

# Sino**o**ly 中聚

## Sinopoly Battery Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 729)

INTERIM REPORT 2012/13

# *Shaping The 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 2012 together with the comparative figures for the corresponding period in 2011 as follows:

## CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2012

		Six months ended	
		30.9.2012 (unaudited) HK\$'000	30.9.2011 (unaudited) HK\$'000
	Note	<u>HK\$'000</u>	<u>HK\$'000</u>
<b>Continuing operations</b>			
<b>Revenue</b>	2	27,657	5,715
Cost of sales		<u>(25,080)</u>	<u>(4,348)</u>
<b>Gross profit</b>		2,577	1,367
Other income		991	1,126
Selling and distribution costs		(10,141)	(7,729)
General and administrative expenses		(43,698)	(41,211)
Other operating expenses	4	(14,053)	(11,113)
Finance costs	3	(8,781)	(7,704)
Amortisation of intangible assets	8	<u>(53,216)</u>	<u>(70,042)</u>
<b>Loss before tax</b>	4	(126,321)	(135,306)
Income tax	5	<u>13,304</u>	<u>17,511</u>
<b>Loss for the period from continuing operations</b>		(113,017)	(117,795)
<b>Discontinued operation</b>			
Profit for the period from discontinued operation		<u>—</u>	<u>164</u>
<b>Loss for the period</b>		<u>(113,017)</u>	<u>(117,631)</u>
<b>Attributable to:</b>			
Owners of the Company		<u>(113,017)</u>	<u>(117,631)</u>
		HK cents	HK cents
<b>Loss per share attributable to owners of the Company</b>			
From continuing and discontinued operations	6		
— Basic and diluted		<u>(1.03)</u>	<u>(1.12)</u>
From continuing operations			
— Basic and diluted		<u>(1.03)</u>	<u>(1.12)</u>

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2012

	Six months ended	
	30.9.2012 (unaudited) HK\$'000	30.9.2011 (unaudited) HK\$'000
Loss for the period	(113,017)	(117,631)
Other comprehensive (loss)/income for the period, net of tax:		
Exchange differences on translation of foreign subsidiaries	<u>(2,364)</u>	<u>7,172</u>
<b>Total comprehensive loss for the period</b>	<b><u>(115,381)</u></b>	<b><u>(110,459)</u></b>
Attributable to:		
Owners of the Company	<b><u>(115,381)</u></b>	<b><u>(110,459)</u></b>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2012

		30.9.2012 (unaudited) HK\$'000	31.3.2012 (audited) HK\$'000
	Note	<u>HK\$'000</u>	<u>HK\$'000</u>
<b>Non-current assets</b>			
Intangible assets	8	812,202	865,418
Fixed assets	9	427,360	335,419
Deposits paid for fixed assets		<u>110,624</u>	<u>187,498</u>
		<u>1,350,186</u>	<u>1,388,335</u>
<b>Current assets</b>			
Inventories		104,306	57,893
Trade and other receivables	10	145,009	110,947
Pledged bank deposits	11	12,228	—
Cash and bank balances		<u>167,318</u>	<u>216,873</u>
		<u>428,861</u>	<u>385,713</u>
<b>Current liabilities</b>			
Bank loans		(78,097)	—
Trade and other payables	11	(134,140)	(86,325)
Tax payable		(8,695)	(8,695)
Obligations under redeemed convertible bonds	12	<u>(760,752)</u>	<u>(760,752)</u>
		<u>(981,684)</u>	<u>(855,772)</u>
<b>Net current liabilities</b>		<u>(552,823)</u>	<u>(470,059)</u>
<b>Total assets less current liabilities</b>		<u>797,363</u>	<u>918,276</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Continued)

As at 30 September 2012

		30.9.2012 (unaudited) HK\$'000	31.3.2012 (audited) HK\$'000
	Note	<u>HK\$'000</u>	<u>HK\$'000</u>
<b>Non-current liabilities</b>			
Other non-current liability		(51,060)	(51,511)
Convertible bonds	13	(117,402)	(121,162)
Deferred tax liabilities		<u>(203,051)</u>	<u>(216,355)</u>
		<u>(371,513)</u>	<u>(389,028)</u>
<b>NET ASSETS</b>		<u>425,850</u>	<u>529,248</u>
<b>CAPITAL AND RESERVES</b>			
Equity attributable to owners of the Company			
Issued capital	14	110,981	109,917
Reserves		<u>314,869</u>	<u>419,331</u>
<b>TOTAL EQUITY</b>		<u>425,850</u>	<u>529,248</u>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2012

	Unaudited								
	Attributable to owners of the Company								
	Issued capital	Share premium	Exchange reserve	Contributed surplus	Equity component of		Share option reserve	Accumulated losses	Total equity
					Capital redemption reserve	convertible bonds			
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 April 2012	109,917	3,651,166	18,805	15,506	1,868	153,974	16,753	(3,438,741)	529,248
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
<b>At 30 September 2012</b>	<b>110,981</b>	<b>3,673,703</b>	<b>16,441</b>	<b>15,506</b>	<b>1,868</b>	<b>141,128</b>	<b>17,981</b>	<b>(3,551,758)</b>	<b>425,850</b>
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 for the period	–	–	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>

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS***For the six months ended 30 September 2012*

	<b>Six months ended</b>	
	<b>30.9.2012</b>	30.9.2011
	<b>(unaudited)</b>	(unaudited)
	<b>HK\$'000</b>	HK\$'000
	<u>          </u>	<u>          </u>
Net cash used in operating activities	<b>(85,826)</b>	(78,197)
Net cash used in investing activities	<b>(30,106)</b>	(168,436)
Net cash from financing activities	<b>65,937</b>	359,298
	<u>          </u>	<u>          </u>
Net (decrease)/increase in cash and cash equivalents	<b>(49,995)</b>	112,665
Effect on exchange rate changes	<b>440</b>	3,509
Cash and cash equivalents at the beginning of the period	<b>216,873</b>	396,746
	<u>          </u>	<u>          </u>
Cash and cash equivalents at the end of the period	<b>167,318</b>	512,920
	<u>          </u>	<u>          </u>
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	<b>167,318</b>	512,920
	<u>          </u>	<u>          </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 2012, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

