

MANAGEMENT DISCUSSION AND ANALYSIS

During the Period, the Group achieved remarkable results in both turnover and net profit compared with the same period in 2001. Total unaudited turnover increased by 61% as compared with the same period last year, reaching approximately RMB950,448,000. The improvement was explained by the Group's ability to attract orders of larger size from its reputable customer base. The Group's strong R&D capabilities, unique production process, stringent quality control as well as flexible and short delivery time enable the Group to offer quality products and services at competitive prices. Taking advantage from the flexible production process, the Group is able to offer a wide range of products to satisfy the ever-changing market demand. These factors have all contributed to the Group's success in attracting a growing number of long-term world-class and PRC dominant customers in various application regimes, which in turn created a quantum growth in sales orders.

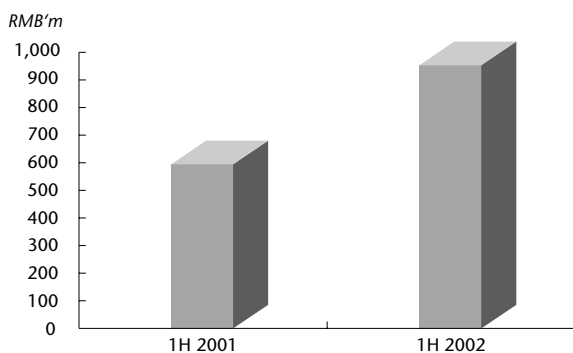
During the Period, the Group's profit attributable to shareholders also achieved a substantial growth of approximately RMB204,005,000, representing a 393% increase from the same period last year. For the six months ended 30 June 2002, market competition led to a lower average price of rechargeable batteries. The average unit price of NiCd and NiMH batteries of the Group remained stable, while the average unit price of Li-ion batteries decreased by about 4% during the Period. The Group takes pride of its amicable relationships with suppliers, its strong R&D capabilities on improving its production technology and its unique production process which effectively reduced the production cost.

With its proven track record in the first half of 2002 and the historical seasonality effect, the directors of the Company (the "Directors") believe that the Group will achieve a promising business performance for the rest of 2002.

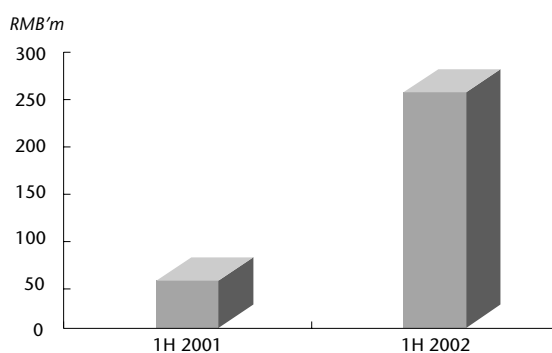
FINANCIAL REVIEW

For the Period, the Group's turnover increased by 61% to approximately RMB950,448,000 compared to the same period in the previous year. The increase in sales was mainly contributed by the increase in sales of Li-ion batteries, which accounted for 65% of the overall increase. Product mix of the group underwent a structural change. Li-ion batteries took over NiCd batteries to become the major product of the Group. Sales of pack batteries of Li-ion battery increased from RMB28,558,000 for the six months ended 30 June 2001 to RMB175,506,000 for the Period.

Turnover

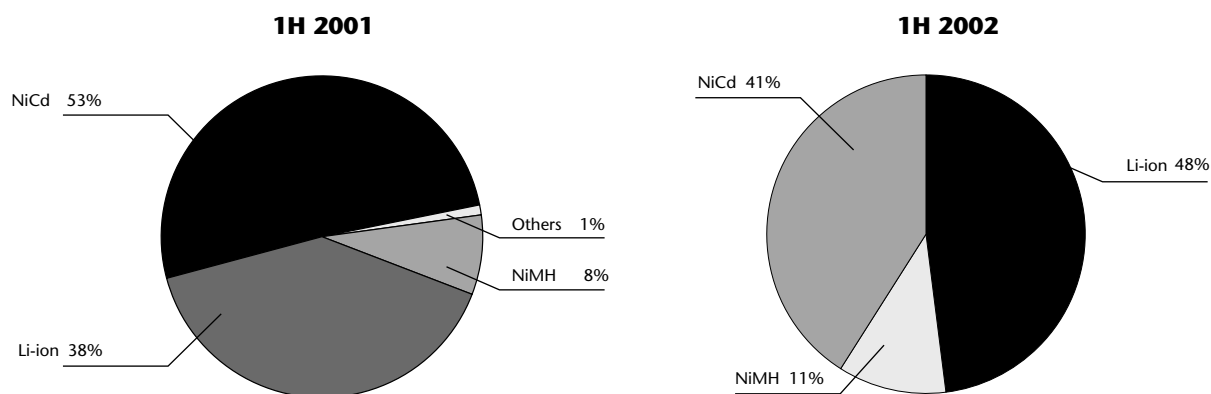


Net Profit



MANAGEMENT DISCUSSION AND ANALYSIS (cont'd)

