

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

Form 10-K/A  
Amendment No. 1

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE  
ACT OF 1934 FOR THE FISCAL YEAR ENDED JUNE 30, 1999

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(b) OF THE SECURITIES  
EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_.

Commission file number: 0-4041

HATHAWAY CORPORATION  
(Exact name of registrant as specified in its charter)

Colorado 84-0518115  
(State or other jurisdiction of (I.R.S. Employer Identification No.)  
incorporation or organization)

8228 Park Meadows Drive  
Littleton, Colorado 80124  
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (303) 799-8200

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act:  
Common Stock, no par value

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Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

As of September 9, 1999, the aggregate market value of voting stock held by non-affiliates of the Registrant, computed by reference to the average bid and asked prices of such stock approximated \$6,368,000.

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DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's definitive Proxy Statement dated September 23, 1999 are incorporated by reference in Part III of this Report.

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## Part IV

## Item 14. Exhibits, financial Statement Schedules and Reports on Form 8-K.

a)

## 2. Financial Statement Schedules

In addition to the documents previously filed pursuant to this section, the financial statements for Beijing Hathaway Si Fang Protection and Control Equipment Co., Ltd. (Si Fang) for the years ended December 31, 1999, 1998 and 1997 prepared in accordance with "Accounting Standards for Enterprises" and "Accounting Regulations of the People's Republic of China for Enterprises with Foreign Investment" are included below. Si Fang uses Chinese Yuan Renminbi (RMB) as its reporting currency. For the five year period from January 1, 1995 through December 31, 1999 the exchange rate has been approximately 8.3RMB to \$1USD (US Dollar). Reconciliations of Net Income and Equity per the financial statements to Net Income and Equity per Generally Accepted Accounting Principles in the United States are as follows:

## Si Fang

Reconciliation of Net Income per Financial Statements to  
Net Income per Generally Accepted Accounting Principles in the United States  
(RMB, In thousands)

	For the year ended December 31,		
	1999	1998	1997
Net income as shown in the financial statements	35,754	19,962	12,643
Adjustments to reported income:			
Provision for bad debts	(6,800)	(5,700)	-
Profit appropriations	(2,787)	(1,264)	-
Sales to subcontractors, net	1,651	(1,651)	-
Total adjustments to reported income	(7,936)	(8,615)	-
Net income according to generally accepted accounting principles in the United States	27,818	11,347	12,643

## Si Fang

Reconciliation of Equity per Financial Statements to  
Equity per Generally Accepted Accounting Principles in the United States  
(RMB, In thousands)

	As of the year ended December 31,		
	1999	1998	1997
Equity as shown in the financial statements	88,847	38,537	22,840
Adjustments to undistributed profits:			
Provision for bad debts	(6,800)	(5,700)	-
Capital contribution received prior to updated business license for new capital	-	870	-
Sales to subcontractors, net	1,651	(1,651)	-
Total adjustments to undistributed profits	(5,149)	(6,481)	-
Equity according to generally accepted accounting principles in the United States	83,698	32,056	22,840

There are no material differences between cash flows reported in the financial statements and the cash flows that would be reported in a statement of cash flows prepared in accordance with generally accepted accounting principles in the United States.

Report of the Auditors  
(English translation-for reference only)

TO THE BOARD OF DIRECTORS OF BEIJING HATHAWAY SI FANG PROTECTION AND  
CONTROL EQUIPMENT CO., LTD.

We have audited the balance sheet of Beijing Hathaway Si Fang Protection And Control Equipment Co., Ltd. (the "Company") at 31 December 1999, its income statement and cash flows statement for the year then ended. These financial statements are the responsibility of the Company and our responsibility is to express an audit opinion on these statements. We conducted our audit in accordance with Standards for Independent Audits of PRC Certified Public Accountants. We have examined, on a test basis, the accounting records and supporting evidence, and have carried out such audit procedures as we considered necessary.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company at 31 December 1999, the results of its operations and cash flows for the year then ended, in conformity with Accounting Standards for Enterprises and Accounting Regulations of the People's Republic of China for Enterprises with Foreign Investment, and on a consistent basis.

Shine Wing Certified Public Accountants  
Beijing China

January 28, 2000

BEIJING HATHAWAY SI FANG  
 -----  
 PROTECTION AND CONTROL EQUIPMENT CO., LTD.  
 -----

BALANCE SHEETS  
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AS OF DECEMBER 31, 1999 AND 1998  
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(Amounts expressed in Renminbi)  
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ASSETS	Notes	1999	1998
<b>CURRENT ASSETS</b>			
Cash		30,795,042	21,956,429
Accounts receivable, net	6	97,301,787	55,042,529
Inventories	7	74,773,525	54,275,542
Prepayments		14,252,368	12,583,250
Due from related parties		-	41,528
Other current assets		-	4,362,463
<b>Total Current Assets</b>		<b>217,122,722</b>	<b>148,261,741</b>
CONSTRUCTION-IN-PROGRESS		17,587,106	2,032,887
FIXED ASSETS, net	8	15,468,803	11,475,125
OTHER ASSETS		6,655,939	1,014,424
<b>TOTAL ASSETS</b>		<b>256,834,570</b>	<b>162,784,177</b>
<b>LIABILITIES AND OWNERS' EQUITY</b>			
<b>CURRENT LIABILITIES</b>			
Short-term bank loans	10	50,000,000	20,000,000
Accounts payable		80,677,521	10,518,647
Other payables		7,592,544	15,475,096
Taxes payable		1,957,730	4,097,288
Advances from customers		17,249,029	23,918,774
Accrued expenses		4,472,544	2,774,722
Dividends payable		2,847,500	2,250,000
Salary and welfare payable		3,190,370	5,404,896
Due to related companies		-	37,794,359
Due to joint venture partners		-	2,013,155
<b>Total Current Liabilities</b>		<b>167,987,238</b>	<b>124,246,937</b>
<b>OWNERS' EQUITY</b>			
Paid-in capital		10,870,000	6,005,529
Capital surplus		39,122,460	481,476
Statutory reserves		2,483,195	8,378,700
Retained earnings		36,371,677	23,671,535
<b>Total Owners' Equity</b>		<b>88,847,332</b>	<b>38,537,240</b>
<b>TOTAL LIABILITIES AND OWNERS' EQUITY</b>		<b>256,834,570</b>	<b>162,784,177</b>

The accompanying notes are an integral part of these financial statements.