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\$552,823,000 as at 30 September 2012, which included obligations under redeemed convertible bonds of approximately HK\$760,752,000 (the “Redemption Amount”). After having considered the Group’s future income and internal financial resources, a standby banking facility granted by a financial institution, the financial support from a substantial shareholder of the Company and, based on a legal opinion, the Company has 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 the holder of such redeemed convertible bonds and its associates, 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 2012, 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 2012, that are adopted for the first time in the current period's financial statements:

HKFRS 7 (Amendment)	Disclosures – Transfers of Financial Assets
HKAS 12 (Amendment)	Deferred Tax – Recovery of Underlying Assets

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 related products, and income on treasury investment which includes interest income on bank deposits. The securities brokerage business has been classified as discontinued operation during the period ended 30 September 2011.

	Six months ended	
	30.9.2012 (unaudited) HK\$'000	30.9.2011 (unaudited) HK\$'000
Sales of Lithium-ion batteries and related products	27,200	4,748
Bank interest income from treasury investment in cash markets	457	967
Revenue from continuing operations	27,657	5,715
Securities brokerage service income from discontinued operation	—	32
Total	<u>27,657</u>	<u>5,747</u>

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 purpose of resource allocation and performance assessment. The Board considers that the Group is organised into business units based on their products and services.

The Group is engaged in the research and development, production, distribution and sale of Lithium-ion batteries and related products ("Lithium-ion battery business") and treasury investment. The revenue, results and assets of Lithium-ion battery business were more than 90% of the Group's revenue, results and assets during the period. No business segment analysis is presented accordingly.

## NOTES TO THE INTERIM FINANCIAL STATEMENTS (Continued)

### 3. FINANCE COSTS

	Six months ended	
	30.9.2012 (unaudited) HK\$'000	30.9.2011 (unaudited) HK\$'000
Imputed interest on convertible bonds (Note 13)	6,891	6,308
Interest on bank loans wholly repayable within five years	<u>1,890</u>	<u>1,396</u>
	<u>8,781</u>	<u>7,704</u>

### 4. LOSS BEFORE TAX

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

	Six months ended	
	30.9.2012 (unaudited) HK\$'000	30.9.2011 (unaudited) HK\$'000
<b>Continuing operations</b>		
Interest income	(610)	(1,758)
Cost of inventories sold	25,080	4,348
Amortisation of intangible assets	53,216	70,042
Depreciation and amortisation of fixed assets	11,784	5,927
Loss on disposal of fixed assets	—	237
Exchange losses, net	<u>2,524</u>	<u>2,212</u>
<b>Discontinued operation</b>		
Gain on disposal of a subsidiary	—	(286)
Depreciation and amortisation of fixed assets	<u>—</u>	<u>8</u>

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

### 4. LOSS BEFORE TAX *(Continued)*

*Note:*

During the period, the other operating expenses of HK\$14,053,000 represent production and output costs incurred in trial run stage of the Group's battery production base in Tianjin, the People's Republic of China (the "PRC"). The other operating expenses for last corresponding period of HK\$11,113,000 represent production and output costs incurred in trial run stage of the Group's battery production base in Jilin, the PRC.

### 5. INCOME TAX

	Six months ended	
	30.9.2012 (unaudited) HK\$'000	30.9.2011 (unaudited) HK\$'000
The PRC tax:		
Charge for the period	—	—
Deferred	<u>(13,304)</u>	<u>(17,511)</u>
Tax credit during the period (attributable to continuing operations)	<u>(13,304)</u>	<u>(17,511)</u>

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 2012 and 2011. The reversal of deferred tax of HK\$13,304,000 (2011: HK\$17,511,000) that has been credited to the consolidated income statement arose as a result of the tax effect from amortisation of intangible assets during the reporting period.

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

### 6. 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 owners of the Company of HK\$113,017,000 (2011: HK\$117,631,000); and (ii) the weighted average number of 10,999,637,000 (2011: 10,475,750,000) ordinary shares in issue during the period.

	<b>Six months ended</b>	
	<b>30.9.2012</b>	30.9.2011
	<b>Weighted average number of ordinary shares (unaudited) '000</b>	Weighted average number of ordinary shares (unaudited) '000
Issued ordinary shares at beginning of the reporting period	<b>10,991,707</b>	9,284,782
Effect on issue of shares pursuant to share placement <i>(Note 14(a))</i>	—	202,732
Effect on issue of shares upon conversion of convertible bonds <i>(Note 14(b))</i>	<b>6,903</b>	983,607
Effect on issue of shares upon exercise of share options <i>(Note 14(c))</i>	<b>1,027</b>	4,629
	<hr/>	<hr/>
Weighted average number of ordinary shares at the end of the reporting period	<b>10,999,637</b>	10,475,750
	<hr/>	<hr/>

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

### 6. LOSS PER SHARE *(Continued)*

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

##### *From continuing operations*

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

	<b>Six months ended</b>	
	<b>30.9.2012</b>	30.9.2011
	<b>(unaudited)</b>	(unaudited)
	<b>HK\$'000</b>	HK\$'000
Loss for the period attributable to owners of the Company		
Loss for the period	<b>113,017</b>	117,631
Add: Profit for the period from discontinued operation	—	164
	<u>113,017</u>	<u>117,795</u>
Loss for the period from continuing operations	<b>113,017</b>	117,795

##### *From discontinued operation*

Basic profit per share from discontinued operation for the period ended 30 September 2011 was HK cents nil which was calculated based on profit for the period attributable to owners of the Company from discontinued operation of HK\$164,000.

