

## CORPORATE INFORMATION

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**Deloitte  
Touche  
Tohmatsu**

## INDEPENDENT REVIEW REPORT

TO THE BOARD OF DIRECTORS OF  
**COSLIGHT TECHNOLOGY INTERNATIONAL GROUP LIMITED**

*(incorporated in Bermuda with limited liability)*

### Introduction

We have been instructed by the Company to review the interim financial report set out on pages 5 to 22.

### Directors' responsibilities

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") require the preparation of an interim financial report to be in compliance with Statement of Standard Accounting Practice No. 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors.

### Review work performed

We conducted our review in accordance with Statement of Auditing Standards 700 "Engagements to review interim financial reports" issued by the Hong Kong Society of Accountants. A review consists principally of making enquiries of group management and applying analytical procedures to the interim financial report and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

### **Review conclusion**

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30th June, 2002.

### **Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong, 10th September, 2002

**Condensed Consolidated Income Statement**

FOR THE SIX MONTHS ENDED 30TH JUNE, 2002

	Notes	Six months ended	
		30.6.2002 RMB'000 (Unaudited)	30.6.2001 RMB'000 (Unaudited)
Turnover	3	207,703	203,254
Cost of sales		(101,597)	(99,857)
Gross profit		106,106	103,397
Other revenue		7,462	3,242
Distribution costs		(36,311)	(38,833)
Administrative expenses		(19,524)	(18,614)
Profit from operations		57,733	49,192
Finance costs		(6,930)	(6,339)
Loss on deemed disposal of subsidiaries		(675)	–
Profit before taxation		50,128	42,853
Taxation (charge) credit	5	(71)	4,683
Profit before minority interests		50,057	47,536
Minority interests		39	218
Net profit for the period		50,096	47,754
Proposed interim dividend	6	11,075	10,101
Earnings per share			
– Basic	7	13.80 cents	13.15 cents
– Diluted	7	13.78 cents	N/A

**Condensed Consolidated Balance Sheet**

AS AT 30TH JUNE, 2002

	<i>Notes</i>	<b>30.6.2002</b> <b>RMB'000</b> <b>(Unaudited)</b>	31.12.2001 RMB'000 (Audited)
<b>Non-current assets</b>			
Property, plant and equipment	8	<b>258,973</b>	245,144
Patents		<b>4,344</b>	1,968
		<b>263,317</b>	247,112
<b>Current assets</b>			
Inventories		<b>48,956</b>	35,922
Trade and other receivables	9	<b>474,252</b>	400,652
Amounts due from directors	13	<b>2,089</b>	710
Amounts due from related companies	13	<b>7,310</b>	3,139
Taxation recoverable		<b>2,936</b>	2,936
Pledged bank deposits		<b>848</b>	1,516
Bank balances and cash		<b>43,971</b>	95,030
		<b>580,362</b>	539,905
<b>Current liabilities</b>			
Trade and other payables	10	<b>123,978</b>	108,356
Amounts due to related companies	13	<b>7,843</b>	9,136
Borrowings – due within one year	11	<b>244,880</b>	237,880
Taxation payable		<b>26</b>	–
		<b>376,727</b>	355,372
<b>Net current assets</b>		<b>203,635</b>	184,533
		<b>466,952</b>	431,645

		<b>30.6.2002</b>	31.12.2001
	<i>Note</i>	<b>RMB'000</b>	RMB'000
		<b>(Unaudited)</b>	(Audited)
Capital and reserves			
Share capital	12	<b>38,850</b>	38,850
Share premium		<b>67,479</b>	67,479
Special reserve		<b>34,583</b>	34,583
Statutory reserves		<b>80,502</b>	80,502
Revaluation reserve		<b>27,951</b>	27,951
Exchange reserve		<b>150</b>	150
Accumulated profits		<b>211,129</b>	180,458
Shareholders' funds		<b>460,644</b>	429,973
Minority interests		<b>6,308</b>	1,672
		<b>466,952</b>	431,645

