

Notes to the Financial Statements

For the year ended 31st December, 2002

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The principal activities of the Group are the research and development, manufacture and sales of rechargeable batteries and battery related accessories.

The Company acts as an investment holding company and the principal activities of its subsidiaries are set out in note 16.

The financial statements have been prepared in Renminbi, the currency in which the majority of the Group’s transactions are denominated.

2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group has adopted for the first time a number of new and revised Statements of Standard Accounting Practice (“SSAP(s)”) issued by the Hong Kong Society of Accountants which has resulted in the adoption of the following new and revised accounting policies. The adoption of these SSAPs has resulted in a change in the format of presentation of the cash flow statement and an inclusion of the statements of changes in equity. The adoption of the following new and revised accounting policies has had no material effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

Foreign Currencies

The revisions to SSAP 11 “Foreign Currency Translation” have eliminated the choice of translating the income statements of overseas subsidiaries at the closing rate for the year, the policy previously followed by the Group. They are now required to be translated at an average rate. This change in accounting policy has not had any material effect on the results for the current or prior accounting periods.

Cash Flow Statements

Under SSAP 15 (Revised) “Cash Flow Statements”, cash flows are classified under three headings – operating, investing and financing, rather than the previous five headings. Interest and dividends, which were previously presented under a separate heading, are classified as investing and financing cash flows respectively. Cash flows arising from taxes on income are classified as operating activities, unless they can be separately identified with investing or financing activities.

Employee Benefits

SSAP 34 “Employee Benefits” introduces measurement rules for employee benefits, including retirement benefit plans. Because the Group’s participates only in defined contribution retirement benefit schemes, the adoption of SSAP 34 has not had any material impact on the financial statements.

Notes to the Financial Statements

For the year ended 31st December, 2002

3. SIGNIFICANT ACCOUNTING POLICIES

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

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st December each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Negative goodwill

Negative goodwill represents the excess of the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition over the cost of acquisition.

Negative goodwill is presented as a deduction from assets. To the extent that such negative goodwill is attributable to losses or expenses anticipated at the date of acquisition, it is released to income in the period in which those losses or expenses arise. The remaining negative goodwill is recognised as income on a straight line basis over the remaining average useful life of the identifiable acquired depreciable assets. To the extent that such negative goodwill exceeds the aggregate fair value of the acquired identifiable non-monetary assets, it is recognised in income immediately.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable during the year.

Turnover

Turnover represents the net amounts received and receivable for goods sold by the Group to outside customers.

Revenue recognition

Sales of goods are recognised when the goods are delivered and title has passed.

Interest income is accrued on a time basis by reference to the principal outstanding and at the interest rate applicable.

Notes to the Financial Statements

For the year ended 31st December, 2002

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

Property, plant and equipment other than construction in progress are stated at cost or valuation less depreciation and amortisation and accumulated impairment losses.

Buildings and land use rights, plant and machinery, furniture, fixtures and equipment, and motor vehicles are stated in the balance sheet at their revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and amortisation and any subsequent impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially for that which would be determined using fair values at the balance sheet date.

Any revaluation increase arising on revaluation of buildings and land use rights, plant and machinery, furniture, fixtures and equipment, and motor vehicles is credited to the revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense, in which case the increase is credited to the income statement to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of an asset is dealt with as an expense to the extent that it exceeds the balance, if any, on the revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to retained profits.

Construction in progress represents buildings and machinery under construction and is stated at cost less any identified impairment loss. Cost comprises direct and indirect costs of acquisition or construction. No depreciation or amortisation is provided on construction in progress until the relevant asset is ready for its intended use. When the assets concerned are brought into use, the carrying amounts is transferred from construction in progress to the appropriate category of property, plant and equipment.

Leasehold improvements are stated at cost less depreciation and accumulated impairment losses.

Depreciation and amortisation are provided to write off the cost or valuation of items of property, plant and equipment, other than construction in progress, over their estimated useful lives, using the straight line method, on the following bases:

| | |
|-----------------------------------|---|
| Leasehold improvements | Over the terms of the lease |
| Buildings and land use rights | 20 to 50 years or over the remaining term of the relevant land use rights, if shorter |
| Plant and machinery | 10 years |
| Furniture, fixtures and equipment | 10 years |
| Motor vehicles | 5 years |

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

Notes to the Financial Statements

For the year ended 31st December, 2002

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development expenditure is recognised only if it is anticipated that the development costs incurred on a clearly-defined project will be recovered through future commercial activity. The resultant asset is amortised on a straight line basis over its useful life, which is usually not more than 5 years.

Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

Patents and trademarks

Patents and trademarks are measured initially at purchase cost and amortised on a straight line basis over their estimated useful lives, which is 5 to 20 years.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Foreign currencies

Transactions in currencies other than Renminbi are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in currencies other than Renminbi are re-translated at the rates prevailing on the balance sheet date. Profits and losses arising on exchange are included in net profit or loss for the period.

On consolidation, the assets and liabilities of the Group's overseas operations denominated in currencies other than Renminbi are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

Notes to the Financial Statements

For the year ended 31st December, 2002

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements. The tax effect of the timing differences, computed using the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or an asset will crystallise in the foreseeable future.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises costs where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the costs to be incurred in marketing, selling and distribution.

Retirement benefits costs

Payments to defined contribution retirement benefit plans and the Mandatory Provident Fund Scheme are charged as an expense as they fall due.

Operating leases

Rentals payable under operating leases are charged to the income statement on a straight line basis over the terms of the relevant leases.

4. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes, the Group is currently organised into two major operating divisions – sealed lead acid batteries and related accessories, and lithium ion batteries. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

- | | | |
|--|---|---|
| Sealed lead acid batteries and related accessories | – | manufacture and sale of sealed lead acid batteries and related accessories. |
| Lithium ion batteries | – | manufacture and sale of lithium ion batteries. |

Segment information about these businesses is presented below.

Notes to the Financial Statements

For the year ended 31st December, 2002

4. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Business segments (continued)

2002

| | Sealed lead acid batteries and related accessories RMB'000 | Lithium ion batteries RMB'000 | Others RMB'000 | Consolidated RMB'000 |
|--|--|-------------------------------------|-------------------|-------------------------|
| TURNOVER | | | | |
| External sales | <u>432,716</u> | <u>66,474</u> | <u>20,989</u> | <u>520,179</u> |
| RESULT | | | | |
| Segment result | <u>151,802</u> | <u>5,688</u> | <u>(5,471)</u> | 152,019 |
| Unallocated corporate income | | | | 2,638 |
| Unallocated corporate expenses | | | | <u>(10,658)</u> |
| Profit from operations | | | | 143,999 |
| Finance costs | | | | <u>(17,900)</u> |
| Loss on deemed disposal of a partial interest in a subsidiary | | | | <u>(196)</u> |
| Profit before taxation | | | | 125,903 |
| Taxation | | | | <u>(2,832)</u> |
| Profit before minority interests | | | | <u>123,071</u> |

Notes to the Financial Statements

For the year ended 31st December, 2002

4. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Business segments (continued)

BALANCE SHEET

| | Sealed lead acid batteries and related accessories RMB'000 | Lithium ion batteries RMB'000 | Others RMB'000 | Consolidated RMB'000 |
|-----------------------------------|--|-------------------------------------|-------------------|-------------------------|
| ASSETS | | | | |
| Segment assets | 781,937 | 181,473 | 42,584 | 1,005,994 |
| Unallocated corporate assets | | | | 152,454 |
| Consolidated total assets | | | | <u>1,158,448</u> |
| LIABILITIES | | | | |
| Segment liabilities | 27,478 | 119,555 | 12,896 | 159,929 |
| Unallocated corporate liabilities | | | | 312,545 |
| Consolidated total liabilities | | | | <u>472,474</u> |

OTHER INFORMATION

| | Sealed lead acid batteries and related accessories RMB'000 | Lithium ion batteries RMB'000 | Others RMB'000 | Consolidated RMB'000 |
|--|--|-------------------------------------|-------------------|-------------------------|
| Capital additions | 51,932 | 27,683 | 6,141 | 85,756 |
| Depreciation and amortisation | 14,821 | 5,955 | 1,229 | 22,005 |
| Reversal of impairment losses in respect of property, plant and equipment | (4,600) | – | – | (4,600) |

Notes to the Financial Statements

For the year ended 31st December, 2002

4. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Business segments (continued)

2001

| | Sealed lead acid batteries and related accessories RMB'000 | Lithium ion batteries RMB'000 | Others RMB'000 | Consolidated RMB'000 |
|----------------------------------|--|-------------------------------------|-------------------|-------------------------|
| TURNOVER | | | | |
| External sales | <u>463,032</u> | <u>5,561</u> | <u>5,610</u> | <u>474,203</u> |
| RESULT | | | | |
| Segment result | <u>132,050</u> | <u>(3,137)</u> | <u>(8,156)</u> | 120,757 |
| Unallocated corporate income | | | | 2,868 |
| Unallocated corporate expenses | | | | <u>(6,960)</u> |
| Profit from operations | | | | 116,665 |
| Finance costs | | | | <u>(14,291)</u> |
| Profit before taxation | | | | 102,374 |
| Taxation credit | | | | <u>4,683</u> |
| Profit before minority interests | | | | <u>107,057</u> |

Notes to the Financial Statements

For the year ended 31st December, 2002

4. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Business segments (continued)

BALANCE SHEET

| | Sealed lead acid batteries and related accessories RMB'000 | Lithium ion batteries RMB'000 | Others RMB'000 | Consolidated RMB'000 |
|-----------------------------------|--|-------------------------------------|-------------------|-------------------------|
| ASSETS | | | | |
| Segment assets | 679,817 | 76,262 | 20,783 | 776,862 |
| Unallocated corporate assets | | | | 10,155 |
| Consolidated total assets | | | | <u>787,017</u> |
| LIABILITIES | | | | |
| Segment liabilities | 103,924 | 7,177 | 3,182 | 114,283 |
| Unallocated corporate liabilities | | | | 241,089 |
| Consolidated total liabilities | | | | <u>355,372</u> |

OTHER INFORMATION

| | Sealed lead acid batteries and related accessories RMB'000 | Lithium ion batteries RMB'000 | Others RMB'000 | Consolidated RMB'000 |
|--|--|-------------------------------------|-------------------|-------------------------|
| Capital additions | 40,974 | 23,155 | 7,583 | 71,712 |
| Depreciation and amortisation | 12,868 | 3,070 | 336 | 16,274 |
| Impairment losses recognised in consolidated income statement | 4,600 | — | — | 4,600 |

Geographical segments

The Group is principally engaged in the sale of sealed lead acid batteries and related accessories, and lithium ion batteries and substantially all of its activities are based in the People's Republic of China (the "PRC") including Hong Kong. Accordingly, no geographical analysis of financial information is provided.

