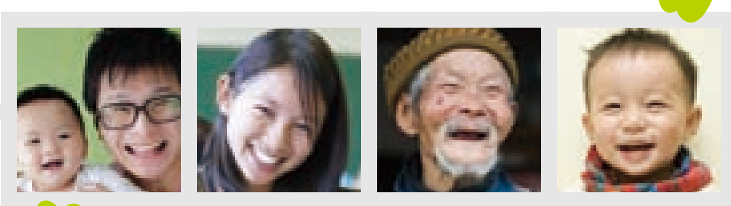
Sinopoly Battery Limited
中聚電池有限公司

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

Annual Report **2011/12**

Enlightening the life



Sinopoly 中聚

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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
(Vice President)

Non-executive director:

Professor Chen Guohua

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

NOMINATION COMMITTEE

Mr. Chan Yuk Tong *(Chairman)*
Mr. Miao Zhenguo
Mr. Jaime Che
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
Mr. Miao Zhenguo

COMPANY SECRETARY

Ms. Tam Lai Kwan Terry

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
China Construction Bank Corporation

Corporate Information

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 2012, as extracted from the published audited consolidated financial statements and reclassified and restated as appropriate, is set out below:

	Year ended 31 March				
	2012 **HK$'000**	2011 HK$'000	2010 HK$'000	2009 HK$'000	2008 HK$'000
Loss attributable to owners of the Company	**(442,334)**	(2,805,729)	(14,093)	(72,155)	(61,226)
Total assets	**1,774,048**	1,861,469	329,920	75,265	120,138
Total liabilities	**(1,244,800)**	(1,364,780)	(2,126)	(4,967)	(6,298)
Net assets	**529,248**	496,689	327,794	70,298	113,840
Non-controlling interests	**–**	–	–	–	(526)
Equity attributable to owners of the Company	**529,248**	496,689	327,794	70,298	113,314

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

MARKET OVERVIEW

Faced with various problems such as environmental pollution and energy shortages, the world is proactively promoting the development of environmentally friendly alternative energy. Under the "Twelfth Five-year Plan" of the People's Republic of China (the "PRC"), the PRC government has launched various policies aimed at pursuing energy conservation and emission reduction. These policies include a RMB 100 billion investment in the coming decade to support and drive the development of pure electric vehicles and a RMB 1,600 billion investment into strengthening the construction of smart electric grids.

In April 2012, the State Council of the PRC has approved the "Development plan of energy-saving and new energy automotive industry (2012-2020)" (the "Plan") to speed up the cultivation and development of energy saving and the new energy automotive industry. The domestic automotive industry will undergo a transformation with a primary focus on the development of pure electric cars. It will facilitate the transformation through encouragement of technological innovation, promotion and pilot demonstration of new energy cars and promulgating improvements in industry standards and market entry requirements. According to the Plan, the PRC's accumulated output of pure electric and plug-in hybrid vehicles will reach 500,000 units by 2015 and will surpass 5 million units by 2020. The overall standards of domestic new energy vehicles, power batteries, key parts and components will reach international levels. Meanwhile, the PRC government is propelling the construction of smart electric grids which are expected to be completed by 2020 in order to meet the requirements of large-scale cross-region power transmissions and the merging of renewable energy power generation systems. Hence, there is an ample demand for power and energy storage Lithium-ion batteries in the market.

The growth in demand for Lithium-ion batteries is continuously accelerating worldwide. According to a market research, the output value of the world's Lithium-ion batteries amounted to approximately USD 10 billion in 2010 and it is expected to reach USD 60 billion by 2020. The average annual growth rate of the output value of Lithium-ion batteries from 2010 to 2020 is estimated to be approximately 20%. The automotive industry and the renewable energy industry will be the major consumers of Lithium-ion batteries.

Taking into account the current situation of the power and energy storage battery market, the future development of the Lithium-ion battery sector is promising as market demand is keen. Since this emerging industry is in the early stage of development, the majority of Lithium-ion battery enterprises are in small-scaled production, facing great barriers in technology, human resources, funding and production techniques, which likely to provide opportunities for major players to consolidate the sector.

BUSINESS REVIEW

As 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 "Chung's Companies") (which are controlled and/or owned by Mr. Winston Chung (formerly known as Chung Hing Ka) ("Mr. Chung"), a former director of the Company), failed to deliver on their obligations to manufacture and supply Electric Battery Products to the Group through the Shenzhen OEM battery factory in accordance with the master supply agreement dated 18 January 2010 (the "Master Supply Agreement"), the Group lost its originally planned production base since early 2011, which intensified the importance of seamless operating at the Jilin battery production base. Following its completion in November 2011, the Company moved from the construction stage into a more stable operational stage.