**Condensed Consolidated Statement of Changes in Equity**

FOR THE SIX MONTHS ENDED 30TH JUNE, 2002

	Share capital	Share premium	Special reserve	Statutory reserves	Re- valuation reserve	Exchange reserve	Accu- mulated profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1st January, 2001	38,850	67,479	34,583	58,949	27,366	150	123,416	350,793
Profit for the period	-	-	-	-	-	-	47,754	47,754
Transfer	-	-	-	2,058	-	-	(2,058)	-
Dividend paid	-	-	-	-	-	-	(19,425)	(19,425)
At 30th June, 2001	38,850	67,479	34,583	61,007	27,366	150	149,687	379,122
Revaluation increase not recognised in the income statement	-	-	-	-	585	-	-	585
Profit for the period	-	-	-	-	-	-	60,367	60,367
Transfer	-	-	-	19,495	-	-	(19,495)	-
Dividend paid	-	-	-	-	-	-	(10,101)	(10,101)
At 31st December, 2001 and 1st January, 2002	38,850	67,479	34,583	80,502	27,951	150	180,458	429,973
Profit for the period	-	-	-	-	-	-	50,096	50,096
Dividend paid	-	-	-	-	-	-	(19,425)	(19,425)
At 30th June, 2002	38,850	67,479	34,583	80,502	27,951	150	211,129	460,644

**Condensed Consolidated Cash Flow Statement**

FOR THE SIX MONTHS ENDED 30TH JUNE, 2002

	<b>30.6.2002</b>	30.6.2001
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
		(Restated)
Net cash used in operating activities	<b>(40,144)</b>	(16,016)
Net cash used in investing activities	<b>(19,415)</b>	(39,724)
Net cash from financing activities	<b>8,500</b>	15,500
Decrease in cash and cash equivalents	<b>(51,059)</b>	(40,240)
Cash and cash equivalents at beginning of the period	<b>95,030</b>	56,749
Cash and cash equivalents at end of the period, represented by bank balances and cash	<b>43,971</b>	16,509



## Notes to the Condensed Financial Statements

FOR THE SIX MONTHS ENDED 30TH JUNE, 2002

### 1. Basis of Preparation

The condensed financial statements 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 of Hong Kong Limited and with Statement of Standard Accounting Practice (“SSAP”) No. 25 “Interim Financial Reporting”.

### 2. Principal Accounting Policies

The condensed financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain property, plant and equipment.

The accounting policies adopted are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31st December, 2001, except as described below.

In the current period, the Group has adopted, for the first time, a number of new and revised SSAPs issued by the Hong Kong Society of Accountants, which has resulted in the adoption of the following new and revised accounting policy. The adoption of these standards has resulted in a change in the format of presentation of the cash flow statement and the statement of changes in equity but has had no material effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

### Cash Flow Statements

In the current period, the Group has adopted SSAP 15 (Revised) "Cash Flow Statements". Under SSAP15 (Revised), cash flows are classified under three headings – operating, investing and financing, rather than the previous five headings. Interest and dividends, which were previously presented under a separate heading, are classified as operating cash flows. Cash flows arising from taxes on income are classified as operating activities, unless they can be separately identified with investing or financial activities. The reclassification of operating, investing and financing activities has resulted in a restatement of the comparative amounts shown in the cash flow statement.

### 3. Segment Information

#### Business segments

#### 2002

	Manufacture and sale of sealed lead acid batteries and accessories RMB'000	Manufacture and sale of lithium ion batteries RMB'000	Consolidated RMB'000
<b>TURNOVER</b>			
External sales	190,321	17,382	207,703
<b>RESULT</b>			
Segment result	71,286	5,971	77,257
Unallocated corporate expenses			(19,524)
Profit from operations			57,733

2001	Manufacture and sale of sealed lead acid batteries and accessories RMB'000	Manufacture and sale of lithium ion batteries RMB'000	Consolidated RMB'000
<b>TURNOVER</b>			
External sales	200,944	2,310	203,254
<b>RESULT</b>			
Segment result	67,522	(560)	66,962
Unallocated corporate expenses			(17,770)
Profit from operations			49,192

#### Geographical segments

The Group is principally engaged in the sale of sealed lead acid batteries and lithium ion batteries and substantially all of its activities are based in the People's Republic of China (the "PRC"). Accordingly, no geographical analysis of financial information is provided.

