

Sino**o**ly 中聚

Sinopoly Battery Limited

(Incorporated in Bermuda with limited liability)
(Stock Code: 729)



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 2013 together with the comparative figures for the corresponding period in 2012 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2013

		Six months ended	
		30.9.2013	30.9.2012
		(unaudited)	(unaudited)
	Note	HK\$'000	HK\$'000
Revenue	2	41,545	27,657
Cost of sales		(38,499)	(25,080)
Gross profit		3,046	2,577
Other income	3	11,795	991
Selling and distribution costs		(9,826)	(10,141)
General and administrative expenses		(54,494)	(40,296)
Research and development expenses		(3,876)	(3,402)
Other operating expenses		–	(14,053)
Finance costs	4	(10,429)	(8,781)
Amortisation of intangible assets	9	(46,168)	(53,216)
Loss before tax	5	(109,952)	(126,321)
Income tax	6	11,542	13,304
Loss for the period		(98,410)	(113,017)
Attributable to:			
Owners of the Company		(98,410)	(113,017)
		HK cents	HK cents
Loss per share attributable to owners of the Company	7		
– Basic and diluted		(0.74)	(1.03)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2013

	Six months ended	
	30.9.2013	30.9.2012
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Loss for the period	(98,410)	(113,017)
Other comprehensive income/(loss) for the period, net of tax:		
Exchange differences on translation of foreign subsidiaries	<u>3,273</u>	<u>(2,364)</u>
Total comprehensive loss for the period	<u>(95,137)</u>	<u>(115,381)</u>
Attributable to:		
Owners of the Company	<u>(95,137)</u>	<u>(115,381)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2013

		30.9.2013 (unaudited) HK\$'000	31.3.2013 (audited) HK\$'000
	Note	<u>HK\$'000</u>	<u>HK\$'000</u>
Non-current assets			
Intangible assets	9	614,611	660,742
Fixed assets	10	548,347	451,790
Deposits paid for fixed assets		3,587	100,778
Prepaid rentals for office premises		<u>10,510</u>	<u>10,938</u>
		<u>1,177,055</u>	<u>1,224,248</u>
Current assets			
Inventories		118,695	121,543
Trade and other receivables	11	138,865	132,294
Pledged deposits		68,106	9,592
Cash and bank balances		<u>366,121</u>	<u>140,567</u>
		<u>691,787</u>	<u>403,996</u>
Current liabilities			
Bank loans		(145,038)	(107,720)
Trade and other payables	12	(111,265)	(132,586)
Deposit received	13	(63,060)	(61,915)
Tax payable		(8,695)	(8,695)
Obligations under redeemed convertible bonds	14	<u>(760,752)</u>	<u>(760,752)</u>
		<u>(1,088,810)</u>	<u>(1,071,668)</u>
Net current liabilities		<u>(397,023)</u>	<u>(667,672)</u>
Total assets less current liabilities		<u>780,032</u>	<u>556,576</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Continued)

As at 30 September 2013

		30.9.2013	31.3.2013
		(unaudited)	(audited)
	Note	HK\$'000	HK\$'000
Non-current liabilities			
Other non-current liability		(52,664)	(51,707)
Deferred tax liabilities		<u>(153,136)</u>	<u>(164,678)</u>
		<u>(205,800)</u>	<u>(216,385)</u>
NET ASSETS		<u>574,232</u>	<u>340,191</u>
CAPITAL AND RESERVES			
Equity attributable to owners of the Company			
Issued capital	15	136,756	122,545
Reserves		<u>437,476</u>	<u>217,646</u>
TOTAL EQUITY		<u>574,232</u>	<u>340,191</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2013

	Unaudited								
	Attributable to owners 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 2013	122,545	3,925,882	19,217	15,506	1,868	–	18,361	(3,763,188)	340,191
Loss for the period	–	–	–	–	–	–	–	(98,410)	(98,410)
Other comprehensive income for the period	–	–	3,273	–	–	–	–	–	3,273
Total comprehensive loss for the period	–	–	3,273	–	–	–	–	(98,410)	(95,137)
Shares issued pursuant to subscriptions (Note 15(a))	14,200	314,480	–	–	–	–	–	–	328,680
Share options lapsed	–	–	–	–	–	–	(199)	199	–
Shares issued upon exercise of share options (Note 15(c))	11	93	–	–	–	–	(35)	–	69
Equity-settled share-based payments	–	–	–	–	–	–	528	–	528
Transaction costs attributable to issue of new shares	–	(99)	–	–	–	–	–	–	(99)
At 30 September 2013	136,756	4,240,356	22,490	15,506	1,868	–	18,655	(3,861,399)	574,232
At 1 April 2012	109,917	3,651,166	18,805	15,506	1,868	153,974	16,753	(3,438,741)	529,248
Loss for the period	–	–	–	–	–	–	–	(113,017)	(113,017)
Other comprehensive loss for the period	–	–	(2,364)	–	–	–	–	–	(2,364)
Total comprehensive loss for the period	–	–	(2,364)	–	–	–	–	(113,017)	(115,381)
Shares issued upon exercise of share options	11	93	–	–	–	–	(36)	–	68
Equity-settled share-based payments	–	–	–	–	–	–	1,264	–	1,264
Shares issued upon conversion of convertible bonds	1,053	22,444	–	–	–	(12,846)	–	–	10,651
At 30 September 2012	110,981	3,673,703	16,441	15,506	1,868	141,128	17,981	(3,551,758)	425,850

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2013

	Six months ended	
	30.9.2013 (unaudited) HK\$'000	30.9.2012 (unaudited) HK\$'000
Net cash used in operating activities	(62,734)	(85,826)
Net cash used in investing activities	(39,680)	(30,106)
Net cash from financing activities	<u>296,144</u>	<u>65,937</u>
Net increase/(decrease) in cash and cash equivalents	193,730	(49,995)
Effect on foreign exchange rate changes	1,824	440
Cash and cash equivalents at the beginning of the period	<u>140,567</u>	<u>216,873</u>
Cash and cash equivalents at the end of the period	<u>336,121</u>	<u>167,318</u>
Analysis of balances of cash and cash equivalents:		
Cash and bank balances as stated in the condensed consolidated statement of financial position	366,121	167,318
Less: Time deposits with original maturity over three months when acquired	<u>(30,000)</u>	<u>—</u>
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	<u>336,121</u>	<u>167,318</u>

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 2013, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

In preparing the 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 HK\$397,023,000 as at 30 September 2013, which included obligations under redeemed convertible bonds of HK\$760,752,000 (the “Redemption Amount”). After having considered a judgment by the High Court of Hong Kong which stated that the Company has been given an unconditional leave to defend to the extent of the set-off portion of the damages to be claimed by the Group against the Redemption Amount in the legal proceedings against the holder of such redeemed convertible bonds and its associates, and based on which, the Company is entitled to a stay of execution of payment for the Redemption Amount before conclusion of the relevant legal proceedings. If the Redemption Amount is excluded from the calculation of the net current assets, the Group will have net current assets of HK\$363,729,000. Having considered the Group’s future income and internal financial resources, and the financial support from a substantial shareholder of the Company, 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 date of this report. 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 2013, 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 2013, that are adopted for the first time in the current period's financial statements:

HKAS 1 (Amendment)	Presentation of Items of Other Comprehensive Income
HKAS 19 (2011)	Employee Benefits
HKAS 27 (2011)	Separate Financial Statements
HKAS 28 (2011)	Investments in Associates and Joint Ventures
HKFRS 1 (Amendment)	Government Loans
HKFRS 7 (Amendment)	Disclosures – Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
Annual Improvements Project	Annual Improvements 2009-2011 Cycle

The adoption of the above new and revised HKFRSs has no material impact on the accounting policies of the Group and the methods of recognition and measurement in the Group's interim financial statements for current or prior reporting periods.

