



COSLIGHT TECHNOLOGY INTERNATIONAL GROUP LIMITED

(incorporated in Bermuda with limited liability)

Interim Report

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Corporate Information

REGISTERED OFFICE

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2 Church Street
Hamilton HM11
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
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HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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INDEPENDENT REVIEW REPORT

Deloitte.

德勤

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 24.

Directors' responsibilities

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited 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 Institute of Certified Public 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 Institute of Certified Public 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, 2004.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

15th September, 2004

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30TH JUNE, 2004

	NOTES	Six months ended	
		30.6.2004 RMB'000 (Unaudited)	30.6.2003 RMB'000 (Unaudited)
Turnover	3	580,151	373,821
Cost of sales		(391,827)	(215,173)
Gross profit		188,324	158,648
Other operating income		3,078	3,100
Distribution costs		(78,038)	(60,228)
Administrative expenses		(30,110)	(26,259)
Profit from operations		83,254	75,261
Finance costs		(15,069)	(11,492)
Gain on disposal of an associate		25	–
Share of result of an associate		–	(211)
Profit before taxation		68,210	63,558
Income tax expense	5	(5,016)	(2,830)
Profit before minority interests		63,194	60,728
Minority interests		(3,365)	251
Net profit for the period		59,829	60,979
Dividends	6	22,975	21,118
Earnings per share	7		
– Basic		13.81 cents	15.31 cents
– Diluted		N/A	15.30 cents

CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30TH JUNE, 2004

	NOTES	30.6.2004 RMB'000 (Unaudited)	31.12.2003 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	8	532,044	491,775
Patents and trademarks		3,908	4,241
Negative goodwill		(17,510)	(18,582)
Interest in an associate		–	375
Deferred taxation assets		782	782
Deposit paid for acquisition of a subsidiary		4,900	–
		524,124	478,591
Current assets			
Inventories		213,732	179,647
Trade and other receivables	9	1,016,610	763,731
Amounts due from directors	13	296	291
Amounts due from related companies	13	12,675	10,116
Amount due from an associate	13	–	23,519
Pledged bank deposits		26,240	11,403
Bank balances and cash		124,841	259,212
		1,394,394	1,247,919
Current liabilities			
Trade and other payables	10	402,893	347,236
Amounts due to related companies	13	9,511	6,628
Taxation payable		9,949	8,476
Other borrowings		328	399
Bank borrowings – due within one year	11	446,650	362,393
		869,331	725,132
Net current assets		525,063	522,787
		1,049,187	1,001,378

	NOTES	30.6.2004 RMB'000 (Unaudited)	31.12.2003 RMB'000 (Audited)
Capital and reserves			
Share capital	12	46,308	46,308
Reserves		847,059	809,980
		893,367	856,288
Minority interests		64,639	60,774
Non-current liabilities			
Bank borrowings – due after one year	11	81,011	74,348
Deferred taxation liabilities		10,170	9,968
		91,181	84,316
		1,049,187	1,001,378

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30TH JUNE, 2004

	Share capital	Share premium	Special reserve	Statutory reserves	Revaluation reserve	Exchange reserve	Accumulated profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1st January, 2003	42,595	142,504	34,583	101,214	50,303	150	245,998	617,347
Exchange difference arising on 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
Surplus on revaluation of property, plant and equipment	-	-	-	-	15,317	-	-	15,317
Reversal of deferred tax liability arising on revaluation of property, plant and equipment	-	-	-	-	600	-	-	600
Exchange difference arising on translation of financial statements of operations outside the People's Republic of China	-	-	-	-	-	114	-	114
Net gain not recognised in the condensed consolidated income statement	-	-	-	-	15,917	114	-	16,031
Issue of shares	3,607	103,713	-	-	-	-	-	107,320
Expenses incurred in connection with the issue of shares	-	(2,188)	-	-	-	-	-	(2,188)
Profit for the period	-	-	-	-	-	-	89,475	89,475
Transfers	-	-	-	14,083	-	-	(14,083)	-
Dividends	-	-	-	-	-	-	(11,947)	(11,947)

