

Directors' Report

The directors are pleased to present report of Coslight Technology International Group Limited (the "Company") and the audited financial statements for the year from 1st January, 2000 to 31st December, 2000.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The Group is principally engaged in the research & development, manufacture and sales of rechargeable batteries and battery related accessories.

The principal activities of the Company's principal subsidiaries as at 31st December, 2000 are set out in note 13 to the financial statements.

RESULTS AND DIVIDENDS

The result of the Group for the year ended 31st December, 2000 is set out in the consolidated income statement on page 21.

An interim dividend of 2 Hong Kong cents (RMB0.0214) per share amounting to RMB7,769,912 was paid to shareholders on 3rd November, 2000. The Directors recommend a final dividend of 5 Hong Kong cents (RMB0.0535) per share to shareholders for the year.

FINANCIAL SUMMARY

A summary of the results of the Group for the five financial year ended 31st December, 2000 and of the assets and liabilities of the Group as at 31st December 1988, 1999 and 2000 is set out on page 49 and 50.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the Group's property, plant and equipment during the year are set out in note 11 to the financial statements.

SUBSIDIARIES

The principal activities of the Company's principal subsidiaries as at 31st December, 2000 are set out in note 13 to the financial statements.

BORROWINGS

Details of the Group's borrowings during the year are set out in note 18 to the financial statements. No interest was capitalized by the Group during the year.

SHAREHOLDERS AND SHARE OPTIONS

Details of and reasons for the changes in the Company's share capital during the year and details of the share options granted by the Company are set out in the notes 19 and 20 to the financial statements respectively.



RESERVES

Details of the movements in the Group's and the Company's reserves during the year are set out in note 21 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights in the Company's bye-laws.

MAJOR CUSTOMERS AND SUPPLIERS

Sales to the five largest customers of the Group accounted for less than 30% of the Group's turnover for the year.

Purchases from the five largest suppliers accounted for approximately 32% of the Group's total purchases for the year and purchases from the Group's largest supplier accounted for approximately 11% of the Group's total purchases for the year.

Certain interest in Harbin Ya Guang Modern Separators Company Limited is owned by the Company's directors Song Dian Quan, Luo Ming Hua, Li Ke Xue, Xing Kai and Liu Xing Quan. It is the sole supplier of superfine glass fibre separators of the Group and accounted for approximately 8% of total purchase of the Group.

Except as disclosed above, the directors are not aware of any directors, their associates, or those shareholders which to the knowledge of the directors owned more than 5% of the Company's share capital had any beneficial interest in the Group's five largest customers and five largest suppliers.

DIRECTORS

The Directors of the Company during the period and as at the date of this report were:

Executive Directors:

SONG Dian Quan

LUO Ming Hua

LI Ke Xue

XING Kai

ZHANG Li Ming

TANG Yun Gang

(resigned on 23rd June, 2000)

LIU Xing Quan

Independent non-executive Directors:

LI Zeng Lin

LI Wei Bin

(resigned on 15th May, 2000)

JIANG Zhao Hua

In accordance with articles 86(2) and 87 (1) of the Company's by-law, Mr ZHANG Li Ming and Mr LIU Xing Quan will retire and, being eligible, offer themselves for re-election at the forthcoming Annual General Meeting.



Directors' Report

DIRECTORS (Continued)

The terms of office of each non-executive directors is the period to his retirement by rotation in accordance with the Company's by-law.

DIRECTORS' SERVICE CONTRACTS

Each of the executive directors has entered into a service contract with the Company for an initial period of three years, commencing from 1st October, 1999, and renewable annually upon expiry, unless and until either party terminates the contract by giving the other not less than three months' prior written notice.

Save as disclosed above, none of the directors being proposed for the re-election at the forthcoming Annual General Meeting has a service contract with the Company or its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Except for the transactions as described in the section "Connected Transactions" set out below, no contracts of significance in relation to the Company's business to which the Company or its subsidiaries was a party and in which a director of the Company had a material beneficial interest, whether directly or indirectly, subsisted at any time during the year.

REMUNERATIONS OF DIRECTORS AND FIVE HIGHEST PAID EMPLOYEES

The aggregate remunerations of the directors and the five highest paid employees for year ended 31st December, 2000 were set out in note 6 to the financial statements.

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

As at 31st December, 2000, 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	2,804,793
XING Kai	Personal	2,804,793
LIU Xing Quan	Personal	2,804,793



DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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, no share options had been granted to any director or employee in accordance with the scheme.

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 shares or debentures of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 31st December, 2000, 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 31st December, 2000.

Pledge of shares by controlling shareholder

- (1) The Company received a notice from its controlling shareholder, Mr Song, on 3rd May, 2000 informing the Company that he had on the same date pledged 18,000,000 shares ("Pledged Shares") of HK\$0.10 each in the capital of the Company ("Shares") to Magnum International Securities Limited ("Magnum") for the purpose of securing a borrowing by Mr. Song. Magnum is a securities trading company and an independent third party not connected with any of the directors, chief executive and substantial shareholders of the Company and its subsidiaries or any of their respective associates.