BEIJING HATHAWAY SI FANG  
 -----  
 PROTECTION AND CONTROL EQUIPMENT CO., LTD.  
 -----  
 STATEMENTS OF INCOME  
 -----  
 FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998  
 (Amounts expressed in Renminbi)

	1999	1998
Sales, net	271,909,576	142,471,643
Less: Cost of sales	(216,835,732)	(107,229,752)
	-----	-----
Gross margin	55,073,844	35,241,891
Less: Selling expenses	(2,414,570)	(1,920,640)
General and administrative expenses	(11,627,696)	(10,890,253)
Financial expenses	(2,342,919)	(1,390,419)
Add: Other operating income, net	1,983,389	1,808,706
	-----	-----
Operating income	40,672,048	22,849,285
Less: Non-operating expenses, net	(34,574)	(74,519)
	-----	-----
Income before taxation	40,637,474	22,774,766
Less: Income tax	(4,883,337)	(2,812,744)
	-----	-----
Net income	35,754,137	19,962,022
	=====	=====

The accompanying notes are an integral part of these financial statements.

BEIJING HATHAWAY SI FANG  
 -----  
 PROTECTION AND CONTROL EQUIPMENT CO., LTD.  
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STATEMENT OF CASH FLOW  
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FOR THE YEAR ENDED DECEMBER 31, 1999

(Amounts expressed in Renminbi)

	1999
1. Cash Flows from Operating Activities:	
Cash received from sales of goods or rendering of services	136,300,136
Other cash received relating to operating activities	10,707,892
Sub-total of cash inflows	147,008,028
Cash paid for goods and services	(120,215,564)
Cash paid to and on behalf of employees	(14,252,663)
Value-added tax on purchases paid	(10,927,839)
Income tax paid	(4,241,013)
Taxes paid other than value-added tax and income tax	(183,671)
Other cash paid relating to operating activities	(11,414,268)
Sub-total of cash outflows	(161,235,018)
Net cash flows used in operating activities	(14,226,990)
2. Cash Flows from Investing Activities:	
Net cash received from disposal of fixed assets	39,432
Sub-total of cash inflows	39,432
Cash paid to acquire fixed assets	(18,585,765)
Sub-total of cash outflows	(18,585,765)
Net cash flows used in investing activities	(18,546,333)
3. Cash Flows from Financing Activities:	
Proceeds from borrowings	52,000,000
Proceeds from issuing shares	19,400,000
Sub-total of cash inflows	71,400,000
Cash payments of amounts borrowed	(22,770,000)
Cash payments for distribution of dividends	(4,402,500)
Cash payments of interest expenses	(2,615,564)
Sub-total of cash outflows	(29,788,064)
Net cash flows from financing activities	41,611,936
4. Net Increase in Cash	8,838,613

The accompanying notes are an integral part of these financial statements.

BEIJING HATHAWAY SI FANG  
 -----  
 PROTECTION AND CONTROL EQUIPMENT CO., LTD.  
 -----  
 CASH FLOWS STATEMENT (CONTINUED)  
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 FOR THE YEAR ENDED DECEMBER 31, 1999  
 (Amounts expressed in Renminbi)

	1999
-----	
Reconciliation of Net Income to Cash Flows from Operating Activities	
Net income	35,754,137
Add: Provision for bad debt	750,334
Depreciation of fixed assets	1,826,552
Losses on disposal of fixed assets	5,873
Financial expenses	2,342,919
Increase in inventories	(20,497,982)
Increase in operating receivables	(50,383,329)
Decrease in operating payables	15,974,506
	-----
Net cash flows used in operating activities	(14,226,990)
	=====
Net Increase in Cash	
Cash, end of the year	30,795,042
Less: Cash, beginning of the year	21,956,429
	-----
Net increase in cash	8,838,613
	=====

The accompanying notes are an integral part of these financial statements.

1 General

Beijing Hathaway Si Fang Protection and Control Equipment Co.,Ltd (the "Company" ) is a Sino-foreign equity joint venture set up on April 8th, 1994. The registered capital is US\$6,020,000.00 (amount to RMB 50,000,000). The equity interests of the investors are as follows:

Joint Venture Partner	Register capital	%	Amounts received
Beijing Sifang Tongchuang Protection and control Equipment Co., Ltd.	11,050,000	22.1	11,050,000
Nanjing Electric Power Automation Equipment General Factory	10,050,000	20.1	10,050,000
Hathaway Corporation	10,000,000	20	10,000,000
XJ Group Corporation	7,375,000	14.75	7,375,000
China Huadian Power Equipment and Engineering (Group) Corporation	5,025,000	10.05	5,025,000
The State Electrified Netting Materials Co., Ltd.	4,000,000	8	4,000,000
Norva (S.E.A.) Private Limited	2,500,000	5	1,900,000
	----- 50,000,000 =====	----- 100 =====	----- 49,400,000 =====

As of December 31st, 1999, Norva (S.E.A.) Private Ltd., has not yet made part of its contribution amounting to RMB 600,000.

The Company is located in Beijing, and commenced operation in July 1994. The Company is principally engaged in designing, manufacturing and sales of microprocessor-based relays, power substation automation systems and power system security and stability control systems.

2 Basis of Presentation

The financial statements have been prepared in accordance with Accounting Standards for Enterprises and Accounting Regulations of the People's Republic of China for Enterprises with Foreign Investment, promulgated by the Ministry of Finance. The Company uses RMB as its reporting currency.