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective in these 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 its related products, rental income from the leasing of electric vehicles and income from treasury investment which includes interest income on bank deposits.

	Six months ended	
	30.9.2013	30.9.2012
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
	_____	_____
Sales of Lithium-ion batteries and its related products	40,320	27,200
Rental income from the leasing of electric vehicles	233	–
Interest income from treasury investment in bank deposits	992	457
	_____	_____
Total	41,545	27,657
	_____	_____

Operating segments are identified on the basis of internal reports which provide information about components of the Group. These information are reported to and reviewed by the Board, the chief operating decision maker, for the purposes of resource allocation and performance assessment. The Board 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 research and development, manufacture and sales of Lithium-ion batteries and the related products;
- (b) the electric vehicle leasing segment represents the provision of leasing service of electric vehicles (which was commenced during the period ended 30 September 2013); and
- (c) the treasury investment segment represents investments in bank deposits.

Reportable segment profit/(loss) represents the profit earned by/(loss from) each segment without the allocation of central administration costs.

NOTES TO THE INTERIM FINANCIAL STATEMENTS (Continued)

2. REVENUE AND SEGMENT INFORMATION (Continued)

(a) Segment information

	For the six months ended 30.9.2013 (unaudited)			
	Battery products	Electric vehicle leasing	Treasury investment	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers and reportable segment revenue	<u>40,320</u>	<u>233</u>	<u>992</u>	<u>41,545</u>
Reportable segment profit/(loss) before tax (Note)	<u>(91,250)</u>	<u>(1,040)</u>	<u>992</u>	<u>(91,298)</u>

Note: Amortisation of intangible assets of HK\$46,168,000 was included in the reportable segment loss of the battery products segment.

	For the six months ended 30.9.2012 (unaudited)			
	Battery products	Electric vehicle leasing	Treasury investment	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers and reportable segment revenue	<u>27,200</u>	<u>—</u>	<u>457</u>	<u>27,657</u>
Reportable segment profit/(loss) before tax (Note)	<u>(106,649)</u>	<u>—</u>	<u>457</u>	<u>(106,192)</u>

Note: Amortisation of intangible assets of HK\$53,216,000 was included in the reportable segment loss of the battery products segment.

NOTES TO THE INTERIM FINANCIAL STATEMENTS *(Continued)*

2. REVENUE AND SEGMENT INFORMATION *(Continued)*

(a) *Segment information (Continued)*

	As at 30.9.2013 (unaudited)			
	Battery products HK\$'000	Electric vehicle leasing HK\$'000	Treasury investment HK\$'000	Consolidated HK\$'000
Reportable segment assets	<u>1,495,526</u>	<u>30,816</u>	<u>265,601</u>	<u>1,791,943</u>
Reportable segment liabilities	<u>(1,066,808)</u>	<u>(564)</u>	<u>—</u>	<u>(1,067,372)</u>
	As at 31.3.2013 (audited)			
	Battery products HK\$'000	Electric vehicle leasing HK\$'000	Treasury investment HK\$'000	Consolidated HK\$'000
Reportable segment assets	<u>1,572,249</u>	<u>17,937</u>	<u>26,296</u>	<u>1,616,482</u>
Reportable segment liabilities	<u>(1,047,572)</u>	<u>(234)</u>	<u>—</u>	<u>(1,047,806)</u>

NOTES TO THE INTERIM FINANCIAL STATEMENTS *(Continued)*

2. REVENUE AND SEGMENT INFORMATION *(Continued)*

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

	Six months ended	
	30.9.2013	30.9.2012
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Loss		
Total reportable segment loss derived from the Group's external customers	(91,298)	(106,192)
Other unallocated corporate expenses	(18,654)	(20,129)
Consolidated loss before tax	(109,952)	(126,321)
	30.9.2013	31.3.2013
	(unaudited)	(audited)
	HK\$'000	HK\$'000
Assets		
Total reportable segments' assets	1,791,943	1,616,482
Other unallocated corporate assets	76,899	11,762
Consolidated total assets	1,868,842	1,628,244
Liabilities		
Total reportable segments' liabilities	(1,067,372)	(1,047,806)
Other unallocated corporate liabilities	(227,238)	(240,247)
Consolidated total liabilities	(1,294,610)	(1,288,053)

(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. OTHER INCOME

	Six months ended	
	30.9.2013 (unaudited) HK\$'000	30.9.2012 (unaudited) HK\$'000
Interest income	721	153
Government grants (<i>Note</i>)	2,898	571
Exchange gains, net	6,028	—
Others	2,148	267
	<u>11,795</u>	<u>991</u>

Note:

The government grants were entitled to the Group from the government of the People's Republic of China (the "PRC") for, inter alia, the development of strategic emerging industries in the PRC.

4. FINANCE COSTS

	Six months ended	
	30.9.2013 (unaudited) HK\$'000	30.9.2012 (unaudited) HK\$'000
Imputed interest on convertible bonds	—	6,891
Interest on bank loans wholly repayable within five years	6,888	1,890
Other borrowing costs	3,541	—
	<u>10,429</u>	<u>8,781</u>

NOTES TO THE INTERIM FINANCIAL STATEMENTS *(Continued)*

5. LOSS BEFORE TAX

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

	Six months ended	
	30.9.2013 (unaudited) HK\$'000	30.9.2012 (unaudited) HK\$'000
Interest income	(1,713)	(610)
Cost of inventories recognised as expenses		
– included in cost of sales	37,777	25,080
– included in research and development expenses	789	1,547
– included in selling and distribution costs	222	3,114
– included in write-down of inventories	8,504	–
Amortisation of intangible assets	46,168	53,216
Depreciation and amortisation of fixed assets	19,627	11,784
Exchange (gains)/losses, net	(6,028)	2,524

6. INCOME TAX

	Six months ended	
	30.9.2013 (unaudited) HK\$'000	30.9.2012 (unaudited) HK\$'000
The PRC tax:		
Charge for the period	–	–
Deferred	(11,542)	(13,304)
Tax credit during the period	(11,542)	(13,304)

No provision for Hong Kong profits tax and the PRC income tax has been made as the Group sustained losses for taxation purposes in Hong Kong and the PRC for the periods ended 30 September 2013 and 2012 respectively. The reversal of deferred tax of HK\$11,542,000 (2012: HK\$13,304,000) that has been credited to the consolidated income statement arose as a result of the tax effect from the amortisation of intangible assets during the reporting periods.

NOTES TO THE INTERIM FINANCIAL STATEMENTS *(Continued)*

7. LOSS PER SHARE

(a) *Basic loss per share*

The basic loss per share is calculated based on (i) the consolidated loss for the period attributable to owners of the Company of HK\$98,410,000 (2012: HK\$113,017,000); and (ii) the weighted average number of 13,226,217,000 (2012: 10,999,637,000) ordinary shares in issue during the period.

	Six months ended	
	30.9.2013	30.9.2012
	(unaudited)	(unaudited)
	'000	'000
	_____	_____
Issued ordinary shares at beginning of the reporting period	12,254,516	10,991,707
Effect on issue of shares pursuant to subscriptions <i>(Note 15(a))</i>	971,695	—
Effect on issue of shares upon conversion of convertible bonds	—	6,903
Effect on issue of shares upon exercise of share options <i>(Note 15(c))</i>	6	1,027
	_____	_____
Weighted average number of ordinary shares during the reporting period	13,226,217	10,999,637
	_____	_____

(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 had anti-dilutive effect and would result in a reduction in loss per share for the periods ended 30 September 2013 and 2012. Therefore, the diluted loss per share is the same as the basic loss per share for both periods.

