



Corporate Information

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

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

Secretaries Limited
28th Floor
Bank of East Asia Harbour View
Centre
56 Gloucester Road, Wanchai
Hong Kong

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit 01-02, 25th Floor,
Cosco Tower,
183 Queen's Road Central
Hong Kong
Tel: (852) 2542 3987
Fax: (852) 2543 9932

德勤·關黃陳方會計師行

Certified Public Accountants
26/F, Wing On Centre
111 Connaught Road Central
Hong Kong

香港中環干諾道中111號
永安中心26樓

**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 23.

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.

It is our responsibility to form an independent conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.



Review work performed

We conducted our review in accordance with Statement of Auditing Standards No. 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, 2003.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong, 15th September, 2003

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30TH JUNE, 2003

	Notes	Six months ended	
		30.6.2003 RMB'000 (Unaudited)	30.6.2002 RMB'000 (Unaudited) (Restated)
Turnover	3	373,821	207,703
Cost of sales		(215,173)	(101,597)
Gross profit		158,648	106,106
Other operating income		3,100	7,462
Distribution costs		(60,228)	(36,311)
Administrative expenses		(26,259)	(19,524)
Profit from operations		75,261	57,733
Finance costs		(11,492)	(6,930)
Share of result of an associate		(211)	–
Loss on deemed disposal of subsidiaries		–	(675)
Profit before taxation		63,558	50,128
Taxation (charge) credit	5	(2,830)	587
Profit before minority interests		60,728	50,715
Minority interests		251	39
Net profit for the period		60,979	50,754
Dividends	6	21,118	19,425
Earnings per share			
– Basic	7	15.31 cents	13.98 cents
– Diluted	7	15.30 cents	13.96 cents



CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30TH JUNE, 2003

	Notes	30.6.2003 RMB'000 (Unaudited)	31.12.2002 RMB'000 (Audited) (Restated)
Non-current assets			
Property, plant and equipment	8	433,679	402,806
Patents and trademarks		4,639	4,906
Negative goodwill		(17,143)	(13,830)
Interest in an associate		198	–
Deferred tax assets	13	796	796
		422,169	394,678
Current assets			
Inventories		142,742	91,245
Trade and other receivables	9	629,112	502,596
Amounts due from directors	14	680	974
Amounts due from related companies	14	8,847	6,840
Amount due from an associate	14	7,357	–
Taxation recoverable		181	–
Pledged bank deposits		1,127	6,178
Bank balances and cash		169,774	142,903
		959,820	750,736

	<i>Notes</i>	30.6.2003 RMB'000 (Unaudited)	31.12.2002 RMB'000 (Audited) (Restated)
Current liabilities			
Trade and other payables	10	228,958	154,904
Amounts due to related companies	14	5,781	3,453
Taxation payable		5,323	2,939
Other borrowings		3,245	4,864
Bank borrowings – due within one year	11	344,895	254,600
		588,202	420,760
Net current assets			
		371,618	329,976
		793,787	724,654
Capital and reserves			
Share capital	12	42,701	42,595
Reserves		614,896	574,752
Shareholders' funds			
		657,597	617,347
Minority interests			
		42,157	45,786
Non-current liabilities			
Bank borrowing – due after one year	11	84,374	51,900
Deferred tax liabilities	13	9,659	9,621
		94,033	61,521
		793,787	724,654



