COSLIGHT TECHNOLOGY INTERNATIONAL GROUP LIMITED
光宇國際集團科技有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1043)

2006 FINAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31ST DECEMBER, 2006

The board of directors (the "Board") of Coslight Technology International Group Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (hereafter collectively referred to as the "Group") for the year ended 31st December, 2006, together with the comparative figures for the year ended 31st December, 2005 as follows:

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER, 2006

	NOTES	**2006** *RMB'000*	2005 *RMB'000*
Continuing operations			
Revenue	*2*	**1,619,747**	1,307,449
Cost of sales		**(1,149,617)**	(882,461)
Gross profit		**470,130**	424,988
Other income		**23,648**	22,037
Distribution and selling costs		**(156,852)**	(148,334)
Administrative expenses		**(131,201)**	(131,618)
Share of results of an associate		**—**	(3,906)
Gain on disposal of a subsidiary		**5,056**	—
Finance costs	*3*	**(44,910)**	(38,576)
Profit before tax		**165,871**	124,591
Income tax expense	*4*	**(14,021)**	(8,642)
Profit for the year from continuing operations		**151,850**	115,949
Discontinued operation	*5*		
Profit for the year from discontinued operation		**—**	147
Profit for the year		**151,850**	116,096

Attributable to:			
Equity holders of the Company		**144,575**	110,927
Minority interests		**7,275**	5,169
		151,850	116,096
Dividends recognized as distribution during the year	*6*	**22,520**	22,884
Earnings per share			
From continuing and discontinued operations:			
— Basic	*7*	**33.38 cents**	25.61 cents
— Diluted		**N/A**	N/A
From continuing operations:			
— Basic		**33.38 cents**	25.58 cents
— Diluted		**N/A**	N/A

CONSOLIDATED BALANCE SHEET

AS AT 31ST DECEMBER, 2006

		2006	2005
	NOTES	***RMB'000***	*RMB'000*
Non-current assets			
Property, plant and equipment		**561,210**	506,383
Mining rights		**205,171**	—
Other intangible assets		**16,717**	17,605
Goodwill		**4,193**	4,193
Prepaid lease payments		**33,308**	34,225
Interest in an associate		**—**	—
Deferred tax assets		**4,619**	2,371
		825,218	564,777
Current assets			
Inventories	*8*	**336,334**	267,701
Trade and other receivables	*9*	**1,310,264**	1,198,649
Prepaid lease payments		**917**	917
Amounts due from directors		**655**	825
Amounts due from related companies		**23,282**	22,954
Amounts due from minority shareholders		**279**	656
Amount due from an associate		**24,725**	40,744
Investment held for trading		**—**	350
Pledged bank deposits		**54,817**	61,333
Bank balances and cash		**274,555**	197,299
		2,025,828	1,791,428

Current liabilities			
Trade and other payables	*10*	**664,632**	624,272
Amounts due to related companies		**10,031**	13,660
Amounts due to minority shareholders		**4,547**	4,958
Amount due to an associate		**—**	1,586
Tax liabilities		**7,347**	9,604
Other borrowings		**7,681**	8,740
Bank borrowings - due within one year		**743,968**	578,537
		1,438,206	1,241,357
Net current assets		**587,622**	550,071
		1,412,840	1,114,848
Capital and reserves			
Share capital		**46,308**	46,308
Reserves		**1,112,990**	971,454
Equity attributable to equity holders of the Company		**1,159,298**	1,017,762
Minority interests		**113,374**	94,007
Total equity		**1,272,672**	1,111,769
Non-Current liabilities			
Bank borrowings - due after one year		**130,000**	—
Other borrowings		**1,000**	—
Deferred tax liabilities		**9,168**	3,079
		140,168	3,079
		1,412,840	1,114,848

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS")

In the current year, the Group has applied, for the first time, a number of new Standards, amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are either effective for accounting periods beginning on or after 1st December, 2005 or 1st January, 2006. The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new standards, amendment or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards, amendment or interpretations will have no material impact on the results and the financial position of the Group.