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 had anti-dilutive effect and would result in a reduction in loss per share for the periods ended 30 September 2012 and 2011. 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)*

### 7. INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the period (2011: nil).

### 8. INTANGIBLE ASSETS

	<b>(unaudited)</b> <b>HK\$'000</b>
<b>Cost</b>	
At 31 March 2012, 1 April 2012 and 30 September 2012	<b>3,640,000</b>
<b>Accumulated amortisation and impairment losses</b>	
At 31 March 2012 and 1 April 2012	2,774,582
Charge for the period	53,216
At 30 September 2012	<b>2,827,798</b>
<b>Carrying amount</b>	
<b>At 30 September 2012</b>	<b>812,202</b>
At 31 March 2012	865,418

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.

### 9. FIXED ASSETS

During the period, the Group purchased approximately HK\$106,980,000 (six months ended 30.9.2011: HK\$119,766,000) of fixed assets including amount of approximately HK\$92,157,000 (six months ended 30.9.2011: HK\$19,404,000) being transferred from deposits paid for fixed assets. Carrying amounts of approximately HK\$142,750,000 comprising interest in leasehold land held for own use under operating lease, leasehold land under finance leases and buildings, and buildings held for own use were pledged as security for the Group's bank loans of HK\$78,097,000 at the end of the reporting period (31.3.2012: nil).

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

### 10. TRADE AND OTHER RECEIVABLES

	<b>30.9.2012</b> <b>(unaudited)</b> <b>HK\$'000</b>	31.3.2012 <b>(audited)</b> <b>HK\$'000</b>
Trade receivables	46,011	44,882
Bills receivables	1,956	—
	<b>47,967</b>	44,882
Other receivables	28,785	28,785
Less: Allowance for doubtful debts	<b>(28,785)</b>	<b>(28,785)</b>
	<b>47,967</b>	44,882
Deposits and prepayments	41,895	23,571
Other receivables	55,147	42,494
	<b>145,009</b>	110,947

An ageing analysis of trade and bills receivables is as follows:

	<b>30.9.2012</b> <b>(unaudited)</b> <b>HK\$'000</b>	31.3.2012 <b>(audited)</b> <b>HK\$'000</b>
Within 1 month	1,495	42,829
Between 1 and 3 months	2,339	1,844
Over 3 months	44,133	209
	<b>47,967</b>	44,882

Trading terms with customers are either on a cash basis or on credit. For those customers who trade on credit, a credit period 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. The carrying amounts of the receivables approximate their fair values.



## NOTES TO THE INTERIM FINANCIAL STATEMENTS (Continued)

### 11. TRADE AND OTHER PAYABLES

	<b>30.9.2012</b> <b>(unaudited)</b> <b>HK\$'000</b>	31.3.2012 (audited) HK\$'000
Trade payables	<b>30,889</b>	12,712
Bills payables	<b>12,228</b>	—
	<b>43,117</b>	12,712
Other payables and accruals	<b>91,023</b>	73,613
	<b>134,140</b>	86,325

An ageing analysis of trade and bills payables is as follows:

	<b>30.9.2012</b> <b>(unaudited)</b> <b>HK\$'000</b>	31.3.2012 (audited) HK\$'000
Within 1 month	<b>10,235</b>	4,520
Between 1 and 3 months	<b>10,968</b>	4,282
Over 3 months	<b>21,914</b>	3,910
	<b>43,117</b>	12,712

The carrying amount of trade and other payables approximate their fair values. As at 30 September 2012, bills payables of approximately HK\$12,228,000 was secured by the equivalent amount of pledged bank deposits.

### 12. 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. Chung Winston (formerly known as Chung Hing Ka) (“Mr. Chung”), a former director of the Company, for the redemption of the convertible bonds of approximately HK\$760,752,000 held by Mei Li at the face value. In a legal proceedings against Mr. Chung and his associates (including Mei Li) (the “Defendants”), the Claim Amount by the Group against the Defendants is expected to exceed the Redemption Amount (based on an expert’s opinion). The Group has also sought to set off the Redemption Amount by the Claim Amount to be awarded and receivable from the Defendants in such legal proceedings (the “Set-Off”). The Group has consulted its legal counsels and have valid grounds to believe that the Set-Off will be available. The Group anticipates that the trial of such legal proceedings will not commence in 2013.

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

### 13. CONVERTIBLE BONDS

During the period, the convertible bonds with an aggregate principal amount of HK\$20,000,000 were converted into 105,263,157 ordinary shares of the Company of HK\$0.01 each at a conversion price of HK\$0.19 each (Note 14(b)). During the year ended 31 March 2012, 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.

The movements of the convertible bonds which has been split as to its liability and equity components are as follows:

	<b>Convertible bonds</b>		
	<b>Liability</b>	<b>Equity</b>	<b>Total</b>
	<b>component</b>	<b>component</b>	
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
At 1 April 2011	198,409	282,436	480,845
Conversion into shares during the year ended 31 March 2012	(90,353)	(128,462)	(218,815)
Imputed interest expenses	13,106	—	13,106
At 31 March 2012 and 1 April 2012	121,162	153,974	275,136
Conversion into shares during the period	(10,651)	(12,846)	(23,497)
Imputed interest expenses <i>(Note 3)</i>	6,891	—	6,891
<b>At 30 September 2012</b>	<b>117,402</b>	<b>141,128</b>	<b>258,530</b>

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

### 14. SHARE CAPITAL

	30.9.2012		31.3.2012	
	(unaudited)	(unaudited)	(audited)	(audited)
	No. of shares '000	HK\$'000	No. of shares '000	HK\$'000
<b>Authorised:</b>				
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>
<b>Issued and fully paid:</b>				
At beginning of the reporting period				
Ordinary shares of HK\$0.01 each	10,991,707	109,917	9,284,782	92,847
Issue of new shares:				
— pursuant to share placement <i>(Note (a))</i>	—	—	700,000	7,000
— upon conversion of convertible bonds <i>(Note (b))</i>	105,263	1,053	1,000,000	10,000
— upon exercise of share options <i>(Note (c))</i>	<u>1,125</u>	<u>11</u>	<u>6,925</u>	<u>70</u>
At end of the reporting period				
Ordinary shares of HK\$0.01 each	<u>11,098,095</u>	<u>110,981</u>	<u>10,991,707</u>	<u>109,917</u>

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

### 14. 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) Convertible bonds converted into shares

During the period, the convertible bonds with an aggregate principal amount of HK\$20,000,000 were converted into 105,263,157 ordinary shares of the Company of HK\$0.01 each at a conversion price of HK\$0.19 per share (Note 13).