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30TH JUNE, 2003

	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000	Statutory reserves RMB'000	Revaluation reserve RMB'000	Exchange reserve RMB'000	Accumulated profits RMB'000	Total RMB'000
At 1st January, 2002								
– as originally stated	38,850	67,479	34,583	80,502	27,951	150	180,458	429,973
– adjustment on adoption of SSAP 12 (Revised) (Note 2)	-	-	-	-	(4,369)	-	(2,726)	(7,095)
– as restated	38,850	67,479	34,583	80,502	23,582	150	177,732	422,878
Profit for the period	-	-	-	-	-	-	50,754	50,754
Dividend paid	-	-	-	-	-	-	(19,425)	(19,425)
At 30th June, 2002	38,850	67,479	34,583	80,502	23,582	150	209,061	454,207
Surplus on revaluation of property plant and equipment	-	-	-	-	28,474	-	-	28,474
Deferred tax liability arising on revaluation of property, plant and equipment	-	-	-	-	(1,753)	-	-	(1,753)
Net gain not recognised in the condensed consolidated income statement	-	-	-	-	26,721	-	-	26,721
Issue of shares	3,745	76,773	-	-	-	-	-	80,518
Expenses incurred in connection with the issue of share	-	(1,748)	-	-	-	-	-	(1,748)
Profit for the period	-	-	-	-	-	-	68,723	68,723
Transfer	-	-	-	20,712	-	-	(20,712)	-
Dividend paid	-	-	-	-	-	-	(11,074)	(11,074)
At 31st December, 2002 and 1st January, 2003	42,595	142,504	34,583	101,214	50,303	150	245,998	617,347
Exchange difference arising from translation of financial statements of operations outside the People's Republic of China and not recognised in the condensed consolidated income statement	-	-	-	-	-	(799)	-	(799)
Exercise of share options	106	1,082	-	-	-	-	-	1,188
Profit for the period	-	-	-	-	-	-	60,979	60,979
Dividend paid	-	-	-	-	-	-	(21,118)	(21,118)
At 30th June, 2003	42,701	143,586	34,583	101,214	50,303	(649)	285,859	657,597

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30TH JUNE, 2003

	Six months ended	
	30.6.2003 RMB'000 (Unaudited)	30.6.2002 RMB'000 (Unaudited)
Net cash used in operating activities	(35,918)	(40,144)
Net cash used in investing activities	(37,597)	(19,415)
Net cash from financing activities	100,682	8,500
Increase (decrease) in cash and cash equivalents	27,167	(51,059)
Cash and cash equivalents at beginning of the period	142,903	95,030
Effect of foreign exchange rate changes	(296)	–
Cash and cash equivalents at end of the period, represented by bank balances and cash	169,774	43,971



NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2003

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” issued by the Hong Kong Society of Accountants.

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, 2002, 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 revised accounting policy.

Income taxes

In the current period, the Group has adopted SSAP 12 (Revised) "Income Taxes". The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. Comparative amounts for 2002 have been restated accordingly. As a result of this change in policy, the opening balance on accumulated profits at 1st January, 2003 has been decreased by approximately RMB2,889,000 (1st January, 2002: RMB2,726,000). The balance on revaluation reserve at 1st January, 2003 have been decreased by approximately RMB6,122,000 (1st January, 2002: RMB4,369,000). The profit for the six months ended 30th June, 2003 have been decreased by approximately RMB23,000 (six months ended 30th June, 2002: increased by RMB658,000).



3. SEGMENT INFORMATION

Business segments

For management purposes the Group is currently organised into two major operating divisions – sealed lead acid batteries and related accessories, and lithium ion batteries. These divisions are the basis on which the Group reports its primary segment information.

2003

	Manufacture and sale of sealed lead acid batteries and accessories	Manufacture and sale of lithium ion batteries	Other	Consolidated
	RMB'000	RMB'000	RMB'000	RMB'000
TURNOVER				
External sales	228,290	124,696	20,835	373,821
RESULT				
Segment result	61,914	35,095	3,773	100,782
Unallocated corporate income				738
Unallocated corporate expenses				(26,259)
Profit from operations				75,261

2002

	Manufacture and sale of sealed lead acid batteries and accessories	Manufacture and sale of lithium ion batteries	Other	Consolidated
	RMB'000	RMB'000	RMB'000	RMB'000
TURNOVER				
External sales	190,321	12,738	4,644	207,703
RESULT				
Segment result	71,059	5,135	836	77,030
Unallocated corporate income				227
Unallocated corporate expenses				(19,524)
Profit from operations				57,733

Geographical segments

The Group is principally engaged in the sale 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 RMB12,551,000 (six months ended 30th June, 2002: RMB9,439,000) was charged in respect of the Group's property, plant and equipment and amortisation of RMB267,000 (six months ended 30th June, 2002: RMB160,000) was charged in respect of the Group's patents and trademarks.

