



COSLIGHT TECHNOLOGY INTERNATIONAL GROUP LIMITED

Incorporated in Bermuda with limited liability
Stock Code : 1043

2015

INTERIM REPORT 



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., Lee Garden One
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

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
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 AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2015

	Notes	Six months ended 30 June	
		2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Revenue	4	1,658,130	1,445,519
Cost of sales		(1,390,546)	(1,216,922)
Gross profit		267,584	228,597
Other income		18,157	15,840
Loss on disposal of subsidiaries	6	(7,367)	–
Distribution and selling expenses		(48,345)	(66,586)
Administrative and other operating expenses		(196,371)	(175,636)
Finance costs	5	(59,354)	(56,508)
Share of results of associates		59,654	88,469
Profit before tax	8	33,958	34,176
Income tax expense	9	(14,206)	(1,114)
Profit for the period		19,752	33,062
Attributable to:			
Owners of the Company		20,157	27,324
Non-controlling interests		(405)	5,738
		19,752	33,062
Earnings per share	11		
– Basic and diluted		RMB4.99 cents	RMB7.30 cents

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

For the six months ended 30 June 2015

	Six months ended 30 June	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Profit for the period	19,752	33,062
Other comprehensive income for the period		
Items that may be subsequently reclassified to profit or loss:		
Exchange difference arising on translation	463	13,134
Reversal of deferred tax liability in respect of realisation on depreciation of property, plant and equipment	38	76
Other comprehensive income for the period	501	13,210
Total comprehensive income for the period	20,253	46,272
Total comprehensive income for the period attributable to:		
Owners of the Company	20,461	40,305
Non-controlling interests	(208)	5,967
	20,253	46,272

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

	Notes	At 30 June 2015 RMB'000 (Unaudited)	At 31 December 2014 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	12	1,750,047	1,704,444
Mining rights		–	–
Other intangible assets		4,211	4,249
Goodwill		25,957	25,957
Interests in associates	13	369,122	354,896
Prepaid lease payments		142,872	141,947
Deposits paid for acquisition of land		24,249	24,249
Other receivables	14	–	68,148
Deferred tax assets		33,976	31,845
		2,350,434	2,355,735
Current assets			
Inventories		1,127,184	844,081
Trade and other receivables	14	2,679,707	2,315,487
Prepaid lease payments		1,659	3,299
Amounts due from directors	18	–	363
Amounts due from related companies	18	82,509	61,053
Amounts due from non-controlling interests	18	–	127
Amounts due from associates	18	161,213	39,983
Pledged bank deposits		481,898	490,452
Bank balances and cash		228,202	250,894
		4,762,372	4,005,739
Current liabilities			
Trade and other payables	15	2,697,487	2,367,025
Amounts due to related companies	18	147,633	122,250
Amounts due to non-controlling interests	18	1,491	1,675
Amounts due to directors	18	2,713	2,381
Amounts due to associates	18	526,531	435,254
Tax payables		8,458	12,642
Bank borrowings	16	1,336,030	1,235,599
Obligations under finance lease		151,202	61,893
		4,871,545	4,238,719

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 June 2015

	Notes	At 30 June 2015 RMB'000 (Unaudited)	At 31 December 2014 RMB'000 (Audited)
Net current liabilities		(109,173)	(232,980)
Total assets less current liabilities		2,241,261	2,122,755
Capital and reserves			
Share capital	17	42,377	42,377
Reserves		1,792,848	1,769,402
Equity attributable to owners of the Company		1,835,225	1,811,779
Non-controlling interests		108,714	67,393
Total equity		1,943,939	1,879,172
Non-current liabilities			
Deferred tax liabilities		17,596	17,596
Obligations under finance lease		157,650	102,570
Deferred government grants		122,076	123,417
		297,322	243,583
		2,241,261	2,122,755

