (functional currency of the subsidiaries).

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

2. BASIS OF PREPARATION

The condensed consolidated financial statements for the six months ended 30 June 2011 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) and with the Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

These condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2010.

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain property, plant and equipment and financial instruments, which are measured at revalued amounts or fair values, as appropriate.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2011 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2010 except as described below.

In the current interim period, the Group has applied for the first time, the following new and revised standards and interpretations ("new or revised HKFRSs") issued by the HKICPA.

HKFRSs (Amendments)	Improvements to HKFRSs 2010 except for the amendments to HKFRS3 (Revised in 2008), HKFRS7, HKAS 1 and HKAS 28
HKFRS 1 (Amendments)	Limited Exemption from Comparative HKFRS 7 Disclosure for First-time Adopters
HKAS 24 (Revised)	Related Party Disclosures
HKAS 32 (Amendments)	Classification of Rights Issues
HK (IFRIC) – Interpretation ("Int") 14 (Amendments)	Prepayments of a Minimum Funding Requirement
HK (IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

The application of the above new or revised HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

3. PRINCIPAL ACCOUNTING POLICIES *(CONTINUED)*

The Group has not early applied the following new or revised standards that have been issued but are not yet effective. The following new or revised standards have been issued after the date the consolidated financial statements for the year ended 31 December 2010 were authorised for issuance and are not yet effective:

HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters ¹
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets ¹
HKFRS 9	Financial Instruments ⁴
HKFRS 10	Consolidated Financial Statements ⁴
HKFRS 11	Joint Arrangements ⁴
HKFRS 12	Disclosure of Interests in Other Entities ⁴
HKFRS 13	Fair Value Measurement ⁴
HKAS 1 (Revised)	Presentation of Financial Statements ³
HKAS 12 (Amendment)	Deferred Tax: Recovery of Underlying Assets ²
HKAS 19 (as revised in 2011)	Employee Benefits ⁴
HKAS 27 (as revised in 2011)	Separate Financial Statements ⁴
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures ⁴

¹ Effective for annual periods beginning on or after 1 July 2011

² Effective for annual periods beginning on or after 1 January 2012

³ Effective for annual periods beginning on or after 1 July 2012

⁴ Effective for annual periods beginning on or after 1 January 2013

HKFRS 9 Financial Instruments issued in November 2009 and amended in October 2010 introduces new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition.

3. PRINCIPAL ACCOUNTING POLICIES *(CONTINUED)*

HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods.

The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in fair value of a financial liability (designated as at fair value through profits or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of that effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was recognised in profit or loss.

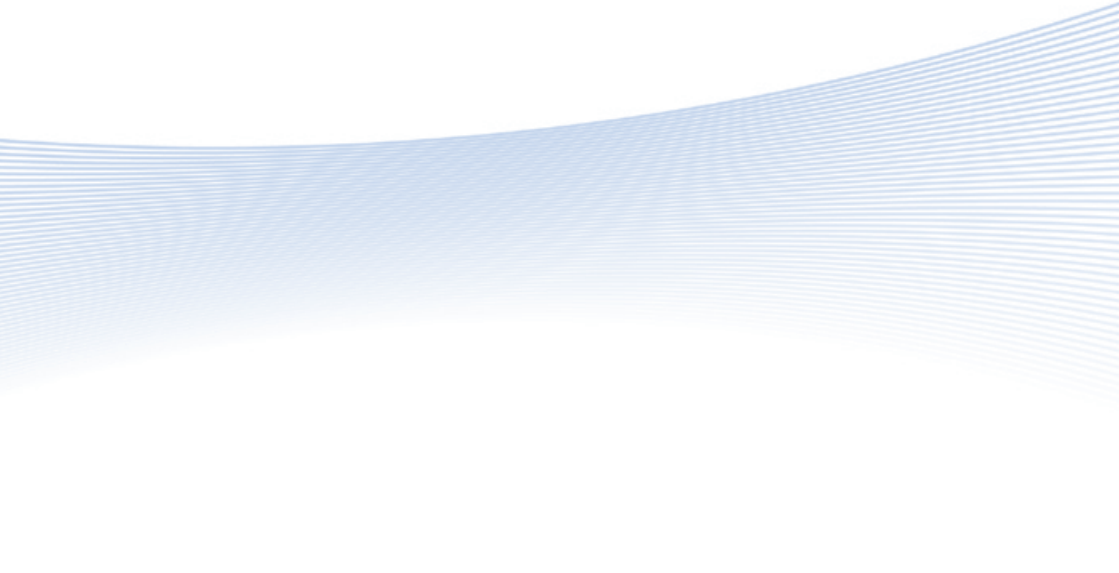
HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