HKAS 1 (Amendment)	Capital Disclosures[1]
HKFRS 7	Financial Instruments: Disclosures[1]
HKFRS 8	Operating Segments[8]
HK(IFRIC) — INT 7	Applying the Restatement Approach under HKAS 29 "Financial Reporting in Hyperinflationary Economies"[2]
HK(IFRIC) — INT 8	Scope of HKFRS 2[3]
HK(IFRIC) — INT 9	Reassessment of Embedded Derivatives[4]
HK(IFRIC) — INT 10	Interim Financial Reporting and Impairment[5]
HK(IFRIC) — INT 11	HKFRS 2 - Group and Treasury Share Transactions[6]
HK(IFRIC) — INT 12	Service Concession Arrangements[7]

1 Effective for annual periods beginning on or after 1st January, 2007.
2 Effective for annual periods beginning on or after 1st March, 2006.
3 Effective for annual periods beginning on or after 1st May, 2006.
4 Effective for annual periods beginning on or after 1st June, 2006.
5 Effective for annual periods beginning on or after 1st November, 2006.
6 Effective for annual periods beginning on or after 1st March, 2007.
7 Effective for annual periods beginning on or after 1st January, 2008.
8 Effective for annual periods beginnings on or after 1st January, 2009

2. TURNOVER AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes, the Group is currently organised into three major operating divisions - sealed lead acid batteries and related accessories, Lithium ion batteries and nickel batteries. These divisions are the basis on which the Group reports its primary segment information.

Segment information about these businesses is presented below.

2006

	Sealed lead acid batteries and related accessories	**Lithium ion batteries**	**Nickel batteries**	**Others**	**Elimination**	**Consolidated**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
REVENUE						
External sales	1,052,586	319,507	190,100	57,554	—	1,619,747
Inter-segment sales	2,980	464	3,643	48,330	(55,417)	—
Total	1,055,566	319,971	193,743	105,884	(55,417)	1,619,747
RESULT						
Segment result	159,114	52,464	3,137	5,046	—	219,761
Unallocated income						16,464
Unallocated expenses						(30,500)
Gain on disposal of a subsidiary						5,056
Finance costs						(44,910)
Profit before tax						165,871
Income tax expense						(14,021)
Profit for the year						151,850

2005

	Continuing operation						Discontinued operation	
	Sealed lead acid batteries and related accessories	Lithium ion batteries	Nickel batteries	Others	Elimination	Total	Online games	Consolidated
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
REVENUE								
External sales	893,063	250,534	80,538	83,314	—	1,307,449	3,518	1,310,967
Inter-segment sales	1,409	799	134	25,788	(28,130)	—	—	—
Total	894,472	251,333	80,672	109,102	(28,130)	1,307,449	3,518	1,310,967
RESULT								
Segment result	138,215	18,222	7,284	3,364	—	167,085	(21,940)	145,145
Unallocated income						15,605	—	15,605
Unallocated expenses						(15,617)	—	(15,617)
Share of result of an associate						(3,906)	—	(3,906)
Finance costs						(38,576)	—	(38,576)
Profit before tax						124,591	(21,940)	102,651
Income tax expense						(8,642)	—	(8,642)
Gain on deemed disposal of a subsidiary						—	22,087	22,087
Profit for the year						115,949	147	116,096

Inter-segment sales transactions are charged at prevailing market rates.

Geographical segments

The Group is principally engaged in the sale of sealed lead acid batteries and related accessories, lithium ion batteries, nickel batteries and electricity control devices, and substantially all of its activities are based in the People's Republic of China (the "PRC"). Accordingly, no geographical analysis of financial information is provided.

3. FINANCE COSTS

	Continuing Operations		Discontinued Operation		Consolidated	
	2006	2005	**2006**	2005	**2006**	2005
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Interest on:						
Bank borrowings wholly repayable within five years	**44,661**	38,416	**—**	—	**44,661**	38,416
Other borrowings wholly repayable within five years	**249**	160	**—**	—	**249**	160
	44,910	38,576	**—**	—	**44,910**	38,576

4. INCOME TAX EXPENSES

	Continuing Operations		Discontinued Operation		Consolidated	
	2006	2005	**2006**	2005	**2006**	2005
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
The charge comprises:						
PRC enterprise income tax	**(13,876)**	(11,667)	**—**	—	**(13,876)**	(11,667)
Deferred taxation (charge) credit	**(145)**	3,025	**—**	—	**(145)**	3,025
	(14,021)	(8,642)	**—**	—	**(14,021)**	(8,642)

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group's income neither arises in, nor is derived from, Hong Kong.

