



2014 INTERIM REPORT



**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. 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,
Hong Kong

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
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2014

	Notes	Six months ended 30 June	
		2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Revenue	4	1,445,519	1,356,329
Cost of sales		(1,216,922)	(1,154,788)
Gross profit		228,597	201,541
Other income		15,840	14,561
Distribution and selling expenses		(66,586)	(73,123)
Administrative and other operating expenses		(175,636)	(109,332)
Finance costs	5	(56,508)	(55,294)
Share of results of associates		88,469	63,810
Profit before tax	6	34,176	42,163
Income tax expense	7	(1,114)	(5,259)
Profit for the period		33,062	36,904
Attributable to:			
Owners of the Company		27,324	33,866
Non-controlling interests		5,738	3,038
		33,062	36,904
Earnings per share			
– Basic and diluted	9	RMB7.30 cents	RMB9.05 cents

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2014

	Six months ended 30 June	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Profit for the period	33,062	36,904
Other comprehensive income for the period		
Items that may be subsequently reclassified to profit or loss:		
Exchange difference arising on translation	13,134	2,335
Reversal of deferred tax liability in respect of realisation on depreciation of property, plant and equipment	76	332
Other comprehensive income for the period	13,210	2,667
Total comprehensive income for the period	46,272	39,571
Total comprehensive income for the period attributable to:		
Owners of the Company	40,305	36,321
Non-controlling interests	5,967	3,250
	46,272	39,571

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

	Notes	At 30 June 2014 RMB'000 (Unaudited)	At 31 December 2013 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	10	1,618,335	1,517,281
Mining rights		–	–
Other intangible assets		4,288	4,235
Goodwill		29,012	29,012
Interests in associates	11	332,001	451,022
Prepaid lease payments		182,274	178,664
Deposits paid for acquisition of land		24,249	30,000
Deferred tax assets		41,999	37,125
		2,232,158	2,247,339
Current assets			
Inventories		836,927	732,613
Trade and other receivables	12	2,486,959	2,301,952
Prepaid lease payments		4,156	4,041
Amounts due from directors	16	53	862
Amounts due from related companies	16	67,431	63,419
Amounts due from non-controlling interests	16	308	587
Amounts due from associates	16	28,128	23,808
Pledged bank deposits		555,762	392,147
Bank balances and cash		233,029	360,430
		4,212,753	3,879,859
Current liabilities			
Trade and other payables	13	2,521,236	1,931,646
Amounts due to related companies	16	43,381	93,733
Amounts due to non-controlling interests	16	3,965	3,747
Amounts due to directors	16	2,695	2,676
Amounts due to associates	16	436,532	596,073
Tax payables		15,566	45,311
Bank borrowings	14	1,472,161	1,548,452
		4,495,536	4,221,638
Net current liabilities		(282,783)	(341,779)
Total assets less current liabilities		1,949,375	1,905,560

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 June 2014

	Note	At 30 June 2014 RMB'000 (Unaudited)	At 31 December 2013 RMB'000 (Audited)
Capital and reserves			
Share capital	15	40,010	40,010
Reserves		1,699,804	1,659,499
Equity attributable to owners of the Company		1,739,814	1,699,509
Non-controlling interests		77,184	71,217
Total equity		1,816,998	1,770,726
Non-current liabilities			
Deferred tax liabilities		23,198	23,735
Deferred government grants		109,179	111,099
		132,377	134,834
		1,949,375	1,905,560

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

	Attributable to owners of the Company							Non-controlling interests		
	Share capital	Special reserve	Statutory reserves	Revaluation reserve	Exchange reserve	Other reserve	Retained profits	Total	Total	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
At 1 January 2014 (Audited)	40,010	92,545	330,185	104,709	(104,391)	(48,357)	1,284,808	1,699,509	71,217	1,770,726
Profit for the period	-	-	-	-	-	-	27,324	27,324	5,738	33,062
Other comprehensive income for the period	-	-	-	76	12,905	-	-	12,981	229	13,210
Total comprehensive income for the period	-	-	-	76	12,905	-	27,324	40,305	5,967	46,272
Appropriation to statutory reserves	-	-	7,827	-	-	-	(7,827)	-	-	-
Realised on depreciation of property, plant and equipment	-	-	-	(3,021)	-	-	3,021	-	-	-
At 30 June 2014 (Unaudited)	40,010	92,545	338,012	101,764	(91,486)	(48,357)	1,307,326	1,739,814	77,184	1,816,998
At 1 January 2013 (Audited)	40,010	92,545	304,329	77,384	(105,998)	(18,362)	1,132,486	1,522,394	115,058	1,637,452
Profit for the period	-	-	-	-	-	-	33,866	33,866	3,038	36,904
Other comprehensive income for the period	-	-	-	332	2,123	-	-	2,455	212	2,667
Total comprehensive income for the period	-	-	-	332	2,123	-	33,866	36,321	3,250	39,571
Appropriation to statutory reserves	-	-	1,400	-	-	-	(1,400)	-	-	-
Acquisition of additional interest in subsidiary without change in control	-	-	-	-	-	(39,051)	-	(39,051)	(48,054)	(87,105)
Realised on depreciation of property, plant and equipment	-	-	-	(2,215)	-	-	2,215	-	-	-
At 30 June 2013 (Unaudited)	40,010	92,545	305,729	75,501	(103,875)	(57,413)	1,167,167	1,519,664	70,254	1,589,918