3. PRINCIPAL ACCOUNTING POLICIES *(CONTINUED)*

The directors of the Company anticipate that HKFRS 9 will be adopted in the Group's financial statements for the annual period beginning on 1 January 2013 and that the application of the new standard will have a significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements. Under HKFRS 10, there is only one basis for consolidation, that is control. In addition, HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights to variable returns from its involvement with the investee, and (c) ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios. Overall, the application of HKFRS 10 requires a lot of judgement. The application of HKFRS 10 might result in the Group no longer consolidating some of its investees, and consolidating investees that were not previously consolidated.

Other than disclosed above, the directors of the Company anticipate that the application of the new or revised standards will have no material impact on the results and the financial position of the Group.



4. 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.



4. SEGMENT INFORMATION *(CONTINUED)*

(b) Segments assets

The following tables present segment assets of the Group's operating segments as at 30 June 2011 and 31 December 2010:

As at 30 June 2011 (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	2,365,544	838,285	138,872	551,278	3,893,979
Mining rights					170,579
Interests in associates					198,700
Unallocated assets					798,441
Consolidated total assets					<u>5,061,699</u>

As at 31 December 2010 (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	2,257,772	763,362	121,749	376,407	3,519,290
Mining rights					160,804
Interests in associates					159,518
Unallocated assets					672,935
Consolidated total assets					<u>4,512,547</u>

5. FINANCE COSTS

	Six months ended 30 June	
	2011 RMB'000 (Unaudited)	2010 RMB'000 (Unaudited)
Interest on discounted bills, bank and other borrowings wholly repayable within five years	42,702	38,914
Less: Interest expenses capitalised at a rate of 5.21% (2010: 4.97%) per annum	(7,071)	(7,353)
	35,631	31,561

6. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2011 RMB'000 (Unaudited)	2010 RMB'000 (Unaudited)
Depreciation of property, plant and equipment	32,856	40,605
Amortisation of intangible assets (included in administrative expenses and cost of sales)	103	241
Amortisation of prepaid lease payments (included in administrative expenses)	1,430	973
Impairment loss on trade receivables	930	2,755
Interest income	(1,316)	(1,576)
Loss on written off of property, plant and equipment	1,658	191
Reversal of impairment loss recognised in respect of trade receivables	(13,960)	–
Deferred income in respect of government grants	(675)	(675)
Net exchange loss	5,412	1,897

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2011 RMB'000 (Unaudited)	2010 RMB'000 (Unaudited)
The charge comprises:		
PRC Enterprise Income Tax ("EIT")	5,853	9,466
Deferred tax	5,137	(1,881)
	10,990	7,585

8. DIVIDEND

No dividends were paid, declared or proposed during the reporting period. The directors do not recommend the payment of an interim dividend.

During the interim period ended 30 June 2010, a final dividend of HK\$0.05 (equivalent to RMB0.04422) per share in respect of the year ended 31 December 2009 was declared and paid to the owners of the Company. The aggregate amount of the final dividend declared and paid in the interim period ended 30 June 2010 and amounted to approximately RMB16,548,000.

9. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's profit attributable to owners of the Company for the period of approximately RMB15,586,000 (six months ended 30 June 2010: RMB37,201,000) and the weighted average number of ordinary shares of 374,180,000 (six months ended 30 June 2010: 374,180,000) in issue during the period.

Since there were no potential dilutive shares in issue during the six months ended 30 June 2011 and 2010, basic and diluted earnings per share are the same for both periods.

10. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately RMB92,923,000 (six months ended 30 June 2010: approximately RMB87,109,000) on additions to property, plant and equipment. Net carrying value of property, plant and equipment being written off during the period was amounted to RMB1,658,000 (six months ended 30 June 2010: approximately RMB191,000).

In the opinion of the directors, the aggregate carrying amount of the Group's buildings, plant and machinery, furniture, fixtures and equipment and motor vehicles as at 30 June 2011 that is carried at revalued amount does not differ significantly from their estimated fair value. Consequently, no revaluation surplus or deficit has been recognised in the current period.

