

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2003

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 and an associate are set out in notes 15 and 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 HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted, for the first time, the following Hong Kong Financial Reporting Standards ("HKFRS(s)") issued by the Hong Kong Society of Accountants ("HKSA"). The term of HKFRS is inclusive of Statements of Standard Accounting Practice ("SSAP") and Interpretations approved by the HKSA.

SSAP 12 (Revised)	Income Taxes
SSAP 35	Government Grant

Income taxes

In the current year, the Group has adopted SSAP 12 (Revised) "Income Taxes". The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. Comparative amounts for 2002 have been restated accordingly. As a result of this change in policy, the opening balance on retained profits at 1st January, 2003 has been decreased by approximately RMB2,889,000 (1st January, 2002: RMB2,726,000). The balance on revaluation reserve at 1st January, 2003 have been decreased by approximately RMB6,122,000 (1st January, 2002: RMB4,369,000). The profit for the year ended 31st December, 2003 have been decreased by approximately RMB383,000 (2002: RMB163,000).

Government grants

In the current year, the Group has adopted SSAP 35 "Government Grants". In accordance with SSAP 35, government grants are now recognised as income over the periods necessary to match them with the related costs. The Group has elected to apply the accounting provisions of SSAP 35 only to grants or portions becoming receivable or repayable after the adoption of this SSAP.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2003

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.

Interests in associates

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates, less any identified impairment loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2003

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Rental income, including rentals invoiced in advance for properties under operating leases, is recognised on a straight line basis over the period of the relevant leases.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2003

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment (Continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2003

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Gains 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 exchange 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.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2003

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government grants

Government grants are recognised as income over the periods necessary to match them with the related costs. Grants related to depreciable assets are presented as a deduction from the carrying amount of the relevant asset. Grants related to expense items are recognised in the same period as those expenses are charged in the income statement and are reported separately as other operating income.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Retirement benefits costs

Payments to state-managed retirement benefit schemes 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. |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2003

4. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Business segments (Continued)

Segment information about these businesses is presented below.

2003

	Sealed lead acid batteries and related accessories RMB'000	Lithium ion batteries RMB'000	Others RMB'000	Elimination RMB'000	Consolidated RMB'000
TURNOVER					
External sales	667,491	251,197	55,409	-	974,097
Inter-segment sales	1,742	-	15,423	(17,165)	-
Total turnover	669,233	251,197	70,832	(17,165)	974,097
RESULT					
Segment result	170,750	15,019	6,011	-	191,780
Unallocated corporate income					3,361
Unallocated corporate expenses					(6,620)
Profit from operations					188,521
Finance costs					(26,220)
Share of result of an associate	-	-	(34)	-	(34)
Gain on deemed disposal of a partial interest in a subsidiary					3,447
Profit before taxation					165,714
Taxation					(11,542)
Profit before minority interests					154,172

Inter-segment sales transactions are charged at cost plus a percentage of profit mark-up.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2003

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	1,000,876	377,141	87,800	1,465,817
Interest in an associate	–	–	375	375
Unallocated corporate assets				278,900
Consolidated total assets				1,745,092
LIABILITIES				
Segment liabilities	244,950	79,114	28,393	352,457
Unallocated corporate liabilities				456,991
Consolidated total liabilities				809,448

OTHER INFORMATION

	Sealed lead acid batteries and related accessories RMB'000	Lithium ion batteries RMB'000	Others RMB'000	Consolidated RMB'000
Capital additions	44,407	43,481	13,345	101,233
Depreciation and amortisation	18,669	9,211	1,070	28,950

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2003

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	432,716	66,474	20,989	520,179
RESULT				
Segment result	151,802	5,688	(5,471)	152,019
Unallocated corporate income				2,638
Unallocated corporate expenses				(10,658)
Profit from operations				143,999
Finance costs				(17,900)
Loss on deemed disposal of a partial interest in a subsidiary				(196)
Profit before taxation				125,903
Taxation				(2,995)
Profit before minority interests				122,908