During the year ended 31 March 2012, 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 per share.

(c) Exercise of share options

During the period, options to subscribe for 1,125,000 ordinary shares were exercised. The net consideration was HK\$68,000 of which HK\$11,000 was credited to share capital account and the balance of HK\$57,000 was credited to the share premium account. Amount of HK\$36,000 was transferred from share option reserve account to share premium account.

During the year ended 31 March 2012, 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 the share premium account. Amount of HK\$269,000 was transferred from share option reserve account to share premium account.

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)*

### 15. CAPITAL COMMITMENTS

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

	<b>30.9.2012</b> <b>(unaudited)</b> <b>HK\$'000</b>	31.3.2012 <i>(audited)</i> HK\$'000
Capital commitments in respect of fixed assets:		
Contracted, but not provided for	<b>34,614</b>	57,548
Authorised, but not contracted for	<b>2,092</b>	—
	<b>36,706</b>	57,548

### 16. RELATED PARTY TRANSACTIONS

#### *Key management personnel remuneration*

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

	<b>Six months ended</b>	
	<b>30.9.2012</b> <b>(unaudited)</b> <b>HK\$'000</b>	30.9.2011 <i>(unaudited)</i> HK\$'000
Short-term employee benefits	<b>1,741</b>	2,212
Equity-settled share-based payments	<b>215</b>	2,381
	<b>1,956</b>	4,593

## 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 “Electric Battery Products”). The Electric Battery Products of the Group are mainly used for electric vehicles and energy storage.

### MARKET OVERVIEW

Faced with problems such as severe energy shortages and environmental pollution, the world is proactively developing various environmental and energy-saving related industries. Countries have stepped up their efforts on the development of smart grids, electric vehicle technologies and the related large capacity battery systems. Large capacity batteries include Lithium-ion batteries, Nickel-metal hydride batteries, fuel cells and supercapacitors etc. Of the aforementioned, Lithium-ion batteries are widely used in transportation and energy storage applications due to their comparative advantages in energy density, longevity and environmental friendliness. Europe, America, Japan and Korea have attached great importance to the development of the Lithium-ion battery industry.

Currently, the world is vigorously launching the construction of smart grids to improve energy efficiency. Market consensus forecast the potential and demand of Lithium-ion batteries in the market of energy storage for smart grid are promising. The demand will reach USD1.5 billion and USD6 billion in 2015 and 2020 respectively. In conjunction with the country’s rapid growing economy and to optimize its energy efficiency, the People’s Republic of China (the “PRC”) has become one of the major proponents for smart grids. Under the “Twelfth Five-year Plan”, the electricity industry of the PRC will invest RMB6,100 billion in developing electric power source and constructing electricity grids, providing robust business opportunities.

To cultivate the development of new energy automotive industry, the PRC plans the output of pure electric and plug-in hybrid vehicles to reach 500,000 units by 2015 and to surpass 5 million units by 2020. In October 2012, the Ministry of Finance, the Ministry of Industry and Information Technology (the “MIIT”) and the Ministry of Science and Technology of the PRC jointly announced that they will fund and support innovative technology in the new energy automotive industries, focusing on developing projects related to new energy vehicles and large capacity battery, further boosting the innovative capabilities of related industries.

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

A foundation of stable and advanced technologies is the key in promoting the development of smart grids and popularizing new energy vehicles. In recent years, the PRC government has proactively invested its resources to propel the research, application and development of smart grids, new energy vehicles and large capacity battery technologies. The Group believed that these policies will facilitate the development and the consolidation of the Lithium-ion battery industry, enhance overall standards and nurture a group of domestic corporations to compete internationally.

## BUSINESS REVIEW

The expansion of the Jilin battery production base and the construction of the Tianjin battery production base have been completed. This signifies that the Group has moved from the construction phase into production. Meanwhile, sales orders steadily increased. During the period under review, the Group dedicated to increase the utilization rate of the factories and also proactively develops new patents and technologies in order to enhance its market competitiveness.

### ***All Production Lines Commenced Production***

Following the commencement of commercial production of the new production line in Jilin base in last November, the first battery production line in the Tianjin base also has completed its trial and adjustment phase and begins commercial production. During the period, the Group has introduced new production process techniques. Through this unique manufacturing know-how, the consistency and various specifications of the battery products were enhanced.

Currently, the production capacity of the Group's two production bases has steadily increased after the initial trial and adjustment. The Group will accelerate into mass production in order to reduce overall production costs. The total designed production capacity of the two production bases is 250 million ampere-hours ("AH") per annum, which makes the Group one of the largest manufacturers of large capacity Lithium-ion battery in the PRC.

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### ***Deepening Strategic Partnership with Customers***

Although there are signs of a global economic slowdown, the governments of various countries have continued to support and promote environmental and energy savings policies. Energy storage market in Europe is relatively more mature and keen to replace traditional Lead-acid batteries with large capacity Lithium-ion batteries due to environmental concern and difference in performance. Accordingly, the Group has set Europe as its primary overseas sales target and has successfully penetrated the local commercial energy storage and smart grid markets, established new partnerships and launched various Lithium-ion battery projects with different types of new customers. Overseas orders have increased significantly.

In relation to the domestic market, the Group has partnered with a number of notable enterprises in the PRC, such as the State Grid Corporation of China (the “SGCC”), FAW Bus, Dongfeng Hangzhou Motor and China Mobile in relation to Lithium-ion battery application projects. The initial trial phases of certain projects have been completed with encouraging results, which establish the foundation for further and larger co-operation. In the SGCC electric vehicle project, the electric cars equipped with the Group’s Lithium-ion batteries have been successfully operating at the first pilot city, Hangzhou. Furthermore, the Group has also entered the similar projects with the SGCC in other cities such as Shanghai and Ningxia.