NOTES TO THE INTERIM FINANCIAL STATEMENTS *(Continued)*

8. INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the period (2012: nil).

9. INTANGIBLE ASSETS

	(unaudited) HK\$'000
Cost	
At 31 March 2013 and 1 April 2013	3,642,030
Exchange adjustments	37
	<hr/>
At 30 September 2013	3,642,067
	<hr/>
Accumulated amortisation and impairment losses	
At 31 March 2013 and 1 April 2013	2,981,288
Charge for the period	46,168
	<hr/>
At 30 September 2013	3,027,456
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Carrying amounts	
At 30 September 2013	614,611
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At 31 March 2013	660,742
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The intangible assets represent the exclusive using rights of the certain licensed patents granted to the Group through the acquisition of Union Grace Holdings Limited, licensed patents generated through internal research and developments and other licensed patents acquired by the Group. 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.

NOTES TO THE INTERIM FINANCIAL STATEMENTS *(Continued)*

10. FIXED ASSETS

During the period, the Group's additions to fixed assets amounting to HK\$107,379,000 (six months ended 30 September 2012: HK\$106,980,000), including amount of HK\$100,772,000 (six months ended 30 September 2012: HK\$92,157,000) being transferred from deposits paid for fixed assets. Carrying amounts of certain land and buildings of HK\$119,856,000 (31 March 2013: HK\$190,663,000) were pledged as security for the Group's bank loans of HK\$69,366,000 at the end of the reporting period (31 March 2013: HK\$107,720,000).

11. TRADE AND OTHER RECEIVABLES

	30.9.2013 (unaudited) HK\$'000	31.3.2013 (audited) HK\$'000
	<u> </u>	<u> </u>
Trade receivables	51,389	44,876
Bills receivables	126	858
Other receivables	28,785	28,785
Less: Allowance for doubtful debts	<u>(28,785)</u>	<u>(28,785)</u>
	51,515	45,734
Deposits and prepayments	27,816	26,362
Other receivables	7,652	4,459
Value-added-tax receivables	<u>51,882</u>	<u>55,739</u>
	<u>138,865</u>	<u>132,294</u>

NOTES TO THE INTERIM FINANCIAL STATEMENTS *(Continued)*

11. TRADE AND OTHER RECEIVABLES *(Continued)*

An ageing analysis of trade receivables is as follows:

	30.9.2013 (unaudited) HK\$'000	31.3.2013 (audited) HK\$'000
	<u> </u>	<u> </u>
Within 1 month	4,998	316
Between 1 and 3 months	70	73
Over 3 months	<u>46,321</u>	<u>44,487</u>
	<u>51,389</u>	<u>44,876</u>

Trading terms with customers are either on a cash basis or on credit. For those customers who trade on credit, a credit period generally ranging from 30 days to 90 days is allowed. 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 and the Board believes that no impairment allowance is necessary as there has not been a significant change in credit quality for these customers. The carrying amounts of the receivables approximate their fair values.

NOTES TO THE INTERIM FINANCIAL STATEMENTS *(Continued)*

12. TRADE AND OTHER PAYABLES

	30.9.2013 (unaudited) HK\$'000	31.3.2013 (audited) HK\$'000
Trade payables	19,056	19,178
Bills payables	4,808	9,287
Receipts in advance	5,986	14,903
Payables for acquisition of fixed assets	64,024	69,487
Other payables and accruals	16,438	18,778
Warranty provision	953	953
	111,265	132,586

An ageing analysis of trade payables is as follows:

	30.9.2013 (unaudited) HK\$'000	31.3.2013 (audited) HK\$'000
Within 1 month	4,224	4,214
Between 1 and 3 months	2,735	1,864
Over 3 months	12,097	13,100
	19,056	19,178

The carrying amounts of trade and other payables approximate their fair values. As at 30 September 2013, bills payables of HK\$4,808,000 (31 March 2013: HK\$9,287,000) was secured by the equivalent amount of pledged deposits.

NOTES TO THE INTERIM FINANCIAL STATEMENTS *(Continued)*

13. DEPOSIT RECEIVED

On 20 March 2013, the Group entered into an investment agreement (the “Investment Agreement”) with an institution (which has a common director with the Company) and its subsidiary (collectively, the “Investors”). The Investors intend to subscribe, or through any of its subsidiaries to subscribe, for equity interests in one or more of the Group’s subsidiaries that are engaged or will be engaged in the electric vehicles leasing business (the “Investment”), subject to its due diligence and the terms and conditions to be agreed. An earnest money of HK\$63,060,000 (31 March 2013: HK\$61,915,000) (the “Deposit”) was paid by the Investors to the Group for the purpose of securing this Investment. The Investment Agreement was expired and on 19 September 2013 the Group entered into a supplementary agreement with the Investors to return the Deposit within six months starting from 21 September 2013 (the “Extended Period”). The Company has given the Investors a cash pledge amounting to HK\$62,988,000 to secure the return of the Deposit within the Extended Period.

14. OBLIGATIONS UNDER REDEEMED CONVERTIBLE BONDS

On 8 March 2011, the Company issued a redemption notice to Mei Li New Energy Limited (“Mei Li”) which was beneficially wholly-owned by Mr. Winston Chung (formerly known as Chung Hing Ka) (“Mr. Chung”), a former director of the Company, for the redemption of the convertible bonds at face value of approximately HK\$760,752,000 held by Mei Li (the “Redemption Amount”). The damages claimed (the “Claim Amount”) by the Group against Mr. Chung and/or companies which are controlled and/or owned by him (together with Mr. Chung, the “Chung Parties”) in the legal proceedings for their breaches of various agreements in connection with the very substantial acquisition completed on 25 May 2010, as supported by an independent forensic accountant report commissioned by the Group, are estimated to be substantially larger than the Redemption Amount. The Group has sought to set-off portion of the Claim Amount against the Redemption Amount (the “Set-Off”).

On 5 March 2013, the High Court of Hong Kong (the “HK Court”) issued a judgment in favour of the Company. The Company has been given an unconditional leave to defend to the extent of the Set-Off, based on which the Company is entitled to a stay of execution of payment for obligation under the redeemed convertible bonds.

NOTES TO THE INTERIM FINANCIAL STATEMENTS *(Continued)*

14. OBLIGATIONS UNDER REDEEMED CONVERTIBLE BONDS

(Continued)

On 27 February 2013, the HK Court has made an order for bankruptcy against Mr. Chung (the “Bankruptcy”). Subsequently in March 2013, the Company, together with two of its subsidiaries, has filed the proof of debt to the Official Receiver in the Bankruptcy. The Company and two of its subsidiaries have been accepted by the Official Receiver as creditors of Mr. Chung. Based on the Bankruptcy Ordinance of Hong Kong, once a person has been declared bankrupt, all his assets and liabilities/potential liabilities (including the Litigations) as well as all his interests in companies owned and/or controlled by him should be passed over to the Official Receiver or a trustee, who act on behalf of the bankrupt’s creditors. The Company is waiting for further instructions from the trustee of the Bankruptcy. The Board believes that the trustee of the Bankruptcy will study the merit of the Chung Parties’ case, and shall act accordingly and reasonably.