Management Discussion and Analysis

During the year under review, the management of the Group dedicated themselves to lay down the strategic foundation and devoted great effort to the following areas:

Improvement and expansion of the Jilin battery production base

A considerable amount of time has been spent undergoing trial and adjustment; and also to train workers on the original production line in Liaoyuan, Jilin. The process has allowed us to accumulate invaluable experience in terms of better factory design and management of the relevant production lines. After the completion of new production line in November 2011, the production base has commenced commercial production. The production base in Jilin possesses a brand new flow-line production and automatic production flow designed by industry experts. Currently, the total designed battery production capacity of the Jilin production base is 120 million ampere-hours ("AH") per annum.

Construction of the Tianjin battery production base

The Group has a production site of approximately 339 mu (approximately 226,000 m^2) in Binhai New Area, Tianjin. Production facilities with a maximum annual battery production capacity of 1.5 to 2 billion AH can be built on this site. It will be one of the Group's core production bases in the future.

With the experience gained from the expansion of the production base in Jilin, the preparation of the construction and staff training in the Tianjin base were smoother than Jilin's. The Tianjin production facility was completed in April 2012 with a designed annual battery capacity of 130 million AH for its first phase of production line. It has entered the trial and adjustment stage and is expected to commence production by the third quarter of 2012.

Setting up of Sinopoly Battery Research Center

The Group has set up the Sinopoly Battery Research Center (the "R&D Center"), whose President is Professor Ma Zifeng, which co-operates with Shanghai Jiao Tong University, National University of Defense Technology and Zhejiang University on various battery research projects by establishing the respective research centers. Professor Ma is the Chief Scientist of the National Basic Research Programme of the PRC (the 973 Programme). In addition, the R&D Center successfully invited 10 renowned domestic battery experts including Professor Wu Feng, Academician Yang Yusheng, Mr. Huang Xuejie, Professor Xie Kai, Professor Wang Rongshun and others to form an academic committee to contribute to the R&D Center's development.

The R&D Center's objectives are to develop advanced battery systems for electric vehicles and energy storage equipment, enhance battery production process techniques and develop the next generation batteries. Through the hard work of the R&D team, the R&D Center is bearing the fruit of innovative R&D in a short span and has obtained patents for new battery technology as well as applying new patented techniques into the Group's battery products in order to enhance its overall product quality. In addition, the design of second generation battery products has been completed and those products will be marketed subsequently.

Strengthening our team

In adaptation to the Group's development and expansion plan, it has made vigorous efforts to recruit skilled experts and talents in the technical, research and development and operational fields to enhance the team. We have successfully employed top-notch talents who are experienced in the field of battery technology, research and development, sales and marketing, advanced modern production, logistics management and/or multi-location product quality control management. In addition, the renowned Lithium-ion battery expert Professor Chen Guohua, Head of Department of Chemical and Biomolecular Engineering, the Hong Kong University of Science and Technology, has joined the Group and serves as a non-executive director. This strengthens the technical knowledge and expertise of the board of the Group in relevant fields and will be helpful in formulating the Group's future development direction.

In addition, the Group has established the "Sinopoly Battery Scholarship Award" to encourage the cultivation of outstanding professionals in battery technology in the PRC. Students that are awarded the Scholarship will be invited to join the Group in the future.

Sales orders and market potential

The current quality and pricing of the Group's Lithium-ion batteries are competitive in the market. The Group has partnered with a number of notable enterprises in the PRC, such as the State Grid Corporation of China (the "State Grid"), FAW Bus, Dongfeng Hangzhou Motor and China Mobile to develop projects related to application of Lithium-ion battery.

Our Lithium-ion battery products have also received an enthusiastic response around the world. Orders from Germany, Netherlands, United Kingdom, United States of America, Australia, Japan and India are on the rise. The Group has entered into cooperative agreements with a number of foreign enterprises in relation to, amongst other things, trial projects and procurement of our products. They include renowned battery system companies from Germany, a major battery distributor in the Czech Republic, a number of large battery and power storage system suppliers in Australia and a reputable American company engaging in battery distribution and manufacturing of electric motorcycles.

