



COSLIGHT TECHNOLOGY INTERNATIONAL GROUP LIMITED

Incorporated in Bermuda with limited liability
Stock Code : 1043



Interim Report
2012

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. YIN Ge Ping
Mr. XIAO Jian Min

QUALIFIED ACCOUNTANT AND COMPANY SECRETARY

Mr. NG Kar Keung, *CPA*

LEGAL ADVISER

DLA Piper Hong Kong
17th Floor, Edinburgh Tower
The Landmark
15 Queen's Road
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 2012

	Notes	Six months ended 30 June	
		2012 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited)
Revenue	4	1,237,909	1,184,772
Cost of sales		(1,050,212)	(981,589)
Gross profit		187,697	203,183
Other income		19,719	27,812
Distribution and selling expenses		(71,671)	(78,459)
Administrative expenses		(116,673)	(122,063)
Finance costs	5	(40,790)	(35,631)
Share of results of associates		50,759	39,182
Profit before tax	6	29,041	34,024
Income tax expense	7	(4,852)	(10,990)
Profit for the period		24,189	23,034
Attributable to:			
Owners of the Company		22,929	15,586
Non-controlling interests		1,260	7,448
		24,189	23,034
Earnings per share			
– Basic and diluted	9	RMB6.13 cents	RMB4.17 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012

	Six months ended 30 June	
	2012 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited)
Profit for the period	24,189	23,034
Other comprehensive (expenses) income for the period		
Exchange difference arising on translation	(35,722)	4,692
Reversal of deferred tax liability in respect of realisation on depreciation of property, plant and equipment	682	653
Other comprehensive (expenses) income for the period	(35,040)	5,345
Total comprehensive (expenses) income for the period	(10,851)	28,379
Total comprehensive (expenses) income attributable to:		
Owners of the Company	(11,586)	20,931
Non-controlling interests	735	7,448
	(10,851)	28,379

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2012

	Notes	At 30 June 2012 RMB'000 (Unaudited)	At 31 December 2011 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	10	1,327,454	1,269,998
Mining rights		103,746	107,000
Other intangible assets		4,241	4,289
Goodwill		29,012	29,012
Interests in associates	11	288,760	242,349
Prepaid lease payments		141,715	143,260
Deposits paid for acquisition of land		28,500	28,500
Amount due from a non-controlling interest	16	40,362	39,123
Deferred tax assets		20,911	23,919
		1,984,701	1,887,450
Current assets			
Inventories		513,673	515,249
Trade and other receivables	12	2,145,088	1,906,103
Prepaid lease payments		3,177	3,177
Amounts due from directors	16	866	566
Amounts due from related companies	16	44,380	45,454
Amounts due from non-controlling interests	16	3,306	3,192
Amounts due from associates	16	141,222	139,621
Pledged bank deposits		230,776	274,625
Bank balances and cash		400,519	403,247
		3,483,007	3,291,234
Current liabilities			
Trade and other payables	13	1,466,519	1,386,056
Amounts due to related companies	16	67,410	54,349
Amounts due to non-controlling interests	16	31,079	21,567
Amounts due to directors	16	2,762	2,747
Amounts due to associates	16	638,918	573,848
Tax payable		17,187	15,600
Bank and other borrowings	14	1,490,932	1,355,759
		3,714,807	3,409,926
Net current liabilities		(231,800)	(118,692)
Total assets less current liabilities		1,752,901	1,768,758

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 June 2012

	Note	At 30 June 2012 RMB'000 (Unaudited)	At 31 December 2011 RMB'000 (Audited)
Capital and reserves			
Share capital	15	40,010	40,010
Reserves		1,462,747	1,480,880
Equity attributable to owners of the Company			
		1,502,757	1,520,890
Non-controlling interests		174,322	168,540
Total equity			
		1,677,079	1,689,430
Non-current liabilities			
Deferred tax liabilities		17,199	18,563
Deferred government grants		58,623	60,765
		75,822	79,328
		1,752,901	1,768,758