5. TAXATION (CHARGE) CREDIT

	Six months ended	
	30.6.2003	30.6.2002
	RMB'000	RMB'000
		(Restated)
The (charge) credit comprises:		
Peoples' Republic of China (the "PRC")		
enterprise income tax	(2,792)	(71)
Deferred tax	(38)	658
	(2,830)	587

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 ("Tax Holidays").

Three (six months ended 30th June, 2002: One) of the major operating subsidiaries of the Company are subject to enterprise income tax in the PRC in the current period. The charge for PRC enterprise income tax for the period ended 30th June, 2003 was subject to rates ranging from 7.5% to 12%. The PRC subsidiaries which are subject to enterprise income tax in the PRC have been established as wholly foreign-owned enterprises under the laws of the PRC and have obtained the approval from the PRC tax bureau for the exemption from the above-mentioned PRC enterprise income tax for the Tax Holidays.

The Group had no significant unprovided deferred taxation for the period or at the balance sheet date.

6. DIVIDENDS

On 30th May, 2003, a dividend of 5 HK cents (2002: 5 HK cents) per share, shown in the financial statements as RMB0.05305 (2002: RMB0.05305) per share, amounting to approximately RMB21,118,000 (2002: RMB19,425,000) was paid to shareholders as the final dividend for 2002.

The directors have determined that an interim dividend of 2.6 HK cents (2002: 2.6 HK cents) per share, shown in the financial statements as RMB0.02759 (2002: RMB0.02782) per share, amounting to approximately RMB11,009,000 (2002: RMB11,074,000) should be paid to the shareholders of the Company whose names appear in the Register of Members on 10th October, 2003.

7. EARNINGS PER SHARE

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

	Six months ended	
	30.6.2003	30.6.2002
	RMB'000	RMB'000
		(Restated)
Earnings:		
Net profit for the period and earning for the purposes of basic and diluted earnings per share	60,979	50,754
Number of shares:		
	'000	'000
Weighted average number of ordinary shares for the purposes of basic earnings per share	398,268	363,080
Effect of dilutive potential ordinary shares in respect of share options	353	495
Weighted average number of ordinary shares for the purpose of diluted earnings per share	398,621	363,575

8. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately RMB43,927,000 (six months ended 30th June, 2002: approximately RMB18,704,000) on addition to manufacturing plant in order to expand its manufacturing capabilities.

At 30th June, 2003, 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:

	30.6.2003	31.12.2002
	RMB'000	RMB'000
Within 90 days	255,105	167,865
More than 90 days, but not exceeding 180 days	85,171	97,168
More than 180 days, but not exceeding 270 days	90,559	72,312
More than 270 days, but not exceeding 360 days	46,838	49,536
More than 360 days	76,304	64,558
Trade receivables	553,977	451,439
Other receivables	75,135	51,157
	629,112	502,596

10. TRADE AND OTHER PAYABLES

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

	30.6.2003	31.12.2002
	RMB'000	RMB'000
Within 30 days	42,960	36,433
More than 30 days, but not exceeding 60 days	27,347	13,401
More than 60 days, but not exceeding 90 days	26,121	7,920
More than 90 days, but not exceeding 180 days	25,898	8,026
Over 180 days	21,764	20,880
Trade payables	144,090	86,660
Other payables	84,868	68,244
	228,958	154,904

11. BORROWINGS

During the period, the Group obtained new bank loans in the amount of RMB238,096,000 and repaid bank loans of RMB115,327,000. The new bank loans bear interest at market rates and are repayable in one to five years. The proceeds were used to finance the working capital of the Group.