15. SHARE CAPITAL

	30.9.2013		31.3.2013	
	(unaudited)	(unaudited)	(audited)	(audited)
	No. of shares '000	HK\$'000	No. of shares '000	HK\$'000
Authorised:				
At beginning and at end of the reporting period				
Ordinary shares of HK\$0.01 each	<u>50,000,000</u>	<u>500,000</u>	<u>50,000,000</u>	<u>500,000</u>
Issued and fully paid:				
At beginning of the reporting period				
Ordinary shares of HK\$0.01 each	12,254,516	122,545	10,991,707	109,917
Issue of new shares:				
— pursuant to subscriptions <i>(Note (a))</i>	1,420,000	14,200	—	—
— upon conversion of convertible bonds <i>(Note (b))</i>	—	—	1,261,684	12,617
— upon exercise of share options <i>(Note (c))</i>	<u>1,125</u>	<u>11</u>	<u>1,125</u>	<u>11</u>
At end of the reporting period				
Ordinary shares of HK\$0.01 each	<u>13,675,641</u>	<u>136,756</u>	<u>12,254,516</u>	<u>122,545</u>

NOTES TO THE INTERIM FINANCIAL STATEMENTS *(Continued)*

15. SHARE CAPITAL *(Continued)*

Notes:

- (a) On 6 May 2013, the Company issued and allotted 1,200,000,000 ordinary shares of HK\$0.01 each at the subscription price of HK\$0.22 per share pursuant to the subscription agreements dated on 23 April 2013. On 30 September 2013, the Company issued and allotted 220,000,000 ordinary shares of HK\$0.01 each at the subscription price of HK\$0.294 per share pursuant to the subscription agreement dated on 19 September 2013.
- (b) During the year ended 31 March 2013, the convertible bonds with an aggregate principal amount of HK\$239,720,000 were converted into approximately 1,261,684,000 new ordinary shares of the Company of HK\$0.01 each at a conversion price of HK\$0.19 per share.
- (c) During the period, options to subscribe for 1,125,000 ordinary shares were exercised. The net consideration was HK\$69,000 of which HK\$11,000 was credited to share capital account and the balance of HK\$58,000 was credited to the share premium account. The amount of HK\$35,000 was transferred from share option reserve account to share premium account upon exercise of share options.

During the year ended 31 March 2013, options to subscribe for 1,125,000 ordinary shares were exercised. The net consideration was HK\$69,000 of which HK\$11,000 was credited to share capital account and the balance of HK\$58,000 was credited to the share premium account. The amount of HK\$35,000 was transferred from share option reserve account to share premium account upon exercise of share options.

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 capital commitments at the end of the reporting period:

	30.9.2013 (unaudited) HK\$'000	31.3.2013 (audited) HK\$'000
Capital commitments in respect of fixed assets Contracted, but not provided for	110,853	15,797
Capital commitments in respect of capital expenditure of the Group's factories in the PRC Authorised, but not contracted for	14,047	17,483
	124,900	33,280

17. RELATED PARTY TRANSACTIONS

Key management personnel remuneration

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

	Six months ended	
	30.9.2013 (unaudited) HK\$'000	30.9.2012 (unaudited) HK\$'000
Short-term employee benefits	2,360	1,720
Retirement benefit schemes contributions	23	21
Equity-settled share-based payments	41	215
	2,424	1,956

NOTES TO THE INTERIM FINANCIAL STATEMENTS *(Continued)*

18. COMPARATION FIGURES

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

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is mainly engaged in the research and development (“R&D”), production, distribution and sale of Lithium-ion batteries and related products (the “Battery Products”) and the provision of leasing service of electric vehicles (which was commenced during the period under review). The Electric Battery Products of the Group are mainly applied in the fields of electric vehicles (“EVs”) and energy storage.

MARKET OVERVIEW

The global economy which has been regaining its momentum has entered a period of in-depth transformation and adjustment. Due to global warming over recent years, the pressure on the demand for energy saving and environment protection is becoming more pronounced. Countries around the world have enhanced their efforts in the R&D of the technology of EVs and the utilization of EVs, which leads to a remarkable achievement in the EVs market’s sales. According to Frost & Sullivan’s Strategic Outlook of the Global Electric Vehicle Market in 2013, global sales of EVs have crossed the threshold of 120,000 units in 2012, pushing the corresponding sales expectation for 2018 to as high as 2.70 million units. The rapid expansion of the EVs market will support the development of the Group’s Lithium-ion batteries and related products businesses and achieve a better sales performance.

The global climactic issues and large market potential have boosted the confidence of the governments around the world to put forward a series of policies and incentives to encourage the development of EVs. For example, the French government stipulates a target of at least 25% of government car purchases must be EVs and hybrid cars from 2013. In Germany, a 360 million Euro-worth development plan for Lithium-ion batteries for vehicles was initiated, which attracted a large number of automobile and energy industry leaders in Germany to participate. Meanwhile, the Japanese government is making EV’s development the core of its ‘new generation auto strategy’ that is supported by a structure of tax incentives, car purchase subsidies and special credit programs.

In China, the “Development Plan for the Energy Conservation and New Energy Vehicle Industry” (《關於節能與新能源汽車產業發展規劃》) and the “Notice on Further Development of the Application of New Energy Vehicles” (《關於繼續開展新能源汽車推廣應用工作的通知》) issued in 2013 has mapped out the goal for the development of new energy vehicles and the preferences for subsidy during 2013-2015, and provided subsidies with a maximum of RMB60,000 for purchasing pure electric vehicles and plug-in hybrid vehicles. Not to be outdone by others, local governments from Beijing, Shanghai, Hangzhou, Hainan and Shenzhen have issued relevant subsidy schemes to encourage the alternative fuel

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

conversion of public transportation vehicles. In particular, Hangzhou government not only planned to invest in 100 electric buses and an addition of 300 electric taxis, but also actively prepared and promoted a personal leasing plan for new energy vehicles in a bid to boost the development of the EVs market. Having witnessed the continuous growth of demand in the global Lithium-ion battery market, some Lithium-ion battery manufacturers in Europe, the US, Taiwan and Japan are actively embracing the new opportunities with various plans for capacity expansion.

With distinctive features and outstanding advantages such as high energy density, long cycle life, low self-discharge and environmental-friendliness, Lithium-ion batteries have become the top choice of the new energy vehicles. As being the core technology of the EVs market, the Lithium-ion batteries industry is starting to flourish following a run-up in sales of the EVs market last year. The market of the Lithium-ion batteries for electric bicycles, electric and hybrid vehicles in the PRC has reached RMB5.6 billion and it is expected the market of Lithium-ion batteries for EVs will reach RMB20.0 billion by 2016.

Looking at the Hong Kong market, EVs are still a fledging sector but they are enjoying ever growing public and industry attention and support. In particular, the Hong Kong government made great effort in popularizing EVs. It created a “Pilot Green Transport Fund”, offering HK\$300 million to subsidize EVs for transport industry upon application. At the same time, it allocated HK\$180 million to franchised public bus companies to purchase 36 electric buses to promote the application of electric means in public transportation. In terms of private purchase of vehicles, the Hong Kong government extended the grace period for the “first registration tax concession for EVs” till the end of 2014, and has encouraged all industries and departments to adopt similar environmentally-friendly and energy-saving measures.

