

# SinoPoly

Sinopoly Battery Limited

中聚電池有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 729)

**2011/2012 INTERIM REPORT**

***Innovating Towards A  
Greener Future***



The board of directors (the “Board”) of Sinopoly Battery Limited (the “Company”) presents the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (together, the “Group”) for the six months ended 30 September 2011 together with the comparative figures for the corresponding period in 2010 as follows:

## CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2011

		<b>Six months ended</b>	
	<i>Note</i>	<b>30.9.2011 (unaudited) HK\$'000</b>	<b>30.9.2010 (unaudited) HK\$'000 (Restated)</b>
<b>Continuing operations</b>			
<b>Revenue</b>	2	5,715	69,148
Cost of sales		(4,348)	(33,494)
<b>Gross profit</b>		1,367	35,654
Other income		1,126	193
Selling and distribution costs		(7,729)	(1,302)
General and administrative expenses		(41,211)	(19,920)
Other operating expenses		(11,113)	—
Finance costs	3	(7,704)	(40,502)
Impairment on goodwill		—	(935,484)
Amortisation of intangible assets		(70,042)	(128,183)
Gain on disposal of a subsidiary		—	11,330
<b>Loss before tax</b>	4	(135,306)	(1,078,214)
Income tax	5	17,511	19,505
<b>Loss for the period from continuing operations</b>		(117,795)	(1,058,709)
<b>Discontinued operation</b>			
Profit/(loss) for the period from discontinued operation	6	164	(1,263)
<b>Loss for the period</b>		(117,631)	(1,059,972)
<b>Attributable to:</b>			
Equity holders of the Company		(117,631)	(1,059,972)
		<b>HK cents</b>	<b>HK cents (Restated)</b>
<b>Loss per share attributable to equity holders of the Company</b>			
<b>From continuing and discontinued operations</b>	7		
— Basic and diluted		(1.12)	(33.82)
<b>From continuing operations</b>			
— Basic and diluted		(1.12)	(33.78)

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

For the six months ended 30 September 2011

	Six months ended	
	30.9.2011 (unaudited) HK\$'000	30.9.2010 (unaudited) HK\$'000
<b>Loss for the period</b>	<b>(117,631)</b>	<b>(1,059,972)</b>
<b>Other comprehensive income for the period, net of tax:</b>		
Exchange differences on translation of foreign subsidiaries	7,172	21
<b>Total comprehensive loss for the period</b>	<b>(110,459)</b>	<b>(1,059,951)</b>
<b>Attributable to:</b>		
Equity holders of the Company	<b>(110,459)</b>	<b>(1,059,951)</b>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2011

		30.9.2011 (unaudited) HK\$'000	31.3.2011 (audited) HK\$'000
	<i>Note</i>		
<b>Non-current assets</b>			
Intangible assets	9	1,209,085	1,279,127
Fixed assets	10	249,856	131,634
Deposits paid for fixed assets		71,331	22,006
		<b>1,530,272</b>	<b>1,432,767</b>
<b>Current assets</b>			
Inventories		26,365	7,732
Trade and other receivables	11	41,360	18,884
Cash and bank balances		512,920	388,568
		<b>580,645</b>	<b>415,184</b>
Assets classified as held for sale		—	13,518
		<b>580,645</b>	<b>428,702</b>
<b>Current liabilities</b>			
Bank loan		(36,519)	(35,562)
Trade and other payables	12	(45,992)	(36,516)
Tax payable		(8,695)	(8,695)
Provision for redeemed convertible bonds	13	(760,752)	(760,752)
		<b>(851,958)</b>	<b>(841,525)</b>
Liabilities classified as held for sale		—	(5,064)
		<b>(851,958)</b>	<b>(846,589)</b>
<b>Net current liabilities</b>		<b>(271,313)</b>	<b>(417,887)</b>
<b>Total assets less current liabilities</b>		<b>1,258,959</b>	<b>1,014,880</b>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION***(Continued)**As at 30 September 2011*

	<b>30.9.2011</b> <b>(unaudited)</b> <b>HK\$'000</b>	<b>31.3.2011</b> <b>(audited)</b> <b>HK\$'000</b>
<i>Note</i>		
<b>Non-current liabilities</b>		
Convertible bonds	14 (114,364)	(198,409)
Deferred tax liabilities	(302,271)	(319,782)
	<b>(416,635)</b>	<b>(518,191)</b>
<b>NET ASSETS</b>	<b>842,324</b>	<b>496,689</b>
<b>CAPITAL AND RESERVES</b>		
Equity attributable to equity holders of the Company		
Issued capital	15 109,917	92,847
Reserves	732,407	403,842
<b>TOTAL EQUITY</b>	<b>842,324</b>	<b>496,689</b>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2011

	Unaudited								
	Attributable to equity holders of the Company								
	Issued 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 2011	92,847	3,089,854	7,240	15,506	1,868	282,436	3,345	(2,996,407)	496,689
Total comprehensive loss	—	—	7,172	—	—	—	—	(117,631)	(110,459)
Shares issued pursuant to share placement	7,000	357,000	—	—	—	—	—	—	364,000
Transaction costs attributable to issue of new shares	—	(5,125)	—	—	—	—	—	—	(5,125)
Share options lapsed	—	—	—	—	—	—	(2)	—	(2)
Shares issued upon exercise of share options	70	622	—	—	—	—	(269)	—	423
Equity-settled share-based payments	—	—	—	—	—	—	6,445	—	6,445
Shares issued upon conversion of convertible bonds	10,000	208,815	—	—	—	(128,462)	—	—	90,353
<b>At 30 September 2011</b>	<b>109,917</b>	<b>3,651,166</b>	<b>14,412</b>	<b>15,506</b>	<b>1,868</b>	<b>153,974</b>	<b>9,519</b>	<b>(3,114,038)</b>	<b>842,324</b>
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)
Share 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
<b>At 30 September 2010</b>	<b>37,060</b>	<b>1,994,727</b>	<b>21</b>	<b>15,506</b>	<b>1,868</b>	<b>1,443,529</b>	<b>7,521</b>	<b>(1,250,650)</b>	<b>2,249,582</b>

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS***For the six months ended 30 September 2011*

	Six months ended	
	30.9.2011 (unaudited) HK\$'000	30.9.2010 (unaudited) HK\$'000
Net cash used in operating activities	<b>(78,197)</b>	(15,813)
Net cash used in investing activities	<b>(168,436)</b>	(74,881)
Net cash from financing activities	<b>359,298</b>	306,565
Net increase in cash and cash equivalents	<b>112,665</b>	215,871
Effect on exchange rate changes	<b>3,509</b>	25
Cash and cash equivalents at the beginning of the period	<b>396,746</b>	304,361
Cash and cash equivalents at the end of the period	<b>512,920</b>	520,257
Analysis of balances of cash and cash equivalents: Cash and bank balances	<b>512,920</b>	520,257

## 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 unaudited condensed consolidated interim financial information should be read in conjunction with the Group’s audited financial statements for the year ended 31 March 2011, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The Company’s independent auditor, CCIF CPA Limited, had issued qualified opinion on certain figures of the consolidated financial statements for the year ended 31 March 2011, details of which are set out in the Company’s Annual Report 2010/2011 under the section headed “Independent Auditor’s Report”.

In parallel with the qualified opinion from the Company’s independent auditor, the Board cannot access to the underlying books and records and therefore unable to ascertain the completeness and accuracy of revenue of approximately HK\$68,173,000, cost of sales of approximately HK\$33,494,000 and income tax of approximately HK\$8,695,000, in relation to the sales of Lithium-ion battery and related products made by companies which were indirectly wholly-owned by Mr. Chung Winston (formerly known as Chung Hing Ka) (“Mr. Chung”), a former director of the Company, as agents of the Group for the period from 25 May 2010 to 30 September 2010 on the consolidated income statement of last corresponding period.

In preparing these condensed consolidated financial statements, the Board has carefully considered the future liquidity of the Group in light of the fact that the Group had consolidated net current liabilities of approximately HK\$271,313,000 as at 30 September 2011, which included provision for redeemed convertible bonds of HK\$760,752,000 (“Redemption Amount”). After having considered the Group’s internal financial resources, a financial institution’s willingness to grant a conditional offer of a standby credit facility to the Company, the financial support from a substantial shareholder as well as the Company’s valid grounds and rights to offset the amount of damages to be claimed (the “Claim Amount”) against the Redemption Amount in the legal proceedings against Mr. Chung and his associates (including the holder of such redeemed convertible bonds), the Board is of the opinion that the Group will have sufficient working capital to meet its financial obligations as they fall due in the next twelve months from the end of the reporting period (other than the Claim Amount and the repayment of the Redemption Amount (if applicable)). Accordingly, the Board is of the view that it is appropriate to prepare these consolidated financial statements on a going concern basis.



