

With the rapid development of telecommunication industry in the People's Republic of China ("PRC"), the Group has achieved an outstanding performance in year 2000. Facing keen market competition, the Group has continued its research and development with technical institutes, to improve products viability and enhance product competitiveness. At the same time, the Group has adopted proactive sales and marketing strategy to explore new market, consequently, both turnover and net profit showed a significant increase.

FINANCIAL RESULTS

For the year ended 31st December, 2000, turnover of the Group was approximately RMB325,614,000 (1999:RMB211,828,000) an increase of 53.7% compared with same period last year. Net profit after tax amounted to RMB80,708,000 (1999:RMB67,811,000) an increase of 19% compared with the previous year. Basic earning per share was RMB0.2223 (1999: RMB0.2381) a decrease of 6.6% from previous year.

DIVIDEND

The Board of Directors has proposed the distribution of a final dividend of 5 Hong Kong cents per share and a resolution to this effect will be proposed in the forthcoming Annual General Meeting.

USE OF PROCEEDS FROM LISTING

The Company was listed on the Stock Exchange of Hong Kong on 17th November, 1999 with the issue of 90,770,000 new shares of HK\$0.10 each at an issue price of HK\$1.25. After deducting relevant expenses, the net proceeds from the listing was approximately RMB106 million. As at 31st December, 2000, the proceeds were used in the following ways:

- Approximately RMB40,400,000 for the purchase and installation of new production machinery and equipment, increase Group's production capacity of the third generation Sealed Lead Acid batteries ("SLA Batteries") from 350k KV/AH to 500k KV/AH. At the same time, the Group has been making major accessories by itself to lower production cost and improve price competitiveness.
- Approximately RMB30,340,000 for the purchase of new production machinery and equipment for a new production line for the production of rechargeable lithium ion batteries. The designed production capacity of the production is 7 million cells per annum. Phase I of the production line was completed on October 2000 and test production underway.
- Approximately RMB8,830,000 for the construction of new factory building for the lithium ion battery project, expansion of SLA battery production facilities, and research and development facilities.
- The remaining proceeds were deposited at banks in Hong Kong and PRC and used for investments and working capital as planned in the prospectus dated 30th October, 1999.

BUSINESS REVIEW

The Group is principally engaged in the research and development, manufacture and sale of rechargeable batteries and battery-related accessories in the PRC. The Group specializes in the production of fixed-valve regulated SLA Batteries which are used for standby power for telephone and telecommunications exchanges and power control stations.



Chairman's Statement

BUSINESS REVIEW (Continued)

The third generation intelligent type of fixed-valve regulated SLA Batteries, which comply with international standard, win admiralty from our major customers and ensure the organic growth of the Group's turnover.

The Group adopted vertical integration method of production by producing accessories like plastic shells, sulfuric acid and fibre, etc. on its own to lower production cost and improve price competitiveness.

The Group has adopted proactive sales and marketing strategy to broaden customers base. In 2000, our market share of the SLA batteries in PRC is about 20%. The Group has established sales networks all over PRC provinces, municipalities and autonomous regions. It also got permission to sell batteries in Russia and sales teams have been sent to Europe, North America, South East Asia and Hong Kong for business activities.

The lithium ion batteries project, with equipment imported from Japan and technical support by vendor, was completed. The size and production scale was ranked first 3 in the PRC. Both famous international handset manufacturers, such as Motorola, Nokia, Ericsson and Siemens, and local enterprises like Eastern Communications, Bird, Kejian Group and Konka rated a good value to our products.

The Group has 80% share of Coslight Electric Automatic Company Limited, a joint venture with Heilongjiang University. The Company's principal activity is to develop and manufacture of electricity automatic systems. The products are used to monitor and regulate the electricity network. The products have complied with leading standard in PRC and had passed the testing and inspection stage held by the Ministry of Electricity.

RESEARCH AND DEVELOPMENT

The Group has R&D team of 40 people, in which more than 20 are professors and experienced consultants. The Group has established cooperation with Harbin Industrial University, Heilongjiang University and Beijing Technical University on research and development of storage batteries, electric automatic device and lithium ion batteries respectively. As at 31st December, 2000, R&D expenses amounted to RMB1,500,000.

The major R&D projects of the Group cover the following areas:

1. Continuous improvement on SLA Battery, ensure products' quality, appearance and packing to meet diversified demand in international market.
2. Continue R&D on lithium ion batteries specialty and artist to ensure the product's quality comparable to Japanese battery. R&D on raw material of the lithium ion battery to lower production cost, and enhanced price competition. We had produced lithium cobalt oxide, the prominent material of lithium ion battery, its ability and stability had reached the standard of its Japanese counterpart. In 2001, we will focus on the graphite shell to lower production cost.

The lithium polymer, the second generation of lithium ion battery, the R&D had got a breakthrough in year 2000. It is estimated that the product will be of production purpose in 2001.



RESEARCH AND DEVELOPMENT (Continued)

3. Fuel battery. Fuel battery is an environmental battery product. Major car manufacturers such as Toyota, Daimler Chrysler, etc. have been actively involved in the R&D of this product. They claimed the product would be launched to market in 2004, and estimated that it will take about 10% of the market share by 2010. Our Group has been in co-operation with Harbin Industrial University to develop fuel battery, we also have close contact with US and Russian counterparts. We estimate sample of the fuel battery will be available in 2001.
4. R&D of electric automation device. Based on existing Coslight electric power automation products, the Group will put more effort on other peripherals to enhance products variety. The Group has planned to develop the electric power automation products industry and make the products as another major source of income in the coming year.

OUTLOOK FOR 2001

Maintain market leadership in SLA Batteries

Mr. Wu Jichuan, the Minister of Telecommunication had forecasted in the PRC's tenth five years plan that the Chinese telecommunications industry will growth at a rate of 20% in the next five years. The Group will benefit from the increase in demand of the SLA Batteries. At the same time, the Group plans to expand its SLA batteries to small enterprise, available for UPS power and other electronic devices, we estimate SLA batteries business will grow by 15% in 2001.

Production of Lithium ion batteries

The lithium ion battery and its production facilities are ranked first 3 in the PRC. In 2001, sales to Motorola and other international handset manufacturers as well as China local handset manufacturers will get a breakthrough. Sales will be about 1 million cells in 2001.

Launch of the electric automation products

Harbin Coslight Electric Automation Co. Ltd. applies the embedded method of production for its electric power automation series products. They include Centralized Microprocessor-based Substation SCADA System, Power Network Dispatching Automation System, Distributed Microprocessor-based Substation SCADA and Protection System, Distributed Hydro Power Station Integrated Automation System. They are all rated advance products by PRC's experts. The Group will adopt a proactive sales strategy in 2001 and set a base for growth in 2002.

APPRECIATION

On behalf of the Board of Directors, I would like to take this opportunity to extend our sincere gratitude to all the shareholders for their continued trust and support, to our customers for patronizing and supporting the Group's products, and to our staff for their tireless efforts and devotion.

SONG Dian Quan

Chairman

Hong Kong, 19th April, 2001

