

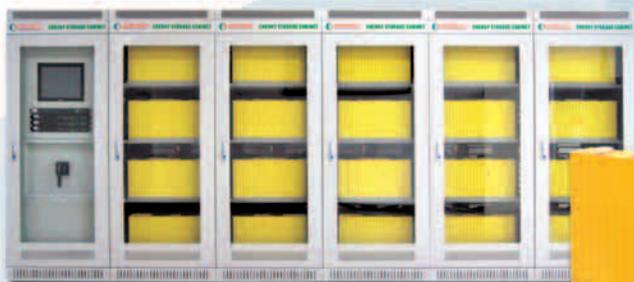


Thunder Sky Battery Limited 中聚雷天電池有限公司

(Formerly known as Jia Sheng Holdings Limited 嘉盛控股有限公司)

(Incorporated in Bermuda with limited liability)

(Stock Code: 729)



Powering Up The World

Interim Report 2010/2011



The board of directors (the “Board”) of Thunder Sky Battery Limited (“Thunder Sky” or the “Company”) presents the unaudited consolidated interim financial statements of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 September 2010 together with the comparative figures for the corresponding period in 2009 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2010

		Six months ended	
	Note	30.9.2010 (unaudited) HK\$'000	30.9.2009 (unaudited) HK\$'000 (Restated)
Revenue	2	69,433	2,387
Cost of sales		(33,494)	(1,591)
Gross profit		35,939	796
Other income	2	197	2
Selling and distribution costs		(1,302)	(63)
General and administrative expenses		(21,472)	(8,547)
Finance costs	3	(40,502)	—
Gain on disposal of a subsidiary	4	11,330	—
Goodwill impairment	9	(935,484)	—
Amortisation of intangible assets	10	(128,183)	—
Gain on dilution of interest in a jointly controlled entity		—	3,804
Share of results of a jointly controlled entity		—	(2,536)
Loss before tax	5	(1,079,477)	(6,544)
Income tax	6	19,505	—
Loss for the period		(1,059,972)	(6,544)
Attributable to:			
Equity holders of the Company		(1,059,972)	(6,544)
		<i>HK\$</i>	<i>HK\$</i>
Loss per share attributable to equity holders of the Company	7		
— Basic and diluted		(0.338)	(0.004)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2010

	Six months ended	
	30.9.2010 (unaudited) HK\$'000	30.9.2009 (unaudited) HK\$'000
Loss for the period	(1,059,972)	(6,544)
Other comprehensive income/(loss) for the period:		
Release of exchange reserve of a jointly controlled entity	—	(130)
Exchange differences on translation of foreign subsidiaries	21	—
Other comprehensive income/(loss) for the period, net of tax	21	(130)
Total comprehensive loss for the period	(1,059,951)	(6,674)
Attributable to:		
Equity holders of the Company	(1,059,951)	(6,674)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2010

		30.9.2010 (unaudited) HK\$'000	31.3.2010 (audited) HK\$'000
	Note		
Non-current assets			
Intangible assets	10	3,511,817	—
Property, plant and equipment	11	5,693	1,521
Available-for-sale financial asset		—	18,479
Other operating assets		205	205
		3,517,715	20,205
Current assets			
Trade and other receivables	12	16,028	5,354
Amounts due from related companies	13	30,535	—
Cash and bank balances	14	520,257	304,361
		566,820	309,715
Current liabilities			
Trade and other payables	15	(3,850)	(2,126)
Tax payable		(8,695)	—
		(12,545)	(2,126)
Net current assets		554,275	307,589
Total assets less current liabilities		4,071,990	327,794
Non-current liabilities			
Convertible bonds	16	(1,049,808)	—
Deferred tax	17	(772,600)	—
		(1,822,408)	—
NET ASSETS		2,249,582	327,794
CAPITAL AND RESERVES			
Equity attributable to equity holders of the Company			
Issued capital	18	37,060	22,221
Reserves		2,212,522	305,573
TOTAL EQUITY		2,249,582	327,794

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2010

	Unaudited								
	Attributable to equity holders of the Company								
	Share capital HK\$'000	Share premium HK\$'000	Exchange reserve HK\$'000	Contributed surplus HK\$'000	Capital redemption reserve HK\$'000	Equity component of convertible bonds HK\$'000	Share option reserve HK\$'000	Accumulated losses HK\$'000	Total equity HK\$'000
At 1 April 2010	22,221	463,547	—	15,506	1,868	—	15,330	(190,678)	327,794
Total comprehensive loss	—	—	21	—	—	—	—	(1,059,972)	(1,059,951)
Shares issued pursuant to acquisition transaction	7,835	1,183,112	—	—	—	—	—	—	1,190,947
Shares issued pursuant to subscription	4,000	288,000	—	—	—	—	—	—	292,000
Transaction costs attributable to issue of new shares	—	(967)	—	—	—	—	—	—	(967)
Share options lapsed	—	—	—	—	—	—	(352)	—	(352)
Shares issued upon exercise of share options	1,004	22,574	—	—	—	—	(8,047)	—	15,531
Equity settled share-based payments	—	—	—	—	—	—	590	—	590
Issue of convertible bonds	—	—	—	—	—	1,467,065	—	—	1,467,065
Shares issued upon conversion of convertible bonds	2,000	38,461	—	—	—	(23,536)	—	—	16,925
At 30 September 2010	37,060	1,994,727	21	15,506	1,868	1,443,529	7,521	(1,250,650)	2,249,582
At 1 April 2009	18,304	196,161	130	15,506	1,868	—	35,122	(196,793)	70,298
Total comprehensive loss	—	—	(130)	—	—	—	—	(6,544)	(6,674)
Equity settled share-based payments	—	—	—	—	—	—	1,865	—	1,865
At 30 September 2009	18,304	196,161	—	15,506	1,868	—	36,987	(203,337)	65,489

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2010

	Six months ended	
	30.9.2010 (unaudited) HK\$'000	30.9.2009 (unaudited) HK\$'000
Net cash used in operating activities	(15,813)	(5,202)
Net cash used in investing activities	(74,881)	(18)
Net cash from financing activities	306,565	—
Net increase/(decrease) in cash and cash equivalents	215,871	(5,220)
Effect on exchange rate changes	25	—
Cash and cash equivalents at the beginning of the period	304,361	48,650
Cash and cash equivalents at the end of the period	520,257	43,430
Analysis of balances of cash and cash equivalents: Cash and bank balances	520,257	43,430

NOTES TO THE INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The interim financial statements are unaudited, condensed and have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants.

The accounting policies and basis of preparation adopted in the preparation of these condensed consolidated interim financial statements are consistent with those used in the Group’s audited financial statements for the year ended 31 March 2010, except in relation to the accounting policies for intangible assets and convertible bonds as well as the following new and revised Hong Kong Financial Reporting Standards (“HKFRS”), HKASs and Interpretations (hereinafter collectively referred to as the “new and revised HKFRSs”), which have become effective for accounting periods beginning on or after 1 April 2010, that are all adopted for the first time for the current period’s financial statements.

Intangible assets

Patent using rights with definite useful lives are carried at cost less accumulated amortisation and any accumulated impairment loss. Amortisation is provided under the weighted average useful lives of the patent using rights.

Convertible bonds

The component of convertible bonds that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs. On issuance of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders’ equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

(Continued)

New and revised HKFRSs

The Group has adopted the following new and revised HKFRSs for the first time for the current period's interim financial statements:

HKFRS 1 (Revised)	First-time Adoption of HKFRSs
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 (Amendment)	Eligible Hedged Items
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners
Amendments to HKFRS 5 included in improvements to HKFRSs issued in October 2008	Plan to Sell the Controlling Interest in a Subsidiary
HK Interpretation 4 (Revised in December 2009)	Leases — Determination of the Length of Lease Term in respect of Hong Kong Land Leases
HKAS 32 (Amendment)	Classification of Rights Issues
Improvements to HKFRSs (May 2009)	Amendments to a number of HKFRSs

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES
(Continued)

The adoption of the above new and revised HKFRSs has no material impact on the accounting policies of the Group and the methods of computation in the Group's interim financial statements, except for the followings:

HKFRS 3 (Revised) Business Combinations

HKFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognition, the reported results in the period that an acquisition occurs, and future reported results. The impact on the adoption of HKFRS 3 (Revised) to the Group has resulted in the related costs of acquisition of approximately HK\$9,007,000 accounted for separately from the business combination, and recognised as expenses to the consolidated income statement, whereas they were previously accounted for as part of the cost of acquisition.

HKAS 27 (Revised) Consolidated and Separate Financial Statements

HKAS 27 (Revised) requires that a change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Therefore, such a change will not have any impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments were made to HKAS 7 Statement of Cash Flows, HKAS 12 Income Taxes, HKAS 21 The Effects of Changes in Foreign Exchange Rates, HKAS 28 Investments in Associates and HKAS 31 Interests in Joint Ventures. As the Group has not undertaken such transactions during the six months ended 30 September 2010, the adoption of the revised standard has no financial impact on the Group.

The Group has not early applied any of the following new and revised HKFRSs that have been issued but are not yet effective in these interim financial statements:

HKAS 24 (Revised)	Related Party Disclosures ¹
HKFRSs (Amendments)	Improvements to HKFRSs 2010 ³
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters ²
HKFRS 7 (Amendment)	Disclosures — Transfers of Financial Assets ⁴
HKFRS 9	Financial Instruments ⁵
HK(IFRIC) — Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement ¹
HK(IFRIC) — Int 19	Extinguishing Financial Liabilities with Equity Instruments ²

¹ Effective for annual periods beginning on or after 1 January 2011

² Effective for annual periods beginning on or after 1 July 2010

³ Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate

⁴ Effective for annual periods beginning on or after 1 July 2011

⁵ Effective for annual periods beginning on or after 1 January 2013

2. REVENUE, OTHER INCOME AND SEGMENT INFORMATION

Revenue represents the aggregate of gross proceeds from sales of rechargeable battery products and general products (net of discounts and returns), income from securities brokerage services, income on treasury investment which includes interest income on bank deposits and net gain from trading securities.