### 3 Principal Accounting Policies

(a) Accounting period

The accounting period of the Company is the calendar year.

(b) Translation of foreign currencies

Foreign currency transactions during the year are translated into RMB at the rates of exchange quoted by the People's Bank of China on the first day of the month in which the transactions occurred. Foreign currency monetary assets and liabilities are translated into RMB at the rates of exchange prevailing at the balance sheet date. Exchange differences arising are included in the operating results.

(c) Cash equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(d) Fixed assets and depreciation

Fixed assets purchased or constructed by the Company are stated at cost. Depreciation of fixed assets is calculated on the straight line basis over their expected useful lives, taking into account their estimated residual value of 10% of the original cost of the assets concerned. The useful lives are:

	Years
Buildings	20
Machinery and equipment	5-8
Motor vehicles	6
Office equipment and furniture	5-10

(e) Construction in progress

Construction in progress, comprising mainly of Si Fang building, is stated at cost. This includes costs directly related to the construction of such assets and refurbishment expenses, installation and testing costs.

(f) Inventories

Inventories, comprising mainly of raw materials, work-in-progress and semi-finished goods, are stated at cost, calculated on the first-in-first-out basis.

The cost of raw materials includes all costs, transportation, loading and unloading and insurance, in bringing the raw materials to the present location and condition. In the case of work-in-progress and semi-finished goods, costs include the actual cost of direct material, labour and manufacturing expenses.

(g) Provision for bad debts

Bad debt provision is provided at 3%-5% of year-end accounts receivable balance.

(h) Revenue recognition

Revenue is recognised when goods are delivered or when projects are completed and installed and title of goods has been transferred to customers.

4 Principal Taxation

(a) Income tax

The Company accounts for corporate income tax using the Tax Payable method under the Accounting for Income Tax method. According to the Article No.7 of Income Tax Law of PRC for Enterprises with Foreign Investment and Foreign Enterprises (the "Income Tax Law") and "Official Reply from State Council on Issues Regarding the Coastal Cities' Policies for Beijing", the Company is entitled to Enterprise Income Tax ("EIT") at the rate of 24% since 1996. According to the Income Tax Law Article No.8, the Company is entitled to full exemption from EIT for 1996 and 1997, and 50% exemption from 1998 to 2000. Therefore, the applicable EIT rate for 1999 is 12%. According to Article No.4 of "Notice Concerning Preferential Tax Treatment on Local Income Tax for Enterprises with Foreign Investment and Foreign Enterprises" issued by the Beijing Local Administration of Taxation, the Company is entitled to full exemption from local income tax from 1996 to 2000, and 50% exemption from 2001 to 2005.

(b) Value added tax

The Company is subject to value added tax (VAT). The rate for domestic sales is 17%. Input VAT from purchases of raw materials can be netted off against output VAT from sales. VAT payable or receivable is the net difference between output VAT and input VAT.

(c) Individual income tax

Individual income tax is borne by the individual employees. The Company withholds individual income tax from employees for payment to the tax authorities.

5 Employees' Welfare and Social Insurance Reserve

In accordance with the National and Beijing Municipal Regulations on labour administration, the Company should provide a certain percentage of the total salaries of the Chinese employees as welfare and social insurance reserve. The unpaid balance is recorded in accrued payroll. The rates of provision are as follows:

Medical care	7.5%
Pension fund	20%
Education fund	1.5%
Housing fund	10%

6 Accounts Receivable

	1999	1998
Within 1 year	74,079,813.03	42,434,799.82
Over 1 year	26,231,308.32	14,866,729.61
Sub-total	100,311,121.35	57,301,529.43
Less: Provision for doubtful debts	3,009,333.64	2,259,000.00
Net accounts receivable	97,301,787.71	55,042,529.43

7 Inventories

	1999	1998
Raw materials	11,003,086.20	6,794,368.83
Work-in-progress and semi-finished goods	63,770,438.70	47,481,173.59
Total	74,773,524.90	54,275,542.42

8 Fixed Assets

	Buildings	Machinery and Equipment	Motor Vehicles	Office Equipment & Furniture	Total
Cost or valuation					
At 1 Jan. 1999	5,420,755.82	2,898,774.43	2,381,380.20	3,552,062.82	14,252,973.27
Additions	3,298,613.00	239,288.30	316,956.40	2,137,962.36	5,992,820.06
Disposals			57,530.00	115,060.00	172,590.00
At 31 Dec. 1999	8,719,368.82	3,138,062.73	2,640,806.60	5,574,965.18	20,073,203.33
Depreciation					
At 1 Jan. 1999	496,330.88	560,520.86	699,886.15	1,021,109.94	2,777,847.83
Charge for the year	431,800.50	351,190.37	387,653.17	691,325.55	1,861,969.59
Disposals			12,225.12	23,192.00	35,417.12
At 31 Dec. 1999	928,131.38	911,711.23	1,075,314.20	1,689,243.49	4,604,400.30
Net book value					
At 31 Dec. 1999	7,791,237.44	2,226,351.50	1,565,492.40	3,885,721.69	15,468,803.03
At 31 Dec. 1998	4,924,424.94	2,338,253.57	1,681,494.05	2,530,952.88	11,475,125.44

9 Construction in Progress

Projects	Process of project	1999	1998
Si Fang Building	Construction stage	16,742,663.00	1,087,357.00
Others		844,443.00	945,530.30
		-----	-----
Total:		17,587,106.00	2,032,887.30
		=====	=====

10 Short-term Loans

	1999	1998
Bank loans	50,000,000.00	20,000,000.00
	50,000,000.00	20,000,000.00
	=====	=====

The annual interest rates of bank loans range from 5.85 % to 7.029 %.  
The bank loans at the end of the year are guaranteed by certain shareholders of the Company.