## **NOTES TO THE INTERIM FINANCIAL STATEMENTS** *(Continued)*

### **1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES**

*(Continued)*

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 2011, except in relation to the following new and revised 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 2011, that are adopted for the first time in the current period's financial statements:

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

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.

## NOTES TO THE INTERIM FINANCIAL STATEMENTS (Continued)

### 2. REVENUE AND SEGMENT INFORMATION

Revenue, which is also the Group's turnover, represents the aggregate of gross proceeds from sales of Lithium-ion batteries and related products, and income on treasury investment which includes interest income on bank deposits. The securities brokerage business is classified as discontinued operation during the current period.

	Six months ended	
	30.9.2011 (unaudited) HK\$'000	30.9.2010 (unaudited) HK\$'000 (Restated)
Sales of Lithium-ion batteries and related products	4,748	68,276
Bank interest income from treasury investment in cash markets	967	872
Revenue from continuing operations	5,715	69,148
Securities brokerage segment attributable to discontinued operation	32	285
Total	5,747	69,433

Operating segments are identified on the basis of internal reports which provide information about components of the Group. The Board, 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 manufacture and sales of Lithium-ion batteries and related products;
- (b) the treasury investment segment represents investments in cash markets; and
- (c) the securities brokerage segment provides securities brokerage services which was classified as discontinued operation of the Group and was disposed of during the period.

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

## NOTES TO THE INTERIM FINANCIAL STATEMENTS (Continued)

## 2. REVENUE AND SEGMENT INFORMATION (Continued)

## (a) Segment information

For the six months ended 30.9.2011 (unaudited)

	Continuing operations			Discontinued operation	Consolidated HK\$'000
	Battery products HK\$'000	Treasury investment HK\$'000	Sub-total HK\$'000	Securities brokerage HK\$'000	
Revenue from external customers and reportable segment revenue	4,748	967	5,715	32	5,747
Reportable segment profit/(loss) before tax (Note)	(110,856)	967	(109,889)	164	(109,725)

Note: Amortisation of intangible assets of HK\$70,042,000 and finance cost of HK\$7,704,000 are included in reportable segment loss of battery products business segment.

For the six months ended 30.9.2010 (unaudited) (restated)

	Continuing operations			Discontinued operation	Consolidated HK\$'000
	Battery products HK\$'000	Treasury investment HK\$'000	Sub-total HK\$'000	Securities brokerage HK\$'000	
Revenue from external customers and reportable segment revenue	68,276	872	69,148	285	69,433
Reportable segment profit/(loss) before tax (Note)	(1,071,117)	872	(1,070,245)	(1,263)	(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 were included in reportable segment loss on battery products business segment.

## NOTES TO THE INTERIM FINANCIAL STATEMENTS (Continued)

### 2. REVENUE AND SEGMENT INFORMATION (Continued)

#### (a) Segment information (Continued)

As at 30.9.2011 (unaudited)

	Continuing operations			Discontinued operation	Consolidated HK\$'000
	Battery products HK\$'000	Treasury investment HK\$'000	Sub-total HK\$'000	Securities brokerage HK\$'000	
Reportable segment assets	1,657,134	441,675	2,098,809	—	2,098,809

As at 31.3.2011 (audited)

	Continuing operations			Discontinued operation	Consolidated HK\$'000
	Battery products HK\$'000	Treasury investment HK\$'000	Sub-total HK\$'000	Securities brokerage HK\$'000	
Reportable segment assets	1,650,021	182,058	1,832,079	13,518	1,845,597

**NOTES TO THE INTERIM FINANCIAL STATEMENTS** (Continued)**2. REVENUE AND SEGMENT INFORMATION** (Continued)**(b) Reconciliations of reportable segment revenue, profit or loss and assets**

	<b>Six months ended</b>	
	<b>30.9.2011 (unaudited) HK\$'000</b>	<b>30.9.2010 (unaudited) HK\$'000 (Restated)</b>
<b>Revenue</b>		
Total reportable segments' revenue and consolidated revenue	<b>5,747</b>	69,433
<b>Loss</b>		
Total reportable segment loss derived from the Group's external customers	<b>(109,725)</b>	(1,071,508)
Gain on disposal of a subsidiary	<b>—</b>	11,330
Unallocated corporate expenses	<b>(25,417)</b>	(19,299)
Consolidated loss before tax	<b>(135,142)</b>	(1,079,477)
	<b>30.9.2011 (unaudited) HK\$'000</b>	<b>31.3.2011 (audited) HK\$'000</b>
<b>Assets</b>		
Total reportable segments' assets	<b>2,098,809</b>	1,845,597
Unallocated corporate assets	<b>12,108</b>	15,872
Consolidated total assets	<b>2,110,917</b>	1,861,469

**(c) Seasonality of operations**

The Group's operations are not subject to significant seasonal or cyclical factors.

## NOTES TO THE INTERIM FINANCIAL STATEMENTS (Continued)

### 3. FINANCE COSTS

	Six months ended	
	30.9.2011 (unaudited) HK\$'000	30.9.2010 (unaudited) HK\$'000
Imputed interest on convertible bonds	6,308	40,502
Interest on bank loan wholly repayable within five years	1,396	—
	<b>7,704</b>	<b>40,502</b>

### 4. LOSS BEFORE TAX

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

	Six months ended	
	30.9.2011 (unaudited) HK\$'000	30.9.2010 (unaudited) HK\$'000 (Restated)
<b>Continuing operations</b>		
Interest income	(1,758)	(1,042)
Cost of inventories sold	4,348	33,494
Amortisation of intangible assets	70,042	128,183
Impairment on goodwill	—	935,484
Depreciation	5,927	436
Loss on disposal of fixed assets	237	—
Gain on disposal of a subsidiary	—	(11,330)
Exchange loss/(gain)	2,212	(23)
<b>Discontinued operation</b>		
Gain on disposal of a subsidiary	(286)	—
Interest income	—	(4)
Depreciation	8	82

**NOTES TO THE INTERIM FINANCIAL STATEMENTS** (Continued)**5. INCOME TAX**

	<b>Six months ended</b>	
	<b>30.9.2011 (unaudited) HK\$'000</b>	<b>30.9.2010 (unaudited) HK\$'000</b>
The People's Republic of China (the "PRC") tax:		
Charge for the period	—	8,695
Deferred	<b>(17,511)</b>	<b>(28,200)</b>
Tax credit during the period (attributable to continuing operations)	<b>(17,511)</b>	<b>(19,505)</b>

No provision for Hong Kong profits tax has been made as the Group sustained losses for taxation purposes in Hong Kong for the periods ended 30 September 2010 and 2011. No provision for PRC income tax has been made as the Group sustained losses for taxation purposes in the PRC for the period ended 30 September 2011. The provision for PRC income tax is calculated on the assessable profit at 25% for the period ended 30 September 2010. The reversal of deferred tax of HK\$17,511,000 (2010: HK\$28,200,000) arising from the tax effect of amortisation of intangible assets that has been credited to the consolidated income statement.

## NOTES TO THE INTERIM FINANCIAL STATEMENTS (Continued)

### 6. DISCONTINUED OPERATION

On 19 April 2011, the Group has completed the disposal of its entire interest in a subsidiary, Infast Brokerage Limited (“Infast”) for a net consideration of HK\$8,767,000. A gain on disposal of the subsidiary of approximately HK\$286,000 has been recognised during the period. The securities brokerage business segment which was solely carried out by Infast was classified as discontinued operation during the period. The condensed consolidated income statement and presentation of certain items of corresponding reporting period have been restated to comply with relevant requirements accordingly.