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2012

	Attributable to owners of the Company							Total	Non-controlling interests	Total
	Share capital	Special reserve	Statutory reserve	Revaluation reserve	Exchange reserve	Other reserve	Accumulated profits			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2012 (Audited)	40,010	92,545	285,219	66,748	(114,866)	(12,668)	1,163,902	1,520,890	168,540	1,689,430
Profit for the period	-	-	-	-	-	-	22,929	22,929	1,260	24,189
Other comprehensive income (expenses) for the period	-	-	-	682	(35,197)	-	-	(34,515)	(525)	(35,040)
Total comprehensive income (expenses) for the period	-	-	-	682	(35,197)	-	22,929	(11,586)	735	(10,851)
Appropriation to statutory reserves	-	-	1,114	-	-	-	(1,114)	-	-	-
Acquisition of additional interest in subsidiary without change in control	-	-	-	-	-	(6,547)	-	(6,547)	5,047	(1,500)
Realised on depreciation of property, plant and equipment	-	-	-	(4,545)	-	-	4,545	-	-	-
At 30 June 2012 (Unaudited)	40,010	92,545	286,333	62,885	(150,063)	(19,215)	1,190,262	1,502,757	174,322	1,677,079
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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2012

	Six months ended 30 June	
	2012 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited)
Net cash (used in) generated from operating activities	(125,665)	211,641
Net cash used in investing activities	(61,590)	(181,729)
Net cash generated from financing activities	184,485	106,225
Net (decrease) increase in cash and cash equivalents	(2,770)	136,137
Cash and cash equivalents at beginning of the period	403,247	529,697
Effect of foreign exchange rate changes	42	(298)
Cash and cash equivalents at 30 June, represented by bank balances and cash	400,519	665,536

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

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 2012 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 2011.

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated interim 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 interim financial statements for the six months ended 30 June 2012 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2011 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.

Amendments to HKFRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets
Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets

The application of the above amendments to 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 2011 were authorised for issuance and are not yet effective:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle ²
Amendments to HKFRS 1	Government Loans ²
Amendments to HKFRS 7	Disclosure – offsetting Financial Assets and Financial Liabilities ²
	Mandatory effective date of HKFRS 9 and Transition Disclosures ⁴
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in other Entities: Transition Guidance ²
HKFRS 9	Financial Instruments ⁴
HKFRS 10	Consolidated Financial Statements ²
HKFRS 11	Joint Arrangements ²
HKFRS 12	Disclosure of Interests in Other Entities ²
HKFRS 13	Fair Value Measurement ²
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income ¹
HKAS 19 (as revised in 2011)	Employee Benefits ²
HKAS 27 (as revised in 2011)	Separate Financial Statements ²
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures ²
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities ³
HK(IFRIC) – INT 20	Stripping Costs in the Production Phase of a Surface Mine ²

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

² Effective for annual periods beginning on or after 1 January 2013.

³ Effective for annual periods beginning on or after 1 January 2014.

⁴ Effective for annual periods beginning on or after 1 January 2015.

3. PRINCIPAL ACCOUNTING POLICIES *(CONTINUED)*

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, motor vehicle, mining 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 2012 and 31 December 2011:

As at 30 June 2012 (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	2,359,323	1,391,672	127,220	517,466	4,395,681
Interests in associates					288,760
Unallocated assets					783,267
Consolidated total assets					5,467,708

As at 31 December 2011 (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	2,281,530	1,029,880	127,002	674,195	4,112,607
Interests in associates					242,349
Unallocated assets					823,728
Consolidated total assets					5,178,684

5. FINANCE COSTS

	Six months ended 30 June	
	2012 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited)
Interest on bank and other borrowings wholly repayable within five years	46,025	42,702
Less: borrowing costs capitalised at a rate of 2.7% (2011: 5.21%) per annum	(5,235)	(7,071)
	40,790	35,631

6. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2012 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited)
Depreciation of property, plant and equipment	38,274	32,856
Amortisation of other intangible assets (included in administrative expenses and cost of sales)	60	103
Amortisation of prepaid lease payments (included in administrative expenses)	1,545	1,430
Impairment loss on trade receivables	1,623	930
Government subsidies granted	(7,679)	(6,892)
Interest income	(3,372)	(1,316)
Loss on written off of property, plant and equipment	219	1,658
Reversal of impairment loss recognised in respect of trade receivables	(2,035)	(13,960)
Deferred income in respect of government grants	(2,142)	(675)
Net exchange loss	7,416	5,412

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2012 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited)
The charge comprises:		
Current tax:		
PRC Enterprise Income Tax ("EIT")	2,513	5,405
Other jurisdictions	13	448
	2,526	5,853
Deferred tax	2,326	5,137
	4,852	10,990

8. DIVIDEND

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

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 RMB22,929,000 (six months ended 30 June 2011: RMB15,586,000) and the weighted average number of ordinary shares of 374,180,000 (six months ended 30 June 2011: 374,180,000) in issue during the period.

Since there were no potential dilutive shares in issue during the six months ended 30 June 2012 and 2011, basic and diluted earnings per share are the same for both periods.

10. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately RMB109,467,000 (six months ended 30 June 2011: approximately RMB92,923,000) on additions to property, plant and equipment. Net carrying value of property, plant and equipment being written off during the period was amounted to RMB219,000 (six months ended 30 June 2011: approximately RMB1,658,000).

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 2012 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 2012 RMB'000 (Unaudited)	At 31 December 2011 RMB'000 (Audited)
Costs of investments in unlisted associates	18,180	18,180
Share of post-acquisition gain and other comprehensive expenses	270,580	224,169
	288,760	242,349

12. TRADE AND OTHER RECEIVABLES

	At 30 June 2012 RMB'000 (Unaudited)	At 31 December 2011 RMB'000 (Audited)
Trade and bills receivables	1,933,542	1,809,489
Less: impairment loss recognised	(122,780)	(121,205)
	1,810,762	1,688,284
Other receivables	334,326	217,819
	2,145,088	1,906,103

The Group allows credit period ranging from 90 to 270 days (2011: 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 2012 RMB'000 (Unaudited)	At 31 December 2011 RMB'000 (Audited)
Within 90 days	708,142	804,355
More than 90 days, but not exceeding 180 days	236,762	268,273
More than 180 days, but not exceeding 270 days	281,433	243,279
More than 270 days, but not exceeding 360 days	244,023	140,362
More than 360 days, but not exceeding 540 days	203,151	186,070
More than 540 days, but not exceeding 720 days	137,251	45,945
Trade and bills receivables	1,810,762	1,688,284

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 2012 RMB'000 (Unaudited)	At 31 December 2011 RMB'000 (Audited)
Within 30 days	235,175	313,186
More than 30 days, but not exceeding 60 days	172,007	181,810
More than 60 days, but not exceeding 90 days	97,705	104,983
More than 90 days, but not exceeding 180 days	238,005	194,647
Over 180 days	313,049	116,574
Trade and bills payables	1,055,941	911,200
Other payables	410,578	474,856
	1,466,519	1,386,056

14. BANK AND OTHER BORROWINGS

During the period, the Group obtained new bank and other borrowings of approximately RMB653,300,000 (six month ended 30 June 2011: RMB658,889,000) and repaid bank and other borrowings of approximately RMB518,127,000 (six month ended 30 June 2011: RMB608,303,000).

Other borrowings of the Group are unsecured and interest-free. Bank borrowings carrying interest at fixed or variable market rates ranging from 5.31% to 8.53% per annum (31 December 2011: 3.51% to 8.85% per annum) and have maturity periods ranging from one month to two years (31 December 2011: one month to two years).

Approximately RMB893,900,000 (31 December 2011: RMB463,200,000) 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 2012 and 31 December 2011	1,000,000	100,000	107,000
<i>Issued and fully paid:</i>			
At 30 June 2012 and 31 December 2011	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	
		2012 RMB'000 (Unaudited)	2011 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
哈爾濱開關有限責任公司 Harbin Switch Company Limited ("HBS")*	Sale of finished goods	740	-

* 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 2012 RMB'000 (Unaudited)	At 31 December 2011 RMB'000 (Audited)
Song Dian Quan	500	165
Li Ke Xue	190	219
Xing Kai	6	3
Zhang Li Ming	–	10
Liu Xing Quan	170	169
	866	566

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 2012 RMB'000 (Unaudited)	At 31 December 2011 RMB'000 (Audited)
HBS	21,588	21,311
石家莊光宇高能電池材料有限公司 Shijia Zhuang Guangyu Battery Material Company Limited*	543	543
哈爾濱光宇開關廠	-	170
哈爾濱亞光新型隔板有限公司 Harbin Ya Guang Modern Separators Company Limited	5,484	5,484
HGEWC	3,104	2,000
北京兆唐科技有限公司 Beijing Zhaotong Science and Technology Company Limited*	14	681
Global Universe Development Limited	297	293
光宇延邊蓄電池有限責任公司	9,202	9,203
Lexel Battery (Japan) Company Limited	4,148	5,769
	44,380	45,454

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 interests

Name of non-controlling interests	At 30 June 2012 RMB'000 (Unaudited)	At 31 December 2011 RMB'000 (Audited)
Current portion:		
Best Chance Technology Limited ("Best Chance")	–	279
瀋陽東北蓄電池股份有限公司	1,423	1,573
深圳柏仁塑膠製品有限公司 Shenzhen Boren Plastic Ware Company Limited*	279	–
哈爾濱格曼電氣自動化設備 有限責任公司	222	222
天津自行車三廠技術開發中心 Tianjin Bike Third Factory Technology Development Centre*	1,382	1,118
	3,306	3,192
Non-current portion:		
Best Chance	40,362	39,123
	43,668	42,315

The current portion balances are unsecured, interest-free and repayable on demand.