As of that date, Mr Song beneficially owns 251,527,300 Shares, representing approximately 69.28% of the entire issued share capital of the Company. The Pledged Shares represent approximately 4.96% of the entire issued share capital of the Company.

As the Shares were first listed on the Stock Exchange on 17th November, 1999, this disclosure is required to be made pursuant to Note 3 to Rule 10.07 of the Rules Governing the Listing of Securities on the Stock Exchange.



SUBSTANTIAL SHAREHOLDERS (Continued)

Pledge of shares by controlling shareholder (Continued)

- (2) On 9th April, 2001, the Company received a notice from its controlling shareholder, Mr Song, informed that he had on the same date pledged 60,000,000 shares ("Pledged Shares") of HK\$0.10 each in the capital of the Company ("Shares") to Core Pacific Yamaichi Securities (H.K.) Limited ("CPY") for the purpose of securing a borrowing by Mr. Song. CPY is a securities trading company and an independent third party not connected with any of the directors, chief executive and substantial shareholders of the Company and its subsidiaries or any of their respective associates.

As of that date, Mr Song beneficially owns 251,527,300 Shares, representing approximately 69.28% of the entire issued share capital of the Company. The Pledged Shares represent approximately 16.53% of the entire issued share capital of the Company.

CONNECTED TRANSACTIONS

During the year, certain transactions that have been entered into by the Group became connected transactions under the Rules Governing the Listing of Securities of Hong Kong Stock Exchange. Details are set out below:

i. Purchase of superfine glass fibre separators

Since January 1999, Harbin Ya Guang Modern Separators Company Limited ("GY Ya Guang") has been the sole supplier of superfine glass fibre separators to the Group in relation to its production of fixed-value regulated SLA Batteries. For the year ended 31st December, 2000, the total value of the Group's purchase of superfine glass fibre separators amounted to RMB11,318,000, which represents approximately 8% of the Group's total purchase.

ii. Provision of services

Pursuant to a composite services agreement entered into between Harbin Guangyu Storage Manufacturing Company Limited ("HGSB") and GY Ya Guang. HGSB has agreed to provide electricity and water for GY Ya Guang's production consumption and staff canteen at the Group's premises and transportation services for a term of one year from 1st January, 2000 to 31st December, 2000. Upon expiry of the agreement, both parties may negotiate to renew the agreement. For the financial year ended 31st December, 2000, the annual fees paid by GY Ya Guang to the Group were RMB180,000 for the supply of electricity and water and RMB10,000 for canteen and transportation services.

iii. Leasing of factory premises

Pursuant to a land and factory lease agreement entered into between HGSB and GY Ya Guang, HGSB has agreed to lease part of a factory building at the factory premises of HGSB to GY Ya Guang for a term of five years from 1st January, 1999 to 31st December, 2004 for a fixed annual rental of RMB160,033. The leased factory premises have a gross floor area of approximately 1,712 square metres. The total rental received by the Group for the year ended 31st December, 2000 was RMB160,033.

The rental is based on market rate for similar factory premises in similar location as confirmed by Greater China Appraisal Limited, an independent property valuer.



CONNECTED TRANSACTIONS (Continued)

iv. Trademark

Pursuant to a trademark transfer agreement dated 31st May, 1999 entered into between Harbin Guangyu Power Supply Factory and HGSB, Harbin Guangyu Power Supply Factory agreed to transfer the ownership of “Coslight” “光宇” trademark to HGSB at a consideration of RMB1.00(HK\$0.93). The transfer of ownership shall become effective upon registration of HGSB as the registered owner of the trademark with the Trademark Bureau of the State Administration of Industry and Commerce. Prior to that, HGSB has the right to use the trademark pursuant to a trademark licence agreement entered into between Harbin Guangyu Power Supply Factory and HGSB.

v. Purchase of raw materials

The Group has purchased some raw materials from one of its affiliated company, Beijing Zhaotang Science and Technology Company Limited (“BJ Zhaotang”) in relation to its production of the SLA Batteries. For the year ended 31st December, 2000, the total value of the Group’s purchase of raw materials amounted to 1,682,000 (1999: nil), which represents approximately 1.15% of the Group’s total purchase.

vi. Guarantee of bank loan

RMB22,900,000 of the Group’s bank loans were guaranteed by related parties to which certain directors of the Company have beneficial interest.

Certain directors of the Company have beneficial interests in HB Ya Guang, BJ Zhaotang and Harbin Guangyu Power Supply Factory.

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 year.

CORPORATE GOVERNANCE

To the knowledge of the directors, the Company had complied throughout the year ended 31st December, 2000 with the Code of Best Practice as set out in Appendix 14 of the Listing Rules of the Stock Exchange of Hong Kong Limited.

AUDITORS

Messrs. Deloitte Touche Tohmatsu have been engaged as auditors of the Company for the year ended 31st December, 2000. Deloitte Touche Tohmatsu retire and a resolution will be proposed in the forthcoming Annual General Meeting to appoint auditors of the Company.

On behalf of the Board

SONG Dian Quan

Chairman

Hong Kong, 19th April, 2001