	Share capital	Share premium	Special reserve	Statutory reserves	Revaluation reserve	Exchange reserve	Accumulated profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31st December, 2003								
and 1st January, 2004	46,308	245,111	34,583	115,297	66,220	(535)	349,304	856,288
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	-	-	-	-	-	225	-	225
Profit for the period	-	-	-	-	-	-	59,829	59,829
Transfers	-	-	-	746	-	-	(746)	-
Dividend paid	-	-	-	-	-	-	(22,975)	(22,975)
At 30th June, 2004	46,308	245,111	34,583	116,043	66,220	(310)	385,412	893,367

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30TH JUNE, 2004

	Six months ended	
	30.6.2004	30.6.2003
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net cash used in operating activities	(110,891)	(35,918)
Net cash used in investing activities	(77,010)	(37,597)
Net cash from financing activities	53,305	100,682
(Decrease) increase in cash and cash equivalents	(134,596)	27,167
Cash and cash equivalents at beginning of the period	259,212	142,903
Effect of foreign exchange rate changes	225	(296)
Cash and cash equivalents at end of the period, represented by bank balances and cash	124,841	169,774

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2004

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 No. 25 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public 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, 2003.

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.

2004

	Manufacture and sale of sealed lead acid batteries and accessories RMB'000	Manufacture and sale of lithium ion batteries RMB'000	Others RMB'000	Consolidated RMB'000
TURNOVER				
External sales	345,249	177,332	57,570	580,151
RESULT				
Segment result	65,350	20,689	764	86,803
Unallocated corporate income				808
Unallocated corporate expenses				(4,357)
Profit from operations				83,254

3. SEGMENT INFORMATION (continued)

Business segments (continued)

2003

	Manufacture and sale of sealed lead acid batteries and accessories RMB'000	Manufacture and sale of lithium ion batteries RMB'000	Others RMB'000	Consolidated 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

4. DEPRECIATION AND AMORTISATION

During the period, depreciation of RMB17,411,000 (six months ended 30th June, 2003: RMB12,551,000) was charged in respect of the Group's property, plant and equipment. Amortisation of RMB333,000 (six months ended 30th June, 2003: RMB267,000) was charged in respect of the Group's patents and trademarks and RMB1,072,000 (six months ended 30th June, 2003: RMB715,000) was released to income in respect of negative goodwill.

5. INCOME TAX EXPENSE

	Six months ended	
	30.6.2004	30.6.2003
	RMB'000	RMB'000
The charge comprises:		
PRC enterprise income tax	4,814	2,792
Deferred tax	202	38
	5,016	2,830

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 People's Republic of China ("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").

5. INCOME TAX EXPENSE (continued)

Four (six months ended 30th June, 2003: Three) 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, 2004 was subject to rates ranging from 7.5% to 12%. The PRC subsidiaries which are subject to PRC enterprise income tax 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.

6. DIVIDENDS

On 2nd June, 2004, a dividend of HK5 cents (2003: HK5 cents) per share, shown in the financial statements as RMB0.05305 (2003: RMB0.05305) per share, amounting to approximately RMB22,975,000 (2003: RMB21,118,000) was paid to shareholders as the final dividend for 2003.

The directors have determined that an interim dividend of HK2 cents (2003: HK2.6 cents) per share, shown in the financial statements as RMB0.02122 (2003: RMB0.02759) per share, amounting to approximately RMB9,190,000 (2003: RMB11,947,000) should be paid to the shareholders of the Company whose names appear in the Register of Members on 15th October, 2004.

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	
	30.6.2004	30.6.2003
	RMB'000	RMB'000
Earnings:		
Net profit for the period and earning for the purposes of basic and diluted earnings per share	59,829	60,979
	'000	'000
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic earnings per share	433,080	398,268
Effect of dilutive potential ordinary shares in respect of share options		353
Weighted average number of ordinary shares for the purpose of diluted earnings per share		398,621

No diluted earnings per share has been presented for the current period as there were no potential dilutive ordinary shares in issue.

8. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately RMB57,927,000 (six months ended 30th June, 2003: approximately RMB43,927,000) on addition to manufacturing plant in order to expand its manufacturing capabilities.

