

Management Discussion and Analysis

ASSETS AND LIABILITIES

As at 31st December, 2005, the Group has total assets of RMB2,356,205,000 (2004: RMB2,077,182,000) which were financed by current liabilities of RMB1,241,357,000 (2004: RMB1,043,943,000), non-current liabilities of RMB3,079,000 (2004: RMB53,816,000), shareholders' equity of RMB1,017,762,000 (2004: RMB908,613,000) and minority interests of RMB94,007,000 (2004: RMB70,810,000).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

During the year, the Group adopted prudent treasury policies in managing cash resources and bank borrowings. As at 31st December, 2005, the Group has bank and cash balances amounted to RMB197,299,000 (2004: RMB249,173,000). The total bank and other borrowings of the Group as at 31st December, 2005 were approximately RMB587,277,000 (2004: RMB609,284,000), amongst which all will be due to repay within 12 months (2004: RMB559,087,000). These borrowings carry interest ranging from 2.34% to 7.91% (2004: from 1.69% to 7.91%) per annum. As at 31st December, 2005, approximately 72% of the Group's bank and other borrowings were denominated in Renminbi and 28% were denominated in Hong Kong dollars. All bank and other borrowings were used to finance the Group's capital expenditures and working capital requirements.

According to the Group's current level of cash balances, working capital resources and banking facilities, the Board is confident that the Group has sufficient resources to meet its future business expansion and repay bank borrowings on schedule.

GEARING AND LIQUIDITY RATIO

The Group's gearing ratio, defined as the ratio between total bank borrowings and shareholders' equity, was 0.57 (2004: 0.67). The current ratio of the Group, represented by a ratio between current assets over current liabilities, was 1.44 (2004: 1.45), reflecting the abundance of financial resources.

CHARGES ON GROUP ASSETS

As at 31st December, 2005, certain property, plant and equipment of the Group with carrying value of RMB166,173,000 (2004: RMB228,626,000) were pledged to secured bank borrowings of approximately RMB265,314,000 (2004: RMB214,550,000).

FOREIGN CURRENCY RISK

The Group did not have any significant exposure to foreign currency risk as most of the Group's operations are in the PRC and transactions are denominated in Renminbi.

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ACQUISITION OF A SUBSIDIARY

In August 2005, the Group has acquired 70% equity interest in SZ Li Ke Xing at a consideration of RMB17.56 million. SZ Li Ke Xing is principally engaged in the business of manufacturing of small-sized rechargeable Nickel batteries. The acquisition will further enhance the revenue base and widen the product range of the Group whilst better enable the Group to gain access to overseas markets as 70% of the products of SZ Li Ke Xing are for export.

DEEMED DISPOSAL OF A SUBSIDIARY

During the year, the Group has disposed 35.57% equity interest in a subsidiary which was engaged in the business of sales and distribution of online games, namely Beijing Guangyu Huaxia Technology Corporation Limited, by way of capital injection by the Group and an independent third party.

CAPITAL COMMITMENTS

	2005 RMB'000	2004 RMB'000
Capital expenditure authorized but not contracted for in respect of acquisition of property, plant and equipment	70,754	70,754
Capital expenditure contracted but not provided in the financial statements in respect of acquisition of property, plant and equipment	3,652	10,589

EMPLOYEES AND REMUNERATION POLICIES

As at 31st December, 2005, the Group has employed 8,611 (2004: 7,440) staff in the PRC. The Group has adopted continuous human resources development and training programs to maintain high level of product quality and customer services. Remuneration package is generally structured by reference to market conditions and individual performance.