	Six months ended	
	30.9.2010 (unaudited) HK\$'000	30.9.2009 (unaudited) HK\$'000
Sales of rechargeable battery products	68,276	—
Securities brokerage service income	285	586
Bank interest income from treasury investment in cash markets	872	48
Net gain from trading securities	—	83
Sales of general products	—	1,670
Total revenue	69,433	2,387
Other income	197	2
Total	69,630	2,389

Operating segments are identified on the basis of internal reports which provide information about components of the Group. Such information is reported to and reviewed by the chief operating decision maker for the purposes of resource allocation and performance assessment.

The chief operating decision maker considers that the Group is organised into business units based on their products and services, and has reportable operating segments as follows:

- (a) the battery products segment includes the sales of rechargeable battery products (which was commenced during the period);
- (b) the securities brokerage segment provides securities brokerage services;
- (c) the treasury investment segment represents investments in cash markets;
- (d) the securities investment segment including dealings and trading of securities; and
- (e) the general trading segment including trading of general products.

Segment profit/(loss) represents the profit earned by/(loss from) each segment without allocation of central administration costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

Inter-segment transactions are on arm's length basis in a manner similar to transactions with third parties.

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2. REVENUE, OTHER INCOME AND SEGMENT INFORMATION (Continued)

(a) Segment revenue, profit or loss and assets:

	For the six months ended 30.9.2010 (unaudited)					Consolidated HK\$'000
	Sales of battery products	Securities brokerage	Treasury investment	Securities investment	General trading	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Revenue from external customers	68,276	285	872	—	—	69,433
Inter-segment revenue	—	—	—	—	—	—
Reportable segment revenue	68,276	285	872	—	—	69,433
Reportable segment profit/(loss) before tax (Note)	(1,071,117)	(1,263)	872	—	—	(1,071,508)

Note: Impairment on goodwill of HK\$935,484,000, amortisation of intangible assets of HK\$128,183,000 and finance costs of HK\$40,502,000 are included in reportable segment loss on sales of battery products business segment.

	For the six months ended 30.9.2009 (unaudited)					Consolidated HK\$'000
	Sales of battery products	Securities brokerage	Treasury investment	Securities investment	General trading	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Revenue from external customers	—	586	48	83	1,670	2,387
Inter-segment revenue	—	7	—	(7)	—	—
Reportable segment revenue	—	593	48	76	1,670	2,387
Reportable segment profit/(loss) before tax	—	(1,220)	48	(185)	(8)	(1,365)

2. REVENUE, OTHER INCOME AND SEGMENT INFORMATION (Continued)

(a) Segment revenue, profit or loss and assets: (Continued)

	As at 30.9.2010 (unaudited)					Consolidated HK\$'000
	Sales of battery products HK\$'000	Securities brokerage HK\$'000	Treasury investment HK\$'000	Securities investment HK\$'000	General trading HK\$'000	
	Reportable segment assets	3,711,983	10,412	346,824	67	

	As at 31.3.2010 (audited)					Consolidated HK\$'000
	Sales of battery products HK\$'000	Securities brokerage HK\$'000	Treasury investment HK\$'000	Securities investment HK\$'000	General trading HK\$'000	
	Reportable segment assets	—	10,467	288,561	68	

(b) Reconciliations of reportable segment revenue, profit or loss and assets

	Six months ended	
	30.9.2010 (unaudited) HK\$'000	30.9.2009 (unaudited) HK\$'000
Revenue		
Total reportable segments' revenue	69,433	2,387
Elimination of inter-segment revenue	—	—
Consolidated revenue	69,433	2,387

	Six months ended	
	30.9.2010 (unaudited) HK\$'000	30.9.2009 (unaudited) HK\$'000
Loss		
Total reportable segments' loss	(1,071,508)	(1,365)
Elimination of inter-segment loss	—	—
Reportable segment loss derived from the Group's external customers	(1,071,508)	(1,365)
Gain on dilution of interest in a jointly controlled entity	—	3,804
Share of results of a jointly controlled entity	—	(2,536)
Gain on disposal of a subsidiary	11,330	—
Unallocated corporate expenses	(19,299)	(6,447)
Consolidated loss before tax	(1,079,477)	(6,544)

2. REVENUE, OTHER INCOME AND SEGMENT INFORMATION (Continued)

(b) Reconciliation of reportable segment revenue, profit or loss and assets
(Continued)

Assets	30.9.2010 (unaudited) HK\$'000	31.3.2010 (audited) HK\$'000
Total reportable segments' assets	4,069,298	299,104
Elimination of inter-segment assets	—	—
	4,069,298	299,104
Available-for-sale financial asset	—	18,479
Unallocated corporate assets	15,237	12,337
Consolidated total assets	4,084,535	329,920

(c) Geographical information

	Revenue from external Customers Six months ended		Non-current assets	
	30.9.2010 (unaudited) HK\$'000	30.9.2009 (unaudited) HK\$'000	30.9.2010 (unaudited) HK\$'000	31.3.2010 (audited) HK\$'000
The People's Republic of China (the "PRC")	12,769	1,670	3,512,322	18,479
The United States	31,572	—	—	—
European countries	19,520	—	—	—
Hong Kong	1,487	717	5,393	1,726
Others	4,085	—	—	—
	69,433	2,387	3,517,715	20,205

The revenue and non-current assets information is based on location of the customers and assets.

(d) Seasonality of operations

The Group's operations are not subject to significant seasonality or cyclicity factors.

3. FINANCE COSTS

	Six months ended	
	30.9.2010 (unaudited) HK\$'000	30.9.2009 (unaudited) HK\$'000
Imputed interest on convertible bonds (Note 16)	40,502	—

4. GAIN ON DISPOSAL OF A SUBSIDIARY

On 10 June 2010, Carico Strategic Investment Ltd (“Carico Strategic”), a direct wholly-owned subsidiary of the Company, entered into an agreement with an independent third party (the “Purchaser”), pursuant to which the Purchaser agreed to purchase and Carico Strategic agreed to dispose of the entire equity interest in Panda Max Limited (“Panda Max”), which was then wholly-owned by Carico Strategic and held 19.5% equity interest in 密之雲（北京）呼叫產業基地有限公司 (Mizhiyun (Beijing) Communication Company Limited, classified as an available-for-sale financial asset as at 31 March 2010), and a shareholder’s loan due to the Group by Panda Max of approximately HK\$22,000,000 for a total consideration of HK\$30,000,000. The disposal transaction was completed on 10 June 2010. A gain on disposal of the subsidiary of approximately HK\$11,330,000 has been recognised during the period.

5. LOSS BEFORE TAX

Loss before tax is arrived at after charging/(crediting):

	Six months ended	
	30.9.2010 (unaudited) HK\$'000	30.9.2009 (unaudited) HK\$'000 (Restated)
Interest income	(1,046)	(50)
Cost of inventories sold	33,494	1,591
Amortisation of intangible assets	128,183	—
Goodwill impairment	935,484	—
Depreciation	518	571
Gain on disposal of a subsidiary	(11,330)	—
Exchange gain	(23)	—

6. INCOME TAX

	Six months ended	
	30.9.2010 (unaudited) HK\$'000	30.9.2009 (unaudited) HK\$'000
PRC tax:		
Provision for the period	8,695	—
Deferred	(28,200)	—
Tax credit during the period	(19,505)	—

No provision for Hong Kong profits tax has been made as the Group sustained losses for taxation purposes in Hong Kong during the periods ended 30 September 2010 and 2009. The provision for PRC income tax is calculated on the assessable profit at 25% for the period ended 30 September 2010.

7. LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

(a) Basic loss per share

The basic loss per share is calculated based on (i) the consolidated loss attributable to equity holders of the Company of HK\$1,059,972,000 (2009: HK\$6,544,000) and (ii) the weighted average number of 3,134,372,000 ordinary shares in issue for the six months ended 30 September 2010 (2009: 1,830,421,000 ordinary shares).

	Six months ended	
	30.9.2010 Weighted average number of ordinary shares (unaudited) '000	30.9.2009 Weighted average number of ordinary shares (unaudited) '000
Issued ordinary shares at beginning of the reporting period	2,222,125	1,830,421
Effect on issue of shares upon exercise of share options (<i>Note 18 (b)</i>)	49,549	—
Effect on issue of shares pursuant to acquisition transaction (<i>Note 18 (c)</i>)	552,316	—
Effect on issue of shares pursuant to subscription (<i>Note 18 (d)</i>)	268,852	—
Effect on issue of shares upon conversion of convertible bonds (<i>Note 18 (e)</i>)	41,530	—
Weighted average number of ordinary shares at the end of the reporting period	3,134,372	1,830,421

(b) Diluted loss per share

The calculation of diluted loss per share does not assume the exercise of the Company's share options or conversion of convertible bonds which would result in a reduction in loss per share for the periods ended 30 September 2010 and 2009. Therefore, the diluted loss per share is the same as the basic loss per share for both periods.

8. INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the period (2009: nil).

9. BUSINESS COMBINATIONS

On 23 December 2009, Qiyang Limited (“Qiyang”), a direct wholly-owned subsidiary of the Company, entered into a letter of intent with Mr. Chung Hing Ka (“Mr. Chung”) and Mr. Miao Zhenguo (“Mr. Miao”) who acted on behalf of themselves and other vendors, in relation to the Acquisition (as defined below). On 18 January 2010 and 30 April 2010, the Company as the guarantor of Qiyang, Qiyang, six independent third parties at that time including Mei Li New Energy Limited (“Mei Li New Energy”), which is beneficially owned by Mr. Chung, as the first vendor, Union Ever Holdings Limited (“Union Ever”), which is beneficially owned by Mr. Miao, as the second vendor, and other four parties (collectively the “Vendors”), Mr. Chung as the guarantor of Mei Li New Energy and Mr. Miao as the guarantor of Union Ever entered into two agreements, pursuant to which the Vendors conditionally agreed to sell and Qiyang conditionally agreed to purchase from the Vendors the entire issued share capital of Union Grace Holdings Limited (“Union Grace”), a company incorporated in the British Virgin Islands, together with its subsidiary (collectively the “Union Grace Group”) for a consideration of HK\$2,750 million (the “Consideration”) (the “Acquisition”), and Mr. Chung, Mr. Miao, Mei Li New Energy and Union Ever have jointly and severally guaranteed to Qiyang that the audited profit after tax and exceptional items and before amortisation accruing to the Union Grace Group for the first year from the date of completion of the Acquisition (the “Actual Profit”) shall not be less than HK\$150 million (the “Guaranteed Profit”). Convertible bonds in the principal amount of HK\$75,000,000 to be issued to each of Mei Li New Energy and Union Ever (together the “Locked-up Convertible Bonds”) are subject to lock-up arrangements. In the event that the Actual Profit is less than the Guaranteed Profit, the Company shall be entitled to cancel the Locked-up Convertible Bonds by the amount equal to the excess of the Guaranteed Profit over the Actual Profit. Such cancellation of the Locked-up Convertible Bonds shall be allocated to each of Mei Li New Energy and Union Ever in equal proportions.

