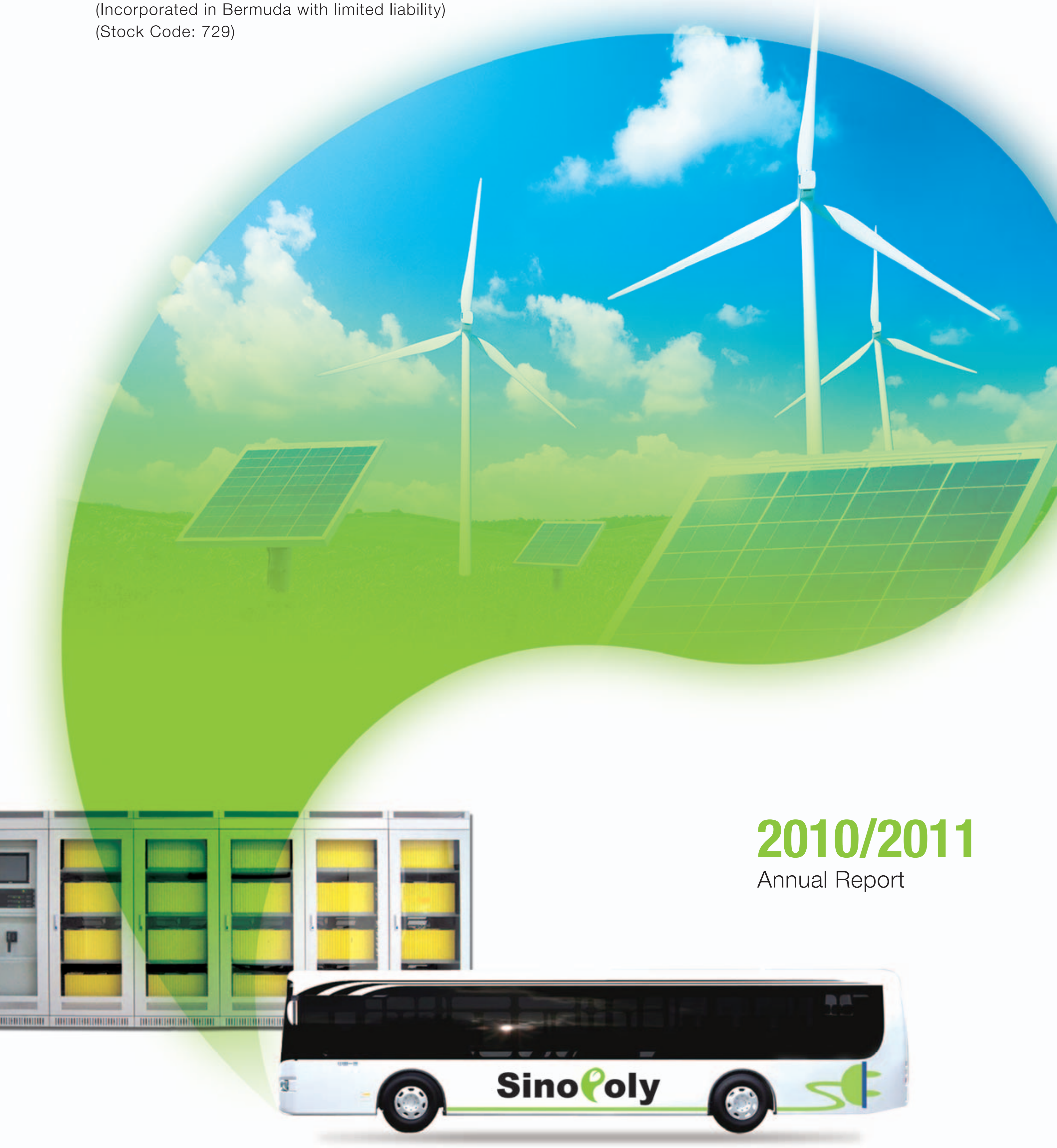
Sinopoly

Sinopoly Battery Limited

中聚電池有限公司

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



2010/2011

Annual Report

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* *Sinopoly Battery Limited 中聚電池有限公司 was formerly known as Jia Sheng Holdings Limited 嘉盛控股有限公司 (from 20 May 2008 to 26 May 2010) and then known as Thunder Sky Battery Limited 中聚雷天電池有限公司 (from 27 May 2010 to 13 April 2011).*

Corporate Information

BOARD OF DIRECTORS

Executive directors:

Mr. Miao Zhenguo
(Deputy Chairman and Chief Executive Officer)
Mr. Lo Wing Yat
Mr. Xu Donghui
(Chief Operating Officer)
Mr. Jaime Che

Independent non-executive directors:

Mr. Chan Yuk Tong
Mr. Fei Tai Hung
Mr. Tse Kam Fow

AUDIT COMMITTEE

Mr. Chan Yuk Tong *(Chairman)*
Mr. Fei Tai Hung
Mr. Tse Kam Fow

REMUNERATION COMMITTEE

Mr. Chan Yuk Tong *(Chairman)*
Mr. Miao Zhenguo
Mr. Fei Tai Hung
Mr. Tse Kam Fow

EXECUTIVE COMMITTEE

Mr. Miao Zhenguo *(Chairman)*
Mr. Lo Wing Yat
Mr. Xu Donghui
Mr. Jaime Che

TECHNICAL ADVISORY COMMITTEE

Professor Xie Kai
Professor Ma Zifeng
Professor Wang Rongshun

AUTHORISED REPRESENTATIVES

Mr. Jaime Che
Ms. Lui Kam Lai

COMPANY SECRETARY

Ms. Lui Kam Lai

INDEPENDENT AUDITOR

CCIF CPA Limited

LEGAL ADVISERS

As to Hong Kong law:

Sidley Austin

As to Bermuda law:

Conyers Dill & Pearman

PRINCIPAL BANKERS

DBS Bank (Hong Kong) Limited
Hang Seng Bank Limited
Industrial and Commercial Bank of China Limited

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Rooms 901-905, 9th Floor
China Resources Building
26 Harbour Road
Wanchai
Hong Kong

BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre, 11 Bermudiana Road
Pembroke HM 08
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited
18th Floor, Fook Lee Commercial Centre
Town Place, 33 Lockhart Road
Wanchai
Hong Kong

STOCK CODE

729

WEBSITE

www.sinopolybattery.com

Group Financial Summary

A summary of the results and of the assets, liabilities and non-controlling interests of Sinopoly Battery Limited (the "Company") and its subsidiaries (collectively the "Group") for the five financial years ended 31 March 2011, as extracted from the published audited consolidated financial statements and reclassified and restated as appropriate, is set out below:

	Year ended 31 March				
	2011	2010	2009	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Loss attributable to equity holders of the Company	**(2,805,729)**	(14,093)	(72,155)	(61,226)	(32,544)
Total assets	**1,861,469**	329,920	75,265	120,138	161,430
Total liabilities	**(1,364,780)**	(2,126)	(4,967)	(6,298)	(10,890)
Net assets	**496,689**	327,794	70,298	113,840	150,540
Non-controlling interests	**—**	—	—	(526)	(4,646)
Equity attributable to equity holders of the Company	**496,689**	327,794	70,298	113,314	145,894

Note:

As set out on pages 36 to 38 of this annual report, certain sales amounts and the relevant costs of sales and tax for the year ended 31 March 2011, have been qualified by CCIF CPA Limited, the independent auditor of the Company.

Management Discussion and Analysis

Management Discussion and Analysis

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

MARKET OVERVIEW

With the increasing concern on energy saving and environmental protection, reducing carbon dioxide emission is one of the major objectives of the 12th Five-Year Plan of the People's Republic of China (the "PRC"). The target is to reduce its intensity of carbon dioxide emission per unit of Gross Domestic Product of the PRC (the "GDP") by 40% to 45% by the year 2020, as compared with the 2005 level. To achieve this goal, the National Development and Reform Commission has accelerated the development of strategic emerging industries featuring low carbon emission, low energy consumption and environmental protection as well as the application of new energy in pilot provinces and cities. It is expected that industries related to energy saving and environmental protection will have considerable market opportunities for growth.

In October 2010, the State Council of the PRC announced the《國務院關於加快培育和發展戰略性新興產業的決定》(Decision of the State Council on speeding up the cultivation and development of strategic emerging industries*) and identified 七大戰略性新興產業 (the seven strategic emerging industries*) (the "Seven Industries") as priorities with specific development goals, including energy saving and environmental protection, alternative energy and new energy vehicles industries. Currently, the Seven Industries only account for 3% of GDP. They are expected to account for 8% of GDP by 2015 and 15% by 2020. In 2009, the GDP has reached RMB 34 trillion. Assuming the growth in GDP of 8% per annum, the total scale of the Seven Industries will reach RMB 11.9 trillion in 2020.

Management believes that the increasing environmental awareness and the strong support from the PRC government will fuel the growth of the electric vehicle markets. At the same time, the energy storage market for alternative energy and energy saving is also expanding rapidly. There is a vast potential of demand for power and energy storage battery. The Group is committed to the development of power, energy storage and energy saving solutions to take advantage of the rapid growth of the markets, by providing customized green solutions to meet clients' needs and enhance its market share.

BUSINESS REVIEW

Since the completion of the very substantial acquisition in May 2010 (the "Acquisition"), the Group has been successfully transformed into a leading Lithium-ion batteries manufacturer in the PRC. To provide the Group and its products with a distinct corporate identity and image, the Group changed its name to "Sinopoly Battery Limited". The Group is dedicated to the supply of green solutions and the development of different intermediate and end products under the brand name of "Sinopoly".

Increasing Demand

Attracted by the Group's leading battery technology, the Group has a customer base across the globe. Its customer list includes national brands of prominence such as a subsidiary of the State Grid Corporation of China ("SGCC"), FAW Bus Co., Ltd. ("FAW"), 東風杭州汽車有限公司 (Dongfeng Hangzhou Motor Corporation*), China Mobile Limited ("CML") and other overseas clients.

In December 2010, the Group was awarded a 4.3 million ampere-hour battery sales contract by a subsidiary of SGCC for its electric vehicle project (the "EV Project") in Hangzhou through a bidding process in which the Group's Electric Battery Products is the top scorer. Under the leadership of SGCC, the EV Project aims to promote the usage of inner-city electric vehicles. The EV Project targets to demolish the traditional barriers and difficulties in developing electric vehicles as (i) SGCC will adopt the "battery exchange method" in their charging stations to shorten the waiting time for recharging the electric vehicles; (ii) SGCC will provide the electricity free of charge for the first 3 years of the EV Project; and (iii) there will be a leasing company offering rental options for the electric vehicles in order to minimize the up-front purchase cost together with the government subsidies. There will be more pilot cities adopting SGCC's EV Project, following Hangzhou's example, and the Group expects a continuous demand of the Electric Battery Products from the EV Project.

Management Discussion and Analysis

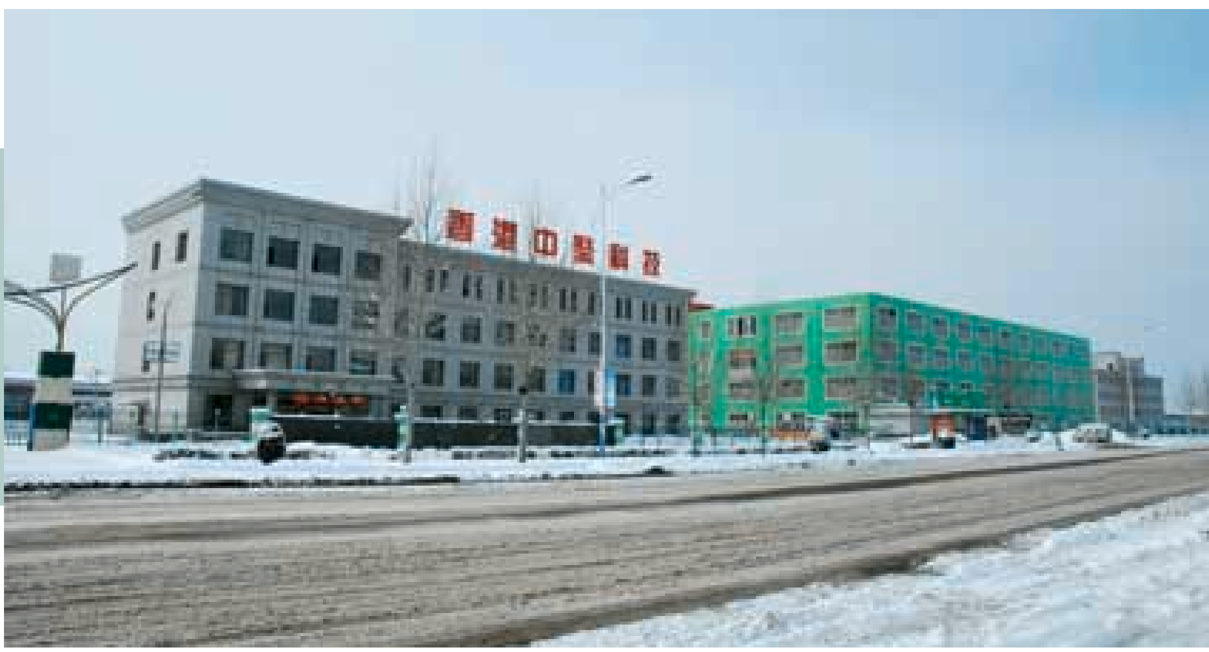
The Group also entered into a strategic cooperation agreement with FAW earlier this year with the objective of forging a long-term partnership for the development and production of electric vehicles. According to the agreement, FAW will be responsible for the overall design and manufacture of electric coaches, while the Group will provide Lithium-ion batteries, battery management system (BMS) and battery compartments. Both parties will jointly develop an electric coach prototype which is undergoing a series of safety testing with the relevant authorities. This prototype is expecting to be in commercial production by the end of 2011.

CML plans to upgrade all of the uninterruptible power supply system (the "UPSs") in its communication base stations within the next five years (the "Upgrade"). The Upgrade involves replacing the traditional Lead-acid battery in the UPSs with the Lithium-ion battery. In May 2011, CML organised a bid for the Upgrade in Henan province of the PRC and the Group was one of the four Lithium-ion battery producers that won the bid. The management of the Group will keep a close scrutiny over the Upgrade in order to capture the enormous battery demand associated with the upgrade of the UPSs in over 100,000 CML's communication base stations in the PRC.

Production Capacity

Despite the Shenzhen battery production facility controlled by Mr. Chung Winston (formerly known as Chung Hing Ka) ("Mr. Chung") and/or companies associated with him has refused to manufacture and supply Electric Battery Products to the Group in accordance with the relevant legal agreements, the Group's new battery production facilities in Liaoyuan were completed and have commenced commercial production in February 2011 without the assistance of Mr. Chung and his associates. The Group has also established the sales of the Electric Battery Products produced by such new battery production facilities independently. In view of the anticipated demand, the Group will further expand the facilities in Liaoyuan and raise its annual battery production capacity up to 120 million ampere-hours. The Group is also commencing the first phase of its production facilities in Tianjin that will have an annual battery production capacity of up to 70 million ampere-hours.

The combined annual battery production capacity at these facilities is expected to reach 190 million ampere-hours by the end of 2011. With their combined capacity, the Group will become one of the largest power Lithium-ion battery producers in the PRC.



Research and Development

To afford the Board expert advice in relation to strategic planning in the field of Lithium-ion battery and electric vehicle and enhance the Group's capability in research and development, the Group's current research and development team will set up a new research and development centre in Tianjin. The Group has also set up a Technical Advisory Committee and invited the distinguished Professors, Xie Kai, Ma Zifeng and Wang Rongshun to sit as its members.

Professor Xie is an expert on 能源材料 (energy resources materials*), 光電功能材料 (opto-electronic functional materials*) and 納米材料 (nano-materials*). He is currently 副院長 (deputy president*), professor and PhD student supervisor at the College of Aerospace and Materials Engineering of the National University of Defense Technology.

Professor Ma was appointed Chief Scientist of the National Basic Research Programme of China (the 973 programme) for the fuel cell electric vehicles field in 2007. He is currently a Distinguished Professor and Chair of the Department of Chemical Engineering, vice Dean of the Energy Research Institute and the founding director of the Institute of Electrochemical & Energy Technology at Shanghai Jiao Tong University.

Professor Wang is an expert on 應用量子化學 (applied quantum chemistry*) and 功能材料化學 (functional materials chemistry*). He was the principal of the Northeast Normal University, a member of 科技委學部 (academic sub-committee of the science and technology committee*) of the Ministry of Education, and vice-chairman of 吉林省科學技術協會 (Jilin Province Science and Technology Association*).

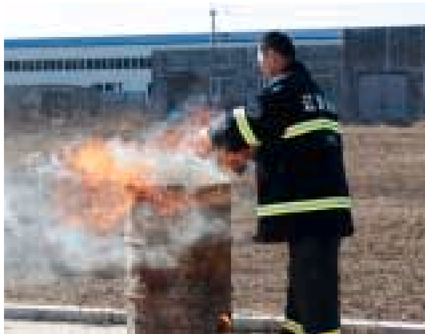
Management Discussion and Analysis

New Products

The research and development team of the Group has developed a new range of battery products which is based on a new technological know-how. Such products have been tested by a testing institution recognised by 中國工業和信息化部 (the Ministry of Industry and Information Technology of the PRC*) and their technical specifications have surpassed those of the previous models manufactured by other companies on behalf of the Group.

The Group's new battery products also passed a series of rigorous testing, exceeding the national safety standard requirement, such as nail penetration, fire endurance, flood, gunshot and short circuits. The Group's products do not cause explosion and abnormality under these extreme conditions, leading the industry standard in terms of energy density, recharging time and safety. The Group will start applying patents and intellectual property rights for the aforesaid battery products and other technological know-how.

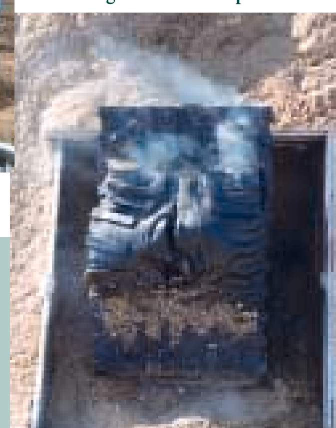
Fire endurance testing



Testing result: no explosion

Gunshot testing

Testing result: no explosion



Recognition

The Group's Lithium-ion battery products are widely recognised. In June 2010, the Group served as an exclusive battery supplier of the Racing Green Endurance (the "RGE"), supporting Radical SRZero electric racing car in the RGE to travel through the 26,000 kilometers Pan-American Highway in 71 days. This is a new milestone for the Group signifying the leading position of its product as preferred electric vehicle energy.

At the Shanghai World Expo, the London Case ZED Pavilion was powered by the Group's Lithium-ion battery products. Further, the Group was awarded「二零一零年中國最佳低碳環保先鋒企業」(2010 best PRC pioneering enterprise in low carbon footprint and environmental protection*).

In November 2010, the Group's products were shown-cased in the 25th World Battery, Hybrid and Fuel Cell Electric Vehicle Symposium and Exhibition, which is the most influential event for the electric vehicle and new energy vehicle sector. The Group's products received numerous positive feedbacks.

Last but not the least, the Group's business relationship and/or transactions with, among others, SGCC, FAW, 東風杭州汽車有限公司 (Dongfeng Hangzhou Motor Corporation*) and CML signifies the high quality of its new range of battery products.

ACTIONS AGAINST MR. CHUNG AND HIS ASSOCIATES FOR THEIR BREACHES

On 9 March 2011, the Company announced that it had received evidence of breaches of the agreements in connection with the Acquisition by Mr. Chung, a former director of the Company, and certain companies owned and/or controlled by him and of his fiduciary duty as director of the Company against the interests of the Group. For the protection of the rights of the Group, the Company has since then taken a series of actions against Mr. Chung and the relevant companies owned and/or controlled by him. To prevent Mr. Chung from inflicting further harm to the Group, he was re-designated as a non-executive director and his employment as Chief Technical Officer was terminated on 8 March 2011. Despite the conflict of interest posed by the competing business conducted by the relevant companies controlled by him, Mr. Chung refused to resign from the Board. The Company had no alternative but to convene a special general meeting for the removal of Mr. Chung as a director of the Company for the protection of the interests of the Group. At the special general meeting held on 14 April 2011, the resolution for his removal was passed.

In addition, on 8 March 2011, the Company issued a notice to Mei Li New Energy Limited ("Mei Li"), a company owned by Mr. Chung, for redemption of the convertible bonds convertible into 3,803,758,030 new shares of the Company held by it at the face value (the "Redemption"). As of the date of this annual report, the Company has no immediate obligation to pay the relevant redemption amount (the "Redemption Amount"). The effect of such redemption notice is such that the conversion rights attaching to the relevant convertible bonds are no longer exercisable with effect from 8 March 2011.

In parallel with these corporate actions, the Company and two of its subsidiaries also commenced proceedings for the enforcement of the Group's rights and claims on 12 March 2011 in the High Court of Hong Kong against Mr. Chung, Mei Li, 深圳市雷天電動車動力總成有限公司 (Shenzhen Thunder Sky Electric Vehicles Limited*) and 深圳市雷天電源技術有限公司 (Shenzhen Thunder Sky Battery Technology Limited*) (collectively the "PRC Operating Companies") wholly-owned and/or controlled by Mr. Chung and certain Mr. Chung's associates for breaches of various agreements in relation to the Acquisition and Mr. Chung's duties as a director of the Company. On 15 June 2011, the detailed statement of claim was submitted and filed with the High Court of Hong Kong claiming for, among other things, damages and injunctions.

In the legal proceedings against Mr. Chung and his associates, the amount of damages to be claimed by the Group against the defendants is expected to exceed the Redemption Amount. The Company will seek to set off such claimed amount against the Redemption Amount for the protection of its interest. It does not expect the case to be heard by the Court (if applicable) before 2012. For prudence sake, the Group has not included in its consolidated financial statements for the year ended 31 March 2011 the potential amount recoverable from Mr. Chung and his associates from such legal proceedings.

Management Discussion and Analysis

FINANCIAL REVIEW

During the year under review, the Group's turnover from continuing operations increased by approximately 23.7 times to reach approximately HK$75.8 million as compared to approximately HK$3.1 million recorded in its preceding financial year. Such increase was mainly contributed by the Electric Battery Products business acquired under the Acquisition. Gross profit increased to approximately HK$34.5 million from approximately HK$0.5 million in the last financial year. The Group widened its net loss after tax to approximately HK$2,805.7 million from approximately HK$14.1 million in the last financial year. The substantial increase in loss was primarily attributable to (i) the impairment on intangible assets in relation to the Acquisition of approximately HK$2,050.7 million (2010: nil); (ii) the one-off goodwill impairment of approximately HK$904.2 million (2010: nil); (iii) the amortisation of intangible assets of approximately HK$310.2 million (2010: nil); (iv) the non-cash interest expenses recorded in relation to the convertible bonds of approximately HK$81.0 million (2010: nil); (v) the increase in general and administrative expenses (increased from approximately HK$13.4 million in the last financial year to approximately HK$54.1 million, of which approximately HK$9.0 million was incurred as a result of the Acquisition); and (vi) the impairment on amount due from related companies of approximately HK$28.8 million (2010: nil). The impairment on intangible assets and amount due from related companies was recorded principally as a result of the breaches on the part of Mr. Chung and his associates as mentioned above.

Electric Battery Products Business

During the year under review, the Group entered into a new business segment of sale of Electric Battery Products as a result of the Acquisition. This segment recorded a turnover of approximately HK$74.4 million for the period from 25 May 2010, the date of completion of the Acquisition, to 31 March 2011. It constituted approximately 98.1% (2010: nil) of the Group's total turnover from continuing operations. This segment recognised loss before tax of approximately HK$3,362.0 million, mainly due to the one-off goodwill impairment of approximately HK$904.2 million, the amortisation of intangible assets of approximately HK$310.2 million, the imputed interest expenses on convertible bonds of approximately HK$81.0 million, the impairment on intangible assets of approximately HK$2,050.7 million and the impairment on amount due from related companies of approximately HK$28.8 million, which are non-cash items, as well as the loss of sales of Electric Battery Products attributable to the failure on the part of the PRC Operating Companies of their obligations in connection with or arising from the Acquisition. Excluding the impact of the non-cash items, the sales of Electric Battery Products during the year under review reported a profit of approximately HK$12.8 million.

As Mr. Chung and the PRC Operating Companies have failed and/or refused, despite repeated requests and demands, to allow the Company's access to the sales records on sales of Electric Battery Products performed through the PRC Operating Companies, the auditor of the Company is unable to carry out relevant audit procedures. As a result, the Company's auditor has issued a qualified opinion arising from limitation of audit scope on such sales and relevant cost of sales and taxation.

Securities Brokerage Business

Turnover derived from the securities brokerage business during the year ended 31 March 2011 decreased to approximately HK$0.6 million from approximately HK$0.9 million in the last financial year. This segment was classified as a discontinued operation in the Group's financial statements for the year ended 31 March 2011 due to the execution of the sale and purchase agreement dated 7 January 2011 in respect of the disposal of the entire issued share capital of Infast Brokerage Limited by the Group. The disposal was completed on 19 April 2011. It reported an operating loss of approximately HK$2.5 million (2010: approximately HK$2.4 million).

Geographical Analysis of Turnover

During the year under review, the PRC, the United States of America, the European countries, Hong Kong and others contributed approximately 24.2% (2010: 67.7%), 41.4% (2010: nil), 25.8% (2010: nil), 3.1% (2010: 32.3%) and 5.5% (2010: nil) respectively to the Group's total turnover.

Liquidity and Financial Resources

As of 31 March 2011, the Group had (i) non-current assets of approximately HK$1,432.8 million, which comprised of intangible assets, fixed assets and deposits paid for fixed assets; and (ii) current assets of approximately HK$428.7 million, which mainly comprised of inventories, trade and other receivables and cash and bank balances. The Group had current liabilities of approximately HK$846.6 million, which mainly comprised of bank loan amounted to approximately HK$35.6 million, trade and other payables, tax payable, and provision for redeemed convertible bonds arising from the Redemption. The bank loan is unsecured and denominated in Renminbi with prevailing market interest rate. The Group's borrowings are mostly event driven, with little seasonality.

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

As at 31 March 2011, the Group's gearing ratio, without taking into account the provision for redeemed convertible bonds and convertible bonds of totally approximately HK$959,161,000, was approximately 7.2% calculated on the basis of total bank borrowing of approximately HK$35.6 million to total equity of approximately HK$496.7 million. As the Group had no bank borrowing as at 31 March 2010, no gearing ratio of the Group was presented.

In the opinion of the directors of the Company, the Group will be able to obtain adequate funds for it to meet its financial obligations as and when they fall due and to carry on its business as a going concern for the foreseeable future based on the following: (i) the Company will seek to set off the amount to be claimed against the provision for redeemed convertible bonds in the event that Mei Li makes a claim for the Redemption Amount; (ii) the Company does not expect the case to be heard by the court (if applicable) before 2012; and (iii) a substantial shareholder of the Company has provided an irrevocable letter of undertaking to provide adequate funds to the Group if required.