BUSINESS OVERVIEW

Sinopoly has continuously placed its strategic vision firmly on the future development. As EVs show significant effect on emission reduction and energy saving, EVs constitute an important measure for improving urban environment and building a resource-conserving society, as well as a trend for the development of the global automobile industry. The Group’s capacity has been upgraded after the completion of our production bases in Jilin and Tianjin, which gave us a stronger foundation for the long-term growth of our Lithium-ion battery business with ever stronger achievements in sales, market share and profit.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Leasing Business as an Engine of Growth

In order to improve the quality of air, the Pilot City Project for the “Demonstration and Promotion on Energy-Saving and New Energy Vehicles” (節能與新能源汽車示範推廣試點城市計劃) was initiated on national scale. In line with the new policy, Hangzhou as one of the first 13 promoted pilot cities has identified the new energy vehicle industry as its strategic pillar industry. During the past three years, over 2,000 energy-saving and new energy vehicles were introduced in Hangzhou, half of which were provided for public and private use, respectively. It has also built 62 charging stations and 620 chargers, offering service to 300 EVs of battery-switch mode for as many as 250,000 times.

During the period, the project for “Private Leasing on Electric Vehicles” (電動汽車私人租賃), a co-operation project between Sinopoly and the Hangzhou government, was officially launched, the response of which is very encouraging. The demand of the market is further stimulated with a new series of subsidy policies for new energy vehicles. Sales orders received by the Group are expected to increase rapidly as a result. In addition, one of the subsidiaries of the Company is involved in a tender to complete for the supply of batteries for the electric vehicles that could help to further develop and expand our business coverage and market share in Hangzhou, thus bringing a new motivation of growth to Sinopoly.

New Technology Frontier Creates Deeper Markets

As the EVs markets in different countries are maturing gradually, Sinopoly will continue to concentrate on the R&D and application of technology, as well as the cooperating opportunity within the industry, in order to deepen the Group’s foundation in the Lithium-ion battery market. The Group is actively improving its technology for EVs and energy storage batteries through on-going technology exchange and communication with other companies from various countries, enhancing the performance of our products continuously to meet the demand from the downstream market. Attracted by the achievements of Sinopoly in technology R&D, different research institutes and enterprises have expressed their intention to cooperate with the Group at different levels. This will also lead to more business opportunities for the Group in the future.

Strategic Cooperation Creates Broader Markets

The Group has achieved prevailing interim success on the cooperation projects with the State Grid of the PRC. Apart from the outstanding quality of our products, Sinopoly has further enhanced the value of its brand by cooperating with different enterprises. The Group has closely communicated with the downstream enterprises operating at different markets and regions in order to establish close collaboration and win-win cooperating relationships

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

with them. In view of the infinite business opportunities within the markets of EVs and energy storage, the Group anticipates to further engineer its market growth and long-term development through various kinds of partnerships. During the reviewed period, the Group and various enterprises operating in the downstream markets have explored the possibility of cooperation on various fronts. The Group is seeking to enter into strategic partnerships with relevant enterprises that are favorable to the Group in all respects, with a view to scale new heights for the business development of the Group. In October 2013, the Group has entered into a letter of intent with Smith Electric Vehicles (“SEV”), an internationally renowned EVs supplier with over 80 years of history in developing and manufacturing commercial EV.

A PROMISING FUTURE WITH SOLID PROSPECTS

Despite a slight downturn in the automobiles market due to global economic fluctuations, the EVs sector has shown a significant growth momentum in the context of aggravating environmental and climactic challenges and resource constraints. According to the 2013 market forecast issued by Navigant Research, a global green energy market consulting firm, EVs (including Hybrid electric vehicle (HEV), Plug-in hybrid electric vehicle (PHEV), Battery electric vehicle (BEV)) are expected to take up approximately 7% of the global lightweight car market in 2020. Looking into the future, we will further expand the scope and depth of the overall business of the Group and actively seek more business opportunities. Europe, the US and Canada will remain the important overseas markets of the Group. The Group will continue to carry on cooperation with overseas enterprises while actively exploring the home market to increase the proportion of domestic sales, aiming at stronger market shares across key target sales regions.

With the growing demand for EVs and Lithium-ion batteries in the PRC, the Group will pay close attention to the orders and shipments, and add production lines in the production base as necessary to meet the increasing demand from the customers and the market. At the same time, the Group will increase the R&D investment to keep introducing new products and new quality standards. In terms of branding and marketing, we will strengthen our image and raise the Group’s profile through various channels of advertisement and to provide more comprehensive customer services.

Engineering Institute of lithium industry (GBII) forecasts that the cost of Lithium-ion battery will gradually fall due to the scale or production and technology upgrading, etc. In the future, the Group will attach importance to utilization rate and cost control, and also will continue the level of innovation on the technology in connection with our products in order to realize the overall enhancement of the competitiveness of Sinopoly battery products.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

As at 30 June 2013, the domestic sales volume of new energy vehicles in PRC during the year has exceeded 6,000, representing a year-on-year growth of approximately 50%. The recent introduction of new EVs industry standards and EVs purchase subsidies marked a new milestone in the all-rounded support mechanism from the PRC government and Sinopoly will firmly grasp such opportunity for its further business development. As one of the long-standing leader in the PRC Lithium-ion battery industry, we are committed to sustain the steady growth of our Lithium-ion battery business to achieve stronger revenue performance and maximal returns for Sinopoly's shareholders.

LITIGATIONS

There are no new litigations that the Group was involved during the period under review. The two on-going litigations are litigations against Mr. Winston Chung (formerly known as Chung Hing Ka) ("Mr. Chung") and/or companies which are controlled and/or owned by him (the "Litigations"). The Litigations are in connection with Mr. Chung's breaches of various agreements in relation to the very substantial acquisition completed by the Group on 25 May 2010. On 27 February 2013, the High Court of Hong Kong has made an order for bankruptcy against Mr. Chung and as a result, all litigations involving Mr. Chung have been stayed. The Group is awaiting the trustee in Mr. Chung's bankruptcy to wind up his assets and take over the Litigations. The Board is aware that there has been no further update on the Litigations from the previous review. Details of the Litigations are set out in the announcement for the final results for the year ended 31 March 2013 that were published on 28 June 2013.

FINANCIAL REVIEW

During the period under review, the Group recorded a turnover of approximately HK\$41.5 million, representing an increase of approximately 50.2% as compared with approximately HK\$27.7 million of the corresponding period of last year. The increase was mainly achieved from the high growth of the battery products business. The battery products business constituted approximately 97.1% (six months ended 30 September 2012: approximately 98.3%) of the Group's total turnover. The Group also entered into the electric vehicles leasing business, which is a new business segment of the Group during the period. Gross profit increased approximately 18.2% to approximately HK\$3.0 million of the current period under review from approximately HK\$2.6 million of the same period last year. The Group recorded an improvement in the loss before interest, taxes, depreciation and amortisation ("LBITDA") to approximately HK\$33.7 million for the period under review from approximately HK\$52.5 million in the corresponding period of last year. The Group narrowed its net loss after tax by approximately HK\$14.6 million from approximately HK\$113.0 million in the corresponding period of last year to approximately HK\$98.4 million of the current period under review, which is principally attributable to the factors in addition to the increase in gross profit during the period:

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

- (i) the other income of approximately HK\$11.8 million, an increase of approximately HK\$10.8 million comparing with the last corresponding period of approximately HK\$1.0 million, was mainly attributable to the net exchange gains arising from the unrealised period-end exchange translations of current accounts between the group companies and the receipt of government grants by the Group for, inter alia, its development of strategic emerging industries in the PRC;
- (ii) the selling and distribution costs of approximately HK\$9.8 million, a decrease of approximately HK\$0.3 million comparing with the corresponding period of last year (despite an increase in turnover), mainly due to the consolidation of sales teams within the Group to enhance effective operations;
- (iii) the general and administrative expenses of approximately HK\$54.5 million, an increase of approximately HK\$14.2 million comparing with the last corresponding period of approximately HK\$40.3 million, was mainly attributable to the write-down of inventories incurred in the current period which did not incur in the last corresponding period;
- (iv) the other operating expenses of approximately HK\$14.1 million of the last corresponding period was attributable to the production and output costs incurred in the trial stage of the Group's battery production base in Tianjin, which did not incur in the current period;
- (v) the finance cost of approximately HK\$10.4 million, an increase of approximately 18.8% comparing with the last corresponding period, mainly due to the increase in bank loans in the current period;
- (vi) the amortisation of intangible assets of approximately HK\$46.2 million, a decrease of approximately HK\$7.0 million when compared with the last corresponding period of approximately HK\$53.2 million because of the decrease in the carrying amount of intangible assets as at 31 March 2013; and
- (vii) the deferred income tax credit that arose as a result of the tax effect from the amortisation of intangible assets, decreased from approximately HK\$13.3 million of the last corresponding period to approximately HK\$11.5 million of the current period to match with the decreasing pace of the amortisation of intangible assets.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Segment information

Battery products business

The turnover from battery products business of approximately HK\$40.3 million, represents an increase of approximately 48.2% as compared with the corresponding period of last year. The increase is attributed to the rapid growth trends in the Lithium-ion batteries industry and stable world-wide customers of the Group. The gross profit ratio from the battery products business decreased from approximately 7.8% of the corresponding period of last year to approximately 5.2% of the current period under review. Such decrease is mainly due to the improvement in manufacturing consistency which allows the Group to produce less products, and resulted in temporary decrease in the utilisation rate of the production capacity and therefore an increase in unit cost per battery products. However, this is temporary situation and with the improved consistency in production, the Group will be in a comparative position to capture the market growth in the long run. The gross profit ratio will be increased once the Group are manufacturing on a large scale.

The battery products business recorded a loss before tax of approximately HK\$91.3 million, an improvement of approximately 14.4% as comparing with approximately HK\$106.6 million of the corresponding period of last year, as all the factories of the Group commenced commercial production and the Group continue to strive for high efficiency in operations.

Electric vehicles leasing business

During the period under review, the first batch of electric vehicles which battery products of the Group were applied onto was all leased out. The rental income from electric vehicles leasing business was approximately HK\$0.2 million. The segment loss for the period was approximately HK\$1.0 million as the new business segment of electric vehicles leasing business of the Group was still at its initial stage and yet to cover the fixed costs.

Liquidity and Financial Resources

As of 30 September 2013, the Group had non-current assets of approximately HK\$1,177.1 million (31 March 2013: approximately HK\$1,224.2 million), which comprised of intangible assets, fixed assets, deposits paid for fixed assets and prepaid rentals for office premises. During the current period, fixed assets increased from approximately HK\$451.8 million as at 31 March 2013 to approximately HK\$548.3 million as of 30 September 2013, mainly due to a transfer of the carrying value of a piece of land from deposits paid for fixed assets to fixed assets when the land title deed was obtained during the period. Accordingly, the deposits paid for fixed assets decreased from approximately HK\$100.8 million as at 31 March 2013 to approximately HK\$3.6 million as at 30 September 2013.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Besides, the Group had current assets of approximately HK\$691.8 million (31 March 2013: approximately HK\$404.0 million), which mainly comprised of inventories, trade and other receivables, pledged deposits, and cash and bank balances.

The Group had current liabilities of approximately HK\$1,088.8 million (31 March 2013: approximately HK\$1,071.7 million), which mainly comprised of bank loans, trade and other payables, deposit received, tax payable, and obligations under redeemed convertible bonds of approximately HK\$760.8 million (the "Redemption Amount"). In accordance with a judgment given by the High Court of Hong Kong, the Company has been given an unconditional leave to defend to the extent of the set-off portion of the damages to be claimed by the Group against the Redemption Amount in the legal proceedings against the holder of such redeemed convertible bonds and its associates, and based on which, the Company is entitled to a stay of execution of payment for the Redemption Amount before the conclusion of the relevant legal proceedings. If the Redemption Amount is excluded from the calculation of the net current assets, the Group will have net current assets of approximately HK\$363.7 million (31 March 2013: approximately HK\$93.1 million). The bank loans of approximately HK\$69.4 million (31 March 2013: approximately HK\$107.7 million) were secured by certain land and buildings of the Group with carrying values of approximately HK\$119.9 million (31 March 2013: approximately HK\$190.7 million), denominated in Renminbi ("RMB"), bear interest at prevailing market interest rates and are repayable within one year. The Group's borrowings are mostly event driven, with little seasonality.

The Group's total non-current liabilities (comprised of other non-current liability, which was the grant received from the PRC government authority for subsidising the Group's acquisition of land, and deferred tax liabilities) decreased from approximately HK\$216.4 million as at 31 March 2013 to approximately HK\$205.8 million as at 30 September 2013.

As at 30 September 2013, the Group's gearing ratio, without taking into account the obligations under redeemed convertible bonds of approximately HK\$760.8 million (31 March 2013: approximately HK\$760.8 million), was approximately 25.3% (31 March 2013: approximately 31.7%) calculated on the basis of bank loans of approximately HK\$145.0 million (31 March 2013: approximately HK\$107.7 million) to total equity of approximately HK\$574.2 million (31 March 2013: approximately HK\$340.2 million).

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

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

On 6 May 2013, a total of 1,200,000,000 new shares of the Company were issued and allotted at a price of HK\$0.22 per share pursuant to five subscription agreements entered into between the Company and five independent parties (namely Jade Time Investments Limited, Li Ka Shing (Canada) Foundation, Lion Cosmos Limited, CITIC International Assets Management Limited ("CIAM") and Mr. Lo Ka Shui) on 23 April 2013 under the general mandate to issue shares granted at the Company's annual general meeting held on 20 August 2012. Mr. Lo Wing Yat, an executive director of the Company, is a director and Chief Executive Officer of CIAM. The net proceeds of approximately HK\$264 million will be used for expansion of production capacity and general working capital of the Group.

On 30 September 2013, a total of 220,000,000 new shares of the Company were issued and allotted at a price of HK\$0.294 per share pursuant to a subscription agreement entered into between the Company and CIAM on 19 September 2013 under the general mandate to issue shares granted at the Company's annual general meeting held on 27 August 2013. The net proceeds of approximately HK\$64,680,000 will be used to support the electric vehicle leasing business and the general working capital of the Group.

In addition, 1,125,000 shares of the Company were issued and allotted by the Company pursuant to the exercise of share options granted under the Company's share option scheme during the period under review.

As a result of the above, the number of shares of the Company in issue increased from 12,254,516,626 as at 1 April 2013 to 13,675,641,626 as at 30 September 2013.

Save as disclosed above and the outstanding share options entitling their holders to subscribe for a total of 583,000,000 shares of the Company, the Group had no debt securities or other capital instruments as at 30 September 2013.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Material Acquisitions and Disposals

The Group had no material acquisitions or disposals of subsidiaries or associated companies during the six months ended 30 September 2013.

Pledge of Assets and Contingent Liabilities

There are pledges of land and buildings as at 30 September 2013 and 31 March 2013 with details disclosed under the section headed “Liquidity and Financial Resources”. In addition, pledged deposits of approximately HK\$68.1 million (31 March 2013: approximately HK\$9.6 million) were mainly pledged to secure the deposit received as disclosed in Note 13 to this report on page 20 (31 March 2013: nil) and bills payables of the Group.

The Group had no significant contingent liabilities (31 March 2013: nil) as at 30 September 2013.

Capital Commitments

Details of the capital commitments of the Group are set out in Note 16 to this report on page 23.