	30.6.2003	31.12.2002
	RMB'000	RMB'000
The bank borrowings are analysed as:		
Secured	204,400	235,550
Unsecured	224,869	70,950
	429,269	306,500

12. 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			
Authorised:			
At 1st January, 2002,			
30th June, 2002,			
31st December, 2002 and			
30th June, 2003	1,000,000	100,000	107,000
Issued and fully paid:			
At 1st January, 2002,			
30th June, 2002 and			
31st December, 2002	398,080	39,808	42,595
Exercise of share options	1,000	100	106
At 30th June, 2003	399,080	39,908	42,701



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

13. DEFERRED TAXATION

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the current and prior periods:

	Revaluation of property, plant and equipment	Others	Total
	RMB'000	RMB'000	RMB'000
At 1st January, 2002			
– as previously reported	–	–	–
– adjustment on adoption of SSAP 12 (Revised)	7,095	–	7,095
– restated	7,095	–	7,095
Credit to income for the period	(658)	–	(658)
At 30th June, 2002	6,437	–	6,437
Charge (credit) to income for the period	737	(102)	635
Charge to revaluation reserve for the period	1,753	–	1,753
At 31st December, 2002	8,927	(102)	8,825
(Credit) charge to income for the period	(22)	60	38
At 30th June, 2003	8,905	(42)	8,863

In accordance with the conditions set out in SSAP 12 (Revised), the deferred tax assets and liabilities have not been offset for the purpose of balance sheet presentation as they relate to different taxation authorities. The following is the analysis of the deferred tax balance for financial purposes:

	30.6.2003	31.12.2002
	RMB'000	RMB'000
Deferred tax liabilities	9,659	9,621
Deferred tax assets	(796)	(796)
	8,863	8,825



14. 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

(1) Transactions with related parties

Names of related parties	Nature of transactions	Six months ended	
		30.6.2003 RMB'000	30.6.2002 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
北京兆唐科技有限公司 Beijing Zhaotang Science and Technology Company Limited ("BJ Zhaotang")	Purchase of raw materials	-	82
	Sales of goods	-	229
哈爾濱光宇電纜電覽有限公司 Harbin Guangyu Electric Wire and Cable Co., Ltd. ("HGCL")	Purchase of goods	1,028	-
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

(2) *Transactions with an associate*

Names of related parties	Nature of transactions	Six months ended	
		30.6.2003 RMB'000	30.6.2002 RMB'000
杭州光宇電源有限公司	Sales of goods	6,288	-

The transaction was carried out in accordance with terms determined and agreed by both parties.

(b) **Balances**

(1) *Amounts due from directors*

Particulars of the amounts due from directors are as follows:

	Balance at 30.6.2003 RMB'000	Balance at 1.1.2003 RMB'000	Maximum amount outstanding during the period RMB'000
宋殿權	389	607	607
Song Dian Quan			
李克學	291	327	327
Li Ke Xue			
邢凱	-	35	35
Xing Kai			
張立明	-	5	5
Zhang Li Ming			
	680	974	974

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



(2) *Amounts due from related companies*

Names of related companies	30.6.2003	31.12.2002
	RMB'000	RMB'000
HBS 哈爾濱光宇蓄電池廠 Harbin Guangyu Storage Battery Factory ("HBGSF")	6,372	3,224
SZGBM	1,200	2,386
GY Yan Bian	3	797
BJ Zhaotang	839	433
	8,847	6,840

(3) *Amounts due to related companies*

Names of related companies	30.6.2003	31.12.2002
	RMB'000	RMB'000
HB Ya Guang 哈爾濱光宇(集團)股份有限公司	1,877	2,496
HGCL	1,203	175
SZ Like Xing 沈陽東北蓄電股份有限公司	677	677
	454	–
	5,781	3,453

(4) *Amount due from an associate*

Names of associate	30.6.2003	31.12.2002
	RMB'000	RMB'000
杭州光宇電源有限公司	7,357	–

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

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

(c) **Others**

RMB20,050,000 (31.12.2002: RMB19,050,000) of the Group's bank loans were guaranteed by related parties in which certain directors of the Company have beneficial interests. In addition, RMB53,120,000 (31.12.2002: RMB31,900,000) of the Group's bank borrowings was guaranteed by Mr. Song Dian Quan, a director of the Company.