#### 4. Depreciation and Amortisation

During the period, depreciation of RMB9,439,000 (six months ended 30th June, 2001: RMB6,436,000) was charged in respect of the Group's property, plant and equipment and amortisation of RMB160,000 (six months ended 30th June, 2001: RMB216,000) was charged in respect of the Group's patents.

## 5. Taxation (Charge) Credit

	Six months ended	
	30.6.2002 RMB'000	30.6.2001 RMB'000
The (charge) credit comprises:		
PRC enterprise income tax	(71)	–
Deferred tax credit	–	4,683
	<b>(71)</b>	<b>4,683</b>

No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from, Hong Kong.

Pursuant to the relevant laws and regulations in the PRC, certain of the Group's PRC subsidiaries are entitled to exemption from PRC enterprise income tax for the first two years commencing from their first profit-making years of operation and thereafter, these PRC subsidiaries will be entitled to a 50% relief from PRC enterprise income tax for the following three years.

One (2001: none) of the major operating subsidiaries of the Company is subject to income tax in the PRC in the current year. The charge of PRC enterprise income tax for the period ended 30th June, 2002 was subject to a rate of 12%. This subsidiary has been established as a wholly foreign-owned enterprise under the laws of the PRC and has obtained the approval from the PRC tax bureau for the exemption from the above-mentioned PRC enterprise income tax for two years followed by a 50% relief for the following three years. The tax relief for this subsidiary commenced from January 2000.

In previous years, one of the subsidiaries was subject to the income tax in the PRC at a rate of 7.5%. Subsequently, the subsidiary was converted to a wholly foreign-owned enterprise under the laws of the PRC and has obtained approval from the PRC Tax Bureau to have its tax exemption effective since 1st January, 2001. Therefore, the deferred taxation provided in 2000 for the temporary timing

difference on sales and related expenses under accounting and tax rules was then reversed in 2001.

## 6. Dividends

On 14th May, 2002, a dividend of 5HK cents (2001: 5HK cents) per share, shown in the financial statements as RMB0.0535 (2001: RMB0.0535) per share, was paid to shareholders as the final dividend for 2001.

The directors have determined that an interim dividend of 2.6 HK cents (2001: 2.6HK cents) per share, shown in the financial statements as RMB0.02782 (2001: RMB0.02782) per share, should be paid to the shareholders of the Company whose names appear in the Register of Members on 15th October, 2002.

## 7. Earnings per Share

The calculation of the basic and diluted earnings per share for the period is based on the following data:

	<b>Six months ended</b>	
	<b>30.6.2002</b>	30.6.2001
	<b>RMB'000</b>	RMB'000
Earning:		
Net profit for the period and earning for the purposes of basic and diluted earnings per share	<b>50,096</b>	47,754
Number of shares:		
	<b>'000</b>	'000
Weighted average number of ordinary shares for the purposes of basic earnings per share	<b>363,080</b>	363,080
Effect of dilutive potential ordinary shares in respect of share options	<b>495</b>	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b>363,575</b>	363,080

## 8. Additions to Property, Plant and Equipment

During the period, the Group spent approximately RMB18,704,000 (six months ended 30th June, 2001: approximately RMB38,578,000) on addition to manufacturing plant in order to expand its manufacturing capabilities.

At 30th June, 2002, the directors have considered the carrying amount of the Group's buildings and land use rights, plant and machinery and motor vehicles and have estimated that the carrying amounts do not differ significantly from that which would be determined using fair values at the balance sheet date. Consequently, no revaluation surplus or deficit has been recognised in the current period.

## 9. Trade and other Receivables

The credit terms given to the customers vary from 3 months to 9 months and are generally based on the financial strength of the individual customers. The following is an aged analysis of accounts receivable at the reporting date:

	<b>30.6.2002</b>	31.12.2001
	<b>RMB'000</b>	RMB'000
Within 90 days	<b>126,648</b>	102,418
More than 90 days, but not exceeding 180 days	<b>95,004</b>	111,310
More than 180 days, but not exceeding 270 days	<b>82,456</b>	71,380
More than 270 days, but not exceeding 360 days	<b>58,454</b>	34,037
More than 360 days	<b>54,432</b>	46,759
Trade receivables	<b>416,994</b>	365,904
Other receivables	<b>57,258</b>	34,748
	<b>474,252</b>	400,652