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2003

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				153,250
Consolidated total assets				<u>1,159,244</u>
LIABILITIES				
Segment liabilities	24,725	119,555	12,896	157,176
Unallocated corporate liabilities				325,105
Consolidated total liabilities				<u>482,281</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)

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

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5. OTHER OPERATING INCOME

	2003 RMB'000	2002 RMB'000
Amortisation of negative goodwill	1,742	476
Bank interest income	868	1,058
Other interest income	539	427
Reversal of impairment loss in respect of property, plant and equipment (note)	–	4,600
Rental income	213	–
Sundry income	467	1,124
Government grant	400	–
Surplus arising on revaluation of property, plant and equipment	466	666
Value-added tax refunded	544	11,047
	5,239	19,398

Note

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, 2003

6. PROFIT FROM OPERATIONS

	2003 RMB'000	2002 RMB'000
Profit from operations has been arrived at after charging:		
Directors' emoluments (note 8)	333	336
Retirement benefit scheme contributions (excluding contributions for directors)	3,689	1,383
Other staff costs	61,500	30,741
Total staff costs	65,522	32,460
Amortisation of patents and trademarks (included in administrative expenses)	665	582
Auditors' remuneration	1,228	1,123
Depreciation and amortisation of property, plant and equipment	28,285	21,423
Loss on disposal of property, plant and equipment	58	64
Allowance for slow-moving inventories	3,131	—
Research and development costs expensed	728	2,967

7. FINANCE COSTS

	2003 RMB'000	2002 RMB'000
Interest payable on:		
Bank borrowings wholly repayable within five years	26,099	17,720
Other borrowings wholly repayable within five years	121	180
	26,220	17,900

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2003

8. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

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

(a) Directors' emoluments

	2003 RMB'000	2002 RMB'000
Directors' fees	42	–
Other emoluments:		
Salaries and other benefits	287	332
Retirement benefit scheme contributions	4	4
	333	336

During the year ended 31st December, 2003, RMB42,000 (2002: nil) were paid to independent non-executive directors.

The aggregate emoluments of each of the directors for the two years ended 31st December, 2003 and 2002 were less than HK\$1,000,000 (approximately RMB1,061,000).

(b) Employees' emoluments

The five highest paid individuals of the Group included two (2002: one) directors of the Company, details of whose emolument is set out above. The emoluments of the remaining three (2002: four) individuals are as follows:

	2003 RMB'000	2002 RMB'000
Salaries and other benefits	1,282	1,279
Retirement benefit scheme contributions	20	85
	1,302	1,364

The aggregate emoluments of each of the employees for the two years ended 31st December, 2003 and 2002 were less than HK\$1,000,000 (approximately RMB1,061,000).

During the two years ended 31st December, 2003 and 2002, 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, 2003 and 2002.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2003

9. TAXATION

	2003 RMB'000	2002 RMB'000 (Restated)
The (charge) credit comprises:		
PRC enterprise income tax	(10,581)	(3,018)
Deferred taxation (charge) credit (note 28)	(961)	23
	(11,542)	(2,995)

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").

Three (2002: one) of the major operating subsidiaries of the Company are subject to enterprise income tax in the PRC in the current year. These subsidiaries have been established as wholly foreign-owned enterprises under the laws of the PRC and have obtained the approval from the PRC Tax Bureau for the Tax Holidays.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2003

9. TAXATION (Continued)

The charge for the year can be reconciled to the profit per consolidated income statement as follows:

	2003		2002	
	RMB'000	%	RMB'000	%
Profit before taxation	165,714		125,903	
Tax at the applicable rate	24,857	15.0	18,885	15.0
Tax effect of income subject to Tax Holidays	(13,434)	(8.1)	(18,186)	(14.4)
Tax effect of expenses that are not deductible in determining taxable profit	295	0.2	1,223	1.0
Tax effect of income that are not taxable in determining taxable profit	(1,813)	(1.1)	(805)	(0.6)
Tax effect of tax losses not recognised	1,656	1.0	1,650	1.3
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	(19)	—	228	0.2
Taxation and effective tax rate for the year	11,542	7.0	2,995	2.5

Details of deferred taxation are set out in note 28.