After the nuclear crisis resulting from the tragic earthquake in Japan in March 2011, various nations have reviewed their nuclear policies and are planning to reduce reliance on nuclear power generation. Among them, European countries such as Germany have decided to gradually close down nuclear power stations and promote the development and generalization of the technology for the application of renewable energy. Relevant policies of these countries significantly increased our sales orders in these regions for energy storage batteries.

Entering downstream market

The Group is opening a battery assembly business to provide standard or custom-made battery packs as well as energy storage solutions. This one-stop service, which enables customers to obtain batteries and battery packs, increases economic benefit of the Group's product and shortens the investment payback period. The new business enhances the consistency and safety of the products. Moreover, the Group can enhance and stabilize relationship with its customers, has a better understanding of their needs in the product and provide them with better services.

The Group's energy storage devices are not only applicable to solar, wind and other energy storage applications, but also to areas with tight power supplies in the daytime. The devices can store electricity at night when the cost for electricity is lower (off-peak price) and supply electricity in the daytime when the cost is higher. This can both effectively balance power supplies and save electricity costs for users. Taking the PRC as an example, an estimated average 20% to 40% of the cost for electricity can be saved by using the Group's storage cabinets and storage base stations in household and commercial buildings.

LITIGATIONS

Hong Kong Proceedings

The Company and two of its subsidiaries commenced legal proceedings on 12 March 2011 for the enforcement of the Group's rights and claims in the High Court of Hong Kong (the "HK Court") against Mr. Chung, the Chung's Companies, Mei Li New Energy Limited ("Mei Li") (all are wholly-owned and/or controlled by Mr. Chung) and certain Mr. Chung's associates (collectively, the "Defendants") for, inter alia, breaches of various agreements in relation to the very substantial acquisition completed in May 2010 (the "Acquisition") and Mr. Chung's fiduciary duties as a director of the Company (the "HK Proceedings"). On 15 June 2011, the statement of claim was submitted and filed with the HK Court claiming for, amongst other things, damages and injunctions.

In the HK Proceedings, the Defendants have relied on certain documents for the establishment of their case (the "Defence Documents"). During discovery, the Group transpired that the Defence Documents contain documents which (i) are different in form and substance from the corresponding documents maintained by the Group as part of its records; (ii) are allegedly executed by a subsidiary of the Group but the existence of which the Group was not aware up to the time of discovery; and (iii) are non-existent. In respect of some of the Defence Documents, the Defendants have produced different versions of the same in the course of discovery. The Defendants have failed to provide any sufficient explanation as to the state of the documents described above, despite being given repeated opportunities to do so.

The Defendants have filed a counterclaim in the HK Proceedings for, inter alia, the amount payable of approximately HK$760,752,000 for the redemption of the convertible bonds previously held by Mei Li (the "Redemption Amount"). The damages claimed by the Group against the Defendants in the HK Proceedings are expected to exceed the Redemption Amount. The Group will seek to set off portion of its claimed amount against the Redemption Amount (the "Set-Off") for the protection of its interest.

The HK Proceedings is now coming to the end of the pleading stage and will progress to discovery, drafting and exchange of witness statements in the foreseeable future. The Board is of the view that the Defendants have used and will continue to use delaying tactics in regard to the HK Proceedings to avoid and delay the unfavorable outcome to them. For example, the Defendants (i) changed their legal representative at the pleading stage; (ii) repeatedly applied for extension during pleadings; (iii) disagreeing to what they have agreed before; and (iv) abusing the legal process by issuing a new writ in relation to the Redemption Amount which they have already counterclaimed in the HK Proceedings. All of the above are hallmarks of delaying tactics in legal proceeding. The Group will continue to pursue these and other matters in the HK Proceedings vigorously, with a view to speed up the litigation process in order to protect the Group's and the shareholders' interest.

As the litigations are at the early stage, the Group has not included in its consolidated financial statements for the year ended 31 March 2012 (the "Annual Statements") the claim to be awarded recoverable from Mr. Chung and his associates in the HK Proceedings. Based on the legal opinion of the Group's legal counsels, the Group does not anticipate that the HK Proceedings will go to trial by the end of 2013 and hence, the Set-Off will not be completed before 2014.

On 20 June 2012, Mei Li subsequently filed a writ against the Company for the settlement of the Redemption Amount ("New Action"). Based on the advices from the legal counsels, the Company considered that there are valid grounds for the Company to strike off Mei Li's claims in the New Action on the basis that it is an abuse of the legal process by bringing identical claims in separate legal proceedings and therefore, there should not be any material impact on the legal position of the Company and the Group.