### ***Jointly Developed EV Coach Recognized***

The pure electric coaches, jointly developed by the Group and various manufactures such as FAW Bus, Xiamen King Long and Dongfeng, have been included in the “Catalogue of Recommended Vehicles out of the Energy-Saving and New Energy Vehicle Demonstration, Promotion and Application Project\*” by the MIIT, indicating they are roadworthy and approved for commenced commercial production.

In addition, the 12-metre pure electric coach, jointly launched by the Group and Xiamen King Long, won the awards of “Excellent Model” and “Technology Innovation” during the “2012 China (Hangzhou) Innovation Competition for Energy-saving and Renewable Energy Coaches\*\*”.



## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### ***Strengthening R&D***

The Group, through its internal R&D, has applied over 40 patents in relation to Lithium-ion battery manufacturing and applications. The new patented technology can improve the quality, consistency, product safety and reduces overall production cost of the Group's battery products.

During the period, the Sinopoly Battery Research Center has been actively participated in worldwide academic exchange programs and joint research projects. While sharing and exchanging research findings, the R&D team has access to the latest technology developments and trends, enable it to set up new research targets and goals for the Group.

### ***Comparative Advantages***

Upon entering the operating stage, the Group has established a solid foundation and recruited skilled experts and talents in various fields. The Group has also successfully promoted itself in the Lithium-ion market and become a globally recognized brand. During the period under review, the Group continued to adopt pragmatic, professional and earnest business principles in pursuit of its business development and expansion. The Group's pragmatic principles have enticed numerous industry experts and talented individuals to join the Group. The Group has set up the Technical Advisory Committee since 8 March 2011 with a view to affording the Board expert advice in relation to strategic planning in the field of Lithium-ion battery and electric vehicle, and enhancing the Group's capability in R&D. The Technical Advisory Committee currently comprises distinguished Professors Ma Zifeng, Xie Kai and Wang Rongshun. The Group will continue to look for suitable candidates to sit as new members. In the meantime, the Group has successfully invited Professor Chen Guohua, who is an expert in the area of electrochemical energy storage, to join the Board on 1 March 2012 as non-executive director. Management believes that its elite team from the industry will help the Group to achieve more breakthrough developments.

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### LITIGATIONS

#### *On-going Litigations*

The Group currently has three on-going litigations (the “On-going Litigations”). All of the On-going Litigations are litigations against Mr. Chung Winston (formerly known as Chung Hing Ka) (“Mr. Chung”), a former director of the Company, and/or companies which are controlled and/or owned by him (together with Mr. Chung, the “Chung Parties”). These litigations are:

1. The Company and two of its subsidiaries suing the Chung Parties in the High Court of Hong Kong (the “HK Court”) for, inter alia, 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 “Original Proceedings”);
2. Two of the Chung Parties suing a subsidiary of the Company in the Shenzhen Intermediate Court of the PRC (the “SZ Court”) for approximately RMB185.7 million in relation to an unpaid cost for certain alleged Electric Battery Products and an unpaid fee for certain alleged facilities upgrade that are owing to them (the “Second Proceedings”); and
3. Two of the Chung Parties suing a subsidiary of the Company in the HK Court, for, inter alia, a declaration that such subsidiary of the Company ceases to have any right to use certain patents (the “Third Proceedings”).

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### ***Credibility of the Chung Parties' Case***

In all of the On-going Litigations, the Chung Parties have primarily relied on certain documents (the "Questioned Documents"), to which a subsidiary of the Company is allegedly to be a party, in support of their cases. The Group was not aware of the existence of such Questioned Documents prior to the On-going Litigations and the abovementioned subsidiary did not execute any of the Questioned Documents. The Group has strong reasons to believe that the Questioned Documents are fraudulently altered and/or completely fabricated. An authoritative forensic centre appointed by the SZ Court issued a report in relation to the Questioned Documents (the "Forensic Report") and confirmed that, inter alia, the Questioned Documents have been tampered. The Company has reported the above incident to the relevant law enforcement agencies.

Hence, the Company considered that the Chung Parties' defences and/or complaints in the On-going Litigations are frivolous, vexatious and an abuse of legal process. The Board is of the view that the purpose of the Second Proceedings and the Third Proceedings is to complicate and delay the Original Proceedings. For example, earlier in June 2012, Chung Parties had filed a separate complaint against the Company in the HK Court but such complaint has been successfully struck off and the case has been dismissed by the HK Court.

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### *Status of the On-going Litigations*

In the Original Proceedings, the Chung Parties have subsequently filed a counterclaim for, inter alia, the amount payable of approximately HK\$760.8 million for the redemption of certain convertible bonds of the Company (the "Redemption Amount") which one of the Chung Parties received as part of the consideration of the Acquisition. The damages (arising from the breaches in relation to the Acquisition) claimed by the Group against the Chung Parties in the Original Proceedings are expected to exceed the Redemption Amount. The Group will seek to set off portion of such claimed amount against the Redemption Amount (the "Set-Off") for the protection of its interest. Based on the legal opinion of the Group's legal counsels, the Group does not anticipate that the Original Proceedings will go to trial by the end of 2013 and hence, the Set-Off will not be completed before 2014.

In relation to the Second Proceedings, the Group expects a substantive ruling within the next six months. The Group's legal counsels are of the view that the Forensic Report will assist the SZ Court to make its ruling in a timely manner and such ruling by the SZ Court will advance the Original Proceedings as well.

In regard to the progress of the Third Proceedings, the subsidiary of the Company has pleaded its defence but the Chung Parties have not yet filed their reply and provided all the original documents in support of their case as of the day of this report.