Foreign Exchange Exposure

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

Capital Structure

On 25 May 2010, the Company issued 783,517,010 consideration shares and zero coupon convertible bonds in the principal amount of HK$2,493,296,598 due 2018 to finance part of the consideration for the Acquisition. Out of the convertible bonds in the principal amount of HK$2,493,296,598, convertible bonds in an aggregate principal amount of HK$150 million are subject to lock-up arrangements.

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

During the year under review, the holders of the convertible bonds have converted convertible bonds in the aggregate principal amount of HK$1,142,825,021 into 5,714,125,105 shares of the Company at the conversion price of HK$0.20 per share. 165,015,000 shares of the Company were allotted and issued by the Company pursuant to the exercise of share options granted under the Company's share option scheme.

As a result of the above, the number of shares of the Company in issue increased from 2,222,125,454 as at 1 April 2010 to 9,284,782,569 as at 31 March 2011.

Management Discussion and Analysis

On 8 March 2011, the Company issued a notice to Mei Li, a company owned by Mr. Chung, a former director of the Company, for redemption of the zero coupon convertible bonds convertible into 3,803,758,030 new shares of the Company held by it at the face value. As of the date of this annual report, the Company has no obligation to pay the relevant redemption amount. The effect of such redemption notice is such that the conversion rights attaching to the relevant convertible bonds are no longer exercisable with effect from 8 March 2011.

Save as disclosed above and the outstanding convertible bonds and share options, the Group had no debt securities or other capital instruments as at 31 March 2011 and up to the date of this annual report.

Material Acquisitions and Disposals

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

On 7 January 2011, the Group entered into a sale and purchase agreement for the disposal (the "Disposal") of the entire issued share capital of Infast Brokerage Limited ("Infast") subject to the terms and conditions thereof. The consideration for the Disposal is approximately HK$8,800,000. The completion of the Disposal took place on 19 April 2011. Since then, Infast has ceased to be a subsidiary of the Company and the Group no longer engages in the business of securities brokerage services. Details of the Disposal are set out in the Company's announcement dated 7 January 2011.

Apart from the acquisition of the Target Group and the disposal of Infast, the Group had no material acquisitions or disposals of subsidiaries or associated companies during the year ended 31 March 2011.

Pledge of Assets and Contingent Liabilities

As at 31 March 2011, the Group did not pledge any kind of assets and had no significant contingent liabilities.

Employees and Remuneration Policies

As of 31 March 2011, the Group had 35 employees (2010: 25 employees) in Hong Kong and 389 employees (2010: nil) in the PRC. Total staff costs (including directors' emoluments and equity-settled share-based payments) during the year amounted to approximately HK$14.6 million (2010: approximately HK$10.2 million). The remuneration policies are determined with reference to market conditions and individual performance of staff. The Group participates in Mandatory Provident Fund Scheme in Hong Kong and state-managed retirement benefit schemes in the PRC. The Group has a share option scheme for the benefit of its directors and eligible employees.

Capital Commitments

Details of the capital commitments of the Group are set out in Note 39(b) to the financial statements on page 121 of this annual report.

PROSPECTS AND FUTURE PLAN OF THE GROUP

In anticipation of the rapid growth in the demand of the Group's Lithium-ion battery, the Group plans to further expand its footprint, build a nationwide production network and improve its production technologies. As mentioned above, the Group will become one of the largest power Lithium-ion battery manufacturers in the PRC by the end of 2011. The Group will continue to implement prudent and proactive expansion strategy to meet the ever-changing market and growing demand. It will also conduct studies and search for suitable sites to develop new production bases in Eastern China and Southern China.

The Group's battery outperforms those of its peers in terms of energy density, recharging time and product safety. The Group's research and development team will continue to focus on the development of battery products of higher efficiency and green solutions, thereby strengthening the Group's leadership position.

For the energy storage battery business, the applications of energy storage for renewable energy and peak-loading are still at the early stage. The nuclear crisis after the severe earthquakes in Japan raises urgency on the development of new energy. The Group will monitor closely the developments in the market and ensure that it is in a position to capture the opportunities in the market.

Looking ahead, the Group is determined to become the leading producer of Lithium-ion batteries and related products, thereby creating greater value and long-term returns to shareholders, reducing pollution and promoting the sustainable development of humanity and the environment.

* *for identification only*

Directors' Biographies

Mr. Miao Zhenguo ("Mr. Miao")
Executive Director, Deputy Chairman & Chief Executive Officer

Mr. Miao, aged 51, is an executive director and Chief Executive Officer of the Company, and the authorised representative of the Company for accepting service of process and notices in Hong Kong on behalf of the Company under Part XI of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong). Mr. Miao has been appointed as Deputy Chairman of the Company with effect from 8 March 2011. He is also a member and chairman of the Executive Committee and a member of the Remuneration Committee of the Company. Mr. Miao was the Chief Operating Officer of the Company from May 2010 to March 2011, and an authorised representative of the Company required under Rule 3.05 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") from August 2010 to April 2011. He holds directorships in various subsidiaries of the Company. He is currently a director of Thunder Sky Holdings Limited (中聚雷天控股有限公司), the subsidiaries of which are principally engaged in the production and sale of rechargeable Lithium-ion batteries. Mr. Miao graduated from Zhejiang University with a 化學工程學士學位 (Bachelor of Chemical Engineering degree*). He has over 10 years of experience in project management, sales and marketing and product development. Mr. Miao was appointed to the Board on 25 May 2010.

Mr. Lo Wing Yat ("Mr. Lo")
Executive Director

Mr. Lo, aged 52, is an executive director of the Company and a member of the Executive Committee of the Company. He is currently a director and Chief Executive Officer of CITIC International Assets Management Limited ("CIAM"). Mr. Lo is also an executive director, Executive Vice-chairman and Chief Executive Officer of CIAM Group Limited (Stock Code: 378), a subsidiary of CIAM, and an independent non-executive director of Winteam Pharmaceutical Group Limited (Stock Code: 570), the shares of both companies are listed on the Stock Exchange. He was a non-executive director of Longlife Group Holdings Limited (Stock Code: 8037), and China Fortune Holdings Limited (Stock Code: 110), companies whose shares are listed on the Stock Exchange, from November 2005 to April 2010 and from October 1999 to September 2010, respectively. He is also a director and a Managing Director of CITIC International Financial Holdings Limited, whose shares have been withdrawn from listing on the Stock Exchange since 5 November 2008. Mr. Lo graduated from the University of Hong Kong with a bachelor's degree in Laws. He was admitted as a solicitor of the Supreme Court of Hong Kong (as it was then known) in 1984 and a solicitor of the Supreme Court of England and Wales in 1989. He served as an in-house counsel of Bank of China Hong Kong-Macau Regional Office and was a partner of Linklaters. Mr. Lo was appointed to the Board on 22 November 2006.

Mr. Xu Donghui ("Mr. Xu")
Executive Director & Chief Operating Officer

Mr. Xu Donghui, aged 45, has been appointed as an executive director and Chief Operating Officer of the Company, and a member of the Executive Committee of the Company with effect from 8 March 2011. He joined the Company in June 2010 and is the Assistant General Manager of the Company responsible for the supervision of the daily operation of the Group's factory in Liaoyuan. He holds directorships in various subsidiaries of the Company. Mr. Xu taught at 光學儀器工程學系 (Optical Instrument Engineering Department*) of Zhejiang University from September 1986 to August 1988 and worked for Zhejiang University Software Development Centre from December 1996 to March 1999 as Assistant to Supervisor and Standing Vice General Manager. He was the Vice President of Sino Stride Technology Co Limited from April 1999 to May 2006, and Assistant to the Chief Executive Officer and Vice President of Shougang Concord Technology Holdings Limited (Stock Code: 521), a company listed on the Stock Exchange, from June 2006 to May 2010. Mr. Xu graduated from Zhejiang University in 1991 with a master's degree.

Directors' Biographies

Mr. Jaime Che
Executive Director

Mr. Jaime Che, aged 30, has been appointed as an executive director of the Company and a member of the Executive Committee of the Company with effect from 8 March 2011. He has also been appointed as an authorised representative of the Company required under Rule 3.05 of the Listing Rules with effect from 15 April 2011. Mr. Jaime Che holds directorships in various subsidiaries of the Company. He joined the Company in June 2010 and is the Vice President of the Company responsible for strategic planning, investor relationship, corporate transaction and corporate finance work of the Company. Mr. Jaime Che has extensive experience in investor relations and corporate finance. Prior to joining the Company, he was the Assistant to Managing Director / Investor Relations Manager of Shougang Fushan Resources Group Limited (formerly known as Fushan International Energy Group Limited) (Stock Code: 639), a company listed on the Stock Exchange, from November 2009 to June 2010, and was the Investment & Corporate Manager of APAC Resources Limited (Stock Code: 1104), another company listed on the Stock Exchange from June 2007 to October 2009. Between January 2006 and October 2007, Mr. Jaime Che was an executive director of RIMCapital Limited, a company listed on the Australia Stock Exchange. Mr. Jaime Che studied commerce at the University of New South Wales.

Mr. Chan Yuk Tong ("Mr. Chan")
Independent Non-executive Director

Mr. Chan, aged 49, is an independent non-executive director of the Company. He is also a member and chairman of the Audit Committee and Remuneration Committee of the Company. He is currently an independent non-executive director of BYD Electronic (International) Company Limited (Stock Code: 285), Daisho Microline Holdings Limited (Stock Code: 567), Global Sweeteners Holdings Limited (Stock Code: 3889), Kam Hing International Holdings Limited (Stock Code: 2307), Xinhua Winshare Publishing and Media Co., Ltd. (formerly known as Sichuan Xinhua Winshare Chainstore Co., Ltd.) (Stock Code: 811), Ausnutria Dairy Corporation Ltd (Stock Code: 1717) and Trauson Holdings Company Limited (Stock Code: 325), companies whose shares are listed on the Stock Exchange. He is also an independent non-executive director of Anhui Conch Cement Company Limited (Stock Code: 914), a company whose shares are listed on the Stock Exchange and the Shanghai Stock Exchange. He was an executive director of Asia Cassava Resources Holdings Limited (Stock Code: 841) and an independent non-executive director of Great Wall Motor Company Limited (Stock Code: 2333), all being companies whose shares are listed on the Stock Exchange, from July 2008 to August 2010 and from May 2010 to November 2010, respectively. Mr. Chan resigned as a non-executive director of Vitop Bioenergy Holdings Limited (Stock Code: 1178) with effect from 24 May 2011. Mr. Chan obtained a bachelor's degree in Commerce from the University of Newcastle in Australia and a master's degree in Business Administration from the Chinese University of Hong Kong. He joined Ernst & Young in 1988 and was appointed an audit principal in 1994. Mr. Chan is a practising fellow member of the Hong Kong Institute of Certified Public Accountants and a member of CPA Australia. He has over 20 years of experience in auditing, accounting, management consultancy and financial advisory services. Mr. Chan was appointed to the Board on 22 November 2006.

Mr. Fei Tai Hung ("Mr. Fei")
Independent Non-executive Director

Mr. Fei, aged 63, is an independent non-executive director of the Company and a member of the Audit Committee and Remuneration Committee of the Company. He obtained a bachelor's degree in Applied Science from the Queen's University in Canada and a master's degree from Imperial College London in the United Kingdom. Mr. Fei started his banking career at the Royal Bank of Canada in 1980. He has also worked for Bankers Trust Company and Credit Agricole Indosuez. Mr. Fei is also a co-founder of United Capital Ltd., a company specialising in providing financial advisory services to clients in both Hong Kong and the People's Republic of China (the "PRC"). He has over 20 years of experience in investment and finance. Mr. Fei was appointed to the Board on 22 June 2007.

Directors' Biographies

Mr. Tse Kam Fow
Independent Non-executive Director

Mr. Tse Kam Fow, aged 51, is an independent non-executive director of the Company and a member of the Audit Committee and Remuneration Committee of the Company. He is currently a non-executive director of Mainland Headwear Holdings Limited (Stock Code: 1100), a company whose shares are listed on the Stock Exchange. Mr. Tse Kam Fow graduated from The Hong Kong Polytechnic University and is a fellow member of the Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants. He is a certified public accountant practising in Hong Kong with wide experience in most areas of accounting, taxation and audit. Mr. Tse Kam Fow's practice also includes corporate consulting and investment advisory work, specialising in management consulting, business restructuring, corporate mergers and acquisitions, leveraged buyouts, direct investments and joint ventures and advising on projects throughout the PRC, Hong Kong, Taiwan and Singapore. Mr. Tse Kam Fow has worked at senior positions for over 10 years in several Hong Kong-listed companies and was mainly responsible for the overall corporate management and control and the strategic formulation and implementation of corporate development and financing plan. Mr. Tse Kam Fow was appointed to the Board on 22 June 2007.

The directors' interests in shares or underlying shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") as at 31 March 2011 are set out in the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" in the Directors' Report contained in this annual report.

Save as disclosed above, the directors (a) do not hold any other positions with the Company or any of its subsidiaries; (b) did not hold any other directorships in the last three years in public companies the securities of which are listed on any securities market in Hong Kong or overseas; and (c) do not have any other relationships with any directors, senior management or substantial or controlling shareholders of the Company.

Each of Mr. Miao, Mr. Xu and Mr. Jaime Che has entered into a service agreement with the Company that could be terminated by giving the other party not less than three months' advance notice. Each of Mr. Lo, Mr. Chan, Mr. Fei and Mr. Tse Kam Fow has signed an appointment letter with the Company. The term of appointment of each of Mr. Lo, an executive director of the Company, and Mr. Chan, an independent non-executive director of the Company, has been renewed for a further fixed period of two years from 22 November 2010 to 21 November 2012 (both dates inclusive) at a director's fee of HK$320,000 per annum. The term of appointment of each of Mr. Fei and Mr. Tse Kam Fow, independent non-executive directors of the Company, has been renewed for a further fixed period of two years from 22 June 2011 to 21 June 2013 (both dates inclusive) at a director's fee of HK$320,000 per annum. Nevertheless, every director of the Company shall be subject to retirement by rotation at least once every three years at the annual general meeting in accordance with the Company's Bye-laws.

Pursuant to their respective service agreements, (a) Mr. Miao is entitled to an annual remuneration of HK$1,300,000 for his directorship; (b) each of Mr. Xu and Mr. Jaime Che is entitled to an annual remuneration of HK$1,040,000 for his directorship; and (c) each of Mr. Miao, Mr. Xu and Mr. Jaime Che is entitled to an annual management bonus of a sum to be determined by the Board at its absolute discretion having regard to the operating results of the Group and the individual performance, and the benefits of the medical or provident fund scheme as may be maintained by the Group from time to time. Mr. Lo is entitled to a director's fee of HK$320,000 per annum, and each of Mr. Chan, Mr. Fei and Mr. Tse Kam Fow is entitled to a director's fee of HK$320,000 per annum (comprising the fee of HK$200,000 for acting as an independent non-executive director of the Company, the fee of HK$90,000 for acting as a member of the Audit Committee of the Company and the fee of HK$30,000 for acting as a member of the Remuneration Committee of the Company). They are not entitled to any bonus payments (whether fixed or discretionary in nature).

The emoluments of each director of the Company have been determined with reference to his duties and responsibilities, the Company's performance and the prevailing market conditions.

The details of the directors' emoluments for the year ended 31 March 2011 on a named basis are disclosed in Note 18 to the financial statements.

* *for identification only*

Directors' Report

The directors present their report and the audited consolidated financial statements of the Group for the year ended 31 March 2011.

CHANGE OF COMPANY NAME

The English name of the Company has been changed from "Jia Sheng Holdings Limited" to "Thunder Sky Battery Limited" and the Company has adopted the Chinese name of "中聚雷天電池有限公司" as the secondary name of the Company in place of the Chinese name of "嘉盛控股有限公司", with effect from 27 May 2010.

The English name of the Company has further been changed from "Thunder Sky Battery Limited" to "Sinopoly Battery Limited" and the Company has adopted the Chinese name of "中聚電池有限公司" as the secondary name of the Company in place of the Chinese name "中聚雷天電池有限公司", with effect from 14 April 2011.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. During the year, the Group continued the businesses in securities dealing and general trading and discontinued the business in provision of securities brokerage services. The Group also commenced the business in production, distribution and sale of Lithium-ion batteries and related products as a result of the completion of the Acquisition (as defined in the section headed "Connected Transactions and Continuing Connected Transactions" below) in May 2010.

The principal activities and particulars of the Company's principal subsidiaries as at 31 March 2011 are set out in Note 25 to the financial statements.

In April 2011, the Group disposed of its 100% equity interest in Infast Brokerage Limited which is principally engaged in the business of securities brokerage services.

SEGMENT INFORMATION

An analysis of the Group's revenue and contribution to the operating results for the year ended 31 March 2011 is set out in Note 8 to the financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 March 2011 are set out in the consolidated income statement on page 39 of this annual report.

The directors of the Company do not recommend the payment of any dividend for the year ended 31 March 2011.

FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the past five financial years is set out on page 3 of this annual report.

FIXED ASSETS

During the year, the Group spent approximately HK$131,974,000 on acquisition of fixed assets.

Details of the movements in the fixed assets of the Group during the year are set out in Note 23 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

There were no suppliers for the Group's business in provision of securities brokerage services due to its business nature.

The largest supplier of the Group by itself and together with the other four largest suppliers accounted for approximately 78.8% and 91.5% of the Group's total purchases for the year respectively.

The largest customer of the Group by itself and together with the other four largest customers accounted for approximately 32.9% and 62.6% of the Group's total turnover for the year respectively.

深圳市雷天電動車動力總成有限公司 (Shenzhen Thunder Sky Electric Vehicles Limited*) and 深圳市雷天電源技術有限公司 (Shenzhen Thunder Sky Battery Technology Limited*) (collectively the "PRC Operating Companies") constitute the largest supplier of the Group during the year ended 31 March 2011. The PRC Operating Companies are wholly-owned and/or controlled by Mr. Chung Winston (formerly known as Chung Hing Ka), a former director and substantial shareholder of the Company.

Save as disclosed above, none of the directors, their associates, or any shareholder (which to the knowledge of the directors own more than 5% of the Company's share capital) had beneficial interests in the Group's five largest suppliers or customers.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year are set out in Note 35 to the financial statements.

RESERVES AND DISTRIBUTABLE RESERVES

Details of the movements in the reserves of the Group and the Company during the year are set out in Note 36 to the financial statements.

The Company had no reserves available for distribution as at 31 March 2011.

DIRECTORS

The directors of the Company during the year and up to the date of this report are:

Executive directors:

Mr. Miao Zhenguo *(Deputy Chairman and Chief Executive Officer)*	(appointed on 25 May 2010)
Mr. Lo Wing Yat	
Mr. Xu Donghui *(Chief Operating Officer)*	(appointed on 8 March 2011)
Mr. Jaime Che	(appointed on 8 March 2011)
Mr. Yip Chi Chiu	(resigned on 27 August 2010)
Mr. So George Siu Ming	(resigned on 1 July 2010)

Non-executive directors:

Mr. Leung Chung Tak Barry	(resigned on 1 July 2010)
Mr. Wong Kwok Kuen	(resigned on 1 July 2010)
Mr. Chung Winston (formerly known as Chung Hing Ka)	(appointed as executive director on 25 May 2010, re-designated as non-executive director on 8 March 2011 and removed from the office of director with effect upon the passing of the relevant resolution at the special general meeting of the Company held on 14 April 2011)

Independent non-executive directors:

Mr. Chan Yuk Tong
Mr. Fei Tai Hung
Mr. Tse Kam Fow

In accordance with Bye-law 99 of the Company's Bye-laws, Mr. Lo Wing Yat and Mr. Chan Yuk Tong will retire from office by rotation at the forthcoming annual general meeting of the Company and, being eligible, have offered themselves for re-election.

In accordance with Bye-law 102(B) of the Company's Bye-laws, Mr. Xu Donghui and Mr. Jaime Che will hold office until the forthcoming annual general meeting of the Company and, being eligible, have offered themselves for re-election.

No director proposed for re-election at the forthcoming annual general meeting of the Company has a service contract with the Company, which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

The Company has received from each of its independent non-executive directors an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company considers that all the independent non-executive directors to be independent.

Directors' Report

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

As at 31 March 2011, the interests and short positions of the directors and chief executives of the Company or their respective associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to 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 *(Note 1A)*	Interest of controlled corporation	673,900,143	2,573,599,855	3,247,499,998 *(Note 1B)*	34.977%
Mr. Lo Wing Yat *(Note 2)*	Beneficial owner	—	30,800,000	30,800,000	0.332%
Mr. Xu Donghui	Beneficial owner	220,000	—	220,000	0.002%
Mr. Jaime Che	Beneficial owner	1,000,000	—	1,000,000	0.011%
Mr. Chung Winston *(Notes 3A & 3E)*	Interest of controlled corporation	1,290,241,975 *(Note 3B)*	—	1,290,241,975 *(Note 3B)*	13.896%
	Interest of controlled corporation	—	375,000,000 *(non-exercisable bonds)* *(Note 3C)*	—	4.039%
	Interest of controlled corporation	—	3,803,758,030 *(non-exercisable bonds)* *(Note 3D)*	—	40.968%
Mr. Chan Yuk Tong *(Note 2)*	Beneficial owner	—	900,000	900,000	0.010%
Mr. Fei Tai Hung *(Note 2)*	Beneficial owner	—	900,000	900,000	0.010%
Mr. Tse Kam Fow *(Note 2)*	Beneficial owner	—	900,000	900,000	0.010%

Notes:

1A. Mr. Miao Zhenguo ("Mr. Miao") is deemed to be interested in the shares and underlying shares of the Company held by his wholly-owned company, Union Ever Holdings Limited ("Union Ever") by virtue of the SFO. During the year, Union Ever exercised its right and converted convertible bonds with an aggregate principal amount of HK$200,000,000 into 1,000,000,000 shares of the Company.

1B. The 3,247,499,998 shares or underlying shares of the Company refer to the equity interest comprising (i) 673,900,143 shares held by Union Ever; and (ii) 2,573,599,855 conversion shares (subject to adjustments) to be allotted and issued by the Company upon exercise in full by Union Ever of the conversion rights attached to the zero coupon convertible bonds in the principal amount of HK$514,719,971 initially repayable on the eighth anniversary of the date of issue of the convertible bonds, that is 25 May 2018 (the "Maturity Date") at the initial conversion price of HK$0.20 per conversion share (subject to adjustments). Out of the convertible bonds in the principal amount of HK$514,719,971 held by Union Ever, convertible bonds in the principal amount of HK$75,000,000 are subject to lock-up arrangements. In the event that the audited profit after tax and exceptional items and before amortisation accruing to Union Grace Holdings Limited, a wholly-owned subsidiary of the Company, together with its subsidiary, namely Thunder Sky Energy Technology Limited for the 12 months ended 24 May 2011 (the "Actual Profit") is less than HK$150,000,000 (the "Guaranteed Profit"), the Company will be entitled to cancel the locked-up convertible bonds held by Mei Li New Energy Limited ("Mei Li") (please also refer to Note 3C below) and Union Ever by the amount equal to the excess of the Guaranteed Profit over the Actual Profit (the "Shortfall"). For the avoidance of doubt, the maximum amount of the Shortfall shall be HK$150,000,000. Such cancellation of the locked-up convertible bonds will be allocated to Mei Li and Union Ever in equal proportions. Further details of the lock-up arrangements are set out in the Company's circular dated 3 May 2010. The Company expects the Shortfall to be HK$150,000,000. Upon completion and confirmation of the relevant calculation, the Company will cancel all the locked-up convertible bonds held by Mei Li and Union Ever based on the results of such calculation.

2. The interests in underlying shares of the Company represented interests in options granted to the directors named above to subscribe for shares of the Company, further details of which are set out in Note 38to the financial statements.

3A. Mr. Chung Winston (formerly known as Chung Hing Ka) ("Mr. Chung") was removed from the office of the director of the Company with effect upon the passing of the relevant resolution at the special general meeting of the Company held on 14 April 2011. Mr. Chung is deemed to be interested in the shares and underlying shares of the Company held by his wholly-owned company, Mei Li by virtue of the SFO. During the year, Mei Li converted convertible bonds with an aggregate principal amount of HK$200,000,000 into 1,000,000,000 shares of the Company.

3B. 1,290,241,975 shares were held by Mei Li.

3C. As security of the Guaranteed Profit, the convertible bonds held by Mei Li and Union Ever in the principal amount of HK$75,000,000 each are subject to lock-up arrangements. Further details of the lock-up arrangements are set out in the Company's circular dated 3 May 2010. In the event that the Actual Profit is less than the Guaranteed Profit, the Company will be entitled to cancel the locked-up convertible bonds held by Mei Li and Union Ever by the amount equal to the Shortfall in equal proportions. For the avoidance of doubt, the maximum amount of the Shortfall shall be HK$150,000,000. Upon release of the lock-up and assuming full conversion of such bonds held by Mei Li, 375,000,000 shares will be allotted and issued by the Company at the initial conversion price of HK$0.20 per share. The Company expects the Shortfall to be HK$150,000,000. Upon completion and confirmation of the relevant calculation, the Company will cancel all the locked-up convertible bonds held by Mei Li and Union Ever based on the results of such calculation.

3D. The Company issued a redemption notice on 8 March 2011 with respect of the convertible bonds in the principal amount of HK$760,751,606 held by Mei Li. The conversion rights attached to these bonds ceased to be exercisable on that day. Had they not been redeemed, 3,803,758,030 shares would have been allotted and issued at the initial conversion price of HK$0.20 per share upon full conversion.

3E. Mr. Chung's disclosure of his interest in shares of the Company in certain notices made pursuant to Part XV of the SFO does not match the record maintained by the Company. Details of the inconsistencies are set out in the Company's announcement dated 19 May 2011.

Save as disclosed above, as at 31 March 2011, none of the directors or chief executives of the Company or their respective associates had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had been recorded in the register kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Directors' Report

SHARE OPTION SCHEME

Details of the share option scheme adopted by the Company on 30 March 2004 (as amended by an addendum effective on 7 December 2005) (the "Share Option Scheme") and movements of the options during the year are set out in Note 38 to the financial statements.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" above, the section headed "Share Option Scheme" as set out in Note 38 to the financial statements 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 year 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 for the disclosed, 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 year ended 31 March 2011.

EMOLUMENTS OF DIRECTORS AND SENIOR EMPLOYEES

Details of the emoluments of the directors and the five highest paid employees are set out in Note 18 to the financial statements.