Shenzhen Proceedings

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

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

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

The Questionable Documents have been sent to an authoritative authentication institution in the PRC to determine the authenticity of them under the order of the SZ Court. In addition, the SZ Court has requested the Chung's Companies to submit a written report explaining the come about and formation of the Questionable Documents. However, up to the date of approving the Annual Statements, they have failed to submit such report to the SZ Court. The Board is of the view that the Chung's Companies have been using delaying tactics in regard to the SZ Proceedings. The Company considered that the exposure in the SZ Proceedings is remote and no provision for loss is required in the consolidated financial statements for the year ended 31 March 2012. The Board is also of the view that the SZ Proceedings has no and will not have any, negative effect on the business, financial position and development of the Group, and the HK Proceedings.

FINANCIAL REVIEW

During the year under review, the Group's turnover from continuing operations decreased to approximately HK$59.4 million from approximately HK$75.8 million of the preceding financial year. Gross profit decreased to approximately HK$4.8 million from approximately HK$34.5 million in the last financial year. Such decrease was primarily due to the failure on the part of the Chung's Companies in performance of their obligations to manufacture and supply Electric Battery Products to the Group in accordance with the Master Supply Agreement, and the fact that the newly set-up battery production base in Liaoyuan, Jilin was in the early stage of production. The Group narrowed its net loss after tax to approximately HK$442.3 million from approximately HK$2,805.7 million in the last financial year. The substantial decrease in loss was resulted mainly from the one-off impairment on goodwill of approximately HK$904.2 million recorded in last year which did not recur in the current year, and the reduction in the amortisation of intangible assets from approximately HK$310.2 million to approximately HK$140.1 million and the reduction in the impairment on intangible assets from approximately HK$2,050.7 million to approximately HK$273.6 million.

The loss for the current year under review of approximately HK$442.3 million was principally attributable to (i) the selling and distribution costs of approximately HK$14.3 million mainly associated with the setting up of our own sales team and the launch of various marketing and promotion activities; (ii) the general and administrative expenses of approximately HK$94.3 million mainly utilised by the holding level companies and the newly-established subsidiaries in the PRC; (iii) the other operating expenses of approximately HK$16.7 million mainly incurred in the initial trial run stage of the battery production base in Jilin; (iv) the amortisation of intangible assets of approximately HK$140.1 million; and (v) the impairment on intangible assets of approximately HK$273.6 million.

Electric Battery Products Business

During the year under review, the Group manufactured the Lithium-ion battery via its battery production base in Liaoyuan, Jilin and the battery products were sold by its own sales team to the newly-developed customers. However, almost all the manufacturing and sales of Electric Battery Products were handled by the Chung's Companies as agents for the Group for the last corresponding year. Whereas, the Chung's Companies have ceased to manufacture or sell the Electric Battery Products on behalf of the Group since October 2010 and refused to grant access of the relevant books and records to the independent auditor of the Company for audit purpose, the independent auditor of the Company had qualified their audit opinion dated 30 June 2011 on the consolidated financial statements for the last year ended 31 March 2011 in respect of the completeness and accuracy on sales of approximately HK$68.2 million, cost of sales of approximately HK$33.7 million and related income tax of approximately HK$8.7 million in relation to sales of Electric Battery Products. Hence, the management considers that the sales, cost of sales and the results of the Electric Battery Products business for the two years are not comparable.

Turnover derived from the sales of Electric Battery Products for the year under review was approximately HK$57.2 million. It constituted approximately 96.2% of the Group's total turnover from continuing operations. The Electric Battery Products business reported a gross profit of approximately HK$2.5 million for the current year under review. The production base in Jilin was at its initial stage of commercial production and its production has not reached its full capacity, which in turn resulted in a higher than normal product cost per unit. This segment recognised a loss before tax of approximately HK$495.0 million, mainly due to the amortisation of intangible assets of approximately HK$140.1 million, the impairment on intangible assets of HK$273.6 million and the imputed interest expenses on convertible bonds of approximately HK$13.1 million, which are non-cash items and have no impact on the Group's cash flows.

Securities Brokerage Business

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

During the year under review, the turnover of the securities brokerage business segment was approximately HK$32,000 (2011: approximately HK$0.6 million). This segment reported an operating profit of approximately HK$0.2 million (2011: loss of approximately HK$2.5 million).