The Group will continue to pursue all the On-going Litigations vigorously, with the view to speed up the litigation process to protect the Group's and all shareholders' interest. As the Original Proceedings are at the early stage, the Group has not included in its consolidated financial statements for the six months ended 30 September 2012 (the "Interim Statements") the claim to be awarded recoverable from Chung Parties in the Original Proceedings. The Group considered that the exposure in the On-going Litigations is remote and no provision for loss is required in the Interim Statements. The Board is also of the view that the On-going Litigations have no and will not have any negative effect on the business, financial position and development of the Group.

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### FINANCIAL REVIEW

During the period under review, the Group recorded a turnover from continuing operations of approximately HK\$27.7 million, representing an increase of approximately HK\$22.0 million as compared with approximately HK\$5.7 million of the corresponding period last year. The substantial growth in turnover was mainly achieved by the increase in sales orders in the battery products business. The battery products business constituted approximately 98.3% (2011: approximately 83.1%) of the Group's total turnover from continuing operations. Gross profit increased to approximately HK\$2.6 million of the current period under review from approximately HK\$1.4 million of the same period last year. The Group narrowed its loss by approximately HK\$4.6 million to approximately HK\$113.0 million of the current period under review from a loss from approximately HK\$117.6 million of the corresponding period last year, an improvement of approximately 3.9%.

The loss of approximately HK\$113.0 million for the current period under review was principally attributable to (i) the selling and distribution costs of approximately HK\$10.1 million (increased of approximately HK\$2.4 million comparing with last corresponding period of HK\$7.7 million); (ii) the general and administrative expenses of approximately HK\$43.7 million (increased of approximately HK\$2.5 million comparing with approximately HK\$41.2 million of last corresponding period); (iii) the other operating expenses of approximately HK\$14.1 million (increased of approximately HK\$3.0 million comparing with last corresponding period of approximately HK\$11.1 million for the expenses incurred in the initial trial run stage of the battery production bases; and (iv) the amortisation of intangible assets of approximately HK\$53.2 million (decreased of approximately HK\$16.8 million comparing with the last corresponding period of approximately HK\$70.0 million because of the decrease in the recoverable amount of intangible assets as at 31 March 2012).

The Group disposed of its entire issued share capital of Infast Brokerage Limited which principally engaged in the securities brokerage business and was classified as a discontinued operation during the corresponding period last year. The disposal was completed on 19 April 2011.

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### *Liquidity and Financial Resources*

As of 30 September 2012, the Group had (i) non-current assets of approximately HK\$1,350.2 million (31 March 2012: approximately HK\$1,388.3 million), which comprised of intangible assets, fixed assets and deposits paid for fixed assets; and (ii) current assets of approximately HK\$428.9 million (31 March 2012: approximately HK\$385.7 million), which mainly comprised of inventories, trade and other receivables, pledged bank deposits which were secured for all bills payables of the Group, and cash and bank balances. The Group had current liabilities of approximately HK\$981.7 million (31 March 2012: approximately HK\$855.8 million), which mainly comprised of bank loans amounted to approximately HK\$78.1 million, trade and other payables, tax payable, and obligations under redeemed convertible bonds of approximately HK\$760.8 million. The Group does not anticipate the payment of the Redemption Amount will be due before 2014 as the Set-Off will not be completed before 2014 as disclosed under the paragraph of "Status of the On-going Litigations" in the section heading "Litigations" above. The bank loans were secured by land and buildings of the Group with carrying amounts of approximately HK\$142.8 million (31 March 2012: nil) and denominated in Renminbi ("RMB") with prevailing market interest rates and were repayable within one year. The Group's borrowings are mostly event driven, with little seasonality.

As at 30 September 2012, the Group's total non-current liabilities amounted to approximately HK\$371.5 million (31 March 2012: approximately HK\$389.0 million), which comprised of other non-current liability, convertible bonds and deferred tax liabilities. The convertible bonds are denominated in Hong Kong dollars and non-interest bearing.

As at 30 September 2012, the Group's gearing ratio, without taking into account the obligations under redeemed convertible bonds and convertible bonds of totally approximately HK\$878.2 million (31 March 2012: approximately HK\$881.9 million), was approximately 18.3% (31 March 2012: zero) calculated on the basis of total bank borrowings of approximately HK\$78.1 million (31 March 2012: nil) to total equity of approximately HK\$425.9 million (31 March 2012: approximately HK\$529.2 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***

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\$20,000,000 into 105,263,157 shares of the Company at the conversion price of HK\$0.19 per share. In addition, 1,125,000 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.

As a result of the above, the number of shares of the Company in issue increased from 10,991,707,569 as at 1 April 2012 to 11,098,095,726 as at 30 September 2012.

Save as disclosed above and the outstanding Convertible Bonds in the principal amount of HK\$219,719,971 (convertible into 1,156,420,900 shares of the Company) and the outstanding share options entitling their holders to subscribe for a total of 309,325,000 shares of the Company, the Group had no debt securities or other capital instruments as at 30 September 2012 and up to the date of this report.

### ***Material Acquisition and Disposals***

The Group had no material acquisitions or disposals of subsidiaries or associated companies during the six months ended 30 September 2012.

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

Apart from those disclosed under the section heading "Liquidity and Financial Resources", there were no charges on the Group's assets as at 30 September 2012 (31 March 2012: nil). The Group had no significant contingent liabilities outstanding (31 March 2012: nil).

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### ***Capital Commitments***

Details of the capital commitments of the Group are set out in Note 15 to the interim financial statements on page 20 of this report.

### ***Employees and Remuneration Policies***

As of 30 September 2012, the Group had 34 employees (2011: 36 employees) in Hong Kong and 1,020 employees (2011: 703 employees) in the PRC. Total staff costs (including directors' emoluments and equity settled share-based payments) during the period amounted to approximately HK\$29.3 million (2011: approximately HK\$14.6 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.

## PROSPECTS

Leveraging on internal R&D capabilities, the Group has further enhanced the overall performance of its battery products that have been widely recognized by domestic and overseas customers with an expanding sales network. Furthermore, the Group possesses unique business advantages through its sound financial platform, top-class experts, breakthrough patented technology and leading production capacity in the PRC which ensure a steady and sustainable growth of the Group while achieving higher margins. Looking ahead, the Group will continue to take a leading role in R&D and pursue business opportunities, providing a steady stream and momentum to its sustainable operations.