10. DIVIDENDS

	2003 RMB'000	2002 RMB'000
Interim dividend paid		
– HK\$0.026 and shown as RMB0.02759 (2002: HK\$0.026 and shown as RMB0.02782) per share	11,947	11,074
Final dividend paid		
– HK\$0.05 per share for 2002 and shown as RMB0.0531 (2002: HK\$0.05 per share for 2001 and shown as RMB0.0535) per share	21,118	19,425
	33,065	30,499

A final dividend of HK\$0.05 (2002: HK\$0.05) per share, shown as RMB0.05305 (2002: RMB0.0535) per share, has been proposed by the directors and is subject to approval by the shareholders in general meeting.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2003

11. EARNINGS PER SHARE

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

	2003 RMB'000	2002 RMB'000 (Restated)
Earnings:		
Profit for the year and earning for the purposes of basic and diluted earnings per share	150,454	119,477
	'000	'000
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic earnings per share	407,992	378,901
Effect of dilutive potential ordinary shares in respect of share options	175	426
Weighted average number of ordinary shares for the purpose of diluted earnings per share	408,167	379,327
	Basic RMB cents	Diluted RMB cents
Reconciliation of 2002 earnings per share:		
Reported figure before adjustment	31.58	31.54
Adjustment arising from the adoption of SSAP 12 (Revised)	(0.05)	(0.04)
	31.53	31.50

NOTES TO THE FINANCIAL STATEMENTS

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12. 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, 2003	194	197,195	161,069	6,038	7,238	31,130	402,864
Additions	60	3,443	53,562	1,722	3,851	38,595	101,233
Transfers	-	14,979	3,753	-	-	(18,732)	-
Disposals	(194)	(4)	(75)	-	(389)	-	(662)
Adjustment arising on revaluation	-	-	-	(664)	(391)	-	(1,055)
At 31st December, 2003	60	215,613	218,309	7,096	10,309	50,993	502,380
Comprising:							
At cost	60	-	-	-	-	50,993	51,053
At valuation - 2003	-	215,613	218,309	7,096	10,309	-	451,327
	60	215,613	218,309	7,096	10,309	50,993	502,380
DEPRECIATION AND AMORTISATION							
At 1st January, 2003	58	-	-	-	-	-	58
Provided for the year	45	6,126	19,469	1,541	1,104	-	28,285
Eliminated on disposals	(97)	-	(47)	-	(75)	-	(219)
Eliminated on revaluation	-	(4,341)	(13,178)	-	-	-	(17,519)
At 31st December, 2003	6	1,785	6,244	1,541	1,029	-	10,605
NET BOOK VALUES							
At 31st December, 2003	54	213,828	212,065	5,555	9,280	50,993	491,775
At 31st December, 2002	136	197,195	161,069	6,038	7,238	31,130	402,806

Property, plant and equipment other than leasehold improvements and construction in progress were revalued at 31st December, 2003 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 RMB16,464,000 (2002: RMB45,627,000), out of which approximately RMB15,317,000 (2002: RMB28,474,000) net of approximately RMB681,000 (2002: RMB16,487,000) shared by the minority interests was credited to the revaluation reserve and approximately RMB466,000 (2002: RMB666,000) was credited to the consolidated income statement in the year ended 31st December, 2003 to reverse prior year deficit arising from revaluation.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2003

12. PROPERTY, PLANT AND EQUIPMENT (Continued)

For the year ended 31st December, 2003, land and buildings included assets carried at valuation of RMB65,000 (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, 2003 would be as follows:

	Buildings and medium- term land use rights situated in the PRC	Plant and machinery	Furniture, fixture and equipment	Motor vehicles
	RMB'000	RMB'000	RMB'000	RMB'000
Cost	168,567	249,280	9,102	14,651
Accumulated depreciation, amortisation and impairment losses	(17,498)	(58,676)	(3,437)	(5,013)
	<u>151,069</u>	<u>190,604</u>	<u>5,665</u>	<u>9,638</u>

13. PATENTS AND TRADEMARKS

	THE GROUP
	RMB'000
COST	
At 1st January, 2003 and 31st December, 2003	<u>5,682</u>
AMORTISATION	
At 1st January, 2003	776
Charge for the year	<u>665</u>
At 31st December, 2003	<u>1,441</u>
NET BOOK VALUES	
At 31st December, 2003	<u>4,241</u>
At 31st December, 2002	<u>4,906</u>

Patents and trademarks are amortised over 5 to 20 years.

NOTES TO THE FINANCIAL STATEMENTS

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14. NEGATIVE GOODWILL

	THE GROUP RMB'000
GROSS AMOUNT	
At 1st January, 2003	14,306
Arising on acquisition during the year	6,494
At 31st December, 2003	20,800
RELEASED TO INCOME	
At 1st January, 2003	476
Release during the year	1,742
At 31st December, 2003	2,218
CARRYING AMOUNT	
At 31st December, 2003	18,582
At 31st December, 2002	13,830

The negative goodwill arose on the Group's acquisition of Dongbei Storage Battery Company Limited ("DSB") during the year ended 31st December, 2002 and further increase in the Group's shareholding in DSB for the year. The negative goodwill of RMB20,800,000 is released to income on a straight line basis over the remaining weighted average useful lives of the depreciable assets acquired for 10 years.

15. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2003 RMB'000	2002 RMB'000
Unlisted investments, at cost	232,567	208,278
Amounts due from subsidiaries	179,049	116,804
	411,616	325,082

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2003

15. INTERESTS IN SUBSIDIARIES (Continued)

Details of the Company's principal subsidiaries at 31st December, 2003 are as follows:

Name of subsidiary	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
哈爾濱光宇電源股份有限公司 Harbin Coslight Power Company Limited (formerly known as 哈爾濱光宇電源有限公司 Harbin Coslight Power Supply Company Limited)	PRC	RMB200,930,000	–	91.45	Joint stock limited company	Manufacture and sale of lithium ion 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
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 DSB	PRC	RMB60,000,000	66.7	–	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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2003

15. INTERESTS IN SUBSIDIARIES (Continued)

Name of subsidiary	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 %		
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 debt securities outstanding at the end of the year.

16. INTEREST IN AN ASSOCIATE

	THE GROUP	
	2003 RMB'000	2002 RMB'000
Share of net assets	375	–

At December 31, 2003, the Group held 40% (2002: nil) interest in 杭州光宇電源有限公司 Hangzhou Coslight Power Supply Company Limited, a company established in the PRC and its principal activities are manufacture and trading of electrical products.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2003

17. INVENTORIES

	THE GROUP	
	2003 RMB'000	2002 RMB'000
Raw materials	60,937	35,176
Work in progress	62,631	27,635
Finished goods	56,079	28,434
	179,647	91,245

Included above are raw material of approximately RMB925,000 (2002: nil) which are carried at net realisable values.