15. CAPITAL COMMITMENTS

	30.6.2003	31.12.2002
	RMB'000	RMB'000
Capital expenditure authorised but not contracted for in respect of acquisition of property, plant and equipment	365	71,680
Capital expenditure contracted for but not provided in the financial statements in respect of:		
– acquisition of subsidiaries	–	22,293
– acquisition of property, plant and equipment	37,687	23,169
	37,687	45,462

16. CONTINGENT LIABILITIES

	30.6.2003	31.12.2002
	RMB'000	RMB'000
Bills discounted with recourse	38,063	–



Report of the Board

Management Discussion and Analysis

FINANCIAL RESULTS

For the period ended 30th June, 2003, turnover of the Group was approximately RMB373,821,000 (2002: RMB207,703,000) which represents an increase of approximately 80% compared to the same period of last year. Net profit for the year amounted to RMB60,979,000 (2002: RMB50,754,000) which represents an increase of approximately 20% compared to last year.

BUSINESS REVIEW

Sealed Lead Acid ("SLA") products

The SLA products manufactured by the Group are mainly used for standby power for telephone and telecommunications exchange stations and power control stations. Our major customers include China Telecom, China Netcom, China Mobile, China Unicom and China Railcom. The Group has signed contracts directly with these telcos through their group companies at the provincial, municipal, county and township level. During the period, the Group actively sought for production orders from telecommunications equipment suppliers and overseas manufacturers, and had successfully acquired OEM contracts from EMERSON POWER NETWORK, apart from the orders from Hua Wei Technology and ZTE Corporation.

Lithium ion batteries

The Group's lithium ion battery business expanded significantly in the first half of 2003. Due to strong demand from local handset manufacturers and cost competitive as to foreign counterparts, the lithium ion batteries turnover increased 9 times to RMB124,696,000. We produced approximately 8 million pieces of cells to major handset manufacturers in the PRC and overseas during the first half of 2003. The Group had

deployed advanced machinery and equipment from Japan and at the same time fully utilized the cheap labor resources in the PRC in the manufacturing process. As a result, our products are more reliable and cost competitive to our competitors. We have been increasing our capital expenditure to expand production capacity with daily production capacity increased from 50,000 cells per day at the beginning of the year to 80,000 cells per day currently.

Car batteries

Shenyang Dong Bei Batteries Company Limited, which mainly produces conventional car batteries, shared approximately 5% of the PRC domestic market. In the meantime, approximately 35% of its products are sold to car manufacturers like Shenyang Jinbei, Henan Yutong, First Automobile Group, Huanghai Bus etc, and the army for military use. The rest is sold in the PRC through its distributed network. In the first half of the year, sales volume had dropped compared to the same period last year, mainly due to the effect of SARS. In addition, it produces SLA products (similar to existing products of the Group) and gel batteries. The Group will adopt the double-branded strategy to seek for larger market share in the PRC. To date, the joint venture has successfully signed contracts with China Unicom in certain provinces and municipalities.

Electric automation

The joint venture company formed with the Heilongjiang University on electric automation continue to achieve good progress. Turnover was approximately RMB12.5 million. The electric automation products are sold to the power network sectors and industrial enterprises in the PRC.