Geographical Analysis of Turnover

During the year under review, the PRC, the United States of America, the European countries, Australia, Hong Kong and others contributed approximately 69.6% (2011: 24.2%), 1.6% (2011: 41.4%), 17.4% (2011: 25.8%), 5.7% (2011: 1.5%), 4.0% (2011: 3.1%) and 1.7% (2011: 4.0%) to the Group's total turnover respectively.

Liquidity and Financial Resources

As of 31 March 2012, the Group had (i) non-current assets of approximately HK$1,388.3 million (31 March 2011: approximately HK$1,432.8 million), which comprised of intangible assets, fixed assets and deposits paid for fixed assets; and (ii) current assets of approximately HK$385.7 million (31 March 2011: approximately HK$428.7 million), which mainly comprised of inventories, trade and other receivables, and cash and bank balances. The Group had current liabilities of approximately HK$855.8 million (31 March 2011: approximately HK$846.6 million), which mainly comprised of trade and other payables, tax payable, and obligations under redeemed convertible bonds. The Group does not anticipate the payment of the Redemption Amount before 2013 as the Set-Off will not happen before then as disclosed under the paragraph of "Hong Kong Proceedings" in the section heading "Litigations" above. The Group's borrowings are mostly event driven, with little seasonality.

As at 31 March 2012, the Group's total long term liabilities amounted to approximately HK$389.0 million (31 March 2011: approximately HK$518.2 million), which comprised of other non-current liability, convertible bonds and deferred tax liabilities. The convertible bonds are denominated in Hong Kong dollars and non-interest bearing.

As at 31 March 2012, the Group's gearing ratio, without taking into account the obligations under redeemed convertible bonds and convertible bonds of totally approximately HK$881.9 million (2011: HK$959.2 million), was zero (2011: approximately 7.2%) calculated on the basis of total bank borrowing of nil (2011: approximately HK$35.6 million) to total equity of approximately HK$529.2 million (2011: approximately HK$496.7 million).

Foreign Exchange Exposure

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

Capital Structure

During the year under review, a holder of the zero-coupon convertible bonds due 2018 issued by the Company in May 2010 (the "Convertible Bonds") converted a portion of the Convertible Bonds that it held in the aggregate principal amount of HK$200,000,000 into 1,000,000,000 shares of the Company at the conversion price of HK$0.20 per share. In addition, 6,925,000 shares of the Company were allotted and issued by the Company pursuant to the exercise of share options granted under the Company's share option scheme during the year under review.

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

As a result of the above, the number of shares of the Company in issue increased from 9,284,782,569 as at 1 April 2011 to 10,991,707,569 as at 31 March 2012.

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

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

Save as disclosed above and the outstanding Convertible Bonds in the principal amount of HK$239,719,971 (convertible into 1,261,684,057 shares of the Company) and the outstanding share options entitling their holders to subscribe for a total of 310,650,000 shares of the Company, the Group had no debt securities or other capital instruments as at 31 March 2012.

Material Acquisitions and Disposals

Apart from the disposal of Infast as mentioned in the sub-section heading "Securities Brokerage Business" above, the Group had no material acquisitions or disposals of subsidiaries or associated companies during the year ended 31 March 2012. Infast has ceased to be a subsidiary of the Company since 19 April 2011 and the Group no longer engages in the business of securities brokerage services. Details of the disposal are set out in the Company's announcement dated 7 January 2011.

Pledge of Assets and Contingent Liabilities

As at 31 March 2012, the Group did not pledge any kind of assets and had no significant contingent liabilities.

Employees and Remuneration Policies

As of 31 March 2012, the Group had 34 employees (2011: 35 employees) in Hong Kong and 1,199 employees (2011: 389 employees) in the PRC. Total staff costs (including directors' emoluments and equity settled share-based payments) during the year amounted to approximately HK$60.0 million (2011: approximately HK$14.6 million). The remuneration policies are determined with reference to market conditions and individual performance of staff. The Group participates in Mandatory Provident Fund Scheme in Hong Kong and state-managed retirement benefit schemes in the PRC. The Group has a share option scheme for the benefit of its directors and eligible employees.

Capital Commitments

Details of the capital commitments of the Group are set out in Note 38(b) to the financial statements.

PROSPECTS

After two years of efforts leveraging on the Group's sound financial platform and top-class experts, it has successfully established two battery production bases in the PRC, instituted the Sinopoly Battery Research Center, and infiltrated its sales network into the PRC, Europe and the United States of America. The management believes that the first step of its strategic framework has been completed. With a steady developmental foundation, the Group will constantly pursue business opportunities in the market in the future and strive to become one of the top 5 enterprises in the PRC within 3 years, as well as an international leading enterprise within 5 years.