11 Taxes payable

	1999	1998
VAT payable	-578,626.56	3,134,401.38
Income tax payable	2,536,356.25	962,886.37
	-----	-----
	1,957,729.69	4,097,287.75
	=====	=====

12 Profit Distribution and Movements on Reserves

12.1 Profit Distribution

	1999	1998
Net Profit	35,754,137.40	19,962,021.79
Less: Provision for staff and worker's bonus and welfare fund, Reserve fund and enterprise expansion fund of 1997		9,643,000.00
Provision for staff and worker's bonus and welfare fund of 1998	1,000,000.00	
Provision for reserve fund of 1998	2,000,000.00	
Plus: Undistributed profit at the beginning of the year	20,443,539.89	16,352,512.71
Profit available for distribution	53,197,677.29 -----	26,671,534.50 -----
Less: The adjustments for opening balance Transferred into capital	11,826,000.00	3,227,994.61
Dividends declared	5,000,000.00 -----	3,000,000.00 -----
Undistributed profit at the year end	36,371,677.29 =====	20,443,539.89 =====

The Board of Directors had not made a resolution for the 1999 profit appropriation at the date of the financial statements issued.

According to the resolution of the Board of Directors on profit distribution of 1998 , the Company provided the amounts of RMB 2,000,000 and RMB 1,000,000 of reserve fund and staff and worker's bonus and welfare fund respectively, made dividends distribution of RMB 5,000,000 to shareholders, and transferred RMB 11,826,000 to paid-in-capital account.

12.2 Movement on Reserves

	Capital Surplus	Reserve Fund	Enterprise Expansion Fund	Undistributed Profit	Total
Balance as at 1 January, 1999	481,476.12	1,735,249.00	9,871,445.61	20,443,539.89	32,531,710.62
Current year addition:					
Provision for reserve fund of 1998		2,000,000.00			2,000,000.00
Current year profit				35,754,137.40	35,754,137.40
Premium on capital contribution	110,983.98				110,983.98
Current year deduction:					
Transferred into paid-in-capital		(1,314,474.50)	(9,809,025.50)	(11,826,000.00)	(22,949,500.00)
Dividends declared				(5,000,000.00)	(5,000,000.00)
Provision for staff and worker's bonus and welfare fund and reserve fund for 1998				(3,000,000.00)	(3,000,000.00)
Balance as at 31 December, 1999	592,460.10	2,420,774.50	62,420.11	36,371,677.29	39,447,332.00

13 Capital

	1998	ADD	LESS	1999
Beijing Sifang Protection and control Equipment Co., Ltd.	4,500,000	3,652,500	8,152,500	---
Beijing Sifang Tongchuang Protection and control Equipment Co., Ltd.		11,050,000		11,050,000
Nanjing Electric Power Automation Equipment General Factory		10,050,000		10,050,000
Hathaway Corporation	1,505,529	9,037,971	543,500	10,000,000
XJ Group Corporation		7,375,000		7,375,000
China Huadian Power Equipment and Engineering (Group) Corporation		5,025,000		5,025,000
The State Electrified Netting Materials Co., Ltd.		4,000,000		4,000,000
Norva (S.E.A.) Private Limited		1,900,000		1,900,000
	6,005,529	52,090,471	8,696,000	49,400,000

(a). The Company's original registered capital was US\$700,000 (amount to RMB6,005,529.27). According to the Resolution of the Board in April 1998, the Company made a capital increase of RMB 4,864,470.73, which includes RMB 235,474.50 and RMB 3,584,025.50 transferred from reserve fund and enterprise expansion fund respectively, and a cash contribution of RMB 1,044,970.73. ( Beijing Sifang Protection and control Equipment Co., Ltd.: RMB 3,652,500, and Hathaway Corporation: RMB 1,211,971.)

Equipment Co., Ltd. transferred all its share interest in the company, RMB 8,152,500( USD 975,000) to the following five companies: Beijing Sifang Tongchuang Protection and control Equipment Co.,Ltd.-- RMB 2,402,300(USD 287,300), The State Electrified Netting Materials Co., Ltd. -- RMB869,600(USD 104,000), Nanjing Electric Power Automation Equipment General Factory -- RMB 2,184,900(USD 261,300), XJ Group Corporation -- RMB1,603,300(USD191,750) and China Huadian Power Equipment and Engineering (Group) Corporation -- RMB 1,092,400(USD 130,650). According to the Resolution of the Board in June 1999 and October1999, Hathaway Corporation transferred 5% of its equity, RMB 543,500 (USD 65,000) to Norva (S.E.A.) Private Limited.

(c). According to the Resolution of the Board in 1999, the Company made another capital increase of RMB 39,130,000, which includes RMB 1,079,000, RMB 6,225,000 and RMB 11,826,000 transferred from reserve fund, enterprise expansion and undistributed profit, and a cash contribution of RMB 20,000,000. (Nanjing Electric Power Automation Equipment General Factory: RMB 7,865,100, China Huadian Power Equipment and Engineering( Group ) Corporation: RMB 3,932,600, The State Electrified Netting Materials Co., Ltd. : RMB 3,130,400, Beijing Sifang Tongchuang Protection and control Equipment Co. Ltd.: RMB 8,647,700, XJ Group Corporation : RMB 5,771,700, Norva (S.E.A.) Private Limited: RMB 1,356,500, and Hathaway Corporation: RMB 7,826,000.)

(d). After the above share transference and capital increases, the shareholding structures of the Company comes to current states shown as the above list. The total amount of increased capital are comprised of RMB 11,826,000, RMB 1,314,474.50 and RMB 9,809,025.50 transferred from undistributed profit, reserve fund and enterprise expansion fund respectively, and a cash contribution of RMB 20,444,970.73. The registered capital was verified by Beijing Ming Ze Cheng CPA firm.

(e). As of December 31st, 1999, Norva (S.E.A.) Private Ltd., has not yet make part of its contribution amounting to RMB 600,000.

