

DIRECTORS' REPORT

The directors (the "Directors") of Coslight Technology International Group Limited (the "Company") are pleased to present their annual report of the Company and the audited financial statements for the year ended 31st December, 2003.

PRINCIPAL ACTIVITIES

The Company is an investment holding company.

The principal activities of the Company's subsidiaries and an associate as at 31st December, 2003 are set out in notes 15 and 16 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December, 2003 is set out in the consolidated income statement on page 18.

An interim dividend of 2.6 Hong Kong cents (equivalent to approximately RMB0.02759) per share amounting to RMB11,947,000 was paid to the shareholders of the Company on 15th October, 2003. The Directors recommend a final dividend of 5 Hong Kong cents per share to shareholders on the register of members on 27th May 2004.

PROPERTY, PLANT AND EQUIPMENT

Certain of the Group's property, plant and equipment were revalued at 31st December 2003. The revaluation resulted in a surplus over book values amounting to RMB16,464,000 (2002: RMB45,627,000). The surplus arising on revaluation of RMB15,317,000 (2002: RMB28,474,000) and RMB466,000 (2002: RMB666,000) was credited to the revaluation reserve and credited to the consolidated income statement respectively.

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

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 25 to the financial statements.

In order to finance the Group's sealed lead acid and lithium-ion batteries projects, the Company issued 34 million ordinary shares of HK\$0.10 each, for consideration of HK\$2.975 per share on 3rd October, 2003. The new shares rank pari passu with the existing shares in all respects.

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DIRECTORS

The Directors during the year and up to the date of this report are:

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

In accordance with the Company's By-laws 86(2) and 87 (1), Mr Li Ke Xue and Mr Zhang Li Ming will retire and, being eligible, offer themselves for re-election at the forthcoming Annual General Meeting.

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, 2002, and renewable annually upon expiry, unless and until by either party by three months 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 any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed under the heading "Connected Transactions", no contracts of significance to which the Company or its subsidiaries was a party and in which a Director had a material beneficial interest, whether directly or indirectly, subsisted at the end of the year and 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, 2003 are set out in note 8 to the financial statements.

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DISCLOSURE OF INTERESTS

(1) Directors

As at 31st December, 2003, the interests of each Director in the shares, 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 Divisions 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	1,970,793	0.46
XING Kai	1,306,793	0.30

Save as disclosed above, as at 31st December, 2003, 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 Divisions 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 31st December, 2003, the interest and short positions of every person, other than Directors of the Company, in the shares and underlying shares of the Company which have been notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or recorded in the register required to be kept under section 336 of the SFO were as follows:

Name of Company	No. of shares held	%
Allianz Aktiengesellschaft	37,574,000	8.68

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Save as disclosed above, as at 31st December, 2003, the register maintained by the Company pursuant to section 336 of the SFO which have been notified to the Company pursuant to Divisions 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

Particulars of the Company's share option scheme are set out in the note 27 to the financial statements.

At 31st December, 2003, the following options to subscribe for shares under the share option scheme of the Company had been exercised.

	Date of grant	Number of share option	Exercisable period	Exercise price
Director				
Zhang Li Ming	4th July, 2001	400,000	03.01.2002-03.07.2003	HK\$1.12
Employee				
Chen Sheung Wang	4th July, 2001	600,000	03.01.2002-03.07.2003	HK\$1.12
		<u>1,000,000</u>		

At 31st December, 2003, no share options were outstanding under the share option scheme.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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.

RESERVES

In addition to retained profits, under the Companies Act 1981 of Bermuda (as amended), contributed surplus is also available for distribution to shareholders. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus, if:

- (a) it is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realizable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

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In the opinion of the Directors, the Company's reserves available for distribution to shareholders as at 31st December, 2003 comprised contributed surplus and retained profits in aggregate amounting to RMB175,156,000 (2002: RMB172,388,000).

Details of the movements in the Group's and the Company's reserves during the year are set out in the consolidated statement of changes in equity on page 21 and note 26 to the financial statements respectively.

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 30% of the Group's total purchases for the year and purchases from the Group's largest supplier accounted for approximately 9% of the Group's total purchases for the year.

Save as disclosed above, none of the Directors, their associates, or any shareholder which, to the knowledge of the Directors, owned more than 5% of the Company's share capital had any beneficial interest in the share capital of any of the five largest customers or suppliers of the Group.

CONNECTED AND RELATED PARTIES 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 on the Stock Exchange of Hong Kong Limited (the "Listing Rules"). Details are set out below:

i. Sale of finished goods and raw material

The Group had sold finished goods to one of its affiliated company, Shijia Zhuang Guangyu Battery Material Co. Ltd. ("SZGBM") in relation to its production of the lithium ion batteries. For the year ended 31st December, 2003, the total value of the Group's sale amounted to RMB467,000 (2002: nil), which represents approximately 0.05% of the Group's total sale.

The Group had sold some raw material to one of its affiliated company, Guangyu Yanbian Storage Battery Manufacturing Company Limited ("GYSB") in relation to its production of the SLA Batteries. For the year ended 31st December, 2003, the total value of the Group's sale of raw material amounted to RMB2,043,000 (2002: RMB1,440,000), which represents approximately 0.21% of the Group's total sale.

The Group had sold some finished goods to one of its affiliated company, Harbin Switch Company Limited ("HBS") in relation to its production of the SLA Batteries. For the year ended 31st December, 2003, the total value of the Group's sale of finished goods amounted to RMB2,605,000 (2002: RMB322,000), which represents approximately 0.27% of the Group's total sale.

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ii. Purchase of finished goods and raw materials

The Group had purchased some finished goods from one of its affiliated company, Harbin Guangyu Electric Wire and Cable Co. Ltd. ("HGEWC") in relation to its production of the SLA Batteries. For the year ended 31st December, 2003, the total value of the Group's purchase of raw material amounted to RMB896,000 (2002: RMB872,000), which represents approximately 0.16% of the Group's total purchase.

The Group had purchased some finished goods from GYSB in relation to its production of the SLA batteries. For the year ended 31st December, 2003, the total value of the Group's purchase amounted to RMB978,000 (2001: RMB504,000), which represents approximately 0.17% of the Group's total purchase.

The Group had purchased some raw materials from one of its affiliated company, Shijia Zhuang Guangyu Battery Material Co. Ltd. ("SZGBM") in relation to its production of the lithium ion batteries. For the year ended 31st December, 2003, the total value of the Group's purchase amounted to RMB3,965,000 (2002: RMB1,390,000), which represents approximately 0.71% of the Group's total purchase.

iii. Guarantee of bank loan

RMB20,050,000 (2001: RMB19,050,000) of the Group's bank loans were guaranteed by related parties to which certain directors of the Company have beneficial interest. In addition, RMB28,710,000 (2002: RMB31,900,000) of the Group's bank borrowings was guaranteed by Mr. Song.

Certain Directors have beneficial interests in GYSB, HB Ya Guang, HBS, HGEWC, SZ Like Xing and SZGBM.

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

In the opinion of the Directors, the Company had complied throughout the year ended 31st December, 2003 with the Code of Best Practice as set out in Appendix 14 to the Listing Rules.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") has reviewed the audited financial statements as at 31st December, 2003. The Audit Committee currently comprises two independent non-executive Directors, namely Mr. Li Zeng Lin and Mr. Jiang Zhao Hua.

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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

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

SONG Dian Quan

Chairman

Hong Kong, 15th April, 2004