Organic growth

The Group will continue to expand its capacity according to the market's needs to further enhance its production capability. At the same time, it will steadily develop domestic and foreign markets to cooperate with more renowned domestic and foreign enterprises to launch new products and green solutions, thereby allowing the Group to seize a larger market share and attain higher profitability.

Inorganic growth

The Group will actively look for expansion opportunities in the upstream and downstream sector of the business in order to enhance overall revenue. In addition to the strategy of centralizing the purchase of raw materials, the Group will work closely with upstream businesses to secure the sources and supplies of raw materials so that costs will be controlled effectively, the quality of products will be enhanced and stable production will be ensured.

Apart from the development of the battery assembly and energy storage device businesses, the Group will establish strategic partnerships with downstream businesses to develop various green solutions using its exclusive techniques, which are in line with China's policies of energy saving and emission reduction to promote the development of environmental businesses. The Group will continue to research, develop and launch more environmentally friendly products as well as expand its sales network to enhance profitability and obtain higher value and return for its investors.

* For identification only

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

Mr. Miao, aged 52, 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 and Nomination Committee of the Company, respectively. Mr. Miao was the Chief Operating Officer of the Company from May 2010 to March 2011. He was 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") (the "Authorised Representative") from August 2010 to April 2011 and was again appointed as the Authorised Representative in May 2012. He holds directorships in various subsidiaries of the Company. 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 53, 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, aged 46, 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.

Mr. Jaime Che
Executive Director & Vice President

Mr. Jaime Che, aged 31, 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 is also a member of the Nomination Committee of the Company. He has 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 Cabral Resources Limited (formerly known as RIMCapital Limited), a company listed on the Australian Stock Exchange. Mr. Jaime Che studied commerce at the University of New South Wales.

Professor Chen Guohua ("Professor Chen")
Non-executive Director

Professor Chen, aged 48, has been appointed as a non-executive director of the Company with effect from 1 March 2012. He has been a member of the Academic Committee of Sinopoly Battery Research Center operated by a wholly-owned subsidiary of the Company since December 2011. He is a professor and the Head in the Department of Chemical and Biomolecular Engineering at the Hong Kong University of Science and Technology ("HKUST"). He obtained his Bachelor of Engineering in Chemical Engineering from Dalian University of Technology in 1984, Master of Engineering and Doctor of Philosophy in Chemical Engineering from McGill University in 1989 and 1994, respectively. Professor Chen is a Fellow and the Chairman of the Chemical Engineering Discipline, in the Hong Kong Institution of Engineers. He is a council member of the Asian Pacific Confederation of Chemical Engineering and a member of the International Advisory Committee of the 8th World Congress of Chemical Engineering. Professor Chen's research interests are electrochemical technologies in wastewater treatment, drying of solids, electrochemical energy storage, and green processes and products. Professor Chen received the Certificate of Excellence in 2007 from World Forum for Crystallization Filtration and Drying for his outstanding contributions to research and development in the area of drying technology and sustainable development. He received the Research Excellence Award from School of Engineering, HKUST, in 2011.

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

Mr. Chan, aged 50, is an independent non-executive director of the Company. He is also a member and chairman of the Audit Committee, Remuneration Committee and Nomination Committee of the Company. He is currently an independent non-executive director of Ausnutria Dairy Corporation Ltd (Stock Code: 1717), 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), Trauson Holdings Company Limited (Stock Code: 325) and Xinhua Winshare Publishing and Media Co., Ltd. (Stock Code: 811), companies whose shares are listed on the 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. He retired on 31 May 2012 as 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. 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 as 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 64, is an independent non-executive director of the Company and a member of the Audit Committee, Remuneration Committee and Nomination 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.

Mr. Tse Kam Fow
Independent Non-executive Director

Mr. Tse Kam Fow, aged 52, is an independent non-executive director of the Company and a member of the Audit Committee, Remuneration Committee and Nomination 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 2012 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, Professor Chen, 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. The term of appointment of Professor Chen, a non-executive director of the Company, is for a fixed period of two years from 1 March 2012 to 28 February 2014 (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. Each of Mr. Lo and Professor Chen 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 2012 on a named basis are disclosed in Note 17 to the financial statements.

* *for identification only*

The directors present their report and the audited consolidated financial statements of the Group for the year ended 31 March 2012.

CHANGE OF COMPANY NAME

The English name of the Company has 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. The Group is mainly engaged in the research and development, 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.

