

## **NOTES TO THE CONDENSED FINANCIAL STATEMENTS**

FOR THE SIX MONTHS ENDED 30TH JUNE, 2001

### **1. BASIS OF PREPARATION**

The condensed financial statements have been prepared in accordance with Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants, except that in this first year of implementation of the standard, as permitted by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), no comparative amounts have been presented for the condensed consolidated cash flow statement.

### **2. PRINCIPAL ACCOUNTING POLICIES**

The condensed financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain property, plant and equipment.

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2000, except as described below.

In the current period, the Group has adopted, for the first time, a number of new and revised SSAPs which has resulted in the adoption of the following revised accounting policy.

#### **Dividends proposed or declared after the balance sheet date**

In accordance with SSAP 9 (Revised) "Events after the balance sheet date", dividends proposed or declared after the balance sheet date are not recognised as a liability at the balance sheet date, but are disclosed in the notes to the financial statements. This change in accounting policy has been applied retrospectively, resulting in a prior period adjustment (see note 3).

### 3. PRIOR PERIOD ADJUSTMENT

The adoption of the revised accounting policy, resulted from the revised SSAP 9 as described in note 2, has been applied retrospectively. It has given rise to an increase in retained profits at 1st January, 2000 of RMB19,425,000, the derecognition of dividends payable amounting to RMB19,425,000 for 1999 final dividend and 2000 final dividend at 1st January, 2000 and 31st December, 2000 respectively, the recognition of 1999 final dividend amounting to RMB19,425,000 in the year ended 31st December, 2000 and the recognition of 2000 final dividend amounting to RMB19,425,000 in the period ended 30th June, 2001. Comparative amounts have been restated in line with the revised accounting policy.

### 4. SEGMENTAL INFORMATION

#### BUSINESS SEGMENTS

	Turnover		Contributions to profit from operations	
	Six months ended		Six months ended	
	30.6.2001	30.6.2000	30.6.2001	30.6.2000
	RMB'000	RMB'000	RMB'000	RMB'000
Manufacture and sales of sealed lead acid batteries and accessories	<b>200,944</b>	120,976	<b>67,522</b>	48,508
Manufacture and sales of lithium ion batteries	<b>2,310</b>	—	<b>(560)</b>	—
	<b><u>203,254</u></b>	<u>120,976</u>	<b><u>66,962</u></b>	<u>48,508</u>
Unallocated corporate expenses			<b><u>(18,614)</u></b>	<u>(10,903)</u>
Profits from operations			<b><u>48,348</u></b>	<u>37,605</u>

## 4. SEGMENTAL INFORMATION (continued)

### GEOGRAPHICAL SEGMENTS

Substantially all of the Group's activities are based in the People's Republic of China (the "PRC") and more than 90% of the Group's turnover and contribution to profit from operations are derived from PRC for both periods.

## 5. DEPRECIATION AND AMORTISATION

During the period, depreciation of RMB6,436,000 (six month ended 30th June, 2000: RMB4,604,000) was charged in respect of the Group's property, plant and equipment and amortisation of RMB216,000 (six months ended 30th June, 2000: RMB Nil) was charged in respect of the Group's patents.

## 6. TAXATION

The (credit) charge comprises:

	<b>Six months ended</b>	
	<b>30.6.2001</b>	30.6.2000
	<b>RMB'000</b>	RMB'000
PRC income tax	-	1,427
Deferred tax charge	<b>(4,683)</b>	1,069
	<b><u>(4,683)</u></b>	<u>2,496</u>

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

## **6. TAXATION (continued)**

Pursuant to the relevant laws and regulations in the PRC, certain of the Group's PRC subsidiaries are entitled to exemption 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. Accordingly, these PRC subsidiaries were exempted from PRC income tax.

One of the major operating subsidiaries of the Company was subject to income tax in the PRC in previous years. The charge of PRC income tax for the period ended 30th June, 2000 was subject to a rate of 7.5%. That subsidiary has since 27th May, 1999 been established as a Wholly Foreign-owned Enterprise under the laws of the PRC and has obtained the approval from the PRC tax bureau during the period for the exemption from the above-mentioned PRC enterprise income tax for two years followed by a 50% relief for the following three years. The tax relief for this subsidiary commences from January 2001.