The Consideration was satisfied by (i) cash of HK\$100,000,000; (ii) 783,517,010 ordinary shares of the Company of HK\$0.01 each at an issue price of HK\$0.20 per share and (iii) convertible bonds in an aggregate principal amount of HK\$2,493,296,598. The convertible bonds are non-interest bearing, with a maturity date falling on the eighth anniversary of the date of issue of the convertible bonds and entitle the holders to convert the convertible bonds into ordinary shares of the Company at a conversion price of HK\$0.20 per share (subject to adjustments). The Union Grace Group is granted an exclusive right to use the patents (the “Licensed Patents”) of Mr. Chung and his beneficially owned company, Thunder Sky Battery Technology Limited, for the production, marketing, distribution and sale of certain specially-designed Lithium-ion battery products and all improvements thereto. The Licensed Patents include fifteen patents which will expire in the period between September 2010 and May 2025. The Acquisition was completed on 25 May 2010. The Acquisition constitutes a connected transaction of the Company pursuant to the Listing Rules by reason of the appointment of Mr. Chung and Mr. Miao as executive directors of the Company upon completion. Further details were set out in the Company’s circular and announcement dated 3 May 2010 and 25 May 2010, respectively.

9. BUSINESS COMBINATIONS (Continued)

The Acquisition would allow the Group to diversify into a new line of business with significant growth potential.

The fair values of the identifiable assets and liabilities of Union Grace Group at the date of completion were as follows:

	Fair value (unaudited) HK\$'000
Intangible assets (Note 10)	3,640,000
Trade and other receivables	5,880
Amounts due from related companies	3,676
Cash and bank balances	5
Other payables	(2)
Deferred tax (Note 17)	(800,800)
	2,848,759
Goodwill (Note)	935,484
	3,784,243
	(unaudited) HK\$'000
Consideration is satisfied by:	
Cash	100,000
Issue of convertible bonds (Note 16)	2,493,296
Issue of 783,517,010 ordinary shares (Note 18(c))	
Shares issued at issue price of HK\$0.20 each	156,704
Increase in fair value	1,034,243
Shares issued at fair value	1,190,947
Total cost of acquisition	3,784,243
An analysis of the net outflow of cash and cash equivalents in respect of acquisition of subsidiaries is as follows:	
	(unaudited) HK\$'000
Cash and cash equivalents acquired	5
Cash and cash equivalents paid	(100,000)
Net outflow of cash and cash equivalents in respect of acquisition of subsidiaries	(99,995)

9. BUSINESS COMBINATIONS *(Continued)*

The trade and other receivables and amounts due from related companies represent the gross contractual amounts receivable. None of the receivables was expected to be uncollectible at the date of completion.

As at 25 May 2010, the fair value of the intangible assets on the patent using rights was HK\$3,640,000,000, which was based on the valuation performed by Jones Lang LaSalle Sallmanns Limited, an independent firm of professional qualified valuers, using the multi-period excess earnings method under income approach.

The Acquisition was completed on 25 May 2010, thus HK\$68,276,000 of revenue and loss of HK\$75,626,000 (including the amortisation of intangible assets of HK\$128,183,000 (*Note 10*)) have been consolidated into the Group during the period ended 30 September 2010. The acquisition-related costs of HK\$9,007,000 are included in the consolidated income statement.

If the Acquisition had been completed on 1 April 2010, total revenue and loss of the Group for the period ended 30 September 2010 would have been HK\$78,343,000 and HK\$1,055,568,000, respectively. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of the Group that actually would have been achieved had the Acquisition been completed on 1 April 2010, nor is it intended to be a projection of future results.

Note: The goodwill was mainly arising from the fair value change in respect of the substantial increase in the market price of the issued shares of the Company from the date of signing the letter of intent to the date of completion of the Acquisition. By reference to HKFRS 3 (Revised), the closing price per share on the date of completion was used as a proxy for the fair value of the issued shares of the Company for the purpose of calculation the goodwill from the Acquisition. None of the goodwill recognised is expected to be deductible for income tax purposes. In the opinion of directors, the recoverable amount of the Union Grace Group's cash generating unit, determined by value in use with reference to the discounted cash flow of this cash generating unit, is lower than its carrying amount. Accordingly, the total amount of goodwill of HK\$935,484,000 was fully impaired during the period.

10. INTANGIBLE ASSETS

	Patent using rights (unaudited) HK\$'000
Cost	
Additions from acquisition of subsidiaries and at 30 September 2010 (<i>Note 9</i>)	<u>3,640,000</u>
Accumulated amortisation	
Charge for the period and at 30 September 2010	<u>(128,183)</u>
Carrying value	
At 30 September 2010	<u>3,511,817</u>

During the period, the Group acquired the Union Grace Group that has been granted the patent using rights which are necessary for the production of the rechargeable Lithium-ion battery products, with an aggregate fair value of HK\$3,640,000,000. The intangible assets are protected under the laws of the PRC and the United States (where applicable) and there are no territorial or other restrictions on the use of these licensed patents, which would be amortised with an average useful life of 10 years.

10. INTANGIBLE ASSETS (Continued)

The Group's patent using rights at 30 September 2010 are as follows:

Patent number	Name of patent	Term of patent
1 ZL03126537.5	結構改進之可反復充電大容量動力鋰電池 (Structurally Improved Repeatedly Rechargeable Large-capacity Power Lithium Electric Battery*)	20 years from 7 May 2003
2 ZL200510034704.1	多極柱大功率輸出之鋰離子電池 (Multi-column High-power-output Lithium-ion Electric Battery*)	20 years from 16 May 2005
3 ZL200510034705.6	鋁塑軟殼之大容量鋰離子電池 (Large-capacity Lithium-ion Electric Battery with Aluminum Composite Soft shell*)	20 years from 16 May 2005
4 ZL03126538.3	可反復充放電之高電壓鋰離子電池 (Repeatedly Rechargeable and Dischargeable High-voltage Lithium-ion Electric Battery*)	20 years from 7 May 2003
5 ZL200410027352.2	捲繞式動力型鋰離子蓄電池 (Coiled Power-type Lithium-ion Electric Battery*)	20 years from 22 May 2004
6 200510034706.0	接插導通式大容量鋰離子電池 (Plug-connected Large-capacity Lithium-ion Electric Battery*)	20 years from 16 May 2005
7 US 6,686,096 B1	Rechargeable Solid State Chromium-Fluorine-Lithium Electric Battery	20 years from 4 August 2000 with an extension of 290 days
8 ZL200520058576.x	接插導通式大容量鋰離子電池 (Plug-connected Large-capacity Lithium-ion Electric Battery*)	10 years from 16 May 2005
9 ZL200720125962.5	高電壓動力型鋰離子可充電電池 (High-voltage Power-type Rechargeable Lithium-ion Electric Battery*)	10 years from 24 July 2007
10 ZL200420046273.1	無浸透塑殼動力型鋰離子蓄電池 (Power-type Lithium-ion Electric Battery with Leak-proof Molded Shell*)	10 years from 22 May 2004
11 200820131125.8	一種複合結構鋰離子電池外殼 (Shell for a Kind of Composite-structured Lithium-ion Electric Battery*)	10 years from 25 July 2008
12 ZL200630154000.3	固體動力電池 (Solid State Power Electric Battery*)	10 years from 19 October 2006
13 ZL200730148673.2	高電壓鋰離子動力蓄電池 (High-voltage Lithium-ion Power Electric Battery*)	10 years from 20 July 2007
14 200830139287.1	型材(Prototype Material*)	10 years from 25 July 2008
15 ZL00339101.9	固體動力電池 (Solid State Power Electric Battery*)	10 years from 28 September 2000

11. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group purchased approximately HK\$4,690,000 (31.3.2010: HK\$32,000) of property, plant and equipment and also disposed of property, plant and equipment with aggregate net book value of HK\$nil (31.3.2010: HK\$4,000).

12. TRADE AND OTHER RECEIVABLES

	30.9.2010 (unaudited) HK\$'000	31.3.2010 (audited) HK\$'000
Trade receivables (Note)	5,310	1,825
Deposits and prepayments	5,011	3,487
Other receivables	789	42
Deposit paid to related companies (Note 21(a))	4,918	—
	16,028	5,354

An ageing analysis of trade receivables is as follows:

	30.9.2010 (unaudited) HK\$'000	31.3.2010 (audited) HK\$'000
Within 1 month	2,142	1,229
Between 1 and 3 months	62	592
Over 3 months	3,106	4
	5,310	1,825

Note: It included an amount of HK\$2,246,000 (31.3.2010: HK\$1,825,000) attributable to securities brokerage business with settlement terms of two trading days after the trade date.

Trading terms with customers are either on a cash basis or on credit. For those customers who trade on credit, a credit period is allowed according to relevant business practice. Credit limits are set for customers. The Group seeks to maintain tight control over its outstanding receivables in order to minimise credit risk. Overdue balances are regularly reviewed by senior management.

Except for receivables from securities brokerage business which bear interest at the prevailing Hong Kong Best Lending Rate plus 5% per annum, the remaining balances of trade receivables are non-interest bearing. The carrying amounts of the receivables approximate their fair values.

13. AMOUNTS DUE FROM RELATED COMPANIES

Pursuant to the Master Supply Agreement dated 18 January 2010, 深圳市雷天電動車動力總成有限公司 (Shenzhen Thunder Sky Electric Vehicles Limited*) and 深圳市雷天電源技術有限公司 (Shenzhen Thunder Sky Battery Technology Limited*) (collectively, the "PRC Operating Companies") would manufacture and supply to the Union Grace Group the rechargeable Lithium-ion battery products in accordance with the requirements of the Union Grace Group. The PRC Operating Companies would also provide the details of their existing and previous customers and assist the Group in selling the Lithium-ion battery products and their related products to such customers. During the period, the Group was in the process of setting up its own sales companies to handle these Lithium-ion battery products and therefore, the Group has engaged the PRC Operating Companies to handle all the sales (as an agent) on behalf of the Group (as the principal) at nil consideration. The PRC Operating Companies are indirectly and wholly owned by Mr. Chung Hing Ka, a director and major shareholder of the Company, and accordingly, are associates of a connected person and related parties of the Company. As at the end of the reporting period, the amount of HK\$30,535,000 was due from the PRC Operating Companies in respect of the trade sales amount receipts due to the Group as reduced by the amount of trade purchases and deposit payable to the PRC Operating Companies, which was unsecured, interest-free and repayable on demand. During the period, the maximum balance of amounts due from related companies amounted to HK\$34,665,000.