11. INTERESTS IN ASSOCIATES

	At 30 June 2011 RMB'000 (Unaudited)	At 31 December 2010 RMB'000 (Audited)
Costs of investments in unlisted associates	8,848	8,848
Share of post-acquisition gain and other comprehensive expenses	189,852	150,670
	198,700	159,518

12. TRADE AND OTHER RECEIVABLES

	At 30 June 2011 RMB'000 (Unaudited)	At 31 December 2010 RMB'000 (Audited)
Trade and bills receivables	1,799,995	1,665,982
Less: Impairment loss recognised	(113,638)	(126,668)
	1,686,357	1,539,314
Other receivables	250,336	144,643
	1,936,693	1,683,957

The Group allows credit period ranging from 90 to 270 days (2010: 90 to 270 days) to its trade customers. The Group granted a longer credit period to individual customers base on financial strength of customers to maintain the loyal customers. The following is an aged analysis of trade receivables net of impairment loss recognised on trade and bills receivables presented based on goods delivery date at the end of the reporting period.

	At 30 June 2011 RMB'000 (Unaudited)	At 31 December 2010 RMB'000 (Audited)
Within 90 days	823,157	790,869
More than 90 days, but not exceeding 180 days	249,269	282,307
More than 180 days, but not exceeding 270 days	288,418	191,783
More than 270 days, but not exceeding 360 days	146,676	132,275
More than 360 days, but not exceeding 540 days	154,229	128,741
More than 540 days, but not exceeding 720 days	24,608	13,339
Trade and bills receivables	1,686,357	1,539,314

13. TRADE AND OTHER PAYABLES

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

	At 30 June 2011 RMB'000 (Unaudited)	At 31 December 2010 RMB'000 (Audited)
Within 30 days	222,298	174,872
More than 30 days, but not exceeding 60 days	197,629	115,431
More than 60 days, but not exceeding 90 days	84,052	44,430
More than 90 days, but not exceeding 180 days	185,646	65,686
Over 180 days	52,387	62,723
Trade and bills payables	742,012	463,142
Other payables	466,497	366,979
	1,208,509	830,121

14. BANK AND OTHER BORROWINGS

During the period, the Group obtained new bank and other borrowings of RMB658,889,000 (six month ended 30 June 2010: RMB779,830,000) and repaid bank and other borrowings of RMB608,303,000 (six month ended 30 June 2010: RMB756,667,000).

14. BANK AND OTHER BORROWINGS *(CONTINUED)*

Other borrowings of the Group are unsecured and interest-free. Bank borrowings carrying interest at variable market rates ranging from 4.77% to 8.74% per annum (31 December 2010: 3.17% to 6.14% per annum) and have maturity periods ranging from one month to two years (31 December 2010: one month to two years).

Approximately RMB463,200,000 (31 December 2010: RMB436,700,000) of the Group's bank and other borrowings are secured by land use rights, property, plant equipment and trade receivables. The proceeds were used to finance the operation of the Group.

15. SHARE CAPITAL

	Number of shares '000	Amount in original currency HK\$'000	Shown in the financial statements as RMB'000
Ordinary shares of HK\$0.10 each			
<i>Authorised:</i>			
At 30 June 2011 and 31 December 2010	1,000,000	100,000	107,000
<i>Issued and fully paid:</i>			
At 30 June 2011 and 31 December 2010	374,180	37,418	40,010

16. 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

Transactions with related parties

Name of related parties	Nature of transactions	Six months ended 30 June	
		2011 RMB'000 (Unaudited)	2010 RMB'000 (Unaudited)
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	3,691	4,109
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

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

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

(b) Balances

(1) Amounts due from directors

Name of director	At 30 June 2011 RMB'000 (Unaudited)	At 31 December 2010 RMB'000 (Audited)
Song Dian Quan	227	402
Li Ke Xue	201	194
Xing Kai	3	–
Zhang Li Ming	10	4
Liu Xing Quan	170	170
	611	770

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

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

(b) Balances (Continued)

(2) Amounts due from related companies

Name of related companies	At 30 June 2011 RMB'000 (Unaudited)	At 31 December 2010 RMB'000 (Audited)
HBS	24,370	18,766
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*	170	478
哈爾濱亞光新型隔板有限公司 Harbin Ya Guang Modern Separators Company Limited ("HYGMS")*	870	938
HGEWC	-	2,111
北京兆唐科技有限公司 Beijing Zhaotong Science and Technology Company Limited ("BZSTC")*	773	785
Global Universe Development Limited	280	303
	27,016	23,934

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

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

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

(b) Balances (Continued)