Pursuant to the relevant laws and regulations in the PRC, certain of the Group's PRC subsidiaries are exempted from PRC enterprise income tax for the first two years commencing from their first profit-making year of operation and, thereafter, these PRC subsidiaries will be entitled to a 50% relief from PRC enterprise income tax for the following three years ("Tax Holidays").

In accordance with the regulations of the PRC, the major subsidiaries of the Company are qualified as production-oriented entities and they are entitled to PRC enterprise income tax rate of 15%.

The major operating subsidiaries of the Company are subject to enterprise income tax in the PRC in the current year. These subsidiaries have been established as wholly foreign-owned enterprises under the laws of the PRC and have obtained the approval from the PRC Tax Bureau for the Tax Holidays.

5. DISCONTINUED OPERATION

During the year ended 31st December, 2005, the Group entered into an agreement under which the Company's 35.57% equity interest in a subsidiary, 北京光宇華夏科技有限責任公司 Beijing Guangyu Huaxia Technology Corporation Limited, was deemed to be disposed by way of capital injection by the Group amounting to RMB18,800,000 and an independent third party amounting to RMB27,608,000. As the capital injected by the independent third party was more than the Group's capital contribution, the Group's interest in this subsidiary was then decreased from 77% to 41.43% and this subsidiary has become an associate of the Group. The subsidiary disposed of was engaged in the business of sales and distribution of online games.

6. DIVIDENDS

	2006	2005
	RMB'000	*RMB'000*
Dividends recognised as distribution during the year:		
Dividends declared to equity holders of the Company:		
2004 final dividend of HK$0.04 (shown as RMB0.04244)	**—**	18,380
2005 interim dividend of HK$0.01 (shown as RMB0.0104)	**—**	4,504
2005 final dividend of HK$0.05 (shown as RMB0.05200)	**22,520**	—
Total dividends declared during the year	**22,520**	22,884

The directors have determined that a final dividend of HK$0.05 (2005: HK$0.05) per share amounting to approximately RMB21,741,000 (2005: RMB22,520,000) should be paid to the shareholders of the Company whose names appear in the register of members on 25 May 2007.

7. EARNINGS PER SHARE

For continuing and discontinued operations

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

	2006	2005
	RMB'000	*RMB'000*
Earnings:		
Profit for the year and earnings for the purpose of basic earnings per share	**144,575**	110,927
	'000	*'000*
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**433,080**	433,080

Diluted earnings per share has not been presented for the year ended 31st December, 2006 and 2005 because there were no potential ordinary shares in issue.

From continuing operations

The calculation of the basic earning per share from continuing operations attributable to the ordinary equity holders of the Company is based on the following data:

Earnings figure are calculated as follows:

	2006	2005
	RMB'000	*RMB'000*
Profit for the year attributable to equity holders of the Company	**144,575**	110,927
Less: Profit for the year from discontinued operation	**—**	(147)
Earnings for the purpose of basic earnings per share from continuing operations	**144,575**	110,780

The denominators used are the same as those detailed above for basis earnings per share.

From discontinued operation

Basic earnings per share for the discontinued operation was RMB0.00034 per share based on the profit for the year ended 31st December, 2005 from the discontinued operation of RMB147,000 and the denominators detailed above for basic earnings per share.

8. INVENTORIES

	2006	2005
	RMB'000	*RMB'000*
Raw materials	**109,457**	95,182
Work in progress	**127,492**	90,621
Finished goods	**99,385**	81,898
	336,334	267,701

	2006	2005
	RMB'000	*RMB'000*
Cost of Inventories recognised as an expense	**1,149,617**	882,461

9. TRADE AND OTHER RECEIVABLES

The credit terms given to the customers vary from 3 months to 9 months from the final inspection acceptance and are generally based on the financial strength of individual customers. The following is an aged analysis of trade receivables, net of impairment losses of RMB55,828,000 (2005: RMB38,681,000), at the balance sheet date:

	2006	2005
	RMB'000	*RMB'000*
Within 90 days	**625,108**	504,468
More than 90 days, but not exceeding 180 days	**300,233**	354,725
More than 180 days, but not exceeding 270 days	**154,748**	144,985
More than 270 days, but not exceeding 360 days	**60,400**	42,030
More than 360 days, but not exceeding 540 days	**54,015**	43,268
More than 540 days, but not exceeding 720 days	**28,102**	31,935
Trade receivables	**1,222,606**	1,121,411
Other receivables (net of impairment losses of RMB20,230,000)	**87,658**	77,238
	1,310,264	1,198,649

Included above is an amount of notes receivables aged within 90 days of approximately RMB98,000,000 (2005: RMB87,866,000).

10. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables at the balance sheet date:

	2006	2005
	RMB'000	*RMB'000*
Within 30 days	129,966	132,569
More than 30 days, but not exceeding 60 days	38,811	31,696
More than 60 days, but not exceeding 90 days	94,530	38,519
More than 90 days, but not exceeding 180 days	99,316	160,298
Over 180 days	32,902	28,128
Trade payables	395,525	391,210
Other payables	269,107	233,062
	664,632	624,272

DIVIDENDS

The Board has proposed the distribution of final dividend of HK$0.05 per share for the year ended 31st December, 2006 (2005: HK$0.05) to shareholders whose names appear in the register of members on 25th May, 2007 and a resolution to this effect will be proposed and subject to the shareholders' approval in the forthcoming annual general meeting. The final dividend is expected to be paid on or before 15th June, 2007.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from Monday, 21st May, 2007 to Friday, 25th May, 2007 (both dates inclusive) during which no transfer of shares can be registered. All transfer of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Hong Kong branch share registrar of the Company, Secretaries Limited, whose office is at 26/F Tesbury Centre, 28 Queen's Road East, Hong Kong for registration no later than 4:00 p.m. on Friday, 18th May, 2007.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

For the year ended 31st December, 2006, turnover of the Group amounted to approximately RMB1,619,747,000 (2005: RMB1,307,449,000), representing an increase of 24% as compared with last year. The profit attributable to equity holders of the Company for the year amounted to approximately RMB144,575,000 (2005: RMB110,927,000) which represents an increase of 30% over last year. By adopting vertical method of production and stringent control on production cost during the year, the gross profit margin of the Group has been maintained at 29% as compared with 33% in last year. Depreciation & amortisation for the year ended 31st December, 2006 was RMB53,377,000 (2005: 52,256,000). Earnings per share for the year ended 31st December, 2006 was RMB0.3338 (2005: RMB0.2561).

BUSINESS REVIEW

Sealed lead-acid ("SLA") products

The performance of the Group's core business of SLA batteries in 2006 was good and a sustained growth trend has been continuously maintained. The SLA battery business again scaled a new height with a turnover of approximately RMB 1,052,586,000 (2005: RMB 893,063,000) in 2006, representing an increase of approximately 18% over last year. The increase was attributable to the constant growth of business of telecommunication operators in the PRC and the strong demand from OEM customers such as Emerson Power Network, Inc. and Huawei Technologies Company Limited. In 2006, the raw material price remained high and the Group continued to implement stringent cost control measures and adopt vertical method of production to reduce production cost and enhance production efficiency. In addition, the Group was capable of shifting the cost burden to customers. The decrease in gross profit margin is mainly due to the increase of sales to OEM customers which have lower gross profit margin but shorter credit period.

Lithium ion batteries

Lithium ion (Li-ion) battery is the second major product of the Group which accounts for 20 % of the Group's turnover in 2006. The operating environment for domestic handset manufacturers improved significantly in 2006. For the year ended 31st December, 2006, the Group produced and sold approximately 25 million pieces of cells, representing a substantial increase of 30% as compared with last year, with a turnover of approximately RMB 319,507,000 (2005: RMB250,534,000), representing an increase of approximately 28% as compared with last year. The increase was attributable to the increase in the number of purchase order of Lithium ion batteries as a result of the restructuring of domestic handset manufacturers for the purpose of acquiring a larger market share in both the domestic and overseas markets. Notwithstanding the highly competitive operating environment and the upsurge of raw material costs, the gross profit margin of lithium ion batteries improved slightly during the period as compared to the corresponding period of last year. The increase of gross profit margin was attributable to the decrease of unit production cost as a result of the substantial increase of production volume during the period.

Nickel batteries

The Group has acquired 70% equity interest in Shenzhen Li Ke Xing Battery Co. Ltd. which is principally engaged in the manufacturing of small-sized rechargeable Nickel batteries in August 2005. The acquisition of SZ Li Ke Xing further enhanced the revenue base and widened the product range of the Group whilst better enabled the Group to gain access to overseas market. As at 31st December 2006, the Group recorded a turnover of RMB 190,100,000 for Nickel battery business.