14. CASH AND BANK BALANCES

One of the subsidiaries maintains trust accounts with an authorised financial institution in the normal course of its securities brokerage business. As at 30 September 2010, trust bank balances not dealt with in these interim financial statements amounted to HK\$2,235,000 (31.3.2010: HK\$2,257,000).

15. TRADE AND OTHER PAYABLES

	30.9.2010 (unaudited) HK\$'000	31.3.2010 (audited) HK\$'000
Trade payables	1,669	1,216
Other payables and accruals	2,181	910
	3,850	2,126

An ageing analysis of trade payables is as follows:

	30.9.2010 (unaudited) HK\$'000	31.3.2010 (audited) HK\$'000
Within 1 month	1,669	1,216

Trade payables were attributable to securities brokerage business with settlement terms of two trading days after the trade date which bear interest at rates approximate to prevailing market savings rates.

16. CONVERTIBLE BONDS

On 25 May 2010, the Company issued convertible bonds with an aggregate principal amount of approximately HK\$2,493,296,000 pursuant to the acquisition transaction with details stated in Note 9. The convertible bonds are non-interest bearing, with a maturity date on the eighth anniversary of the date of issue of convertible bonds (i.e. 25 May 2018) and entitle the holders to convert the convertible bonds into ordinary shares of the Company at a conversion price of HK\$0.20 per share (subject to adjustments). The Company may at any time up to (and excluding) the commencement of the seventh calendar day period ending on (and including) the maturity date, by written notice to the holder of the convertible bonds, elect to redeem the whole or part of the then outstanding principal amount of the convertible bonds at an amount equal to 100% of the principal amount of the convertible bonds sought to be redeemed. Convertible bonds in the principal amount of HK\$150,000,000 are subject to the lock-up arrangements, further details of which are set out in Note 9. During the period, the convertible bonds with an aggregate principal amount of HK\$40 million were converted into 200 million ordinary shares of the Company of HK\$0.01 each at a conversion price of HK\$0.20 each.

The convertible bonds issued during the period have been split as to the liability and equity components, as follows:

	30.9.2010 (unaudited) HK\$'000	31.3.2010 (audited) HK\$'000
Nominal value of convertible bonds issued during the period	2,493,296	—
Equity component	(1,467,065)	—
Liability component at the issuance date	1,026,231	—
Conversion into shares during the period	(16,925)	—
Imputed Interest expenses (Note 3)	40,502	—
Liability component at end of the reporting period	1,049,808	—

The liability component and the equity component of the convertible bonds are determined based on the valuations performed by Asset Appraisal Limited, an independent firm of professional qualified valuers, using the binomial pricing model. The effective interest rate of the liability component is 11.40% per annum.

17. DEFERRED TAX

	30.9.2010 Fair value adjustments (unaudited) HK\$'000	31.3.2010 Fair value adjustments (audited) HK\$'000
Acquisition of subsidiaries	800,800	—
Credit to the income statement	(28,200)	—
At end of the reporting period	772,600	—

The fair value adjustments represented the fair value change of intangible assets arising from the acquisition of subsidiaries as disclosed in Note 9.

18. SHARE CAPITAL

	30.9.2010 (unaudited) No. of shares '000	(unaudited) HK\$'000	31.3.2010 (audited) No. of shares '000	(audited) HK\$'000
Authorised:				
At beginning and at end of the reporting period Ordinary shares of HK\$0.01 each	50,000,000	500,000	50,000,000	500,000
Issued and fully paid:				
At beginning of the reporting period Ordinary shares of HK\$0.01 each	2,222,125	22,221	1,830,421	18,304
Issue of new shares:				
– pursuant to share placement (Note a)	—	—	366,084	3,661
– upon exercise of share options (Note b)	100,350	1,004	25,620	256
– pursuant to acquisition transaction (Note c)	783,517	7,835	—	—
– pursuant to subscription (Note d)	400,000	4,000	—	—
– upon conversion of convertible bonds (Note e)	200,000	2,000	—	—
At end of the reporting period Ordinary shares of HK\$0.01 each	3,705,992	37,060	2,222,125	22,221

18. SHARE CAPITAL (Continued)

Notes:

- (a) On 29 January 2010, the Company issued 366,084,242 ordinary shares of HK\$0.01 each at the price of HK\$0.73 per share pursuant to the placing agreement dated 17 January 2010.
- (b) During the period, options to subscribe for 100,350,000 ordinary shares were exercised. The consideration received was HK\$15,531,000 of which HK\$1,004,000 was credited to share capital account and the balance of HK\$14,527,000 was credited to the share premium account. The amount of HK\$8,047,000 was transferred from share option reserve account to share premium account upon exercise of share options. During the last year, options to subscribe for 25,620,000 ordinary shares were exercised. The consideration received was HK\$5,894,000 of which HK\$256,000 was credited to share capital account and the balance of HK\$5,638,000 was credited to the share premium account. The amount of HK\$2,889,000 was transferred from share option reserve account to share premium account upon exercise of share options.
- (c) On 25 May 2010, 783,517,010 new ordinary shares of the Company of HK\$0.01 each were issued at an issue price of HK\$0.20 per share in connection with the acquisition of Union Grace Group as part of the consideration. The fair value of the shares is calculated based on the closing price per share on the date of completion of the Acquisition.
- (d) On 31 May 2010, the Company issued and allotted 400,000,000 ordinary shares of HK\$0.01 each at the price of HK\$0.73 per share to Jade Time Investments Limited and its affiliates for the proceeds of HK\$292 million according to a subscription agreement.
- (e) During the period, the convertible bonds with an aggregate principal amount of HK\$40 million were converted into 200 million ordinary shares of the Company of HK\$0.01 each at a conversion price of HK\$0.20 per share.

All the new ordinary shares issued during the period ranked pari passu in all respects with the then existing ordinary shares of the Company.

19. CAPITAL COMMITMENTS

The Group had the following commitments at the end of the reporting period:

	30.9.2010 (unaudited) HK\$'000
Capital commitments in respect of acquisition of assets	
Contracted, but not provided for	116,000

In September 2010, the Group entered into an agreement with independent third parties to acquire the assets including land, factories, office buildings and production equipment and facilities, at a consideration of RMB100 million (equivalent to HK\$116 million).

As at 31 March 2010, the Group had commitment on conditional acquisition of subsidiaries and the details of the transaction are stated in Note 9.

20. EVENTS AFTER THE REPORTING PERIOD

- (a) Subsequent to the reporting period and up to the date of this report, approximately 54,680,000 options to subscribe for approximately 54,680,000 ordinary shares of the Company of HK\$0.01 each at the exercise price ranging from HK\$0.061 to HK\$0.23 were exercised with an aggregate consideration of approximately HK\$6,658,000 received by the Company, and 20,000 options with an exercise price of HK\$0.061 per share have lapsed following the resignation of an employee.
- (b) Subsequent to the reporting period and up to the date of this report, convertible bonds with an aggregated principal amount of HK\$190 million were converted into 950 million ordinary shares of the Company of HK\$0.01 each at a conversion price of HK\$0.20 per share.
- (c) On 19 November 2010, the Group entered into an assets transfer agreement with three independent third parties to acquire assets (the "Assets") including land at 遼源經濟開發區友誼工業園區 (the Friendship Industrial Park of Liaoyuan Economic Development Area*) of Jilin Province, the PRC, factories and office buildings erected on the land, and production equipment and facilities. The consideration for the Assets is RMB29,000,000 (equivalent to HK\$33,640,000).

21. RELATED PARTY TRANSACTIONS

- (a) Apart from the transaction detailed in Note 9, 12 and 13 to the financial statements, pursuant to the Master Supply Agreement dated 18 January 2010, 深圳市雷天電動車動力總成有限公司 (Shenzhen Thunder Sky Electric Vehicles Limited) and 深圳市雷天電源技術有限公司 (Shenzhen Thunder Sky Battery Technology Limited) (collectively, the “PRC Operating Companies”), agreed to manufacture and supply to the Union Grace Group the Lithium-ion battery products and their related products. The PRC Operating Companies would also provide the details of their existing and previous customers and assist the Group in selling the Lithium-ion battery products and their related products to such customers. During the period, the Group was in the process of setting up its own sales companies to handle these Lithium-ion battery products and therefore, the Group has engaged the PRC Operating Companies as sole agent to handle all the sales (as an agent) on behalf of the Group (as the principal) at nil consideration. The PRC Operating Companies are indirectly and wholly owned by Mr. Chung Hing Ka, a director and major shareholder of the Company, and accordingly, are associates of a connected person and related parties of the Company. During the period, totally HK\$33,494,000 of Lithium-ion battery products are supplied from the PRC Operating Companies to the Group and an amount of HK\$4,918,000 was paid by the Group to the PRC Operating Companies as deposit for production of battery products. At the end of the reporting period, the amount of HK\$30,535,000 was due from the PRC Operating Companies in respect of the trade sales amount receipts due to the Group as reduced by the amount of trade purchases and deposit payable to the PRC Operating Companies, and is unsecured and interest-free and repayable on demand.

(b) Key management personnel remuneration

Remuneration for key management personnel, including amounts paid to the Company’s directors, is as follows:

	Six months ended	
	30.9.2010 (unaudited) HK\$'000	30.9.2009 (unaudited) HK\$'000
Short-term employee benefits	1,974	1,740
Equity settled share-based payments	224	1,076

22. COMPARATIVE FIGURES

Certain comparative amounts have been reclassified and restated to conform with the current period presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is mainly engaged in the business of production, distribution and sale of rechargeable Lithium-ion power batteries (the "Lithium Battery"). The Lithium Battery products of the Group are mainly used for electric vehicles and energy storage. The Group is also involved in securities investment, securities brokerage and general trading.