The non-current portion balance is non-interest bearing and repayment within 3 years and its effective interest rate is 6.65%.

* *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 from/to associates, amounts due to related companies/non-controlling interests/directors are unsecured, interest-free and repayable on demand.

(c) Other arrangements

As at 30 June 2012, RMB260,732,000 (at 31 December 2011: RMB115,000,000) of the Group's bank borrowings were guaranteed by Mr. Song Dian Quan, a director of the Company.

At 31 December 2011, RMB10,000,000 (at 30 June 2012: nil) 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	
	2012	2011
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Short-term benefits	661	516
Post-employment benefits	30	12
	691	528

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

17. CAPITAL COMMITMENTS

	At 30 June 2012 RMB'000 (Unaudited)	At 31 December 2011 RMB'000 (Audited)
Capital expenditure authorised but not contracted for in respect of acquisition of property, plant and equipment and land use rights	–	601,000
Capital expenditure contracted for but not provided in the financial statements in respect of acquisition of property, plant and equipment and land use rights	202,023	128,097

18. CONTINGENT LIABILITIES

The Group has issued guarantees in respect of banking facilities granted to an independent third party of approximately RMB239,387,000 (31 December 2011: RMB100,000,000) without charge. The aggregate amounts that could be required to be paid if the guarantees were called upon in entirety amounted to approximately RMB179,301,000 (31 December 2011: RMB100,000,000), of which approximately RMB179,301,000 (31 December 2011: RMB100,000,000) has been utilised by the independent third parties.

REPORT OF THE BOARD

MANAGEMENT DISCUSSION AND ANALYSIS

Results

For the period ended 30 June 2012 (the “Period”), revenue from the Group’s ongoing operations amounted to approximately RMB1,237,909,000 (2011: RMB1,184,772,000), representing an increase of 4% when compared to the corresponding period of last year. The profit attributable to owners of the Company for the Period amounted to approximately RMB22,929,000 (2011: RMB15,586,000), representing a growth of 47% over the corresponding period of last year. Earnings per share for the Period amounted to RMB6.13 cents (2011: RMB4.17 cents).

BUSINESS REVIEW

Sealed lead-acid (“SLA”) products

During the Period, the revenue from the Group’s core business of SLA batteries amounted to approximately RMB687,504,000 (2011: RMB748,196,000), representing a decrease of 8% when compared to the corresponding period of last year. When compared to the figure for the corresponding period of last year, sales volume of starter batteries for the Period slightly decreased by 2% to approximately 900,000 KVAH. The Group’s battery production facility in India is expected to be completed by the end of this year.

Lithium-ion batteries

The sales of mobile lithium-ion batteries for the Period amounted to approximately RMB379,248,000 (2011: RMB316,624,000), representing an increase of approximately 20% over the corresponding period of last year. The lithium polymer batteries, which were manufactured by the Group's factory in Zhuhai, recorded a rapid growth during the Period. The products are mainly supplied to manufacturers of smartphones and tablet PCs in the PRC and foreign countries. The current monthly capacity of lithium polymer batteries is 6 million pieces. The sales of lithium-polymer batteries for the Period amounted to approximately RMB233,582,000 (2011: RMB43,004,000), which was a surge of 443% over the corresponding period of last year. During the Period, we sold a total of 524 sets of electric vehicle batteries, including electric passenger vehicles, hybrid passenger vehicles, and electric sedans.

Online games

As one of the top ten online vendors in the PRC, Coslight has a variety of online games that are well-received by game players. Coslight has accumulated a lot of valuable experience in areas stretching from the constant reinforcement of “問道”, being its core products, to the expansion into the operation and development of other types of high-end games. Meanwhile, Coslight's product lines are becoming increasingly enriched and comprehensive. With the launch of “蜀山劍俠傳” last year, Coslight has established a presence in the market of horizontal version of fighting games. “靈魂戰神”, the flagship for the year, covers dual-way play of both actions and real-time tactics.

During the Period, the online game business contributed for the Group a gain of RMB50,759,000 (2011: RMB39,182,000), representing an increase of approximately 30% over the corresponding period of last year.