The principal activities and particulars of the Company's principal subsidiaries as at 31 March 2012 are set out in Note 24 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 2012 is set out in Note 8 to the financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 March 2012 are set out in the consolidated income statement on page 40 of this annual report.

The directors of the Company do not recommend the payment of any dividend for the year ended 31 March 2012.

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 4 of this annual report.

FIXED ASSETS

During the year, the Group spent approximately HK$213,945,000 on acquisition of fixed assets.

Details of the movements in the fixed assets of the Group during the year are set out in Note 22 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The largest supplier of the Group by itself and together with the other four largest suppliers accounted for approximately 26.9% and 62.2% 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 61.5% and 81.1% of the Group's total turnover for the year respectively.

Save as disclosed above and to the best of the directors' knowledge, 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 34 to the financial statements.

PLACING OF NEW SHARES UNDER GENERAL MANDATE

On 9 August 2011, the Company has successfully placed 700,000,000 new shares through Guotai Junan Securities (Hong Kong) Limited, the placing manager, to not less than six placees at HK$0.52 per share (the "Placing").

The net proceeds from the Placing of approximately HK$358.9 million are intended to be used as capital expenditure in relation to the expansion in the Group's battery production facilities and general working capital of the Group.

Details of the Placing are set out in the Company's announcements dated 29 July 2011 and 9 August 2011 respectively.

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 35 to the financial statements.

The Company had no reserves available for distribution as at 31 March 2012.

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)*
Mr. Lo Wing Yat
Mr. Xu Donghui *(Chief Operating Officer)*
Mr. Jaime Che *(Vice President)*

Non-executive directors:

Professor Chen Guohua	(appointed on 1 March 2012)
Mr. Chung Winston (formerly known as Chung Hing Ka)	(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 84(2) of the Company's Bye-laws as adopted at the special general meeting of the Company on 20 March 2012, Mr. Miao Zhenguo, Mr. Fei Tai Hung and Mr. Tse Kam Fow 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 83(2) of the Company's Bye-laws as adopted at the special general meeting of the Company on 20 March 2012, Professor Chen Guohua will hold office until the forthcoming annual general meeting of the Company and, being eligible, has offered himself 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' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2012, the interests and short positions of the directors and chief executives of the Company or their respective associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange 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	1,713,380,143	1,261,684,057	2,975,064,200 *(Note 1B)*	27.07%
	Beneficial owner	–	10,000,000 *(Note 2)*	10,000,000	0.09%
Mr. Lo Wing Yat	Beneficial owner	–	50,800,000 *(Note 2)*	50,800,000	0.46%
Mr. Xu Donghui	Beneficial owner	220,000	20,000,000 *(Note 2)*	20,220,000	0.18%

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. Jaime Che	Beneficial owner	1,000,000	20,000,000 *(Note 2)*	21,000,000	0.19%
Mr. Chan Yuk Tong	Beneficial owner	–	10,900,000 *(Note 2)*	10,900,000	0.10%
Mr. Fei Tai Hung	Beneficial owner	–	10,900,000 *(Note 2)*	10,900,000	0.10%
Mr. Tse Kam Fow	Beneficial owner	–	10,900,000 *(Note 2)*	10,900,000	0.10%

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 ended 31 March 2012, Union Ever exercised its right and converted convertible bonds with an aggregate principal amount of HK$200,000,000 into 1,000,000,000 shares of the Company. Convertible bonds in the principal amount of HK$75,000,000 (convertible into 394,736,842 shares of the Company as adjusted) allotted to Union Ever were cancelled on 24 August 2011, details of which are set out in the Company's announcement dated 24 August 2011.

1B. The 2,975,064,200 shares or underlying shares of the Company refer to the equity interest comprising (i) 1,713,380,143 shares held by Union Ever; and (ii) 1,261,684,057 conversion shares (subject to adjustments) to be allotted and issued by the Company upon exercise in full by Union Ever of the conversion rights attached to the zero coupon convertible bonds in the principal amount of HK$239,719,971 repayable on the eighth anniversary of the date of issue of the convertible bonds, that is 25 May 2018 at the adjusted conversion price of HK$0.19 per conversion share (subject to adjustments).

2. The interests in underlying shares of the Company represent interests in options granted to the directors named above to subscribe for shares of the Company, further details of which are set out in Note 37 to the financial statements.

Save as disclosed above, as at 31 March 2012, none of the directors or chief executives of the Company or their respective associates had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had been recorded in the register 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.