Notes to the Financial Statements

For the year ended 31st December, 2002

5. OTHER OPERATING INCOME

| | 2002 RMB'000 | 2001 RMB'000 |
|---|-----------------|-----------------|
| Amortisation of negative goodwill | 476 | – |
| Bank interest income | 1,058 | 2,171 |
| Other interest income | 427 | 697 |
| Reversal of impairment loss in respect of property, plant and equipment (note 6) | 4,600 | – |
| Sundry income | 1,124 | 665 |
| Surplus arising on revaluation of property, plant and equipment | 666 | – |
| Value-added tax refunded | 11,047 | 8,209 |
| | <u>19,398</u> | <u>11,742</u> |

6. OTHER OPERATING EXPENSES

| | 2002 RMB'000 | 2001 RMB'000 |
|---|-----------------|-----------------|
| Deficit arising on revaluation of property, plant and equipment | – | 3,905 |
| Impairment loss recognised in respect of property, plant and equipment | – | 4,600 |
| | <u>–</u> | <u>8,505</u> |

During the year ended 31st December, 2001, included in construction in progress was machines attributable to the sealed lead acid batteries and related accessories segment which were defective before they were brought into use. The Group requested replacements with different model of machines. The vendor denied the accusation and alleged that the fault was solely caused by the Group and accordingly refused to compensate the Group in full. As at 31st December, 2001, the dispute was not yet settled and an impairment loss, being the excess of the carrying amount of the defective machines over the expected recoverable amount of those different models of machines, amounting to RMB4,600,000 was recognised in the consolidated income statement.

During the year ended 31st December, 2002, the dispute was settled. The machines were returned to the vendor at cost and the amount was fully recovered. Accordingly, the impairment loss recognised was reversed upon disposal of the machines.

Notes to the Financial Statements

For the year ended 31st December, 2002

7. PROFIT FROM OPERATIONS

| | 2002 RMB'000 | 2001 RMB'000 |
|---|-----------------|-----------------|
| Profit from operations has been arrived at after charging: | | |
| Directors' emoluments (note 9) | 336 | 355 |
| Retirement benefit scheme contributions (excluding contributions for directors) | 1,383 | 486 |
| Other staff costs | 30,741 | 22,996 |
| Total staff costs | 32,460 | 23,837 |
| Amortisation of patents and trademarks (included in administrative expenses) | 582 | 194 |
| Auditors' remuneration | 1,123 | 1,094 |
| Depreciation and amortisation of property, plant and equipment | 21,423 | 16,080 |
| Loss on disposal of property, plant and equipment | 64 | 555 |
| Research and development costs expensed | 2,967 | 2,079 |

8. FINANCE COSTS

| | 2002 RMB'000 | 2001 RMB'000 |
|---|-----------------|-----------------|
| Interest payable on: | | |
| Bank borrowings wholly repayable within five years | 17,720 | 14,275 |
| Other borrowings wholly repayable within five years | 180 | 16 |
| | 17,900 | 14,291 |

Notes to the Financial Statements

For the year ended 31st December, 2002

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Particulars of the emoluments of the directors and the five highest paid employees are as follows:

(a) Directors' emoluments

| | 2002 RMB'000 | 2001 RMB'000 |
|---|-----------------|-----------------|
| Directors' fees | – | – |
| Other emoluments: | | |
| Salaries and other benefits | 332 | 345 |
| Retirement benefit scheme contributions | 4 | 10 |
| | <u>336</u> | <u>355</u> |

During the year ended 31st December, 2002, no emoluments (2001: RMB21,400) were paid to independent non-executive directors.

The aggregate emoluments of each of the directors for the two years ended 31st December, 2002 and 2001 were less than HK\$1,000,000 (approximately RMB1,070,000).

(b) Employees' emoluments

The five highest paid individuals of the Group included one (2001: three) director of the Company, details of whose emolument is set out above. The emoluments of the remaining four (2001: two) individuals are as follows:

| | 2002 RMB'000 | 2001 RMB'000 |
|---|-----------------|-----------------|
| Salaries and other benefits | 1,279 | 1,129 |
| Retirement benefit scheme contributions | 85 | 20 |
| | <u>1,364</u> | <u>1,149</u> |

The aggregate emoluments of each of the employees for the two years ended 31st December, 2002 and 2001 were less than HK\$1,000,000 (approximately RMB1,070,000).

During the two years ended 31st December, 2002 and 2001, no emoluments were paid by the Group to any of the directors or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, no directors waived any emoluments for the two years ended 31st December, 2002 and 2001.

Notes to the Financial Statements

For the year ended 31st December, 2002

10. TAXATION

| | 2002 RMB'000 | 2001 RMB'000 |
|--|-----------------|-----------------|
| The (charge) credit comprises: | | |
| PRC enterprise income tax | (162) | — |
| Deferred tax (charge) credit (note 26) | (2,670) | 4,683 |
| | <u>(2,832)</u> | <u>4,683</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.

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 ("Tax Holidays").

One (2001: none) of the major operating subsidiaries of the Company is subject to enterprise income tax in the PRC in the current year. The charge of PRC enterprise income tax for the year ended 31st December, 2002 was at 12%. This subsidiary has been established as a wholly foreign-owned enterprise under the laws of the PRC and has obtained the approval from the PRC Tax Bureau for the Tax Holidays. The Tax Holidays for this subsidiary commenced from January 2000.

Details of deferred taxation are set out in note 26.

Notes to the Financial Statements

For the year ended 31st December, 2002

11. DIVIDENDS

| | 2002 RMB'000 | 2001 RMB'000 |
|---|-----------------|-----------------|
| Interim dividend paid | | |
| – HK\$0.026 and shown as RMB0.02782 (2001: HK\$0.026 and shown as RMB0.02782) per share | 11,074 | 10,101 |
| Final dividend paid | | |
| – HK\$0.05 per share for 2001 and shown as RMB0.0535 (2001: HK\$0.05 per share for 2000 and shown as RMB0.0535) per share | 19,425 | 19,425 |
| | <u>30,499</u> | <u>29,526</u> |

A final dividend of HK\$0.05 (2001: HK\$0.05) per share, shown as RMB0.0535 (2001: RMB0.0535) per share, has been proposed by the directors and is subject to approval by the shareholders in general meeting.

12. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share for the year is based on the following data:

| | 2002 RMB'000 | 2001 RMB'000 |
|---|-----------------|-----------------|
| Earnings: | | |
| Profit for the year and earning for the purposes of basic and diluted earnings per share | <u>119,640</u> | <u>108,121</u> |
| | '000 | '000 |
| Number of shares: | | |
| Weighted average number of ordinary shares for the purposes of basic earnings per share | 378,901 | 363,080 |
| Effect of dilutive potential ordinary shares in respect of share options | <u>426</u> | <u>160</u> |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share | <u>379,327</u> | <u>363,240</u> |

Notes to the Financial Statements

For the year ended 31st December, 2002

13. PROPERTY, PLANT AND EQUIPMENT

| | Leasehold improvements | Buildings and medium-term land use rights situated in the PRC | Plant and machinery | Furniture, fixtures and equipment | Motor vehicles | Construction in progress | Total |
|--|------------------------|---|---------------------|-----------------------------------|----------------|--------------------------|----------|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| THE GROUP | | | | | | | |
| COST OR VALUATION | | | | | | | |
| At 1st January, 2002 | 194 | 114,695 | 113,664 | 4,460 | 4,643 | 13,090 | 250,746 |
| Acquisition of a business | – | 28,899 | 22,034 | 594 | 1,128 | – | 52,655 |
| Additions | – | 16,396 | 35,100 | 2,349 | 1,893 | 26,498 | 82,236 |
| Transfers | – | 2,514 | – | – | – | (2,514) | – |
| Disposals | – | – | (71) | (22) | (57) | (5,944) | (6,094) |
| Adjustment arising on revaluation | – | 34,691 | (9,658) | (1,343) | (369) | – | 23,321 |
| At 31st December, 2002 | 194 | 197,195 | 161,069 | 6,038 | 7,238 | 31,130 | 402,864 |
| Comprising: | | | | | | | |
| At cost | 194 | – | – | – | – | 31,130 | 31,324 |
| At valuation – 2002 | – | 197,195 | 161,069 | 6,038 | 7,238 | – | 371,540 |
| | 194 | 197,195 | 161,069 | 6,038 | 7,238 | 31,130 | 402,864 |
| DEPRECIATION, AMORTISATION AND IMPAIRMENT LOSS | | | | | | | |
| At 1st January, 2002 | 19 | – | – | 983 | – | 4,600 | 5,602 |
| Provided for the year | 39 | 4,193 | 15,442 | 926 | 823 | – | 21,423 |
| Reversal of impairment loss | – | – | – | – | – | (4,600) | (4,600) |
| Eliminated on disposals | – | – | (11) | (14) | (36) | – | (61) |
| Eliminated on revaluation | – | (4,193) | (15,431) | (1,895) | (787) | – | (22,306) |
| At 31st December, 2002 | 58 | – | – | – | – | – | 58 |
| NET BOOK VALUES | | | | | | | |
| At 31st December, 2002 | 136 | 197,195 | 161,069 | 6,038 | 7,238 | 31,130 | 402,806 |
| At 31st December, 2001 | 175 | 114,695 | 113,664 | 3,477 | 4,643 | 8,490 | 245,144 |

Notes to the Financial Statements

For the year ended 31st December, 2002

13. PROPERTY, PLANT AND EQUIPMENT (continued)

Property, plant and equipment other than leasehold improvements and construction in progress were revalued at 31st December, 2002 by Sallmanns (Far East) Limited, Chartered Surveyors, using the fair market value. Sallmanns (Far East) Limited is not connected with the Group. The surplus arising on revaluation was approximately RMB45,627,000 (2001: RMB585,000), out of which approximately RMB28,474,000 net of approximately RMB16,487,000 shared by the minority interests was credited to the revaluation reserve and approximately RMB666,000 (2001: deficit of RMB3,905,000) was credited to the consolidated income statement in the year ended 31st December, 2002 to reverse prior year deficit arising from revaluation.

Details of the reversal of impairment loss on the construction in progress are set out in note 5.

For the year ended 31st December, 2001, land and buildings included assets carried at valuation of RMB3,150,000 (2002: nil) in respect of assets held for use under operating leases.

If the Group's property, plant and equipment were stated at cost less accumulated depreciation and amortisation, the net book values thereof as at 31st December, 2002 would be as follows:

| | Buildings and medium- term land use rights situated in the PRC RMB'000 | Plant and machinery RMB'000 | Furniture, fixture and equipment RMB'000 | Motor vehicles RMB'000 |
|---|---|-----------------------------------|---|------------------------------|
| Cost | 150,149 | 192,040 | 7,380 | 11,189 |
| Accumulated depreciation, amortisation and impairment losses | (11,372) | (39,254) | (1,895) | (3,984) |
| | <u>138,777</u> | <u>152,786</u> | <u>5,485</u> | <u>7,205</u> |

Notes to the Financial Statements

For the year ended 31st December, 2002

14. PATENTS AND TRADEMARKS

| | THE GROUP RMB'000 |
|---------------------------|----------------------|
| COST | |
| At 1st January, 2002 | 2,162 |
| Acquisition of a business | 1,020 |
| Additions | 2,500 |
| | <hr/> |
| At 31st December, 2002 | 5,682 |
| | <hr/> |
| AMORTISATION | |
| At 1st January, 2002 | 194 |
| Charge for the year | 582 |
| | <hr/> |
| At 31st December, 2002 | 776 |
| | <hr/> |
| NET BOOK VALUES | |
| At 31st December, 2002 | 4,906 |
| | <hr/> <hr/> |
| At 31st December, 2001 | 1,968 |
| | <hr/> <hr/> |

Patents and trademarks are amortised over 5 to 20 years.