MARKET OVERVIEW

In October this year, the State Council of the People's Republic of China (the "PRC") announced 《國務院關於加快培育和發展戰略性新興產業的決定》 (Decision of the State Council on speeding up the cultivation and development of strategic emerging industries*), which set the target for 《七大戰略性新興產業》 (the seven strategic emerging industries*) (the "Seven Industries") to account for 8% of the Gross Domestic Product (the "GDP") in five years and increasing to 15% in ten years. The total scale of the Seven Industries will reach RMB4.3 trillion and RMB11.7 trillion in five years and ten years, respectively, based on the 2009 GDP of RMB34 trillion with an annual average growth rate of 8%. As the Lithium-based batteries are the essential components for the energy saving and environmental protection industry, the new energy industry and the new energy vehicle industry, which are developing rapidly among the Seven Industries, it is expected that there will be enormous market demand for safe, reliable and high energy density hi-tech Lithium-based battery products made of raw materials meeting the requirements of environmental protection.

Electric Vehicle Battery Market

In recent years, pure electric vehicles are being promoted as energy saving with zero carbon dioxide emission and are widely advocated around the world. Apart from proposing to reduce 40% of the energy consumption of the 2005 per capita GDP by 2020, the PRC government subsequently issued 《關於開展私人購買新能源汽車補貼試點的通知》 (Circular on trial operation of providing subsidy to private purchase of new energy vehicles*) which encouraged the use of electric vehicles by offering a subsidy with a maximum of RMB60,000 for purchase of each electric vehicle, in the hope that the use of electric vehicles would become more popular. Since the related measures were implemented, various provinces and cities responded positively, among which the Shenzhen government offered a subsidy with a maximum of RMB60,000 in addition to the subsidy offered by the PRC Government. These initiatives bring about an abundance of development opportunities for electric vehicles. It is commonly expected that the global annual sale of electric vehicles will at least reach 4,000,000 by 2015, and on average each electric vehicle has to be installed with above 10,000 ampere hours of Lithium-based batteries to support a journey of more than 200 kilometres. Based on the above expectation, it is expected that the annual global demand for electric vehicle batteries will reach over 40 billion ampere hours in the coming five years.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Energy Storage Battery Market

As environmental protection and pollution are the main concerns of the governments around the world in recent years, there has been much effort being put into the development of electric vehicles globally with the aim of reducing carbon dioxide emission. However, this is only an expedient as various countries still mainly rely on electricity generated from coal fired power plants. In the PRC, coal fired power generation currently accounts for over 80% of the total electricity generated. Hence, there is increasing demand for the development of renewable energy such as wind energy and solar energy for power generation. According to the World Wind Energy Association, as of the end of June this year, the wind power generation in the PRC has reached 33,800 megawatt, which was 30% higher than that as of the end of last year. The global wind power generation as of the end of June this year has reached 175,000 megawatt, which was 10% higher than that as of the end of last year. On a yearly basis, the global wind power generation in 2010 will increase by 32,000 megawatt, which, if converted into one hour energy storage, is approximately equal to 10 billion ampere hours of Lithium-based batteries.

Apart from the application of energy storage for new energy, large-capacity Lithium-based batteries can store energy for peak-loading whereby energy can be saved for the purpose of environmental protection. As the electricity fee is charged according to the peak hours and non-peak hours demand in many countries and regions, storing electricity during cheaper non-peak hours for the use at peak hours by an energy storage system will be cost-saving. For California of the United States, the annual industrial electricity consumption is 51 billion kilowatt hours, the price spread between the annual average charge per kilowatt hour at peak hours and that at non-peak hours is around US\$0.038. If all industries in California use electricity at the peak-hour rate, up to US\$1.94 billion could be saved annually if large-capacity Lithium-based batteries were used to store electricity at non-peak-hour rate.

Because of the positive macroeconomic factors such as rising awareness of environmental protection around the world, and the implementation of policies by governments in different countries to protect the environment, as well as huge demand for environmentally friendly battery products, there will be substantial opportunities for the Lithium Battery business of the Group.

BUSINESS REVIEW

Since the completion of the very substantial acquisition and connected transaction on 25 May this year, the Lithium Battery business of the Group has been successfully transferred during the transition period of the last six months. The turnover and profit for the first four-month operations are reflected in the interim financial statements. According to the signed patent license deed, Mr. Chung Hing Ka (currently a director of the Company) and his beneficially owned company shall grant the Group the exclusive right to use 15 Lithium-based battery licensed patents for the production of Lithium Battery products of different specifications. The capacity of a single battery cell ranges from 40 ampere hours to 10,000 ampere hours.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

The customer base of Lithium Battery products of the Group spreads all over the globe, covering, among others, Australia, Austria, Canada, the PRC, Czech Republic, England, Germany, Hong Kong, Italy, Japan, Korea, Slovakia, Spain, Switzerland, Turkey and the United States. There is great market demand for Thunder Sky's Lithium Battery products. Apart from the master supply agreement dated 18 January 2010, the Group also announced on 27 September this year the acquisition of land with a total site area of approximately 30,144 square metres in Jilin Province of the PRC together with factories and facilities for its battery product production, in order to capture the business opportunities brought about by the growing popularity of electric vehicles and the new energy developments. After the acquisition, it is expected that the preliminary annual battery production capacity will be approximately 70,000,000 ampere hours and production will commence during this financial year. The Group has at the same time been conducting a feasibility study on the increase of the annual battery production capacity in its Jilin plant to 500 million ampere hours. By that time, the Jilin plant will become one of the major Lithium Battery production plants of the Group in mainland China.

Apart from focusing on its business development, the Group actively participates in functions of the industry whereby the Lithium Battery products of the Group are widely recognised. In June this year, the Group served as the battery supplier of the Racing Green Endurance (the "RGE"), supporting Radical SRZero electric racing car in the RGE to cross North and South America through the 26,000 kilometres Pan-American Highway. The RGE electric race car achieved the feat on 23 November, demonstrating the excellent quality of Thunder Sky Lithium Battery products, which withstood the test and trial for 71 days on the road. This is a new milestone for electric vehicle technology with the implication that the patented batteries of the Group command a leading position as preferred electric vehicle energy. In addition, the products of the Group were applied in London Case ZED Pavilion at the Shanghai World Expo. The Pavilion used Thunder Sky Lithium Battery products for energy storage and supply electricity, for which Thunder Sky was awarded 「二零一零年中國最佳低碳環保先鋒企業」(2010 best China pioneering enterprise in low carbon footprint and environmental protection*).

Later in November, Thunder Sky Lithium Battery products were displayed in the 25th World Battery, Hybrid and Fuel Cell Electric Vehicle Symposium and Exhibition, the largest and most influential event for electric vehicles and new energy vehicles. The Group and its customers jointly displayed a variety of environmentally friendly electric vehicles of the new generation in the Shenzhen and Hong Kong venues and they received positive feedback and enquiries from numerous potential clients. The Group will keep in touch with these potential clients and explore any collaborative opportunities.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

FINANCIAL REVIEW

During the period under review, the Group's turnover increased nearly 28 times to approximately HK\$69.4 million from approximately HK\$2.4 million of the corresponding period last year, which was mainly contributed by the newly acquired subsidiaries that were engaged in Lithium Battery business after the completion of the Acquisition (as defined in the sub-section heading "Material Acquisitions and Disposals" below). Gross profit increased to approximately HK\$35.9 million from approximately HK\$0.8 million of the same period last year. The Group widened its loss for the period from approximately HK\$6.5 million in the corresponding period last year to approximately HK\$1,060.0 million for the same period this year. The substantial increase in loss was primarily attributable to (i) the goodwill impairment of approximately HK\$935.5 million (nil for the same period of last year); (ii) the increase in general and administrative expenses (increased from approximately HK\$8.5 million in the corresponding period last year to approximately HK\$21.5 million, of which approximately HK\$9.0 million was incurred as a result of the Acquisition); (iii) the imputed interest expenses on convertible bonds of approximately HK\$40.5 million (nil for the same period last year); and (iv) the amortisation of patent using rights of approximately HK\$128.2 million (nil for the same period last year).

During the period under review, the Group entered into a new business segment of sales of Lithium Battery products as a result of the Acquisition. This segment recorded a turnover of approximately HK\$68.3 million for the period from 25 May 2010, the date of completion of the Acquisition, to 30 September 2010. It constituted approximately 98.3% (2009: nil) of the Group's total turnover. This segment recognised approximately HK\$1,071.1 million loss, mainly due to the one-off goodwill impairment of approximately HK\$935.5 million, the amortisation of patent using rights of approximately HK\$128.2 million and the imputed interest expenses on convertible bonds of approximately HK\$40.5 million arising from the Acquisition, which are non-cash items and have no impact on the Group's cash flow. Excluding the impact of such non-cash items, the profit contributed by the sales of Lithium Battery products during the period was approximately HK\$33.1 million.

Turnover derived from the securities brokerage business during the six months ended 30 September 2010 decreased to approximately HK\$0.3 million from approximately HK\$0.6 million for the same period last year. This segment reported an operating loss of approximately HK\$1.3 million (2009: approximately HK\$1.2 million).

During the period under review, the PRC, the United States, the European countries, Hong Kong and others contributed approximately 18.4% (2009: 70.0%), 45.5% (2009: nil), 28.1% (2009: nil), 2.1% (2009: 30.0%) and 5.9% (2009: nil) respectively to the Group's total turnover.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Liquidity and Financial Resources

As of 30 September 2010, the Group had (i) non-current assets of approximately HK\$3,517.7 million, which mainly comprised of intangible assets; and (ii) current assets of approximately HK\$566.8 million, which mainly comprised of cash and bank balances. As of 30 September 2010, the Group had no bank borrowings and hence recorded net cash of approximately HK\$520.3 million. As at 30 September 2010, the Group's total liabilities amounted to approximately HK\$1,835.0 million, which mainly comprised of convertible bonds of approximately HK\$1,049.8 million. As at 30 September 2010, the Group's gearing ratio was approximately 19.4% (31 March 2010: nil) as calculated by the Group's net debts divided by total equity plus net debts. Net debts are calculated as the sum of trade and other payables, tax payable and convertible bonds less cash and bank balances.

Foreign Exchange Exposure

The Group's transactions were mainly denominated in Hong Kong dollars and US dollars. The Group had no significant exposure to fluctuations in exchange rates and no financial instrument for hedging purposes was employed during the period under review.