## 10. Trade and other Payables

The following is an aged analysis of accounts payable at the reporting date:

	<b>30.6.2002</b>	31.12.2001
	<b>RMB'000</b>	RMB'000
Within 30 days	<b>12,670</b>	4,736
More than 30 days, but not exceeding 60 days	<b>4,533</b>	13,427
More than 60 days, but not exceeding 90 days	<b>6,230</b>	3,379
More than 90 days, but not exceeding 180 days	<b>25,586</b>	7,341
Over 180 days	–	5,737
Trade payables	<b>49,019</b>	34,620
Other payables	<b>74,959</b>	73,736
	<b>123,978</b>	108,356

## 11. Borrowings

During the period, the Group obtained new bank loans in the amount of RMB102,900,000 and repaid bank loans of RMB95,900,000. The new bank loan bears interest at market rates and are repayable within one year. The proceeds were used to finance the working capital of the Group.

## 12. Share Capital

	Number of shares		Amount in original currency		Shown in the financial statements as:	
	30.6.2002	31.12.2001	30.6.2002	31.12.2001	30.6.2002	31.12.2001
	'000	'000	HK\$'000	HK\$'000	RMB'000	RMB'000
Ordinary shares of HK\$0.10 each						
Authorised	<b>1,000,000</b>	1,000,000	<b>100,000</b>	100,000	<b>107,000</b>	107,000
Issued and fully paid	<b>363,080</b>	363,080	<b>36,308</b>	36,308	<b>38,850</b>	38,850

There were no movements in the share capital of the Company for the period.

None of the Company's subsidiaries have purchased, sold or redeemed any of the Company's listed securities during the period.



### 13. Related Party Transactions and Balances

During the period, the Group had certain transactions and balances with related parties. Details of transactions and balances with these related parties are as follows:

#### (a) Transactions

Names of related parties	Nature of transactions	Six months ended	
		30.6.2002 RMB'000	30.6.2001 RMB'000
哈爾濱亞光新型隔板有限公司 Harbin Ya Guang Modern Separators Company Limited ("HB Ya Guang")	Purchase of raw materials	1,527	9,206
	Rental income received in respect of leasehold land and buildings	-	80
	Electricity and water expenses	-	90
	Sundry services income received	-	5
北京兆唐科技有限公司 Beijing Zhaotang Science and Technology Company Limited ("BJ Zhaotang")	Purchase of raw materials	82	658
	Sales of goods	(229)	-
光宇延邊蓄電池有限公司 Guang Yu Yan Bian Storage Battery Company Limited ("GY Yan Bian")	Purchase of goods	-	2,850

Names of related parties	Nature of transactions	Six months ended	
		30.6.2002 RMB'000	30.6.2001 RMB'000
石家莊光宇高能電池材料 有限公司 Shijia Zhuang Guangyu Battery Material Co., Ltd. ("SZGBM")	Purchase of goods	1,390	-
深圳力可興電池有限公司 Shenzhen Like Xing Battery Co., Ltd. ("SZ Like Xing")	Purchase of raw materials	52	-
哈爾濱開關有限責任公司 Harbin Switch Co., Ltd ("HBS")	Sales of goods	(170)	-

The transaction prices were determined by reference to market prices for similar transactions.

## (b) Balances

## (1) Amounts due from directors

Particulars of the amounts due from directors are as follows:

	<b>Balance at 30.6.2002 RMB'000</b>	Balance at 1.1.2002 RMB'000	Maximum amount outstanding during the period RMB'000
宋殿權 Song Dian Quan	1,465	389	1,465
羅明花 Luo Ming Hua	160	-	160
李克學 Li Ke Xue	407	321	407
邢凱 Xing Kai	33	-	33
張立明 Zhang Li Ming	11	-	11
劉興權 Liu Xing Quan	13	-	13
	<b>2,089</b>	710	2,089

The amounts are unsecured, interest free and have no fixed repayment terms.