### ***Organic Growth***

As market demand has been robustly growing, the Group plans to build new production lines at its Tianjin base, with a maximum expansion to 1.5 to 2 billion AH annual production capacity, in accordance with the market conditions. The Group will also continue to invest in its R&D targeting on the development of new materials and new products. In addition, the Group will develop energy storage products according to different market demands.



## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

The Group will gradually develop domestic and overseas markets by co-operating with more renowned enterprises to launch new products and green solutions, thereby assisting the Group to seize a larger market share and attain higher profitability. Moreover, the Group will continue to spread its distribution network and market coverage, deepen the strategic co-operation with existing customers and explore and capture potential market growth, in order to strengthen the Group's leading position in the industry and provide greater value and return to shareholders.

### *Inorganic Growth*

The Group will actively look for expansion opportunities in the upstream and downstream sectors of its business. The Group will work closely with upstream businesses to secure sources and supplies of raw materials for reaching better cost effectiveness. This will enhance the quality of products, ensure stable production and increase overall revenue. In addition, the Group will seek opportunities to work with domestic and the foreign governments and state-owned enterprises on the development of downstream applications, thus increasing the Group's profitability.

Along with the supportive policies launched by the PRC government, the Group will develop more channels for battery applications. Meanwhile, the Group will enhance the technology content and add value to the products to gain wider recognition in the market, fulfilling its mission for a cleaner and greener earth.

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

As at 30 September 2012, 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") (Note 1A)	Interest of controlled corporation	1,713,380,143	1,156,420,900	2,869,801,043 (Note 1B)	25.86%
	Interest of controlled corporation	105,263,157	—	105,263,157 (Note 1B)	0.95%
	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. For the purpose of the SFO, Mr. Miao is deemed to be interested in the shares and underlying shares of the Company, of which 2,869,801,043 shares and underlying shares are held by his wholly-owned company, Union Ever Holdings Limited ("Union Ever") and 105,263,157 shares are held by a charitable organization, China High Tech Foundation Limited ("CHTFL"), which is associated to him.
- 1B. The 2,869,801,043 shares and underlying shares of the Company held by Union Ever refer to the equity interest comprising (i) 1,713,380,143 shares; and (ii) 1,156,420,900 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\$219,719,971 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). During the period ended 30 September 2012, Union Ever exercised its right and redeemed convertible bonds in the principal amount of HK\$20,000,000 into 105,263,157 shares of the Company which were allotted to CHTFL.
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 2012, 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 of the Company 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 2012 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 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 2012.

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

As at 30 September 2012, 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	1,156,420,900	2,869,801,043 (Note 1B)	25.86%
Mr. Li Ka-shing (Note 2)	Interest of controlled corporations	1,200,000,000	—	1,200,000,000	10.81%
Glorious China Investments Limited ("Glorious China") (Note 3)	Beneficial owner	1,098,099,998	—	1,098,099,998	9.89%
Ms. Xu Yueyue (Note 3)	Interest of controlled corporation	1,098,099,998	—	1,098,099,998	9.89%
Silver Ride Group Limited ("Silver Ride") (Note 4)	Beneficial owner	1,055,000,001	—	1,055,000,001	9.51%
Mr. Chen Jian ("Mr. Chen") (Note 4)	Interest of controlled corporation	1,055,000,001	—	1,055,000,001	9.51%
	Beneficial owner	—	10,000,000	10,000,000	0.09%
Long Hing International Limited ("Long Hing") (Note 5)	Beneficial owner	896,719,998	—	896,719,998	8.08%
Ms. Song Hong (Note 5)	Interest of controlled corporation	896,719,998	—	896,719,998	8.08%
Mr. Li Tzar Kuoi, Victor (Note 6)	Interest of controlled corporations	600,000,000	—	600,000,000	5.41%

## 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 2,869,801,043 shares and underlying shares of the Company held by Union Ever refer to the equity interest comprising (i) 1,713,380,143 shares; and (ii) 1,156,420,900 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\$219,719,971 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). During the period ended 30 September 2012, Union Ever exercised its right and redeemed convertible bonds in the principal amount of HK\$20,000,000 into 105,263,157 shares of the Company which were allotted to China High Tech Foundation Limited, which is a charitable organization associated to Mr. Miao by virtue of the SFO.
2. For the purpose of the SFO, Mr. Li Ka-shing is deemed to be interested in a total of 1,200,000,000 shares of the Company, of which 510,000,000 shares are held by Jade Time Investments Limited ("Jade Time"), 90,000,000 shares are held by CEF Holdings Limited ("CEF"), 100,000,000 shares are held by Li Ka Shing (Overseas) Foundation ("LKSOFF") and 500,000,000 shares are held by Li Ka Shing (Canada) Foundation ("LKSCF").

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 Mr. Li Ka-shing and Mr. Li Tzar Kuo, 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.

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. 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.
4. 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 10,000,000 underlying shares of the Company which represent interests in the 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.
5. 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.
6. For the purpose of the SFO, Mr. Li Tzar Kuoi, Victor is deemed to be interested in a total of 600,000,000 shares of the Company, of which 100,000,000 shares are held by LKSOF and 500,000,000 shares are held by LKSCF. 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.
7. According to the latest notice made by Mei Li New Energy Limited ("Mei Li") pursuant to Part XV of the SFO on 13 April 2012, the relevant date of which was 24 August 2011, Mei Li alleged to be interested in 4,003,955,821 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 4,003,955,821 underlying shares of the Company alleged to be held by Mei Li are deemed to be owned by Mr. Chung. The Company notes that all the convertible bonds held by Mei Li were either cancelled or ceased to be exercisable and Mei Li no longer held any convertible bonds of the Company as at the date of this report.