At 30th June, 2004, 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 balance sheet date:

	30.6.2004	31.12.2003
	RMB'000	RMB'000
Within 90 days	444,431	333,735
91 – 180 days	182,856	190,715
181 – 270 days	147,189	72,981
271 – 360 days	68,840	40,816
361 – 540 days	52,004	42,110
541 – 720 days	21,906	17,213
Trade receivables	917,226	697,570
Other receivables	99,384	66,161
	1,016,610	763,731

10. TRADE AND OTHER PAYABLES

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

	30.6.2004	31.12.2003
	RMB'000	RMB'000
Within 30 days	98,665	72,988
31 – 60 days	41,707	18,364
61 – 90 days	15,219	45,240
91 – 180 days	10,908	13,314
Over 180 days	42,669	21,703
Trade payables	209,168	171,609
Other payables	193,725	175,627
	402,893	347,236

11. BORROWINGS

During the period, the Group obtained new bank loans in the amount of RMB329,184,000 and repaid bank loans of RMB238,264,000. 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.

	30.6.2004	31.12.2003
	RMB'000	RMB'000
The bank borrowings are repayable as follows:		
Within one year or on demand	446,650	362,393
More than one year, but not exceeding two years	81,011	60,131
More than two years, but not exceeding five years	–	14,217
	527,661	436,741
Less: Amounts due within one year shown under current liabilities	(446,650)	(362,393)
Amounts due after one year	81,011	74,348
Analysed as:		
secured	171,787	231,400
unsecured	355,874	205,341
	527,661	436,741

12. SHARE CAPITAL

	Number of shares	Amount in original currency	Shown in the financial statements as
	'000	HK\$'000	RMB'000
Ordinary shares of HK\$0.10 each			
Authorised:			
At 31st December, 2003 and 30th June, 2004	1,000,000	100,000	107,000
Issued and fully paid:			
At 31st December, 2003 and 30th June, 2004	433,080	43,080	46,308

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

(1) Transactions with related parties

Names of related parties	Nature of transactions	Six months ended	
		30.6.2004 RMB'000	30.6.2003 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	16	-
北京兆唐科技有限公司 Beijing Zhaotang Science and Technology Company Limited ("BJ Zhaotang")	Purchase of raw materials	56	-
哈爾濱光宇電纜電纜有限公司 Harbin Guangyu Electric Wire and Cable Co., Ltd. ("HGWEC")	Purchase of raw materials	130	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 raw material	2,525	-
深圳力可興電池有限公司 Shenzhen Like Xing Battery Co., Ltd. ("SZ Like Xing")	Purchase of raw materials	2,750	-
哈爾濱開關有限責任公司 Harbin Switch Co., Ltd. ("HBS")	Sales of finished goods Purchase of finished goods	2,027 118	- -
光宇延邊蓄電池有限公司 Harbin Yanbian Storage Battery Manufacturing Co., Ltd. ("GYSB")	Sales of finished goods	1,514	-

13. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(a) Transactions (continued)

(2) Transactions with an associate

Names of associate	Nature of transactions	Six months ended	
		30.6.2004 RMB'000	30.6.2003 RMB'000
杭州光宇電源有限公司	Sales of finished 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 30.6.2004 RMB'000	Balance at 1.1.2004 RMB'000	Maximum amount outstanding during the period RMB'000
李克學	279	276	279
Li Ke Xue			
邢凱	11	-	11
Xing Kai			
張立明	6	15	15
Zhang Li Ming			
	296	291	

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

13. RELATED PARTY TRANSACTIONS AND BALANCES (continued)**(b) Balances (continued)**

(2) Amounts due from related companies

Names of related companies	30.6.2004	31.12.2003
	RMB'000	RMB'000
HBS	9,354	8,607
GYSB	2,141	1,429
BJ Zhaotang	470	80
HB Ya Guang	108	–
HGEWC	323	–
深圳柏仁塑膠製品有限公司	279	–
	12,675	10,116

(3) Amounts due to related companies

Names of related companies	30.6.2004	31.12.2003
	RMB'000	RMB'000
昌都邦達工貿有限公司	3,531	–
SZGBM	2,942	636
HB Ya Guang	–	1,877
SZ Li Ke Xing	1,770	655
HGEWC	–	1,885
哈爾濱光宇(集團)股份有限公司		
Harbin Guangyu Group Company Ltd. (“HGCL”)	1,268	1,575
	9,511	6,628

