

# Management Discussion and Analysis

## FINANCIAL RESULTS

Turnover of the Group for the year 1st January, 2000 to 31st December, 2000 was RMB325,614,000 (1999:RMB211,828,000). Net profit after taxation for the year amounted to RMB80,708,000 (1999: RMB67,811,000), an increase of 19% when comparing to 1999.

## SUMMARY OF OPERATION

### Products

The key products of the Group are SLA Batteries. The Group is also engaged in the production and sales of battery-related accessories, such as switch cabinets, battery storage cabinets and racks.

Before the end of 2000, the Group has completed the development of the two projects; they are the production line of lithium ion batteries and the electric power automation device. The directors estimate the two projects will be launched to market in 2001.

### Sales Network

The Group has established strong sales network in Shenyang, Beijing, Xian and Guangzhou in the PRC. It also has a motivated and competent sales team covering a network of 29 provinces, municipalities and autonomous regions. Coslight brand batteries have a high creditability in the PRC and have capture 20% share in the Chinese telecommunications market, which has brought about good reputation and economic benefits for the Group.

### New Production Facilities

In order to increase production capacity, improve product quality and add new products, the Group has completed the following projects in year 2000:

(a) *New construction projects*

- a workshop for lithium ions of 6,960 square metres;
- a workshop for intelligent-type battery shell of 3,906 square metres; and
- a workshop for thin plate products of 7,812 square metres.

(b) *New equipment*

- a new production line for intelligent-type valve regulated SLA Batteries.
- 14 sets of production equipment for SLA Batteries.
- 9 sets of equipment for the lithium ions production line.



## TRADE RECEIVABLES

For year ended 31st December, 2000, almost all of the Group's sales were made on credit with average credit period from 3 to 9 months to its trade customers. Most of these credit sales were made to regular customers who have more than three years of well-established business relationship and payment records with the Group. The Group has maintained a tight credit control policy and had not experienced any significant bad debts for each of the three years ended 31st December, 2000. The Group's customers to which the Group normally grants a longer credit terms mainly comprise the governmental post and telecommunications bureaux at provincial, municipal and county levels with strong financial backgrounds and strong bargaining power.

	2000 RMB'000	1999 RMB'000
Trade receivables		
< 90 days	110,718	89,186
90 – 180 days	142,996	36,673
180 – 360 days	28,390	40,517
> 360 days	18,634	25,759
	<b>300,738</b>	192,135
Provision for bad & doubtful debts	<b>(6,763)</b>	(6,631)
	<b>293,975</b>	185,504

Provision for bad and doubtful debts is made on 10% of the trade receivables overdue for over seven months. The basis of providing for bad debts is consistently applied in 1999 and 2000 respectively. The directors believe the provision for bad and doubtful debts is adequate.

## LIQUIDITY AND FINANCIAL RESOURCES

The Group's operation is financed partly by internal resources, proceed from IPO and partly by bank loans from PRC banks.

As at 31st December, 2000, cash outflow of the Group generated from operating activities amounted to RMB3,737,000. Net increase in bank loan amounted to RMB7,040,000. Cash and equivalents of the Group for the year ended 31st December, 2000 had decreased by RMB63,639,000.