Capital Structure

On 25 May 2010, the Company issued 783,517,010 consideration shares and zero coupon convertible bonds in the principal amount of HK\$2,493,296,598 due 2018 to finance part of the consideration for the Acquisition (as defined in the sub-section headed "Material Acquisitions and Disposals" below).

On 31 May 2010, the Company issued a total of 400,000,000 new shares of the Company at a price of HK\$0.73 per share pursuant to a subscription agreement entered into between the Company and Jade Time Investments Limited, a company indirectly and wholly owned by Mr. Li Ka-shing, on 18 January 2010.

During the period, the holders of the convertible bonds have converted convertible bonds in the aggregate principal amount of HK\$40,000,000 into 200,000,000 shares of the Company at the conversion price of HK\$0.20 per share. 100,350,000 shares of the Company were allotted and issued by the Company pursuant to the exercise of share options granted under the Company's share option scheme.

As a result of the above, the number of shares of the Company in issue increased from 2,222,125,454 as at 1 April 2010 to 3,705,992,464 as at 30 September 2010.

Save as disclosed above and the outstanding convertible bonds and share options, the Group had no debt securities or other capital instruments as at 30 September 2010 and up to the date of this report.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Material Acquisitions and Disposals

As announced by the Company on 25 May 2010, the acquisition (the “Acquisition”) of Union Grace Holdings Limited (“Union Grace”) together with its wholly-owned subsidiary, namely Thunder Sky Energy Technology Limited (“Thunder Sky (HK)”, together with Union Grace, the “Target Group”) was completed on 25 May 2010. Thunder Sky (HK) has been granted an exclusive right to use patents relating to the Lithium-based battery products. The Acquisition constitutes a very substantial acquisition and connected transaction of the Company. Details of the Acquisition are set out in the Company’s circular dated 3 May 2010.

Apart from the acquisition of the Target Group, the Group had no material acquisitions or disposals of subsidiaries or associated companies during the six months ended 30 September 2010.

Pledge of Assets and Contingent Liabilities

As at 30 September 2010, the Group did not pledge any kind of assets and had no significant contingent liabilities.

Employees and Remuneration Policies

As of 30 September 2010, the Group had 39 employees (2009: 23 employees) in Hong Kong and 19 employees (2009: nil) in the PRC. Total staff costs (including directors’ emoluments and equity settled share-based payments) during the period amounted to approximately HK\$5.3 million (2009: approximately HK\$5.2 million). The remuneration policies are determined with reference to market conditions and individual performance of staff. The Group participates in Mandatory Provident Fund Scheme in Hong Kong and state-managed retirement benefit schemes in the PRC. The Group has a share option scheme for the benefit of its directors and eligible employees.

Capital Commitment

Details of the capital commitments of the Group are set out in note 19 to the interim financial statements on page 25 of this report.

PROSPECTS AND FUTURE PLAN OF THE GROUP

The Group is a leading Lithium Battery producer in mainland China. Its products possess a number of leading patented technologies sought after by domestic and overseas clients. Our clients include, among others, Stromos and Smiles AG of Germany, Tazzari GL S.p.a. of Italy, Tennant Company of the United States and Greenwheel EV (陸地方舟) and Luyuan Electric Vehicle (綠源電動車) of the PRC. The Company plans to work more closely with downstream enterprises in terms of technology to manufacture products of enhanced performance and support the downstream enterprises by stimulating their business growth, in turn increasing the battery sales of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

As mentioned in the section headed “Business Plan” of the shareholders’ circular of the Company dated 3 May this year, the Company proposed to set up a battery production base in Jiangsu Province of the PRC, with an annual battery production capacity of 1.44 billion ampere hours to be reached within three years. The Group will continue as planned to conduct study and research with the aim of identifying a location suitable for setting up a large-scale production base, in order to increase its production capacity as soon as possible. The Group will also take advantage of its patented technologies to increase its market share in the electric vehicle battery and power storage battery markets which have great potential.

As a company which produces hi-tech specialised batteries, the Company understands the importance of maintaining its leading position in technology. The Group will continue its dedication to research and development. A current initiative involves technical information exchange and academic discussion with several universities to develop solutions and new technology for energy storage and electric vehicles, so as to improve the battery’s energy density per weight and volume, which will make the batteries lighter, slimmer and increase their storage capacity. This will further diversify the application of the battery products of the Group.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2010, the interests and short positions of the directors and chief executives of the Company or their respective associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

Name of directors	Capacity	Number of ordinary shares of the Company	Number of underlying shares (unlisted and physically settled equity derivatives) of the Company	Total number of ordinary shares and underlying shares of the Company	Approximate percentage of issued ordinary share capital of the Company
Chung Hing Ka (Note 1)	Interest of controlled corporation	321,241,975	5,178,758,030	5,500,000,005	148.41%
Miao Zhenguo (Note 2)	Interest of controlled corporation	213,900,143	3,573,599,855	3,787,499,998	102.20%
Lo Wing Yat (Note 3)	Beneficial owner	—	30,800,000	30,800,000	0.83%
Chan Yuk Tong (Note 3)	Beneficial owner	—	900,000	900,000	0.02%
Fei Tai Hung (Note 3)	Beneficial owner	—	900,000	900,000	0.02%
Tse Kam Fow (Note 3)	Beneficial owner	—	900,000	900,000	0.02%

Notes:

- The 5,500,000,005 shares or underlying shares of the Company refer to the equity interest comprising (i) 321,241,975 shares held by Mei Li New Energy Limited ("Mei Li"); and (ii) 5,178,758,030 conversion shares (subject to adjustments) to be allotted and issued by the Company upon exercise in full by Mei Li of the conversion rights attached to the zero coupon convertible bonds in the principal amount of HK\$1,035,751,606 initially repayable on the eighth anniversary of the date of issue of the convertible bonds, that is 25 May 2018, (the "Maturity Date") with the initial conversion price of HK\$0.20 per conversion share (subject to adjustments). Out of the convertible bonds, convertible bonds in the principal amount of HK\$75,000,000 are subject to lock-up arrangements. In the event that the audited profit after tax and exceptional items and before amortisation accruing to Union Grace Holdings Limited, a wholly-owned subsidiary of the Company, together with its subsidiaries for the year ending 24 May 2011 (the "Actual Profit") is less than HK\$150,000,000 (the "Guaranteed Profit"), the Company shall be entitled to cancel the locked-up convertible bonds held by Mei Li and Union Ever Holdings Limited ("Union Ever") by the amount equal to the excess of the Guaranteed Profit over the Actual Profit (the "Shortfall"). Such cancellation of the locked-up convertible bonds shall be allocated to each of Mei Li and Union Ever in equal proportions. Further details of the lock-up arrangements are set out in the Company's circular dated 3 May 2010. Mei Li is wholly-owned by Mr. Chung Hing Ka.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

(Continued)

2. The 3,787,499,998 shares or underlying shares of the Company refer to the equity interest comprising (i) 213,900,143 shares held by Union Ever; and (ii) 3,573,599,855 conversion shares (subject to adjustments) to be allotted and issued by the Company upon exercise in full by Union Ever of the conversion rights attached to the zero coupon convertible bonds in the principal amount of HK\$714,719,971 initially repayable on the Maturity Date with the initial conversion price of HK\$0.20 per conversion share (subject to adjustments). Out of the convertible bonds, convertible bonds in the principal amount of HK\$75,000,000 are subject to lock-up arrangements. In the event that the Actual Profit is less than the Guaranteed Profit, the Company shall be entitled to cancel the locked-up convertible bonds held by Mei Li and Union Ever by the amount equal to the Shortfall. Such cancellation of the locked-up convertible bonds shall be allocated to each of Mei Li and Union Ever in equal proportions. Further details of the lock-up arrangements are set out in the Company's circular dated 3 May 2010. Union Ever is wholly-owned by Mr. Miao Zhenguo.
3. The interests in underlying shares of the Company represent interests in options granted to these directors to subscribe for shares of the Company, further details of which are set out in the section headed "Share Option Scheme" below.

Save as disclosed above, as at 30 September 2010, none of the directors or chief executives of the Company or their respective associates had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had been recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Save as disclosed herein and apart from the share option scheme adopted by the Company on 30 March 2004 (as amended by an addendum effective on 7 December 2005) (the "Share Option Scheme") disclosed in the section headed "Share Option Scheme" below, at no time during the six months ended 30 September 2010 was the Company or any of its subsidiaries, holding companies and fellow subsidiaries a party to any arrangements to enable the directors or the chief executives of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate. Save as disclosed above, none of the directors or the chief executives of the Company or their spouses or children under the age of 18, was granted any right to subscribe for the equity or debt securities of the Company or any other body corporate nor had exercised any such right during the six months ended 30 September 2010.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 September 2010, the persons, other than the directors or chief executives of the Company, who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of substantial shareholders	Capacity	Number of ordinary shares of the Company	Number of underlying shares (unlisted and physically settled equity derivatives) of the Company	Total number of ordinary shares and underlying shares of the Company	Approximate percentage of issued ordinary share capital of the Company
Mei Li (Note 1)	Beneficial owner	321,241,975	5,178,758,030	5,500,000,005	148.41%
Union Ever (Note 2)	Beneficial owner	213,900,143	3,573,599,855	3,787,499,998	102.20%
Silver Ride Group Limited ("Silver Ride") (Note 3)	Beneficial owner	516,531	1,054,483,470	1,055,000,001	28.47%
Chen Jian (Note 3)	Interest of controlled corporation	516,531	1,054,483,470	1,055,000,001	28.47%
Glorious China Investments Limited ("Glorious China") (Note 4)	Beneficial owner	203,880,048	916,199,950	1,120,079,998	30.22%
Xu Yueyue (Note 4)	Interest of controlled corporation	203,880,048	916,199,950	1,120,079,998	30.22%
Long Hing International Limited ("Long Hing") (Note 5)	Beneficial owner	27,720,048	1,066,199,950	1,093,919,998	29.52%
Song Hong (Note 5)	Interest of controlled corporation	27,720,048	1,066,199,950	1,093,919,998	29.52%
Idea Lab Capital Co., Ltd. ("Idea Lab") (Note 6)	Beneficial owner	54,838,265	277,241,735	332,080,000	8.96%
Tang Xiaozhang (Note 6)	Interest of controlled corporation	54,838,265	277,241,735	332,080,000	8.96%
Jade Time Investments Limited ("Jade Time") (Note 7)	Beneficial owner	310,000,000	—	310,000,000	8.36%
Mayspin Management Limited ("Mayspin") (Note 7)	Interest of controlled corporation	310,000,000	—	310,000,000	8.36%
Li Ka-shing (Note 7)	Interest of controlled corporation	400,000,000	—	400,000,000	10.79%
Wang Qiang (Note 8)	Beneficial owner	—	200,000,000	200,000,000	5.40%