## (2) Amounts due from related companies

<b>Names of related companies</b>	<b>30.6.2002</b>	31.12.2001
	<b>RMB'000</b>	RMB'000
HBS	<b>2,911</b>	1,368
哈爾濱光宇蓄電池廠 Harbin Guangyu Storage Battery Factory ("HBGSF")	<b>882</b>	–
SZGBM	<b>2,050</b>	1,679
哈爾濱光宇電線電纜有限公司 Harbin Guangyu Electric Wire and Cable Co., Ltd. ("HGSCW")	<b>535</b>	–
GY Yan Bian	<b>758</b>	92
BJ Zhaotang	<b>174</b>	–
	<b>7,310</b>	3,139

## (3) Amounts due to related companies

<b>Names of related companies</b>	<b>30.6.2002</b>	31.12.2001
	<b>RMB'000</b>	RMB'000
HB Ya Guang 哈爾濱光宇(集團)股份有限公司 Harbin Guangyu Group Company Limited ("HBGY Group")	<b>5,986</b>	8,465
SZ Like Xing	<b>1,173</b>	671
	<b>684</b>	–
	<b>7,843</b>	9,136

The amounts due from and to related companies are unsecured, non-interest bearing and repayable on demand.

## (c) Others

RMB19,050,000 (31.12.2001: RMB26,950,000) of the Group's bank loans were guaranteed by related parties in which certain directors of the Company have beneficial interests.

Certain directors of the Company have beneficial interests in the above related companies.

**14. Capital Commitments**

	<b>30.6.2002</b>	31.12.2001
	<b>RMB'000</b>	RMB'000
Commitments for the acquisition of property, plant and equipment:		
Contracted for but not provided in the condensed financial statements	<b>3,286</b>	3,855
Authorised but not contracted for	<b>1,634</b>	23,144
	<b>4,920</b>	26,999

**15. Post Balance Sheet Events**

On 19th July, 2002, Mr. Song Dian Quan, the controlling shareholder of the Company has entered into a placement agreement with a placing agent for the placing of up to HK\$35 million existing ordinary shares of the Company at HK\$2.15 per share to independent investors.

In addition, Mr. Song has also entered into a subscription agreement with the Company on 19th July, 2002. The Company conditionally agreed to issue and allot and Mr. Song has agreed to subscribe for up to HK\$35 million ordinary shares of the Company at HK\$2.15 per share. The net proceeds from the subscription will be used for the expansion of the production facilities and working capital of the Group.

The above transactions are completed on 1st August, 2002. Details of these are set out in the press announcement on 19th July, 2002.

## REPORT OF THE BOARD

### FINANCIAL RESULTS

For the period ended 30th June, 2002, the turnover of the Group was approximately RMB207,703,000 (2001: RMB203,254,000), it represents an increase of about 2% compared with the same period of last year. Net profit for the period amounted to RMB50,096,000 (2001: RMB47,754,000) representing an increase of about 5% compared with the previous period.

### BUSINESS REVIEW AND PROSPECT

#### (1) Sealed lead acid batteries (“SLA batteries”)

During the first half of 2002, SLA batteries business declined slightly due to the split of China Telecom. During the period, the China Telecom group reduced its capital investment, which resulted in the drop in demand of the SLA batteries. We expected the establishment of the new China Telecom and China Netcom will increase their capital expenditure on building new network, as a result, the demand of SLA batteries will increase.

The Group is the largest SLA battery producer in the PRC. Our customers comprise huge commercial entities in the PRC, which include China Telecom, China Mobile, China Unicom and China Netcom. Our annual production capacity is more than 500,000 KV/AH and occupied a market share of more than 20%.

The Group has been expanding its production capacity since last year. By the end of year 2003, the production capacity will increase to 1,000,000 KV/AH per annum. The expansion plan will cost RMB40 million and will be financed by internal resources, bank loans and fund raised in the capital market.

#### (2) Lithium-ion Battery

The lithium-ion battery business expanded dramatically in the first half of 2002. During the period, we produced about 1.3 million cells with a turnover of RMB17.4 million which was 652% higher than the same period of last year. Currently, the daily average production is about 20,000 pieces of cells, which is significantly

higher than the first half of the year. However, the production level still lag behind our customers' demand. At the date of the report, we have entered contracts with 7 handset manufacturers, such as ZTE Corporation, CEC, Soutec, UT Starcom, Konka, Kejiang and Capitel. We are aggressively soliciting new contracts from major handset manufacturers. The Group's lithium-ion production has obtained QS9000 certification and all type of cells have passed the UL1642 safety standard. Our products' quality is comparable to those Japanese counterparts.