Employees and Remuneration Policies

As of 30 September 2013, the Group had 34 employees (31 March 2013: 35 employees) in Hong Kong and 666 employees (31 March 2013: 869 employees) in the PRC. Total staff costs (including directors’ emoluments and equity-settled share-based payments) during the period amounted to approximately HK\$30.8 million (six months ended 30 September 2012: approximately HK\$29.3 million). The remuneration policies are determined with reference to market conditions and individual performance of staff. The Group participates in the 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 participants.

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

As at 30 September 2013, 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
Mr. Miao Zhenguo ("Mr. Miao")	Interest of controlled corporation	2,869,801,043 (Note 1)	—	2,869,801,043	20.98%
	Interest of controlled corporation	105,263,157 (Note 1)	—	105,263,157	0.77%
	Beneficial owner	—	22,000,000 (Note 2)	22,000,000	0.16%
Mr. Lo Wing Yat	Beneficial owner	—	58,800,000 (Note 2)	58,800,000	0.43%
Mr. Xu Donghui	Beneficial owner	220,000	28,000,000 (Note 2)	28,220,000	0.21%
Mr. Jaime Che	Beneficial owner	1,000,000	32,000,000 (Note 2)	33,000,000	0.24%
Professor Chen Guohua	Beneficial owner	—	6,000,000 (Note 2)	6,000,000	0.04%
Mr. Chan Yuk Tong	Beneficial owner	—	18,900,000 (Note 2)	18,900,000	0.14%
Mr. Fei Tai Hung	Beneficial owner	—	18,900,000 (Note 2)	18,900,000	0.14%
Mr. Tse Kam Fow	Beneficial owner	—	18,900,000 (Note 2)	18,900,000	0.14%

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES *(Continued)*

Notes:

1. For the purpose of the SFO, Mr. Miao is deemed to be interested in a total of 2,975,064,200 shares of the Company, of which 2,869,801,043 shares are held by his wholly-owned company, Union Ever Holdings Limited and 105,263,157 shares are held by a charitable organization, China Innovation Foundation Limited, which is associated to him.
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 2013, 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 the share option scheme of the Company disclosed in the section headed "Share Option Scheme" below, at no time during the six months ended 30 September 2013 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 or their spouses or children under the age of 18 to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate nor had exercised any such right.

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

As at 30 September 2013, 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 1)	Beneficial owner	2,869,801,043	–	2,869,801,043	20.98%
Mr. Li Ka-shing (Note 2)	Interest of controlled corporations	2,200,000,000	–	2,200,000,000	16.09%
Jade Time Investments Limited ("Jade Time") (Note 2)	Beneficial owner	935,000,000	–	935,000,000	6.84%
Mayspin Management Limited ("Mayspin") (Note 2)	Interest of controlled corporation	935,000,000	–	935,000,000	6.84%
Li Ka Shing (Canada) Foundation ("LKSCF") (Note 2)	Beneficial owner	916,660,000	–	916,660,000	6.70%
Mr. Li Tzar Kuoi, Victor (Note 3)	Interest of controlled corporations	1,100,000,000	–	1,100,000,000	8.04%
Glorious China Investments Limited ("Glorious China") (Note 4)	Beneficial owner	1,098,099,998	–	1,098,099,998	8.03%
Ms. Xu Yueyue (Note 4)	Interest of controlled corporation	1,098,099,998	–	1,098,099,998	8.03%
Silver Ride Group Limited ("Silver Ride") (Note 5)	Beneficial owner	1,055,000,001	–	1,055,000,001	7.71%
Mr. Chen Jian ("Mr. Chen") (Note 5)	Interest of controlled corporation	1,055,000,001	–	1,055,000,001	7.71%
	Beneficial owner	–	17,000,000	17,000,000	0.12%
Long Hing International Limited ("Long Hing") (Note 6)	Beneficial owner	911,059,998	–	911,059,998	6.66%
Ms. Song Hong (Note 6)	Interest of controlled corporation	911,059,998	–	911,059,998	6.66%

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

Notes:

1. 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.
2. For the purpose of the SFO, Mr. Li Ka-shing is deemed to be interested in a total of 2,200,000,000 shares of the Company, of which 935,000,000 shares are held by Jade Time, 165,000,000 shares are held by CEF Holdings Limited ("CEF"), 183,340,000 shares are held by Lion Cosmos Limited ("Lion Cosmos") and 916,660,000 shares are held by LKSCF.

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 Mr. Li Ka-shing and Mr. Li Tzar Kuoi, Victor are respectively interested in one-third and two-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 one-third or more 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.

Lion Cosmos is a wholly-owned subsidiary of Li Ka Shing (Overseas) Foundation ("LKSOFF"). By virtue of the terms of the constituent documents of LKSOFF and LKSCF, Mr. Li Ka-shing may be regarded as having the ability to exercise or control the exercise of one-third or more of the voting power at general meetings of LKSOFF and LKSCF respectively.

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

Notes: (Continued)

3. For the purpose of the SFO, Mr. Li Tzar Kuoi, Victor is deemed to be interested in a total of 1,100,000,000 shares of the Company, of which 183,340,000 shares are held by Lion Cosmos and 916,660,000 shares are held by LKSCF. Lion Cosmos is a wholly-owned subsidiary of LKSOF. By virtue of the terms of the constituent documents of LKSOF and LKSCF, Mr. Li Tzar Kuoi, Victor may be regarded as having the ability to exercise or control the exercise of one-third or more of the voting power at general meetings of LKSOF and LKSCF respectively.
4. 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.
5. Silver Ride is wholly owned by Mr. Chen, a director of certain subsidiaries of the Company. 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 a total of 17,000,000 underlying shares of the Company which represent interests in the (i) options 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; and (ii) options granted to him on 4 September 2013 at a total consideration of HK\$1 to subscribe for 7,000,000 shares of the Company at an exercise price of HK\$0.45 per share (subject to adjustments). 50% of these options is exercisable from 4 September 2015 to 3 September 2023 while the remaining 50% of these options is exercisable from 4 September 2018 to 3 September 2023.
6. Long Hing is wholly owned by Ms. Song Hong. The 911,059,998 shares of the Company held by Long Hing are deemed to be owned by Ms. Song Hong.

Save as disclosed above, as at 30 September 2013, 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 (as amended by an addendum effective on 7 December 2005) (the “Share Option Scheme”). 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 2013 were as follows:

Category of participants	Date of grant	Number of options				Outstanding as at 30.9.2013	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 1.4.2013	Granted during the period (Note 2)	Exercised during the period	Lapsed during the period				
Director & Substantial Shareholder									
Mr. Miao Zhenguo	21.4.2011	10,000,000	–	–	–	10,000,000	21.4.2012-20.4.2014 (Note 3)	0.810	–
	4.9.2013	–	12,000,000	–	–	12,000,000	4.9.2015-3.9.2023 (Note 4)	0.450	–
Directors									
Mr. Lo Wing Yat	23.8.2007	14,600,000	–	–	–	14,600,000	23.8.2008-22.8.2017 (Note 5)	0.230	–
	8.5.2009	16,200,000	–	–	–	16,200,000	8.5.2010-7.5.2019 (Note 5)	0.061	–

SHARE OPTION SCHEME (Continued)