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

13. RELATED PARTY TRANSACTIONS AND BALANCES (continued)**(b) Balances (continued)**

(4) Amount due from an associate

Names of associate	30.6.2004	31.12.2003
	RMB'000	RMB'000
杭州光宇電源有限公司	–	23,519

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

(c) Others

None (31.12.2003: RMB20,050,000) of the Group's bank loans were guaranteed by related parties in which certain directors of the Company have beneficial interests. In addition, RMB126,005,000 (31.12.2003: RMB28,710,000) of the Group's bank borrowings was guaranteed by Mr. Song Dian Quan, a director of the Company.

14. CAPITAL COMMITMENTS

	30.6.2004	31.12.2003
	RMB'000	RMB'000
Capital expenditure authorised but not contracted for in respect of acquisition of property, plant and equipment	70,754	71,040
Capital expenditure contracted for but not provided in the financial statements in respect of acquisition of property, plant and equipment	24,655	25,408

REPORT OF THE BOARD

Management Discussion and Analysis

FINANCIAL RESULTS

For the period ended 30th June, 2004, turnover of the Group was approximately RMB580,151,000 (2003: RMB373,821,000) which represents an increase of approximately 55% compared to the same period last year. Net profit after tax amounted to RMB59,829,000 (2003: RMB60,979,000) which represents a decrease of 2% compared to same period 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 and China Unicom in the telecommunication sector. We also provide SLA batteries to Emerson Power Network, Inc., Huawei Technologies Company Limited and ZTE Corporation.

In the first half of 2004, the Group was benefited from the increase in capital expenditure of the China Telcos and the increasing orders from telecom equipment makers, turnover increased about 50% as compared to the same period last year. The major raw material of SLA products are lead and plastic ABS. In the past year, the prices of raw material increased which put a great pressure in the production cost of the SLA products. We had been trying very hard to reduce the production cost and at the same time to discuss with our customers to increase selling price, however, the gross margin of the SLA products dropped as compared with same period last year.

Lithium ion batteries

The lithium ion batteries business continues to grow in the first half of 2004. We produced about 13 million pieces of cells, which represents a growth of about 60% as compared to the same period last year. The Group had deployed advanced machinery and equipment from Japan and at the same time fully utilized the cheap labour resources

in the PRC in the manufacturing process. The new lithium ion batteries factory located in the development zone of Harbin City had been completed. The production area of the new factory is approximately 22,000 square meters. The current production capacity of the factory is approximately 150,000 cells per day and will be increased to approximately 200,000 cells per day by the end of the year. During the period, the production cost of the lithium ion batteries increase due to the surge in the raw material costs which resulted in the drop of the gross margin of lithium ion batteries.

Car batteries

The major product of Shenyang Dongbei Batteries Company Limited, a subsidiary of the Company, is conventional car batteries. During the period, approximately 60% of the car batteries were sold to car manufacturers such as Shenyang Jinbei, Henan Yutong, the First Automobile Group, Dandong Huanghai and the military, etc. The rest were distributed to the after market. During the period, car batteries business was also affected by the urge of the raw material costs of lead and plastic ABS. The Group had increased the selling price of the car batteries but not able to offset the impact on the rise in the production costs. The gross margin dropped if compared with the same period last year.

PROSPECT

In view of the rising in materials price, it will increase the production costs of our products. We will take proactive steps to further reduce production costs and at the same time to negotiate with individual customers to review contract terms. We intend to increase the selling price and seek for a reasonable gross margin. As the raw material costs stand at historical high level, we expected that the raw material costs will decline in the second half of 2004.

The new lithium ion batteries factory in Harbin City had been completed and started to operate. The current production capacity is approximately 150,000 cells per day. By the end of 2004, the expected capacity will be approximately 200,000 cells per day. The increase in production capacity will strengthen our ability to meet the increasing demand from our customers.

In the car batteries business, we will continue to focus on the cars manufacturers market to increase our shares.