As the demand of the lithium-ion battery grows rapidly, the Group has been investing in buying new machinery to expand its production capacity to 50,000 cells per day. The expansion will be completed by end of 2002 and the capital expenditure of this expansion will be about RMB30 million.

**(3) Electric Automation Devices**

Coslight Electric Automation Company Limited ("HCEA"), a joint venture with Heilongjiang University, produces electric automation devices for controlling, monitor and protection of power plants, transformer stations and electric transmission network for electric force under 110 KV. All of the products are made by modular basis, which have complied with the leading PRC standard, passed the testing and inspection by the Ministry of Electricity.

The market demand for the electric automation devices is huge in the PRC. In the first half of 2002, we were able to secure contracts worth RMB9.5 million. We have a total of 86 customers since we commenced business in May 2001. We have completed and fulfilled all the contracts signed in 2001 valued at RMB11.7 million. In January 2002, HCEA was awarded "Post Doctor Workshop" by the Ministry of Education. HCEA has 130 staff including a research team of 30 people.

## LIQUIDITY AND FINANCIAL RESOURCES

During the period, the Group's operation is financed by internal resources and bank loans. As at 30th June, 2002, the total bank borrowings were approximately RMB245 million which matured within one year. The financial position of the Group maintained very solid due to steady grow in turnover and net profit for the period. At the balance sheet date, the Group's current ratio was 1.54 (2001: 1.52) and the ratio of total debts to shareholders' fund was 0.82 (2001: 0.83). Bank and cash balance amounted to RMB44 million (2001: RMB95 million).

At 30th June, 2002, certain land and building, plant and equipment with net book value of RMB250 million were pledged to secure bank borrowings of approximately RMB185 million.

At 1st August, 2002, the Company has issued additional 35 million shares at HK\$2.15 each. The net proceed was approximately HK\$73 million, of which RMB40 million will be used for the expansion of the lithium-ion battery production facilities and approximately RMB20 million will be used to finance the expansion of the sealed lead acid batteries production facilities. The remaining proceeds will be used as the Group's working capital.

According to the Group's current level of cash and bank balances, working capital resources and bank credit facilities, the Board of Directors were confident the Group has sufficient resources to meet its future business expansion and to repay bank borrowings on schedule.

## TRADE RECEIVABLES

For the period ended 30th June, 2002, almost all of the Group's sales were made on credit. Most of these credit sales were made to regular customers who have more than three years of well-established business relationship and payment records with the Group. The Group has maintained a tight credit control policy and had not experienced any significant bad debts in the past. The Group's customers who are granted a longer credit terms mainly comprise the governmental post and telecommunications bureaux at provincial, municipal and county levels with strong financial backgrounds and strong bargaining power.



The account receivables turnover day for the SLA batteries was quite long compared to other business segments, it aroused attention to our shareholders and investors. The long receivable period was not uncommon in the telecom services sector, same as the telecom equipment providers, we both faced with the long infrastructure period of building the telecom service network. We realized that our major customers are China Telecom, China Mobile, China Unicom, they all had high creditability and strong financial position, and therefore the bad debt exposure to the Group was minimal.

Provision for bad and doubtful debts is made on 10% of the trade receivables overdue for over six months. The basis of providing for bad debts is consistently applied in previous years. The Board of Directors believed the provision for bad and doubtful debts is adequate.

### **HUMAN RESOURCES**

As at 30th June, 2002, the Group had approximately 2,600 employees mainly in the PRC and Hong Kong. The Group has adopted continuous human resources development and training to maintain high level of product quality and customer services. Remuneration package is generally structured by reference to market conditions and individual performance.

### **INTERIM DIVIDENDS**

The Board of Directors has proposed the distribution of interim dividends of HK\$0.026 per share for the period ended 30th June, 2002 (six month ended 30th June, 2001: HK\$0.026) for shareholders whose names appear in the Register of Member on 15th October, 2002. Interim dividend will be distributed on or before 22nd October, 2002.