15. NEGATIVE GOODWILL

| | THE GROUP RMB'000 |
|---|----------------------|
| GROSS AMOUNT | |
| Arising on acquisition during the year and at 31st December, 2002 | 14,306 |
| RELEASED TO INCOME | |
| Release during the year and balance at 31st December, 2002 | 476 |
| | <hr/> |
| CARRYING AMOUNT | |
| At 31st December, 2002 | 13,830 |
| | <hr/> <hr/> |

The negative goodwill arose on the Group's acquisition of Dongbei Storage Battery Company Limited in August 2002. The negative goodwill of RMB14,306,000 is released to income on a straight line basis over the remaining weighted average useful lives of the depreciable assets acquired of 10 years.

Notes to the Financial Statements

For the year ended 31st December, 2002

16. INTERESTS IN SUBSIDIARIES

| | THE COMPANY | |
|-------------------------------|-----------------|-----------------|
| | 2002 RMB'000 | 2001 RMB'000 |
| Unlisted investments, at cost | 208,278 | 189,522 |
| Amounts due from subsidiaries | 116,804 | 87,730 |
| | 325,082 | 277,252 |

Amounts due from subsidiaries are unsecured and interest free. In the opinion of directors, the amounts will not be repayable within twelve months from the balance sheet date and, accordingly the balances are classified as non-current.

Details of the Company's principal subsidiaries at 31st December, 2002 are as follows:

| Name of company | Place of incorporation or registration/ operations | Issued and fully paid share capital/ registered capital | Proportion of nominal value of issued capital/ registered capital held by the Company | | Forms of legal entity | Principal activities |
|---|--|---|---|------------|-----------------------------------|--|
| | | | Directly | Indirectly | | |
| | | | % | % | | |
| Coslight International (B.V.I.) Company Limited | British Virgin Islands/ Hong Kong | US\$50,000 | 100 | – | Private limited company | Investment holding |
| China Gold Profits Limited | Hong Kong | HK\$2 | – | 100 | Private limited company | Provision of supporting services for the Group |
| 哈爾濱光宇電源有限公司 Harbin Coslight Power Supply Company Limited | PRC | US\$13,800,000 | – | 98.69 | Sino-foreign equity joint venture | Manufacture and sale of lithiumion batteries and lead acid battery and its accessories |
| 哈爾濱科斯特實業有限公司 Harbin Coslight Industrial Company Limited | PRC | US\$1,400,000 | 71.4 | 28.6 | Wholly-owned foreign enterprise | Manufacture and sale of sealed lead acid battery accessories |

Notes to the Financial Statements

For the year ended 31st December, 2002

16. INTERESTS IN SUBSIDIARIES (continued)

| Name of company | Place of incorporation or registration/ operations | Issued and fully paid share capital/ registered capital | Proportion of nominal value of issued capital/ registered capital held by the Company | | Forms of legal entity | Principal activities |
|---|--|---|---|-----------------|-----------------------------------|--|
| | | | Directly % | Indirectly % | | |
| 哈爾濱光宇蓄電池有限公司 Harbin Guangyu Storage Battery Manufacturing Company Limited ("HGSB") | PRC | HK\$83,500,000 | – | 100 | Wholly-owned foreign enterprise | Manufacture and sale of sealed lead acid batteries |
| 沈陽東北蓄電池有限公司 Dongbei Storage Battery Company Limited ("DSB") | PRC | RMB40,183,000 | 50.2 | – | Sino-foreign equity joint venture | Manufacture and sale of sealed lead acid batteries |
| 哈爾濱光宇電氣自動化有限公司 Harbin Coslight Electric Automation Company Limited ("HCEA") | PRC | RMB20,000,000 | 16.2 | 63.8 | Sino-foreign equity joint venture | Manufacture of electricity control devices |
| 北京光宇華夏科技有限責任公司 Beijing Guangyu Huaxia Technology Corporation Limited | PRC | RMB1,200,000 | – | 77 | Private limited company | Web platform |
| 西藏昌都光宇利民藥業有限公司 Tibet Changdu Guangyu Limin Pharmaceutical Company Limited ("TCGY") | PRC | RMB6,600,000 | – | 80 | Domestic equity joint venture | Manufacture of pharmaceutical products |
| 哈爾濱光宇開關有限公司 Harbin Coslight Switch Company Limited | PRC | RMB2,000,000 | – | 100 | Wholly-owned foreign enterprise | Manufacture of high and low voltage switch |

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had any loan capital outstanding at the end of the year.

Notes to the Financial Statements

For the year ended 31st December, 2002

17. INVENTORIES

| | THE GROUP | |
|------------------|-----------------|-----------------|
| | 2002 RMB'000 | 2001 RMB'000 |
| Raw materials | 35,176 | 14,674 |
| Work in progress | 27,635 | 10,482 |
| Finished goods | 28,434 | 10,766 |
| | <u>91,245</u> | <u>35,922</u> |

Included above are finished goods of RMBnil and RMB3,506,000 which are carried at net realisable value for the year ended 31st December, 2002 and 2001 respectively.