- (a) An analysis of the results of the discontinued operation is as follows:

	<b>Six months ended</b>	
	<b>30.9.2011</b> <b>(unaudited)</b> <b>HK\$'000</b>	30.9.2010 (unaudited) <i>HK\$'000</i> (Restated)
Revenue	32	285
Other income	—	4
General and administrative expenses	(154)	(1,552)
Gain on disposal of a subsidiary	286	—
Income tax on gain on disposal of a subsidiary	—	—
Profit/(loss) before and after tax from discontinued operation attributable to equity holders of the Company	<b>164</b>	(1,263)

- (b) The cash flow attributable to the discontinued operation was as follows:

	<b>Six months ended</b>	
	<b>30.9.2011</b> <b>(unaudited)</b> <b>HK\$'000</b>	30.9.2010 (unaudited) <i>HK\$'000</i> (Restated)
Net cash outflow from operating activities	(66)	(3,463)
Net cash inflow from investing activities	655	—
Net cash inflow from financing activities	—	3,000
Total cash and cash equivalents inflows/ (outflows)	<b>589</b>	(463)



## NOTES TO THE INTERIM FINANCIAL STATEMENTS (Continued)

## 7. LOSS PER SHARE

## (a) Basic loss per share

From continuing and discontinued operations

The basic loss per share is calculated based on (i) the consolidated loss for the period attributable to equity holders of the Company of HK\$117,631,000 (2010: HK\$1,059,972,000); and (ii) the weighted average number of 10,475,750,000 (2010: 3,134,372,000) ordinary shares in issue during the period.

	Six months ended	
	30.9.2011 Weighted average number of ordinary shares (unaudited) '000	30.9.2010 Weighted average number of ordinary shares (unaudited) '000
Issued ordinary shares at beginning of the reporting period	9,284,782	2,222,125
Effect on issue of shares pursuant to share placement (Note 15(a))	202,732	—
Effect on issue of shares upon exercise of share options (Note 15(b))	4,629	49,549
Effect on issue of shares pursuant to acquisition transaction (Note 15(c))	—	552,316
Effect on issue of shares pursuant to subscription (Note 15(d))	—	268,852
Effect on issue of shares upon conversion of convertible bonds (Note 15(e))	983,607	41,530
Weighted average number of ordinary shares at the end of the reporting period	10,475,750	3,134,372

## NOTES TO THE INTERIM FINANCIAL STATEMENTS (Continued)

### 7. LOSS PER SHARE (Continued)

#### (a) *Basic loss per share* (Continued)

*From continuing operations*

The basic loss per share from continuing operations attributable to the equity holders of the Company is calculated as follows:

	<b>Six months ended</b>	
	<b>30.9.2011 (unaudited) HK\$'000</b>	30.9.2010 (unaudited) HK\$'000 (Restated)
Loss for the period attributable to equity holders of the Company		
Loss for the period	<b>117,631</b>	1,059,972
Add/(less): Profit/(loss) for the period from discontinued operation	<b>164</b>	(1,263)
Loss for the period from continuing operations	<b>117,795</b>	1,058,709

*From discontinued operation*

Basic profit per share from discontinued operation for the period ended 30 September 2011 was HK cents nil (2010: restated basis loss per share of HK cents 0.04) which was calculated based on the profit for the period attributable to equity holders of the Company from discontinued operation of HK\$164,000 (2010: restated loss of HK\$1,263,000).

The denominators used for basic loss per share from continuing operations and discontinued operation are the same as those detailed above.

#### (b) *Diluted loss per share*

The calculation of diluted loss per share does not assume the exercise of the Company's outstanding share options or conversion of outstanding convertible bonds which would result in a reduction in loss per share for the periods ended 30 September 2010 and 2011. 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 (2010: nil).

**NOTES TO THE INTERIM FINANCIAL STATEMENTS** (Continued)**9. INTANGIBLE ASSETS**

	<b>(unaudited)</b> <b>HK\$'000</b>
<b>Cost</b>	
Acquisition of subsidiaries, at 31 March 2011 and 30 September 2011	<b>3,640,000</b>
<b>Accumulated amortisation and impairment losses</b>	
Charge for the year ended 31 March 2011	310,183
Impairment for the year ended 31 March 2011	2,050,690
At 31 March 2011 and 1 April 2011	2,360,873
Charge for the period	70,042
At 30 September 2011	<b>2,430,915</b>
<b>Carrying amount</b>	
At 30 September 2011	<b>1,209,085</b>
At 31 March 2011	1,279,127

The intangible assets represent the exclusive using rights of the licensed patents granted to the Group through the acquisition of Union Grace Holdings Limited on 25 May 2010. As there is no indication the carrying amount of the intangible assets may not be recovered, the Board believes that no provision for impairment is necessary at the end of the reporting period.

**10. FIXED ASSETS**

During the period, the Group purchased approximately HK\$119,766,000 (31.3.2011: HK\$131,974,000) of fixed assets and also disposed of fixed assets with an aggregate net book value of approximately HK\$237,000 (31.3.2011: nil).

## NOTES TO THE INTERIM FINANCIAL STATEMENTS (Continued)

### 11. TRADE AND OTHER RECEIVABLES

	30.9.2011 (unaudited) HK\$'000	31.3.2011 (audited) HK\$'000
Trade receivables	53	5,140
Other receivables	28,785	28,785
Less: Allowance for doubtful debts (Note 17(a))	(28,785)	(28,785)
	53	5,140
Deposits and prepayments	19,268	11,653
Other receivables	22,039	2,091
	41,360	18,884

An ageing analysis of trade receivables is as follows:

	30.9.2011 (unaudited) HK\$'000	31.3.2011 (audited) HK\$'000
Within 1 month	47	5,009
Between 1 and 3 months	4	129
Over 3 months	2	2
	53	5,140

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.

The balances of trade receivables were non-interest bearing. The carrying amounts of the receivables approximate their fair values.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS** (Continued)**12. TRADE AND OTHER PAYABLES**

	<b>30.9.2011</b> <b>(unaudited)</b> <b>HK\$'000</b>	31.3.2011 (audited) HK\$'000
Trade payables	<b>5,314</b>	2,408
Other payables and accruals	<b>40,678</b>	34,108
	<b>45,992</b>	36,516

An ageing analysis of trade payables is as follows:

	<b>30.9.2011</b> <b>(unaudited)</b> <b>HK\$'000</b>	31.3.2011 (audited) HK\$'000
Within 1 month	<b>5,201</b>	2,408
Between 1 and 3 months	<b>113</b>	—
	<b>5,314</b>	2,408

The balances of trade payables were non-interest bearing. The carrying amount of trade and other payables approximate their fair values.

**13. PROVISION FOR REDEEMED CONVERTIBLE BONDS**

On 8 March 2011, the Company issued a redemption notice to Mei Li New Energy Limited (“Mei Li”) which was beneficially owned by Mr. Chung, a former director of the Company, for the redemption of the convertible bonds of approximately HK\$760,752,000 (“Redemption Amount”) held by it at the face value. In the legal proceedings against Mr. Chung and his associates (including but not limited to Mei Li), the amount of damages claimed by the Group (“Claim Amount”) against them is expected to exceed the Redemption Amount. The Group will seek to set off the Claim Amount against the Redemption Amount (“Set Off”). The Group does not anticipate the Set Off will be completed before 2013.

## NOTES TO THE INTERIM FINANCIAL STATEMENTS (Continued)

### 14. CONVERTIBLE BONDS

On 25 May 2010, the Company issued convertible bonds with an aggregate principal amount of approximately HK\$2,343,296,000 (“Convertible Bonds”) and convertible bonds which are subject to lock-up arrangement (“Locked-up Convertible Bonds”) as contingent consideration of HK\$150 million, pursuant to the acquisition of the entire issued share capital of Union Grace Holdings Limited.

During the period, the Convertible Bonds with an aggregate principal amount of HK\$200,000,000 were converted into 1,000,000,000 ordinary shares of the Company of HK\$0.01 each at a conversion price of HK\$0.20 each. During the year ended 31 March 2011, Convertible Bonds with an aggregate principal amount of approximately HK\$1,142,825,000 were converted into 5,714,125,105 ordinary shares of the Company of HK\$0.01 each at a conversion price of HK\$0.20 each.