### **CLOSURE OF REGISTER OF MEMBERS**

The Register of Members will be closed from Monday, 7th October, 2002 to Friday, 11th October, 2002 (both dates inclusive) during which period no transfer of shares can be registered. All transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's Hong Kong Share Registrar Secretaries Limited, at 5/F, Wing On Centre, 111 Connaught Road Central, Hong Kong for registration not later than 4:00 p.m. Friday, 4th October, 2002.

## PARTICULARS OF LISTED SECURITIES HELD BY DIRECTORS, CHIEF EXECUTIVES AND ASSOCIATES

### (I) SHARES

As at 30th June, 2002, the interests of the Directors, chief executives and associates, in the share capital of the Company or any of its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") which require disclosure pursuant to the Model Code for Securities Transactions by Directors of Listed Companies or as recorded in the register maintained to Section 29 of the SDI Ordinance were as follows:

Director	Type of interest	Number of Shares
SONG Dian Quan	Personal	251,527,300
LUO Ming Hua	Personal	3,186,027
LI Ke Xue	Personal	2,390,793
XING Kai	Personal	2,346,793
LIU Xing Quan	Personal	2,434,793

### (II) OPTIONS

According to the Company share option scheme, detail of the share option issued as follows:

Director	Option Type	Beginning of the period	Issued during the period	End of the period
Zhang Li Ming	2001	400,000	0	400,000
<b>Employee</b>				
Chen Sheung Wang	2001	600,000	0	600,000
		1,000,000	0	1,000,000

Detail of the share option:

<b>Option Type</b>	<b>Date of Grant</b>	<b>Duration</b>	<b>Exercisable period</b>	<b>Exercise Price (HK\$)</b>
2001	04/07/2001	2 years	03/01/2002-03/07/2003	1.12

Pursuant to the principal terms of the share option scheme adopted by all shareholders of the Company on 26th October, 1999, the directors may, at their absolute discretion, invite any employee of the Company or any of its subsidiaries, including any executive director of the Company or any such subsidiary, to take up options to subscribe for shares of the Company. The scheme came into effect after the listing of the Company's shares on the Stock Exchange on 17th November, 1999.

An option may be exercised in accordance with the terms of the share option scheme at any time during a period of 2 years commencing on the expiry of six months after the acceptance of the option by the grantee. As at the date of this report, share options had been granted to one director and one employee in accordance with the scheme.

No share options were exercised during the period under review.

### (III) INTEREST IN A SUBSIDIARY

At 30th June, 2002, Harbin Switch Company Limited, a Company in which Mr. Song has beneficial interest, held interest in RMB240,000 registered capital of Beijing Guangyu Hua Xia Technology Corporation Limited which is a 77% owned subsidiary of the Company.

### **DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

Save as disclosed above, at no time during the period was the Company or any of its subsidiaries a party to any arrangement to enable the directors of the Company, their spouse or children under the age of 18 to acquire benefits by means of acquisition of the share or debentures of the Company or any other body corporate.

## SUBSTANTIAL SHAREHOLDERS

As at 30th June, 2002, the following substantial shareholders that hold 10% or more in the share capital of the Company under Section 16(1) of the SDI Ordinance of Hong Kong are recorded in the register.

Name	Number of Shares	Approximate percentage of voting rights
SONG Dian Quan	251,527,300	69.28%

Other than as disclosed above, the Company has not been notified of any other interest representing 10% or more in the issued share capital of the Company as at 30th June, 2002.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

There was no purchase, sale or redemption of listed securities of the Company by the Company or any of its subsidiaries during the period ended 30th June, 2002.

## AUDIT COMMITTEE

The audit committee of the Company has reviewed the unaudited financial statements as at 30th June, 2002.

## CORPORATE GOVERNANCE

To the knowledge of the directors, the Company had complied throughout the period ended 30th June, 2002 with the Code of Best Practice as set out in Appendix 14 of the Listing Rules of the Stock Exchange of Hong Kong Limited.

## **DISCLOSURE OF INFORMATION ON THE WEBSITE OF THE STOCK EXCHANGE OF HONG KONG LIMITED**

A detailed results announcement containing all the information required by paragraphs 46(1) to 46(6) of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) will be published on the website of the Stock Exchange in due course.

By Order of the Board

**SONG Dian Quan**

*Chairman*

Hong Kong, 10th September, 2002