18. 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 trade receivables at the balance sheet date:

| | THE GROUP | |
|--|-----------------|-----------------|
| | 2002 RMB'000 | 2001 RMB'000 |
| Within 90 days | 167,865 | 102,418 |
| More than 90 days, but not exceeding 180 days | 97,168 | 111,310 |
| More than 180 days, but not exceeding 270 days | 72,312 | 71,380 |
| More than 270 days, but not exceeding 360 days | 49,536 | 34,037 |
| More than 360 days, but not exceeding 540 days | 48,083 | 36,960 |
| More than 540 days, but not exceeding 720 days | 12,406 | 4,776 |
| More than 720 days | 4,069 | 5,023 |
| Trade receivables | <u>451,439</u> | <u>365,904</u> |
| Other receivables | <u>51,157</u> | <u>34,748</u> |
| | <u>502,596</u> | <u>400,652</u> |

Notes to the Financial Statements

For the year ended 31st December, 2002

19. AMOUNTS DUE FROM DIRECTORS

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

| Name of director | THE GROUP | | |
|------------------------------------|--|--------------------------------------|--|
| | Balance at 31.12.2002 RMB'000 | Balance at 1.1.2002 RMB'000 | Maximum amount outstanding during the year RMB'000 |
| 宋殿權 Song Dian Quan ("Mr. Song") | 607 | 389 | 607 |
| 李克學 Li Ke Xue | 327 | 321 | 327 |
| 邢凱 Xing Kai | 35 | — | 35 |
| 張立明 Zhang Li Ming | 5 | — | 5 |
| | <u>974</u> | <u>710</u> | |

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

20. PLEDGED DEPOSITS

The amounts represent bank deposits to secure short-term bank loans and sales tender.

Notes to the Financial Statements

For the year ended 31st December, 2002

21. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables at the balance sheet date:

| | THE GROUP | |
|---|-----------------|-----------------|
| | 2002 RMB'000 | 2001 RMB'000 |
| Within 30 days | 36,433 | 4,736 |
| More than 30 days, but not exceeding 60 days | 13,401 | 13,427 |
| More than 60 days, but not exceeding 90 days | 7,920 | 3,379 |
| More than 90 days, but not exceeding 180 days | 8,026 | 7,341 |
| Over 180 days | 20,880 | 5,737 |
| Trade payables | 86,660 | 34,620 |
| Other payables | 68,244 | 73,736 |
| | <u>154,904</u> | <u>108,356</u> |

22. OTHER BORROWINGS

The other borrowings are unsecured, bear interests at 5% (2001: 3.6%) per annum and are repayable on demand.

Notes to the Financial Statements

For the year ended 31st December, 2002

23. BANK BORROWINGS

| | THE GROUP | |
|--|-----------------|-----------------|
| | 2002 RMB'000 | 2001 RMB'000 |
| The bank borrowings are repayable as follows: | | |
| Within one year or on demand | 254,600 | 236,880 |
| More than one year, but not exceeding two years | 1,000 | — |
| More than two years, but not exceeding five years | 50,900 | — |
| | <u>306,500</u> | <u>236,880</u> |
| Less: Amounts due within one year shown under current liabilities | (254,600) | (236,880) |
| Amounts due after one year | <u>51,900</u> | <u>—</u> |
| Analysed as: | | |
| secured | 235,550 | 169,930 |
| unsecured | 70,950 | 66,950 |
| | <u>306,500</u> | <u>236,880</u> |

The bank borrowings were carried at interest rates ranging from 3.33% to 7.91% (2001: from 6.54% to 7.02%) per annum.

Notes to the Financial Statements

For the year ended 31st December, 2002

24. SHARE CAPITAL

| | Share capital | | | | | |
|----------------------------------|------------------|------------------|-----------------------------|------------------|--------------------------------------|-----------------|
| | Number of shares | | Amount in original currency | | Shown in the financial statements as | |
| | 2002 '000 | 2001 '000 | 2002 HK\$'000 | 2001 HK\$'000 | 2002 RMB'000 | 2001 RMB'000 |
| Ordinary shares of HK\$0.10 each | | | | | | |
| Authorised | <u>1,000,000</u> | <u>1,000,000</u> | <u>100,000</u> | <u>100,000</u> | <u>107,000</u> | <u>107,000</u> |
| Issued and fully paid | <u>398,080</u> | <u>363,080</u> | <u>39,808</u> | <u>36,308</u> | <u>42,595</u> | <u>38,850</u> |

On 19th July, 2002, Mr. Song, the controlling shareholder of the Company had entered into a placement agreement with a placing agent for the placing of up to 35 million existing ordinary shares of the Company at HK\$2.15 per share ("Placing Price") to independent investors.

In addition, Mr. Song had also entered into a subscription agreement with the Company on 19th July, 2002. The Company issued and allotted, and Mr. Song had subscribed for up to 35 million ordinary shares of the Company at HK\$2.15 per share ("Subscription Price"). The net proceeds from the subscription will be used for the expansion of the production facilities and working capital of the Group. The transactions were completed on 1st August, 2002. All the shares issued rank pari passu with the then existing shares in all respects.

The Placing Price and the Subscription Price representating a discount of approximately 6.52% to the closing price of HK\$2.30 as quoted on the Stock Exchange on 17th July, 2002, and a discount of approximately 9.28% to the average closing price of HK\$2.37 as quoted on the Stock Exchange for the ten consecutive trading days ended on 17th July, 2002.

Details of movements in the issued share capital of the Company during the years ended 31st December, 2002 and 2001 are set out in the statements of changes in equity.

None of the Company's subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year.

Notes to the Financial Statements

For the year ended 31st December, 2002

25. SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 26th October, 1999 for the primary purpose of providing incentives to directors and eligible employees and will expire on 25th October, 2004. Under the Scheme, the Board of Directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares in respect of which options may be granted to any individual at the grant date is not permitted to exceed 25% of the number of shares issued and issuable under the Scheme.