The movements of the Convertible Bonds and the Locked-Up Convertible Bonds under contingent consideration which have been split as to their liability and equity components are as follows:

	Convertible Bonds			Locked-up Convertible Bonds		
	Liability component	Equity component	Total	Liability component	Equity component	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Issued during the year ended 31 March 2011	964,487	1,378,809	2,343,296	61,744	88,256	150,000
Conversion into shares during the year ended 31 March 2011	(506,163)	(672,445)	(1,178,608)	—	—	—
Derecognised upon redemption	(340,868)	(423,928)	(764,796)	—	—	—
Derecognised upon adjustment for contingent consideration	—	—	—	(61,744)	(88,256)	(150,000)
Imputed interest expenses	80,953	—	80,953	—	—	—
At 31 March 2011 and 1 April 2011	198,409	282,436	480,845	—	—	—
Conversion into shares during the period	(90,353)	(128,462)	(218,815)	—	—	—
Imputed interest expenses	6,308	—	6,308	—	—	—
At 30 September 2011	114,364	153,974	268,338	—	—	—

## NOTES TO THE INTERIM FINANCIAL STATEMENTS (Continued)

## 15. SHARE CAPITAL

	30.9.2011		31.3.2011	
	(unaudited) No. of shares '000	(unaudited) HK\$'000	(audited) No. of shares '000	(audited) HK\$'000
<b>Authorised:</b>				
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
<b>Issued and fully paid:</b>				
At beginning of the reporting period Ordinary shares of HK\$0.01 each	9,284,782	92,847	2,222,125	22,221
Issue of new shares:				
— pursuant to share placement (Note (a))	700,000	7,000	—	—
— upon exercise of share options (Note (b))	6,925	70	165,015	1,650
— 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))	1,000,000	10,000	5,714,125	57,141
At end of the reporting period Ordinary shares of HK\$0.01 each	10,991,707	109,917	9,284,782	92,847

## NOTES TO THE INTERIM FINANCIAL STATEMENTS *(Continued)*

### 15. SHARE CAPITAL *(Continued)*

*Notes:*

- (a) On 9 August 2011, the Company issued 700,000,000 ordinary shares of HK\$0.01 each at the price of HK\$0.52 per share pursuant to the placing agreement dated 29 July 2011.
- (b) During the period, options to subscribe for 6,925,000 ordinary shares were exercised. The net consideration was HK\$423,000 of which HK\$70,000 was credited to share capital account and the balance of HK\$353,000 was credited to share premium account. Amount of HK\$269,000 was transferred from share option reserve account to share premium account. Options to subscribe for 165,015,000 ordinary shares were exercised during the year ended 31 March 2011. The consideration received was HK\$24,065,000 of which HK\$1,650,000 was credited to share capital account and the balance of HK\$22,415,000 was credited to the share premium account. The amount of HK\$12,280,000 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 Holdings Limited as part of the consideration.
- (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\$200 million were converted into 1,000 million new ordinary shares of the Company of HK\$0.01 each at a conversion price of HK\$0.20 per share. During the year ended 31 March 2011, convertible bonds with an aggregate principal amount of approximately HK\$1,142,825,000 were converted into 5,714,125,105 new 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 and allotted during the period ranked *pari passu* in all respects with the then existing ordinary shares of the Company.



**NOTES TO THE INTERIM FINANCIAL STATEMENTS** (Continued)**16. CAPITAL COMMITMENTS**

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

	<b>30.9.2011</b> <b>(unaudited)</b> <b>HK\$'000</b>	31.3.2011 (audited) HK\$'000
Capital commitments in respect of fixed assets Contracted, but not provided for	<b>126,979</b>	19,002

**17. RELATED PARTY TRANSACTIONS**

- (a) During the last corresponding period, the Group has engaged 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") to handle all the sales (as an agent) on behalf of the Group (as the principal) at nil consideration. The PRC Operating Companies were indirectly and wholly owned by Mr. Chung, a former director of the Company, and accordingly, were related parties of the Company at that time. During the last corresponding period, totally HK\$33,494,000 of Lithium-ion batteries and related 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 such products. As at 30 September 2010, 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. Such amount was unsecured, interest-free and repayable on demand. The PRC Operating Companies have failed and refused to remit such amount to the Group. Legal proceedings were instituted against Mr. Chung and his associates on 12 March 2011. As the recoverability of the balance due from the PRC Operating Companies was in doubt, an impairment of the full amount of HK\$28,785,000 was recognised in consolidated financial statements during the year ended 31 March 2011.

## NOTES TO THE INTERIM FINANCIAL STATEMENTS (Continued)

### 17. RELATED PARTY TRANSACTIONS (Continued)

#### (b) Key management personnel remuneration

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

	Six months ended	
	30.9.2011 (unaudited) HK\$'000	30.9.2010 (unaudited) HK\$'000
Short-term employee benefits	2,212	1,974
Equity-settled share-based payments	2,381	224
	<b>4,593</b>	<b>2,198</b>

### 18. COMPARATIVE FIGURES

Certain comparative figures have been restated in compliance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" from the discontinued operation of the Group's securities brokerage business during the period, details of which are set out in Note 6.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

The Group is mainly engaged in the business of production, distribution and sale of Lithium-ion batteries and related products (the “Electric Battery Products”). The Electric Battery Products of the Group are mainly used for electric vehicles and energy storage.

### **MARKET OVERVIEW**

In the face of environmental pollution and shortages of energy, the world is striving to develop environmental friendly alternative energy. According to the 12th Five-Year Plan, the government of the People’s Republic of China (the “PRC”) will launch a series of policies aimed at pursuing energy conservation and carbon emission reduction, with the development of new energy vehicles industry and the construction of smart electric grids as two of the priorities, which will result in the rapid development of power and storage battery industry in Mainland China. The PRC government is going to invest RMB100 billion in the next ten years to develop pure electric vehicles. In the meantime, it is actively promoting the construction of smart electric grids to meet the requirements of large-scale cross-region power transmission and grid-connected renewable energy power generation systems. Hence, the market has created an ample demand for power and energy storage batteries.

Taking into account the existing market situation of the power and energy storage battery industry, the outlook for the Lithium-ion battery is expected to be promising in the industry. As a large number of lead-acid battery manufacturers failed to meet the national safety standards, the Ministry of Environmental Protection of the PRC has called for a nationwide production halt for rectification. By the end of July this year, over 80% of lead-acid battery enterprises were ordered to suspend production, resulting in nearly 50% reduction in the industry output. Prices of the lead-acid batteries are expected to surge, losing its price competitive advantage over Lithium-ion battery. In addition, Lithium-ion battery is more environmental friendly and with a much higher energy density level. These will facilitate Lithium-ion batteries, in place of lead-acid batteries, to become the mainstream products for use in the expanding power and energy storage battery market, creating enormous room for the Lithium-ion battery sector to grow.

Attracted by the positive outlook in the Lithium-ion battery sector, numerous enterprises entered the market in recent years. Currently, most of the Lithium-ion battery enterprises are in small-scale production, facing great barriers in technology, human resources, funding and production technique. Only a few major enterprises are able to pass safety testing required by the PRC government and carry out mass production. Moreover, there is no uniform Lithium-ion battery products standard in the PRC and products are of uneven quality. The development of Lithium-ion battery sector is in an infant stage but with huge potential to grow. As a result, the existing supply is barely enough to meet the enormous market demand. To excel, enterprise must have adequate funding resources, attract outstanding professional talents, equip with advanced research and development technology and make continuous improvements to the quality of the battery products and the production capacity so as to enhance their competitive advantage.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### BUSINESS REVIEW

The Group has been facing challenges during the review period as a result of the breaches on the part of certain companies controlled and/or owned by Mr. Chung Winston (formerly known as Chung Hing Ka) (“Mr. Chung”), a former director of the Company, in performance of their obligations to manufacture and supply Electric Battery Products to the Group through the Shenzhen OEM battery factory (the “SZ Factory”) in accordance with the master supply agreement dated 18 January 2010 (the “Master Supply Agreement”). Such breaches render the contracted OEM battery production capacity of the SZ Factory unavailable to us. In the meantime, the Lithium-ion battery market is booming and demand for our products is strong. Since then, timely decision was made and considerable efforts have been spent on the following areas to deal with and overcome the challenges:

#### ■ *Fund raising*

With a sound financing platform and the support from long-term sophisticated investors, the Group is in an ideal position to pursue its business plan and overcome the challenges. On 9 August 2011, the Group raised approximately HK\$359 million by placing of 700 million new shares at HK\$0.52 per share. The proceeds will be used as capital expenditure for the expansion of the Group’s battery production base.

