

FINANCIAL RESULTS

Turnover of the Group for the year 1st January, 2001 to 31st December, 2001 was RMB474,203,000 (2000: RMB325,614,000). Net profit after taxation for the year amounted to RMB108,121,000 (2000: RMB80,708,000), an increase of 34% when comparing to 2000.

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.

During the year, the Group had completed the development of two projects; they are the production line of lithium ion batteries and the electric power automation device. The two ranges of products had launched to market in 2001.

Sales Network

The Group has established strong sales network over 29 provinces, municipalities and autonomous regions in China. Coslight brand batteries have been gaining a high creditability in the PRC and have captured over 20% share in the Chinese telecommunications market.

New Production Facilities

In order to increase production capacity, improve product quality and add new products, the Group had completed the following projects in year 2001:

(a) *New construction projects*

- a 72 meter width SLA workshop of 6,960 square meters;
- a waste water treatment plant and SLA separator workshop of 3,455 square meters;
- a SLA batteries cabinet workshop of 4,148 square meters; and
- a workshop of regulated sulfuric acid of 2,176 square meters.

(b) *New equipment*

- 12 set of production equipment for SLA batteries, 4 of which imported;
- a production line of manufacturing of SLA separator; and
- a production line for lithium ion batteries.

(c) *Improvement*

- improved the electrode-plate workshop, the lithium ion factory to increase production area of 1,400 square meters.

TRADE RECEIVABLES

For year ended 31st December, 2001, almost all of the Group's sales were made on credit. 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. 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.

	2001 RMB'000	2000 RMB'000
Trade receivables:		
< 90 days	102,418	110,718
90-180 days	113,310	142,996
180-360 days	105,417	25,590
> 360 days	46,759	14,671
	365,904	293,975
Other receivables	34,748	32,798
	400,652	326,773

The account receivables turnover day for the SLA batteries was about 280 days, quite long if compared to other industries, aroused attention to our shareholders and investors. The Board of Directors recognized that sales were recorded on actual basis and booked in the financial statements according to acceptable accounting standards. The long receivable period was not uncommon in the telecom services sector, same as the telecom equipment providers, we both faced with the long infrastructure period of building the telecom service network. We realized that our major customers are China Telecom, China Mobile, China Unicom and power companies all over PRC, they all had high creditability and strong financial position, risk of bad debt was minimal.

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 2000 and 2001 respectively. The Board of Directors believed the provision for bad and doubtful debts is adequate.

LIQUIDITY AND FINANCIAL RESOURCES

During the year, the Group's operation was partly financed by bank loan and internal resources. As at 31st December, 2001, total bank borrowings were approximately RMB237 million, they were working capital financing and due to repay within one year. The financial position of the Group remains very strong during the year due to continuous grow in turnover and net profit. At balance sheet date, the Group's current ratio was 1.52 (2000: 1.91) and the ratio of total debts to shareholders' fund was 0.82 (2000: 0.76). Bank and cash balance amounted to RMB95 million (2000: RMB56.8 million).

LIQUIDITY AND FINANCIAL RESOURCES (Continued)

At 31st December, 2001, certain land and building, plant and machinery of value RMB190 million were pledged to secured bank borrowings of approximately RMB170 million (2000: RMB130 million).

According to the Group's current level of cash balance, working capital resources and bank credit facilities, the board of Directors is confident the Group has sufficient resources to meet future business expansion and repay bank borrowings on schedule.

HUMAN RESOURCES

As at 31st December, 2001, the Group had employed approximately 2,100 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.

According to the share option scheme adopted by all shareholders of the Company on 26th October, 1999, the board of Directors had granted share options to one director and one employee as at the date of this report.