PROSPECT

The SLA expansion program is basically completed. The old production facilities have been moved to the new factory buildings, the new procurements will be installed according to schedule, and the 1,000,000 KVAH facilities will be completed by end of the year. Apart from obtaining big contracts from EMERSON POWER NETWORK, the Group is in negotiation with foreign manufacturers and distributors to explore the possibility for business ventures, and actively negotiate with foreign telecom operators for direct sales of our SLA products. The current demand for batteries is growing favourably that it even exceeds the supply. The Group's orders on hand was approximately RMB100 million.

Due to strong demand of our lithium ion batteries from local handset manufacturers, our existing facilities for 80,000 cells per day cannot meet customer demand. The Group had bought a piece of land in the high technology and development zone in Harbin City to develop a new facility for the expected increase in the demand of lithium ion batteries. The facilities will be completed for operation in the first quarter of 2004. The capital requirement will be approximately RMB80 million and the daily production capacity will be 80,000 cells per day. As a result, the Group's total capacity will be 160,000 cells per day in the first quarter of 2004. The turnover of the lithium ion batteries is expected to grow strongly in 2003 and 2004. The Group is now actively negotiating with renowned mobile phone manufacturers in the PRC and abroad for supply contracts. Recently, it has secured the first order from TCL, and further development is anticipated by year end. The Group is exploring to expand the business of its lithium ion batteries for use in the handheld computer and other portable electronic appliance market in addition to mobile phones, thus increasing further the sales of its lithium ion batteries.

The conventional car batteries business is expected to resume the growth trend in the second half of the year and turnover to grow steadily. The new joint venture can utilize its existing distribution channel, strengthening sales to car manufacturers to maintain its market share and set for further development. The Group focuses on making use of

the existing technology in producing SLA batteries to improve product quality and to reduce the production cost of the gel batteries, consequently to explore the market both in the PRC and overseas.

LIQUIDITY AND FINANCIAL RESOURCES

During the period, the Group's operation is mainly financed by internal resources and bank loans. As at 30th June, 2003, total outstanding bank borrowings and other borrowings were approximately RMB432.5 million, of which RMB348 million shall be repayable within 1 year and the rest of approximately RMB84.5 million due within 3 – 5 years. All the bank and other borrowings were to finance the Group's capital expenditures and working capital requirement. The financial position of the Group remains very strong during the period due to continuous growth in turnover and net profit. As at the balance sheet date, the Group's current ratio was 1.63 (31.12.2002: 1.78) and the gearing ratio (total liabilities to total assets) was 0.49 (31.12.2002: 0.42). Bank and cash balances amounted to RMB170 million (31.12.2002: RMB143 million).

The Company had issued additional 35 million shares at HK\$2.15 each on 1st August 2002. The net proceeds were approximately HK\$73 million. As at 30th June 2003, the proceeds were used as follows:

- approximately RMB20 million was used for acquisition and installation of new production facilities to increase the production capacity of SLA batteries.
- approximately RMB32 million was used for acquisition and installation of new production facilities to increase the production capacity of lithium ion batteries.
- approximately RMB15 million was used as working capital.



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

TRADE RECEIVABLES

As at 30th June, 2003, 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.

	30.6.2003	31.12.2002
	RMB'000	RMB'000
Trade receivables		
less than 90 days	255,105	167,865
90-180 days	85,171	97,168
180-270 days	90,559	72,312
270-360 days	46,838	49,536
Over 360 days	76,304	64,558
	553,977	451,439

The account receivables turnover rate for the SLA batteries was relatively long as compared to other industries. The long receivable period is common in the telecom equipment provider sector, as this sector is faced with a long infrastructure period of building the telecom service network. Our major customers are China Telecom, China Mobile, China Unicom and power companies all over PRC who have creditability and strong financial position.