FINANCIAL REVIEW

Assets and liabilities

As at 30 June 2012, the Group had total assets of RMB5,467,708,000 (31.12.2011: RMB5,178,684,000) which were financed by current liabilities of RMB3,714,807,000 (31.12.2011: RMB3,409,926,000), non-current liabilities of RMB75,822,000 (31.12.2011: RMB79,328,000), equity attributable to owners of the Company of RMB1,502,757,000 (31.12.2011: RMB1,520,890,000) and non-controlling interests of RMB174,322,000 (31.12.2011: RMB168,540,000).

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 2012, the Group had bank and cash balances amounted to RMB400,519,000 (31.12.2011: RMB403,247,000). The total bank and other borrowings of the Group as at 30 June 2012 were approximately RMB1,490,932,000 (31.12.2011: RMB1,355,759,000). These borrowings carry interest ranging from 5.31% to 8.53% (31.12.2011: from 3.51% to 8.85%) per annum. All bank and other borrowings were used to finance the Group's capital expenditures and working capital requirements.

Gearing and liquidity ratio

The Group's gearing ratio, defined as the ratio between total bank and other borrowings and shareholders' equity, was 0.99 (31.12.2011: 0.89). The current ratio of the Group, represented by a ratio between current assets over current liabilities, was 0.94 (31.12.2011: 0.97).

Charges on group assets

As at 30 June 2012, certain prepaid lease payments and property, plant and equipment, and trade receivables of the Group with carrying value of RMB174,970,000 (31.12.2011: RMB163,405,000), and RMB231,462,000 (31.12.2011: RMB292,913,000) respectively, were pledged to secure bank borrowings of approximately RMB452,900,000 (31.12.2011: RMB324,200,000). 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 about 30%. 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.

The Group is expanding the production facilities of lithium polymer batteries. An additional monthly production capacity of 2 million pieces is expected to be added in the second half of 2012. The growth rate of lithium polymer batteries in the second half of the year will exceed that in the Period. The annual sales volume is expected to reach more than RMB450 million, which was an increase of approximately 80%.

Coslight's Online Games

With the evolvement of web game technologies and the popularity of smart mobile devices, web page games and mobile games products are accounting for higher and higher proportion in the online gaming industry. This is an indication that these games have been gradually received widespread acceptance and recognition from the public. With no doubt, we are always unwaveringly dedicated to carving out a niche in this horizon. Capitalizing on our R&D team, we are capable and confident of developing brand new, successful products with our own R&D efforts. These moves will be an important part for our product roll out, and an indispensable step for Coslight's strategic growth. One or two self-developed web games will be released this year. The Company places focused emphasis on the web games area, in which the Company has endeavoured to allocate relatively greater resources. For cell phone games, the Company is now in an exploration stage.

OTHER INFORMATION

Employees and remuneration policies

As of 30 June 2012, the Group hired a total of 9,669 (2011: 9,406) employees in the PRC. The Group has adopted continuous human resources development and training programs to maintain high level of product quality and customer services. Remuneration package is generally structured by reference to market conditions and individual performance.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

CODE ON CORPORATE GOVERNANCE PRACTICES

In November 2004, The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) introduced the Code on Corporate Governance Practices (the “Code”) to replace the Code of Best Practice in Appendix 14 of the Rules Governing the Listing Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and a new Appendix 23 stipulating the rules on the Corporate Governance Report. The Code which provides the code provisions and recommended best practices for corporate governance became effective on 1 January 2005. The Company has complied throughout the period ended 30 June 2012 with the Code as set out in Appendix 14 of the Listing Rules, except for the deviation from Code provision A.4.1 in respect of the service term of directors.

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

SECURITIES TRANSACTIONS BY DIRECTORS

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

AUDIT COMMITTEE

The Audit Committee of the Company comprises three independent non-executive directors, namely Mr. Li Zeng Lin, Dr. Yin Ge Ping and Mr. Xiao Jian Min with Mr. Li Zeng Lin as the chairman. The primary duties of the Audit Committee are to review and monitor the Group's financial reporting process and internal control system, as well as to provide relevant recommendations and advices to the Board. The unaudited interim results of the Group for the six months ended 30 June 2012 have been reviewed by the Audit Committee.

BOARD OF DIRECTORS

As at the date of this report, the Executive Directors of the Company are Mr. Song Dian Quan, Ms. Luo Ming Hua, Mr. Li Ke Xue, Mr. Xing Kai, Mr. Zhang Li Ming, Mr. Liu Xing Quan; and the Independent Non-Executive Directors are Mr. Li Zeng Lin, Dr. Yin Ge Ping, Mr. Xiao Jian Min.

By Order of the Board

SONG Dian Quan

Chairman

Harbin, the PRC, 30 August 2012