## **7. DIVIDENDS**

On 25th May, 2001, a dividend of 5HK cents (2000: 5HK cents) per share, shown in the financial statements as RMB0.0535 (2000: RMB0.0535) per share, was paid to shareholders as the final dividend for 2000.

The directors have determined that an interim dividend of 2.6HK cents (2000: 2HK cents) per share, shown in the financial statements as RMB0.02782 (2000: RMB0.0214) per share, should be paid to the shareholders of the Company.

## **8. EARNINGS PER SHARE**

The calculation of the basic earnings per share is based on the net profit for the period of RMB47,754,000 (six months ended 30th June, 2000: RMB32,561,000) and on the number of 363,080,000 (2000: 363,080,000) shares in issue during the period.

Diluted earnings per share has not been presented because there were no dilutive potential ordinary shares in issue during either period.

## **9. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT**

During the period, the Group spent approximately RMB38,578,000 (six months ended 30th June, 2000: approximately RMB49,799,000) on addition to manufacturing plant in order to expand its manufacturing capabilities.

At 30th June, 2001, the directors have considered the carrying amount of the Group's buildings and land use rights, plant and machinery and motor vehicles and have estimated that the carrying amounts do not differ significantly from that which would be determined using fair values at the balance sheet date. Consequently, no revaluation surplus or deficit has been recognised in the current period.

## 10. TRADE AND OTHER RECEIVABLES

The credit terms given to the customers vary from 3 months to 9 months and are generally based on the financial strength of individual customers. The following is an aged analysis of accounts receivable at the reporting date:

	<b>30.6.2001</b>	31.12.2000
	<b>RMB'000</b>	RMB'000
Within 90 days	<b>135,907</b>	110,718
More than 90 days, but not exceeding 180 days	<b>77,381</b>	142,996
More than 180 days, but not exceeding 270 days	<b>69,178</b>	12,793
More than 270 days, but not exceeding 360 days	<b>62,033</b>	12,797
More than 360 days	<b>19,578</b>	14,671
Trade receivables	<b>364,077</b>	293,975
Other receivables	<b>32,919</b>	32,798
	<b>396,996</b>	326,773

## 11. TRADE AND OTHER PAYABLES

The following is an aged analysis of accounts payable at the reporting date:

	<b>30.6.2001</b>	31.12.2000
	<b>RMB'000</b>	RMB'000
Within 30 days	<b>10,546</b>	10,713
More than 30 days, but not exceeding 60 days	<b>6,167</b>	3,417
More than 60 days, but not exceeding 90 days	<b>3,243</b>	1,994
Over 90 days	<b>9,529</b>	2,973
Trade payables	<b>29,485</b>	19,097
Other payables	<b>64,644</b>	59,081
	<b>94,129</b>	78,178

## 12. BORROWINGS

During the period, the Group obtained new bank loans in the amount of RMB78,900,000 and repaid bank loans of RMB63,400,000. The new bank loan bears interest at market rates and are repayable within one year. The proceeds were used to finance the working capital of the Group.

## 13. RESERVES

	<b>Share premium</b>	<b>Special reserve</b>	<b>PRC statutory reserves</b>	<b>Revaluation reserve</b>	<b>Exchange reserve</b>	<b>Retained profits</b>	<b>Total</b>
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (note)	RMB'000
At 1st January, 2000							
- as originally stated	67,479	34,583	36,273	27,366	-	73,153	238,854
- prior period adjustment (note 3)	-	-	-	-	-	19,425	19,425
- as restated	67,479	34,583	36,273	27,366	-	92,578	258,279
Exchange realignment	-	-	-	-	150	-	150
Profit for the year	-	-	-	-	-	80,708	80,708
Transfer	-	-	22,676	-	-	(22,676)	-
Dividend paid	-	-	-	-	-	(27,194)	(27,194)
At 31st December, 2000 and 1st January, 2001	67,479	34,583	58,949	27,366	150	123,416	311,943
Profit for the period	-	-	-	-	-	47,754	47,754
Transfer	-	-	2,058	-	-	(2,058)	-
Dividend paid	-	-	-	-	-	(19,425)	(19,425)
At 30th June, 2001	<u>64,479</u>	<u>34,583</u>	<u>61,007</u>	<u>27,366</u>	<u>150</u>	<u>149,687</u>	<u>340,272</u>

Note: Included in the retained profits at 30th June, 2001 is the amount of RMB10,101,000 (31st December, 2000: RMB19,425,000) in respect of the proposed dividend for the period then ended.