Category of participants	Date of grant	Number of options				Outstanding as at 30.9.2013	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 1.4.2013	Granted during the period (Note 2)	Exercised during the period	Lapsed during the period				
<i>Directors (Continued)</i>									
Mr. Lo Wing Yat	21.4.2011	20,000,000	—	—	—	20,000,000	21.4.2012-20.4.2014 (Note 3)	0.810	—
	4.9.2013	—	8,000,000	—	—	8,000,000	4.9.2015-3.9.2023 (Note 4)	0.450	—
Mr. Xu Donghui	21.4.2011	20,000,000	—	—	—	20,000,000	21.4.2012-20.4.2014 (Note 3)	0.810	—
	4.9.2013	—	8,000,000	—	—	8,000,000	4.9.2015-3.9.2023 (Note 4)	0.450	—
Mr. Jaime Che	21.4.2011	20,000,000	—	—	—	20,000,000	21.4.2012-20.4.2014 (Note 3)	0.810	—
	4.9.2013	—	12,000,000	—	—	12,000,000	4.9.2015-3.9.2023 (Note 4)	0.450	—
Professor Chen Guohua	4.9.2013	—	6,000,000	—	—	6,000,000	4.9.2015-3.9.2023 (Note 4)	0.450	—

SHARE OPTION SCHEME (Continued)

Category of participants	Date of grant	Number of options					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 1.4.2013	Granted during the period (Note 2)	Exercised during the period	Lapsed during the period	Outstanding as at 30.9.2013			
<i>Directors (Continued)</i>									
Mr. Chan Yuk Tong	8.5.2009	900,000	—	—	—	900,000	8.11.2010-7.5.2019 (Note 6)	0.061	—
	21.4.2011	10,000,000	—	—	—	10,000,000	21.4.2012-20.4.2014 (Note 3)	0.810	—
	4.9.2013	—	8,000,000	—	—	8,000,000	4.9.2015-3.9.2023 (Note 4)	0.450	—
Mr. Fei Tai Hung	8.5.2009	900,000	—	—	—	900,000	8.11.2010-7.5.2019 (Note 6)	0.061	—
	21.4.2011	10,000,000	—	—	—	10,000,000	21.4.2012-20.4.2014 (Note 3)	0.810	—
	4.9.2013	—	8,000,000	—	—	8,000,000	4.9.2015-3.9.2023 (Note 4)	0.450	—
Mr. Tse Kam Fow	8.5.2009	900,000	—	—	—	900,000	8.11.2010-7.5.2019 (Note 6)	0.061	—
	21.4.2011	10,000,000	—	—	—	10,000,000	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 30.9.2013	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 1.4.2013	Granted during the period (Note 2)	Exercised during the period	Lapsed during the period				
<i>Directors (Continued)</i>									
Mr. Tse Kam Fow	4.9.2013	—	8,000,000	—	—	8,000,000	4.9.2015-3.9.2023 (Note 4)	0.450	—
Employees	8.5.2009	1,125,000	—	(1,125,000)	—	—	8.5.2011-7.5.2019 (Note 7)	0.061	0.310
	21.4.2011	50,300,000	—	—	—	50,300,000	21.4.2012-20.4.2014 (Note 3)	0.810	—
	21.4.2011	15,200,000	—	—	(1,600,000) (Note 8)	13,600,000	21.4.2013-20.4.2014 (Note 7)	0.810	—
	4.9.2013	—	197,400,000	—	—	197,400,000	4.9.2015-3.9.2023 (Note 4)	0.450	—
Others	23.8.2007	7,200,000	—	—	—	7,200,000	23.8.2008-22.8.2017 (Note 5)	0.230	—
	21.4.2011	101,000,000	—	—	—	101,000,000	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 30.9.2013	Exercise period	Weighted average closing price of the shares immediately before the dates on which the options were exercised	
		Outstanding as at 1.4.2013	Granted during the period (Note 2)	Exercised during the period	Lapsed during the period			Exercise price per option HK\$	which the options were exercised HK\$
Others (Continued)	4.9.2013	–	10,000,000	–	–	10,000,000	4.9.2015-3.9.2023 (Note 4)	0.450	–
		<u>308,325,000</u>	<u>277,400,000</u>	<u>(1,125,000)</u>	<u>(1,600,000)</u>	<u>583,000,000</u>			
Weighted average exercise price (HK\$)		<u>0.720</u>	<u>0.450</u>	<u>0.061</u>	<u>0.810</u>	<u>0.593</u>			
Exercisable as at 30.9.2013						21,800,000 18,900,000 264,900,000		0.230 0.061 0.810	

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 277,400,000 shares of the Company were granted on 4 September 2013. The Company received an aggregate consideration of HK\$119 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\$0.300.
- Options granted are subject to a vesting period of one year and are exercisable 12 months after the relevant date of grant.
- Options granted are subject to a vesting period of five years with half of the options becoming exercisable 24 months after the date of grant and the remainder becoming exercisable 60 months after the date of grant.

SHARE OPTION SCHEME (Continued)

Notes: (Continued)

5. Options granted are 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.
6. Options granted are 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.
7. Options granted are subject to a vesting period of two years and are exercisable 24 months after the relevant date of grant.
8. A total of 1,600,000 vested options lapsed during the six months ended 30 September 2013 following the cessation of optionholders to be employees of the Company or eligible participants of the Share Option Scheme.
9. The weighted average fair values of the options granted during the six months ended 30 September 2013 calculated using the Binomial Option-Pricing Model and the inputs into such model were as follows:

	Options granted on 4 September 2013 with vesting period of two years	Options granted on 4 September 2013 with vesting period of five years
Weighted average fair value	HK\$0.045	HK\$0.128
Share price on grant date	HK\$0.295	HK\$0.295
Exercise price	HK\$0.450	HK\$0.450
Expected volatility	52.62%	63.99%
Option life	10 years	10 years
Risk-free interest rate	0.376%	1.392%
Expected dividend yield	0%	0%

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.

10. No options were cancelled during the six months ended 30 September 2013.

CORPORATE GOVERNANCE

The Company applied the principles of and complied with all the code provisions of the Corporate Governance Code and Corporate Governance Report (the “Code”) contained in Appendix 14 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) throughout the six months ended 30 September 2013 except for those deviations stated in the below paragraphs.

The Stock Exchange has implemented a new code provision A.5.6 into the Code which came into effect on 1 September 2013. The said code provision stipulates that the nomination committee (or the board) should have a policy concerning diversity of board members. To comply with the same, the Board has adopted a board diversity policy during the period under review. The Company recognises and embraces the benefit of diversity on the Board so as to ensure that the Board has, at all times, the appropriate skills, experience and diversity of perspectives to support the execution of its business strategies.

The deviations made by the Company against the Code during the period under review were as follows:

Code provisions A.2.1 to A.2.9

The Company has no Chairman since 16 October 2008. This constitutes a deviation from the code provisions A.2.1 to A.2.9 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 Group. 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.

CORPORATE GOVERNANCE *(Continued)*

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, the Deputy Chairman, chaired the Company's annual general meeting held on 27 August 2013 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 2012/2013 annual report are set out below:

- Mr. Chan Yuk Tong, an independent non-executive director of the Company, retired as an independent non-executive director of Daisho Microline Holdings Limited (Stock Code: 567) on 26 August 2013 and was appointed as an independent non-executive director of China Motion Telecom International Limited (Stock Code: 989) on 29 November 2013, all being companies whose shares are listed on the Stock Exchange.

Save 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 for Securities Transactions by Directors of Listed Issuers (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 2013.

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 2013.

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 2013.

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 2013 and this report.

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

Hong Kong, 29 November 2013

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 (Vice President) as executive directors; Professor Chen Guohua as non-executive director; and Mr. Chan Yuk Tong, Mr. Fei Tai Hung and Mr. Tse Kam Fow as independent non-executive directors.

Website: <http://www.sinopolybattery.com>