Car batteries

Due to the strong demand of SLA batteries and the low profit margin of car batteries, the Group continued to adopt appropriate business strategy to reduce the production of car batteries and shift resources of a subsidiary of the Company, Shenyang Dongbei Batteries Company Limited to produce SLA batteries.

Electric automation

During the year, the Group's electric automation business achieved a turnover of RMB18,682,000 (2005: RMB29,555,000) which was mainly attributable to the sales of power generator integrated automation systems, power transformer automation systems and power network automation systems, etc. to power network sectors and industrial enterprises in the PRC.

FINANCIAL REVIEW

Assets and liabilities

As at 31st December, 2006, the Group has total assets of RMB2,851,046,000 (2005: RMB2,356,205,000) which were financed by current liabilities of RMB1,438,206,000 (2005: RMB1,241,357,000), non-current liabilities of RMB140,168,000 (2005: RMB3,079,000), shareholders' equity of RMB1,159,298,000 (2005: RMB1,017,762,000) and minority interests of RMB113,374,000 (2005: RMB94,007,000).

Liquidity, financial resources and capital structure

During the year, the Group adopted prudent treasury policies in managing cash resources and bank borrowings. As at 31st December, 2006, the Group has bank and cash balances amounted to RMB274,555,000 (2005: RMB197,299,000). The total bank and other borrowings of the Group as at 31st December, 2006 were approximately RMB882,649,000 (2005: RMB587,277,000), amongst which RMB751,649,000 will be due to repay within 12 months (2005: RMB587,277,000). RMB131,000,000 will be due to repay after 12 months (2005: NIL). These borrowings carry interest ranging from 2.34% to 10.00% (2005: from 2.34% to 7.91%) per annum. As at 31st December, 2006, approximately 79% of the Group's bank and other borrowings were denominated in Renminbi and 21% were denominated in Hong Kong dollars. All bank and other borrowings were used to finance the Group's capital expenditures and working capital requirements.

According to the Group's current level of cash balances, working capital resources and banking facilities, the Board is confident that the Group has sufficient resources to meet its future business expansion and repay bank borrowings on schedule.

Gearing and liquidity ratio

The Group's gearing ratio, defined as the ratio between total bank borrowings and shareholders' equity, was 0.75 (2005: 0.57). The current ratio of the Group, represented by a ratio between current assets over current liabilities, was 1.41 (2005: 1.44), reflecting the abundance of financial resources.

Charges on group assets

As at 31st December, 2006, certain property, plant and equipment, and trade receivables of the Group with carrying values of RMB237,608,000 (2005: RMB166,173,000), and RMB94,966,000 (2005: 85,951,000), respectively, were pledged to secured bank borrowings of approximately RMB731,679,000 (2005: RMB265,314,000).

Foreign currency risk

The Group did not have any significant exposure to foreign currency risk as most of the Group's operations are in the PRC and transactions are denominated in Renminbi.

Acquisition of a subsidiary

In March 2006, the Group signed an agreement to acquire 70% equity interest in a Russian joint venture company namely Russia (Golden Stone) Limited Liability Company ("Russia (Golden Stone)") at a consideration of RMB28 million. Russia (Golden Stone) has a permit to mine for lead, zinc and other metal deposits in certain mineral mines located in Faso Lane, Primorsky of Russia which will expire on 30th June, 2030. The acquisition enables the Group to further its vertical integration and secure a steady supply of raw materials. The Group signed another agreement to further acquire the remaining 30% equity interest of Russia (Golden Stone) in May 2006 at a consideration of RMB12 million in which Russia (Golden Stone) will become a wholly-owned subsidiary after the completion of the registration process with the relevant Industry and Commercial Bureau and Tax Bureau of Russia.

Disposal of a subsidiary

During the year, the Group has disposed of 51 % equity interest in a subsidiary which was engaged in the business of research and manufacturing of computer game software, namely Beijing Giuangyu Wiz Technology Co., Ltd, (北京光宇維思科技有限責任公司) to an independent third party.

Capital Commitments

	2006 *RMB'000*	2005 *RMB'000*
Capital expenditure authorised but not contracted for in respect of acquisition of property, plant and equipment	**242,900**	70,754
Capital expenditure contracted but not provided in the financial statements in respect of acquisition of property, plant and equipment	**54,677**	3,652

Prospects

SLA

SLA battery will remain the core product of the Group future development. The Group will maintain its growth momentum and its leading position among the peers in China.