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY *(Continued)*

Notes:

1. The interests in underlying shares of the Company represent interests in the 5,178,758,030 conversion shares (subject to adjustments) to be allotted and issued by the Company upon exercise in full by Mei Li of the conversion rights attached to the zero coupon convertible bonds in the principal amount of HK\$1,035,751,606 initially repayable on the Maturity Date with the initial conversion price of HK\$0.20 per conversion share (subject to adjustments). Out of the convertible bonds, convertible bonds in the principal amount of HK\$75,000,000 are subject to lock-up arrangements. In the event that the Actual Profit is less than the Guaranteed Profit, the Company shall be entitled to cancel the locked-up convertible bonds held by Mei Li and Union Ever by the amount equal to the Shortfall. Such cancellation of the locked-up convertible bonds shall be allocated to each of Mei Li and Union Ever in equal proportions. Further details of the lock-up arrangements are set out in the Company's circular dated 3 May 2010. Mei Li is wholly-owned by Mr. Chung Hing Ka, a director of the Company. Mr. Chung Hing Ka is also a director of Mei Li.
2. The interests in underlying shares of the Company represent interests in the 3,573,599,855 conversion shares (subject to adjustments) to be allotted and issued by the Company upon exercise in full by Union Ever of the conversion rights attached to the zero coupon convertible bonds in the principal amount of HK\$714,719,971 initially repayable on the Maturity Date with the initial conversion price of HK\$0.20 per conversion share (subject to adjustments). Out of the convertible bonds, convertible bonds in the principal amount of HK\$75,000,000 are subject to lock-up arrangements. In the event that the Actual Profit is less than the Guaranteed Profit, the Company shall be entitled to cancel the locked-up convertible bonds held by Mei Li and Union Ever by the amount equal to the Shortfall. Such cancellation of the locked-up convertible bonds shall be allocated to each of Mei Li and Union Ever in equal proportions. Further details of the lock-up arrangements are as set out in the Company's circular dated 3 May 2010. Union Ever is wholly-owned by Mr. Miao Zhenguo, a director of the Company. Mr. Miao Zhenguo is also a director of Union Ever.
3. The above two references to 1,055,000,001 shares or underlying shares of the Company refer to the same equity interest comprising (i) 516,531 shares held by Silver Ride; and (ii) 1,054,483,470 conversion shares (subject to adjustments) to be allotted and issued by the Company upon exercise in full by Silver Ride of the conversion rights attached to the zero coupon convertible bonds in the principal amount of HK\$210,896,694 initially repayable on the Maturity Date with the initial conversion price of HK\$0.20 per conversion share (subject to adjustments). Silver Ride is wholly-owned by Chen Jian.
4. The above two references to 1,120,079,998 shares or underlying shares of the Company refer to the same equity interest comprising (i) 203,880,048 shares held by Glorious China; and (ii) 916,199,950 conversion shares (subject to adjustments) to be allotted and issued by the Company upon exercise in full by Glorious China of the conversion rights attached to the zero coupon convertible bonds in the principal amount of HK\$183,239,990 initially repayable on the Maturity Date with the initial conversion price of HK\$0.20 per conversion share (subject to adjustments). Glorious China is wholly-owned by Xu Yueyue.
5. The above two references to 1,093,919,998 shares or underlying shares of the Company refer to the same equity interest comprising (i) 27,720,048 shares held by Long Hing; and (ii) 1,066,199,950 conversion shares (subject to adjustments) to be allotted and issued by the Company upon exercise in full by Long Hing of the conversion rights attached to the zero coupon convertible bonds in the principal amount of HK\$213,239,990 initially repayable on the Maturity Date with the initial conversion price of HK\$0.20 per conversion share (subject to adjustments). Long Hing is wholly-owned by Song Hong.
6. The above two references to 332,080,000 shares or underlying shares of the Company refer to the same equity interest comprising (i) 54,838,265 shares held by Idea Lab; and (ii) 277,241,735 conversion shares (subject to adjustments) to be allotted and issued by the Company upon exercise in full by Idea Lab of the conversion rights attached to the zero coupon convertible bonds in the principal amount of HK\$55,448,347 initially repayable on the Maturity Date with the initial conversion price of HK\$0.20 per conversion share (subject to adjustments). Idea Lab is owned as to 90% by Tang Xiaozhang.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY *(Continued)*

7. The above two references to 310,000,000 shares of the Company refer to the same block of shares held by Jade Time. Jade Time is a wholly owned subsidiary of Mayspin, which in turn is wholly-owned by Mr. Li Ka-shing.

Li Ka-Shing Unity Holdings Limited ("Unity Holdco"), of which each of Mr. Li Ka-shing, Mr. Li Tzar Kuoi, Victor and Mr. Li Tzar Kai, Richard is interested in one-third of the entire issued share capital, owns the entire issued share capital of Li Ka-Shing Unity Trustee Company Limited ("TUT1"). TUT1 as trustee of The Li Ka-Shing Unity Trust ("UT1"), together with certain companies which TUT1 as trustee of UT1 is entitled to exercise or control the exercise of more than one-third of the voting power at their general meetings, holds more than one-third of the issued share capital of Cheung Kong (Holdings) Limited ("CKH"). CEF Holdings Limited ("CEF"), which is owned as to 50% by CKH, holds 90,000,000 shares of the Company.

In addition, Unity Holdco also owns the entire issued share capital of Li Ka-Shing Unity Trustee Corporation Limited ("TDT1") as trustee of The Li Ka-Shing Unity Discretionary Trust ("DT1") and Li Ka-Shing Unity Trustcorp Limited ("TDT2") as trustee of another discretionary trust ("DT2"). Each of TDT1 and TDT2 holds units in UT1. By virtue of the SFO, Mr. Li Ka-shing, being the settlor of DT1 and DT2 may be regarded as a founder of DT1 and DT2.

For the purpose of the SFO, Mr. Li Ka-shing was deemed to be interested in a total of 400,000,000 shares of the Company, of which 310,000,000 shares were held by Jade Time and 90,000,000 shares were held by CEF.

8. The interests in the underlying shares of the Company represent interests in the 200,000,000 conversion shares (subject to adjustments) to be allotted and issued by the Company upon exercise in full by Wang Qiang of the conversion rights attached to the zero coupon convertible bonds in the principal amount of HK\$40,000,000 initially repayable on the Maturity Date with the initial conversion price of HK\$0.20 per conversion share (subject to adjustments).

Save as disclosed above, as at 30 September 2010, the Company has not been notified of any interests or short positions in the shares or underlying shares of the Company which were required to be recorded in the register kept by the Company under Section 336 of the SFO.

SHARE OPTION SCHEME

On 30 March 2004, the Share Option Scheme was approved and adopted by the shareholders of the Company for the purpose of enabling the Group to grant options to selected participants as incentives or rewards for their contribution to the Group. The Share Option Scheme will be effective for ten years until 29 March 2014.

Details of the options and movements in such holdings during the six months ended 30 September 2010 were as follows:

Category of participants	Date of grant	Number of options					Exercise price per option HK\$	Weighted average closing price of the shares immediately before the dates on which the options were exercised HK\$	
		Outstanding as at 1.4.2010	Exercised during the period	Lapsed during the period	Re-classified during the period	Outstanding as at 30.9.2010			
Directors									
Yip Chi Chiu (Note 2)	23.8.2007	16,400,000	—	—	(16,400,000) (Note 2)	—	23.8.2008 – 22.8.2017 (Note 8)	0.230	—
	8.5.2009	18,000,000	—	—	(18,000,000) (Note 2)	—	8.5.2010 – 7.5.2019 (Note 8)	0.061	—
Lo Wing Yat	23.8.2007	14,600,000	—	—	—	14,600,000	23.8.2008 – 22.8.2017 (Note 8)	0.230	—
	8.5.2009	16,200,000	—	—	—	16,200,000	8.5.2010 – 7.5.2019 (Note 8)	0.061	—
So George Siu Ming (Note 3)	23.8.2007	14,600,000	(5,300,000)	—	(9,300,000) (Note 3)	—	23.8.2008 – 22.8.2017 (Note 8)	0.230	1.520
	8.5.2009	16,200,000	—	—	(16,200,000) (Note 3)	—	8.5.2010 – 7.5.2019 (Note 8)	0.061	—
Leung Chung Tak Barry (Note 4)	23.8.2007	14,600,000	(500,000)	—	(14,100,000) (Note 4)	—	23.8.2008 – 22.8.2017 (Note 8)	0.230	1.570
	8.5.2009	7,200,000	—	(3,600,000) (Note 4)	(3,600,000) (Note 4)	—	8.5.2010 – 7.5.2019 (Note 8)	0.061	—

SHARE OPTION SCHEME (Continued)

Category of participants	Date of grant	Number of options					Outstanding as at 30.9.2010	Exercise period	Exercise price per option HK\$	Weighted average closing price of the shares immediately before the dates on which the options were exercised HK\$
		Outstanding as at 1.4.2010	Exercised during the period	Lapsed during the period	Re-classified during the period	Outstanding as at 30.9.2010				
Directors										
Wong Kwok Kuen (Note 5)	23.8.2007	3,600,000	(3,600,000)	—	—	—	23.8.2008 – 22.8.2017 (Note 8)	0.230	1.570	
	8.5.2009	1,800,000	(900,000)	(900,000) (Note 5)	—	—	8.5.2010 – 7.5.2019 (Note 8)	0.061	1.570	
Chan Yuk Tong	23.8.2007	1,800,000	(1,800,000)	—	—	—	23.8.2008 – 22.8.2017 (Note 8)	0.230	1.990	
	8.5.2009	1,800,000	(900,000)	—	—	900,000	8.5.2010 – 7.5.2019 (Note 8)	0.061	1.990	
Fei Tai Hung	23.8.2007	1,800,000	(1,800,000)	—	—	—	23.8.2008 – 22.8.2017 (Note 8)	0.230	1.640	
	8.5.2009	1,800,000	(900,000)	—	—	900,000	8.5.2010 – 7.5.2019 (Note 8)	0.061	1.640	
Tse Kam Fow	23.8.2007	1,800,000	(1,800,000)	—	—	—	23.8.2008 – 22.8.2017 (Note 8)	0.230	1.553	
	8.5.2009	1,800,000	(900,000)	—	—	900,000	8.5.2010 – 7.5.2019 (Note 8)	0.061	1.570	

