

The directors are pleased to present their annual report of Coslight Technology International Group Limited (the "Company") and the audited financial statements for the year ended 31st December, 2001.

PRINCIPAL ACTIVITIES

The Company is an investment holding company.

The principal activities of the Company's principal subsidiaries as at 31st December, 2001 are set out in note 14 to the financial statements.

SUBSIDIARIES

The principal activities of the Company's principal subsidiaries as at 31st December, 2001 are set out in note 14 to the financial statements.

RESULTS AND DIVIDENDS

The result of the Group for the year ended 31st December, 2001 is set out in the consolidated income statement on page 22.

14

An interim dividend of 2.6 Hong Kong cents (RMB0.02782) per share amounting to RMB10,101,000 was paid to shareholders on 22nd October, 2001. The Directors recommend a final dividend of 5 Hong Kong cents (RMB0.0535) per share to shareholders on the register of members on 26th April 2002, amounting to RMB19,425,000, and the retention of the remaining profit for the year of RMB88,696,000.

FINANCIAL SUMMARY

A summary of the results of the Group for the five financial year ended 31st December, 2001 and of the assets and liabilities of the Group as at 31st December, 1988, 1999, 2000 and 2001 is set out on page 55.

PROPERTY, PLANT AND EQUIPMENT

Certain of the Group's property, plant and equipment were revalued at 31st December, 2001. The revaluation resulted in a surplus over and a deficit under book values amounting to RMB 585,000 and RMB 3,905,000 respectively. The surplus has been credited directly to the revaluation reserve and the deficit has been charged to the consolidated income statement.

Details of movements in the Group's property, plant and equipment during the year are set out in note 12 to the financial statements.

BORROWINGS

Details of the Group's borrowings during the year are set out in note 19 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 20 and 21 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 22 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

Sales to the five largest customers of the Group accounted for less than 17% of the Group's turnover for the year.

Purchases from the five largest suppliers accounted for approximately 26% of the Group's total purchases for the year and purchases from the Group's largest supplier accounted for approximately 12% 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 fiber separators of the Group and accounted for approximately 9% 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 year 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
LIU Xing Quan

Independent non-executive Directors:

LI Zeng Lin
JIANG Zhao Hua

DIRECTORS (Continued)

In accordance with articles 86(2) and 87(1) of the Company's by-law, Ms LUO Ming Hua and Mr LI Ke Xue will retire and, being eligible, offer themselves for re-election at the forthcoming Annual General Meeting.

The terms of office of each non-executive directors is the period to his retirement by rotation in accordance with the Company's bye-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, 2001 were set out in note 8 to the financial statements.

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

As at 31st December, 2001, 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 registered 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	2,692,793
LIU Xing Quan	Personal	2,804,793

OPTIONS

During the year, according to the share option scheme of the Company, options had been granted and details as below:

	Option Type	Beginning of the year	Granted during the year	End of the year
Director				
Zhang Li Ming	2001	0	400,000	400,000
Employee				
Chen Sheung Wang	2001	0	600,000	600,000
		0	1,000,000	1,000,000

Details of the option type:

Option Type	Date of grant	Valid for	Exercisable period	Exercise price
2001	4th July 2001	2 years	03/01/02 - 03/07/03	HK\$1.12

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. As at 31st December, 2001, 1,000,000 share options had been granted under the scheme, representing 0.28% of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time. The number of shares in respect of which options may be granted to any individual is not permitted to exceed 25% of the shares of the Company in issue at any point in time.

HK\$1.00 consideration is payable on the grant of an option. 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. The exercise price is determined by the directors of the Company, and will not be less than the higher of the nominal value of the share of the Company and 80% of the average closing price of the shares for the five business days immediately preceding of the date of granted.

The fair value of the options granted in the current year totaling HK\$859,000 according to the Black Scholes options pricing model.

No charge is recognized in the income statement in respect of the value of the options granted in the year.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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, 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	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, 2001.

18

CONNECTED TRANSACTIONS

During the year, certain transactions that had 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 fiber separators

Since January 1999, Harbin Ya Guang Modern Separators Company Limited ("HB Ya Guang") has been the sole supplier of superfine glass fiber separators to the Group in relation to its production of fixed-value regulated SLA Batteries. For the year ended 31st December, 2001, the total value of the Group's purchase of superfine glass fiber separators from HB Ya Guang amounted to RMB15,975,000 (2000: RMB11,318,000), which represents approximately 9% 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 HB Ya Guang. HGSB has agreed to provide electricity and water for HB 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, 2001 to 31st December, 2001. Upon expiry of the agreement, both parties may negotiate to renew the agreement. For the financial year ended 31st December, 2001, the annual fees paid by HB Ya Guang to the Group were RMB180,000 for the supply of electricity and water and RMB10,000 for canteen and transportation services.

CONNECTED TRANSACTIONS (Continued)

iii. Leasing of factory premises

Pursuant to a land and factory lease agreement entered into between HGSB and HB Ya Guang, HGSB has agreed to lease part of a factory building at the factory premises of HGSB to HB 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, 2001 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.

iv. Sale of finished goods

The Group had sold some finished goods to one of its affiliated company, Guangyu Yanbian Storage Battery Manufacturing Company Limited ("GYSB"). For the year ended 31st December, 2001, the total value of the Group's sale of finished goods to GYSB amounted to RMB2,135,000 (2000: nil), which represents approximately 0.45% of the Group's total sale.

The Group had sold some finished goods to one of its affiliated company, Harbin Switch Company Limited ("HBS"). For the year ended 31st December, 2001, the total value of the Group's sale of finished goods to HBS amounted to RMB913,000 (2000: nil), which represents approximately 0.19% of the Group's total sale.

v. Purchase of raw materials

The Group had 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, 2001, the total value of the Group's purchase of raw materials from BJ Zhaotang amounted to RMB658,000 (2000: RMB1,682,000), which represents approximately 0.36% of the Group's total purchase.

The Group had purchased some raw materials from GYSB in relation to its production of the SLA Batteries. For the year ended 31st December, 2001, the total value of the Group's purchase of raw materials from GYSB amounted to RMB3,605,000 (2000: nil), which represents approximately 2% of the Group's total purchase.

CONNECTED TRANSACTIONS (Continued)

vi. Guarantee of bank loan

RMB26,950,000 (2000: 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, GYSB, HBS.

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, 2001 with the Code of Best Practice as set out in Appendix 14 of the Listing Rules of the Stock Exchange of Hong Kong Limited.

20

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

AUDITORS

Messrs. Deloitte Touche Tohmatsu have been engaged as auditors of the Company for the year ended 31st December, 2001. Deloitte Touche Tohmatsu retired 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, 9th April, 2002