The operating results of the Company will continue to grow in line with the persistent rise in demand of SLA battery in the future.

1. Under normal circumstances, the demand of SLA products from Chinese telecommunications operators, namely China Mobile, China Telecom, China Netcome and China Unicom, will increase by approximately 15 % annually.

   In consideration of the possible issuance of "3G" license by the Chinese government, there will see an apparent increase in the demand of SLA products from the telecommunications operators.

2. Telecommunications devices manufacturers such as Huawei, ZTE and Emerson maintained a strong momentum in their export business and their demand of SLA has been increased rapidly. Under such circumstances, the Company was capable of selling its SLA products in the global market indirectly through the purchases and sales orders made by the telecommunications devices manufacturers. During 2006, the volume of indirect exported products has increased by 50 % as compared to 2005. It is expected that a growth of more than 30% in the next few years will be maintained.

3. The volume of indirect exported products was maintained at approximately 5% and will increase substantially in the next few years as the Company was duly appointed as the supplier of Vodafone in 2006. It is expected that the demand of Vodafone will increase rapidly in the future.

Due to the high utilization rate of the existing SLA battery production lines, the Group will start the construction of a new SLA battery production base in Xinqing Science and Technology Park of Doumen District, Zhuhai City in the second half of 2006. The Group has already acquired the land in 2002. The piling and ground infrastructure is currently underway, and upon commencement of operation of the new SLA battery production base in 2007, the overall production capacity of the Group will be increased by 1,200,000 kVAH. It is anticipated that the SLA batteries produced in the new production base will mostly be sold to indirect export customers located in Southern China which can result in a saving in transportation cost and the profitability enhanced. Before the completion of the new production base in Zhuhai, the Group will continue to utilize the remaining resources in Shenyang to satisfy the existing orders.

In view of the raw material price remained on the high side since 2004, the Group has started negotiation with individual major customers to transfer part of the impact of the raw material cost increase to them and some have already agreed on the selling price increment. Therefore the Group expects that the gross profit margin of SLA batteries can be maintained with improvements in light of the high raw material price in 2007.

Mineral products

In order to further the vertical integration of the Group and also add a new business segment to the portfolio of the Group, the Group has acquired two Russian lead and zinc resources in 2006. The Group has a permit to mine for lead, zinc and other metal deposits in certain mineral mines located in Faso Lane, Primorsky Territory of Russia. Such mineral mines have abundant mineral resources with approximately 300,000 tonnes of metal deposits. In addition, the Group also has a permit to mine for lead, zinc, copper and other metal deposits in certain mineral mines located in Altai Krai, Siberia of Russia. The mineral resources of such mineral resources are rich with approximately 545,000 tonnes of metal deposits. The Group expects that approximately 40,000 to 60,000 tonnes of metal can be mined each year after such mineral mines commence production and amongst which, the lead extracted will be consumed internally for the Group's core business. This upstream integration will be one of the major growth drivers in the future years, both as a new income source bringing significant profit contribution as well as helping the Group to secure a steady supply of raw materials.

Lithium ion battery

There was a growth of 30% of Lithium ion battery volume in 2006 as compared to 2005. This trend is expected to be sustained in the following years and the major reasons are as follow:

1. The Company has a stable customer base for its Lithium ion battery products as such products are mainly delivered to the primary handset product market and supplied to domestic headset manufacturers as auxiliary products. Meanwhile, the Company is extending its customer base to maintain moderate growth.

2. The Company will extend its efforts in the development of lithium polymer battery products. Such products are mainly applied to mobile digital electronic products such as bluetooth-enabled headsets, MP3 and satellite positioning system. Its Lithium ion battery products are expected to generate notable revenue in 2007.

3. The Company will develop Lithium ion battery for bikes. Lithium ion battery enjoys the edge of replacing the existing lead-acid battery for fueling electric bicycles. The growth in demand of such products will also generate considerable revenue for the Company in the coming years.