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

As at 31 March 2011, the persons, other than the directors or chief executives of the Company, who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the 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 *(Note 1A)*	Beneficial owner	673,900,143	2,573,599,855	3,247,499,998 *(Note 1B)*	34.977%
Mei Li *(Note 2A)*	Beneficial owner	1,290,241,975 *(Note 2B)*	—	1,290,241,975 *(Note 2B)*	13.896%
	Beneficial owner	—	375,000,000 *(non-exercisable bonds)* *(Note 2C)*	—	4.039%
	Beneficial owner	—	3,803,758,030 *(non-exercisable bonds)* *(Note 2D)*	—	40.968%
Glorious China Investments Limited ("Glorious China") *(Note 3)*	Beneficial owner	1,098,099,998	—	1,098,099,998	11.827%
Ms. Xu Yueyue *(Note 3)*	Interest of controlled corporation	1,098,099,998	—	1,098,099,998	11.827%
Long Hing International Limited ("Long Hing") *(Note 4)*	Beneficial owner	1,066,199,998	—	1,066,199,998	11.483%
Ms. Song Hong *(Note 4)*	Interest of controlled corporation	1,066,199,998	—	1,066,199,998	11.483%
Silver Ride Group Limited ("Silver Ride") *(Note 5)*	Beneficial owner	1,055,000,001	—	1,055,000,001	11.363%
Mr. Chen Jian *(Note 5)*	Interest of controlled corporation	1,055,000,001	—	1,055,000,001	11.363%

Directors' Report

Notes:

1A. Union Ever is wholly-owned by Mr. Miao, a director of the Company. Mr. Miao is also a director of Union Ever.

1B. The 3,247,499,998 shares or underlying shares of the Company refer to the equity interest comprising (i) 673,900,143 shares held by Union Ever; and (ii) 2,573,599,855 conversion shares (subject to adjustments) to be allotted and issued by the Company upon exercise in full by Union Ever of the conversion rights attached to the zero coupon convertible bonds in the principal amount of HK$514,719,971 initially repayable on the Maturity Date at the initial conversion price of HK$0.20 per conversion share (subject to adjustments). Out of the convertible bonds in the principal amount of HK$514,719,971 held by Union Ever, convertible bonds in the principal amount of HK$75,000,000 are subject to lock-up arrangements. In the event that the Actual Profit is less than the Guaranteed Profit, the Company will be entitled to cancel the locked-up convertible bonds held by Mei Li (please also refer to Note 2C below) and Union Ever by the amount equal to the Shortfall. For the avoidance of doubt, the maximum amount of the Shortfall shall be HK$150,000,000. Such cancellation of the locked-up convertible bonds will be allocated to Mei Li and Union Ever in equal proportions. Further details of the lock-up arrangements are set out in the Company's circular dated 3 May 2010. The Company expects the Shortfall to be HK$150,000,000. Upon completion and confirmation of the relevant calculation, the Company will cancel all the locked-up convertible bonds held by Mei Li and Union Ever based on the results of such calculation.

2A. Mei Li is wholly-owned by Mr. Chung, a former director of the Company. Mr. Chung is also a director of Mei Li.

2B. 1,290,241,975 shares were held by Mei Li.

2C. As security of the Guaranteed Profit, the convertible bonds held by Mei Li and Union Ever in the principal amount of HK$75,000,000 each are subject to lock-up arrangements. Further details of the lock-up arrangements are set out in the Company's circular dated 3 May 2010. In the event that the Actual Profit is less than the Guaranteed Profit, the Company will be entitled to cancel the locked-up convertible bonds held by Mei Li and Union Ever by the amount equal to the Shortfall in equal proportions. For the avoidance of doubt, the maximum amount of the Shortfall shall be HK$150,000,000. Upon release of the lock-up and assuming full conversion of such bonds held by Mei Li, 375,000,000 shares will be allotted and issued by the Company at the initial conversion price of HK$0.20 per share. The Company expects the Shortfall to be HK$150,000,000. Upon completion and confirmation of the relevant calculation, the Company will cancel all the locked-up convertible bonds held by Mei Li and Union Ever based on the results of such calculation.

2D. The Company issued a redemption notice on 8 March 2011 with respect of the convertible bonds in the principal amount of HK$760,751,606 held by Mei Li. The conversion rights attached to these bonds ceased to be exercisable on that day. Had they not been redeemed, 3,803,758,030 shares would have been allotted and issued at the initial conversion price of HK$0.20 per share upon full conversion.

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. Long Hing is wholly-owned by Ms. Song Hong. The 1,066,199,998 shares of the Company held by Long Hing are deemed to be owned by Ms. Song Hong.

5. Silver Ride is wholly-owned by Mr. Chen Jian, a director of certain subsidiaries of the Company. Mr. Chen Jian is also a director of Silver Ride. The 1,055,000,001 shares of the Company held by Silver Ride are deemed to be owned by Mr. Chen Jian.

Save as disclosed above, as at 31 March 2011, the Company has not been notified of any interests or short positions in the shares or underlying shares of the Company which were required to be recorded in the register kept by the Company under Section 336 of the SFO.

DIRECTORS' INTEREST IN COMPETING BUSINESSES

As disclosed in the Company's announcement dated 9 March 2011 (the "First Announcement"), a committee of the Board consisting of all the existing directors of the Company (other than Mr. Miao) has received evidence that has led it to believe that, among other things, Mr. Chung and/or companies controlled by him (including, in particular, 溫斯頓電池製造有限公司 (Winston Battery Limited*) and Seven One Limited) have competed with the business of the Group or diverted business from the Group.

The Board was of the view that given Mr. Chung's conflict of interest, he was not in a position to discharge his fiduciary duty to the Company as a director. Mr. Chung declined to resign as a director despite the fact that he was required to do so under his service agreement with the Company upon the termination of his employment with the Company on 8 March 2011 (as referred to in paragraph (c) of the sub-section headed "Measures for the protection of the Company's interest" in the First Announcement) and the request from the Company. On 8 March 2011, Mr. Chung was re-designated as a non-executive director, and removed as Deputy Chairman of the Board and directors of all subsidiaries of the Company (as the case may be). His employment with the Company and his position as Chief Technical Officer was also terminated with effect from 8 March 2011. For the protection of the interests of the Company and its shareholders as a whole, the Board had no alternative but resolved to put forward a resolution to remove Mr. Chung as a director for the shareholders to vote on. Mr. Chung was removed from the office of the director of the Company with effect upon the passing of the relevant resolution at the special general meeting of the Company held on 14 April 2011.

As disclosed in the Company's announcement dated 12 March 2011, for the protection of the Group's interests and the enforcement of its rights, legal proceedings were issued against Mr. Chung and certain other companies owned and/or controlled by him on the same day. On 15 June 2011, the detailed statement of claim was submitted and filed with the High Court of Hong Kong claiming for, among other things, damages and injunctions.

Save as disclosed above, as at 31 March 2011, none of the directors of the Company or their respective associates was interested in any business apart from the Group's businesses, which competes or is likely to compete, either directly or indirectly, with the Group's businesses pursuant to Rule 8.10(2) of the Listing Rules.

DIRECTORS' INTEREST IN CONTRACTS

Apart from the agreements disclosed in the section headed "Connected Transactions and Continuing Connected Transactions" below, there were no contracts of significance to which the Company or any of its subsidiaries, holding companies or fellow subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

CONTROLLING SHAREHOLDERS' INTEREST IN CONTRACTS

There were no contracts of significance between the Company or its subsidiaries and a controlling shareholder or any of its subsidiaries subsisted at the end of the year or at any time during the year.

Furthermore, there were no contracts of significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder or any of its subsidiaries.

MANAGEMENT CONTRACTS

No contracts of significance concerning the management and administration of the whole or any substantial part of the business of the Company or any of its subsidiaries, holding companies or fellow subsidiaries were entered into or subsisted during the year.

Directors' Report

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

Acquisition Agreement

On 18 January 2010, Qiyang Limited (the "Purchaser"), a direct wholly-owned subsidiary of the Company, entered into a sale and purchase agreement (the "Acquisition Agreement") with Mei Li, which is beneficially owned by Mr. Chung as the first vendor, Union Ever, which is beneficially owned by Mr. Miao as the second vendor, Silver Ride as the third vendor, Glorious China as the fourth vendor, Long Hing as the fifth vendor, Idea Lab Capital Co., Ltd. as the sixth vendor (collectively the "Vendors"), the Company as the guarantor of the Purchaser, Mr. Chung as the guarantor of Mei Li and Mr. Miao as the guarantor of Union Ever to acquire the entire interest in Union Grace Holdings Limited ("Union Grace") together with its wholly-owned subsidiary, Thunder Sky Energy Technology Limited ("Thunder Sky (HK)", together with Union Grace, collectively, the "Target Group") at a consideration (the "Consideration") of HK$2,750 million (the "Acquisition").

The Acquisition Agreement, the transactions contemplated thereunder, the Master Supply Agreement, the Transactions (including the Supply Annual Caps), the Patent License Deed and the Royalty (including the Licensing Annual Caps) (each as defined in the Company's circular dated 3 May 2010) were approved at a special general meeting of the Company held on 19 May 2010. As a result of completion of the Acquisition, Union Grace and Thunder Sky (HK) have become wholly-owned subsidiaries of the Company with effect from 25 May 2010.

Details of the Acquisition Agreement, the transactions contemplated thereunder, the Master Supply Agreement, the Transactions (including the Supply Annual Caps), the Patent License Deed and the Royalty (including the Licensing Annual Caps) are set out in the Company's circular dated 3 May 2010.

The Acquisition and the transactions contemplated under the Acquisition Agreement constitute a connected transaction of the Company pursuant to Rule 14A.13(1)(b)(i) of the Listing Rules by reason of the appointment of Mr. Chung and Mr. Miao as executive directors of the Company after completion of the Acquisition.

Pursuant to the Acquisition Agreement, the Consideration was satisfied by the Purchaser upon completion on 25 May 2010 as to (i) HK$100,000,000 in cash; (ii) HK$156,703,402 by the issue of consideration shares at the issue price of HK$0.20 each; and (iii) HK$2,493,296,598 by the issue of zero coupon convertible bonds repayable on 25 May 2018.

Patent License Deed

Pursuant to the deed dated 18 January 2010 and the deed dated 12 February 2010 (collectively, the "Patent License Deed"), Thunder Sky Battery Technology Limited ("Thunder Sky Battery") and Mr. Chung (collectively the "Patent Licensors") agreed to grant to Thunder Sky (HK) the exclusive right to use all of the patents owned by or licensed to the Patent Licensors that relate to lithium-based batteries and related products (the "Electric Battery Products") and any improvement thereto, other than such Electric Battery Products with a unit capacity of less than 200 ampere-hours (the "Licensed Patents"). The patent period begins from 18 January 2010 until the date on which the last Licensed Patent expires on 15 May 2025 or when the last of such improvement patent (if any) expires, whichever is the later.

Thunder Sky (HK) is entitled to a royalty-free period starting from 18 January 2010 to the end of two years from the date of Completion i.e. 24 May 2012.

Master Supply Agreement

On 18 January 2010, Thunder Sky (HK) entered into a supply contract (the "Master Supply Agreement") with the PRC Operating Companies. Pursuant to the Master Supply Agreement, the PRC Operating Companies agreed from 18 January 2010 up to 31 March 2013 to manufacture and supply to Thunder Sky (HK) Electric Battery Products of not less than an aggregate of 100 million ampere-hours in respect of each financial year ending 31 March in accordance with the requirements of Thunder Sky (HK) (the "Transactions"). The unit price for each ampere-hour will not be higher than US$0.5.

The PRC Operating Companies are indirectly and wholly-owned and/or controlled by Mr. Chung, who was a director of the Company before 14 April 2011. Accordingly, the PRC Operating Companies were his associates and hence connected persons of the Company for the purpose of the Listing Rules. The Transactions therefore constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios as defined in Rule 14A.10 of the Listing Rules (as applicable when the Master Supply Agreement was entered into) in respect of the Supply Annual Caps, on an annual basis, exceed 2.5% and the Supply Annual Caps exceed HK$10,000,000, the Master Supply Agreement and the Transactions (including the Supply Annual Caps) are subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

The cap of the Transactions for the year ended 31 March 2011 (the "2011 Supply Annual Cap") is set out below:

Period	Production capacity of the PRC Operating Companies	2011 Supply Annual Cap	
			Equivalent to approximately
	ampere-hours	*US$*	*HK$*
25 May 2010 to 31 March 2011	100 million	50 million	390 million

The value of Transactions for the period between 25 May 2010 and 31 March 2011 amounted to approximately HK$33,658,000.

During the year, the PRC Operating Companies failed and refused to provide or allow the Company access to the underlying books and records in respect of the sales and collection of sales revenue of the Electric Battery Products made by them as agents for and on behalf of the Group or to remit the net proceeds of such sales to the Group.

Due to the lack of sufficient information and access to the underlying books and records in relation to the Transactions for the period between 25 May 2010 and 31 March 2011 (the "2011 Transactions"), the independent non-executive directors of the Company are unable to review the 2011 Transactions and therefore unable to confirm that the 2011 Transactions have been entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and

(iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Due to the failure on the part of the PRC Operating Companies to provide or allow the Company access to the underlying books and records in relation to the 2011 Transactions, the independent auditor of the Company was unable to review the 2011 Transactions and therefore unable to confirm that the 2011 Transactions:

(i) have received the approval of the Company's board of directors;

(ii) have been entered into in accordance with the relevant agreements governing the transactions; and

(iii) have not exceeded the 2011 Supply Annual Cap.

Directors' Report

Details of other related party transactions undertaken by the Group in the normal course of business during the year, which do not constitute connected transactions nor continuing connected transactions of the Company required to be disclosed under the Listing Rules, are provided under Note 41 to the financial statements.

The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

BORROWINGS AND CONVERTIBLE BONDS

Details of the Group's borrowings as at the end of the reporting period are set out in Note 30 to the financial statements.

Details of the movements in the convertible bonds of the Company during the year are set out in Notes 32 and 33 to the financial statements.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is established by the executive directors of the Company on the basis of their performance, experience and prevailing industry practice.

The emolument of the directors of the Company is determined with regards to the duties and responsibilities of individual directors, the Company's performance and the prevailing market conditions.

The Company has adopted the Share Option Scheme as incentive to selected participants, including the directors and eligible employees of the Company. Details of the Share Option Scheme are set out in Note 38 to the financial statements.

RETIREMENT BENEFIT SCHEMES

Information on the Group's retirement benefit schemes is set out in Note 13 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws or the applicable laws of Bermuda, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

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

The Company did not redeem any of its listed securities during the year ended 31 March 2011.

Neither the Company nor any of its subsidiaries purchased or sold any of the Company's listed securities during the year ended 31 March 2011.

DONATIONS

During the year, the Group made donations amounting to approximately HK$117,000.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors of the Company, the Company maintained throughout the year a sufficient public float as required under the Listing Rules.

EVENTS AFTER THE REPORTING PERIOD

Details of the significant events occurring after the reporting period are set out in Note 42 to the financial statements.

AUDITOR

CCIF CPA Limited will retire and a resolution to re-appoint CCIF CPA Limited as auditor of the Company will be proposed at the forthcoming annual general meeting of the Company.

By order of the Board

Miao Zhenguo
Deputy Chairman and Chief Executive Officer

Hong Kong, 30 June 2011

* *for identification only*

Corporate Governance Report

The Company is committed to maintaining a high standard of corporate governance. The Board believes that sound corporate governance principles, increased transparency and independency of corporate operation, and an effective shareholder communication mechanism will promote the healthy growth of the Company and enhance the shareholder value.

CORPORATE GOVERNANCE PRACTICES

Throughout the year ended 31 March 2011, the Company applied the principles of and complied with all the code provisions of, the Code on Corporate Governance Practices (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") except for the following deviations.

Code provision A.2.1 to A.2.3

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

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

Code provision A.5.4

Between 16 February 2011 and 18 February 2011, Mr. Chung Winston (formerly known as Chung Hing Ka) ("Mr Chung"), a former director of the Company, disposed of 31 million shares in the Company without first notifying the designated director of the Board of the disposal and receiving a dated written acknowledgement. Mr. Chung's conduct was contrary to Basic Principle 1 and Rule B.8 of the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules. This constitutes a deviation from the code provision A.5.4 of the Code. Mr. Chung was removed as a director of the Company with effect upon the passing of the relevant resolution at the special general meeting of the Company held on 14 April 2011.

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, chaired the Company's annual general meeting held on 10 September 2010 pursuant to the Company's Bye-laws.

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. The Securities Code is on terms no less exacting than the required standard set out in the Model Code. Apart from the deviation from the Basic Principle 1 and Rule B.8 of the Model Code disclosed in the section headed "Corporate Governance Practices" above, 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 year ended 31 March 2011 (if applicable).

BOARD OF DIRECTORS

Composition

The Board currently comprises the following seven directors:

Executive directors:

Mr. Miao Zhenguo *(Deputy Chairman and Chief Executive Officer)*
Mr. Lo Wing Yat
Mr. Xu Donghui *(Chief Operating Officer)*
Mr. Jaime Che

Independent non-executive directors:

Mr. Chan Yuk Tong
Mr. Fei Tai Hung
Mr. Tse Kam Fow

The biographical details of the existing directors are set out in the "Directors' Biographies" on pages 14 to 16 of this annual report.

Role and Function

The Board has reserved for its decision or consideration matters covering mainly the overall strategy of the Group; annual and interim results; material acquisition, disposal or investments; directors' appointment or re-appointment; and other significant business or financial matters. The Board has delegated the day-to-day operations of the Group to the management.

Chairman and Chief Executive Officer

Subsequent to the resignation of Mr. Ryoji Furukawa as the Chairman of the Board on 16 October 2008, the Company has no Chairman. Currently, Mr. Miao Zhenguo is the Deputy Chairman of the Board and 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.

Independent Non-executive Directors

The Company has three independent non-executive directors, representing more than one-third of the Board.

The term of appointment of the independent non-executive directors of the Company is two years or has been renewed for a further fixed period of two years, subject to retirement by rotation and re-election at the annual general meetings pursuant to the Bye-laws of the Company.

Throughout the year ended 31 March 2011, the Company complied with Rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of a sufficient number of independent non-executive directors and an independent non-executive director with appropriate professional qualifications, or accounting or related financial management expertise, respectively.

The Board has received from each independent non-executive director an annual confirmation of his independence and considers that all the independent non-executive directors are independent under the guidelines set out in Rule 3.13 of the Listing Rules.

Corporate Governance Report

Relationship

Mr. Miao Zhenguo and Mr. Jaime Che are both directors of MVP RV, Inc., a Delaware corporation in the United States of America primarily engaged in the business of manufacture and distribution of recreation vehicles, such as motor home and trailer.

Save as disclosed above, there is no financial, business, family or other material relationship among the members of the Board.

Meetings and Attendance

The Board held four regular meetings and ten additional meetings during the year ended 31 March 2011. The individual attendance records of the directors at the Board meetings are as follows:

Name of directors	Number of meetings attended / held
Executive directors:	
Mr. Miao Zhenguo (appointed on 25 May 2010)	13/13
Mr. Lo Wing Yat	13/14
Mr. Xu Donghui (appointed on 8 March 2011)	4/4
Mr. Jaime Che (appointed on 8 March 2011)	4/4
Mr. Yip Chi Chiu (resigned on 27 August 2010)	5/5
Mr. So George Siu Ming (resigned on 1 July 2010)	2/2
Mr. Chung Winston (appointed on 25 May 2010 and removed on 14 April 2011)	11/13
Non-executive directors:	
Mr. Leung Chung Tak Barry (resigned on 1 July 2010)	2/2
Mr. Wong Kwok Kuen (resigned on 1 July 2010)	2/2
Independent non-executive directors:	
Mr. Chan Yuk Tong	14/14
Mr. Fei Tai Hung	14/14
Mr. Tse Kam Fow	14/14

Insurance

The Company has arranged appropriate insurance cover in respect of legal action against its directors.

BOARD COMMITTEES

The Board has established four committees, namely the Remuneration Committee, the Audit Committee, the Executive Committee and the Special Board Committee. Each committee reports back to the Board on its decisions or recommendations, unless there are legal or regulatory restrictions on its ability to do so.

Remuneration Committee

The terms of reference of the Remuneration Committee are in compliance with the code provisions set out in the Code. The Remuneration Committee currently comprises three independent non-executive directors, namely Mr. Chan Yuk Tong (Chairman of the Remuneration Committee), Mr. Fei Tai Hung and Mr. Tse Kam Fow, and the Chief Executive Officer, Mr. Miao Zhenguo.

The principal duties of the Remuneration Committee include (i) to make recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management; (ii) to determine the specific remuneration packages of all executive directors and senior management; (iii) to make recommendations to the Board of the remuneration of non-executive directors; (iv) to review and approve performance-based remuneration; and (v) to ensure that no director or any of his associates is involved in deciding his own remuneration. The full version of the terms of reference of the Remuneration Committee is available on the Company's website at www.sinopolybattery.com.

The Remuneration Committee held two meetings during the year ended 31 March 2011. The individual attendance records of the committee members are as follows:

Name of committee members	Number of meetings attended / held
Mr. Chan Yuk Tong	2/2
Mr. Fei Tai Hung	2/2
Mr. Tse Kam Fow	2/2
Mr. Miao Zhenguo (appointed on 30 September 2010)	1/1
Mr. Yip Chi Chiu (resigned on 27 August 2010)	1/1

During the meetings, the Remuneration Committee considered and recommended to the Board (a) the aggregate amount of directors' fees for approval by the shareholders of the Company at 2010 annual general meeting; and (b) the director's fee of a non-executive director.

The primary objective of the director remuneration policy is to attract, retain and motivate the Board members by providing fair reward for their contribution to the Group's performance. The directors' remuneration packages are determined with reference to the duties and responsibilities of individual directors, the Company's performance and the prevailing market conditions. The Company has adopted a share option scheme for the principal purpose of providing incentives or rewards to eligible participants, including the directors of the Company, for their contribution to the Group.

During the year ended 31 March 2011, no director was involved in deciding his own remuneration.

Audit Committee

The terms of reference of the Audit Committee are in compliance with the code provisions set out in the Code. The Audit Committee currently comprises three independent non-executive directors, namely Mr. Chan Yuk Tong (Chairman of the Audit Committee), Mr. Fei Tai Hung and Mr. Tse Kam Fow.

The principal duties of the Audit Committee include (i) to oversee the relationship with the auditor of the Company (the "Auditor"); (ii) to review the annual and interim results before publication; and (iii) to oversee the Group's financial reporting system and internal control procedures. The full version of the terms of reference of the Audit Committee is available on the Company's website at www.sinopolybattery.com.

The Audit Committee held two meetings during the year ended 31 March 2011. The individual attendance records of the committee members are as follows:

Name of committee members	Number of meetings attended / held
Mr. Chan Yuk Tong	2/2
Mr. Fei Tai Hung	2/2
Mr. Tse Kam Fow	2/2

Corporate Governance Report

During the year ended 31 March 2011, the Audit Committee (i) reviewed the accounting policies and practices adopted by the Group; (ii) reviewed the Company's results for the year ended 31 March 2010 and six months ended 30 September 2010 and recommended the same to the Board for approval; (iii) recommended to the Board the re-appointment of the Auditor; and (iv) reviewed the effectiveness of the Group's internal control system, inter alia, the financial, operational and compliance controls and risk management functions of the Group; and the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programmes and budget.

The Audit Committee has reviewed with the management and the Auditor the audited results of the Group for the year ended 31 March 2011.

Executive Committee

The Executive Committee currently comprises four executive directors of the Company, namely Mr. Miao Zhenguo (Chairman of the Executive Committee), Mr. Lo Wing Yat, Mr. Xu Donghui and Mr. Jaime Che. It meets as and when necessary and operates as a general management committee under the direct authority of the Board.

Special Board Committee

The Board established the Special Board Committee in March 2011 with delegated authority to deal with all matters relating to the independent report prepared by the Company's legal adviser with respect to the very substantial acquisition (the "Acquisition") completed in May 2010, inter alia, the legal proceedings against Mr. Chung. It comprises Mr. Chan Yuk Tong (Chairman of the Special Board Committee), Mr. Lo Wing Yat, Mr. Xu Donghui, Mr. Jaime Che, Mr. Fei Tai Hung and Mr. Tse Kam Fow.

AUDITOR'S REMUNERATION

For the year ended 31 March 2011, the Auditor received approximately HK$1,700,000 for audit service and approximately HK$750,000 for non-audit service in relation to due diligence review on the Acquisition.

NOMINATION OF DIRECTORS

The Company has not established a nomination committee. The role and functions of the nomination committee are performed by the Board. It carries out the process of selecting and recommending candidates for directorship including the consideration of referrals, promotions and engagement of recruitment firms, whenever necessary. The Board considers the suitability of a candidate to act as a director on the basis of his qualifications, experience and background and reviews the composition of the board members from time to time.

During the year ended 31 March 2011, the Board (i) considered and approved the appointment of Mr. Miao Zhenguo and Mr. Chung as additional executive directors of the Company at a board meeting held in May 2010; (ii) considered the re-election of directors who were subject to retirement by rotation at the 2010 annual general meeting of the Company at a regular board meeting held in July 2010; (iii) considered and approved the renewal of 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 for a further fixed period of two years at a board meeting held in November 2010; and (iv) considered and approved the appointment of Mr. Xu Donghui and Mr. Jaime Che as additional executive directors of the Company at a board meeting held in March 2011, each meeting with 100% attendance rate. The individual attendance records of the directors are set out under the section headed "Board of Directors" on page 32 of this annual report.

FINANCIAL REPORTING

The directors acknowledge their responsibility for preparing the financial statements of the Group.

The statement of the Auditor about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 36 to 38 of this annual report.

At 31 March 2011, the Group and the Company had net current liabilities of approximately HK$417,887,000 and HK$307,155,000 respectively, including provision for redeemed convertible bonds of approximately HK$760,752,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Details of the going concern matter are set out in the sub-section heading "Going Concern Basis" in the Independent Auditor's Report and Note 3 to the consolidated financial statements.

Save as disclosed above, the directors confirm that, to the best of their knowledge, information and belief and having made all reasonable enquires, they are not aware of any other material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

INTERNAL CONTROL

The Board has overall responsibility for establishing and maintaining an adequate and effective system of internal control of the Group to safeguard the shareholders' investments and the Group's assets.

The Group's internal control system includes a management structure with defined lines of responsibility and limits of authority. It aims to provide reasonable, but not absolute, assurance that assets are safeguarded against misappropriations, transactions are executed in accordance with the management's authorisation, and accounting records are reliable and proper for preparing financial information and are not materially misstated. The system is designed to identify, evaluate and manage effectively risks rather than to eliminate all risks of failure.