#### ■ *Improvement and expansion of the Jilin battery production base*



Considerable amount of time was spent to conduct the trial and adjustment and to train up skilled workers on the current production line in Liaoyuan, Jilin. Yet, the process has allowed us to accumulate invaluable experience in terms of better factory design and management of the relevant production lines. Supported by the adequate funding and

the experience, the expansion of the production base in Liaoyuan, Jilin commenced in April this year and was completed in a very short time-span of seven months. The expanded production base has commenced commercial production since November 2011. The production base in Jilin possesses the most advanced Lithium-ion battery production line in the PRC with a brand new flow-line production and automatic production flow designed by the industry experts. Currently, the total designed battery production capacity of the Jilin production base is 120 million ampere hour (“AH”) per annum.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### ■ Construction of the Tianjin battery production base

The Group has entered into an agreement to acquire a production site of approximately 339 mu in Binhai New Area, Tianjin in June this year. A maximum of 1.5 to 2 billion AH annual battery production capacity facilities can be built on this production site and it will be one of the Group's core production bases in the future. The first battery production line of the base is under construction and its designed annual battery capacity has changed from the initial 70 million AH to 130 million AH in light of the shortage of supply of Lithium-ion battery products and the strong demand for our products. The production line is expected to commence production within the first quarter of next year. The management anticipates to recover the initial capital expenditure on factory equipment within one to two years once the battery production capacity is fully utilised.

### ■ Strengthening our team

In anticipation of the commencement of production of the two production bases and with possible further expansion plan in mind, the Group made vigorous efforts to recruit talented and skilled employees in the technical and operational field to enhance our operating team. We have successfully employed top-notch talents that are experienced in the field of battery technology, research and development, advanced modern production and logistics management and/or multi-location product quality control management. In addition, the Group has established the "Sinopoly Battery Scholarship Award" to encourage the cultivation of outstanding professionals in battery technology in the PRC. Students that are awarded the Scholarship will be invited to join the Group in the future.

### ■ Promotion of the Group and its products



During the review period, the Group actively participated in industry events as well as international conferences and exhibitions for the battery industry, such as "The 26th European Photovoltaic Solar Energy Conference and Exhibition" and "eCarTec" held in Germany in September and October this year respectively, and "The International PV Solar Energy Conference & Exhibition" held in Australia in November this year. As a result, the global market exposure and recognition have increased for the Group's products.

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### ■ ***Accumulation of sales orders***

The current quality and pricing of the Group's Lithium-ion battery are very competitive in the market. The Group has partnered with a number of notable enterprises in the PRC, such as the State Grid Corporation of China, FAW Bus, Dongfeng Hangzhou Motor and China Mobile to develop Lithium-ion battery related projects. Our Lithium-ion battery products have also received enthusiastic responses around the world and orders are on the rise. Co-operative agreements in relation to, amongst other things, certain trial projects for our products have been entered into with foreign enterprises in Germany, the Netherlands, the United States of America, Australia and India.

### ■ ***Co-developing electric coach***

A 12-metre pure electric coach, jointly developed with FAW, has been put on a trial run for nearly two months at the Jilin production base as transportation for the local employees. Furthermore, the electric coach of the same model has started to operate as a public transport



in Liaoyuan, Jilin since November this year. It can withstand extreme cold temperature and continue to operate in snowing condition. Its performance is stable with excellent power and it covers impressive distance per charge.

### ■ ***Research & development***

The Group has set up Sinopoly Battery Research Center (the "R&D Center"), which is co-operating with Shanghai Jiao Tong University, National University of Defense Technology and Zhejiang University on various battery research projects by setting up the respective research centers, and is guided by Professor Ma Zifeng. Professor Ma is the Chief Scientist of 電動汽車用低成本高密度蓄電(氫)體系基礎科學問題研究項目 (Basic Study to the Low Cost and High Density Energy Storage System for Electric Vehicle\*) of the National Basic Research Programme of the PRC (the 973 Programme). He is a leading expert in this field. The R&D Center's objectives are to develop advanced battery system for electric vehicles and energy storage equipment, enhance battery production processes technique and develop the next generation batteries.

## **MANAGEMENT DISCUSSION AND ANALYSIS** *(Continued)*

### ■ **Legal actions against the default parties**

The Group has two ongoing legal proceedings against Mr. Chung and/or other certain companies controlled and/or owned by him. The details of those proceedings are disclosed in the section heading “Litigation” below. The Group is aggressively pursuing and defending these proceedings based on the advice of legal advisers with a view to reaching a favourable conclusion as soon as possible.

The challenges have unified us and made us stronger. Once both the Jilin and Tianjin battery production bases commence full production, the Group’s total designed annual battery production capacity will surge to 250 million AH, laying down the foundation for sustainable business development in the future and enabling us to position ourselves to become the industry benchmark and leader within 3 years.

## **LITIGATION**

### **Hong Kong Proceedings**

The Company and two of its subsidiaries commenced proceedings on 12 March 2011 for the enforcement of the Group’s rights and claims in the High Court of Hong Kong (the “HK Court”) against Mr. Chung, 深圳市雷天電動車動力總成有限公司 (Shenzhen Thunder Sky Electric Vehicles Limited\*), 深圳市雷天電源技術有限公司 (Shenzhen Thunder Sky Battery Technology Limited\*) (collectively the “Chung’s Companies”) and Mei Li New Energy Limited (“Mei Li”), all are wholly-owned and/or controlled by Mr. Chung, and certain Mr. Chung’s associates for breaches of various agreements in relation to the very substantial acquisition completed in May 2010 (the “Acquisition”) and Mr. Chung’s fiduciary duties as a director of the Company (the “HK Proceedings”). On 15 June 2011, the statement of claim was submitted and filed with the HK Court claiming for, among other things, damages and injunctions.

In the HK Proceedings, the amount of damages claimed by the Group against the defendants is expected to exceed the amount payable for the redemption of the convertible bonds (the “ML CBs”) previously held by Mei Li (the “Redemption Amount”), i.e. approximately HK\$760,000,000. The redemption of the ML CBs based on the present pleadings is not disputed. The Group will seek to set off such claimed amount against the Redemption Amount (the “Set Off”) for the protection of its interest. The Company does not expect that the HK Proceedings will conclude before the end of 2012. For prudence sake, the Group has not included in its consolidated financial statements for the six months ended 30 September 2011 (the “Interim Statements”) the potential amount recoverable from Mr. Chung and his associates from the HK Proceedings and has recorded the Redemption Amount under current liabilities in the Interim Statements. However, the Group does not anticipate the Set Off will be completed before 2013.

## **MANAGEMENT DISCUSSION AND ANALYSIS** *(Continued)*

In the HK Proceedings, the defendants have relied on certain documents for the establishment of their case (the “Defence Documents”). During discovery, it transpired that the Defence Documents contain documents which (i) are different in form and substance from the corresponding documents maintained by the Group as part of its records; (ii) the existence of which the Group was not aware up to the time of discovery; and (iii) are non-existent. In respect of documents described under (i) above, different versions of the same were produced by the defendants in the course of discovery. The defendants have failed to provide any or any sufficient explanation as to the state of the documents described under (i), (ii) and (iii) above, despite being given repeated opportunities to do so. The Group will continue to pursue these and other matters in the HK Proceedings vigorously, with a view to speeding up the litigation process.

### **Shenzhen Proceedings**

On 1 July 2011, the Company received a Notice of Court Action issued by the Shenzhen Intermediate Court of the PRC (the “SZ Court”) and a civil complaint against Thunder Sky Energy Technology Limited (“Thunder Sky (HK)”), an indirect wholly-owned subsidiary of the Company, filed by the Chung’s Companies (the “SZ Proceedings”).

It is alleged that Thunder Sky (HK) is in breach of certain purported agreements (the “Questionable Documents”) concerning certain unpaid costs for Electric Battery Products and certain unpaid fees for facilities upgrade. The amount claimed by the Chung’s Companies in the SZ Court is RMB185,713,651.20 and there is no application for any injunction or specific performance.

Based on the facts set out in the Company’s announcement dated 8 July 2011, the Board has strong reasons to believe that the Questionable Documents are fraudulently altered and/or completely fabricated. Hence, the SZ Proceedings is groundless. For the protection of the Group’s interests, the Company has reported the case to the relevant law enforcement agency.

In addition, the Questionable Documents have been sent to an authoritative authentication institution in the PRC to determine the authenticity of them under the order of the SZ Court and we expect the result will likely to be available within months. The Board is of the view that the SZ Proceedings have no and will not have any, negative effect on the business, financial position and development of the Group, and the HK Proceedings.