Options granted must be taken up within 28 days of the date of grant, upon payment of HK\$1 per option. Options may be exercised at any time from the date of grant of the share option to the 2nd anniversary of the date of grant. The exercise price is determined by the directors of the Company, and will not be less than 80% of the average closing price of the shares for the five trading days immediately preceding the date of grant or the nominal value of the shares, whichever is the higher.

At 31st December, 2002, the following options to subscribe for shares were outstanding under the Company's share option scheme:

| Type | Category | Date of grant | No. of share options | Exercisable period | Exercise price HK\$ |
|-------------|---------------------------------------|----------------|-------------------------|---------------------|---------------------------|
| 2001 option | Directors | 4th July, 2001 | 400,000 | 3.1.2002 – 3.7.2003 | 1.12 |
| 2001 option | Employees (excluding directors) | 4th July, 2001 | 600,000 | 3.1.2002 – 3.7.2003 | 1.12 |
| | | | <hr/> 1,000,000 <hr/> | | |

There were no other movements in the share options of the Company in both years.

Notes to the Financial Statements

For the year ended 31st December, 2002

26. DEFERRED TAXATION

| | THE GROUP | |
|--|-----------------|-----------------|
| | 2002 RMB'000 | 2001 RMB'000 |
| Balance at beginning of year | – | 4,683 |
| Charge (credit) for the year (note 10) | 2,670 | (4,683) |
| Balance at end of year | 2,670 | – |

In previous years, one of the subsidiaries was subject to enterprise income tax in the PRC at a rate of 7.5%. However, the subsidiary was subsequently converted to a wholly foreign-owned enterprise under the laws of the PRC and has obtained approval from the PRC Tax Bureau to have its Tax Holidays commencing from 1st January, 2001. Accordingly, the deferred taxation provided in prior year for the temporary timing difference on sales and related expenses under accounting and tax rules was then reversed.

Following the two year's exemption of PRC enterprise income tax, HGSB is subject to enterprise income tax in the PRC at a rate of 7.5% in year 2003. The charge for the year represents the temporary timing difference on sales and related expenses under accounting and tax rules.

The Group's property, plant and equipment are held for production and administrative purposes. In the opinion of the Company's directors, the Group does not have any intention to dispose of these assets in the foreseeable future. Accordingly, no deferred taxation has been provided on the revaluation surplus of these assets.

Other than the above, neither the Group nor the Company had any significant unprovided deferred taxation for the year or at the respective balance sheet dates.

Notes to the Financial Statements

For the year ended 31st December, 2002

27. ACQUISITION OF A BUSINESS

In August 2002, the Group acquired 50.2% of a business which also manufactures and sells sealed lead acid batteries, DSB, for a consideration of approximately RMB20,183,000. This acquisition has been accounted for by the purchase method of accounting. The amount of negative goodwill arising as a result of the acquisition was RMB14,306,000.

| | 2002 RMB'000 | 2001 RMB'000 |
|-------------------------------------|----------------------|-----------------|
| NET ASSETS ACQUIRED | | |
| Property, plant and equipment | 52,655 | — |
| Patents and trademarks | 1,020 | — |
| Inventories | 15,642 | — |
| Trade and other receivables | 32,389 | — |
| Bank balances and cash | 20,183 | — |
| Trade and other payables | (32,987) | — |
| Bank and other borrowings | (34,413) | — |
| Minority interest | (20,000) | — |
| | <u>34,489</u> | — |
| Negative goodwill | <u>14,306</u> | — |
| Total consideration | <u><u>20,183</u></u> | <u><u>—</u></u> |
| SATISFIED BY | | |
| Cash | <u><u>20,183</u></u> | <u><u>—</u></u> |
| | | |
| | 2002 RMB'000 | 2001 RMB'000 |
| Net cashflow arising on acquisition | | |
| Cash consideration | 20,183 | — |
| Bank balances and cash acquired | (20,183) | — |
| | <u><u>—</u></u> | <u><u>—</u></u> |

The business acquired during the year contributed cash flows of approximately RMB6,982,000 to the Group's net operating activities, paid approximately RMB19,574,000 for investing activities and contributed approximately RMB3,251,000 to financing activities.

The business acquired during the year contributed RMB43,909,000 to the Group's turnover, and RMB7,674,000 to the Group's profit from operations.

Notes to the Financial Statements

For the year ended 31st December, 2002

28. MAJOR NON-CASH TRANSACTIONS

During the year ended 31st December, 2002, a minority shareholder of HCEA contributed patents amounting to RMB2,500,000 to a Company's subsidiary as registered capital.

During the year ended 31st December, 2001, a minority shareholder of TCGY contributed property, plant and equipment amounting to RMB1,320,000 as capital injection for the Company's subsidiary.

29. RELATED PARTY TRANSACTIONS AND BALANCES

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

(a) Transactions

| Name of related party | Nature of transactions | 2002 RMB'000 | 2001 RMB'000 |
|---|---|-----------------|-----------------|
| 北京兆唐科技有限公司 | Purchase of raw materials | 82 | 658 |
| Beijing Zhaotang Science and Technology Company Limited ("BJ Zhaotang") | Sales of finished goods | 297 | – |
| 光宇延邊蓄電池有限公司 | Sales of raw materials | 1,440 | 2,135 |
| Guangyu Yanbian Storage Battery Manufacturing Co. Ltd ("GYSB") | Purchase of finished goods | 504 | 3,605 |
| 哈爾濱光宇電纜電纜有限公司 | Purchase of raw materials | 872 | – |
| Harbin Guangyu Electric Wire and Cable Co. Ltd ("HGEWC") | | | |
| 哈爾濱開關有限責任公司 | Sales of finished goods | 322 | 913 |
| Harbin Switch Company Limited ("HBS") | | | |
| 哈爾濱亞光新型隔板有限公司 | Purchase of raw materials | 1,568 | 15,975 |
| Harbin Ya Guang Modern Separators Company Limited ("HB Ya Guang") | Rental income in respect of leasehold land and buildings received | – | 160 |
| | Electricity and water charged | – | 180 |
| | Provision of sundry services | – | 10 |