The Company has engaged an external consultant to review the effectiveness of the Group's internal control system, inter alia, the financial, operational and compliance controls and risk management functions of the Group. Apart from the internal controls on the production outsourced to 深圳市雷天電動車動力總成有限公司 (Shenzhen Thunder Sky Electric Vehicles Limited*) and 深圳市雷天電源技術有限公司 (Shenzhen Thunder Sky Battery Technology Limited*) (collectively the "PRC Operating Companies") wholly-owned and/or controlled by Mr. Chung, and sales performed by the PRC Operating Companies as agents on behalf of the Group, no material deficiencies have been identified. Findings and recommendations have been reported to the Audit Committee and the Board. The management will deal with the areas for improvement which come to the attention of the Board and the Audit Committee. The Board is committed to improving the Group's internal control system on an ongoing basis.

COMMUNICATION WITH SHAREHOLDERS

The Company values the views of its shareholders and recognises their interests in the Group's strategy and performance. All shareholders are welcome to the annual general meeting of the Company, at which directors of the Company will be available to answer questions from shareholders. Communication is also provided through the annual reports, interim reports, announcements and circulars issued by the Company from time to time. Shareholders may also contact the Company in writing or visit the Company's website at www.sinopolybattery.com.

** for identification only*

Independent Auditor's Report

CCIF

CCIF CPA LIMITED

34/F The Lee Gardens
33 Hysan Avenue
Causeway Bay Hong Kong

TO THE SHAREHOLDERS OF SINOPOLY BATTERY LIMITED
(Formerly known as Thunder Sky Battery Limited)
(INCORPORATED IN BERMUDA WITH LIMITED LIABILITY)

We have audited the consolidated financial statements of Sinopoly Battery Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 39 to 124 which comprise the consolidated and Company statements of financial position as at 31 March 2011, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Except as described in the basis for qualified opinion paragraphs, we conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

BASIS OF QUALIFIED OPINION

As set out in Note 20 to the consolidated financial statements, on 25 May 2010, the Company acquired the entire equity interest of Union Grace Holdings Limited ("Union Grace") and its subsidiary Thunder Sky Energy Technology Limited ("Thunder Sky (HK)") (collectively the "Union Grace Group") from six vendors, including Mei Li New Energy Limited ("Mei Li") which is beneficially owned by Mr. Chung Winston (formerly known as Chung Hing Ka) (鍾馨稼) ("Mr. Chung"), a former director of the Company. Pursuant to the master supply agreement dated 18 January 2010 (the "Master Supply Agreement") made between深圳市雷天電動車

動力總成有限公司 (Shenzhen Thunder Sky Electric Vehicles Limited) and 深圳市雷天電源技術有限公司 (Shenzhen Thunder Sky Battery Technology Limited) (collectively the "PRC Operating Companies") and Thunder Sky (HK), the PRC Operating Companies have agreed to manufacture and supply to Thunder Sky (HK), in accordance with its requirements, Lithium-ion batteries and related products (the "Electric Battery Products") at the agreed price of not higher than US$0.5 per ampere-hour. The PRC Operating Companies also agreed to handle as agents the sales of Electric Battery Products on behalf of Thunder Sky (HK) (as the principal) for the period from 18 January 2010 to 30 May 2011 at nil consideration. The PRC Operating Companies are indirectly wholly-owned by Mr. Chung and, accordingly, are associates of a connected person and related parties of the Company. During the year, the PRC Operating Companies failed and refused to provide or allow the Company access to the underlying books and records in respect of the sales and collection of sales revenue of the Electric Battery Products made by them as agents for and on behalf of the Group or to remit the net proceeds of such sales to the Group. Mr. Chung was removed as a director of the Company on 14 April 2011. As disclosed in Note 40 to the consolidated financial statements, on 12 March 2011, legal proceedings were instituted against Mr. Chung and his associates (including but not limited to Mei Li and the PRC Operating Companies) in the High Court of Hong Kong. On 15 June 2011, a statement of claim was filed with the High Court of Hong Kong.

We have been unable to carry out audit procedures as we considered necessary to verify the completeness and accuracy of sales, cost of sales and related income tax of approximately HK$68,173,000, HK$33,658,000 and HK$8,695,000 included in the consolidated income statement, respectively, in relation to the sales of Electric Battery Products made by the PRC Operating Companies as agents of the Group for the period from 25 May 2010 to 31 March 2011 and consequently, we are unable to ascertain whether the impairment of the net amount due from the PRC Operating Companies of approximately HK$28,785,000 included in the consolidated income statement is appropriate. Any adjustments found to be necessary in respect of these items may have significant effects on the net assets of the Group as at 31 March 2011 and of its loss and cash flows, together with relevant disclosures made in the consolidated financial statements, for the year ended 31 March 2011.

QUALIFIED OPINION ARISING FROM LIMITATION OF AUDIT SCOPE

In our opinion, except for the effects of any adjustments found to be necessary arising from the matters as set out in the section headed "Basis of Qualified Opinion" above, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2011 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

MATTERS OF EMPHASIS – FUNDAMENTAL UNCERTAINTIES RELATING TO BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

Without further qualifying our opinion, we draw attention to the following fundamental uncertainties relating to the basis of preparation of consolidated financial statements:

(a) Outstanding litigations against Mr. Chung and his associates

As disclosed in Note 40 to the consolidated financial statements, on 12 March 2011, legal proceedings were instituted in the High Court of Hong Kong against Mr. Chung and his associates, including but not limited to Mei Li and the PRC Operating Companies for, inter alia, breaches of the undertakings and guarantees under the acquisition agreement dated 18 January 2010 (as amended by a supplemental agreement dated 30 April 2010) (the "Acquisition Agreements") in respect of the acquisition of the entire equity interest of the Union Grace Group on 25 May 2010. Pursuant to the Acquisition Agreements, the Company issued convertible bonds with an aggregate principal amount of approximately HK$960,751,000 (excluding derecognised convertible bonds with an aggregate principal amount of HK$75,000,000 as contingent consideration subject to a guarantee on the profit of the Union Grace Group for the period from 25 May 2010 to 24 May 2011) to Mei Li, as part of the consideration for the acquisition. The Group expects to claim against Mr. Chung and his associates for damages at aggregate amount not less than the obligations under the convertible bonds of approximately HK$760,752,000 as referred to in Note 32 to the consolidated financial statements. A statement of claim against Mr. Chung and his associates was filed with the High Court of Hong Kong on 15 June 2011. The legal proceedings are at the early stage and court hearings for the legal proceedings are not yet fixed. The Group has not recognised the amount of the claims against Mr. Chung and his associates as at 31 March 2011.

(b) Going concern basis

At 31 March 2011, the Group and the Company had net current liabilities of approximately HK$417,887,000 and HK$307,155,000 respectively, including provision for redeemed convertible bonds of approximately HK$760,752,000 as set out in the consolidated and Company statements of financial position. In preparing the consolidated financial statements, as set out in Note 3 to the consolidated financial statements, the board of directors of the Company has carefully considered the future liquidity of the Group, after having taken into account of, including but not limited to, the following:

– In respect of obligations under the redeemed convertible bonds with an aggregate principal amount of approximately HK$760,752,000 ("Redemption Amount") as set out in Note 32 to the consolidated financial statements, the Company has sought legal opinion and considered that (i) the Company has no immediate obligations to pay the Redemption Amount; and (ii) the Company has valid grounds and rights to offset the Redemption Amount, in the event Mei Li makes a demand for the payment, by the claims for damages from Mr. Chung and his associates in the aforesaid legal proceedings. The Company's legal advisor estimated that the legal proceedings will likely take at least 2 to 3 years before progressing to a trial; and

– Union Ever Holdings Limited, a substantial shareholder of the Company, has provided an irrevocably letter of undertaking pursuant to which it will provide adequate funds to the Group so as to enable it to meet its financial obligations as and when they fall due for the foreseeable future.

Based on the cash flow forecast prepared by the directors of the Company for the next 12 months from the date of approval of the consolidated financial statements, the Group will have adequate funds to meet its financial obligations as and when they fall due.

The conditions aforementioned indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. The consolidated financial statements do not include any adjustments that would result from a failure to obtain such funding for financing the working capital and commitments of the Group in the foreseeable future.

(c) Uncertainties on significant judgements and estimates adopted on valuation of the intangible assets

At 31 March 2011, the carrying amount of the Group's intangible assets amounted to approximately HK$1,279,127,000 included in the consolidated statement of financial position. As disclosed in Note 22 to the consolidated financial statements, the Company engaged an independent qualified professional valuer to conduct a valuation as at 31 March 2011 on the Group's exclusive using rights of the licenced patents, using the multi-period excess earnings method under the income approach, based on which, an impairment loss of approximately HK$2,050,690,000 was recognised and charged to the consolidated income statement for the year ended 31 March 2011. The valuation was based on the value-in-use calculations, involving the detailed cash flow and profit forecast projections covering the period from 1 April 2011 to 31 March 2020. As the industry of the Lithium-ion batteries is new and currently at its early stage of development, the cash flow and profit forecast projections involve significant judgements and estimates on the accuracy of the assumptions for the projections and estimates of, including but not limited to, the future growth rates, the extent of the future market competition, market demand and market share, and sales and cost structures of the Lithium-ion batteries that the Group will to achieve during the forecasting period.

We considered that adequate disclosures have been properly made for the above matters in the consolidated financial statements.

CCIF CPA Limited
Certified Public Accountants
Hong Kong, 30 June 2011

Leung Chun Wa
Practising Certificate Number P04963

Consolidated Income Statement

For the year ended 31 March 2011

	Note	2011 HK$'000	2010 HK$'000 (Restated)
Continuing operations			
Revenue	7	**75,766**	3,065
Cost of sales		**(41,222)**	(2,587)
Gross profit		**34,544**	478
Other income	9	**570**	—
Selling and distribution costs		**(5,843)**	—
General and administrative expenses		**(54,108)**	(13,409)
Finance costs	10	**(81,437)**	—
Gain on redemption of convertible bonds	33	**4,044**	—
Gain on disposal of a subsidiary	11	**11,330**	—
Impairment on goodwill	21	**(904,240)**	—
Amortisation of intangible assets	22	**(310,183)**	—
Impairment on intangible assets	22	**(2,050,690)**	—
Impairment on amount due from related companies	28(c)	**(28,785)**	—
Gain on dilution of interest in a jointly-controlled entity		**—**	3,804
Share of results of a jointly-controlled entity		**—**	(2,536)
Loss before tax	12	**(3,384,798)**	(11,663)
Income tax	14	**581,523**	—
Loss for the year from continuing operations		**(2,803,275)**	(11,663)
Discontinued operation			
Loss for the year from discontinued operation	19	**(2,454)**	(2,430)
Loss for the year		**(2,805,729)**	(14,093)
Attributable to:			
Equity holders of the Company	15	**(2,805,729)**	(14,093)
		HK cents	HK cents (Restated)
Loss per share attributable to equity holders of the Company	17		
From continuing and discontinued operations			
– Basic and diluted		**(64.13)**	(0.74)
From continuing operations			
– Basic and diluted		**(64.07)**	(0.61)

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2011

	2011 HK$'000	2010 HK$'000
Loss for the year	**(2,805,729)**	(14,093)
Other comprehensive income/(loss) for the year		
Release of exchange reserve of a jointly-controlled entity	**—**	(130)
Exchange differences on translation of foreign subsidiaries	**7,240**	—
Other comprehensive income/(loss) for the year, net of tax	**7,240**	(130)
Total comprehensive loss for the year	**(2,798,489)**	(14,223)
Attributable to:		
Equity holders of the Company	**(2,798,489)**	(14,223)

Consolidated Statement of Financial Position

As at 31 March 2011

	Note	2011 HK$'000	2010 HK$'000
Non-current assets			
Intangible assets	22	**1,279,127**	—
Fixed assets	23	**131,634**	1,521
Available-for-sale financial asset	26	**—**	18,479
Other operating assets		**—**	205
Deposits paid for fixed assets	24	**22,006**	—
		1,432,767	20,205
Current assets			
Inventories	27	**7,732**	—
Trade and other receivables	28	**18,884**	5,354
Cash and bank balances	29	**388,568**	304,361
		415,184	309,715
Assets classified as held for sale	19	**13,518**	—
		428,702	309,715
Current liabilities			
Bank loan	30	**(35,562)**	—
Trade and other payables	31	**(36,516)**	(2,126)
Tax payable		**(8,695)**	—
Provision for redeemed convertible bonds	32	**(760,752)**	—
		(841,525)	(2,126)
Liabilities classified as held for sale	19	**(5,064)**	—
		(846,589)	(2,126)
Net current (liabilities)/assets		**(417,887)**	307,589
Total assets less current liabilities		**1,014,880**	327,794
Non-current liabilities			
Convertible bonds	33	**(198,409)**	—
Deferred tax liabilities	34	**(319,782)**	—
		(518,191)	—
NET ASSETS		**496,689**	327,794

Consolidated Statement of Financial Position

As at 31 March 2011

	Note	**2011 HK$'000**	2010 HK$'000
CAPITAL AND RESERVES			
Equity attributable to equity holders of the Company			
Issued capital	35	**92,847**	22,221
Reserves	36	**403,842**	305,573
TOTAL EQUITY		**496,689**	327,794

Miao Zhenguo
Director

Jaime Che
Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2011

	Attributable to equity holders of the Company								
	Issued capital HK$'000	**Share premium HK$'000**	**Exchange reserve HK$'000**	**Contributed surplus HK$'000**	**Capital redemption reserve HK$'000**	**Equity component of convertible bonds HK$'000**	**Share option reserve HK$'000**	**Accumulated losses HK$'000**	**Total equity HK$'000**
At 1 April 2009	18,304	196,161	130	15,506	1,868	—	35,122	(196,793)	70,298
Total comprehensive loss for the year	—	—	(130)	—	—	—	—	(14,093)	(14,223)
Issue of new shares	3,661	263,581	—	—	—	—	—	—	267,242
Transaction costs attributable to issue of new shares	—	(4,722)	—	—	—	—	—	—	(4,722)
Share options lapsed	—	—	—	—	—	—	(20,208)	20,208	—
Shares issued upon exercise of share options	256	8,527	—	—	—	—	(2,889)	—	5,894
Equity-settled share-based payments	—	—	—	—	—	—	3,305	—	3,305
At 31 March 2010 and 1 April 2010	22,221	463,547	—	15,506	1,868	—	15,330	(190,678)	327,794
Total comprehensive loss for the year	—	—	7,240	—	—	—	—	(2,805,729)	(2,798,489)
Shares issued pursuant to acquisition transaction *(Note 35(c))*	7,835	1,183,112	—	—	—	—	—	—	1,190,947
Shares issued pursuant to subscription *(Note 35(d))*	4,000	288,000	—	—	—	—	—	—	292,000
Transaction costs attributable to issue of new shares	—	(967)	—	—	—	—	—	—	(967)
Share options lapsed	—	—	—	—	—	—	(447)	—	(447)
Shares issued upon exercise of share options *(Note 35(b))*	1,650	34,695	—	—	—	—	(12,280)	—	24,065
Equity-settled share-based payments	—	—	—	—	—	—	742	—	742
Issue of convertible bonds *(Note 33)*	—	—	—	—	—	1,467,065	—	—	1,467,065
Shares issued upon conversion of convertible bonds *(Note 35(e))*	57,141	1,121,467	—	—	—	(672,445)	—	—	506,163
Redemption of convertible bonds *(Note 33)*	—	—	—	—	—	(423,928)	—	—	(423,928)
Convertible bonds derecognised for contingent consideration *(Note 33)*	—	—	—	—	—	(88,256)	—	—	(88,256)
At 31 March 2011	**92,847**	**3,089,854**	**7,240**	**15,506**	**1,868**	**282,436**	**3,345**	**(2,996,407)**	**496,689**

Consolidated Statement of Cash Flows

For the year ended 31 March 2011

	Note	2011 HK$'000	2010 HK$'000
Operating activities			
Loss before tax (including loss from discontinued operation)		**(3,387,252)**	(14,093)
Adjustments for:			
Interest income	12	**(1,971)**	(181)
Finance costs	10	**81,437**	—
Dividend income from listed investments	7	**—**	(6)
Share of results of a jointly controlled entity		**—**	2,536
Loss on disposal of fixed assets	12	**—**	4
Depreciation and amortisation of fixed assets	12	**3,730**	979
Equity-settled share-based payments		**295**	3,305
Gain on dilution of interest in a jointly controlled entity		**—**	(3,804)
Impairment loss on other receivables	12	**—**	5
Acquisition-related costs	20(c)	**9,007**	—
Impairment on amount due from related companies	12	**28,785**	—
Impairment on goodwill	21	**904,240**	—
Amortisation of intangible assets	22	**310,183**	—
Impairment on intangible assets	22	**2,050,690**	—
Gain on redemption of convertible bonds	33	**(4,044)**	—
Gain on disposal of a subsidiary	11	**(11,330)**	—
		(16,230)	(11,255)
Changes in working capital			
Increase in inventories		**(7,732)**	—
(Increase)/decrease in trade and other receivables		**(47,228)**	1,249
Increase/(decrease) in trade and other payables		**39,452**	(2,841)
Net cash used in operations		**(31,738)**	(12,847)
Interest received		**1,958**	170
Finance costs paid		**(484)**	—
Dividend received from listed investments		**—**	6
Net cash used in operating activities		**(30,264)**	(12,671)
Investing activities			
Payments for acquisition of fixed assets		**(131,974)**	(32)
Payment for acquisition of subsidiaries	20	**(99,995)**	—
Proceeds from disposal of a subsidiary, net of cash and cash equivalents disposed of	37	**29,804**	—
Payment for acquisition-related costs	20(c)	**(9,007)**	—
Deposits paid for fixed assets		**(22,006)**	—
Net cash used in investing activities		**(233,178)**	(32)

Consolidated Statement of Cash Flows

For the year ended 31 March 2011

	Note	2011 HK$'000	2010 HK$'000
Financing activities			
Net proceeds from issue of new shares		**291,033**	262,520
Proceeds from shares issued upon exercise of share options		**24,065**	5,894
Proceeds of new bank loan		**35,562**	—
Net cash generated from financing activities		**350,660**	268,414
Net increase in cash and cash equivalents		**87,218**	255,711
Effect on exchange rate changes		**5,167**	—
Cash and cash equivalents at beginning of the year		**304,361**	48,650
Cash and cash equivalents at end of the year		**396,746**	304,361
Analysis of cash and cash equivalents:			
Cash and bank balances	29	**388,568**	304,361
Cash and bank balances reclassified under assets held for sale	19(c)	**8,178**	—
		396,746	304,361

Statement of Financial Position

As at 31 March 2011

	Note	2011 HK$'000	2010 HK$'000
Non-current assets			
Interests in subsidiaries	25	**965,087**	29,748
Current assets			
Trade and other receivables	28	**943**	2,392
Amount due from a subsidiary	25	**301,617**	—
Cash and bank balances	29	**185,848**	295,626
		488,408	298,018
Current liabilities			
Trade and other payables	31	**(5,039)**	(480)
Amount due to a subsidiary	25(c)	**(29,772)**	—
Provision for redeemed convertible bonds	32	**(760,752)**	—
		(795,563)	(480)
Net current (liabilities)/assets		**(307,155)**	297,538
Total assets less current liabilities		**657,932**	327,286
Non-current liabilities			
Convertible bonds	33	**(198,409)**	—
NET ASSETS		**459,523**	327,286
CAPITAL AND RESERVES			
Issued capital	35	**92,847**	22,221
Reserves	36	**366,676**	305,065
TOTAL EQUITY		**459,523**	327,286

Miao Zhenguo
Director

Jaime Che
Director

1. GENERAL INFORMATION

Sinopoly Battery Limited (the "Company") is a limited liability company incorporated in Bermuda. Its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The registered office and principal place of business of the Company are situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and Rooms 901-905, 9th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong, respectively.

The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in production, sale and distribution of Lithium-ion batteries and related products, securities dealing and investment, treasury investment and general trading. The Group has commenced the business of production, sale and distribution of Lithium-ion batteries and related products since May 2010 after the Group's acquisition of certain subsidiaries during the year. The details of the acquisition transaction are set out in Note 20 to these consolidated financial statements. During the year, the Group discontinued the operation of securities brokerage services, details of which are set out in Note 19 to these consolidated financial statements.

The English name of the Company has been changed from "Jia Sheng Holdings Limited" to "Thunder Sky Battery Limited" and the Company has adopted the Chinese name "中聚雷天電池有限公司" as the secondary name of the Company in place of the Chinese name "嘉盛控股有限公司" with effect from 27 May 2010. The English name of the Company has further been changed from "Thunder Sky Battery Limited" to "Sinopoly Battery Limited" and the Company has adopted the Chinese name "中聚電池有限公司" as the secondary name of the Company in place of the Chinese name "中聚雷天電池有限公司" with effect from 14 April 2011.

2. IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has where applicable adopted the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") for the first time in the current year's consolidated financial statements:

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

2. IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

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

HKFRS 3 (Revised) Business Combinations

HKFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that affect the initial measurement of non-controlling interests, the accounting for transaction costs, the initial recognition and subsequent measurement of contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognition, the reported results in the period that an acquisition occurs and future reported results. The impact on the adoption of HKFRS 3 (Revised) to the Group has resulted in the related costs of acquisition of approximately HK$9,007,000 being accounted for separately from the business combination and recognised as expenses in the consolidated income statement, whereas they were previously accounted for as part of the cost of acquisition.

HKAS 27 (Revised) Consolidated and Separate Financial Statements

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

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

HKAS 12 (Amendment)	Deferred Tax – Recovery of Underlying Assets[6]
HKAS 24 (Revised)	Related Party Disclosures[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2010[3]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[2]
HKFRS 1 (Amendment)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[4]
HKFRS 7 (Amendment)	Disclosures – Transfers of Financial Assets[4]
HKFRS 9	Financial Instruments[5]
HK(IFRIC) — Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[1]
HK(IFRIC) — Int 19	Extinguishing Financial Liabilities with Equity Instruments[2]

[1] Effective for annual periods beginning on or after 1 January 2011
[2] Effective for annual periods beginning on or after 1 July 2010
[3] Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate
[4] Effective for annual periods beginning on or after 1 July 2011
[5] Effective for annual periods beginning on or after 1 January 2013
[6] Effective for annual periods beginning on or after 1 January 2012

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that the application of HKFRS 9 may affect the classification and measurement of the Group's financial assets, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

3. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with HKFRSs, which include all applicable HKASs and Interpretations issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"). The consolidated financial statements have been prepared under the historical cost convention, except for derivative financial instruments which have been measured at fair value. Disposal groups and non-current assets held for sale are carried at the lower of their carrying amounts and fair values less costs to sell.

The consolidated financial statements for the year ended 31 March 2011 comprise the Company and its subsidiaries.

Each entity in the Group is measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the entity. The functional currency of the Company and its subsidiaries in Hong Kong is Hong Kong dollar (HK$) and that of its subsidiaries in the PRC is Renminbi ("RMB"). For the purposes of presenting the consolidated financial statements, the Group has adopted HK$ as its presentation currency and all values are rounded to the nearest thousand ("HK$'000") except when otherwise indicated.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have a significant effect on the consolidated financial statements and estimates with a significant risk of material adjustment in the next year are discussed in Note 5.

In preparing these consolidated financial statements, the board of directors (the "Board") has considered the future liquidity of the Group. As at 31 March 2011, the Group and the Company have consolidated net current liabilities of approximately HK$417,887,000 and HK$307,155,000 respectively, which included provision for redeemed convertible bonds of HK$760,752,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Notwithstanding concerns on the Group's liquidity concerns as at 31 March 2011, the consolidated financial statements have been prepared on the assumption that the Group will be able to operate as a going concern in the foreseeable future. In the opinion of the Board, the Group can meet its financial obligations as and when they fall due in the coming year, after taking into consideration of several measures and arrangements made subsequent to the reporting date as further detailed below:

a. In respect of the obligations for redeemed convertible bonds with an aggregate principal amount of approximately HK$760,752,000 ("Redemption Amount") payable to Mei Li New Energy Limited ("Mei Li") as set out in Note 32 to the consolidated financial statements, the Company has sought legal opinion and considered that (i) the Company has no immediate obligations to pay the Redemption Amount; and (ii) the Company has valid grounds and rights to offset the Redemption Amount, in the event Mei Li makes a demand for the payment, by the claims for damages from Mr. Chung Winston (formerly known as Chung Hing Ka) (鍾馨稼) ("Mr. Chung") and his associates in the legal proceedings as described in Note 40. The Company's legal advisor estimated that the legal proceedings will likely take at least 2 to 3 years before progressing to a trial;

b. The Company is considering various options for financing the Company's working capital and capital commitments in the foreseeable future;

3. BASIS OF PREPARATION *(Continued)*

c. A financial institution has already indicated its willingness to grant a conditional offer of a standby credit facility of approximately HK$500 million to the Company for a period of one year;

d. Union Ever Holdings Limited, a substantial shareholder of the Company, has provided an irrevocably letter of undertaking pursuant to which it will provide adequate funds to the Group so as to enable it to meet its financial obligations as and when they fall due for the foreseeable future; and

e. The Board confirms that in the absence of unforeseeable circumstances, the Group is projected to have sufficient working capital for the next 12 months from the date of approval of these consolidated financial statements for its business operations after having taken into account of its projected cash flows, current financial resources and capital expenditure requirements with respect to the production facilities and development of its businesses (other than the Claim Amount (as defined in Note 32) and the repayment of the Redemption Amount (if applicable)).

In light of the measures and arrangements implemented to date, the Board is of the view that the Group will have sufficient cash resources to satisfy its future working capital and other financial obligations. Accordingly, the Board is of the view that it is appropriate to prepare these consolidated financial statements on a going concern basis.

Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to restate the values of assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively. The effects of these potential adjustments have not been reflected in the consolidated financial statements.

4. PRINCIPAL ACCOUNTING POLICIES

(a) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

Interest in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised gains arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

In the Company' s statement of financial position, interests in subsidiaries are carried at cost less any impairment losses.

(b) Jointly controlled entity

A jointly controlled entity is an entity which operates under a contractual arrangement between the Group and other parties, where the contractual arrangement establishes that the Group and the other parties share joint control over the economic activity of the entity.

An investment in a jointly controlled entity is accounted for in the consolidated financial statements under the equity method. Under the equity method, the investment is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the jointly controlled entity's net assets and any impairment loss relating to the investment. The Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated income statement.

Where the Group's share of losses exceeds its interest in the jointly controlled entity, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the jointly controlled entity.

Unrealised profits and losses resulting from transactions between the Group and its jointly controlled entity are eliminated to the extent of the Group's interest in the jointly controlled entity, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in the income statement.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(c) Business combinations

Business combinations on or after 1 April 2010

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs are generally recognised in the income statement as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their acquisition-date fair values, except that:

- deferred tax asset or liability arising from the assets acquired and liabilities assumed in a business combination and the potential tax effects of temporary differences and carryforwards of an acquiree that exist at the acquisition-date or arise as a result of acquisition are recognised and measured in accordance with HKAS 12 Income Tax;
- liabilities or assets relating to employee benefit arrangements are recognised and measured in accordance with HKAS 19 Employee Benefits;
- liabilities or equity instruments relating to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment transactions with share-based payment transactions of the Group are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in the income statement as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or another measurement basis required by another accounting standard.