## 14. RELATED PARTY TRANSACTIONS AND BALANCES

During the period, the Group had certain transactions and balances with related parties. Details of transactions and balances with these related parties are as follows:

### (A) TRANSACTIONS

Name of related party	Nature of transactions	Six months ended	
		30.6.2001 RMB'000	30.6.2000 RMB'000
哈爾濱亞光新型隔板有限公司 Harbin Ya Guang Modern Separators Company Limited ("HB Ya Guang")	Purchase of raw materials from HB Ya Guang	<u>9,206</u>	<u>4,518</u>
	Rental income in respect of leasehold land and buildings received from HB Ya Guang	<u>80</u>	<u>80</u>
	Electricity and water charged to HB Ya Guang	<u>90</u>	<u>90</u>
	Provision of sundry services to HB Ya Guang	<u>5</u>	<u>5</u>
北京兆唐科技有限公司 Beijing Zhaotang Science and Technology Company Limited ("BJ Zhaotang")	Purchase of raw materials from BJ Zhaotang	<u>658</u>	<u>—</u>
光宇延邊蓄電池有限公司 Guang Yu Yan Bian Storage Battery Company Limited ("GY Yan Bian")	Purchase of goods from GY Yan Bian	<u>2,850</u>	<u>—</u>

## 14. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

### (A) TRANSACTIONS (CONTINUED)

The transaction prices were determined by reference to market prices for similar transactions.

### (B) BALANCES

#### (1) Amounts due from directors

Particulars of the amounts due from directors disclosed under Section 161B of the Hong Kong Companies Ordinance are as follows:

	<b>Balance at 30.6.2001 RMB'000</b>	Balance at 1.1.2001 RMB'000	Maximum amount outstanding during the period RMB'000
宋殿權 Song Dian Quan	<b>791</b>	–	791
羅明花 Luo Ming Hua	<b>220</b>	–	220
李克學 Li Ke Xue	<b>407</b>	344	407
邢凱 Xing Kai	<b>59</b>	–	59
劉興權 Liu Xing Quan	<b>13</b>	–	13
	<b><u>1,490</u></b>	<u>344</u>	<u>1,490</u>

The amounts are unsecured, interest free and have no fixed repayment terms.

## 14. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

### (B) BALANCES (CONTINUED)

#### (2) Amount due from a related company

<b>Name of related party</b>	<b>30.6.2001</b>	<b>31.12.2000</b>
	<b>RMB'000</b>	<b>RMB'000</b>
哈爾濱開關有限責任公司 Harbin Switch Company Limited ("HB Switch")	<b>300</b>	—

#### (3) Amounts due to related companies

<b>Name of related party</b>	<b>30.6.2001</b>	<b>31.12.2000</b>
	<b>RMB'000</b>	<b>RMB'000</b>
HB Ya Guang	<b>8,459</b>	4,517
GY Yan Bian	<b>3,204</b>	—
哈爾濱光宇(集團)股份有限公司 Harbin Guangyu Group Company Limited ("HBGY Group")	<b>1,012</b>	—
哈爾濱光宇電源有限公司 Harbin Guangyu Power Supply Company Limited ("HBGY Power")	<b>500</b>	—
Bj Zhaotang	<b>234</b>	509
	<b>13,409</b>	5,026

The amounts due to related companies are unsecured, non-interest bearing and repayable on demand.

## 14. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

### (C) OTHERS

RMB26,950,000 (31.12.2000: RMB22,900,000) of the Group's bank loans were guaranteed by related parties in which certain directors of the Company have beneficial interests.

Certain directors of the Company have beneficial interests in HB Ya Guang, BJ Zhaotang, GY Yan Bian, HB Switch, HBGY Group and HBGY Power.

## 15. CAPITAL COMMITMENTS

	<b>30.6.2001</b>	31.12.2000
	<b>RMB'000</b>	RMB'000
Commitments for the acquisition of property, plant and equipment:		
Contracted for but not provided in the condensed financial statements	<b>1,802</b>	24,957
Authorised but not contracted for	<b>21,830</b>	24,430
	<b>23,632</b>	49,387

## 16. POST BALANCE SHEET EVENTS

There were no significant post balance sheet events subsequent to 30th June, 2001.