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	
	2003 RMB'000	2002 RMB'000
Within 90 days	333,735	167,865
More than 90 days, but not exceeding 180 days	190,715	97,168
More than 180 days, but not exceeding 270 days	72,981	72,312
More than 270 days, but not exceeding 360 days	40,816	49,536
More than 360 days, but not exceeding 540 days	42,110	48,083
More than 540 days, but not exceeding 720 days	17,213	12,406
More than 720 days	—	4,069
Trade receivables	697,570	451,439
Other receivables	66,161	51,157
	763,731	502,596

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2003

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 31.12.2003 RMB'000	Balance at 1.1.2003 RMB'000	Maximum amount outstanding during the year RMB'000
宋殿權 Song Dian Quan ("Mr. Song")	–	607	607
李克學 Li Ke Xue	276	327	416
邢凱 Xing Kai	–	35	40
張立明 Zhang Li Ming	15	5	49
	<u>291</u>	<u>974</u>	

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

20. AMOUNT DUE FROM AN ASSOCIATE

The amount represents trade receivables from an associate and the amount aged within 180 days.

21. PLEDGED BANK DEPOSITS

The amounts represent bank deposits to secure sales tender (2002: short-term bank loans and sales tender).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2003

22. TRADE AND OTHER PAYABLES

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

	THE GROUP	
	2003 RMB'000	2002 RMB'000
Within 30 days	72,988	36,433
More than 30 days, but not exceeding 60 days	18,364	13,401
More than 60 days, but not exceeding 90 days	45,240	7,920
More than 90 days, but not exceeding 180 days	13,314	8,026
Over 180 days	21,703	20,880
Trade payables	171,609	86,660
Other payables	175,627	68,244
	347,236	154,904

23. OTHER BORROWINGS

The other borrowings are unsecured, bear interest at 5% (2002: 5%) per annum and are repayable on demand.

24. BANK BORROWINGS

	THE GROUP	
	2003 RMB'000	2002 RMB'000
The bank borrowings are repayable as follows:		
Within one year or on demand	362,393	254,600
More than one year, but not exceeding two years	60,131	1,000
More than two years, but not exceeding five years	14,217	50,900
	436,741	306,500
Less: Amounts due within one year shown under current liabilities	(362,393)	(254,600)
Amounts due after one year	74,348	51,900
Analysed as:		
secured	231,400	235,550
unsecured	205,341	70,950
	436,741	306,500

The bank borrowings carry interest ranging from 4.02% to 7.91% (2002: from 3.33% to 7.91%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2003

25. SHARE CAPITAL

	Share capital					
	Number of shares		Amount in original currency		Shown in the financial statements as	
	2003 '000	2002 '000	2003 HK\$'000	2002 HK\$'000	2003 RMB'000	2002 RMB'000
Ordinary shares of HK\$0.10 each						
Authorised	1,000,000	1,000,000	100,000	100,000	107,000	107,000
Issued and fully paid	433,080	398,080	43,308	39,808	46,308	42,595

On 28th May, 2003, 1,000,000 share options had been exercised at a price of HK\$1.12 to convert to 1,000,000 ordinary shares of HK\$0.01 of the Company. The shares issued rank pari passu with the then existing shares in all respects.

On 23rd September, 2003 (2002: 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 34 million (2002: 35 million) existing ordinary shares of the Company at HK\$2.975 (2002: 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 23rd September, 2003 (2002: 19th July, 2002). The Company issued and allotted, and Mr. Song had subscribed for up to 34 million (2002: 35 million) ordinary shares of the Company at HK\$2.975 (2002: 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 3rd October, 2003 (2002: 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 represented a discount of approximately 6.3% (2002: 6.52%) to the closing price of HK\$3.175 (2002: HK\$2.30) as quoted on the Stock Exchange on 23rd September, 2003 (2002: 17th July, 2002), and a discount of approximately 9.6% (2002: 9.28%) to the average closing price of HK\$3.29 (2002: HK\$2.37) as quoted on the Stock Exchange for the ten consecutive trading days ended on 22nd September, 2003 (2002: 17th July, 2002).