Where the consideration that the Group transfers in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and considered as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments being made against goodwill or gain on bargain purchase. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period about facts and circumstances that existed as of the acquisition date. Measurement period does not exceed one year from the acquisition date.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(c) Business combinations *(Continued)*

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting date in accordance with HKAS 39 Financial Instruments: Recognition and Measurement or HKAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in the income statement.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in the income statement. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to the income statement where such treatment would be appropriate if that interest were disposed of.

Changes in the value of the previously held equity interest recognised in other comprehensive income and accumulated in equity before the acquisition date are reclassified to the income statement when the Group obtains control over the acquiree.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

Business combinations for the period beginning prior to 1 April 2010

Acquisition of businesses was accounted for using the purchase method. The cost of the acquisition was measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that met the relevant conditions for recognition were generally recognised at their fair value at the acquisition date.

Goodwill arising on acquisition was recognised as an asset and initially measured at cost, being the excess of the cost of the acquisition over the Group's interest in the recognised amounts of the identifiable assets, liabilities and contingent liabilities recognised. If, after assessment, the Group's interest in the recognised amounts of the acquiree's identifiable assets, liabilities and contingent liabilities exceeded the cost of the acquisition, the excess was recognised immediately in the income statement.

The non-controlling interest in the acquiree was initially measured at the non-controlling interest's proportionate share of the recognised amounts of the assets, liabilities and contingent liabilities of the acquiree.

Contingent consideration was recognised, if and only if, the contingent consideration was probable and could be measured reliably. Subsequent adjustments to contingent consideration were recognised against the cost of the acquisition.

Business combinations achieved in stages were accounted for as separate steps. Goodwill was determined at each step. Any additional acquisition did not affect the previously recognised goodwill.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(d) Fixed assets and depreciation

All fixed assets are carried at historical cost less accumulated depreciation and any accumulated impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of fixed assets and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as interests in leasehold lands held for own use under operating leases and included in fixed assets in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis.

Depreciation is calculated to write off the cost of items of fixed assets, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

- Buildings situated on leasehold land are depreciated on a straight-line basis over the shorter of the unexpired term of lease and their estimated useful lives.

- Other fixed assets are depreciated on a straight-line method over their estimated useful lives as follows:

Leasehold improvements	20% to 33.3%
Furniture and equipment	20% to 33.3%
Motor vehicles	25%
Plant and machinery	10% to 33.3%

Gains or losses arising from the retirement or disposal of an item of fixed assets are determined as the difference between the net proceeds on disposal and the carrying amount of the item and are recognised in the income statement on the date of retirement or disposal.

Where parts of an item of fixed assets have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(e) Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Intangible assets are amortised on a straight-line method over their estimated useful life of 10 years. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(e) Intangible assets (other than goodwill) *(Continued)*

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

An intangible asset is derecognised on disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the period the intangible asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant intangible asset.

(f) Goodwill

Goodwill represents the excess of:

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the Group's interest in the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is carried at cost less accumulated impairment losses. For the purposes of impairment testing, goodwill is allocated to each of the cash-generating unit, or groups of cash-generating units, that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently whenever there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated income statement. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On the disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the consolidated income statement on disposal.

(g) Leased assets

Operating lease charges

Where the Group has the use of assets under operating leases, payments made under the leases are charged to the income statement in equal installments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in the income statement as an integral part of the aggregate net lease payments made. Contingent rentals are written off as an expense of the accounting period in which they are incurred.

The cost of acquiring leasehold land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(h) Impairment of assets

(i) Impairment of investments in equity securities, trade and other receivables

Investments in equity securities (other than investment in subsidiaries), trade and other receivables that are carried at cost or amortised cost or are classified as available-for-sale financial assets are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following events:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

— a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

— For unlisted equity securities carried at cost, impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities are not reversed.

— For trade receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through the income statement. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

For available-for-sale equity securities which are carried at fair value, when a decline in the fair value has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity shall be removed from equity and recognised in the income statement even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in the income statement is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in the income statement.

Impairment losses recognised in the income statement in respect of available-for-sale equity securities are not reversed through the income statement. Any subsequent increase in the fair value of such assets is recognised directly in equity.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(h) Impairment of assets (Continued)

(i) Impairment of investments in equity securities, trade and other receivables (Continued)

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in the income statement.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the followings assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased.

— intangible assets;

— fixed assets;

— deposits paid for fixed assets;

— goodwill;

— available-for-sale financial asset; and

— investments in subsidiaries.

If any such indication exists, the asset's recoverable amount is estimated.

— Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value-in-use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— Recognition of impairment losses

An impairment loss is recognised in the income statement whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying amount of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

— Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(h) Impairment of assets *(Continued)*

(iii) Interim financial reporting and impairment

Under the Listing Rules, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year. Impairment losses recognised in an interim period in respect of goodwill and available-for-sale financial assets carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

(i) Other investments in equity securities

Investments in equity securities are initially carried at cost, which is their transaction price unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognised in the income statement as incurred. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in the income statement. The net gain or loss recognised in the income statement does not include any dividends or interest earned on these investments.

Other investments in securities are classified as available-for-sale equity securities. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised directly in equity. Dividend income from these investments is recognised in the income statement and, where these investments are interest-bearing, interest calculated using the effective interest method is recognised in the income statement. When these investments are derecognised or impaired, the cumulative gain or loss previously recognised directly in equity is recognised in the income statement.

Investments in equity securities that do not have a listed market price in an active market and whose fair value cannot be reliably measured are recognised in the statement of financial position at cost less impairment losses.

Investments are recognised or derecognised on the date when the Group commits to purchase or sell the investments or when they expire.

(j) Inventories

Inventories are carried at the lower of cost and net realizable value.

Cost is calculated using the weighted average method and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realizable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(k) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter carried at amortised cost using the effective interest method, less allowance for impairment of doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are carried at cost less allowance for impairment of doubtful debts.

(l) Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently carried at amortised cost unless the effect of discounting would be immaterial, in which case they are carried at cost.

(m) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are carried at amortised cost with any difference between the amount initially recognised and redemption value being recognised in the income statement over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(n) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the income statement as follows:

(i) sales of goods is recognised when the Group's products are delivered, and when the significant risks and rewards of ownership have been transferred to the buyer. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(ii) interest income is recognised on an accrual basis, using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial assets to the net carrying amounts of the financial assets.

(iii) dividend income is recognised when the right to receive payment has been established.

(iv) gains or losses of trading securities are recognised on a trade date basis when the relevant contract notes are exchanged.

(v) commission income from securities brokerage service is recognised on a trade date basis when the services are rendered.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(o) Non-current assets held for sale and discontinued operations

(i) Non-current assets held for sale

A non-current asset (or disposal group) is classified as held for sale if it is highly probable that its carrying amount will be recovered through a sale transaction rather than through continuing use and the asset (or disposal group) is available for sale in its present condition. A disposal group is a group of assets to be disposed of together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all the assets and liabilities of that subsidiary are classified as held for sale when the above criteria for classification as held for sale are met, regardless of whether the Group will retain a non-controlling interest in the subsidiary after the sale.

Immediately before classification as held for sale, the measurement of the non-current assets (and all individual assets and liabilities in a disposal group) is brought up-to-date in accordance with the accounting policies before the classification. Then, on initial classification as held for sale and until disposal, the non-current assets (except for certain assets as explained below), or disposal groups, are recognised at the lower of their carrying amount and fair value less costs to sell. The principal exceptions to this measurement policy so far as the financial statements of the Group and the Company are concerned are deferred tax assets, assets arising from employee benefits and financial assets (other than investments in subsidiaries). These assets, even if held for sale, would continue to be measured in accordance with the policies set out elsewhere in Note 4.

Impairment losses on initial classification as held for sale, and on subsequent remeasurement while held for sale, are recognised in profit or loss. As long as a non-current asset is classified as held for sale, or is included in a disposal group that is classified as held for sale, the non-current asset is not depreciated or amortised.

(ii) Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operation, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs when the operation is abandoned.

Where an operation is classified as discontinued operation, a single amount is presented on the face of the income statement, which comprises:

— the post-tax profit or loss of the discontinued operation; and

— the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(p) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the income statement except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary differences, or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(p) Income tax *(Continued)*

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group or the Company has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously;

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either;

  — the same taxable entity; or

  — different taxable entities which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(q) Provisions and contingent liabilities

(i) Contingent liabilities assumed in business combinations

Contingent liabilities assumed in a business combination which are present obligations at the date of acquisition are initially recognised at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortisation where appropriate, and the amount that would be determined in accordance with Note 4(q)(ii). Contingent liabilities assumed in a business combination that cannot be reliably fair valued or were not present obligations at the date of acquisition are disclosed in accordance with Note 4 (q)(ii).

(ii) Other provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made.Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Notes to the Financial Statements

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(r) Employee benefits

Salaries, annual bonuses, contributions to defined contribution plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are carried at their present values. Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(s) Share-based payment transactions

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in share option reserve within equity. The fair value is measured at grant date using the Binomial Option Pricing Model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged or credited to the income statement for the year under review. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest with a corresponding adjustment to the share option reserve. The equity amount is recognised in the share option reserve until either the option is exercised when it is transferred to the share premium account or the option expires when it is released directly to retained profits.

(t) Borrowing costs

Borrowing costs are recognised in the income statement in the accounting period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

(u) Research and development expenditures

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labour, and an appropriate proportion of overheads and borrowing costs, where applicable. Capitalised development costs are stated at cost less accumulated amortisation and impairment losses. Other development expenditure is recognised as an expense in the period in which it is incurred.

(v) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(w) Translations of foreign currency

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in the income statement.

Non-monetary assets and liabilities measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies carried at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Items of statement of financial position are translated into Hong Kong dollars at the foreign exchange rates ruling at the end of the reporting period. The resulting exchange differences are recognised directly in other comprehensive income and accumulated separately in equity in the exchange reserve.

On the disposal of a foreign operation, the cumulative amount of the exchange differences recognised in equity which related to that foreign operation is included in the calculation of the profit or loss on disposal.

(x) Related parties

Parties are considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a jointly controlled entity in which the Group is a venturer;

(iv) the party is a member of the key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close member of the family of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(y) Dividends and distributions

Dividends and distributions to the Company's shareholders are recognised as a liability in the Group's consolidated financial statements in the period in which the dividends and distributions have been approved by the Company's shareholders.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(z) Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's chief operating decision maker for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

(aa) Convertible bonds

Convertible bonds issued by the Company that contain liability, conversion option and redemption option components are classified separately into liability component, equity component and embedded derivative component consisting of the redemption option of the Company respectively. A derivative embedded in a non-derivative host contract is treated as a separate derivative when its risks and characteristics are not closely related to those of the host contract. On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible bonds. The derivative component is carried at fair value on the statement of financial position with any changes in fair value being charged or credited to the income statement in the period in which the change occurs. The difference between the proceeds of the issue of the convertible bonds and the fair values of the liability component and embedded derivative related to the redemption option of the Company is included in equity.

Subsequent to initial recognition, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The difference between the interest so calculated and the interest paid is added to the carrying amount of the liability component. The embedded derivative is re-measured to fair value through the income statement at subsequent reporting dates. The equity component, represented by the option to convert the liability component into ordinary shares of the Company, remains in equity reserve until the embedded option is exercised (at which time the convertible bonds equity component will be transferred to share capital and share premium). Where the option remains unexercised at the expiry date, the balance remaining in equity reserve is released to retained profits. No gain or loss is recognised in the income statement upon conversion or expiration of the option.

Transaction costs that relate to the issue of convertible bonds are allocated to the liability component, embedded derivative and equity component of the convertible bonds in proportion to the allocation of proceeds. Transaction costs relating to the liability component are included in the carrying amount of the liability component and amortised over the period of the convertible bonds using the effective interest method. The portion relating to the embedded derivative is charged directly to the income statement. Transaction costs relating to the equity component are charged directly to capital reserve.

If the convertible bonds are redeemed by the Company before maturity, the Company will allocate the consideration paid and any transaction costs for the repurchase or redemption to the liability and equity components of the instrument at the date of the transaction. The method used in allocating the consideration paid and transaction costs to the separate components is consistent with that used in the original allocation to the separate components of the proceeds received by the Company when the convertible instrument was issued. Once the consideration is allocated, any resulting gain or loss relating to the liability component is recognised in the income statement and the amount of consideration relating to the equity component is recognised in equity.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group has made certain key assumptions concerning the future, and other key sources of estimated uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, as discussed below.

(a) Depreciation and amortisation of fixed assets

Fixed assets are depreciated or amortised on a straight-line basis over the estimated useful lives, after taking into account the estimated residual value. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation and amortisation expense to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets and taking into account the anticipated changes. The depreciation and amortisation expense for future periods is adjusted if there are significant changes from previous estimates.

(b) Impairment of fixed assets

Fixed assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts are determined based on value-in-use calculations. In determining the value-in-use, expected cash flows generated by the asset are discounted to their present values, which require significant judgement relating to such items such as the level of turnover and the amount of operating costs.

(c) Impairment of interests in subsidiaries

Interests in subsidiaries are carried at cost less impairment. Judgement is required when determining whether an impairment existed. In making this judgement, historical data and factors such as industry, sector performance and financial information regarding the subsidiaries are taken into account.

(d) Impairment of receivables

The Group maintains impairment allowance for doubtful accounts based upon an evaluation of the recoverability of the trade and other receivables, where applicable, at the end of each reporting period. The estimates are based on the ageing of the trade and other receivables balances and the historical write-off experience, net of recoveries. If the financial conditions of the debtors were to deteriorate, additional impairment allowance might be required.

(e) Useful lives and amortisation of intangible assets

The exclusive using rights of the licensed patents are amortised on a straight-line basis over the estimated useful life of 10 years. The management determines the estimated useful life and basis for amortisation taking into account factors including but not limited to, contractual terms of respective contracts, the expected usage of the assets by the Group based on past experience, technical obsolescence arising from changes or improvements in production or from a change in the market demand for the products of the assets. The estimation of the useful life and basis for amortisation is a matter of judgment based on the experience of the Group. Management reviews the useful life and basis for amortisation of intangible asset annually, and if expectations are significantly different from previous estimates of useful economics life and therefore, the amortisation rate for future periods will be adjusted accordingly.

Had different amortisation rate been used to calculate the amortisation of the intangible assets, the Group's result of operations and financial position could be materially different.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(f) Impairment of intangible assets (other than goodwill)

Determining whether intangible assets of the exclusive using rights of the licensed patents are impaired requires an estimation of the value-in-use of the cash-generating units to which intangible assets has been allocated. The value-in-use calculation requires the Group to estimate the future cash flows and profit forecast expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. As the industry of the Lithium-ion batteries is new and currently at its early stage of development, the cash flow and profit forecast projections involve significant judgements and estimates on the accuracy of the assumptions for the projections and estimates of, including but not limited to, the future growth rates, the extent of the future market competition, market demand and market share, and sales and cost structures of the Lithium-ion batteries that the Group will achieve during the forecasting period. Where the actual future cash flows are less than expected, a material impairment loss may arise. The management performed an impairment assessment on intangible assets and an impairment loss of HK$2,050,690,000 (2010: nil) was recognised in the consolidated income statement for the year ended 31 March 2011.

(g) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash-generating units to which the goodwill is allocated. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

(h) Valuation of inventories

Inventories are carried at the lower of cost and net realisable value at the end of the reporting period. Net realisable value is determined on the basis of the estimated selling price less the estimated costs necessary to make the sale. The management estimates the net realisable value for inventories based primarily on the latest invoice prices and current market conditions. In addition, the management performs an inventory review at the end of the reporting period and assess the need for write down of inventories.

(i) Income tax

Determining income tax provision involves judgement on the future tax treatment of certain transactions. The management carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations.

(j) Fair value of derivative financial instruments

The fair values of outstanding derivative transactions are based on independent valuations and are cross checked against fair values obtained from major financial institutions. Judgement is required in determining such valuations. Changes in the underlying assumptions may materially impact the income statement.

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

Financial assets at the end of the reporting period are as follows:

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade and other receivables (excluding deposits and prepayments)	**7,231**	1,867	**41**	28
Amount due from a subsidiary	**—**	—	**301,617**	—
Cash and bank balances	**388,568**	304,361	**185,848**	295,626
Loans and receivables (including cash and cash equivalents)	**395,799**	306,228	**487,506**	295,654
Available-for-sale financial asset	**—**	18,479	**—**	—
	395,799	324,707	**487,506**	295,654

Financial liabilities at the end of the reporting period are as follows:

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Bank loan	**35,562**	—	**—**	—
Trade and other payables	**36,516**	2,126	**5,039**	480
Amount due to a subsidiary	**—**	—	**29,772**	—
Provision for redeemed convertible bonds	**760,752**	—	**760,752**	—
Convertible bonds	**198,409**	—	**198,409**	—
Financial liabilities at amortised cost	**1,031,239**	2,126	**993,972**	480

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk, interest rate risk and currency risk. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) Credit risk

The carrying amounts of the trade and other receivables and cash and bank balances included in the consolidated statement of financial position represent the Group's maximum exposure to credit risk in relation to its financial assets.

The Group's bank balances are deposited with creditworthy banks with no recent history of default and the Group has limited exposure to any single financial institution.

In respect of trade receivables, in order to minimise its credit risk exposure, credit evaluations are performed for the determination and approval of credit limits granted and other monitoring procedures are implemented to ensure that follow-up actions are taken to recover overdue debts. In addition, regular reviews on aging and recoverability are performed to ensure that adequate impairment losses are made for irrecoverable amounts.

Credit terms from one month to three months from the date of billing may be granted to the customers, depending on the credit worthiness of individual customers. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk. At the end of the reporting period, the Group had certain concentration of credit risk of 97% (2010: nil) of the total trade receivables due from the Group's five largest customers as at 31 March 2011.

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

(ii) Liquidity risk

At 31 March 2011, the Group and the Company have net current liabilities of approximately HK$417,887,000 and HK$307,155,000 respectively. The Group and the Company are exposed to liquidity risk of being unable to finance its future working capital and financial requirements when they fall due. To manage liquidity risk, the Group regularly monitors its current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from banks and financial institutions to meet its liquidity requirements in the short and longer terms.

The Board is of the opinion that the Group and the Company will be able to finance its future working capital and financial requirements as described in Note 3 to the consolidated financial statements.

The following table details the remaining contractual maturities at the end of the reporting period of the Group's and the Company's non-derivative financial liabilities, which are based on contractual undiscounted cash flows and the earliest date the Group can be required to pay.

Group

		2011		
	Within one year or on demand HK$'000	**Over 5 years HK$'000**	**Total un-discounted cash flows HK$'000**	**Total carrying amount HK$'000**
Bank loan	**35,562**	**—**	**35,562**	**35,562**
Trade and other payables	**36,516**	**—**	**36,516**	**36,516**
Provision for redeemed convertible bonds	**760,752**	**—**	**760,752**	**760,752**
Convertible bonds	**—**	**439,719**	**439,719**	**198,409**
	832,830	**439,719**	**1,272,549**	**1,031,239**

		2010		
	Within one year or on demand HK$'000	Over 5 years HK$'000	Total un-discounted cash flows HK$'000	Total carrying amount HK$'000
Trade and other payables	2,126	—	2,126	2,126

6. **FINANCIAL INSTRUMENTS** *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

(ii) Liquidity risk (Continued)

Company

	2011			
	Within one year or on demand HK$'000	Over 5 years HK$'000	Total un-discounted cash flows HK$'000	Total carrying amount HK$'000
Other payables	**5,039**	**—**	**5,039**	**5,039**
Amount due to a subsidiary	**29,772**	**—**	**29,772**	**29,772**
Provision for redeemed convertible bonds	**760,752**	**—**	**760,752**	**760,752**
Convertible bonds	**—**	**439,719**	**439,719**	**198,409**
	795,563	**439,719**	**1,235,282**	**993,972**

	2010			
	Within one year or on demand HK$'000	Over 5 years HK$'000	Total un-discounted cash flows HK$'000	Total carrying amount HK$'000
Other payables	480	—	480	480

(iii) Interest rate risk

Interest rate risk primarily resulted from timing differences in respect of interest-bearing assets and liabilities. The Group's and the Company's interest-bearing assets are mainly cash at banks and time deposits. The Group's interest-bearing liabilities are mainly bank loan. Cash at banks earns interest income at floating rates stipulated by the banks from time to time. Short-term time deposits are maintained for various periods which can be drawn at short notice, depending on the cash requirements of the Group and the Company. They earn interest income at market time deposit rates.

Group

	2011		2010	
	Effective interest rate	HK$'000	Effective interest rate	HK$'000
Variable rate bank balances	**0.01% to 0.40%**	**151,334**	0.01% to 0.36%	100,739
Fixed rate bank balances	**0.10% to 2.16%**	**229,220**	0.01% to 0.40%	191,498
Fixed rate bank loan	**7.55%**	**35,562**	—	—

Company

	2011		2010	
	Effective interest rate	HK$'000	Effective interest rate	HK$'000
Variable rate bank balances	**0.01% to 0.36%**	**60,240**	0.01% to 0.36%	100,065
Fixed rate bank balances	**0.10% to 0.76%**	**121,818**	0.04% to 0.40%	188,496

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

(iii) Interest rate risk (Continued)

Sensitivity analysis

The fixed rate bank loan and bank balances of the Group which are fixed rate instrument and insensitive to any change in interest rates. A change in interest rate at the end of the reporting period would not affect the consolidated income statement.

At 31 March 2011, it is estimated that a general increase or decrease of 100 basis points in interest rates, with all other variable held constant, would decrease or increase the Group's and the Company's loss after tax and accumulated losses for the year by approximately HK$1,513,000 (2010: HK$1,007,000) and HK$602,000 (2010: HK$1,001,000) respectively. Other components of equity would not be affected by the changes in interest rates for both years.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The 100 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the end of the next annual reporting period. The analysis is performed on the same basis for 2010.

(iv) Currency risk

The Group and the Company is exposed to foreign exchange risk arising from various currency exposures. Currency risk arises from future commercial transactions and recognised assets and liabilities. The Group does not have a foreign currency hedging policy. The management monitors the relative foreign exchanges positions of its assets and liabilities and will consider hedging significant foreign currency exposures should the need arises.

The following table details the Group's and the Company's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in currencies other than the functional currency of the entity to which they relate.

Group

	2011		2010	
	Assets HK$'000	**Liabilities HK$'000**	Assets HK$'000	Liabilities HK$'000
Cash and bank balances	**1,807**	—	931	—
US dollars	**1,807**	—	931	—

Company

	2011		2010	
	Assets HK$'000	**Liabilities HK$'000**	Assets HK$'000	Liabilities HK$'000
Cash and bank balances	**504**	—	920	—
US dollars	**504**	—	920	—

Under the linked exchange rate system, the financial impact on exchange difference between Hong Kong dollars and US dollars will be immaterial. Therefore, no sensitivity analysis has been prepared.

6. FINANCIAL INSTRUMENTS *(Continued)*

(c) Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments:

(i) Bank loan

The fair value of bank loan is estimated as the present value of future cash flows, discounted at current market rate of interest for similar financial instruments.

(ii) Convertible bonds

An external independent valuation company, with appropriate recognised professional qualifications, values the convertible bonds at each financial reporting period. Appropriate valuation methods and assumptions with reference to market conditions existing at each financial reporting period to determine the fair value of the embedded financial derivative of the convertible bonds that is separated from the host debt contract are adopted. The basis for determining the fair value is disclosed in Note 33.

Save as disclosed in above, the fair value of cash and bank balances, trade and other receivables and other payables of the Group and the Company are not materially different from their carrying amounts at end of the reporting period because of the immediate or short term maturity of these financial instruments.

7. REVENUE

Revenue from continuing operations, which is also the Group's turnover, represents the aggregate of gross proceeds from sales of Lithium-ion batteries and related products, income from treasury investment which includes interest income on bank deposits, net gain from trading securities, dividend income and proceeds from general trading.

	2011 **HK$'000**	2010 HK$'000 (Restated)
Sales of Lithium-ion batteries and related products	**74,356**	—
Bank interest income from treasury investment in cash markets	**1,410**	179
Net gain from trading of securities	—	164
Dividend income from listed investments	—	6
Proceeds from general trading	—	2,716
Revenue from continuing operations	**75,766**	3,065

8. SEGMENT REPORTING

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 sales and manufacture of Lithium-ion batteries and related products (which was commenced during the year);

(b) the treasury investment segment represents investments in cash markets;

(c) the securities investment segment includes dealings and trading of securities;

(d) the general trading segment represents trading of general products; and

(e) the securities brokerage segment provides securities brokerage services which was classified as a discontinued operation of the Group during the year (Note 19).

For the purposes of assessing segment performance and allocating resources between segments, the Board monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

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

(ii) Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation of assets attributable to those segments;

(iii) Revenue between segments are carried out on an arm's length basis. The revenue from external parties reported to the Board is measured in a manner consistent with that in the income statement;

(iv) All assets are allocated to reportable segments other than available-for-sale financial asset and unallocated assets. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by respective reportable segments; and

(v) All liabilities are allocated to reportable segments other than unallocated liabilities. Liabilities for which reportable segments are jointly liable are allocated in proportion to their respective segment assets.