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2014

	Six months ended 30 June	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Net cash generated from operating activities	419,943	87,380
Net cash used in investing activities	(201,743)	(79,189)
Net cash used in financing activities	(345,720)	(15,031)
Net decrease in cash and cash equivalents	(127,520)	(6,840)
Cash and cash equivalents at beginning of period	360,430	392,154
Effect of foreign exchange rate changes	119	(657)
Cash and cash equivalents at 30 June, represented by bank balances and cash	233,029	384,657

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

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

2. BASIS OF PREPARATION

The condensed consolidated financial statements for the six months ended 30 June 2014 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 2013.

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties which are measured at revalued amounts, as appropriate.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2014 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2013 except as described below.

In the current interim period, the Group has applied, for the first time, the following new interpretation and amendment to Hong Kong Financial Reporting Standard ("HKFRS") issued by the HKICPA.

Amendments to HKFRS 10, HKFRS 11 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK (International Financial Reporting Interpretation Committee) – Interpretation 21	Levies

The application of the above new or revised standards, amendments and interpretations 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.

4. SEGMENT INFORMATION

For management purposes, the Group is currently organised into three major reporting 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, pharmaceutical products and mining (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 and liabilities

The following tables present segment assets and liabilities of the Group's operating segments as at 30 June 2014 and 31 December 2013:

As at 30 June 2014 (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	2,271,440	2,036,571	93,717	724,614	5,126,342
Interests in associates					332,001
Unallocated assets					986,568
Consolidated assets					6,444,911
LIABILITIES					
Segment liabilities	935,289	1,498,500	75,484	45,069	2,554,342
Unallocated liabilities					2,073,571
Consolidated liabilities					4,627,913

4. SEGMENT INFORMATION (CONTINUED)

(b) Segments assets and liabilities (Continued)

As at 31 December 2013 (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
ASSETS					
Segment assets	2,175,064	1,825,289	93,503	693,980	4,787,836
Interests in associates					451,022
Unallocated assets					888,340
Consolidated assets					6,127,198
LIABILITIES					
Segment liabilities	620,921	1,122,716	81,385	125,822	1,950,844
Unallocated liabilities					2,405,628
Consolidated liabilities					4,356,472

5. FINANCE COSTS

	Six months ended 30 June	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Interest on bank borrowings wholly repayable within five years	58,433	55,997
Less: interest expenses capitalised at a rate of 2.24% (six months ended 30 June 2013: 2.01%) per annum	(1,925)	(703)
	56,508	55,294

6. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Depreciation of property, plant and equipment	50,707	40,784
Amortisation of other intangible assets (included in administrative expenses)	34	22
Amortisation of prepaid lease payments (included in administrative expenses)	2,079	1,631
Impairment loss on trade receivables	21,940	–
Dividend income from associates	(117,490)	(28,061)
Interest income	(2,734)	(2,293)
Imputed interest income on other receivables	–	(239)
Loss on written off of property, plant and equipment	1,155	2,583
Deferred income in respect of government grants	(1,920)	(1,117)
Net exchange loss	1,774	1,162

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Current tax:		
PRC Enterprise Income Tax	6,449	6,234
Deferred tax	(5,335)	(975)
	1,114	5,259

8. INTERIM DIVIDEND

No dividends were paid, declared or proposed during the reporting periods. The directors of the Company do not recommend the payment of an interim dividend (six months ended 30 June 2013: nil).

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 RMB27,324,000 (six months ended 30 June 2013: RMB33,866,000) and the weighted average number of ordinary shares of 374,180,000 (six months ended 30 June 2013: 374,180,000) in issue during the period.