LIQUIDITY AND FINANCIAL RESOURCES

During the period, the Group's operation is partly financed by internal resources and bank loans. As at 30th June, 2004, total bank borrowings were approximately RMB528million, of which RMB447 million shall be repayable within 1 year and the rest of approximately RMB81 million will be due in the next 3 years. All bank and other borrowings were to finance the Group's capital expenditure and working capital requirement. As at 30th June 2004, the Group's current ratio was 1.60 (31/12/2003: 1.72) and the ratio of total debts to shareholders' fund was 1.08 (31/12/2003: 0.95). Bank and cash balances amounted to RMB125 million (31/12/2003: RMB259 million).

The Company had issued additional 34 million shares at HK\$2.975 each on 3rd October, 2003. The net proceeds were approximately HK\$99 million. As at 30th June, 2004, the proceeds were applied as follows:

- Approximately RMB39 million has been used for the purchase and installation of new machinery and equipment for the production of rechargeable lithium ion batteries.
- Approximately RMB48 million has been used for the working capital requirement of the lithium ion batteries business.
- Approximately RMB17 million has been used for the general working capital.

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

PLEDGE OF ASSETS

At 30th June, 2004, certain land and building, plant and equipment of the Group in the PRC with carrying value approximately RMB182 million (31.12.2003: RMB249 million) were pledged to secure bank borrowings.

FOREIGN CURRENCIES RISK

The principal activities of the Group are based in the PRC. Payments and receipts are dominated in the Renminbi and major bank borrowings are registered in Renminbi or Hong Kong Dollar. Therefore, the board of directors does not consider there is major risk associated with the foreign currencies exposure.

TRADE RECEIVABLES

For the period ended 30th June, 2004, 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 been maintaining a tight credit control policy and had not experienced any significant bad debts.

	30/06/2004	31/12/2003
	RMB'000	RMB'000
TRADE RECEIVABLE		
<90 days	444,431	333,735
90-180 days	182,856	190,715
180-360 days	216,029	113,797
>360 days	73,910	59,323
	917,226	697,570

The account receivables turnover day for the SLA batteries was quite long if compared to other industries. The long receivables period is common in the telecom equipment providers 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 Netcom, China Unicom and power generating companies all over the PRC who have creditability and strong financial position.

STAFF AND REMUNERATION POLICY

As at 30th June, 2004, the Group had approximately 7,400 employees mainly in 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 resolved the distribution of interim dividends of HK\$0.02 per share for the period ended 30th June, 2004 (2003: HK\$0.026) for shareholders whose names appear in the register of member on 15th October, 2004. Interim dividends expected to distribute on or before 20th October, 2004.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Monday, 11th October, 2004 to Friday, 15th October, 2004 (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 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, 8th October, 2004.

DISCLOSURE OF INTERESTS

(1) Directors

As at 30th June, 2004, the interests of each Director in the share, 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 Division 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 Companies were as follows:

Long Position

Ordinary shares of HK\$0.10 each of the Company

Name of Director	Personal Interest	Approximately percentage of interest (%)
SONG Dian Quan	251,527,300	58.08%
LUO Ming Hua	3,186,027	0.74%
LIU Xing Quan	2,434,793	0.56%
LI Ke Xue	1,800,793	0.42%
XING Kai	1,306,793	0.30%

Save as disclosed above, as at 30th June, 2004, there were no other interests or short positions of the Directors 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 Division 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 Companies.

(2) Substantial Shareholders and Others

As at 30th June, 2004, the interest and short positions of every person, other than Directors of the Company, in the shares and underlying share of the Company which have been notified to the Company pursuant to Division 2 and 3 of Part XV of the SFO or recorded in the register to be kept under section 336 of the SFO were as follows:

Name of Company	No. of shares held	Approximately percentage of interest %
Allianz Dresdner Asset Management Hong Kong Limited	27,901,660 (Note 1)	6.44%
Allianz Dresdner Asset Management Singapore Limited	32,000 (Note 2)	0.01%
Allianz Aktiengesellschaft	27,933,660 (Notes 1 & 2)	6.45%

Notes:

- Allianz Aktiengesellschaft is interested in 80.62% of the issued share capital of Allianz Asset Management Hong Kong Limited. Therefore, by virtue of Part XV of the SFO, the shares in which Allianz Dresdner Asset Management Hong Kong Limited is shown as being interested are included in and duplicate with interest in shares held by Allianz Aktiengesellschaft.
- Allianz Aktiengesellschaft is interested in 100% of the issued share capital of Allianz Asset Management Singapore Limited. Therefore, by virtue of Part XV of the SFO, the shares in which Allianz Dresdner Asset Management Singapore Limited is shown as being interested are included in and duplicate with interest in shares held by Allianz Aktiengesellschaft.