8. SEGMENT REPORTING *(Continued)*

The Group's reportable segments for the years ended 31 March 2011 and 2010 are as follows:

	2011						
	Continuing operations					Discontinued operation	
	Battery products HK$'000	Treasury investment HK$'000	Securities investment HK$'000	General trading HK$'000	Sub-total HK$'000	Securities brokerage HK$'000	Consolidated HK$'000
Revenue from external customers	74,356	1,410	—	—	75,766	610	76,376
Inter-segment revenue	—	—	—	—	—	—	—
Reportable segment revenue	74,356	1,410	—	—	75,766	610	76,376
Reportable segment profit/(loss) before tax	(3,362,049)	1,410	(16)	(7)	(3,360,662)	(2,454)	(3,363,116)
Other segment information:							
Interest income	548	1,410	—	—	1,958	13	1,971
Depreciation and amortisation of fixed assets	1,967	—	—	—	1,967	149	2,116
Finance costs	81,437	—	—	—	81,437	—	81,437
Impairment on goodwill	904,240	—	—	—	904,240	—	904,240
Amortisation of intangible assets	310,183	—	—	—	310,183	—	310,183
Impairment on intangible assets	2,050,690	—	—	—	2,050,690	—	2,050,690
Impairment on amount due from related companies	28,785	—	—	—	28,785	—	28,785
Additions to non-current assets	147,520	—	—	—	147,520	1	147,521
Reportable segment assets	1,650,021	182,058	66	11	1,832,156	13,518	1,845,674
Reportable segment liabilities	(1,353,329)	—	(15)	(5)	(1,353,349)	(5,064)	(1,358,413)

8. SEGMENT REPORTING *(Continued)*

	2010 (Restated)						
	Continuing operations					Discontinued operation	
	Battery products HK$'000	Treasury investment HK$'000	Securities investment HK$'000	General trading HK$'000	Sub-total HK$'000	Securities brokerage HK$'000	Consolidated HK$'000
Revenue from external customers	—	179	170	2,716	3,065	945	4,010
Inter-segment revenue	—	—	(23)	—	(23)	23	—
Reportable segment revenue	—	179	147	2,716	3,042	968	4,010
Reportable segment profit/(loss) before tax	—	179	(292)	(101)	(214)	(2,407)	(2,621)
Other segment information:							
Interest income	—	179	—	—	179	2	181
Depreciation and amortisation of fixed assets	—	—	—	—	—	278	278
Additions to non-current assets	—	—	—	—	—	—	—
Reportable segment assets	—	288,561	68	8	288,637	10,467	299,104
Reportable segment liabilities	—	—	(14)	(60)	(74)	(1,368)	(1,442)

Notes to the Financial Statements

8. SEGMENT REPORTING *(Continued)*

Reconciliations of reportable segment revenue, profit or loss, assets and liabilities

	2011 **HK$'000**	2010 HK$'000 (Restated)
Revenue		
Total reportable segments' revenue and consolidated revenue	**76,376**	4,010
Loss		
Reportable segment loss derived from the Group's external customers	**(3,363,116)**	(2,621)
Gain on dilution of interest in a jointly-controlled entity	**—**	3,804
Share of results of a jointly-controlled entity	**—**	(2,536)
Depreciation	**(1,614)**	(701)
Equity-settled share-based payments	**(295)**	(3,305)
Gain on disposal of a subsidiary	**11,330**	—
Other unallocated corporate expenses	**(33,557)**	(8,734)
Consolidated loss before tax	**(3,387,252)**	(14,093)
Assets		
Total reportable segments' assets	**1,845,674**	299,104
Available-for-sale financial asset	**—**	18,479
Unallocated corporate assets	**15,795**	12,337
Consolidated total assets	**1,861,469**	329,920
Liabilities		
Total reportable segments' liabilities	**(1,358,413)**	(1,442)
Unallocated corporate liabilities	**(6,367)**	(684)
Consolidated total liabilities	**(1,364,780)**	(2,126)

8. SEGMENT REPORTING *(Continued)*

Geographical information

(a) Revenue from external customers

	2011 **HK$'000**	2010 HK$'000
The People's Republic of China (the "PRC")	**18,520**	2,716
The United States of America	**31,577**	—
European countries	**19,679**	—
Hong Kong	**2,366**	1,294
Others	**4,234**	—
	76,376	4,010

The revenue information is based on the location of the customers.

(b) Non-current assets

	2011 **HK$'000**	2010 HK$'000
PRC	**1,426,721**	—
Hong Kong	**6,046**	1,726
	1,432,767	1,726

The Group's non-current assets information, other than available-for-sale financial assets, is based on the location of assets.

Information about major customers

Revenue from customers contributing 10% or more of the total revenue of the Group is as follows:

	2011 **HK$'000**	2010 HK$'000
Customer A - revenue from sales of battery products (The United States of America)	**24,960**	—
Customer B - revenue from sales of battery products (PRC)	**7,659**	—
Customer C - revenue from general trading (PRC)	**—**	2,716
	32,619	2,716

Notes to the Financial Statements

9. OTHER INCOME

	2011 HK$'000	2010 HK$'000 (Restated)
Interest income	**548**	—
Others	**22**	—
	570	—

10. FINANCE COSTS

	2011 HK$'000	2010 HK$'000
Imputed interest on convertible bonds *(Note 33)*	**80,953**	—
Interest on bank loan wholly repayable within five years	**484**	—
	81,437	—

11. GAIN ON DISPOSAL OF A SUBSIDIARY

On 10 June 2010, Carico Strategic Investment Ltd ("Carico Strategic"), a direct wholly-owned subsidiary of the Company, entered into an agreement with an independent third party (the "Purchaser"), pursuant to which the Purchaser agreed to purchase and Carico Strategic agreed to dispose of the entire equity interest in Panda Max Limited ("Panda Max"), which was then wholly-owned by Carico Strategic and held 19.5% equity interest in 密之雲(北京)呼叫產業基地有限公司 (Mizhiyun (Beijing) Communication Company Limited ("Mizhiyun"), classified as an available for-sale financial asset (Note 26) as at 31 March 2010), and a shareholder's loan due to the Group by Panda Max of approximately HK$22,000,000 for a total consideration of HK$30,000,000. The disposal transaction was completed on 10 June 2010. A gain on disposal of the subsidiary of approximately HK$11,330,000 has been recognised during the year.

12. LOSS BEFORE TAX

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

	Continuing operations		Discontinued operation		Consolidated	
	2011 HK$'000	2010 HK$'000 (Restated)	**2011 HK$'000**	2010 HK$'000 (Restated)	**2011 HK$'000**	2010 HK$'000 (Restated)
Interest income	**(1,958)**	(179)	**(13)**	(2)	**(1,971)**	(181)
Dividend income from listed investments	**—**	(6)	**—**	—	**—**	(6)
Auditor's remuneration	**1,570**	330	**130**	130	**1,700**	460
Cost of inventories sold *(Note)*	**41,222**	2,587	**—**	—	**41,222**	2,587
Amortisation of intangible assets *(Note 22)*	**310,183**	—	**—**	—	**310,183**	—
Impairment on intangible assets *(Note 22)*	**2,050,690**	—	**—**	—	**2,050,690**	—
Impairment on goodwill *(Note 21)*	**904,240**	—	**—**	—	**904,240**	—
Depreciation and amortisation of fixed assets	**3,581**	701	**149**	278	**3,730**	979
Impairment loss on other receivables	**—**	5	**—**	—	**—**	5
Impairment on amount due from related companies *(Note 28(c))*	**28,785**	—	**—**	—	**28,785**	—
Exchange loss, net	**5,625**	—	**—**	—	**5,625**	—
Loss on disposal of fixed assets	**—**	4	**—**	—	**—**	4
Operating lease charges in respect of rented premises	**3,912**	1,093	**803**	781	**4,715**	1,874
Staff costs (including directors' emoluments)						
– salaries and allowances	**12,965**	6,007	**896**	1,237	**13,861**	7,244
– equity-settled share-based payments	**217**	2,846	**—**	—	**217**	2,846
– contributions to retirement benefits schemes	**486**	93	**46**	55	**532**	148

Note: Cost of inventories sold includes HK$1,493,000 (2010: nil) from continuing operations relating to staff costs, depreciation and amortisation expenses, which amounts are also included in the respective total amounts disclosed separately above for each of these types of expenses.

13. RETIREMENT BENEFIT SCHEMES

The Hong Kong subsidiaries operate defined contribution retirement benefit schemes under the Hong Kong Mandatory Provident Fund Schemes Ordinance ("Ordinance"). The Ordinance requires both the Group and the employees to contribute 5% of the employees' monthly gross earnings with a ceiling of HK$1,000 per month. The assets of the scheme are held separately from those of the Group in independently administered funds. The contributions payable by the Group to the scheme are immediately vested and charged to the consolidated income statement.

The employees of the subsidiaries in the PRC are members of the retirement schemes operated by the local authorities. The subsidiaries are required to contribute a percentage of their payroll to these schemes. The only obligation of the Group with respect to these schemes is the required contributions under the schemes.

The Group's total contributions to these schemes charged to the consolidated income statement for the year ended 31 March 2011 amounted to HK$532,000 (2010: HK$148,000).

14. INCOME TAX

	2011 **HK$'000**	2010 HK$'000
Continuing operations		
Current tax - PRC		
Provision for the year	**8,695**	—
Deferred tax *(Note 34)*	**(590,218)**	—
Total credit for the year	**(581,523)**	—

No provision for the Hong Kong Profits Tax has been made as the Group sustained losses for taxation purposes during the years ended 31 March 2011 and 2010. The provision for PRC income tax is calculated on the assessable profits of the Group's subsidiaries in the PRC at 25% for the year ended 31 March 2011 (2010: nil).

14. INCOME TAX *(Continued)*

The tax credit for the year can be reconciled to the loss per the consolidated income statement as follows:

	2011 HK$'000	2010 HK$'000 (Restated)
Loss before tax		
Continuing operations	**(3,384,798)**	(11,663)
Discontinued operation	**(2,454)**	(2,430)
	(3,387,252)	(14,093)
Notional tax on loss before tax, calculated at the rates applicable to the tax jurisdiction concerned	**(757,941)**	(2,325)
Tax effect of non-deductible expenses	**761,835**	1,009
Tax effect of non-taxable income	**(2,782)**	(659)
Tax effect of unrecognised temporary differences	**(256)**	114
Tax effect arising from reversal of temporary differences	**(590,218)**	—
Tax losses not recognised	**7,839**	1,861
Tax credit for the year	**(581,523)**	—

15. LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The consolidated loss attributable to equity holders of the Company for the year includes a loss of approximately HK$2,835,147,000 (2010: HK$14,208,000) which has been dealt with in the financial statements of the Company.

16. DIVIDEND

No dividend was paid or declared by the Company during the year (2010: nil).

17. 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 attributable to equity holders of the Company of HK$2,805,729,000 (2010: HK$14,093,000) and (ii) the weighted average number of 4,375,120,000 (2010: 1,896,154,000) ordinary shares in issue during the year.

	2011 Weighted average number of ordinary shares ’000	2010 Weighted average number of ordinary shares ’000
Issued ordinary shares at the beginning of the reporting period	**2,222,125**	1,830,421
Effect of issue of shares in placement *(Note 35(a))*	**—**	62,184
Effect of issue of shares upon exercise of share options *(Note 35(b))*	**100,548**	3,549
Effect of issue of shares pursuant to acquisition transaction *(Note 35(c))*	**667,599**	—
Effect of issue of shares pursuant to subscription *(Note 35(d))*	**334,247**	—
Effect of issue of shares upon conversion of convertible bonds *(Note 35(e))*	**1,050,601**	—
Weighted average number of ordinary shares at the end of the reporting period	**4,375,120**	1,896,154

17. LOSS PER SHARE *(Continued)*

(a) Basic loss per share (Continued)

From continuing operations

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

	2011 **HK$'000**	2010 HK$'000 (Restated)
Loss for the year attributable to equity holders of the Company		
Loss for the year	**2,805,729**	14,093
Less: Loss for the year from discontinued operation *(Note 19(a))*	**(2,454)**	(2,430)
Loss for the year from continuing operations	**2,803,275**	11,663

From discontinued operation

Basic loss per share from discontinued operation for the year ended 31 March 2011 was HK cents 0.06 (2010: restated HK cents 0.13) which was calculated based on the loss for the year attributable to equity holders of the Company from discontinued operation of HK$2,454,000 (2010: restated HK$2,430,000).

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 share options or conversion of convertible bonds which would result in a reduction in loss per share for the years ended 31 March 2011 and 2010. Therefore, the diluted loss per share is the same as the basic loss per share for both years.

18. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The emoluments of the directors of the Company (the "Directors") for the year ended 31 March 2011 disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance are set out below:

	Directors' fees HK$'000	Basic salaries, allowances and benefits in kind HK$'000	Equity-settled share-based payments HK$'000	Retirement benefits schemes contributions HK$'000	2011 Total HK$'000
Executive Directors					
Mr. Miao Zhenguo	—	1,144	—	11	1,155
Mr. Chung Winston *(Note)*	—	1,139	—	11	1,150
Mr. Yip Chi Chiu	—	484	92	5	581
Mr. Lo Wing Yat	235	—	134	—	369
Mr. So George Siu Ming	—	270	60	3	333
Mr. Jaime Che	—	62	—	1	63
Mr. Xu Donghui	—	62	—	1	63
Non-executive Directors					
Mr. Leung Chung Tak Barry	38	—	11	—	49
Mr. Wong Kwok Kuen	38	—	2	—	40
Mr. Chung Winston *(Note)*	21	—	—	—	21
Independent non-executive Directors					
Mr. Chan Yuk Tong	235	—	15	—	250
Mr. Fei Tai Hung	235	—	15	—	250
Mr. Tse Kam Fow	235	—	15	—	250
	1,037	3,161	344	32	4,574

Note:

Mr. Chung Winston ("Mr. Chung") was entitled to an annual salary of HK$1,300,000 for his service as an executive director of the Company with effect from 25 May 2010. Mr. Chung was re-designated from an executive Director to a non-executive Director with effect from 8 March 2011. Since then, Mr. Chung was entitled to a Director's fee of HK$320,000 per annum as determined by the Board. He was not entitled to any bonus payments (whether fixed or discretionary in nature). No service contract has been entered into between Mr. Chung and the Company in respect of his re-designation as a non-executive Director.

18. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

(a) ***Directors' emoluments*** *(Continued)*

The emoluments of the Directors for the year ended 31 March 2010 disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance are set out below:

	Directors' fees HK$'000	Basic salaries, allowances and benefits in kind HK$'000	Equity-settled share-based payments HK$'000	Retirement benefits schemes contributions HK$'000	2010 Total HK$'000
Executive Directors					
Mr. Yip Chi Chiu	—	1,300	484	12	1,796
Mr. Lo Wing Yat	150	—	434	—	584
Mr. Leung Chung Tak Barry	—	100	41	2	143
Mr. So George Siu Ming	—	1,170	434	12	1,616
Non-executive Directors					
Mr. Leung Chung Tak Barry	125	—	204	—	329
Mr. Chak Chi Man	85	—	22	—	107
Mr. Wong Kwok Kuen	150	—	60	—	210
Independent non-executive Directors					
Mr. Chan Yuk Tong	150	—	49	—	199
Mr. Fei Tai Hung	150	—	49	—	199
Mr. Tse Kam Fow	150	—	49	—	199
	960	2,570	1,826	26	5,382

Notes to the Financial Statements

18. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

(a) Directors' emoluments (Continued)

The aggregate amounts of emoluments payable to the Directors during the year are as follows:

	2011 **HK$'000**	2010 HK$'000
Fees		
Executive Directors	**235**	150
Non-executive Directors	**97**	360
Independent non-executive Directors	**705**	450
	1,037	960
Other emoluments for Directors		
Basic salaries, allowances and benefits in kind	**3,161**	2,570
Equity-settled share-based payments	**344**	1,826
Retirement benefits schemes contributions	**32**	26
	3,537	4,422
	4,574	5,382

The above emoluments included the fair value of share options granted to certain Directors under the Company's share option scheme. The details are disclosed in Note 38.

No emoluments of the Directors were incurred as an inducement to join or upon joining the Company or as compensation for loss of office during the years ended 31 March 2011 and 2010.

No Directors waived or agreed to waive any remuneration during the years ended 31 March 2011 and 2010.

18. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

(b) Five highest paid individuals

The five highest paid individuals of the Group include two (2010: two) Directors, details of whose emoluments are set out in Note 18(a). The emoluments of the remaining three (2010: three) individuals were as follows:

	2011	2010
	HK$'000	HK$'000
Basic salaries, allowances and benefits in kind	**2,024**	1,794
Equity-settled share-based payments	**80**	530
Retirement benefits schemes contributions	**33**	36
	2,137	2,360

The emoluments of the three (2010: three) individuals with the highest emoluments fall within the following band:

	Number of Employees	
	2011	2010
HK$nil – HK$1,000,000	**3**	3

19. DISCONTINUED OPERATION AND ASSETS/LIABILITIES CLASSIFIED AS HELD FOR SALE

On 7 January 2011, the Group entered into a sale and purchase agreement to dispose of its entire interest in a subsidiary, Infast Brokerage Limited ("Infast"), for a consideration of HK$700,000 plus an amount equal to the net current assets after adjusting the waiver of the outstanding payable and the subordinated loan owed by Infast to the Group at the date of completion of the disposal transaction. The Board has considered that the disposal transaction would enable the Group to streamline its operation and commit the available resources of the Group to its principal business. The securities brokerage business segment which was solely carried out by Infast was classified as discontinued operation during the year. The consolidated income statement and presentation of certain items of the corresponding reporting period have been restated to comply with relevant requirements accordingly.

The assets and liabilities attributable to Infast have been classified as a disposal group held for sale and are presented separately in the consolidated statement of financial position.

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

	2011 HK$'000	2010 HK$'000
Revenue	**610**	945
Interest income	**13**	2
General and administrative expenses	**(3,077)**	(3,377)
Loss before and after tax from discontinued operation attributable to equity holders of the Company	**(2,454)**	(2,430)

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

	2011 HK$'000	2010 HK$'000
Net cash (outflow)/inflow from operating activities	**(2,812)**	29
Net cash outflow from investing activities	**(1)**	(8)
Net cash inflow from financing activities	**3,000**	—
Net inflow of cash and cash equivalents	**187**	21

19. DISCONTINUED OPERATION AND ASSETS/LIABILITIES CLASSIFIED AS HELD FOR SALE

(Continued)

(c) The major classes of assets and liabilities of Infast classified as held for sale as at 31 March 2011 (31 March 2010: nil) are as follows:

	2011 **HK$'000**
Assets	
Fixed assets	**209**
Other operating assets	**205**
Trade and other receivables	**4,926**
Cash and bank balances *(Note)*	**8,178**
Assets classified as held for sale	**13,518**
Liabilities	
Trade and other payables	**(5,064)**
Liabilities classified as held for sale	**(5,064)**
Net assets classified as held for sale	**8,454**

Note:

Infast maintains trust accounts with an authorised institution in the normal course of its securities brokerage business. As at 31 March 2011, the trust account balances not dealt with in the cash and bank balances amounted to HK$2,850,000.

20. BUSINESS COMBINATION

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

The Consideration was satisfied by (i) cash of HK$100,000,000; (ii) 783,517,010 ordinary shares of the Company of HK$0.01 each at an issue price of HK$0.20 per share; and (iii) convertible bonds in an aggregate principal amount of HK$2,493,296,598, out of which convertible bonds in an aggregate principal amount of HK$150,000,000 are subject to lock-up arrangements. Thunder Sky (HK) is granted exclusive rights to use the patents (the "Licensed Patents"), which are owned by Mr. Chung and his beneficially-owned company, Thunder Sky Battery Technology Limited, for the production, marketing, distribution and sale of certain specially-designed Lithium-ion battery products and all improvements thereto. The Licensed Patents include fifteen patents which will expire in the period between September 2010 and May 2025. Pursuant to the master supply agreement dated 18 January 2010 (the "Master Supply Agreement"), which was entered into between 深圳市雷天電動車動力總成有限公司 (Shenzhen Thunder Sky Electric Vehicles Limited*) and 深圳市雷天電源技術有限公司 (Shenzhen Thunder Sky Battery Technology Limited*) (collectively, the "PRC Operating Companies") and Thunder Sky (HK), the PRC Operating Companies agreed from the date of execution of the Master Supply Agreement up to 31 March 2013, to manufacture and supply to Thunder Sky (HK) the Lithium-ion battery products, at the agreed price not higher than US$0.5 per ampere-hour ("AH"), of not be less than 100 million AH in respect of each financial year ending 31 March. The PRC Operating Companies are also required to provide the details of their existing and previous customers and assist the Group in selling the Lithium-ion battery products and their related products (the "Electric Battery Products") to such customers. On 25 May 2010, the Acquisition was completed and the Group obtained the entire equity interest and control of the Union Grace Group. The Acquisition constituted a connected transaction of the Company pursuant to the Listing Rules by reason of the appointment of Mr. Chung and Mr. Miao as executive directors of the Company upon completion. Further details were set out in the Company's circular and announcement dated 3 May 2010 and 25 May 2010, respectively.

The Union Grace Group is engaged in the business of Electric Battery Products. The Acquisition would allow the Group to diversify into a new line of business with significant growth potential.

20. BUSINESS COMBINATION *(Continued)*

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

	HK$'000
Intangible assets *(Notes (a) and 22)*	3,640,000
Trade and other receivables, net of impairments *(Note (b))*	—
Cash and bank balances	5
Other payables	(2)
Deferred tax liabilities *(Note 34)*	(910,000)
	2,730,003
Goodwill, after adjustment for contingent consideration *(Notes (e) and 21)*	904,240
	3,634,243

	HK$'000
Consideration was satisfied by:	
Cash	100,000
Convertible Bonds	2,343,296
Locked-up Convertible Bonds under contingent consideration *(Note (d))*	150,000
Issue of 783,517,010 ordinary shares:	
Shares issued at issue price of HK$0.20 each	156,704
Increase in fair value	1,034,243
Shares issued at fair value	1,190,947
Total cost of acquisition at the date of completion	3,784,243
Less: Adjustment for contingent consideration *(Note (d))*	(150,000)
Total cost of acquisition after adjustment for contingent consideration	3,634,243

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries is as follows:

	HK$'000
Cash and cash equivalents acquired	5
Cash and cash equivalents paid	(100,000)
Net outflow of cash and cash equivalents in respect of acquisition of subsidiaries	(99,995)

20. BUSINESS COMBINATION *(Continued)*

Notes:

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

(b) An aggregate amount of trade and other receivables of approximately HK$9,556,000 as at 25 May 2010 was fully impaired upon the completion of the acquisition of the Union Grace Group. The trade and other receivables were due from the PRC Operating Companies, in respect of the trade sales amount receipts due to the Union Grace Group as reduced by the amount of purchases payable to the PRC Operating Companies.

(c) The acquisition-related costs of HK$9,007,000 are included in general and administrative expenses in the consolidated income statement.

(d) Based on the information available and in the opinion of the Board, the shortfall of Guaranteed Profit over the Actual Profit of the Union Grace Group was expected to be in excess of HK$150,000,000. The Locked-up Convertible Bonds with an aggregate principal amount of HK$150,000,000 under contingent consideration have been derecognised in the consolidated financial statements as the Company has the contractual right to offset such shortfall against the Locked-up Convertible Bonds. As at the date of approval of these consolidated financial statements, the Group has not finalised the audited financial information of the Actual Profit of the Union Grace Group, the consideration of the Acquisition and the related goodwill are recognised on provisional amounts only.

(e) None of the goodwill recognised is expected to be deductible for income tax purposes.

(f) The Union Grace Group contributed revenue and loss of HK$68,606,000 and HK$1,779,707,000 (including the amortisation and impairment on intangible assets of HK$310,183,000 and HK$2,050,690,000, respectively (Note 22) and tax credit on intangible assets of HK$590,218,000 (Note 14)) respectively to the Group for the period between the date of Acquisition and the end of the reporting period.

If the Acquisition had been completed on 1 April 2010, total revenue and loss of the Group for the year would have been HK$85,286,000 and HK$2,810,800,000, respectively. The pro forma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of the Group that actually would have been achieved had the Acquisition been completed on 1 April 2010, nor is it intended to be a projection of future results.

21. GOODWILL

Group

	HK$'000
Cost	
At 1 April 2009, 31 March 2010 and 1 April 2010	1,648
Acquisition of subsidiaries *(Note 20)*	904,240
Reclassified as assets held for sale	(1,648)
At 31 March 2011	**904,240**
Impairment	
At 1 April 2009, 31 March 2010 and 1 April 2010	1,648
Impairment loss for the year	904,240
Reclassified as assets held for sale	(1,648)
At 31 March 2011	**904,240**
Carrying amount	
At 31 March 2011	**—**
At 31 March 2010	—

Goodwill is allocated to the Group's cash-generating units ("CGU") identified according to the operating segments. A segment-level summary of the goodwill allocation is presented below:

	2011 HK$'000	2010 HK$'000
Securities brokerage operation	**—**	1,648
Battery products operation	**904,240**	—
Less: Provision for impairment losses	**(904,240)**	(1,648)
	—	—

The goodwill of HK$904,240,000, after adjusting for the contingent consideration, in relation to the Acquisition of the Union Grace Group arose mainly from the fair value change in respect of the substantial increase in the market price of the issued shares of the Company from the date of signing the letter of intent to the date of completion of the Acquisition. The closing price per share on the date of completion was used as the fair value of the issued shares of the Company for the purpose of calculating the fair value of the consideration shares issued for the Acquisition. An impairment loss of goodwill of HK$904,240,000 was recognised immediately upon completion of the Acquisition because, in the opinion of the Board, the goodwill was mainly attributable to an increase in the fair value of consideration shares of the Company at the completion date of the Acquisition and its recoverable amount was estimated to be zero.

The goodwill of securities brokerage operation was reclassified as assets held for sale as this operation was discontinued during the year.

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22. INTANGIBLE ASSETS

Group

	HK$'000
Cost	
Acquisition of subsidiaries and at 31 March 2011	**3,640,000**
Accumulated amortisation and impairment losses	
Charge for the year	310,183
Impairment for the year *(Notes (b) and (c))*	2,050,690
At 31 March 2011	**2,360,873**
Carrying amount	
At 31 March 2011	**1,279,127**

(a) Intangible assets represent the exclusive using rights of the Licensed Patents granted to the Group through the acquisition of the Union Grace Group (details are set out in Note 20).

(b) As at 31 March 2011, the recoverable amount of the intangible assets of HK$1,279,127,000 was assessed by the Board by reference to the professional valuation performed by Jones Lang, an independent firm of professionally qualified valuers, using multi-period excess earnings method under the income approach. The Board is of the opinion, based on the valuation performed by Jones Lang, an impairment loss of HK$2,050,690,000 has been recognised in the Group's consolidated income statement. The valuation performed by Jones Lang is based on value-in-use calculations using cash flow projections which are based on financial forecast approved by the Board covering a period of nine years from 1 April 2011 to 31 March 2020. The discount rate applied to the cash flow projections is 20.9%, which is determined by reference to the average rates for similar industry and the business risk of the relevant business unit. Growth rates ranging from 40% to 293% are used in the cash flow projections for the first year to the seventh year and 0% onwards.

(c) The Board is of the opinion that the decrease of recoverable amount of the intangible assets and the impairment loss of HK$2,050,690,000 is mainly attributable to, including but not limited to, the following reasons:

(i) Pursuant to the Master Supply Agreement, the PRC Operating Companies agreed to manufacture and supply to the Group the Electric Battery Products in accordance with the requirements of the Group. Furthermore, the PRC Operating Companies have also acted as agents to sell Electric Battery Products for the Group. However, the PRC Operating Companies have:

– failed and refused, despite repeated requests and demands, to provide any sales records or accounts to the Group for any sales since 1 October 2010; and

– failed to manufacture and supply to the Group the Electric Battery Products in accordance with the requirements of the Group from early 2011.

In view of the above, the Group considered the failure of supply from the PRC Operating Companies with an estimated annual production capacity of 100 million AH Electric Battery Products would be an indicator that the recoverable amount of intangible assets has been impaired.