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015

	Attributable to owners of the Company									Non-controlling interests	
	Share capital RMB'000	Share Premium RMB'000	Special reserve RMB'000	Statutory reserves RMB'000	Revaluation reserve RMB'000	Exchange reserve RMB'000	Other reserve RMB'000	Retained profits RMB'000	Total RMB'000	Total RMB'000	Total RMB'000
At 1 January 2015 (Audited)	42,377	121,527	92,545	353,396	54,040	(100,809)	(49,753)	1,298,456	1,811,779	67,393	1,879,172
Profit for the period	-	-	-	-	-	-	-	20,157	20,157	(405)	19,752
Other comprehensive income for the period	-	-	-	-	38	266	-	-	304	197	501
Total comprehensive income for the period	-	-	-	-	38	266	-	20,157	20,461	(208)	20,253
Change in ownership interests in subsidiary that do not result in loss of control	-	-	-	-	-	-	2,985	-	2,985	39,708	42,693
Deemed disposal of subsidiaries	-	-	-	-	-	-	-	-	-	1,821	1,821
Realised on depreciation of property, plant and equipment	-	-	-	-	(1,507)	-	-	1,507	-	-	-
At 30 June 2015 (Unaudited)	42,377	121,527	92,545	353,396	52,571	(100,543)	(46,768)	1,320,120	1,835,225	108,714	1,943,939
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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2015

	Six months ended 30 June	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Net cash (used in) generated from operating activities	(197,757)	419,943
Net cash used in investing activities	(101,020)	(201,743)
Net cash generated from (used in) financing activities	277,085	(345,720)
Net decrease in cash and cash equivalents	(21,692)	(127,520)
Cash and cash equivalents at beginning of period	250,894	360,430
Effect of foreign exchange rate changes	(1,000)	119
Cash and cash equivalents at 30 June, represented by bank balances and cash	228,202	233,029

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

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 consolidated financial statements are presented in Renminbi (“RMB”), which is also the functional currency of the Company and its subsidiaries in the People’s Republic of China (the “PRC”). Other than those PRC subsidiaries, the functional currencies of those subsidiaries established in India is denoted in Indian Rupee (“INR”).

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

2. BASIS OF PREPARATION

The condensed consolidated financial statements for the six months ended 30 June 2015 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 2014.

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 2015 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2014 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	Annual Improvements to HKFRSs 2010 – 2012 Cycle
Amendments to HKFRS	Annual Improvements to HKFRSs 2011 – 2013 Cycle
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions

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 sale 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 2015 and 31 December 2014:

As at 30 June 2015 (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	1,748,965	3,330,344	92,179	557,018	5,728,506
Interests in associates					369,122
Unallocated assets					1,015,178
Consolidated assets					7,112,806
LIABILITIES					
Segment liabilities	520,141	2,184,605	78,476	236,381	3,019,603
Unallocated liabilities					2,149,264
Consolidated liabilities					5,168,867

4. SEGMENT INFORMATION (CONTINUED)

(b) Segments assets and liabilities (Continued)

As at 31 December 2014 (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	2,155,124	2,278,130	94,341	557,536	5,085,131
Interests in associates					354,896
Unallocated assets					921,447
Consolidated assets					6,361,474
LIABILITIES					
Segment liabilities	400,539	1,927,782	83,188	214,419	2,625,928
Unallocated liabilities					1,856,374
Consolidated liabilities					4,482,302

5. FINANCE COSTS

	Six months ended 30 June	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Interest on bank borrowings wholly repayable within five years	59,354	58,433
Less: interest expenses capitalised (six months ended 30 June 2014: 2.24%)	–	(1,925)
	59,354	56,508

6. DISPOSAL OF SUBSIDIARIES

During the six months ended 30 June 2015, the Group entered into sale agreements to dispose of two subsidiaries of the Group, 伊春光宇投資有限公司 and 河南光宇礦業有限公司, to independent third parties for a total consideration of RMB4,000,000.

The net assets of those disposed subsidiaries at their respective dates of disposal were as follows:

	RMB'000 (Unaudited)
Net assets disposed of	9,546
Less: Non-controlling interest	1,821
	11,367
Loss on disposal of subsidiaries	(7,367)
Total cash consideration	4,000
Net cash inflow arising on disposal	
Cash consideration received	4,000
Bank balances and cash disposed of	(25)
	3,975

6. DISPOSAL OF SUBSIDIARIES (CONTINUED)

The subsidiaries disposed of had no significant impact on the results and cash flows of the Group for the six months ended 30 June 2015 and 2014.

7. DISPOSAL OF NON-CONTROLLING INTERESTS

In prior year, the Group entered into sale and purchase agreements in regarding to the disposal of 8.20% equity interest on a subsidiary 哈爾濱光宇電源股份有限公司 to independent third parties, for a cash consideration of RMB42,693,000. The amount was fully settled in cash and the transaction was completed during the period.

8. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Depreciation of property, plant and equipment	68,815	50,707
Amortisation of other intangible assets (included in administrative expenses)	38	34
Amortisation of prepaid lease payments (included in administrative expenses)	1,679	2,079
Impairment loss on trade receivables	16,783	21,940
Dividend income from associates	(53,617)	(117,490)
Reversal of impairment on trade and other receivables	(2,854)	–
Interest income	(3,456)	(2,734)
Written off of property, plant and equipment	18	1,155
Deferred income in respect of government grants	(1,341)	(1,920)
Loss on disposal of property, plant and equipment	199	–
Net exchange (gain) loss	(3,713)	1,774

9. INCOME TAX EXPENSE

	Six months ended 30 June	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Current tax:		
PRC Enterprise Income Tax	16,337	6,449
Deferred tax	(2,131)	(5,335)
	14,206	1,114

10. 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 2014: nil).

11. 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 RMB20,157,000 (six months ended 30 June 2014: RMB27,324,000) and the weighted average number of ordinary shares of 404,180,000 (six months ended 30 June 2014: 374,180,000) in issue during the period.

Since there were no potential dilutive shares in issue during the six months ended 30 June 2015 and 2014, basic and diluted earnings per share are the same for both periods.

12. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately RMB121,002,000 (six months ended 30 June 2014: approximately RMB150,968,000) on additions to property, plant and equipment. Net carrying value of property, plant and equipment being written off during the period amounted to RMB18,000 (six months ended 30 June 2014: approximately RMB1,155,000).

During the period, net carrying value of property, plant and equipment amounted to approximately RMB1,623,000 were disposed of, with loss on disposal on property, plant and equipment of RMB199,000 was recognised in profit or loss. (six months ended 30 June 2014: nil).

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 2015 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.

13. INTERESTS IN ASSOCIATES

	At 30 June 2015 RMB'000 (Unaudited)	At 31 December 2014 RMB'000 (Audited)
Costs of investments in unlisted associates	33,380	33,380
Share of post-acquisition profit and other comprehensive income	335,742	321,516
	369,122	354,896

14. TRADE AND OTHER RECEIVABLES

	At 30 June 2015 RMB'000 (Unaudited)	At 31 December 2014 RMB'000 (Audited)
Trade and bills receivables	2,118,469	1,958,775
Less: impairment loss recognised	(137,594)	(123,629)
	1,980,875	1,835,146
Other receivables	698,832	548,489
	2,679,707	2,383,635

The Group allows credit period ranging from 90 to 540 days (2014: 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 2015 RMB'000 (Unaudited)	At 31 December 2014 RMB'000 (Audited)
Within 90 days	1,067,221	945,642
91 days – 180 days	289,400	371,735
181 days – 270 days	212,388	168,635
271 days – 360 days	183,068	133,356
Over 1 year, but not exceeding 2 years	228,798	215,778
Trade and bills receivables	1,980,875	1,835,146

15. 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 2015 RMB'000 (Unaudited)	At 31 December 2014 RMB'000 (Audited)
Within 30 days	1,234,658	1,141,794
31 days – 60 days	229,182	237,621
61 days – 90 days	232,966	120,175
91 days – 180 days	392,394	150,038
Over 180 days	80,972	180,488
Trade and bills payables	2,170,172	1,830,116
Other payables	527,315	536,909
	2,697,487	2,367,025

16. BANK BORROWINGS

During the period, the Group obtained new bank borrowings of approximately RMB1,003,464,000 (six month ended 30 June 2014: approximately RMB1,086,571,000) and repaid bank borrowings of approximately RMB905,196,000 (six month ended 30 June 2014: approximately RMB1,164,202,000).

Bank borrowings carry interest at variable market rates ranging from 2.31% to 9.00% per annum (31 December 2014: 2.51% to 9.00% per annum) and have maturity periods ranging from one month to four years (31 December 2014: one month to four years).

Approximately RMB795,316,000 (31 December 2014: approximately RMB745,735,000) 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.

