

REPORT OF THE BOARD

FINANCIAL RESULTS

For the period ended 30th June, 2001, turnover of the Group was approximately RMB203,254,000 (2000: RMB120,976,000) an increase of 68% compared with same period last year. Net profit after tax amounted to RMB47,754,000 (2000: RMB32,561,000) an increase of 47% compared with the previous period.

BUSINESS REVIEW AND PROSPECT

(1) SLA BATTERIES

SLA batteries sales maintained its strong growth of 68% during the first half of 2001, we expect the revenue can be maintained in the second half of 2001. In the meantime, the Group's uncompleted order amounted to approximately RMB100 million.

The Group is the largest SLA battery producer in PRC with a production capacity of 500,000 KV/AH per annum and a market share over 20%. Our customers comprise huge commercial entities in PRC, which include China Mobile, China Unicom, China Telecom etc. As SLA production capacity has reached its peak, the Group plans to invest approximately RMB40 million, either by internal resources, bank borrowings or from capital market, to double its capacity to 1,000,000 KV/AH per annum.

(2) LITHIUM-ION BATTERIES

The Group had set up a new production line for manufacturing lithium-ion battery cell with annum capacity of 9 million pieces and is ranked third in PRC. The Group had won a continuous supply contract from ZTE Corporation, a listed company in Shenzhen. We estimated annual contract approximately one million cells in 2001. The Group is aggressively soliciting new contracts from major handset manufacturers, including Motorola, Nokia and Ericsson in China. We plan to install new equipment to double our production once major orders secured. Lithium-ion batteries are mainly for mobile phones, notebook computers, PDA and portable cameras etc. We expect notebook PC sales to increase 25% per annum while the number of subscribers of mobile phone to increase at 40% per annum in PRC.

(3) ELECTRIC AUTOMATION

Coslight Electric Automatic Company Limited (HCEA), a joint venture with Heilongjiang University, commenced business during the period. The products were mainly used for electricity force below 110,000 volts. They include power generator integrated automation systems, power transformer integrated automation systems and power network integrated automation systems. All of them are manufactured on a modular basis and have complied with leading PRC standard and passed the testing and inspection by the Ministry of Electricity. At balance sheet date, HCEA had secured order of approximately RMB10 million, we plan to move the Group's production plant to prepare for expansion. HCEA has 120 staff including a research team of 20 people.

LIQUIDITY AND FINANCIAL RESOURCES

During the period, the Group's operation is partly financed by internal resources and bank loan. As at 30th June, 2001, total bank borrowings were approximately RMB188 million, of which RMB146 million were working capital financing and due to repay within one year. The financial position of the Group remained very solid during the period due to continuous grow in turnover and net profit. At balance sheet date, the Group's current ratio was 1.74 (31/12/2000: 1.91) and the ratio of total debts to shareholders' fund was 0.79 (31/12/2000: 0.76). Bank and cash balance amounted to RMB16.5 million (31/12/2000: RMB56.8 million).

At 30th June, 2001, certain land and building, plant and equipment of net book value of RMB230 million were pledged to secure bank borrowings of approximately RMB138 million.

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

TRADE RECEIVABLES

All of the Group's sales were made on credit with variable credit period to its trade customers. 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. The Group grants a longer credit terms to customers of governmental post and telecommunications bureaux at provincial, municipal and county levels with strong financial backgrounds and strong bargaining power.

HUMAN RESOURCES

As at 30th June, 2001, the Group had approximately 2,000 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.

According to the share option scheme adopted by all shareholders of the Company on 26th October, 1999, the board of directors had granted share options to 1 director and 1 employee as at the date of this report.

INTERIM DIVIDENDS

The board of Directors has proposed the distribution of interim dividends of HK\$0.026 per share for the period ended 30th June, 2001 (2000: HK\$0.02). Interim dividends expected to distribute on or before 22nd October, 2001.

The Register of Members will be closed from Monday, 8th October, 2001 to Friday, 12th October, 2001 (both dates inclusive) during which period no transfer of shares can be registered. All transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's Hong Kong Share Registrar Secretaries Limited, at 5/F, Wing On Centre, 111 Connaught Road Central, Hong Kong for registration not later than 4:00 p.m. Friday, 5th October, 2001.

DIRECTORS' INTEREST IN SECURITIES

(I) SHARES

As at 30th June, 2001, the interests of the Directors in the ordinary share of the Company as recorded in the registered maintained to Section 29 of the Hong Kong Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") were as follows:

Name of Director	Type of interest	Number of Ordinary Shares Held
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

(II) OPTIONS

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 of Hong Kong Limited (the "Stock Exchange") on 17th November, 1999. An option may be exercised in accordance with the terms of the share option scheme at any time during a period of 2 years commencing on the expiry of six months after the acceptance of the option by the grantee. As at the date of this report, share options had been granted to one director and one employee in accordance with the scheme.

Name of director	Date of Grant	Number of share option	Exercisable period	Exercise Price (HK\$)
Zhang Li Ming	13/06/2001	400,000	03/01/2002-03/07/2003	1.12

No share options were exercised during the period under review.

Other than as disclosed above, none of the directors nor their associates, had any interests in any securities of the Company or any of its associated corporations as defined in the SDI Ordinance, and none of the directors nor their spouse or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the period.

(III) INTEREST IN A SUBSIDIARY

At 30th June, 2001, Harbin Switch Company Limited, a Company in which Mr. Song has beneficial interest, held interest in RMB240,000 registered capital of Beijing Guangyu Hua Xia Technology Corporation Limited which is a 77% owned Subsidiary of the Company

SUBSTANTIAL SHAREHOLDERS

As at 30th June, 2001, 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	<hr/>	
	Number of Shares	Approximate percentage of voting rights
SONG Dian Quan	251,527,300	69.28%

Other than as disclosed above, the Company has not been notified of any other interest representing 10% or more in the issued share capital of the Company as at 30th June, 2001.

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.

CORPORATE GOVERNANCE

To the knowledge of the directors, the Company had complied throughout the period ended 30th June, 2001 with the Code of Best Practice as set out in Appendix 14 of the Rules governing the Listing of Securities (the "Listing Rules") on The Stock Exchange.



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

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.

By Order of the Board

SONG Dian Quan

Chairman

Hong Kong, 24th September, 2001