## **MANAGEMENT DISCUSSION AND ANALYSIS** *(Continued)*

### **FINANCIAL REVIEW**

During the current period under review, the Group's turnover from continuing operations decreased to approximately HK\$5.7 million from approximately HK\$69.1 million of the corresponding period last year. Such substantial decrease was primarily due to the failure on the part of the Chung's Companies in performance of their obligations to manufacture and supply Electric Battery Products to the Group in accordance with the Master Supply Agreement, and the fact that the newly set-up battery production base in Liaoyuan, Jilin was in the early stage of production during the current period under review. Gross profit decreased to approximately HK\$1.4 million of the current period under review from approximately HK\$35.7 million of the same period last year. The Group narrowed its loss from approximately HK\$1,060.0 million of last corresponding period to approximately HK\$117.6 million of the current period under review. The substantial decrease in loss was resulted mainly from the one-off impairment on goodwill of approximately HK\$935.5 million recorded in the same period last year which did not recur in the current period under review, and the reduction in the amortisation of intangible assets from approximately HK\$128.2 million to approximately HK\$70.0 million.

During the current period, the Group manufactured the Lithium-ion battery via its battery production base in Jilin and the Electric Battery Products were sold by its own sales team to the newly-developed customers. However, almost all the manufacturing and sales of Electric Battery Products were handled by the Chung's Companies as agents for the Group during the last corresponding period. Whereas, the Chung's Companies have ceased to manufacture or sell the Electric Battery Products on behalf of the Group since October 2010 and the independent auditor of the Company has qualified such sales, cost of sales and relevant results for the last corresponding period primarily due to the Chung's Companies' refusal to grant access of the relevant books and records to the independent auditor of the Company. Hence, the management considers that the sales, cost of sales and relevant results of the Electric Battery Products business for the two periods are not comparable.

The loss for the current period under review of approximately HK\$117.6 million was principally attributable to (i) the selling and distribution costs of approximately HK\$7.7 million mainly associated with the setting up of our own sales team and the launch of various marketing and promotion activities; (ii) the general and administrative expenses of approximately HK\$41.2 million mainly utilised by the holding level companies and the newly-established subsidiaries in the PRC; (iii) the other operating expenses of approximately HK\$11.1 million mainly incurred in the initial trial run stage of the battery production base in Jilin; and (iv) the amortisation of intangible assets of approximately HK\$70.0 million.

## **MANAGEMENT DISCUSSION AND ANALYSIS** *(Continued)*

### **Electric Battery Products Business**

Turnover derived from the sales of Electric Battery Products for the period under review was approximately HK\$4.7 million. It constituted approximately 83.1% of the Group's total turnover from continuing operations. The Electric Battery Products business reported a gross profit of approximately HK\$0.4 million for the current period. The production base in Jilin was at its initial stage of commercial production and its production has not reached its full capacity, which in turn resulted in a higher than normal product cost per unit. The Group expects the gross profit margin will improve with the increasing designed production capacity and the increasing utilisation rate on it. This segment recognised a loss of approximately HK\$110.9 million, mainly due to the amortisation of intangible assets of approximately HK\$70.0 million and the imputed interest expenses on convertible bonds of approximately HK\$6.3 million, which are non-cash items and have no impact on the Group's cash flows.

### **Securities Brokerage Business**

This segment was classified as a discontinued operation during the current period as a result of the execution of the sale and purchase agreement dated 7 January 2011 in respect of the disposal by the Group of its entire issued share capital of Infast Brokerage Limited ("Infast") which principally engages in the business of securities brokerage services. The disposal was completed on 19 April 2011.

During the period under review, the turnover of the securities brokerage business segment was approximately HK\$32,000 (2010: approximately HK\$0.3 million). This segment reported an operating profit of approximately HK\$0.2 million (2010: loss of approximately HK\$1.3 million).

### **Liquidity and Financial Resources**

As of 30 September 2011, the Group had (i) non-current assets of approximately HK\$1,530.3 million (31 March 2011: approximately HK\$1,432.8 million), which comprised of intangible assets, fixed assets and deposits paid for fixed assets; and (ii) current assets of approximately HK\$580.6 million (31 March 2011: approximately HK\$428.7 million), which mainly comprised of inventories, trade and other receivables, and cash and bank balances. The Group had current liabilities of approximately HK\$852.0 million (31 March 2011: approximately HK\$846.6 million), which mainly comprised of bank loan amounted to approximately HK\$36.5 million, trade and other payables, tax payable, and provision for redeemed convertible bonds of approximately HK\$760.8 million. The Group does not anticipate the payment of the Redemption Amount will be due before 2013 as the Set Off will not happen before then as disclosed under the paragraph of "Hong Kong Proceedings" in the section heading "Litigation" above. The bank loan is unsecured and denominated in Renminbi ("RMB") with prevailing market interest rate. The Group's borrowings are mostly event driven, with little seasonality.

## **MANAGEMENT DISCUSSION AND ANALYSIS** *(Continued)*

As at 30 September 2011, the Group's total long-term liabilities amounted to approximately HK\$416.6 million (31 March 2011: approximately HK\$518.2 million), which comprised of convertible bonds and deferred tax liabilities. The convertible bonds are denominated in Hong Kong dollars and non-interest bearing.

As at 30 September 2011, the Group's gearing ratio, without taking into account the provision for redeemed convertible bonds and convertible bonds of totally approximately HK\$875.1 million, was approximately 4.3% (31 March 2011: approximately 7.2%) calculated on the basis of total bank borrowing of approximately HK\$36.5 million to total equity of approximately HK\$842.3 million.

### **Foreign Exchange Exposure**

The Group's transactions were mainly denominated in RMB, Hong Kong dollars and US dollars. Exchange rates between US dollars and Hong Kong dollars were pegged with fixed rates and relatively stable during the period under review. The Group has transactional currency exposures in RMB. The Group has not entered into any foreign currency exchange forward contracts for hedging purposes. The Board will closely monitor the foreign exchange exposure and consider appropriate hedging instruments when necessary.

### **Capital Structure**

During the period under review, a holder of the zero-coupon convertible bonds due 2018 issued by the Company in May 2010 (the "Convertible Bonds") converted a portion of the Convertible Bonds that it held in the aggregate principal amount of HK\$200,000,000 into 1,000,000,000 shares of the Company at the conversion price of HK\$0.20 per share. In addition, 6,925,000 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 during the period under review.

On 9 August 2011, the Company issued a total of 700,000,000 new shares of the Company at a price of HK\$0.52 per share (the "Placing") under the general mandate granted to the directors of the Company pursuant to an ordinary resolution passed at the Company's annual general meeting held on 10 September 2010 and pursuant to a placing agreement entered into between the Company and Guotai Junan Securities (Hong Kong) Limited as the placing manager.

As a result of the above, the number of shares of the Company in issue increased from 9,284,782,569 as at 1 April 2011 to 10,991,707,569 as at 30 September 2011.

As a result of completion of the Placing, the conversion price of the outstanding Convertible Bonds has been adjusted from HK\$0.20 per share to HK\$0.19 per share pursuant to the terms and conditions of the instrument constituting the Convertible Bonds with effect from 9 August 2011.

## **MANAGEMENT DISCUSSION AND ANALYSIS** *(Continued)*

On 24 August 2011, the locked-up Convertible Bonds in an aggregate principal amount of HK\$150 million were cancelled in accordance with the Acquisition Agreement (as defined in the Company's circular dated 3 May 2010) and the terms and conditions of the Convertible Bonds. Hence, the locked-up Convertible Bonds in the principal amount of HK\$75 million (convertible into 394,736,842 shares as adjusted) allocated to each of Mei Li, a company which the Company understands is wholly-owned by Mr. Chung, and Union Ever Holdings Limited, a company wholly-owned by Mr. Miao Zhenguo, a director of the Company, are no longer exercisable with effect from the same date.

Save as disclosed above and the outstanding Convertible Bonds in the principal amount of HK\$239,719,971 (convertible into 1,261,684,057 shares of the Company) and the outstanding share options entitling their holders to subscribe for a total of 311,010,000 shares of the Company, the Group had no debt securities or other capital instruments as at 30 September 2011 and up to the date of this report.

### **Material Acquisitions and Disposals**

Apart from the disposal of Infast as mentioned in the sub-section heading "Securities Brokerage Business" above, the Group had no material acquisitions or disposals of subsidiaries or associated companies during the six months ended 30 September 2011. Infast has ceased to be a subsidiary of the Company since 19 April 2011 and the Group no longer engages in the business of securities brokerage services. Details of the disposal are set out in the Company's announcement dated 7 January 2011.

### **Pledge of Assets and Contingent Liabilities**

As at 30 September 2011, the Group did not pledge any kind of assets and had no significant contingent liabilities.