17. 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 2015 and 31 December 2014	1,000,000	100,000	107,000
<i>Issued and fully paid:</i>			
At 30 June 2015 and 31 December 2014	404,180	40,418	42,377

18. 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	
		2015 RMB'000 (Unaudited)	2014 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	4,976	1,298
天津啟新明動科技有限責任公司	Provision of online game service	13,181	–

18. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(a) Transactions (Continued)

Transactions with related parties (Continued)

Name of related parties	Nature of transactions	Six months ended 30 June	
		2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
北京光宇在綫科技有限責任公司	Provision of online game service	11,807	–
哈爾濱開關有限責任公司 Harbin Switch Company Limited* ("HBS")	Sales of goods	7	74

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

18. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(b) Balances

(1) Amounts due from related companies

Name of related companies	At 30 June 2015 RMB'000 (Unaudited)	At 31 December 2014 RMB'000 (Audited)
HBS	18,412	18,294
HGEWC	–	3,299
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*	71	71
哈爾濱光宇電源廠 Harbin Guangyu Power Supply Factory*	–	437
Global Universal Development Limited 光宇延邊蓄電池有限責任公司	60,476	33,989
杭州光宇電源有限公司	482	482
天津啟新明動科技有限責任公司	3,621	–
	83,605	62,149
Less: allowance for doubtful debts	(1,096)	(1,096)
	82,509	61,053

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.*

18. 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 2015, RMB250,000,000 (31 December 2014: RMB150,000,000) of the Group's bank borrowings were guaranteed by Mr. Song Dian Quan, a director of the Company.

As at 30 June 2015, Mr. Song Dian Quan executed a share charge, under which Mr. Song Dian Quan pledges 155,000,000 shares of the Company held by himself as a security for a revolving credit loan facility of an amount up to RMB270,000,000 from PRC banks for the period from 23 March 2015 to 13 April 2016. Such facilities are for the purpose of procurement of raw materials. Detail of the share charge are set out in the announcements of the Company dated 10 March 2015, 26 March 2015 and 16 April 2015.

(d) Compensation of key management personnel

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

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Short-term benefits	722	576
Post-employment benefits	35	29
	757	605

18. RELATED PARTY TRANSACTIONS AND BALANCES *(CONTINUED)*

(d) Compensation of key management personnel *(Continued)*

The remuneration 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.

19. CAPITAL COMMITMENTS

	At 30 June 2015 RMB'000 (Unaudited)	At 31 December 2014 RMB'000 (Audited)
Capital expenditure contracted for but not provided in the financial statements in respect of acquisition of property, plant and equipment and land use rights	333,139	71,150

20. CONTINGENT LIABILITIES

The Group has issued guarantees in respect of banking facilities granted to an independent third party and an associate of approximately RMB501,292,000 (31 December 2014: approximately RMB545,368,000) without charge. The aggregate amounts that could be required to be paid if the guarantees were called upon in entirety amounted to approximately RMB501,292,000 (31 December 2014: approximately RMB545,368,000), of which approximately RMB501,292,000 (31 December 2014: approximately RMB545,368,000) has been utilised by an independent third party and an associate.

21. 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 2015 (the “Period”), turnover from the Group’s continuing operation amounted to approximately RMB1,658,130,000 (2014: RMB1,445,519,000), representing an increase of 15% over the same period last year. The profit attributable to owners of the Company for the Period decreased by 26% to approximately RMB20,157,000 (2014: RMB27,324,000). Earnings per share for the Period was RMB4.99 cents (2014: RMB7.30 cents).

DIVIDEND

The Board does not recommend the payment of an interim dividend to the shareholders for the Period (2014: nil).

BUSINESS REVIEW

Sealed lead-acid (“SLA”) Battery Products

During the Period, turnover from SLA Battery products was approximately RMB343,300,000 (2014: RMB407,587,000), representing a decrease of 16% when compared to last year, which was mainly due to a drop in production volume. Sales volume drop was due to the relocation of our factory, which have affected our production capacity. Furthermore, keen industry competition was squeezing the gross profit margin of our telecommunication base station battery business. We expect to return normal upon the completion of the relocation by the end of the year.

Lithium Polymer Batteries

The sales volume of lithium polymer batteries produced at our production facilities in Zhuhai grew continuously to approximately 39,000,000 pieces (2014: 29,000,000 pieces), representing a surge of 34% over last year. Our major customers included both famous domestic and foreign mobile phone and computer brands. During the Period, we passed the certification of other domestic and foreign brands, who will probably place orders in the second half of the year. To cope with increasing market demand, we are expanding our lithium polymer battery production facility. We have launched new 4.4V high-voltage products and batteries for drones with the aim of expanding into new markets and increasing our sales volume. Due to keen market competition and rising costs, gross profit margin for the Period further declined. Sales of lithium polymer batteries for the Period amounted to approximately RMB797,806,000 (2014: RMB617,545,000), representing an increase of 29% when compared to the corresponding period last year.