Since there were no potential dilutive shares in issue during the six months ended 30 June 2014 and 2013, basic and diluted earnings per share are the same for both periods.

10. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately RMB150,968,000 (six months ended 30 June 2013: approximately RMB150,517,000) on additions to property, plant and equipment. Net carrying value of property, plant and equipment being written off during the period was amounted to RMB1,155,000 (six months ended 30 June 2013: approximately RMB2,583,000).

In the opinion of the directors of the Company, the aggregate carrying amount of the Group's buildings, plant and machinery, furniture, fixtures and equipment and motor vehicles as at 30 June 2014 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 2014 RMB'000 (Unaudited)	At 31 December 2013 RMB'000 (Audited)
Costs of investments in unlisted associates	18,180	125,180
Share of post-acquisition profit and other comprehensive income	313,821	342,842
	332,001	468,022
Less: impairment loss	–	(17,000)
	332,001	451,022

11. INTERESTS IN ASSOCIATES (CONTINUED)

During the six months ended 30 June 2014, Coslight International Company Limited (“Coslight International”), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with an independent third party, Best Chance Technology Limited (“Best Chance”), pursuant to which Coslight International agreed to sell and Best Chance agreed to purchase 40% of equity interest of one of the associates, Cosstone Limited Liability Company (“CSL”) at a cash consideration of RMB90,000,000, which is same with the carrying amount of interest in CSL held by the Group at the date of disposal.

12. TRADE AND OTHER RECEIVABLES

	At 30 June 2014 RMB'000 (Unaudited)	At 31 December 2013 RMB'000 (Audited)
Trade and bills receivables	2,181,069	1,969,206
Less: impairment loss recognised	(166,400)	(144,460)
	2,014,669	1,824,746
Other receivables	472,290	477,206
	2,486,959	2,301,952

12. TRADE AND OTHER RECEIVABLES (CONTINUED)

The Group allows credit period ranging from 90 to 540 days (2013: 90 to 540 days) to its trade customers. The Group granted a longer credit period to individual customers based on financial strength of customers to maintain the loyal customers. The following is an ageing analysis of trade receivables net of impairment loss recognised on trade and bills receivables presented based on invoice date at the end of the reporting period.

	At 30 June 2014 RMB'000 (Unaudited)	At 31 December 2013 RMB'000 (Audited)
Within 90 days	1,051,152	967,987
91 days – 180 days	253,034	215,057
181 days – 270 days	206,897	221,716
271 days – 360 days	183,172	127,508
Over 1 year, but not exceeding 2 years	320,414	292,478
Trade and bills receivables	2,014,669	1,824,746

13. TRADE AND OTHER PAYABLES

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

	At 30 June 2014 RMB'000 (Unaudited)	At 31 December 2013 RMB'000 (Audited)
Within 30 days	978,418	545,386
31 days – 60 days	360,572	268,921
61 days – 90 days	232,635	265,762
91 days – 180 days	222,859	310,657
Over 180 days	228,116	114,852
Trade and bills payables	2,022,600	1,505,578
Other payables	498,636	426,068
	2,521,236	1,931,646

14. BANK BORROWINGS

During the period, the Group obtained new bank borrowings of approximately RMB1,086,571,000 (six months ended 30 June 2013: approximately RMB950,636,000) and repaid bank borrowings of approximately RMB1,164,202,000 (six months ended 30 June 2013: approximately RMB934,468,000).

Bank borrowings carrying interest at variable market rates ranging from 2.51% to 7.87% per annum (31 December 2013: 2.51% to 7.80% per annum) and have maturity periods ranging from one month to four years (31 December 2013: one month to four years).

Approximately RMB901,667,000 (31 December 2013: approximately RMB862,672,000) of the Group's bank borrowings are secured by land use rights, property, plant and 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 2014 and 31 December 2013	1,000,000	100,000	107,000
<i>Issued and fully paid:</i>			
At 30 June 2014 and 31 December 2013	374,180	37,418	40,010

16. 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	
		2014 RMB'000 (Unaudited)	2013 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	1,298	663
哈爾濱開關有限責任公司 Harbin Switch Company Limited* ("HBS")	Sales of finished goods	74	-