Details of movements in the issued share capital of the Company during the years ended 31st December, 2003 and 2002 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, 2003

26. RESERVES

	Share premium RMB'000	Contributed surplus RMB'000	Retained profits RMB'000	Total RMB'000
THE COMPANY				
At 31st December, 2001				
and 1st January, 2002	67,479	169,764	365	237,608
Issue of shares	76,773	–	–	76,773
Expenses incurred in connection with the issue of shares	(1,748)	–	–	(1,748)
Profit for the year	–	–	32,758	32,758
Dividends	–	–	(30,499)	(30,499)
At 31st December, 2002	142,504	169,764	2,624	314,892
Exercise of share options	1,082	–	–	1,082
Issue of shares	103,713	–	–	103,713
Expenses incurred in connection with the issue of shares	(2,188)	–	–	(2,188)
Profit for the year	–	–	35,833	35,833
Dividends	–	–	(33,065)	(33,065)
At 31st December, 2003	245,111	169,764	5,392	420,267

The contributed surplus represents the difference between the consolidated shareholders' funds of the subsidiaries and the nominal value of the Company's shares issued less the amount applied to pay up nil paid shares.

In the opinion of the directors, the Company's reserves available for distribution to shareholders as at 31st December, 2003 comprised contributed surplus and retained profits in aggregate amounting to approximately RMB175,156,000 (2002: RMB172,388,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2003

27. 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.

The following table discloses details of the Company's share options held by directors and employees and movements in such holdings during the year:

Type	Category	Date of grant	No. of share options	Exercisable period	Exercise price HK\$	Outstanding at 1.1.2003	Exercised during the year	Outstanding at 31.12.2003
2001 option	Directors	4th July, 2001	400,000	3.1.2002 – 3.7.2003	1.12	400,000	(400,000)	-
2001 option	Employees (excluding directors)	4th July, 2001	600,000	3.1.2002 – 3.7.2003	1.12	600,000	(600,000)	-
			<u>1,000,000</u>			<u>1,000,000</u>	<u>(1,000,000)</u>	<u>-</u>

The weighted average closing price of the Company's shares immediately before the dates on which the options were exercised was HK\$1.98.

There were no movements in the share options of the Company for the year ended 31st December, 2002.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2003

28. DEFERRED TAXATION

The following are the major deferred taxation liabilities and assets recognised by the Group and movements thereon during the current and prior years:

	Revaluation of property, plant and equipment RMB'000	Others RMB'000	Total RMB'000
At 1st January, 2002			
– as previously reported	–	–	–
– adjustment on adoption of SSAP 12 (Revised)	7,095	–	7,095
– restated	7,095	–	7,095
Charge (credit) to income for the year	79	(102)	(23)
Charge to revaluation reserve for the year	1,753	–	1,753
At 31st December, 2002	8,927	(102)	8,825
Charge to income for the year	38	923	961
Credit to revaluation reserve for the year	(600)	–	(600)
At 31st December, 2003	8,365	821	9,186

In accordance with the conditions set out in SSAP 12 (Revised), the deferred taxation assets and liabilities have not been offset for the purpose of balance sheet presentation as they relate to different taxation authorities. The following is the analysis of the deferred taxation balance for financial purposes:

	2003 RMB'000	2002 RMB'000
Deferred taxation liabilities	9,968	9,621
Deferred taxation assets	(782)	(796)
	9,186	8,825

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2003

29. 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.

	2003 RMB'000	2002 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)
	-	34,489
Negative goodwill	-	14,306
Total consideration	-	20,183
SATISFIED BY		
Cash	-	20,183
	2003 RMB'000	2002 RMB'000
Net cashflow arising on acquisition		
Cash consideration	-	20,183
Bank balances and cash acquired	-	(20,183)
	-	-

The business acquired during the year ended 31st December, 2002 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. In addition, the business acquired contributed RMB43,909,000 to the Group's turnover, and RMB7,674,000 to the Group's profit from operations for the year ended 31st December, 2002.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2003

30. 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.