Lithium Ferrite Batteries

Thanks to the rebound of the Indian market, we obtained US\$50 million worth of orders, which are expected to be delivered within the year. For power batteries, we carried on the collaboration with various domestic and foreign auto makers to provide battery system solutions for electric vehicles. We have delivered to BAIC 1,420 units of battery systems for vehicles run solely on electricity in the first half of the year, and expect the number will rise even further in the second half of the year. Sales volume of electric bicycle batteries and electric motorcycle batteries for the Period was approximately 3,061 sets (2014: 8,112 sets).

Online Games

We regularly release updated versions of “問道” and attracted an increasing number of interested online players. We also launched several games during the Period. The online game business generated a profit of RMB79,363,000 (2014: RMB88,469,000) for the Group, dropped by approximately 10% when compared to the corresponding period last year.

FINANCIAL REVIEW

Assets and liabilities

As at 30 June 2015, the Group had total assets of RMB7,112,806,000 (31.12.2014: RMB6,361,474,000) which were financed by current liabilities of RMB4,871,545,000 (31.12.2014: RMB4,238,719,000), non-current liabilities of RMB297,322,000 (31.12.2014: RMB243,583,000), equity attributable to owners of the Company of RMB1,835,225,000 (31.12.2014: RMB1,811,779,000) and non-controlling interests of RMB108,714,000 (31.12.2014: RMB67,393,000).

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 2015, the Group had bank and cash balances amounted to RMB228,202,000 (31.12.2014: RMB250,894,000). The total bank and other borrowings of the Group as at 30 June 2015 were approximately RMB1,336,030,000 (31.12.2014: RMB1,235,599,000). These borrowings carry interest ranging from 2.31% to 9.00% (31.12.2014: from 2.51% to 9.00%) 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% (31.12.2014: 75%). The current ratio of the Group, represented by a ratio between current assets over current liabilities, was 98% (31.12.2014: 95%).

Charges on group assets

As at 30 June 2015, certain prepaid lease payments and property, plant and equipment, and trade receivables of the Group with carrying values of RMB593,057,571 (31.12.2014: RMB589,029,000) and RMB165,073,959 (31.12.2014: RMB133,408,000) respectively, were pledged to secure bank borrowings of approximately RMB795,316,000 (31.12.2014: RMB745,735,000). 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 lithium polymer battery production capacity of our production facilities in Zhuhai will jump from the current level of 10 million pieces per month to 13 million pieces per month by the end of the year. Attributable to the strong demand, the lithium-ion polymer battery business is expected to grow even faster in the second half of the year with improving gross profit margin and steadily rising sales.

In terms of power batteries, in view of a surge in orders from the Indian market as well as the growing demand for new energy electric vehicles, we expect the sales revenue to rocket up in the second half of the year whilst gross margin significantly improved.

Due to the robust demand for power batteries, we have started to expand capacity by 80% towards the end of the year. By 2016, the designed capacity will reach RMB1.5 billion. The second phase of the expansion plan will further increase capacity by RMB800 million at the end of 2016. The total capacity will reach RMB2.3 billion by 2017.

We plan to launch 4 to 8 games, including mobile games, web games and major online games, in the second half of the year. 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 2015, the Group hired a total of 9,238 (2014: 9,672) employees in the PRC. The Group has adopted continuous human resources development and training programmes 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.

CORPORATE GOVERNANCE CODE

Throughout the reporting period, the Company has applied and complied with the code provisions in the Corporate Governance Code (the “CG Code”) 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 code 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 (the "Model Code") as set out in Appendix 10 to 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 2015, 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	64.41%
LUO Ming Hua	Personal	Beneficial owner	3,186,027	0.79%
LI Ke Xue	Personal	Beneficial owner	668,793	0.17%
XING Kai	Personal	Beneficial owner	526,793	0.13%
LIU Xing Quan	Personal	Beneficial owner	793	0.00%

Save as disclosed above, as at 30 June 2015, 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 2015, 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 2015 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 and 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, 31 August 2015