Turnover by Products

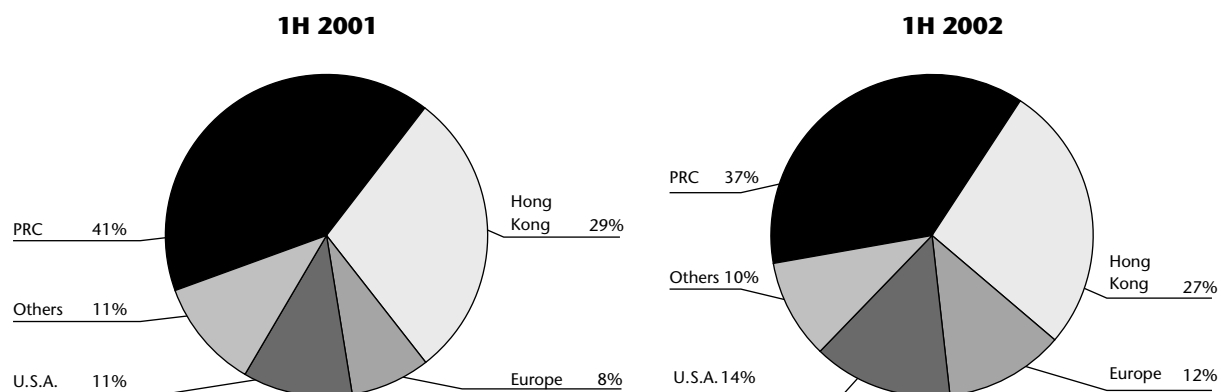


The Group's gross profit increased by approximately 166% from approximately RMB148,914,000 for the six months ended 30 June 2001 to RMB395,753,000 for the six months ended 30 June 2002. During the Period, the Group's gross profit margin increased by approximately 17% points compared with that for the first half of 2001, reaching approximately 42%. Such increase in gross profit margin was attributable to the Group's improvement in production technology and methodology and its ability to control cost. The Group also shifted its product mix to products with higher gross profit margin.

Attributed to the Group's successful effort in controlling cost, selling and distribution expenses and general and administration expenses as a percentage of sales decreased from 2.79% to 2.57% and from 8.99% to 6.71% respectively for the Period compared to the same period in the previous year.

(I) Segment Information

An analysis by geographical segment, as determined by locations of the Group's customers, is as follows:



MANAGEMENT DISCUSSION AND ANALYSIS (cont'd)

(II) Liquidity and Financial Resources

The Group generated a net operating cash inflow of approximately HK\$103 million during the Period. The Group's debt to equity ratio as at 30 June 2002, expressed as a percentage of net interest bearing borrowings (after deducting the then balance of cash and bank deposits) over shareholders' equity, was 53%. The Group received net proceeds of about HK\$1.57 billion from the IPO. As at the date of this report, the Group is debt free as all outstanding bank loans were repaid.

The Group has no committed borrowing facilities as at 30 June 2002. Day-to-day funding requirements and capital expenditures are expected to be met by its listing proceeds and internal cash flow. Also, the Group can access to significant uncommitted short-term borrowing facilities provided by its principal banks. There are, however, no present needs for borrowings of any material amount.

The Group's accounts receivable turnover day was about 78 days for the six months ended 30 June 2002, improving from 81 days for the year ended 31 December 2001. The improvement in accounts receivable turnover day was attributable to the Group's continuous effort to maintain the credit policies and to monitor customers' credit performance.

Inventory are required to store in the warehouse for the chemicals to become stable before packaging. Due to the increase in sales, inventory turnover day increased from 89 days for the year ended 31 December 2001 to 91 days during the Period.

During the Period, the Group did not use any financial instrument for hedging purposes and the Group did not have any hedging instrument outstanding as at 30 June 2002.

(III) Capital Structure

The financial risk is managed by the finance department, which operates according to the policies approved by the top management. As at 30 June 2002, the Group's borrowings were primarily denominated in RMB while its cash and cash equivalents were held in RMB and US dollars.

It is the intention of the Group to maintain an appropriate mix of equity and debt to ensure an efficient capital structure over time. At this stage, however, with the receipt of the listing proceeds and its strong operating cash flow, there are no immediate requirements for debt finance. As noted above, the Group is debt-free as at the date of this report.

Details of the loans remaining outstanding as at 30 June 2002 are described in Note 12 to the unaudited combined condensed accounts ("Condensed Accounts"). All of the Group's borrowing as at 30 June 2002 were at fixed interest rates.

(IV) Details of the Group's Asset Pledged

As at the date of this report, no asset of the Group is pledged.

MANAGEMENT DISCUSSION AND ANALYSIS (cont'd)

(V) Exposure to Foreign Exchange Risk

Most of the income and expenditure of the Group are denominated in RMB and U.S. dollars. The Group has not experienced any material difficulties or effects on its operations or liquidity as a result of fluctuations in currency exchange rates during the Period. The Directors believe that the Group will have sufficient foreign exchange to meet its foreign exchange requirements.

(VI) Employment, Training and Development

As at 30 June 2002, the Group had a total of over 16,000 employees, an increase of approximately 4,000 employees compared with that at 30 June 2001, and total staff costs (excluding welfare cost) amounted to 9.50% of total turnover during the Period. Employees are remunerated based on their performance, experience and the prevailing industry practices, with compensation policies and packages being reviewed on a regular basis. Bonuses and commissions may also be awarded to employees based on performance evaluation. There are drives and incentives to encourage personal performance and motivation.

(VII) Share Capital

As at the date of this report, the share capital of the Company is as follow:

Types of shares	Number of shares issued	Percentage %
Domestic shares	390,000,000	72.289
H shares	149,500,000	27.711
Total	<u>539,500,000</u>	<u>100.000</u>

(VIII) Taxation

Details on taxation are set out in Note 5 to the Condensed Accounts.

For further financial information, please refer to the Condensed Accounts set out from pages 11 to 22 in this report, which has been reviewed by the Company's audit committee and, in accordance with Statement of Auditory Standard 700 "Engagements to review interim financial reports" issued by the Hong Kong Society of Accountants (the "HKSA"), by the Company's auditors.