31. 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	2003 RMB'000	2002 RMB'000
北京兆唐科技有限公司	Purchase of raw materials	–	82
Beijing Zhaotang Science and Technology Company Limited ("BJ Zhaotang")	Sales of finished goods	6	297
光宇延邊蓄電池有限公司	Sales of raw materials	2,043	1,440
Guangyu Yanbian Storage Battery Manufacturing Co. Ltd ("GYSB")	Purchase of finished goods	978	504
哈爾濱光宇電綫電纜有限公司	Purchase of raw materials	896	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	2,605	322
Harbin Switch Company Limited ("HBS")			
哈爾濱亞光新型隔板有限公司	Purchase of raw materials	–	1,568
Harbin Ya Guang Modern Separators Company Limited ("HB Ya Guang")			

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2003

31. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(a) Transactions (Continued)

Name of related party	Nature of transactions	2003 RMB'000	2002 RMB'000
深圳力可興電池有限公司 Shenzhen Li Ke Xing Battery Co. Ltd. ("SZ Li Ke 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 Sales of finished goods	3,965 467	1,390 –
杭州光宇電源有限公司 Hangzhou Coslight Power Supply Company Limited	Sales of finished goods	23,232	–

The transactions were carried out in accordance with terms determined and agreed by both parties.

(b) Balances

Name of related party	Amount due from		Amount due to	
	2003 RMB'000	2002 RMB'000	2003 RMB'000	2002 RMB'000
HBS	8,607	3,224	–	–
SZGBM	–	2,386	636	–
GYSB	1,429	797	–	–
BJ Zhaotang	80	433	–	–
HB Ya Guang	–	–	1,877	2,496
SZ Li Ke Xing	–	–	655	677
HGEWC	–	–	1,885	175
哈爾濱光宇(集團) 股份有限公司 Harbin Guangyu Group Company Ltd. ("HGCL")	–	–	1,575	105
	10,116	6,840	6,628	3,453

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, 2003

31. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(c) *Other arrangements*

The Group's bank borrowings of RMB20,050,000 (2002: RMB19,050,000) were guaranteed by related parties in which certain directors of the Company have beneficial interests. In addition, at 31st December, 2003, RMB28,710,000 (2002: RMB31,900,000) of the Group's bank borrowings were guaranteed by Mr. Song.

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

32. RETIREMENT BENEFIT 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 RMB3,693,000 (2002: RMB1,387,000) represents contributions payable to these schemes by the Group in respect of the current accounting period. As at 31st December, 2003, contributions of nil (2002: RMB43,000) due in respect of the reporting period had not been paid over to the above schemes.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2003

33. 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 RMB248,786,000 (2002: RMB225,511,000) and bank deposits of the Group of nil (2002: RMB5,000,000);
- (ii) guaranteed by personal and corporate guarantees given by a director and certain related parties as set out in note 31(c).
- (iii) certain of the trade receivable with an aggregate amount of approximately RMB54,371,000 (2002: nil).

34. OPERATING LEASE ARRANGEMENTS

The Group as lessee

	2003 RMB'000	2002 RMB'000
Minimum lease payments paid under operating leases for premises for the year	1,106	871

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:

	2003 RMB'000	2002 RMB'000
Within one year	889	515
In the second to fifth year inclusive	617	108
Over five years	35	—
	1,541	623

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.

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34. OPERATING LEASE ARRANGEMENTS (Continued)

The Group as lessor

During the year ended 31st December, 2003, property rental income earned by the Group amounted to approximately RMB240,000 (2002: RMB160,000).

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	2003 RMB'000	2002 RMB'000
Within one year	240	—
In the second to fifth year inclusive	200	—
	440	—

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

35. CAPITAL COMMITMENTS

	THE GROUP		THE COMPANY	
	2003 RMB'000	2002 RMB'000	2003 RMB'000	2002 RMB'000
Capital expenditure authorised but not contracted for in respect of acquisition of property, plant and equipment	71,040	71,680	—	—
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	25,408	23,169	—	—
	25,408	45,462	—	20,000