(ii) Based on the investigations conducted by the Group and the latest information made available, the Company considered that Mr. Chung, a former director of the Company and the registered owner of certain Licensed Patents, and his associates have competed with the battery business of the Group or diverted battery business from the Group. Under such circumstances, the exclusivity on the right to use the Licensed Patents is infringed. The Group considered that the recoverable amount of the intangible assets has been impaired. For protection of the Group's interests and the enforcement of its rights, legal proceedings were instituted against Mr. Chung and his associates for damages.

23. FIXED ASSETS

Group

	Interest in leasehold land held for own use under operating lease HK$'000	Buildings held for own use HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost							
At 1 April 2009	—	—	1,317	—	1,924	1,373	4,614
Additions	—	—	—	—	32	—	32
Disposals	—	—	—	—	(37)	—	(37)
At 31 March 2010 and 1 April 2010	—	—	1,317	—	1,919	1,373	4,609
Additions	14,759	51,860	2,769	54,383	2,841	5,362	131,974
Exchange adjustments	249	876	—	919	16	52	2,112
Reclassified as assets held for sale	—	—	(559)	—	(897)	—	(1,456)
At 31 March 2011	**15,008**	**52,736**	**3,527**	**55,302**	**3,879**	**6,787**	**137,239**
Accumulated depreciation and amortisation and impairment losses							
At 1 April 2009	—	—	223	—	1,433	486	2,142
Charge for the year	—	—	328	—	308	343	979
Written back on disposals	—	—	—	—	(33)	—	(33)
At 31 March 2010 and 1 April 2010	—	—	551	—	1,708	829	3,088
Charge for the year	84	453	787	1,194	271	941	3,730
Exchange adjustments	2	8	—	20	1	3	34
Reclassified as assets held for sale	—	—	(372)	—	(875)	—	(1,247)
At 31 March 2011	**86**	**461**	**966**	**1,214**	**1,105**	**1,773**	**5,605**
Carrying amount							
At 31 March 2011	**14,922**	**52,275**	**2,561**	**54,088**	**2,774**	**5,014**	**131,634**
At 31 March 2010	—	—	766	—	211	544	1,521

The Group's interest in leasehold land held for own use under operating lease represents prepaid operating lease payment held in the PRC under medium-term lease.

24. DEPOSITS PAID FOR FIXED ASSETS

As at 31 March 2011, the Group paid a deposit of HK$19,404,000 for acquisition of land and building at 遼源市經濟開發區友誼工業園 (the Friendship Industrial Park of Liaoyuan Economic Development Area*) of Jilin Province, the PRC at a consideration of HK$34,377,000. The acquisition was completed in May 2011 when all the relevant title deeds on land and buildings were transferred to the Group (Note 42(d)).

Save as disclosed above, the Group paid deposit of HK$2,602,000 for purchase of machineries at an aggregate consideration of HK$4,968,000 as at 31 March 2011.

25. INTERESTS IN SUBSIDIARIES

Company

	2011 **HK$'000**	2010 HK$'000
Unlisted shares, at cost	**11**	11
Amounts due from subsidiaries *(Note (b))*	**4,055,683**	104,266
	4,055,694	104,277
Less: Allowance for impairment losses *(Note (a))*	**(2,788,990)**	(74,529)
	1,266,704	29,748
Less: Amount due from a subsidiary under current assets *(Note (b))*	**(301,617)**	—
Interests in subsidiaries	**965,087**	29,748

Notes:

(a) Movements in the allowance for impairment losses are as follows:

	2011 **HK$'000**	2010 HK$'000
Balance at beginning of the year	**74,529**	68,095
Add: Impairment losses during the year	**2,718,009**	6,434
Less: Released upon disposals	**(3,548)**	—
Balance at end of the year	**2,788,990**	74,529

Impairment losses were recognised during the years ended 31 March 2011 and 2010 after taking into consideration of the financial position and loss making situations of those subsidiaries.

(b) The amounts due from subsidiaries are unsecured and interest-free. In the opinion of the Board, these balances are considered as quasi-equity investment in subsidiaries, except for an amount due from a subsidiary of HK$301,617,000 (2010: nil) which is repayable on demand.

(c) The amount due to a subsidiary is unsecured, interest-free and repayable on demand.

25. INTERESTS IN SUBSIDIARIES *(Continued)*

(d) Particulars of the principal subsidiaries as at 31 March 2011 are as follows:

Name	Place of incorporation and operation	Nominal value of issued and fully paid capital/ registered capital	Percentage of equity interest held by the Company *Directly*	*Indirectly*	Principal activities
ACE Legend Holdings Limited	Hong Kong	1 ordinary share of HK$1	—	100%	Investment holding
Basland Enterprises Ltd.	British Virgin Islands	100 ordinary shares of US$1 each	100%	—	Investment holding
Carico Strategic Investment Ltd	British Virgin Islands	1 ordinary share of US$1	100%	—	Investment holding
China Automotive Resources Limited	Hong Kong	1 ordinary share of HK$1	100%	—	Securities investment
Common Well International Limited	Hong Kong	1 ordinary share of HK$1	—	100%	General trading
Fullbelief International Limited	British Virgin Islands	1 ordinary share of US$1	—	100%	Investment holding
Glory Era Limited	Hong Kong	10,000 ordinary shares of HK$1 each	100%	—	Cost centre
Infast Brokerage Limited *(Note 1)*	Hong Kong	28,000,000 ordinary shares of HK$1 each	—	100%	Provision of securities brokerage services
Lucky Metro Trading Ltd.	British Virgin Islands	100 ordinary shares of US$1 each	—	100%	Investment holding
Thunder Sky Battery International Sales Limited (formerly known as Thunder Sky New Energy Limited)	Hong Kong	1 ordinary share of HK$1	—	100%	Distribution and sale of battery products
Thunder Sky Energy Technology Limited	Hong Kong	1,000,000 ordinary shares of HK$1 each	—	100%	Investment holding

Notes to the Financial Statements

25. INTERESTS IN SUBSIDIARIES *(Continued)*

(d) Particulars of the principal subsidiaries as at 31 March 2011 are as follows: *(Continued)*

Name	Place of incorporation and operation	Nominal value of issued and fully paid capital/ registered capital	Percentage of equity interest held by the Company *Directly*	Percentage of equity interest held by the Company *Indirectly*	Principal activities
Qiyang Limited	British Virgin Islands	1 ordinary share of US$1	100%	—	Investment holding
Union Grace Holdings Limited	British Virgin Islands	1,000 ordinary shares of US$1 each	—	100%	Investment holding
Sinopoly New Energy Investment Co., Ltd. (formerly known as Thunder Sky New Energy Investment Co., Ltd.) *(Note 2)*	PRC	Registered capital of HK$310,000,000 *	—	100%	Investment holding, purchase of battery raw materials and sale of battery products
吉林中聚新能源科技有限公司 (formerly known as 吉林中聚雷天新能源有限公司) *(Note 2)*	PRC	Registered capital of HK$177,000,000 *	—	100%	Manufacture and sale of battery products
北京中聚雷天新能源科技有限公司 *(Note 2)*	PRC	Registered capital of HK$13,000,000 *	—	100%	Research and development, purchase of battery raw materials and sale of battery products
深圳中聚電池有限公司 (formerly known as 深圳中聚雷天科技開發有限公司) *(Note 2)*	PRC	Registered capital of HK$10,000,000 *	—	100%	Sale of battery products
Tianjin Sinopoly New Energy Technology Co., Ltd. (formerly known as Tianjin Thunder Sky New Energy Co., Ltd.) *(Note 2)*	PRC	Registered capital of HK$130,000,000 #	—	100%	Inactive

Note 1: This subsidiary was classified as a discontinued operation during the year and disposed of in April 2011.

Note 2: All subsidiaries established in the PRC are wholly foreign-owned enterprises.

* The registered capital has been fully paid-up.

\# Out of the registered capital of HK$130,000,000, HK$39,000,000 has been paid-up.

26. AVAILABLE-FOR-SALE FINANCIAL ASSET

Group

	2011 HK$'000	2010 HK$'000
Unlisted investment, at cost		
– Additions and at the end of the reporting period	**—**	18,479

During the year, the Group's 19.5% equity interest in Mizhiyun was disposed of through the disposal of the Group's subsidiary of Panda Max. The details of the disposal transaction are disclosed in Note 11.

27. INVENTORIES

Group

	2011 HK$'000	2010 HK$'000
Raw materials	**6,197**	—
Work in progress	**577**	—
Finished goods	**958**	—
	7,732	—

28. TRADE AND OTHER RECEIVABLES

	Group		**Company**	
	2011 HK$'000	2010 HK$'000	**2011 HK$'000**	2010 HK$'000
Trade receivables *(Notes (a) and (b))*	**5,140**	1,825	**—**	—
Amount due from related companies *(Note (c))*	**28,785**	—	**—**	—
Less: Allowance for doubtful debts *(Note (c))*	**(28,785)**	—	**—**	—
	5,140	1,825	**—**	—
Deposits and prepayments	**11,653**	3,487	**902**	2,364
Other receivables	**2,091**	42	**41**	28
	18,884	5,354	**943**	2,392

28. TRADE AND OTHER RECEIVABLES *(Continued)*

Notes:

(a) An ageing analysis of trade receivables is as follows:

Group

	2011 HK$'000	2010 HK$'000
Within 1 month	**5,009**	1,229
Between 1 and 3 months	**129**	592
Over 3 months	**2**	4
	5,140	1,825

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

The balances of trade receivables as at 31 March 2011 were non-interest bearing. All of trade receivables as at 31 March 2010 were interest-bearing at the prevailing Hong Kong Best Lending Rate plus 5% per annum. The carrying amounts of the receivables approximate their fair values.

(b) The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired is as follows:

Group

	2011 HK$'000	2010 HK$'000
Neither past due nor impaired	**5,138**	1,160
Less than 1 month past due	—	69
More than 1 month but less than 3 months past due	—	592
More than 3 months past due	**2**	4
Past due but not impaired	**2**	665
	5,140	1,825

Receivables that were neither past due nor impaired relate to customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. As at 31 March 2011, the Group does not hold any collateral over these balances. As at 31 March 2010, the Group held the listed securities of the customers as securities over these balances.

(c) Impairment losses in respect of trade debtors are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors directly. As at 31 March 2011, amount due from related companies in relation to trade receivables of the Group of HK$28,785,000 (2010: nil) was due from the PRC Operating Companies, in respect of the trade sales amount receipts due to the Group as reduced by the amount of purchases payable to the PRC Operating Companies. However, the PRC Operating Companies have failed and refused to remit such amount to the Group. As the recoverability of the balances due from related companies was in doubt, full provision had been made (Note 41(a)) during the year and the Group does not hold any collateral over this balance.

29. CASH AND BANK BALANCES

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at bank and in hand	**159,348**	112,862	**64,031**	107,130
Short-term bank deposits	**229,220**	191,499	**121,817**	188,496
Cash and cash equivalents in the consolidated statement of cash flows	**388,568**	304,361	**185,848**	295,626

At 31 March 2010, one of the subsidiaries maintained trust accounts with an authorised institution in the normal course of its securities brokerage business, the trust account balance not dealt with in these consolidated financial statements amounted to HK$2,257,000. This subsidiary was classified as disposal group held for sales during the year as set out in Note 19(c) to the consolidated financial statements.

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$31,262,000 (2010: nil). The RMB is not freely convertible into other currencies and the remittance of RMB out of the PRC is subject to the relevant rules and regulations of foreign exchange control promulgated by the PRC government.

30. BANK LOAN

Group

	2011	2010
	HK$'000	HK$'000
Bank loan repayable within one year	**35,562**	—
Bank loan by currency:		
Renminbi	**35,562**	—

The Group's bank loan bears fixed interest rate of 7.55% per annum and is guaranteed by an independent third party. The carrying amount of the Group's bank loan approximates its fair value.

31. TRADE AND OTHER PAYABLES

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables *(Note)*	**2,408**	1,216	**—**	—
Other payables and accruals	**34,108**	910	**5,039**	480
	36,516	2,126	**5,039**	480

Note:

An ageing analysis of trade payables is as follows:

Group

	2011	2010
	HK$'000	HK$'000
Within 1 month	**2,408**	1,216

As at 31 March 2011, the balances of trade payables were non-interest bearing. As at 31 March 2010, all trade payables were interest-bearing at rates approximate to prevailing market saving rates. The carrying amounts of trade and other payables approximate their fair values.

32. PROVISION FOR REDEEMED CONVERTIBLE BONDS

As disclosed in Notes 33 and 40, on 8 March 2011, the Company issued a redemption notice to Mei Li for the redemption of the convertible bonds held by it at the face value. As of the date of approval of these consolidated financial statements, the Company has no immediate obligation to pay the Redemption Amount. In the legal proceedings against Mr. Chung and his associates (including but not limited to Mei Li), the amount of damages to be claimed (the "Claim Amount") by the Group against them is expected to exceed the Redemption Amount. Based on the legal advice obtained by the Company, the Company will seek to set off the Claim Amount against the Redemption Amount in the event that Mei Li makes a claim for settlement of the Redemption Amount. The Company does not expect the case to be heard by the court (if applicable) before 2012.

33. CONVERTIBLE BONDS

On 25 May 2010, the Company issued convertible bonds with an aggregate principal amount of approximately HK$2,343,296,000 ("Convertible Bonds") and Locked-up Convertible Bonds as contingent consideration of HK$150,000,000, pursuant to the Acquisition as set out in Note 20. The Convertible Bonds and Locked-up Convertible Bonds are non-interest bearing, with a maturity date on the eighth anniversary of the date of their issue (i.e., 25 May 2018) and entitle the holders to convert them into ordinary shares of the Company at a conversion price of HK$0.20 per share (subject to adjustments). The Company may at any time up to (and excluding) the commencement of the seventh calendar day period ending on (and including) the maturity date, by written notice to the holder of the Convertible Bonds and Locked-up Convertible Bonds, elect to redeem the whole or part of the then outstanding principal amount of the Convertible Bonds and Locked-up Convertible Bonds at an amount equal to 100% of the principal amount of the convertible bonds sought to be redeemed. In addition to the above, the Locked-up Convertible Bonds are also subject to the lock-up arrangements, further details are set out in Note 20.

At inception, the host debt instrument was fairly valued and accounted for as a liability component of Convertible Bonds and Locked-up Convertible Bonds. The equity component was assigned as the residual amount after deducting the liability component from the consideration received for the instrument. The fair value of liability component of Convertible Bonds and Locked-up Convertible Bonds were determined based on the valuations performed by Asset Appraisal Limited, an independent firm of professional qualified valuers, using market rate for an equitable non-convertible bond. The fair values of early redemption option of Convertible Bonds and Locked-up Convertible Bonds at the dates of issue, conversion, redemption and end of the reporting period were insignificant. The effective interest rate of the liability component of Convertible Bonds and Locked-up Convertible Bonds is 11.4% per annum.

During the year, Convertible Bonds with an aggregate principal amount of approximately HK$1,142,825,000 were converted into 5,714,125,105 ordinary shares of the Company of HK$0.01 each at a conversion price of HK$0.20 each (Note 35(e)).

The Convertible Bonds and Locked-up Convertible Bonds issued during the year have been split as to their liability and equity components as follows:

	Convertible Bonds			**Locked-up Convertible Bonds under contingent consideration**		
	Liability component HK$'000	**Equity component HK$'000**	**Total HK$'000**	**Liability component HK$'000**	**Equity component HK$'000**	**Total HK$'000**
Issued during the year *(Note 20)*	964,487	1,378,809	2,343,296	61,744	88,256	150,000
Conversion into shares during the year	(506,163)	(672,445)	(1,178,608)	—	—	—
Derecognised upon redemption	(340,868)	(423,928)	(764,796)	—	—	—
Derecognised upon adjustment for contingent consideration *(Note 20)*	—	—	—	(61,744)	(88,256)	(150,000)
Imputed interest expense *(Note 10)*	80,953	—	80,953	—	—	—
At 31 March 2011	**198,409**	**282,436**	**480,845**	**—**	**—**	**—**

33. CONVERTIBLE BONDS *(Continued)*

On 8 March 2011, the Company issued a redemption notice to Mei Li for the redemption of the Convertible Bonds held by it at the face value of approximately HK$760,752,000 pursuant to the terms of the convertible bonds and for the protection of the Company's interest. The Redemption Amount was allocated to the liability component and the equity component of Convertible Bonds at the date of the redemption. The method used in allocating the Redemption Amount paid to the separate components is consistent with that used in the original allocation to the separate components of the proceeds received by the Company when Convertible Bonds were issued. The Company determined the fair value of the liability component at the date of the redemption based on the valuations performed by Asset Appraisal Limited using market interest rate for an equivalent non-convertible bond. The amount of redemption gain which related to the liability component amounting to HK$4,044,000, which represented the difference between the carrying amount and the fair value of the redeemed convertible bonds, was recognised in the consolidated income statement. The Redemption Amount related to the equity component of HK$423,928,000 was recognised in equity.

34. DEFERRED TAX LIABILITIES

Group

	2011 Intangible assets HK$'000	2010 HK$'000
Acquisition of subsidiaries *(Note 20)*	**910,000**	—
Credit to the consolidated income statement *(Note 14)*	**(590,218)**	—
At end of the reporting period	**319,782**	—

The fair value adjustments of HK$910,000,000 represented the estimated tax effects of the temporary differences arising from fair value change of intangible assets on business combination as disclosed in Note 20. The reversal of tax effects of HK$590,218,000 arising from the amortisation and impairment of intangible assets has been credited to the consolidated income statement for the year ended 31 March 2011.

At 31 March 2011, the Group has unprovided deferred tax assets of approximately HK$22,496,000 (2010: HK$14,657,000), primarily representing the tax effect of cumulative tax losses. The deferred tax assets have not been recognised due to the unpredictability of future profit streams. The unprovided deferred tax assets for tax losses can be carried forward indefinitely, except for amounts of HK$2,196,000 (2010: nil) that will expire in the coming four to five years.

35. SHARE CAPITAL

	2011		2010	
	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	**50,000,000**	**500,000**	50,000,000	500,000
Issued and fully paid:				
At beginning of the reporting period				
Ordinary shares of HK$0.01 each	**2,222,125**	**22,221**	1,830,421	18,304
Issue of new shares:				
– pursuant to share placement *(Note (a))*	**—**	**—**	366,084	3,661
– upon exercise of share options *(Note (b))*	**165,015**	**1,650**	25,620	256
– pursuant to acquisition transaction *(Note (c))*	**783,517**	**7,835**	—	—
– pursuant to subscription *(Note (d))*	**400,000**	**4,000**	—	—
– upon conversion of convertible bonds *(Note (e))*	**5,714,125**	**57,141**	—	—
At end of the reporting period				
Ordinary shares of HK$0.01 each	**9,284,782**	**92,847**	2,222,125	22,221

Notes:

(a) On 29 January 2010, the Company issued 366,084,242 ordinary shares of HK$0.01 each at the price of HK$0.73 per share pursuant to the placing agreement dated 17 January 2010.

(b) During the year, options to subscribe for 165,015,000 ordinary shares were exercised. The consideration received was HK$ 24,065,000 of which HK$1,650,000 was credited to share capital account and the balance of HK$22,415,000 was credited to the share premium account. The amount of HK$12,280,000 was transferred from share option reserve account to share premium account upon exercise of share options. During the year ended 31 March 2010, options to subscribe for 25,620,000 ordinary shares were exercised. The consideration received was HK$5,894,000 of which HK$256,000 was credited to share capital account and the balance of HK$5,638,000 was credited to the share premium account. The amount of HK$2,889,000 was transferred from share option reserve account to share premium account upon exercise of share options.

(c) On 25 May 2010, 783,517,010 new ordinary shares of the Company of HK$0.01 each were issued at an issue price of HK$0.20 per share in connection with the acquisition of the Union Grace Group as part of the consideration (Note 20). The fair value of the shares is calculated based on the closing price of the Company's share of HK$1.52 on the date of completion of the Acquisition.

(d) On 31 May 2010, the Company issued and allotted 400,000,000 ordinary shares of HK$0.01 each at the price of HK$0.73 per share to Jade Time Investments Limited and its affiliates for the proceeds of HK$292 million according to a subscription agreement.

(e) During the year, the convertible bonds with an aggregate principal amount of approximately HK$1,142,825,000 were converted into 5,714,125,105 new ordinary shares of the Company of HK$0.01 each at a conversion price of HK$0.20 per share (Note 33).

All the new ordinary shares issued and allotted during the year rank pari passu in all respects with the then existing ordinary shares of the Company.

Notes to the Financial Statements

36. RESERVES

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the reporting period are set out below:

Company

	Share premium 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 HK$'000
At 1 April 2009	196,161	15,506	1,868	—	35,122	(197,186)	51,471
Issue of new shares	263,581	—	—	—	—	—	263,581
Transaction costs attributable to issue of new shares	(4,722)	—	—	—	—	—	(4,722)
Share options lapsed	—	—	—	—	(20,208)	20,208	—
Shares issued upon exercise of share options	8,527	—	—	—	(2,889)	—	5,638
Equity-settled share-based payments	—	—	—	—	3,305	—	3,305
Total comprehensive loss	—	—	—	—	—	(14,208)	(14,208)
At 31 March 2010 and 1 April 2010	463,547	15,506	1,868	—	15,330	(191,186)	305,065
Shares issued pursuant to acquisition transaction *(Note 35(c))*	1,183,112	—	—	—	—	—	1,183,112
Shares issued pursuant to subscription *(Note 35(d))*	288,000	—	—	—	—	—	288,000
Transaction costs attributable to issue of new shares	(967)	—	—	—	—	—	(967)
Share options lapsed	—	—	—	—	(447)	—	(447)
Shares issued upon exercise of share options*(Note 35(b))*	34,695	—	—	—	(12,280)	—	22,415
Equity-settled share-based payments	—	—	—	—	742	—	742
Issue of convertible bonds *(Note 33)*	—	—	—	1,467,065	—	—	1,467,065
Shares issued upon conversion of convertible bonds *(Note 35(e))*	1,121,467	—	—	(672,445)	—	—	449,022
Redemption of convertible bonds *(Note 33)*	—	—	—	(423,928)	—	—	(423,928)
Derecognised convertible bonds for contingent consideration *(Note 33)*	—	—	—	(88,256)	—	—	(88,256)
Total comprehensive loss	—	—	—	—	—	(2,835,147)	(2,835,147)
At 31 March 2011	**3,089,854**	**15,506**	**1,868**	**282,436**	**3,345**	**(3,026,333)**	**366,676**

36. RESERVES *(Continued)*

Notes:

(a) Share premium

The application of share premium account is governed by the relevant provisions set out in the Company's Bye-laws and the Companies Act 1981 of Bermuda (as amended).

(b) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

(c) Contributed surplus

The contributed surplus represents the surplus arising from capital reductions pursuant to the Group's reorganisation in 2004 and 2005.

(d) Capital redemption reserve

In prior years, the Company repurchased its own shares. The capital redemption reserve represents the amount equivalent to the nominal value of the shares cancelled from repurchases of own shares transferred from retained profits.

(e) Equity component of convertible bonds

The reserve comprises the value of the unexercised equity component of convertible bonds issued by the Group recognised in accordance with the accounting policy adopted for convertible bonds in Note 4(aa).

(f) Share option reserve

The share option reserve comprises the fair value of unexercised share options granted by the Company.

(g) The Company had no reserves available for distribution as at 31 March 2011 and 2010. Under the Companies Act 1981 of Bermuda (as amended), contributed surplus is available for distribution to shareholders. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if the Company is, or would after the payment be, unable to pay its liabilities as they become due; or the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

37. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

Disposal of a subsidiary

	2011 HK$'000	2010 HK$'000
Net assets disposed of:		
Available-for-sale financial asset	**18,479**	—
Cash and bank balances	**1**	—
Trade and other payables	**(5)**	—
	18,475	—
Gain on disposal of a subsidiary *(Note 11)*	**11,330**	—
	29,805	—
Satisfied by:		
Cash consideration received	**30,000**	—
Less: Legal costs	**(195)**	—
	29,805	—
Net cash inflow arising on disposal:		
Net cash consideration received	**29,805**	—
Cash and bank balances disposed of	**(1)**	—
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	**29,804**	—

38. SHARE OPTION SCHEME

The Company adopted a share option scheme (as amended by an addendum effective on 7 December 2005) (the "Scheme") which was in compliance with the requirements set out in the Listing Rules at the special general meeting held on 30 March 2004 (the "Adoption Date").

A summary of the principal terms of the Scheme is set out below:

Purpose

The purpose of the Scheme is to enable the Group to grant options to the Eligible Participants (as defined below) as incentives or rewards for their contribution to the Group.

Participants

The directors may at their absolute discretion, invite any person belonging to any of the following classes of participants (the "Eligible Participants") to take up options to subscribe for shares of the Company:

(a) any employee (whether full time or part time, including any executive director but excluding any non-executive director) of, or any individual for the time being seconded to work for, the Company, or any of its subsidiaries, or any entity (the "Invested Entity") in which any member of the Group holds an equity interest (the persons are collectively referred to as the "Eligible Employees");

(b) any non-executive directors (including independent non-executive directors) of the Company, any of its subsidiaries or any Invested Entity;

(c) any supplier of goods or services to any member of the Group or any Invested Entity;

(d) any customer of the Group or any Invested Entity;

(e) any person or entity that provides research, development or other technological support to the Group or any Invested Entity;

(f) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity who have contributed or may contribute to the Group;

(g) any adviser (professional or otherwise) or consultant to the Group relating to business development of the Group or any member of the Group or any Invested Entity; and

(h) any joint venture or business partner of the Group who have contributed or may contribute to the development and growth of the Group,

and, for the purposes of the Scheme, an offer for the grant of an option may be made to any company wholly-owned by one or more Eligible Participants.

Total number of shares available for issue

The maximum number of shares which may be allotted and issued upon exercise of all outstanding options granted and not yet exercised under the Scheme and any other share option schemes adopted by the Group shall not in aggregate exceed 30% of the share capital of the Company in issue from time to time.

The total number of shares which may be allotted and issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Scheme and any other share option schemes of the Group) to be granted under the Scheme and any other share option schemes of the Group must not in aggregate exceed 10% of the shares in issue as at the Adoption Date.

38. SHARE OPTION SCHEME *(Continued)*

Total number of shares available for issue *(Continued)*

As at the date of this annual report, the total number of shares available for issue under all outstanding options (vested but not yet exercised) pursuant to the Scheme was 43,125,000, which represented approximately 0.42% of the issued share capital of the Company on that date.

Maximum entitlement of each participant

An offer for the grant of an option to any director, chief executive or substantial shareholder of the Company, or any of their respective associates must be approved by independent non-executive directors (excluding any independent non-executive director who or whose associate is the proposed grantee of an option). Where any grant of options to a substantial shareholder of the Company or an independent non-executive director, or any of their respective associates, would result in the shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

(a) representing in aggregate over 0.1% of the shares in issue; and

(b) having an aggregate value, based on the closing price of the shares at the offer date of each offer for the grant of an option, in excess of HK$5 million;

such further grant of options must be approved by the shareholders in general meeting.