Internet games

Beijing Guangyu Huaxia Technology Corporation Limited ("Guangyu Huaxia"), an associate of the Company, which is a professional internet games developer and operator. During 2005 and 2006, Guangyu Huaxia Corporation Limited recorded a substantial loss as a result of the operation of "希望" inter net game, which is a product of an Korean company. Guangyu Huaxia commenced operation of domestic internet game "問道" in April 2006 and has generated successful results up to April 2007. As at April this year, the game ranked third among major locally-developed internet games in terms of the number of online customers and shall continue the upward trend. . The internet games operation is expected to generate substantial revenue in the following three years, bringing greater contribution to the operating results of the Company and becoming one of the most important businesses of the Company.

OTHER INFORMATION

EMPLOYEES AND REMUNERATION POLICIES

As at 31st December, 2006, the Group has employed 8,840 (2005: 8,611) staff in the PRC. The Group has adopted continuous human resources development and training programs to maintain high level of product quality and customer services. Remuneration package is generally structured by reference to market conditions and individual performance.

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.

CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Board, the Company has complied throughout the year ended 31st December, 2006 with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), except for the deviation from Code provision A.4.1 in respect of the service term of directors.

Code provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election. None of the existing independent non-executive directors of the Company is appointed for specific term and this constitutes a deviation from Code provision A.4.1. In accordance with the bye-laws of the Company, at each annual general meeting one-third of the directors for the time being (or, if their number is not a multiply of three, the number nearest to but not less than one-third) shall retire from office by rotation such that each director (including those appointed for a specific term) will be subject to retirement by rotation at least every three years at the annual general meeting. As such, the Company considers that sufficient measures have been taken to ensure the Company's corporate governance practices are similar to those in the Code.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in Appendix 10 to the Listing Rules (the "Model Code"). Having made specific enquiry of all the directors, all directors confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 31st December 2006.

AUDIT COMMITTEE

The Audit Committee of the Company comprises three independent non-executive directors, namely Mr. Li Zeng Lin, Mr. Jiang Zhao Hua and Mr. Xiao Jian Min with Mr. Li Zeng Lin as the chairman. The primary duties of the Audit Committee is to review and monitor the Group's financial reporting process and internal control system, as well as to provide relevant recommendations and advices to the Board. As verified by the Company, none of the members had served as a partner or a former partner to the existing auditor. The annual results of the Group for the year ended 31st December, 2006 have been reviewed by the Audit Committee.

REMUNERATION COMMITTEE

The Company has established a Remuneration Committee on 1st June, 2005 in accordance with the requirements of the Code of Corporate Governance Practice as contained in Appendix 14 of the Listing Rules with written terms of reference. Its primary responsibility is to make proposals to the Board with respect to the overall remuneration policy and framework for directors and senior management of the Company and the establishment of formal and transparent procedure for formulating the remuneration policy. The Remuneration Committee comprises two independent non-executive directors, namely Mr. Jiang Zhao Hua and Mr. Li Zeng Lin and one executive director, namely Mr. Zhang Li Ming. Mr. Jiang Zhao Hua is the chairman of the Remuneration Committee.

NOMINATION COMMITTEE

The Company has established a Nomination Committee on 18th November, 2005 in accordance with the requirements of the Code of Corporate Governance Practice as contained in Appendix 14 of the Listing Rules with written terms of reference. Its primary responsibilities include reviewing and supervising the framework, number of members and composition of the Board, identifying and nominating suitable persons for appointment of director and making recommendations to the Board relating to appointment and re-appointment of directors. The Nomination Committee comprises two independent non-executive directors, namely Mr. Xiao Jin Min and Mr. Li Zeng Lin and one executive director, namely Mr. Song Dian Quan. Mr. Xiao Jin Min is the chairman of the Nomination Committee.

DISCLOSURE OF INFORMATION ON THE WEBSITE OF THE STOCK EXCHANGE

A detailed results announcement for the year ended 31st December, 2006 containing all the information required by paragraphs 45(1) to 45(6) of Appendix 16 to the Listing Rules will be published on the website of the Stock Exchange in due course.

APPRECIATION

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

By Order of the Board
SONG Dian Quan
Chairman

Harbin, the PRC, 23rd April, 2007

As at the date of this announcement, the Board comprises 9 directors, of which 6 are executive directors, namely Mr. Song Dian Quan, Ms. Luo Ming Hua, Mr. Li Ke Xue, Mr. Xing Kai, Mr. Liu Xing Quan and Mr. Zhang Li Ming and 3 are independent non-executive directors, namely Mr. Li Zeng Lin, Mr. Jiang Zhao Hua and Mr. Xiao Jian Min.

** For identification purpose only*