STAFF AND REMUNERATION POLICY

As at 30th June, 2003, the Group had approximately 5,600 employees mainly in the PRC. The Group has adopted continuous human resources development and on-job 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 resolved the distribution of interim dividends of HK\$0.026 per share for the period ended 30th June, 2003 (six months ended 30th June, 2002: HK\$0.026) for shareholders whose names appear in the Register of Member on 10th October, 2003. Interim dividend will be distributed on or before 15th October, 2003.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Monday, 6th October, 2003 to Friday, 10th October, 2003 (both days 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 Branch Share Registrar and Transfer Office Secretaries Limited, at 28/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong for registration not later than 4:00 p.m. Friday, 3rd October, 2003.



DIRECTORS, EXECUTIVES AND ASSOCIATES' INTEREST IN SHARES

(i) Shares

As at 30th June, 2003, the interests of the Directors, chief executives and their associates in the share capital of the Company or any of its associated corporations as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interest) Ordinance ("SDI Ordinance") were as follows:

Name of Director	Type of interest	No. of ordinary shares held
SONG Dian Quan	Personal	251,527,300
LUO Ming Hua	Personal	3,186,027
LI Ke Xue	Personal	2,390,793
XING Kai	Personal	1,862,793
LIU Xing Quan	Personal	2,434,793

(II) Share options

The following options to subscribe for shares were outstanding under the share option scheme of the Company.

	Share option	Beginning balance	Exercised in the period	Ending balance
Director				
Zhang Li Ming	2001	400,000	400,000	–
Employee				
Chen Sheung Wang	2001	600,000	600,000	–
		1,000,000	1,000,000	–

Particulars of the share options:

Share option	Date of grant	Term of validity	Exercisable period	Exercise price
2001	4th July, 2001	2 year	03. 01. 2002- 03.07.2003	HK\$1.12

Pursuant to the main provisions of the share option scheme passed by Shareholders of the Company at 26th October 1999, the Directors could, at their absolute discretion, invite employees (including any of the executive directors of the Company or any of its subsidiaries) of the Company or any of its subsidiaries to purchase share options for subscribing shares. The scheme was effective upon listing of the Company's shares at 17th November, 1999 on the Stock Exchange of Hong Kong.



The share options are exercisable at any time during the two-year period starting six months after the subscribers accepted the share options. The share option price was the higher of 80% of the average closing prices of the Company's Shares on the Stock Exchange for the five trading days immediately preceding the date the subscribers accepted the share options and the nominal value of the Company's shares.

(III) Directors' rights to acquire shares or debentures

Save as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of shares in, or debenture of, the Company or any other body corporate and none of the directors, their spouse or children under the age 18 had any right to subscribe for securities of the Company or had exercised any such right.

INTERESTS OF THE SUBSIDIARIES

At 30th June, 2003, Harbin Switch Company Limited (of which Mr. Song held beneficial interests) held interest in RMB240,000 of registered capital of Beijing Guangyu Huaxia Technology Corporation Limited (a 77% owned subsidiary of the Company).

SUBSTANTIAL SHAREHOLDERS

As at 30th June, 2003, the following substantial shareholders held 5% or more in the share capital of the Company as recorded in the register required to be kept under Part XV of the SFO.

Name	Number of Shares	Approximate percentage of voting rights
SONG Dian Quan	251,527,300	63.03%
Allianz Aktiengesellschaft	24,556,000	6.15%

Other than as disclosed above, the Company was not aware of any other interest representing 5% or more in the issued share capital of the Company as at 30th June, 2003.

PURCHASE, SALE OR REPURCHASE OF LISTED SECURITIES

There was no purchase, sale or repurchase of listed securities of the Company by the Company or any of its subsidiaries during the period.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

As far as the Directors are aware, the Company had complied throughout the period ended 30th June, 2003 with the Code of Best Practice as set out in Appendix 14 of the Listing Rules of the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

DISCLOSURE OF INFORMATION ON THE WEBSITE OF THE STOCK EXCHANGE

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



AUDIT COMMITTEE

The audit committee of the Company has reviewed the unaudited interim accounts for the six months ended 30th June, 2003.

SONG Dian Quan

Chairman

Hong Kong, 15th September, 2003