14 Related Party Transaction

14.1 Transactions

The Company has the following significant outstanding related party balances and transactions.

a) Sales

Related Party	Relationship	Description	Amount	Amount
			1999	1998
Nanjing Electric Power Automation Equipment General Factory	Shareholder	Sales of integrated circuits	58,455,698.96	29,747,531.96
XJ Group Corporation	Shareholder	Sales of integrated circuits	28,357,984.35	31,705,555.97
Beijing Sifang Tongchuang Protection and control Equipment Co. Ltd.	Shareholder	Sales of integrated circuits	16,951,495.73	
Beijing Sifang Protection and control Equipment Co., Ltd.	Previous shareholder	Sales of integrated circuits	4,723,150.83	

b) Materials in outside processing and purchases

Related Party	Relationship	Description	Amount	Amount
			1999	1998
Nanjing Electric Power Automation Equipment General Factory	Shareholder	Subcontract manufacture	67,592,035.99	55,189,239.19
XJ Group Corporation	Shareholder	Subcontract manufacture	49,101,878.39	28,867,900.00
Beijing Sifang Tongchuang Protection and control Equipment Co. Ltd.	Shareholder	Subcontract manufacture	40,163,676.83	
Hathaway Corporation	Shareholder	Purchasing raw materials	124,282.16	

(c) Payments of technology service fees

Related Party	Relationship	Description	Amount	Amount
			1999	1998
Nanjing Electric Power Automation Equipment General Factory	The Shareholder	Pay technical service fee	1,834,347.09	2,730,640.00
XJ Group Corporation	The Shareholder	Pay technical service fee	2,150,838.00	1,595,784.00
Sifang Tongchuang Protection and control Equipment Co.,Ltd.	The Shareholder	Pay technical service fee	1,725,878.31	
Sifang Protection and control Equipment Co.,Ltd.		Pay technical service fee	400,000.00	



14.2 Outstanding balance with related parties

Description	Related Party	Amount	Amount
		1999	1998
Accounts receivable	Nanjing Electric Power Automation Equipment General Factory	74,974.36	
	XJ Group Corporation	58,691.67	
	Beijing Sifang Tongchuang Protection and control Equipment Co. Ltd	11,567,190.39	
Accounts payable	Hathaway Corporation	29,430.70	
	Nanjing Electric Power Automation Equipment General Factory	25,366,277.11	18,722,869.16
	XJ Group Corporation	28,885,400.58	17,771,489.43
	Beijing Sifang Tongchuang Protection and control Equipment Co. Ltd.	7,644,485.27	
	Hathaway Corporation	558,736.24	

BEIJING HATHAWAY SI FANG  
PROTECTION AND CONTROL EQUIPMENT CO., LTD.

FINANCIAL STATEMENTS  
AS OF DECEMBER 31, 1998 AND 1997

TOGETHER WITH AUDITORS' REPORT

The reader is advised that this report has been prepared originally in Chinese. In the event of a conflict between this report and the original Chinese version or difference in interpretation between the versions of the report, the Chinese language report shall prevail.

AUDITORS' REPORT

-----

To the Board of Directors of Beijing Hathaway Si Fang Protection and Control Equipment Co., Ltd.:

Arthur Andersen . Hua Qiang Certified Public Accountants (hereinafter referred to as "We") have audited the accompanying balance sheets of Beijing Hathaway Si Fang Protection and Control Equipment Co., Ltd. (the "Company") as of December 31, 1998 and 1997, the statements of income and retained earnings for the years then ended, and the statement of cash flow for the year ended December 31, 1998. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with "The Independent Auditing Guidelines for Certified Public Accountants" of the People's Republic of China (the "PRC"). Our audits included such tests of the accounting records and such other auditing procedures as we considered necessary under the circumstances.

In our opinion, the financial statements referred to above comply with the requirements of "Accounting Standards for Business Enterprises" and "Accounting Regulations for Enterprises with Foreign Investment" of the PRC, and present fairly, in all material respects, the financial position of the Company as of December 31, 1998 and 1997, the results of its operations for the years then ended, and the cash flows for the year ended December 31, 1998. The accounting policies adopted in these financial statements have been applied on a consistent basis.

Arthur Andersen . Hua Qiang  
Certified Public Accountants

Certified Public Accountants

Beijing, People's Republic of China

/s/ Wang Lijun

March 16, 1998

-----  
Wang Lijun

/s/ Wang Wei

-----  
Wang Wei

NOTICE TO READERS

The accompanying financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than the PRC.