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SHARE OPTION SCHEME (Continued)

Category of participants	Date of grant	Number of options				Outstanding as at 30.9.2010	Exercise period	Exercise price per option HK\$	Weighted average closing price of the shares immediately before the dates on which the options were exercised HK\$
		Outstanding as at 1.4.2010	Exercised during the period	Lapsed during the period	Re-classified during the period				
Employees	23.8.2007	7,100,000	(7,100,000)	—	16,400,000 (Note 2)	16,400,000	23.8.2008 – 22.8.2017 (Note 8)	0.230	2.404
	7.5.2008	36,600,000	(5,000,000)	—	(31,600,000) (Note 6)	—	7.11.2008 – 6.5.2018 (Note 9)	0.156	2.200
	7.5.2008	1,000,000	(1,000,000)	—	—	—	7.5.2009 – 6.5.2018 (Note 8)	0.156	2.318
	8.5.2009	42,620,000	(10,450,000)	(10,800,000)	1,800,000 (Note 6) (Notes 2, 6 & 7)	23,170,000	8.5.2010 – 7.5.2019 (Note 8)	0.061	1.968
Others	23.8.2007	—	(14,100,000)	—	14,100,000 (Note 4)	—	23.8.2008 – 31.10.2010 (Notes 4 & 8)	0.230	1.309
	23.8.2007	7,200,000	—	—	9,300,000 (Note 3)	16,500,000	23.8.2008 – 22.8.2017 (Note 8)	0.230	—
	7.5.2008	—	(29,000,000)	—	31,600,000 (Note 6)	2,600,000	7.11.2008 – 31.10.2010 (Notes 6 & 9)	0.156	1.378
	8.5.2009	—	(9,000,000)	—	14,400,000 (Notes 4 & 6)	5,400,000	8.5.2010 – 31.10.2010 (Notes 4, 6 & 8)	0.061	1.311
	8.5.2009	12,600,000	(6,300,000)	(6,300,000)	21,600,000 (Notes 3 & 7)	21,600,000	8.5.2010 – 7.5.2019 (Note 8)	0.061	1.880
		241,120,000	(100,350,000)	(21,600,000)	—	119,170,000			
Weighted average exercise price (HK\$)		0.134	0.155	0.061	—	0.130			
Exercisable as at 30.9.2010						47,500,000	0.230		
						2,600,000	0.156		
						30,660,000	0.061		

SHARE OPTION SCHEME *(Continued)*

Notes:

1. Number of options refers to the number of underlying shares of the Company covered by the options under the Share Option Scheme.
2. Mr. Yip Chi Chiu resigned as a director of the Company on 27 August 2010 but remained as an employee of the Company. His outstanding options entitling him to subscribe for a total of 34,400,000 shares of the Company (including 16,400,000 options with an exercise price of HK\$0.230 per share and 18,000,000 options with an exercise price of HK\$0.061 per share) were therefore re-classified from the category of "Directors" to the category of "Employees" during the period.
3. Mr. So George Siu Ming resigned as a director of the Company on 1 July 2010 but remained as an employee of the Company until 27 August 2010. Currently, he is a consultant of the Group. Mr. So's outstanding options entitling him to subscribe for a total of 25,500,000 shares of the Company (including 9,300,000 options with an exercise price of HK\$0.230 per share and 16,200,000 options with an exercise price of HK\$0.061 per share) were therefore re-classified from the category of "Directors" to the category of "Employees" and then re-classified to the category of "Others" during the period.
4. Mr. Leung Chung Tak Barry resigned as a director of the Company on 1 July 2010. His unvested options entitling him to subscribe for 3,600,000 shares of the Company at an exercise price of HK\$0.061 per share lapsed during the period and his outstanding options (vested but not yet exercised) entitling him to subscribe for a total of 17,700,000 shares of the Company (including 14,100,000 options with an exercise price of HK\$0.230 per share and 3,600,000 options with an exercise price of HK\$0.061 per share) remained exercisable until 31 October 2010, as determined by the board of directors of the Company. Such outstanding options (vested but not yet exercised) were therefore re-classified from the category of "Directors" to the category of "Others" during the period.
5. Mr. Wong Kwok Kuen resigned as a director of the Company on 1 July 2010. His unvested options entitling him to subscribe for 900,000 shares of the Company at an exercise price of HK\$0.061 per share lapsed during the period as determined by the board of directors of the Company.
6. A total of 10,800,000 options lapsed during the period following the cessation of employment of employee(s). The outstanding options (vested but not yet exercised) entitling the employee(s) to subscribe for a total of 31,600,000 shares of the Company at an exercise price of HK\$0.156 per share and a total of 10,800,000 shares of the Company at an exercise price of HK\$0.061 per share remained exercisable until 31 October 2010 as determined by the board of directors of the Company. Such options were therefore re-classified from the category of "Employees" to the category of "Others" during the period.
7. Optionholder(s) continue(s) to provide consultancy services to the Group after his/their resignation as employee(s) during the period. The outstanding options entitling the optionholder(s) to subscribe for a total of 5,400,000 shares of the Company at an exercise price of HK\$0.061 per share were therefore re-classified from the category of "Employees" to the category of "Others" during the period.
8. Options granted were subject to a vesting period of two years with 50%, 25% and 25% of the options becoming exercisable 12 months, 18 months and 24 months after the date of grant respectively.

SHARE OPTION SCHEME *(Continued)*

9. Options granted were subject to a vesting period and were exercisable six months after the date of grant.
10. No options were granted or cancelled during the six months ended 30 September 2010.

CORPORATE GOVERNANCE

The Company complied with all the code provisions set out in the Code on Corporate Governance Practices (the “Code”) contained in Appendix 14 to the Listing Rules throughout the six months ended 30 September 2010 except for the following deviations.

Subsequent to the resignation of Mr. Ryoji Furukawa as the Chairman of the Company on 16 October 2008, the Company has no Chairman. This constitutes a deviation from the code provisions A.2.1 to A.2.3 of the Code. The Company is in the process of identifying a suitable candidate to fill the vacancy for the Chairman and will issue an announcement when a new appointment is made.

The positions of the Deputy Chairman and Chief Executive Officer are held by separate individuals. Mr. Chung Hing Ka, as the Deputy Chairman, will consider major matters affecting the operations of the Group together with the other directors of the Company. Mr. Miao Zhenguo, as the Chief Executive Officer, is mainly responsible for the day-to-day management of the Group’s business operations.

Code provision E.1.2 of the Code stipulates that the chairman of the board should attend the annual general meeting. The Company did not comply with such code provision as it has no Chairman. However, Mr. Miao Zhenguo, an executive director, took chair of the Company’s annual general meeting held on 10 September 2010 pursuant to the Company’s Bye-laws.

CHANGES IN DIRECTORS' INFORMATION

Changes in the information of the directors of the Company since the date of the Company's 2009/2010 annual report are set out below:

- (a) Mr. Miao Zhenguo, an executive director and chief operating officer of the Company, has been appointed as the chief executive officer, chairman of the Executive Committee, authorised representative required under rule 3.05 of the Listing Rules and authorised representative for accepting service of process and notices on behalf of the Company under Part XI of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) of the Company, all with effect from 27 August 2010. Mr. Miao has also been appointed as a member of the Remuneration Committee of the Company with effect from 30 September 2010.
- (b) Mr. Lo Wing Yat, an executive director of the Company, resigned as a non-executive director of China Fortune Holdings Limited, the shares of which are listed on the Stock Exchange, on 30 September 2010.
- (c) Mr. Chan Yuk Tong, an independent non-executive director of the Company, resigned as an executive director of Asia Cassava Resources Holdings Limited and an independent non-executive director of Great Wall Motor Company Limited on 31 August 2010 and 26 November 2010, respectively, the shares of both companies are listed on the Stock Exchange.
- (d) With effect from 1 October 2010, the annual director's fee of Mr. Lo Wing Yat, an executive director of the Company, has been increased from HK\$150,000 to HK\$320,000; and the annual director's fee of each of Mr. Chan Yuk Tong, Mr. Fei Tai Hung and Mr. Tse Kam Fow, all being independent non-executive directors of the Company, has been increased from HK\$150,000 to HK\$320,000 (comprising the fee of HK\$200,000 for acting as an independent non-executive director of the Company, the fee of HK\$90,000 for acting as a member of the Audit Committee of the Company and the fee of HK\$30,000 for acting as a member of the Remuneration Committee of the Company).
- (e) The term of appointment of each of Mr. Lo Wing Yat, an executive director of the Company, and Mr. Chan Yuk Tong, an independent non-executive director of the Company, has been renewed for a further fixed period of two years from 22 November 2010 to 21 November 2012 (both dates inclusive) at a director's fee of HK\$320,000 per annum.

Saved as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code for securities transactions by directors (the "Securities Code"), which is largely based on the Model Code set out in Appendix 10 to the Listing Rules. The Securities Code is on terms no less exacting than the required standard set out in the Model Code. All directors of the Company have confirmed, following specific enquiry by the Company, their compliance with the required standard set out in the Model Code and the Securities Code throughout the six months ended 30 September 2010.

REVIEW OF INTERIM RESULTS

The audit committee of the Company has reviewed with the management the unaudited consolidated results of the Group for the six months ended 30 September 2010 and the interim report.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The Company did not redeem any of its listed securities during the six months ended 30 September 2010.

Neither the Company nor any of its subsidiaries purchased or sold any of the Company's listed securities during the six months ended 30 September 2010.

By order of the board of
Thunder Sky Battery Limited
Miao Zhenguo
Chief Executive Officer

Hong Kong, 26 November 2010

As of the date of this report, the Board comprises Mr. Chung Hing Ka (Deputy Chairman and Chief Technical Officer), Mr. Miao Zhenguo (Chief Executive Officer & Chief Operating Officer) and Mr. Lo Wing Yat as executive directors; and Mr. Chan Yuk Tong, Mr. Fei Tai Hung and Mr. Tse Kam Fow as independent non-executive directors.

Website: <http://www.thunder-sky.com.hk>

* *For identification purpose*