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

16. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(b) Balances

(1) Amounts due from related companies

Name of related companies	At 30 June 2014 RMB'000 (Unaudited)	At 31 December 2013 RMB'000 (Audited)
HBS	19,591	20,004
HGEWC	2,265	3,153
石家莊光宇高能電池材料有限公司 Shijia Zhuang Guangyu Battery Material Company Limited*	543	543
哈爾濱亞光新型隔板有限公司 Harbin Ya Guang Modern Separators Company Limited*	5,416	5,484
哈爾濱光宇電源廠 Harbin Guangyu Power Supply Factory*	-	478
Global Universe Development Limited	32,203	24,457
光宇延邊蓄電池有限責任公司	4,517	5,052
杭州光宇電源有限公司	-	482
深圳科詩特軟件有限公司	-	1,118
Lexel Battery (Japan) Company Limited	2,896	2,648
	67,431	63,419

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. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(b) Balances (Continued)

(2) Amounts due from/to associates/directors/non-controlling interests, amounts due to related companies

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

(c) Other arrangements

As at 30 June 2014, RMB165,764,000 (31 December 2013: RMB130,000,000) of the Group's bank borrowings were guaranteed by Mr. Song Dian Quan, a director of the Company.

(d) Compensation of key management personnel

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

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Short-term benefits	576	741
Post-employment benefits	29	26
	605	767

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

17. CAPITAL COMMITMENTS

	At 30 June 2014 RMB'000 (Unaudited)	At 31 December 2013 RMB'000 (Audited)
Capital expenditure authorised but not contracted for in respect of acquisition of property, plant and equipment and land use rights	30,000	30,000
Capital expenditure contracted for but not provided in the financial statements in respect of acquisition of property, plant and equipment and land use rights	91,440	118,831

18. CONTINGENT LIABILITIES

The Group has issued guarantees in respect of banking facilities granted to an independent third party of approximately RMB176,657,000 (31 December 2013: approximately RMB186,932,000) without charge. The aggregate amounts that could be required to be paid if the guarantees were called upon in entirety amounted to approximately RMB176,657,000 (31 December 2013: approximately RMB186,932,000), of which approximately RMB176,657,000 (31 December 2013: approximately RMB186,932,000) has been utilised by the independent third parties.

19. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair value.

REPORT OF THE BOARD

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

For the period ended 30 June 2014 (the “Period”), revenue for the Group’s continued operation amounted to approximately RMB1,445,519,000 (2013: RMB1,356,329,000), representing an increase of 6.6% over the same period last year. The profit attributable to owners of the Company for the Period amounted to approximately RMB27,324,000 (2013: RMB33,866,000). During the Period, earnings per share amounted to RMB7.30 cents (2013: RMB9.05 cents).

BUSINESS REVIEW

Sealed lead-acid (“SLA”) Products

During the Period, the revenue of SLA battery products was about RMB407,587,000, representing a decrease of 13.3% when compared to the corresponding period of last year. Gross margin of batteries for telecommunication base stations was put under pressure due to keen competition among peers in the industry and the rise in costs. We have strategically tied up stronger partnerships with domestic and international carriers in relation to the provision of a wide range of system solutions for lithium ferrite batteries, which replace traditional lead-acid battery products. Similarly, gross margin of automotive starter batteries dropped due to fierce competition in the market. During the Period, sales volume of automotive starter batteries reached approximately 580,000 KVAH.

Lithium Polymer Cells

In Zhuhai, the manufacturing of Lithium polymer cells continued to grow. Sales volume of lithium polymer cells was approximately 29,000,000 pieces, representing a surge of 29% over the corresponding period of last year. The major customers were famous enterprises such as Xiaomi, Coolpad and Lenovo. During the Period, we also obtained the certification of some foreign renowned brands and expected to begin placing orders to us in the second half year. We are expanding the production facilities for lithium polymer cells to meet the robust demand from the market. Sales amount of lithium polymer cells for the Period was approximately RMB617,545,000, rising by 28% as compared to last period.

Lithium Ferrite Batteries

The Group is enhancing closer business relationship with a number of famous domestic and foreign telecommunication carriers with a vision to offer a wide variety of system solutions for lithium ferrite batteries. In respect of the applications of lithium ferrite batteries in telecommunications base stations, the Group is exploring into overseas markets in India, Egypt, Turkey, Greece, Pakistan and Albania. In relation to lithium ferrite batteries, the Group keeps co-operating with domestic and foreign automobile manufacturers to provide a variety of system solutions for batteries that can be applied in electric vehicles. The co-operation between the Group and BAIC has already begun and over 100 units of pure electric vehicles were delivered in the first half year and the quantity of delivery is expected to increase significantly in the second half year. Total sales of electric vehicles batteries for the Period were 193 sets, including batteries for pure electric passenger vehicles, hybrid electric vehicles and pure electric vehicles (2013: 559 sets). Total sales volume of electric bicycle batteries and electric motorcycle batteries for the Period were 8,112 sets (2013: 6,405 sets).