BEIJING HATHAWAY SI FANG  
 -----  
 PROTECTION AND CONTROL EQUIPMENT CO., LTD.  
 -----

BALANCE SHEETS  
 -----

AS OF DECEMBER 31, 1998 AND 1997  
 -----

(Amounts expressed in Renminbi)  
 -----

ASSETS	Notes	1998	1997
<b>CURRENT ASSETS</b>			
Cash		21,956,429.36	18,143,473.14
Accounts receivable, net	3	55,042,529.43	30,029,848.29
Inventories	4	54,275,542.42	13,071,368.46
Prepayments		12,583,249.32	4,929,661.97
Due from related parties	5	41,527.52	-
Due from joint venture partners	6	-	3,644,805.25
Other current assets		4,362,462.59	1,703,251.71
		-----	-----
<b>Total Current Assets</b>		<b>148,261,740.64</b>	<b>71,522,408.82</b>
CONSTRUCTION-IN-PROGRESS		2,032,887.30	-
FIXED ASSETS, net	7	11,475,125.44	10,106,280.26
<b>OTHER ASSETS</b>			
Organization expense		-	14,343.00
Long-term receivables	8	1,014,424.00	2,280,715.90
		-----	-----
<b>TOTAL ASSETS</b>		<b>162,784,177.38</b>	<b>83,923,747.98</b>
		=====	=====
<b>LIABILITIES AND OWNERS' EQUITY</b>			
<b>CURRENT LIABILITIES</b>			
Short-term bank loans	9	20,000,000.00	3,204,500.00
Accounts payable		10,518,647.50	1,975,911.36
Other payables		15,475,095.90	6,048,408.21
Taxes payable		4,097,287.75	15,480.40
Advances from customers		23,918,774.16	19,724,260.00
Accrued expenses		2,774,722.60	2,308,311.90
Dividends payable		2,250,000.00	317,500.00
Salary and welfare payable	10	5,404,896.43	2,250,954.16
Due to related companies	5	37,794,358.59	24,973,653.28
Due to joint venture partners	6	2,013,154.56	265,250.57
		-----	-----
<b>Total Current Liabilities</b>		<b>124,246,937.49</b>	<b>61,084,229.88</b>
		-----	-----
<b>OWNERS' EQUITY</b>			
Paid-in capital	1	6,005,529.27	6,005,529.27
Capital surplus		481,476.12	481,476.12
Statutory reserves		8,378,700.00	-
Retained earnings		23,671,534.50	16,352,512.71
		-----	-----
<b>Total Owners' Equity</b>		<b>38,537,239.89</b>	<b>22,839,518.10</b>
		-----	-----
<b>TOTAL LIABILITIES AND OWNERS' EQUITY</b>		<b>162,784,177.38</b>	<b>83,923,747.98</b>
		=====	=====

The accompanying notes are an integral part of these financial statements.

BEIJING HATHAWAY SI FANG  
 -----  
 PROTECTION AND CONTROL EQUIPMENT CO., LTD.  
 -----  
 STATEMENTS OF INCOME AND RETAINED EARNINGS  
 -----  
 FOR THE YEARS ENDED DECEMBER 31, 1998 AND 1997

(Amounts expressed in Renminbi)

	Notes	1998	1997
		-----	-----
Sales, net	5, 6	142,471,643.43	73,927,854.64
Less: Cost of sales	5, 6	(107,229,752.24)	(55,429,016.97)
		-----	-----
Gross margin		35,241,891.19	18,498,837.67
Less: Selling expenses		(1,920,640.72)	(2,273,715.88)
General and administrative expenses		(10,890,252.94)	(2,890,995.59)
Financial expenses		(1,390,419.04)	(731,995.56)
Add: Other operating income, net		1,808,706.18	47,118.24
		-----	-----
Operating income		22,849,284.67	12,649,248.88
Less: Non-operating expenses, net		(74,518.77)	(6,230.78)
		-----	-----
Income before taxation		22,774,765.90	12,643,018.10
Less: Income tax	11	(2,812,744.11)	-
		-----	-----
Net income		19,962,021.79	12,643,018.10
Add: Retained earnings, beginning of year		16,352,512.71	4,709,494.61
Less: Provisions for staff welfare and bonus fund, reserve fund and enterprise expansion fund		(9,643,000.00)	-
Dividends		(3,000,000.00)	(1,000,000.00)
		-----	-----
Retained earnings, end of year		23,671,534.50	16,352,512.71
		=====	=====

The accompanying notes are an integral part of these financial statements.

BEIJING HATHAWAY SI FANG  
 -----  
 PROTECTION AND CONTROL EQUIPMENT CO., LTD.  
 -----

STATEMENT OF CASH FLOW  
 -----

FOR THE YEAR ENDED DECEMBER 31, 1998  
 (Amounts expressed in Renminbi)

	1998
	-----
	(Note 12)
1. Cash Flows from Operating Activities:	
Cash received from sales of goods or rendering of services	131,630,647.71
Value-added tax on sales received	22,006,554.11
Other cash received relating to operating activities	243,246.14
Sub-total of cash inflows	153,880,447.96
	-----
Cash paid for goods and services	(120,530,681.21)
Cash paid to and on behalf of employees	(6,677,641.65)
Value-added tax on purchases paid	(19,434,925.05)
Income tax paid	(1,849,857.74)
Taxes paid other than value-added tax and income tax	(64,812.30)
Other cash paid relating to operating activities	(11,213,461.72)
	-----
Sub-total of cash outflows	(159,771,379.67)
Net cash flows used in operating activities	(5,890,931.71)
	-----
2. Cash Flows from Investing Activities:	
Net cash received from disposal of fixed assets	408,359.27
Sub-total of cash inflows	408,359.27
	-----
Cash paid to acquire fixed assets	(5,488,058.10)
	-----
Sub-total of cash outflows	(5,488,058.10)
	-----
Net cash flows used in investing activities	(5,079,698.83)
	-----
3. Cash Flows from Financing Activities:	
Proceeds from borrowings	20,000,000.00
Other cash received relating to financing activities	141,600.00
Sub-total of cash inflows	20,141,600.00
	-----
Cash payments of amounts borrowed	(2,870,100.00)
Cash payments for distribution of dividends	(817,500.00)
Cash payments of interest expenses	(1,670,413.24)
Sub-total of cash outflows	(5,358,013.24)
Net cash flows from financing activities	14,783,586.76
	-----
4. Net Increase in Cash	3,812,956.22
	=====

The accompanying notes are an integral part of these financial statements.

BEIJING HATHAWAY SI FANG  
 -----  
 PROTECTION AND CONTROL EQUIPMENT CO., LTD.  
 -----  
 CASH FLOWS STATEMENT (CONTINUED)  
 -----  
 FOR THE YEAR ENDED DECEMBER 31, 1998

(Amounts expressed in Renminbi)

	1998
	-----
Reconciliation of Net Income to Cash Flows from Operating Activities	(Note 12)
Net income	19,962,021.79
Add: Provision for bad debt	2,259,000.00
Depreciation of fixed assets	1,332,820.49
Amortization of intangible assets	14,343.00
Losses on disposal of fixed assets	32,991.86
Financial expenses	1,586,729.24
Increase in inventories	(41,204,173.96)
Increase in operating receivables	(32,714,909.74)
Decrease in operating payables	42,840,245.61
	-----
Net cash flows used in operating activities	(5,890,931.71)
	=====
Net Increase in Cash	
Cash, end of the year	21,956,429.36
Less: Cash, beginning of the year	(18,143,473.14)
	-----
Net increase in cash	3,812,956.22
	=====

The accompanying notes are an integral part of these financial statements.