Notes to the Financial Statements

For the year ended 31st December, 2002

29. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(a) Transactions (continued)

| Name of related party | Nature of transactions | 2002 RMB'000 | 2001 RMB'000 |
|---|---------------------------|-----------------|-----------------|
| 深圳力可興電池有限公司 Shenzhen Like Xing Battery Co. Ltd. ("SZ Like Xing") | Purchase of raw materials | 52 | — |
| 石家莊光宇高能電池材料 有限公司 Shijia Zhuang Guangyu Battery Material Co. Ltd. ("SZGBM") | Purchase of raw materials | 1,390 | — |
| | | | |

The transaction was carried out in accordance with terms determined and agreed by both parties.

(b) Balances

| Name of related party | Amount due from | | Amount due to | |
|--|-----------------|-----------------|-----------------|-----------------|
| | 2002 RMB'000 | 2001 RMB'000 | 2002 RMB'000 | 2001 RMB'000 |
| HBS | 3,224 | 1,368 | — | — |
| SZGBM | 2,386 | 1,679 | — | — |
| GYSB | 797 | 92 | — | — |
| BJ Zhaotang | 433 | — | — | — |
| HB Ya Guang | — | — | 2,496 | 8,465 |
| SZ Li Ke Xing | — | — | 677 | — |
| HGEWC | — | — | 175 | — |
| 哈爾濱光宇(集團)股份有限公司 Harbin Guangyu Group Company Ltd. ("HGCL") | — | — | 105 | 671 |
| | 6,840 | 3,139 | 3,453 | 9,136 |

The amounts due from/to related companies are unsecured, non-interest bearing and repayable on demand. Details of the amounts due from directors are set out in note 19.

Notes to the Financial Statements

For the year ended 31st December, 2002

29. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(c) Other arrangements

The Group's bank borrowings of RMB19,050,000 (2001: RMB26,950,000) were guaranteed by related parties in which certain directors of the Company have beneficial interests. In addition, RMB31,900,000 (2001: nil) of the Group's bank borrowings was guaranteed by Mr. Song.

Certain directors of the Company have beneficial interests in BJ Zhaotang, GYSB, HB Ya Guang, HBS, HGCL, HGEWC, SZ Like Xing and SZGBM.

30. RETIREMENT BENEFITS PLANS

Defined contribution plan

The Group operates the Mandatory Provident Fund Scheme (the "MPF Scheme") for its qualifying employees. The assets of the MPF schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes at the lower of HK\$1,000 or 5% of the relevant payroll costs to the Scheme, which contribution is matched by employees.

The employees of certain Group's subsidiaries in the PRC are members of a state-managed retirement benefit scheme operated by the government. These subsidiaries are required to contribute 22% of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

The total cost charged to consolidated income statement of approximately RMB1,387,000 (2001: RMB496,000) represents contributions payable to these schemes by the Group in respect of the current accounting period. As at 31st December, 2002, contributions of approximately RMB43,000 (2001: RMB19,000) due in respect of the reporting period had not been paid over to the above schemes.

31. BANKING FACILITIES

At the balance sheet date, the Group's banking facilities were secured by the followings:

- (i) certain of the Group's property, plant and equipment with an aggregate carrying value of approximately RMB225,511,000 (2001: RMB189,048,000) and bank deposits of the Group of RMB5,000,000 (2001: RMB1,516,000) and
- (ii) guaranteed by personal and corporate guarantees given by a director and certain related parties as set out in note 29(c).

Notes to the Financial Statements

For the year ended 31st December, 2002

32. OPERATING LEASE ARRANGEMENTS

The Group as lessee

| | 2002 RMB'000 | 2001 RMB'000 |
|--|-----------------|-----------------|
| Minimum lease payments paid under operating leases for premises for the year | <u>871</u> | <u>1,070</u> |

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases for office premises which fall due as follows:

| | 2002 RMB'000 | 2001 RMB'000 |
|---------------------------------------|-----------------|-----------------|
| Within one year | 515 | 641 |
| In the second to fifth year inclusive | <u>108</u> | <u>150</u> |
| | <u>623</u> | <u>791</u> |

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for an average term of two years and rentals are fixed during the lease period.

The Group as lessor

During the year ended 31st December, 2002, no property rental income was earned by the Group (2001: RMB160,000). The property held has no committed tenants for both years.

The Company had no significant operating lease arrangements at the balance sheet date.

Notes to the Financial Statements

For the year ended 31st December, 2002

33. CAPITAL COMMITMENTS

| | THE GROUP | | THE COMPANY | |
|--|-----------------|-----------------|-----------------|-----------------|
| | 2002 RMB'000 | 2001 RMB'000 | 2002 RMB'000 | 2001 RMB'000 |
| Capital expenditure authorised but not contracted for in respect of acquisition of property, plant and equipment | 71,680 | 23,144 | – | – |
| Capital expenditure contracted for but not provided in the financial statements in respect of: | | | | |
| – acquisition of subsidiaries | 22,293 | – | 20,000 | – |
| – acquisition of property, plant and equipment | 23,169 | 3,855 | – | – |
| | 45,462 | 3,855 | 20,000 | – |

34. POST BALANCE SHEET EVENTS

Subsequent to 31st December, 2002, the Company entered into a joint venture agreement with independent third parties for acquiring a 40% interest in 杭州光宇電源有限公司, an equity joint venture established in the PRC at a consideration of RMB408,740.