Subject to the aforesaid, the total number of shares issued and which may fall to be issued upon exercise of the options granted under the Scheme and any other share option schemes of the Group (including both exercised or outstanding options) to each grantee in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being. Any further grant of options to a grantee in excess of such limit must be separately approved by shareholders in general meeting with such grantee and his associates abstaining from voting.

Option period

The period within which the shares must be taken up under an option shall be determined and notified by the directors to the grantee thereof, but such period shall end in any event not later than 10 years from the date of offer of the option subject to the provisions for early termination thereof.

Minimum period for which an option must be held before it can be exercised

Unless otherwise determined by the directors and stated in the offer for the grant of an option to a grantee, a grantee is not required to hold an option for any minimum period before the exercise of an option granted to him.

Amount payable upon acceptance of option

A nominal consideration of HK$1 is payable on acceptance of the offer of an option, which shall not be later than 21 days from the offer date.

Subscription price for shares

The subscription price for shares under the Scheme will be a price determined by the directors of the Company, but shall not be less than the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet for trades in one or more board lots of shares on the offer date; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the offer date; and (iii) the nominal value of a share.

38. SHARE OPTION SCHEME *(Continued)*

Remaining life of the Scheme

The Scheme commenced on 30 March 2004 when it became unconditional and shall continue in force until the tenth anniversary of such date.

Details of the options and movements in such holdings during the year ended 31 March 2011 are as follows:

Category of participants	Date of grant	Number of options: Outstanding as at 1.4.2010	Exercised during the year	Lapsed during the year	Re-classified during the year	Outstanding as at 31.3.2011	Exercise period	Exercise price per option *HK$*	Weighted average closing price of the shares immediately before the dates on which the options were exercised *HK$*
Directors									
Yip Chi Chiu *(Note 2)*	23.8.2007	16,400,000	–	–	(16,400,000) *(Note 2)*	–	23.8.2008 – 22.8.2017 *(Note 8)*	0.230	–
	8.5.2009	18,000,000	–	–	(18,000,000) *(Note 2)*	–	8.5.2010 – 7.5.2019 *(Note 8)*	0.061	–
Lo Wing Yat	23.8.2007	14,600,000	–	–	–	14,600,000	23.8.2008 – 22.8.2017 *(Note 8)*	0.230	–
	8.5.2009	16,200,000	–	–	–	16,200,000	8.5.2010 – 7.5.2019 *(Note 8)*	0.061	–
So George Siu Ming *(Note 3)*	23.8.2007	14,600,000	(5,300,000)	–	(9,300,000) *(Note 3)*	–	23.8.2008 – 22.8.2017 *(Note 8)*	0.230	1.520
	8.5.2009	16,200,000	–	–	(16,200,000) *(Note 3)*	–	8.5.2010 – 7.5.2019 *(Note 8)*	0.061	–
Leung Chung Tak Barry *(Note 4)*	23.8.2007	14,600,000	(500,000)	–	(14,100,000) *(Note 4)*	–	23.8.2008 – 22.8.2017 *(Note 8)*	0.230	1.570
	8.5.2009	7,200,000	–	(3,600,000) *(Note 4)*	(3,600,000) *(Note 4)*	–	8.5.2010 – 7.5.2019 *(Note 8)*	0.061	–

Notes to the Financial Statements

38. SHARE OPTION SCHEME *(Continued)*

Category of participants	Date of grant	Number of options: Outstanding as at 1.4.2010	Exercised during the year	Lapsed during the year	Re-classified during the year	Outstanding as at 31.3.2011	Exercise period	Exercise price per option *HK$*	Weighted average closing price of the shares immediately before the dates on which the options were exercised *HK$*
Wong Kwok Kuen *(Note 5)*	23.8.2007	3,600,000	(3,600,000)	–	–	–	23.8.2008 – 22.8.2017 *(Note 8)*	0.230	1.570
	8.5.2009	1,800,000	(900,000)	(900,000) *(Note 5)*	–	–	8.5.2010 – 7.5.2019 *(Note 8)*	0.061	1.570
Chan Yuk Tong	23.8.2007	1,800,000	(1,800,000)	–	–	–	23.8.2008 – 22.8.2017 *(Note 8)*	0.230	1.990
	8.5.2009	1,800,000	(900,000)	–	–	900,000	8.5.2010 – 7.5.2019 *(Note 8)*	0.061	1.990
Fei Tai Hung	23.8.2007	1,800,000	(1,800,000)	–	–	–	23.8.2008 – 22.8.2017 *(Note 8)*	0.230	1.640
	8.5.2009	1,800,000	(900,000)	–	–	900,000	8.5.2010 – 7.5.2019 *(Note 8)*	0.061	1.640
Tse Kam Fow	23.8.2007	1,800,000	(1,800,000)	–	–	–	23.8.2008 – 22.8.2017 *(Note 8)*	0.230	1.553
	8.5.2009	1,800,000	(900,000)	–	–	900,000	8.5.2010 – 7.5.2019 *(Note 8)*	0.061	1.570

38. SHARE OPTION SCHEME *(Continued)*

Category of participants	Date of grant	Number of options: Outstanding as at 1.4.2010	Exercised during the year	Lapsed during the year	Re-classified during the year	Outstanding as at 31.3.2011	Exercise period	Exercise price per option *HK$*	Weighted average closing price of the shares immediately before the dates on which the options were exercised *HK$*
Employees	23.8.2007	7,100,000	(23,500,000)	–	16,400,000 *(Note 2)*	–	23.8.2008– 22.8.2017 *(Note 8)*	0.230	1.668
	7.5.2008	36,600,000	(5,000,000)	–	(31,600,000) *(Note 6)*	–	7.11.2008 – 6.5.2018 *(Note 9)*	0.156	2.200
	7.5.2008	1,000,000	(1,000,000)	–	–	–	7.5.2009 – 6.5.2018 *(Note 8)*	0.156	2.318
	8.5.2009	42,620,000	(26,565,000)	(15,365,000) *(Note 6)*	1,800,000 *(Notes 2 ,6 &7)*	2,490,000	8.5.2010 – 7.5.2019 *(Note 8)*	0.061	1.596
Others	23.8.2007	–	(14,100,000)	–	14,100,000 *(Note 4)*	–	23.8.2008 – 31.10.2010 *(Notes 4 & 8)*	0.230	1.309
	23.8.2007	7,200,000	(9,300,000)	–	9,300,000 *(Note 3)*	7,200,000	23.8.2008 – 22.8.2017 *(Note 8)*	0.230	1.204
	7.5.2008	–	(31,600,000)	–	31,600,000 *(Note 6)*	–	7.11.2008 – 31.10.2010 *(Notes 6 & 9)*	0.156	1.360
	8.5.2009	–	(14,400,000)	–	14,400,000 *(Notes 4 & 6)*	–	8.5.2010 – 31.10.2010 *(Notes 4, 6 & 8)*	0.061	1.306

38. SHARE OPTION SCHEME *(Continued)*

Category of participants	Date of grant	Number of options: Outstanding as at 1.4.2010	Exercised during the year	Lapsed during the year	Re-classified during the year	Outstanding as at 31.3.2011	Exercise period	Exercise price per option *HK$*	Weighted average closing price of the shares immediately before the dates on which the options were exercised *HK$*
	8.5.2009	12,600,000	(21,150,000)	(6,300,000) *(Note 7)*	21,600,000 *(Notes 3 & 7)*	6,750,000	8.5.2010 – 7.5.2019 *(Note 8)*	0.061	1.739
		241,120,000	**(165,015,000)**	**(26,165,000)**	**–**	**49,940,000**			
Weighted average exercise price *(HK$)*		0.134	0.146	0.061	–	0.135			
Exercisable as at 31.3.2011						21,800,000 13,500,000		0.230 0.061	

38. SHARE OPTION SCHEME *(Continued)*

Details of the options and movements in such holdings during the year ended 31 March 2010 are as follows:

Category of participants	Date of grant	Number of options: Outstanding as at 1.4.2009	Granted during the year *(Note 12)*	Exercised during the year	Lapsed during the year	Re-classified during the year	Outstanding as at 31.3.2010	Exercise period	Exercise price per option *HK$*	Weighted average closing price of the shares immediately before the dates on which the options were exercised *HK$*
Directors										
Yip Chi Chiu	23.8.2007	16,400,000	–	–	–	–	16,400,000	23.8.2008 – 22.8.2017 *(Note 8)*	0.230	–
	8.5.2009	–	18,000,000	–	–	–	18,000,000	8.5.2010 – 7.5.2019 *(Note 8)*	0.061	–
Lo Wing Yat	23.8.2007	14,600,000	–	–	–	–	14,600,000	23.8.2008 – 22.8.2017 *(Note 8)*	0.230	–
	8.5.2009	–	16,200,000	–	–	–	16,200,000	8.5.2010 – 7.5.2019 *(Note 8)*	0.061	–
So George Siu Ming	23.8.2007	14,600,000	–	–	–	–	14,600,000	23.8.2008 – 22.8.2017 *(Note 8)*	0.230	–
	8.5.2009	–	16,200,000	–	–	–	16,200,000	8.5.2010 – 7.5.2019 *(Note 8)*	0.061	–
Leung Chung Tak Barry	23.8.2007	14,600,000	–	–	–	–	14,600,000	23.8.2008 – 22.8.2017 *(Note 8)*	0.230	–
	8.5.2009	–	7,200,000	–	–	–	7,200,000	8.5.2010 – 7.5.2019 *(Note 8)*	0.061	–

38. SHARE OPTION SCHEME *(Continued)*

Category of participants	Date of grant	Number of options: Outstanding as at 1.4.2009	Granted during the year *(Note 12)*	Exercised during the year	Lapsed during the year	Re-classified during the year	Outstanding as at 31.3.2010	Exercise period	Exercise price per option *HK$*	Weighted average closing price of the shares immediately before the dates on which the options were exercised *HK$*
Wong Kwok Kuen	23.8.2007	3,600,000	–	–	–	–	3,600,000	23.8.2008 – 22.8.2017 *(Note 8)*	0.230	–
	8.5.2009	–	1,800,000	–	–	–	1,800,000	8.5.2010 – 7.5.2019 *(Note 8)*	0.061	–
Chak Chi Man *(Note 13)*	23.8.2007	3,600,000	–	–	–	(3,600,000) *(Note 13)*	–	23.8.2008 – 22.8.2017 *(Note 8)*	0.230	–
	8.5.2009	–	1,800,000	–	(1,800,000)	–	–	8.5.2010 – 7.5.2019 *(Note 8)*	0.061	–
Chan Yuk Tong	23.8.2007	1,800,000	–	–	–	–	1,800,000	23.8.2008 – 22.8.2017 *(Note 8)*	0.230	–
	8.5.2009	–	1,800,000	–	–	–	1,800,000	8.5.2010 – 7.5.2019 *(Note 8)*	0.061	–
Fei Tai Hung	23.8.2007	1,800,000	–	–	–	–	1,800,000	23.8.2008 – 22.8.2017 *(Note 8)*	0.230	–
	8.5.2009	–	1,800,000	–	–	–	1,800,000	8.5.2010 – 7.5.2019 *(Note 8)*	0.061	–
Tse Kam Fow	23.8.2007	1,800,000	–	–	–	–	1,800,000	23.8.2008 – 22.8.2017 *(Note 8)*	0.230	–
	8.5.2009	–	1,800,000	–	–	–	1,800,000	8.5.2010 – 7.5.2019 *(Note 8)*	0.061	–

38. SHARE OPTION SCHEME *(Continued)*

		Number of options								Weighted average closing price of the shares immediately before the dates on which the options were exercised
Category of participants	Date of grant	Outstanding as at 1.4.2009	Granted during the year *(Note 12)*	Exercised during the year	Lapsed during the year	Re-classified during the year	Outstanding as at 31.3.2010	Exercise period	Exercise price per option *HK$*	*HK$*
Employees with options granted in excess of individual limit										
Li Bing Ru	21.5.2008	91,521,060	–	–	(91,521,060)	–	–	18.10.2008 – 17.4.2018 *(Note 14)*	0.129	–
Liu Li Jun	21.5.2008	91,521,060	–	–	(91,521,060)	–	–	18.10.2008 – 17.4.2018 *(Note 14)*	0.129	–
Employees	20.10.2006	100,000	–	(100,000)	–	–	–	20.10.2006 – 19.10.2016 *(Note 15)*	0.242	0.770
	23.8.2007	7,220,000	–	(120,000)	–	–	7,100,000	23.8.2008 – 22.8.2017 *(Note 8)*	0.230	0.590
	7.5.2008	36,600,000	–	–	–	–	36,600,000	7.11.2008 – 6.5.2018 *(Note 9)*	0.156	–
	7.5.2008	1,000,000	–	–	–	–	1,000,000	7.5.2009 – 6.5.2018 *(Note 8)*	0.156	–
	8.5.2009	–	42,820,000	–	(200,000)	–	42,620,000	8.5.2010 – 7.5.2019 *(Note 8)*	0.061	–

Notes to the Financial Statements

38. SHARE OPTION SCHEME *(Continued)*

Category of participants	Date of grant	Number of options: Outstanding as at 1.4.2009	Granted during the year *(Note 12)*	Exercised during the year	Lapsed during the year	Re-classified during the year	Outstanding as at 31.3.2010	Exercise period	Exercise price per option *HK$*	Weighted average closing price of the shares immediately before the dates on which the options were exercised *HK$*
Others	23.8.2007	–	–	(3,600,000)	–	3,600,000 *(Note 13)*	–	23.8.2008 – 24.4.2010 *(Note 13)*	0.230	0.770
	23.8.2007	29,000,000	–	(21,800,000)	–	–	7,200,000	23.8.2008 – 22.8.2017 *(Note 8)*	0.230	1.095
	8.5.2009	–	12,600,000	–	–	–	12,600,000	8.5.2010 – 7.5.2019 *(Note 8)*	0.061	–
		329,762,120	**122,020,000**	**(25,620,000)**	**(185,042,120)**	**–**	**241,120,000**			
Weighted average exercise price *(HK$)*		0.166	0.061	0.230	0.128	–	0.134			
Exercisable as at 31 March 2010							83,500,000			0.230
							37,350,000			0.156
							–			0.061

38. 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 Scheme.

2. Mr. Yip Chi Chiu resigned as a director of the Company on 27 August 2010 but remained as an employee of the Company until 27 November 2010. His outstanding options entitling him to subscribe for a total of 34,400,000 shares of the Company (including 16,400,000 options with an exercise price of HK$0.230 per share and 18,000,000 options with an exercise price of HK$0.061 per share) were therefore re-classified from the category of "Directors" to the category of "Employees" during the year.

3. Mr. So George Siu Ming resigned as a director of the Company on 1 July 2010 but remained as an employee of the Company until 26 August 2010. Currently, he is a consultant of the Group. Mr. So's outstanding options entitling him to subscribe for a total of 25,500,000 shares of the Company (including 9,300,000 options with an exercise price of HK$0.230 per share and 16,200,000 options with an exercise price of HK$0.061 per share) were therefore re-classified from the category of "Directors" to the category of "Employees" and then re-classified to the category of "Others" during the year.

4. Mr. Leung Chung Tak Barry resigned as a director of the Company on 1 July 2010. His unvested options entitling him to subscribe for 3,600,000 shares of the Company at an exercise price of HK$0.061 per share lapsed during the year and his outstanding options (vested but not yet exercised) entitling him to subscribe for a total of 17,700,000 shares of the Company (including 14,100,000 options with an exercise price of HK$0.230 per share and 3,600,000 options with an exercise price of HK$0.061 per share) remained exercisable until 31 October 2010, as determined by the board of directors of the Company. Such outstanding options (vested but not yet exercised) were therefore re-classified from the category of "Directors" to the category of "Others" during the year.

5. Mr. Wong Kwok Kuen resigned as a director of the Company on 1 July 2010. His unvested options entitling him to subscribe for 900,000 shares of the Company at an exercise price of HK$0.061 per share lapsed during the year as determined by the board of directors of the Company.

6. A total of 15,365,000 unvested options lapsed during the year following the cessation of employment or resignation of employee(s). The outstanding options (vested but not yet exercised) entitling the employee(s) to subscribe for a total of 31,600,000 shares of the Company at an exercise price of HK$0.156 per share and a total of 10,800,000 shares of the Company at an exercise price of HK$0.061 per share remained exercisable until 31 October 2010 as determined by the board of directors of the Company. Such options were therefore re-classified from the category of "Employees" to the category of "Others" during the year.

7. As determined by the board of directors of the Company, a total of 6,300,000 unvested options lapsed during the year following the cessation of optionholder(s) to act as consultant(s) of the Group. Optionholder(s) resigned as employee(s) during the year but continued to provide consultancy services to the Group. The outstanding options entitling the optionholder(s) to subscribe for a total of 5,400,000 shares of the Company at an exercise price of HK$0.061 per share were therefore re-classified from the category of "Employees" to the category of "Others" during the year.

8. Options granted were subject to a vesting period of two years with 50%, 25% and 25% of the options becoming exercisable 12 months, 18 months and 24 months after the date of grant respectively.

9. Options granted were subject to a vesting period and were exercisable six months after the date of grant.

10. No options were granted or cancelled during the year ended 31 March 2011.

38. SHARE OPTION SCHEME *(Continued)*

Notes: (Continued)

11. The Group recognised total expenses of approximately HK$295,000 for the year ended 31 March 2011 (2010: approximately HK$3,305,000) in relation to the options granted by the Company. The options outstanding as at 31 March 2011 had a weighted average remaining contractual life of 7.4 years (2010: 8.4 years).

12. Options to subscribe for 122,020,000 shares of the Company were granted on 8 May 2009. The Company received an aggregate consideration of HK$27 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$0.059.

13. Mr. Chak Chi Man ceased to be a director of the Company on 25 October 2009. His outstanding options (vested but not yet exercised) entitling him to subscribe for 3,600,000 shares of the Company at an exercise price of HK$0.230 per share remained exercisable until 24 April 2010 as determined by the board of directors. Such options were therefore re-classified from the category of "Directors" to the category of "Others" during the year.

14. Options granted were subject to a vesting period and were exercisable six months after acceptance of the offer of the grant.

15. Options granted were not subject to any vesting period and were exercisable from the date of grant.

16. The weighted average fair values of the options granted during the year ended 31 March 2010 calculated using the Binomial Option-Pricing Model and the inputs into such model were as follows:

	Options granted on 8 May 2009
Weighted average fair value	HK$0.0306
Share price on grant date	HK$0.0610
Exercise price	HK$0.0610
Expected volatility	56.047%
Option life	10 years
Risk-free interest rate	2.199%
Expected dividend yield	0.000%

Expected volatility was determined by using the annualised standard deviations of the continuously compounded rates of return on the share prices of the Company and 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.

39. COMMITMENTS

(a) Commitments under operating leases

At the end of the reporting period, the Group and the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases in respect of rental premises falling due as follows:

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**5,699**	286	**3,720**	—
In the second to fifth years	**5,795**	—	**4,568**	—
	11,494	286	**8,288**	—

Leases are negotiated for terms from one to three years with a fixed monthly rental over the terms of the leases. None of the leases include contingent rentals.

(b) Capital commitments

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

Group

	2011	2010
	HK$'000	HK$'000
Capital commitments in respect of fixed assets		
Contracted, but not provided for	**19,002**	—
Capital commitments in respect of capital expenditure of the Group's factories in the PRC		
Authorised, but not contracted for	**223,886**	—
	242,888	—

As at 31 March 2010, the Group had commitments on conditional acquisition of subsidiaries and the details of the transaction are stated in Note 20.

The Company did not have any material capital commitments at the end of the reporting period (2010: nil).

Notes to the Financial Statements

40. LITIGATION

Proceedings against Mei Li, Mr. Chung and his associates

On 9 March 2011, the Company announced that it had received evidence of breaches of the agreements in connection with the Acquisition of the Union Grace Group by Mr. Chung, a former director of the Company, and certain companies owned and/or controlled by him and of his fiduciary duty as director of the Company against the interests of the Group. For the protection of the rights of the Group, the Group has since then taken a series of actions against Mr. Chung and the relevant companies owned and/or controlled by him. To prevent Mr. Chung from inflicting further harm to the Group, he was re-designated as a non-executive director and his employment as Chief Technical Officer was terminated on 8 March 2011. Despite the conflict of interest posed by the competing business conducted by the relevant companies controlled by him, Mr. Chung refused to resign from the Board. The Company had no alternative but to convene a special general meeting for the removal of Mr. Chung as a director of the Company for the protection of the interests of the Group. At the special general meeting held on 14 April 2011, the resolution for his removal was passed.

In addition, on 8 March 2011, the Company issued a notice to Mei Li for redemption of the convertible bonds with an aggregate principal amount of approximately HK$760,752,000 held by it at the face value. As of the date of approval of these consolidated financial statements, the Company has no immediate obligation to pay the Redemption Amount. The effect of such redemption notice is such that the conversion rights attaching to the relevant convertible bonds are no longer exercisable with effect from 8 March 2011.

In parallel with these corporate actions, the Company and two of its subsidiaries also commenced proceedings for the enforcement of the Group's rights and claims on 12 March 2011 in the High Court of Hong Kong against Mr. Chung, Mei Li and the PRC Operating Companies and certain Mr. Chung's associates (the "Defendants") for breaches of various agreements in relation to the Acquisition and Mr. Chung's duties as a director of the Company. On 15 June 2011, the detailed statement of claim was submitted and filed with the High Court of Hong Kong claiming for, among other things, damages and injunctions.

In the legal proceedings against Mr. Chung and his associates, the Claim Amount by the Group against the Defendants is expected to exceed the Redemption Amount. The Company has sought legal advice and considered that it has valid grounds to set off the Claim Amount against the Redemption Amount. The Group does not expect the case to be heard by the Court (if applicable) before 2012. The legal advisor of the Company estimated that the legal proceedings will likely take 2 to 3 years before progressing to a trial. The Group has not included the potential claim amount recoverable from Mr. Chung and his associates in such legal proceedings in the consolidated financial statements for the year ended 31 March 2011.

41. RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

As further detailed in Note 20, the Group has engaged the PRC Operating Companies as sole agent to handle all the sales (as an agent) on behalf of the Group (as the principal) at nil consideration during the year. The PRC Operating Companies were owned and controlled by Mr. Chung, a former director of the Company. Mr. Miao, a director of the Company, was one of directors of holding companies of the PRC Operating Companies during the year. Accordingly, the PRC Operating Companies were related parties of the Company. During the year, the Group had sales of HK$68,173,000 which were carried out by the PRC Operating Companies as agent for the Group, and it had purchases from the PRC Operating Companies of the Lithium-ion batteries and related products of HK$33,658,000 based on the Master Supply Agreement at the agreed price not higher than US$0.5 per AH. As at the end of the reporting period, the net amount due from the PRC Operating Companies was HK$28,785,000, in respect of the trade sales amount receipts due to the Group as reduced by the amount of purchases payable to the PRC Operating Companies. The amount due from the PRC Operating Companies was unsecured, interest-free and trading nature. The PRC Operating Companies have failed and refused to remit such amount to the Group. Legal proceedings were instituted against Mr. Chung and his associates on 12 March 2011 as set out in Note 40. As the recoverability of the balance due from the PRC Operating Companies is in doubt, an impairment of the full amount of HK$28,785,000 was recognised in the consolidated financial statements during the year.

(b) Key management personnel compensation

Emoluments of key management personnel are disclosed in Note 18 to the consolidated financial statements.

42. EVENTS AFTER THE REPORTING PERIOD

(a) Subsequent to the reporting period and up to the date of approval of these consolidated financial statements, options to subscribe for 6,750,000 ordinary shares of the Company of HK$0.01 each at the exercise price of HK$0.061 per share were exercised with an aggregate consideration of HK$411,750 received by the Company, and options to subscribe for 65,000 ordinary shares with an exercise price of HK$0.061 per share have lapsed as the option holders were no longer the eligible participants under the share option scheme of the Company.

(b) Subsequent to the reporting period and up to the date of approval of these consolidated financial statements, convertible bonds with an aggregate principal amount of HK$200 million were converted into 1,000 million ordinary shares of the Company of HK$0.01 each at a conversion price of HK$0.20 per share.

(c) On 21 April 2011, the Company granted options (the “Options”) to subscribe for 268,760,000 ordinary shares at the exercise price of HK$0.81 per share to its grantees. The Options granted are subject to a validity period of three years from 21 April 2011 to 20 April 2014. Options to subscribe for 400,000 ordinary shares have lapsed following the resignation of certain employees.

(d) As further detailed in Note 24, the acquisition of land and buildings at 遼源市經濟開發區友誼工業園 (the Friendship Industrial Park of Liaoyuan Economic Development Area*) of Jilin Province, the PRC was completed in May 2011 when all the relevant title deeds on land and buildings were transferred to the Group.

(e) As further detailed in Note 19, the disposal of the entire issued share capital of Infast was completed in April 2011. The gain on this disposal is approximately HK$280,000.

(f) On 2 June 2011, a subsidiary of the Group entered into an agreement, pursuant to which the subsidiary has agreed to acquire land and buildings in Tianjin at a total consideration of approximately RMB70.7 million.

43. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balances.

The capital structure of the Group consists of the equity attributable to equity holders of the Company, comprising issued capital and reserves. No material changes were made in the objectives, policies or processes during the years ended 31 March 2011 and 2010.

The management of the Group reviews the capital structure and considers the cost of capital regularly. The Group considers the cost of capital and the risks associated with each class of capital, and will balance its overall capital structure through the payment of dividends, issue new shares as well as the raising of bank borrowings.

Except for the capital maintenance requirement imposed by the Securities and Futures Ordinance on a subsidiary which was classified as a discontinued operation during the year and disposed of in April 2011, neither the Company nor any other subsidiary is subject to externally imposed capital requirements.

The Group monitors its capital structure on the basis of net debt to equity ratio, which is net debt divided by capital. Net debt includes the Group's total borrowings (including bank loan, provision for redeemed convertible bonds and convertible bonds) less cash and bank balances as shown in consolidated statement of financial position. Total capital includes all components of equity. The net debt to equity ratio as at end of the reporting period is as follows:

	2011 **HK$'000**	2010 HK$'000
Bank loan	**35,562**	—
Provision for redeemed convertible bonds	**760,752**	—
Convertible bonds	**198,409**	—
Total borrowings	**994,723**	—
Less: Cash and cash equivalents	**(388,568)**	(304,361)
Net debt	**606,155**	N/A
Total equity	**496,689**	327,794
Net debt to equity ratio	**122%**	N/A

44. COMPARATIVE FIGURES

Certain comparative figures have been restated in compliance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" from the discontinued operation of the Group's securities brokerage business during the year, details of which are set out in Note 19.

45. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board on 30 June 2011.