(3) Amounts due from non-controlling shareholders

Name of non-controlling shareholders	At 30 June 2011 RMB'000 (Unaudited)	At 31 December 2010 RMB'000 (Audited)
瀋陽東北蓄電池股份有限公司 (「瀋陽東北蓄電池」)	1,424	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	308	243
天津自行車三廠技術開發中心 Tianjin Bike Third Factory Technology Development Centre*	2,112	1,066
	4,123	3,011

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

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

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

(b) Balances (Continued)

(4) Amounts due to related companies

Name of related companies	At 30 June 2011 RMB'000 (Unaudited)	At 31 December 2010 RMB'000 (Audited)
HBS	609	869
光宇延邊蓄電池有限公司 Guangyu Yanbian Storage Battery Manufacturing Company Limited*	9,903	4,438
BZSTC	–	54
HGEWC	35	3,074
哈爾濱光宇(集團)股份有限公司 Harbin Guangyu Group Company Limited*	4,340	4,625
光宇廢陽物資分公司 Guangyu Feiyeung Resources Company*	13	13
Global Universe Development Limited	6,832	6,992
	21,732	20,065

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

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

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

(b) Balances (Continued)

(5) Amounts due to non-controlling shareholders

Name of non-controlling shareholders	At 30 June 2011 RMB'000 (Unaudited)	At 31 December 2010 RMB'000 (Audited)
黑龍江辰能哈工大高科技 風險投資有限公司	568	–
哈爾濱格曼電氣自動化設備 有限責任公司	86	–
哈爾濱亞光科技有限公司	88	–
瀋陽東北蓄電池	3,608	4,768
佳運科技有限公司	7,249	6,725
昌都邦達工貿有限公司 Tibet Bangda Industrial & Trade Company Limited*	3,547	3,547
哈爾濱哈軸軸承經銷有限公司	28	–
天津自行車三廠技術開發中心 Tianjin Bike Third Factory Technology Development Centre*	994	–
	16,168	15,040

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

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

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

(b) Balances (Continued)

(6) Amounts due from/to associates/amounts due to directors are unsecured, interest-free and repayable on demand.

(c) Other arrangements

As at 30 June 2011, RMB266,776,000 (At 31 December 2010: RMB410,903,000) of the Group's bank borrowings were guaranteed by Mr. Song Dian Quan, a director of the Company.

As at 30 June 2011, nil (At 31 December 2010: RMB10,000,000) 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:

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Short-term benefits	516	474
Post-employment benefits	12	4
	528	478

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

17. ACQUISITION OF A SUBSIDIARY

On 1 May 2011, the Group acquired 100% equity interests in Qinhuangdao Jincheng Passengers Coach Manufactory Company Limited* 秦皇島金程汽車制造有限公司 (“QJC”) from an independent third party. QJC is a company incorporated in the PRC principally engaged in manufacture and sales of passenger coach units.

Consideration transferred

	RMB'000
Cash	79,995

Assets and liabilities recognised at the date of acquisition (determined on a provisional basis)

	RMB'000
<i>Non-current assets</i>	
Property, plant and equipment	25,744
<i>Current assets</i>	
Cash and cash equivalents	1
Other receivables	43,380
Inventories	4,930
<i>Current liabilities</i>	
Trade and other payables	(15,373)
	58,682

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

17. ACQUISITION OF A SUBSIDIARY (CONTINUED)

Goodwill arising on acquisition (determined on a provisional basis)

	RMB'000
Consideration transferred	79,995
Less: recognised amount of identifiable net assets acquired	(58,682)
Goodwill arising on acquisition	21,313

Goodwill arose on the acquisition of QJC because the acquisition included a potential contract of acquiring land use rights as at the date of acquisition. This asset could not be separately recognised from goodwill because they are not capable of being separately sold, transferred licensed, rented or exchanged from the Group, either individually or together with any related contracts.

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

Net cash outflow arising on acquisition

	RMB'000
Consideration paid in cash	60,368
Less: cash and cash equivalent balances acquired	(1)
	60,367

17. ACQUISITION OF A SUBSIDIARY (CONTINUED)

Impact of acquisition on the results of the Group

Included in the loss for the interim period is RMB738,550 attributable to QJC. Revenue for the period includes RMB3,837,169 is attributable to QJC.

Had the acquisition of QJC been effected on 1 January 2011, the revenue of the Group for the six months ended 30 June 2011 would have been RMB1,193,995,000, and the profit for the period would have been RMB19,129,000. The proforma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2011, nor is intended to be a projection of future results.