### **Employees and Remuneration Policies**

As of 30 September 2011, the Group had 36 employees (2010: 39 employees) in Hong Kong and 703 employees (2010: 19 employees) in the PRC. Total staff costs (including directors' emoluments and equity settled share-based payments) during the period amounted to approximately HK\$14.6 million (2010: approximately HK\$5.3 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 Commitments**

Details of the capital commitments of the Group are set out in note 16 to the interim financial statements on page 24 of this report.

## **MANAGEMENT DISCUSSION AND ANALYSIS** *(Continued)*

### **PROSPECTS**

The management believes that with the promising outlook in the Lithium-ion battery market which was supported by the increasing global environmental awareness, there will be more enterprises entering into the industry. The Group possesses the following key competitive advantages to achieve our goal of being the industry benchmark and domestic leader within 3 years:

- a stable and strong shareholder structure;
- possession of adequate financial resources;
- professional and dedicated management team;
- applicable advance and matured technology with further research and development expertises;
- solid and sound strategic planning and execution capability; and
- understanding the industry and its unique features.

The Lithium-ion battery industry has the characteristics of low capital expenditure on facility equipment, short construction time frame but a relatively high return. As it is a light asset industry and the market demand is strong, there is ample room for the Group to grow rapidly. Being one of the largest power Lithium-ion battery manufacturers in the PRC, the Group has formulated a series of long-term development strategies, including:

- steady expansion in both the domestic and overseas markets;
- further increase in production capacity;
- continuing improvements in research and development capabilities;
- introducing new products and environmental protection solutions; and
- expansion into upstream and downstream businesses.

## **MANAGEMENT DISCUSSION AND ANALYSIS** *(Continued)*

The management believes that the Group's business is set to experience phenomenal growth, and its market share and profitability will be considerably enhanced.

The Group plans to create a nationwide network in the PRC by setting up of production bases, R&D centers, testing centers or sales offices in Jilin, Tianjin, Beijing, Shenzhen and Shanghai so as to further expand its development in the PRC market.

In order to increase overall profitability and enhance shareholders' return in the long run, the Group is actively looking for expansion opportunities in both upstream and downstream sectors. In the future, the Group will actively seek partnership with the upstream sector which will allow better control of raw materials and its supply as well as more effective cost management in order to enhance product quality and ensure the stability of production.

On the other hand, strategic cooperation with downstream enterprises will be forged to develop various green solutions using our base proprietary technology, which are in line with the PRC government's efforts in reducing energy consumption and emissions and also promote the sustainable development of humanity and the environment. Profit should be enhanced in the future by adding value to the Group's products and raising their demand, hence maximising shareholders returns.

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

As at 30 September 2011, 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 director	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
Mr. Miao Zhenguo (Note 1A)	Interest of controlled corporation	1,713,380,143	1,261,684,057	2,975,064,200 (Note 1B)	27.07%
	Beneficial owner	—	10,000,000 (Note 2)	10,000,000	0.09%
Mr. Lo Wing Yat	Beneficial owner	—	50,800,000 (Note 2)	50,800,000	0.46%
Mr. Xu Donghui	Beneficial owner	220,000	20,000,000 (Note 2)	20,220,000	0.18%
Mr. Jaime Che	Beneficial owner	1,000,000	20,000,000 (Note 2)	21,000,000	0.19%
Mr. Chan Yuk Tong	Beneficial owner	—	10,900,000 (Note 2)	10,900,000	0.10%
Mr. Fei Tai Hung	Beneficial owner	—	10,900,000 (Note 2)	10,900,000	0.10%
Mr. Tse Kam Fow	Beneficial owner	—	10,900,000 (Note 2)	10,900,000	0.10%

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

(Continued)

Notes:

- 1A. Mr. Miao Zhenguo ("Mr. Miao") is deemed to be interested in the shares and underlying shares of the Company held by his wholly-owned company, Union Ever Holdings Limited ("Union Ever") by virtue of the SFO. During the period ended 30 September 2011, Union Ever exercised its right and converted convertible bonds with an aggregate principal amount of HK\$200,000,000 into 1,000,000,000 shares of the Company. Convertible bonds in the principal amount of HK\$75,000,000 (convertible into 394,736,842 shares of the Company as adjusted) allotted to Union Ever were cancelled on 24 August 2011, details of which are set out in the Company's announcement dated 24 August 2011.
- 1B. The 2,975,064,200 shares or underlying shares of the Company refer to the equity interest comprising (i) 1,713,380,143 shares held by Union Ever; and (ii) 1,261,684,057 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\$239,719,971 repayable on the eighth anniversary of the date of issue of the convertible bonds, that is 25 May 2018 at the adjusted conversion price of HK\$0.19 per conversion share (subject to adjustments).
2. The interests in underlying shares of the Company represent interests in options granted to the directors named above 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 2011, 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, 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 and the zero-coupon convertible bonds due 2018 issued by the Company on 25 May 2010 as detailed in its circular dated 3 May 2010, at no time during the six months ended 30 September 2011 was the Company or any of its subsidiaries, holding companies or 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 2011.



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

As at 30 September 2011, 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 Securities and Futures Ordinance (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
Union Ever Holdings Limited ("Union Ever") (Note 1A)	Beneficial owner	1,713,380,143	1,261,684,057	2,975,064,200 (Note 1B)	27.07%
Glorious China Investments Limited ("Glorious China") (Note 2)	Beneficial owner	1,098,099,998	—	1,098,099,998	9.99%
Xu Yueyue (Note 2)	Interest of controlled corporation	1,098,099,998	—	1,098,099,998	9.99%
Silver Ride Group Limited ("Silver Ride") (Note 3)	Beneficial owner	1,055,000,001	—	1,055,000,001	9.60%
Chen Jian (Note 3)	Interest of controlled corporation	1,055,000,001	—	1,055,000,001	9.60%
Long Hing International Limited ("Long Hing") (Note 4)	Beneficial owner	896,719,998	—	896,719,998	8.16%
Song Hong (Note 4)	Interest of controlled corporation	896,719,998	—	896,719,998	8.16%
Li Ka-shing (Note 5)	Interest of controlled corporation	600,000,000	—	600,000,000	5.46%

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

### *Notes:*

- 1A. Union Ever is wholly-owned by Mr. Miao Zhenguo ("Mr. Miao"), a director of the Company. Mr. Miao is also a director of Union Ever.
- 1B. The 2,975,064,200 shares or underlying shares of the Company refer to the equity interest comprising (i) 1,713,380,143 shares held by Union Ever; and (ii) 1,261,684,057 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\$239,719,971 repayable on the eighth anniversary of the date of issue of the convertible bonds, that is 25 May 2018 at the adjusted conversion price of HK\$0.19 per conversion share (subject to adjustments).
2. Glorious China is wholly-owned by Ms. Xu Yueyue. The 1,098,099,998 shares of the Company held by Glorious China are deemed to be owned by Ms. Xu Yueyue.
3. Silver Ride is wholly-owned by Mr. Chen Jian ("Mr. Chen"), a director of certain subsidiaries of the Company. Mr. Chen is also a director of Silver Ride. The 1,055,000,001 shares of the Company held by Silver Ride are deemed to be owned by Mr. Chen. Mr. Chen was also interested in 10,000,000 underlying shares of the Company which represent interests in the option granted to him on 21 April 2011 at a total consideration of HK\$1 to subscribe for 10,000,000 shares of the Company at an exercise price of HK\$0.81 per share (subject to adjustments) during the period from 21 April 2012 to 20 April 2014.
4. Long Hing is wholly-owned by Ms. Song Hong. The 896,719,998 shares of the Company held by Long Hing are deemed to be owned by Ms. Song Hong.
5. For the purpose of the SFO, Mr. Li Ka-shing is deemed to be interested in a total of 600,000,000 shares of the Company, of which 510,000,000 shares are held by Jade Time Investments Limited ("Jade Time") and 90,000,000 shares are held by CEF Holdings Limited ("CEF").

Jade Time is a wholly owned subsidiary of Mayspin Management Limited, 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 is owned as to 50% by CKH.

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.

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

6. According to the notice of 13 June 2011 received by the Company from Mei Li New Energy Limited ("Mei Li"), Mei Li alleged to be beneficially interested in 354,881,975 shares and 4,178,758,030 underlying shares of the Company. Mei Li is wholly-owned by Mr. Chung Winston (formerly known as Chung Hing Ka) ("Mr. Chung"), a former director of the Company. The 4,533,640,005 shares or underlying shares of the Company alleged to be held by Mei Li are deemed to be owned by Mr. Chung.