Save as disclosed above, as at 30th June, 2004, the register maintained by the Company pursuant to section 336 of the SFO which have been notified to the Company pursuant to Division 2 and 3 of Part XV of the SFO or recorded no other interests or short positions in shares and underlying shares of the Company.

SHARE OPTIONS

The Company's share option scheme (the "Old Scheme") was adopted pursuant to a resolution passed on 26th October, 1999 for the purpose of providing incentives to directors and eligible employees and will expire on 25th October, 2004. Pursuant to the resolution passed on the annual general meeting held on 27th May, 2004, the Company has adopted a new share options scheme (the "New Scheme") and the Old Scheme be terminated on 27th May, 2004. According to the New Scheme, the Company may grant to its employee (including directors of the Company and any of its subsidiaries) share options to subscribe shares of the Company.

An option may be accepted by a participant within 28 business days from the date of the offer of grant of the option and by payment of HK\$1.00 as consideration for the grant of an option. An option may be exercised in accordance with the terms of the New Scheme at any time during a period to be determined and notified by the directors of the Company to each grantee, which period may commence from the date of acceptance of the offer for the grant of the options but shall end in any event not later than 10 years from the date of adoption of the New Scheme.

The subscription price for the share option under the New Scheme shall be at least the highest of:

- (a) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant of an option, which must a trading day;
- (b) the average closing price of the shares as stated in the Stock Exchange's daily quotations for the 5 trading days immediately preceding the date of the offer of grant of an option; and
- (c) the nominal value of the shares.

The total number of shares subject to the New Scheme and any other share option schemes must not exceed 30% of the issued share capital of the Company from time to time. The total number of share available for issue under option granted under the New Scheme must not exceed 10% of the share capital of the Company from time to time. The Company may seek approval from shareholders in general meeting for renewing the 10% limit or for granting further options beyond the 10% limit.

The total number of shares issued and to be issued upon exercise of the options granted to each participant (including exercised, cancelled and outstanding options) under the New Scheme in any 12-month period must not exceed 1% of the relevant class of securities in issue. Where any further grant of options to a participant would result in the shares issued and to be issued upon exercise of all options granted and to be granted to such participant (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the share capital of the Company in issue, such further grant must be separately approved by the shareholders in general meeting.

No option was granted under the New Scheme by the Company since its adoption.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURE

Save as disclosed under the heading "Share options" above, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors 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 of 18 had any right to subscribe for securities of the Company or had exercised any such right.

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.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") and the external auditors have reviewed the unaudited financial statements as at 30th June, 2004. The Audit Committee currently comprises two independent non-executive Directors, namely Mr. Li Zeng Lin and Mr. Jiang Zhao Hua.

CORPORATE GOVERNANCE

In the opinion of the Board, the Company had complied throughout the period ended 30th June, 2004 with the Code of Best Practice as set out in Appendix 14 to the Listing Rules.

DISCLOSURE OF INFORMATION ON THE WEBSITE OF THE STOCK EXCHANGE

A detailed results for the period ended 30th June, 2004 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.

LIST OF DIRECTORS OF THE COMPANY

As at the date of this announcement, the board of Directors comprises 8 Directors, of which 6 are executive Directors, namely Mr. Song Dian Quan, Miss Luo Ming Hua, Mr. Li Ke Xue, Mr. Xing Kai, Mr. Liu Xing Quan and Mr. Zhang Li Ming and 2 are independent non-executive Directors namely Mr. Li Zeng Lin and Mr. Jiang Zhao Hua.

By Order of the Board

SONG Dian Quan

Chairman

Hong Kong, 15th September, 2004