BEIJING HATHAWAY SI FANG  
 -----  
 PROTECTION AND CONTROL EQUIPMENT CO., LTD.  
 -----  
 NOTES TO FINANCIAL STATEMENTS  
 -----  
 AS OF DECEMBER 31, 1998 AND 1997  
 -----

(Amounts expressed in Renminbi ("RMB") unless otherwise stated)

1 ORGANIZATION AND OPERATIONS  
 -----

Beijing Hathaway Si Fang Protection and Control Equipment Co., Ltd. (the "Company") was registered as a Sino-foreign equity joint venture on April 8, 1994 in Beijing by Beijing Si Fang Protection and Control Company ("Si Fang") and Hathaway Company Ltd. ("Hathaway"). The operating period of the Company is twenty years.

The Company's operations commenced in July 1994. The Company is principally engaged in the designing, manufacturing and sales of microprocessor-based relays, power substation automation systems and power system security and stability control systems.

The Company's original registered capital was US\$ 700,000 and was fully contributed by the partners before December 1994. The original joint venture partners and their respective capital contributions are as follows:

Joint Venture Partner	Percentage of Ownership	Contribution US\$	RMB Equivalent
Si Fang	75%	525,000	4,500,000.00
Hathaway	25%	175,000	1,505,529.27
	100%	700,000	6,005,529.27

In accordance with an agreement between the State Electrified Netting Materials Co., Ltd. ("SENM") and the Company, and approved by the board of directors meeting on October 28, 1997, Si Fang will transfer 8% of its interest to SENM. The new capital structure of the Company will be as follows:

Si Fang	67%
Hathaway	25%
SENM	8%
Total	100%

In addition, SENM has agreed to contribute additional capital to the Company and RMB870,000 was received in June 1997. Such amounts have been recorded as other payable in the accompanying financial statements. When the Company completes the necessary legal procedures to register an ownership change, including having its capital verified and obtaining an updated business license from the State Industrial and Commercial Administration Bureau, the contribution will be reflected as paid-in capital.



## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

-----

These financial statements are prepared in conformity with generally accepted accounting principles of the PRC, as set out in "Enterprise Accounting Standards" and "Accounting Regulations for Enterprise with Foreign Investments" of the PRC ("PRC GAAP"). Certain generally accepted accounting principles in other countries are not applicable in the PRC. Significant differences between PRC GAAP and generally accepted accounting principles in the United States include:

- . Provision for bad debts
- . Deferred tax

### (1) Foreign currency translation

The Company maintains its books and records in RMB. Transactions in foreign currencies are translated into RMB at the exchange rates quoted by the People's Bank of China ("PBOC") on the dates of the transaction. At the end of each month, monetary assets and liabilities denominated in foreign currencies are translated into RMB at the prevailing exchange rates quoted by the PBOC. Any exchange gain or loss arising is included in the income statement.

### (2) Bad debt provision

Bad debt is provided at 3% of accounts receivable balance as of year end.

### (3) Inventories

Inventories are stated at the lower of cost, calculated on the first-in first-out basis, and net realizable value. Work-in-process and semi-finished goods include direct material, direct labor and the related overhead.

### (4) Fixed assets

Fixed assets, which mainly comprise of buildings, plant, machinery and equipment, vehicles, and office furniture and equipment, are stated at cost less accumulated depreciation. Depreciation of fixed assets is provided using the straight-line method over the following estimated useful lives, taking into account an estimated residual value of 10% of cost.

Buildings	20 years
Plant, machinery and equipment	5-10 years
Vehicles	6 years
Office furniture and equipment	5-10 years

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(5) Taxation

Income tax

The Company is subject to the Enterprise Income Tax ("EIT") on the basis of its taxable income calculated at the applicable rate in accordance with the Income Tax Law of the PRC for Enterprises with Foreign Investment and Foreign Enterprises (the "Income Tax Law").

Value-added tax ("VAT")

Effective January 1, 1994, VAT is levied at 17% of domestic sales. An input credit is available whereby VAT previously paid on the purchase of raw materials can be used to offset against the VAT on sales to determine the net VAT payable.

(6) Sales

Sales represents the invoiced value of goods sold or project completed, net of VAT, sales discounts and sales returns, and is recognized when goods are delivered or when projects are completed and installed and title has been transferred to customers.

3. ACCOUNTS RECEIVABLE, net

As of December 31, 1998 and 1997, accounts receivable balances consisted of:

	1998	1997
Accounts receivable	57,301,529.43	30,029,848.29
Less: Bad debt provision	(2,259,000.00)	-
Accounts receivable, net	55,042,529.43	30,029,848.29

As of December 31, 1998 and 1997, accounts receivable balances included receivable aged over one year amounting to RMB14,866,729.61 and RMB5,440,164.90, respectively.

4. INVENTORIES

As of December 31, 1998 and 1997, inventories comprised of:

	1998	1997
	-----	-----
Raw materials	6,794,368.83	3,660,912.75
Work-in-process and semi-finished goods	47,481,173.59	9,376,560.66
Low-value items	-	33,895.05
	-----	-----
Total	54,275,542.42	13,071,368.46
	=====	=====

5. RELATED PARTY TRANSACTIONS

Name of Related Party	Relationship	Nature of Major Transactions
-----	-----	-----
Beijing Power Machinery Bureau	Investor of Si Fang	Reimbursement of expenses
Nanjing General Plant of Electric Automated Equipment	Investor of Si Fang	Subcontract manufacturing fees, commissions, and sales of integrated circuits
Xuchang Relay Factory	Investor of Si Fang	Subcontract manufacturing fees, commissions, and sales of integrated circuits
North China Electric Power University (Beijing)	Investor of Si Fang	Short term financing

As of December 31, 1998 and 1997, balances with related parties were as follows:

	1998	1997
	-----	-----
Due from related parties		
Beijing Power Machinery Bureau	41,527.52	-
	=====	=====
Due to related parties		
Nanjing General Plant of Electric Automated Equipment	18,722,869.16	1,770,045.90
Xuchang Relays Factory	17,771,489.43	21,903,607.38
North China Electric Power University (Beijing)	1,300,000.00	1,300,000.00
	-----	-----
Total	37,794,358.59	24,973,653.28
	=====	=====

Balances with related parties are unsecured, non-interest bearing and have no fixed repayment date.