Online Games

“問道” continued to release updated versions and attracted an increasing number of online users. Furthermore, the Group started to launch its own developed cell phone games. Online game business generated a profit contribution of RMB88,469,000 for the Group, representing an increase of approximately 38.6% over the corresponding period last year.

Top-up Placing Shares

On 27 June 2014, the Company and the Placing Agent entered into the Top-up Placing and Subscription Agreement, pursuant to which 30,000,000 Top-up Placing Shares were agreed to be placed through the Placing Agent at the Placing Price of HK\$5.40 per Share. The Top-up Placing Shares represented (i) approximately 8.02% of the existing issued share capital of the Company as at the date of this report and (ii) approximately 7.42% of the issued share capital of the Company as enlarged by the Top-up Subscription. The Top-up Subscription Shares will be issued pursuant to the General Mandate. The aggregate gross and net proceeds from the Top-up Subscription will be approximately HK\$162 million and approximately HK\$157 million respectively. The Company intends to utilise the net proceeds from the Top-up Subscription as to approximately HK\$50 million for the future development of lithium polymer batteries in Zhuhai and the remaining balance of approximately HK\$107 million as general working capital of the Group.

FINANCIAL REVIEW

Assets and liabilities

As at 30 June 2014, the Group had total assets of RMB6,444,911,000 (31.12.2013: RMB6,127,198,000) which were financed by current liabilities of RMB4,495,536,000 (31.12.2013: RMB4,221,638,000), non-current liabilities of RMB132,377,000 (31.12.2013: RMB134,834,000), equity attributable to owners of the Company of RMB1,739,814,000 (31.12.2013: RMB1,699,509,000) and non-controlling interests of RMB77,184,000 (31.12.2013: RMB71,217,000).

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 2014, the Group had bank and cash balances amounted to RMB233,029,000 (31.12.2013: RMB360,430,000). The total bank and other borrowings of the Group as at 30 June 2014 were approximately RMB1,472,161,000 (31.12.2013: RMB1,548,452,000). These borrowings carry interest ranging from 2.51% to 7.87% (31.12.2013: from 2.51% to 7.80%) 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 85% (31.12.2013: 91%). The current ratio of the Group, represented by a ratio between current assets over current liabilities, was 94% (31.12.2013: 92%).

Charges on group assets

As at 30 June 2014, certain prepaid lease payments and property, plant and equipment, and trade receivables of the Group with carrying value of RMB909,654,000 (31.12.2013: RMB960,925,000), and RMB156,403,000 (31.12.2013: RMB199,311,000) respectively, were pledged to secure bank borrowings of approximately RMB901,667,000 (31.12.2013: RMB862,672,000). 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

The project relating to the relocation of the existing production base in Harbin City to the Northern District of Harbin City is in progress, and relocation is expected to be arranged in 2015. The existing factory and land will be arranged according to the governmental planning.

Due to keen competition in the industry, 瀋陽東北蓄電池股份有限公司, a starter batteries manufacturing enterprise in Shenyang, is in a loss-making position and the Group plans to take measures in the second half year to reduce its losses.

The production capacity of lithium polymer cells in Zhuhai plant will be expanded from the current level of 6 million pieces per month to 10 million pieces per month by the end of this year and further to 20 million pieces per month by mid 2015. Due to its strong demand, the growth of lithium-polymer cells in the second half year is expected to be faster than the first half year, both gross margin and sales volume will achieve stable growth.

Coslight's games plan to launch 8-10 products in the second half year, of which, they include cell phone games, web games and major online games. It is expected that these new games will generate revenue for the Company and continue to reap promising returns for the shareholders of the Group.



OTHER INFORMATION

Employees and remuneration policies

As of 30 June 2014, the Group hired a total of 9,752 (2013: 9,552) 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 2014 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 of the Company.

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

SECURITIES TRANSACTIONS BY DIRECTORS OF THE COMPANY

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 of the Company, 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.

DISCLOSURE OF INTERESTS

(1) Directors

As at 30 June 2014, the interests of each Director in the shares, underlying shares and debentures of the Company (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

<u>Name of Director</u>	<u>Type of interests</u>	<u>Capacity</u>	<u>No. of shares held</u>	<u>Percentage of interest</u>
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	793	0.00%

Save as disclosed above, as at 30 June 2014, 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 30 June 2014, there were no other interest 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.

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 2014 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 and Mr. Xiao Jian Min.

By Order of the Board

SONG Dian Quan

Chairman

Harbin, the PRC, 29 August 2014