In determining the “pro-forma” revenue and profit of the Group had QJC been acquired on 1 January 2011, the directors calculated depreciation and amortisation of plant and equipment based on the recognised amounts of plant and equipment at the date of the acquisition.

18. CAPITAL COMMITMENTS

	At 30 June 2011 RMB'000 (Unaudited)	At 31 December 2010 RMB'000 (Audited)
Capital expenditure authorised but not contracted for in respect of acquisition of property, plant and equipment and land use rights	1,205,344	1,275,118
Capital expenditure contracted but not provided in the financial statements in respect of acquisition of property, plant and equipment and land use rights	162,020	161,171

19. FINANCIAL GUARANTEES ISSUED

The Group has issued guarantees in respect of banking facilities granted to an independent third party of RMB60,000,000 (At 31 December 2010: RMB105,000,000) 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 nil.

As at the end of the reporting period, 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 RMB60,000,000 (At 31 December 2010: RMB105,000,000), representing the banking facilities drawn down by the independent third party as at the end of the reporting period.

On the other hand, the independent third party also provided counter-guarantees on banking facilities granted to the Group to the extent of RMB80,000,000 (At 31 December 2010: RMB110,000,000). As at the end of the reporting period, the Group had utilised RMB80,000,000 (At 31 December 2010: RMB110,000,000) of the banking facilities.



REPORT OF THE BOARD

MANAGEMENT DISCUSSION AND ANALYSIS

Results

For the period ended 30 June 2011 (the “Period”), revenue from the Group’s ongoing operations amounted to approximately RMB1,184,772,000 (2010: RMB1,016,321,000), representing an increase of 17% when compared to the corresponding period of last year. The profit attributable to owners of the Company for the Period amounted to approximately RMB15,586,000 (2010: RMB37,201,000) which represents a decrease of 58% over the corresponding period of last year. Earnings per share for the Period amounted to RMB4.17 cents (2010: RMB9.94 cents).

BUSINESS REVIEW

Sealed lead-acid (“SLA”) products

During the Period, the revenue of the Group’s core business of SLA batteries amounted to approximately RMB748,196,000 (2010: RMB717,462,000), representing an increase of 4% when compared to the corresponding period of last year. Thanks to the rapid growth of China’s auto market and greater growth of demand for starter batteries, the Group continued to increase the production of starter batteries during the Period. The sales volume of starter batteries for the Period grew by 53% to approximately 530,000 KVAH when compared with the corresponding period of last year. The Group’s battery production facility in India is expected to be completed by the end of this year, and subsequent production will be ready by next year.

Lithium-ion batteries

During the Period, the sales of mobile lithium-ion batteries amounted to approximately RMB273,620,000 (2010: RMB107,232,000), representing an increase of approximately 155% over the corresponding period of last year. The lithium polymer batteries, which were manufactured by the Group's factory in Zhuhai, recorded rapid growth in the Period. These batteries are mainly used in a wide variety of portable electronic devices including smartphones, tablet PCs and ultra-thin laptops. The sales of lithium-polymer batteries for the Period amounted to approximately RMB43,004,000 (2010: RMB41,437,000), which was a 4% rise over the corresponding period of last year.

Lithium Ferrite Batteries

Lithium ferrite batteries for electric vehicles, developed by the Group with its R&D efforts, are also used in electric bicycles and electric motorcycles.

During the Period, about 300 sets of electric vehicle batteries were sold, including electric passenger vehicles, hybrid passenger vehicles, and electric sedans.

During the Period, about 3,000 sets of electric bicycle batteries and 6,000 sets of electric motorcycle batteries were sold.

During the Period, the sales of lithium ferrite batteries amounted to RMB60 million, which was a surge of 200% over the corresponding period of last year.

The Group's new developed project relating to the manufacturing and sales of new energy passenger vehicles in Hangzhou, with an annual production capacity of 2,000 units of passenger vehicles, is expected to be completed and put into operation next year.

Online Games

During the Period, “問道”, for which the Group participated in its operation and technical services, released an updated version and attracted increasing number of online users. In addition, we issued three new products, which were namely “問道外傳”, “天驕3” and “蜀山劍俠傳”. These products are currently in their early development stage of operation. Online game business made a profit contribution of RMB39,182,000 (2010: RMB28,540,000) for the Group, representing an increase of approximately 37% over the corresponding period last year.