5. RELATED PARTY TRANSACTIONS (CONTINUED)

-----  
 Related party transactions during 1998 and 1997 were as follows:

	1998	1997
	-----	-----
Payments of subcontract manufacturing fee		
Nanjing General Plant of Electric		
Automated Equipment	55,189,239.19	19,287,767.57
Xuchang Relays Factory	28,867,900.00	31,473,744.30
	-----	-----
Total	84,057,139.19	50,761,511.87
	=====	=====
Payments of technology use fee		
Nanjing General Plant of Electric		
Automated Equipment	2,730,640.00	-
Xuchang Relays Factory	1,595,784.00	-
	-----	-----
Total	4,326,424.00	-
	=====	=====
Sales		
Nanjing General Plant of Electric		
Automated Equipment	29,747,531.96	9,924,096.46
Xuchang Relays Factory	31,705,555.97	9,689,434.62
	-----	-----
Total	61,453,087.93	19,613,531.08
	=====	=====

6. JOINT VENTURE PARTNER TRANSACTIONS

Name of Joint Venture Partner	Major Transaction Nature
-----	-----
Si fang	Payments of subcontract manufacturing fee, microprocessor based protective relays, payments of office building rental, and sales of integrated circuit
Hathaway	Reimbursement of expenses

As of December 31, 1998 and 1997, balances with joint venture partners were as follows:

	1998	1997
	-----	-----
Si fang	1,797,306.11	3,644,805.25
Hathaway	215,848.45	(265,250.57)
	-----	-----
Total net amount	2,013,154.56	3,379,554.68
	=====	=====

Balances with joint venture partners are unsecured, non-interest bearing and have no fixed repayment date.

6. JOINT VENTURE PARTNER TRANSACTIONS (CONTINUED)

Transactions with the joint venture partners during 1998 and 1997 were as follows:

	1998	1997
Si Fang		
Payments of processing fee	5,106,695.00	669,988.97
Rental	500,000.00	500,000.00
Sales	2,586,100.00	952,061.67

7. FIXED ASSETS, net

As of December 31, 1998 and 1997, fixed assets comprised of:

	1998	1997
Buildings	5,420,755.82	4,355,130.00
Plant, machinery and equipment	5,545,917.25	4,273,381.00
Vehicles	2,381,380.20	1,872,067.00
Office furniture and equipment	904,920.00	1,177,773.75
Total cost	14,252,973.27	11,678,351.75
Less: Accumulated depreciation	(2,777,847.83)	(1,572,071.49)
Fixed assets, net	11,475,125.44	10,106,280.26

8. LONG-TERM RECEIVABLES

Long-term receivables represented advances to managers or key employees of the Company. These advances are non-interest bearing and are unsecured. Part of the advances will be deducted from the employees' monthly salary over five years starting from 1998. The remaining amount will be offset against the Company's staff welfare and bonus fund.

9. SHORT-TERM BANK LOANS

As of December 31, 1998, the Company had RMB20,000,000 borrowings with the bank. The Company repaid one RMB10,000,000 loan with annual interest rate of 9.504% on March 10, 1999. The other RMB10,000,000 loan with annual interest rate of 7.623% is due on August 11, 1999. Such loan is guaranteed by Beijing Strong High-Tech Development Corporation.

#### 10.EMPLOYEE BENEFITS

-----  
Pursuant to the regulations of the Beijing Labor Bureau, Beijing Finance Bureau and Beijing Housing Reform Commission, the Company is required to provide various employee benefits for its PRC employees, including medical care, employee education, welfare subsidies, unemployment insurance, postretirement benefits and housing fund, etc. The total provision is calculated at 54.5% of the employees' actual salaries.

For the year ended December 31, 1998, the provision for employee benefits was RMB3,191,767.04 (1997: RMB1,269,339.00).

#### 11.INCOME TAX

-----  
According to the Income Tax Law Article No. 7 and "Official Reply from State Council on Issues Regarding the Coastal Cities' Policies for Beijing ", the Company is entitled to EIT at the rate of 24% since 1996. According to the Income Tax Law Article No. 8, the Company is entitled to full exemption from EIT for 1996 and 1997, and 50% exemption from 1998 to 2000. Therefore, the applicable EIT rate for 1998 is 12%.

According to Article No. 4 of "Notice Concerning Preferential Tax Treatment on Local Income Tax for Enterprises with Foreign Investment and Foreign Enterprises" issued by the Beijing Local Administration of Taxation, the Company is entitled to full exemption from local income tax from 1996 to 2000, and 50% exemption from 2001 to 2005.

#### 12.CASH FLOWS STATEMENT

-----  
The Company has presented a statement of cash flow for the year ended December 31, 1998 in accordance with the Accounting Standard for Business Enterprise -Cash Flows Statement. The Company has selected not to present comparative cash flow figures for 1997 as the above Standard does not require comparative statements and management has determined that the cost of preparation would not be justified.

#### 13.COMPARATIVE FIGURES

-----  
Certain figures in the 1997 financial statements have been reclassified to conform to the current year presentation.

HATHAWAY CORPORATION

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

HATHAWAY CORPORATION

By /s/ Richard D. Smith

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Richard D. Smith  
President, Chief Executive Officer and  
Chief Financial Officer

Date: June 30, 2000