The Company believes that the 4,178,758,030 underlying shares refer to the shares of the Company that could have been issued upon conversion of the zero-coupon convertible bonds if they had not been redeemed or cancelled. The Company issued a redemption notice on 8 March 2011 with respect of the convertible bonds in the principal amount of HK\$760,751,606 held by Mei Li. The conversion rights attached to these bonds ceased to be exercisable on that day. Had they not been redeemed, 3,803,758,030 shares would have been allotted and issued at the initial conversion price of HK\$0.20 per share upon full conversion. There is no dispute as regards the redemption of the convertible bonds as of the date of this report. The remaining convertible bonds held by Mei Li in the principal amount of HK\$75,000,000 (which could have been convertible into 375,000,000 shares at the initial conversion price of HK\$0.20 per share had they not been cancelled) were cancelled in accordance with the Acquisition Agreement (as defined in the Company's circular dated 3 May 2010) and the terms and conditions of the convertible bonds on 24 August 2011. The conversion rights attached to these bonds are no longer exercisable with effect from the same date.

Save as disclosed above, as at 30 September 2011, 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 2011 were as follows:

Category of participants	Date of grant	Number of options				Outstanding as at 30.9.2011	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 1.4.2011	Granted during the period (Note 2)	Exercised during the period	Lapsed during the period				
<b>Director &amp; Substantial Shareholder</b>									
Miao Zhenguo	21.4.2011	—	10,000,000	—	—	10,000,000	21.4.2012 – 20.4.2014 (Note 3)	0.810	—
<b>Directors</b>									
Xu Donghui	21.4.2011	—	20,000,000	—	—	20,000,000	21.4.2012 – 20.4.2014 (Note 3)	0.810	—
Jaime Che	21.4.2011	—	20,000,000	—	—	20,000,000	21.4.2012 – 20.4.2014 (Note 3)	0.810	—
Lo Wing Yat	23.8.2007	14,600,000	—	—	—	14,600,000	23.8.2008 – 22.8.2017 (Note 4)	0.230	—
	8.5.2009	16,200,000	—	—	—	16,200,000	8.5.2010 – 7.5.2019 (Note 4)	0.061	—
	21.4.2011	—	20,000,000	—	—	20,000,000	21.4.2012 – 20.4.2014 (Note 3)	0.810	—

## SHARE OPTION SCHEME (Continued)

Category of participants	Date of grant	Number of options				Outstanding as at 30.9.2011	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 1.4.2011	Granted during the period (Note 2)	Exercised during the period	Lapsed during the period				
<b>Directors</b>									
Chan Yuk Tong	8.5.2009	900,000	—	—	—	900,000	8.11.2010–7.5.2019 (Note 5)	0.061	—
	21.4.2011	—	10,000,000	—	—	10,000,000	21.4.2012–20.4.2014 (Note 3)	0.810	—
Fei Tai Hung	8.5.2009	900,000	—	—	—	900,000	8.11.2010–7.5.2019 (Note 5)	0.061	—
	21.4.2011	—	10,000,000	—	—	10,000,000	21.4.2012–20.4.2014 (Note 3)	0.810	—
Tse Kam Fow	8.5.2009	900,000	—	—	—	900,000	8.11.2010–7.5.2019 (Note 5)	0.061	—
	21.4.2011	—	10,000,000	—	—	10,000,000	21.4.2012–20.4.2014 (Note 3)	0.810	—
<b>Employees</b>	8.5.2009	2,490,000	—	(175,000)	(65,000) (Note 7)	2,250,000	8.5.2011–7.5.2019 (Note 6)	0.061	0.410
	21.4.2011	—	58,300,000	—	—	58,300,000	21.4.2012–20.4.2014 (Note 3)	0.810	—
	21.4.2011	—	12,460,000	—	(700,000) (Note 7)	11,760,000	21.4.2013–20.4.2014 (Note 6)	0.810	—

## SHARE OPTION SCHEME (Continued)

Category of participants	Date of grant	Number of options				Outstanding as at 30.9.2011	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 1.4.2011	Granted during the period (Note 2)	Exercised during the period	Lapsed during the period				
Others	23.8.2007	7,200,000	—	—	—	7,200,000	23.8.2008 – 22.8.2017 (Note 4)	0.230	—
	8.5.2009	6,750,000	—	(6,750,000)	—	—	8.5.2011 – 7.5.2019 (Note 6)	0.061	0.730
	21.4.2011	—	93,000,000	—	—	93,000,000	21.4.2012 – 20.4.2014 (Note 3)	0.810	—
	21.4.2011	—	5,000,000	—	—	5,000,000	21.4.2013 – 20.4.2014 (Note 6)	0.810	—
		49,940,000	268,760,000	(6,925,000)	(765,000)	311,010,000			
Weighted average exercise price (/HK\$)		0.135	0.810	0.061	0.746	0.718			
Exercisable as at 30.9.2011						21,800,000 21,150,000	0.230 0.061		

### Notes:

- Number of options refers to the number of underlying shares of the Company covered by the options under the Share Option Scheme.
- Options to subscribe for 268,760,000 shares of the Company were granted on 21 April 2011. The Company received an aggregate consideration of HK\$63 for the grant of these options. The closing price of the shares of the Company on the trading day immediately before the date on which these options were granted was HK\$0.60.
- Options granted were subject to a vesting period of one year and were exercisable 12 months after the relevant date of grant.

**SHARE OPTION SCHEME** *(Continued)*

4. 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.
5. Options granted were subject to a vesting period of two years with half of the options becoming exercisable 18 months after the date of grant and the remainder becoming exercisable 24 months after the date of grant.
6. Options granted were subject to a vesting period of two years and were exercisable 24 months after the relevant date of grant.
7. A total of 765,000 unvested options lapsed during the period following the cessation of option holders to be employees of the Company or eligible participants of the Share Option Scheme.
8. The weighted average fair values of the options granted during the six months ended 30 September 2011 calculated using the Binomial Option-Pricing Model and the inputs into such model were as follows:

	<b>Options granted on 21 April 2011</b>
Weighted average fair value	HK\$0.058
Share price on grant date	HK\$0.590
Exercise price	HK\$0.810
Expected volatility	53.74%
Option life	3 years
Risk-free interest rate	0.26% to 0.56%
Expected dividend yield	0.00%

Expected volatility was determined by using the annualised standard deviations of the continuously compounded rates of return on the share prices of three other comparable companies. The result of the Binomial Option-Pricing Model can be materially affected by changes in these variables and assumptions. Therefore, an option's actual value may differ from the estimated fair value of the options due to limitations of the Binomial Option-Pricing Model.

9. No options were cancelled during the six months ended 30 September 2011.

## **CORPORATE GOVERNANCE PRACTICES**

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 2011 except for the following deviations.

### **Code provision A.2.1 to A.2.3**

Subsequent to the resignation of Mr. Ryoji Furukawa as the Chairman of the Board 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.

Currently, Mr. Miao Zhenguo is the Deputy Chairman of the Board and the Chief Executive Officer of the Company. The Board is of the view that vesting the roles of Deputy Chairman and Chief Executive Officer in the same person will not impair the balance of power and authority between the Board and the management of the Company as the Board will meet regularly to consider major matters affecting the operations of the Group. Mr. Miao Zhenguo is mainly responsible for the day-to-day management of the Group’s business operations.

### **Code provision E.1.2**

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. Mr. Miao Zhenguo, an executive director and the Deputy Chairman, chaired the Company’s annual general meeting held on 22 August 2011 pursuant to the Company’s Bye-laws.

## **CHANGES IN DIRECTORS’ INFORMATION**

There are no changes in the information of the directors of the Company since the date of the Company’s 2010/2011 annual report. Hence, 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 2011.



## **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 2011.

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 2011.

## **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 2011 and this report.

By order of the Board of  
**Sinopoly Battery Limited**  
**Miao Zhenguo**  
*Deputy Chairman and Chief Executive Officer*

Hong Kong, 25 November 2011

*As of the date of this report, the Board comprises Mr. Miao Zhenguo (Deputy Chairman and Chief Executive Officer), Mr. Lo Wing Yat, Mr. Xu Donghui (Chief Operating Officer) and Mr. Jaime Che 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.sinopolybattery.com>*

*\* For identification only*