Save as disclosed above, as at 30 September 2012, 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 2012 were as follows:

Category of participants	Date of grant	Number of options				Outstanding as at 30.9.2012	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 1.4.2012	Exercised during the period	Lapsed during the period	Re-classified during the period				
<b>Director &amp; Substantial Shareholder</b>									
Mr. Miao Zhenguo	21.4.2011	10,000,000	—	—	—	10,000,000	21.4.2012-20.4.2014 (Note 2)	0.810	—
<b>Directors</b>									
Mr. Lo Wing Yat	23.8.2007	14,600,000	—	—	—	14,600,000	23.8.2008-22.8.2017 (Note 3)	0.230	—
	8.5.2009	16,200,000	—	—	—	16,200,000	8.5.2010-7.5.2019 (Note 3)	0.061	—
	21.4.2011	20,000,000	—	—	—	20,000,000	21.4.2012-20.4.2014 (Note 2)	0.810	—
Mr. Xu Donghui	21.4.2011	20,000,000	—	—	—	20,000,000	21.4.2012-20.4.2014 (Note 2)	0.810	—

## SHARE OPTION SCHEME (Continued)

Category of participants	Date of grant	Number of options				Outstanding as at 30.9.2012	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 1.4.2012	Exercised during the period	Lapsed during the period	Re-classified during the period				
<i>Directors (Continued)</i>									
Mr. Jaime Che	21.4.2011	20,000,000	—	—	—	20,000,000	21.4.2012-20.4.2014 (Note 2)	0.810	—
Mr. Chan Yuk Tong	8.5.2009	900,000	—	—	—	900,000	8.11.2010-7.5.2019 (Note 4)	0.061	—
	21.4.2011	10,000,000	—	—	—	10,000,000	21.4.2012-20.4.2014 (Note 2)	0.810	—
Mr. Fei Tai Hung	8.5.2009	900,000	—	—	—	900,000	8.11.2010-7.5.2019 (Note 4)	0.061	—
	21.4.2011	10,000,000	—	—	—	10,000,000	21.4.2012-20.4.2014 (Note 2)	0.810	—
Mr. Tse Kam Fow	8.5.2009	900,000	—	—	—	900,000	8.11.2010-7.5.2019 (Note 4)	0.061	—
	21.4.2011	10,000,000	—	—	—	10,000,000	21.4.2012-20.4.2014 (Note 2)	0.810	—



## SHARE OPTION SCHEME (Continued)

Category of participants	Date of grant	Number of options				Outstanding as at 30.9.2012	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 1.4.2012	Exercised during the period	Lapsed during the period	Re-classified during the period				
Employees	8.5.2009	2,250,000	(1,125,000)	—	—	1,125,000	8.5.2011-7.5.2019 (Note 5)	0.061	0.330
	21.4.2011	58,300,000	—	—	(8,000,000) (Note 6)	50,300,000	21.4.2012-20.4.2014 (Note 2)	0.810	—
	21.4.2011	16,400,000	—	(200,000) (Note 7)	—	16,200,000	21.4.2013-20.4.2014 (Note 5)	0.810	—
Others	23.8.2007	7,200,000	—	—	—	7,200,000	23.8.2008-22.8.2017 (Note 3)	0.230	—
	21.4.2011	93,000,000	—	—	8,000,000 (Note 6)	101,000,000	21.4.2012-20.4.2014 (Note 2)	0.810	—
		<u>310,650,000</u>	<u>(1,125,000)</u>	<u>(200,000)</u>	<u>—</u>	<u>309,325,000</u>			
Weighted average exercise price (HK\$)		<u>0.718</u>	<u>0.061</u>	<u>0.810</u>	<u>0.810</u>	<u>0.721</u>			
Exercisable as at 30.9.2012						21,800,000 20,025,000 251,300,000	0.230 0.061 0.810		

## SHARE OPTION SCHEME *(Continued)*

*Notes:*

1. Number of options refers to the number of underlying shares of the Company covered by the options under the Share Option Scheme.
2. Options granted were subject to a vesting period of one year and were exercisable 12 months after the relevant date of grant.
3. 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.
4. 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.
5. Options granted were subject to a vesting period of two years and were exercisable 24 months after the relevant date of grant.
6. The outstanding options (vested but not yet exercised) entitling the employee to subscribe for a total of 8,000,000 shares of the Company at an exercise price of HK\$0.810 per share remained exercisable until 20 April 2014 as determined by the board of directors of the Company. Such options were therefore re-classified from the category of "Employees" to the category of "Others" during the period ended 30 September 2012.
7. A total of 200,000 unvested options lapsed during the period following the cessation of an optionholder to be employee of the Company or eligible participant of the Share Option Scheme.
8. No options were granted or cancelled during the six months ended 30 September 2012.

## CORPORATE GOVERNANCE

The Company complied with all the code provisions set out in the Corporate Governance Code and Corporate Governance Report (the “Code”) contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) throughout the six months ended 30 September 2012 except for the following deviations.

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

Subsequent to the resignation of Mr. Ryoji Furukawa as the Chairman of the board of directors of the Company (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 20 August 2012 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 2011/2012 annual report are set out below:

- (a) Mr. Fei Tai Hung, an independent non-executive director of the Company, has been appointed as a director of Vision Credit Limited, a privately-held company registered in Hong Kong and engaging in consumer financing business in China.
- (b) Apart from being a fellow member of the Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants as well as a certified public accountant practising in Hong Kong, Mr. Tse Kam Fow, an independent non-executive director of the Company, is also a fellow member of The Taxation Institute of Hong Kong and a certified tax advisor practising in Hong Kong.
- (c) The term of appointment of each of Mr. Lo Wing Yat, an executive director of the Company, and Mr. Chan Yuk Tong, an independent non-executive director of the Company, has been renewed for a further fixed period of two years from 22 November 2012 to 21 November 2014 (both dates inclusive) at a director's fee of HK\$320,000 per annum.

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

## DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code for securities transactions by directors (the "Securities Code"), which is largely based on the Model Code 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 2012.

## 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 2012.

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 2012.

## 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 2012 and this report.

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

Hong Kong, 23 November 2012

*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>

\* For identification only