Mineral Products

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

FINANCIAL REVIEW

Assets and liabilities

As at 30 June 2011, the Group had total assets of RMB5,061,699,000 (31.12.2010: RMB4,512,547,000) which were financed by current liabilities of RMB3,019,681,000 (31.12.2010: RMB2,754,421,000), non-current liabilities of RMB359,636,000 (31.12.2010: RMB104,123,000), equity attributable to owners of the Company of RMB1,473,582,000 (31.12.2010: RMB1,452,651,000) and non-controlling interests of RMB208,800,000 (31.12.2010: RMB201,352,000).

Liquidity, financial resources and capital structure

During the Period, the Group adopted prudent treasury policies in managing cash resources and bank borrowings. As at 30 June 2011, the Group had bank and cash balances amounted to RMB665,536,000 (31.12.2010: RMB529,697,000). The total bank and other borrowings of the Group as at 30 June 2011 were approximately RMB1,682,878,000 (31.12.2010: RMB1,632,292,000), of which RMB1,385,437,000 (31.12.2010: RMB1,591,692,000) was repayable within 12 months and the remaining RMB297,441,000 (31.12.2010: RMB40,600,000) repayable after 12 months. These borrowings carry interest ranging from 4.77% to 8.74% (31.12.2010: from 3.17% to 6.14%) per annum. As at 30 June 2011, approximately 82% (31.12.2010: 98%) of the Group's bank and other borrowings were denominated in Renminbi and 18% (31.12.2010: 2%) 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 1.14 (31.12.2010: 1.12). The current ratio of the Group, represented by a ratio between current assets over current liabilities, was 1.09 (31.12.2010: 1.05).

Charges on group assets

As at 30 June 2011, certain prepaid lease payments, property, plant and equipment, and trade receivables of the Group with carrying value of RMB186,379,000 (31.12.2010: RMB250,521,000), and RMB248,680,000 (31.12.2010: RMB324,479,000) respectively, were pledged to secure bank borrowings of approximately RMB463,200,000 (31.12.2010: RMB436,700,000). In addition, pledged bank deposits were used to secure trade and loan financing facilities granted to the Group.

Foreign currency risk

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

PROSPECTS

Lithium-ion batteries

Lithium-ion batteries, including lithium-ion batteries for cell phone, lithium-polymer batteries and electric vehicle lithium ferrite batteries, are expected to have an annual growth of more than 80%.

The production volume of cell phone lithium-ion batteries in the second half of the year will be maintained at a stable level comparable to the first half of the year.

In the second half of the year, lithium polymer batteries will grow at an accelerated pace when compared to the current growth rate. The sales will exceed RMB200 million, representing an increase of over 80%.

The development trend of lithium ferrite batteries was good at first half-year period and is forecast to keep on upon second half of the year. The annual sales is expected to reach more than RMB120 million, which was an increase of over 200% when compared to last year.

Coslight's online game

In the second half of the year, the new games – “問道外傳” and “天驕3” received positive attention. It is expected that these two games will bring considerable contribution for the Company. In the next few years, the R&D and operation of online games will continue to make greater contribution to the Group's operating results, and will continue to generate promising returns for our shareholders.

OTHER INFORMATION

Employees and remuneration policies

The Group has adopted continuous human resources development and training programs to maintain high level of product quality and customer services. Remuneration package is generally structured by reference to market conditions and individual performance.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

CODE ON CORPORATE GOVERNANCE PRACTICES

In November 2004, The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) introduced the Code on Corporate Governance Practices (the “Code”) to replace the Code of Best Practice in Appendix 14 of the Rules Governing the Listing Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and a new Appendix 23 stipulating the rules on the Corporate Governance Report. The Code which provides the code provisions and recommended best practices for corporate governance became effective on 1 January 2005. The Company has complied throughout the period ended 30 June 2011 with the Code as set out in Appendix 14 of the Listing Rules, except for the deviation from Code provision A.4.1 in respect of the service term of directors.

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

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules. Having made specific enquiry of all directors, the Company was not aware of any non-compliance with the required standard set out in the Model Code and its code of conduct regarding directors' securities transactions.

AUDIT COMMITTEE

The Audit Committee of the Company comprises three independent non-executive directors, namely Mr. Li Zeng Lin, Dr. 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 financial statements of the Group for the six months ended 30 June 2011 have been reviewed by the Audit Committee.

BOARD OF DIRECTORS

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, 29 August 2011