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 37 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 37 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 2012.

EMOLUMENTS OF DIRECTORS AND SENIOR EMPLOYEES

Details of the emoluments of the directors and the five highest paid employees are set out in Note 17 to the financial statements.

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

As at 31 March 2012, the persons, other than the directors or chief executives of the Company, who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the 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	1,713,380,143	1,261,684,057	2,975,064,200 *(Note 1B)*	27.07%
Glorious China Investments Limited ("Glorious China") *(Note 2)*	Beneficial owner	1,098,099,998	–	1,098,099,998	9.99%
Ms. Xu Yueyue *(Note 2)*	Interest of controlled corporation	1,098,099,998	–	1,098,099,998	9.99%
Silver Ride Group Limited ("Silver Ride") *(Note 3)*	Beneficial owner	1,055,000,001	–	1,055,000,001	9.60%

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
Mr. Chen Jian *(Note 3)*	Interest of controlled corporation	1,055,000,001	–	1,055,000,001	9.60%
	Beneficial owner	–	10,000,000	10,000,000	0.09%
Long Hing International Limited ("Long Hing") *(Note 4)*	Beneficial owner	896,719,998	–	896,719,998	8.16%
Ms. Song Hong *(Note 4)*	Interest of controlled corporation	896,719,998	–	896,719,998	8.16%
Mr. Li Ka-shing *(Note 5)*	Interest of controlled corporation	600,000,000	–	600,000,000	5.46%

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 2,975,064,200 shares or underlying shares of the Company refer to the equity interest comprising (i) 1,713,380,143 shares held by Union Ever; and (ii) 1,261,684,057 conversion shares (subject to adjustments) to be allotted and issued by the Company upon exercise in full by Union Ever of the conversion rights attached to the zero coupon convertible bonds in the principal amount of HK$239,719,971 repayable on the eighth anniversary of the date of issue of the convertible bonds, that is 25 May 2018 at the adjusted conversion price of HK$0.19 per conversion share (subject to adjustments).

2. Glorious China is wholly owned by Ms. Xu Yueyue. The 1,098,099,998 shares of the Company held by Glorious China are deemed to be owned by Ms. Xu Yueyue.

3. Silver Ride is wholly owned by Mr. Chen Jian ("Mr. Chen"), a director of certain subsidiaries of the Company. Mr. Chen is also a director of Silver Ride. The 1,055,000,001 shares of the Company held by Silver Ride are deemed to be owned by Mr. Chen. Mr. Chen was also interested in 10,000,000 underlying shares of the Company which represent interests in the options granted to him on 21 April 2011 at a total consideration of HK$1 to subscribe for 10,000,000 shares of the Company at an exercise price of HK$0.81 per share (subject to adjustments) during the period from 21 April 2012 to 20 April 2014.

4. Long Hing is wholly owned by Ms. Song Hong. The 896,719,998 shares of the Company held by Long Hing are deemed to be owned by Ms. Song Hong.

5. For the purpose of the SFO, Mr. Li Ka-shing is deemed to be interested in a total of 600,000,000 shares of the Company, of which 510,000,000 shares are held by Jade Time Investments Limited ("Jade Time") and 90,000,000 shares are held by CEF Holdings Limited ("CEF").

   Jade Time is a wholly-owned subsidiary of Mayspin Management Limited, which in turn is wholly owned by Mr. Li Ka-shing.

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

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

After the reporting period, the Company has received a disclosure of interests form from Cheung Kong (Holdings) Limited made pursuant to Part XV of the SFO stating that Mr. Li Ka-shing has increased his shareholding from the existing 600,000,000 shares to 700,000,000 shares in the Company on 22 June 2012, representing 5.45% and 6.36% of the issued share capital of the Company as at the date of this report respectively. These additional 100,000,000 shares are held by Li Ka Shing (Overseas) Foundation in which each of Mr. Li Ka-shing or Mr. Li Tzar Kuoi, Victor is entitled to exercise more than one-third of control in certain circumstances.

6. According to the latest notice made by Mei Li New Energy Limited ("Mei Li") pursuant to Part XV of the SFO on 13 April 2012, the relevant date of which was 24 August 2011, Mei Li alleged to be interested in 4,003,955,821 underlying shares of the Company. Mei Li is wholly owned by Mr. Chung Winston (formerly known as Chung Hing Ka) ("Mr. Chung"), a former director of the Company. The 4,003,955,821 underlying shares of the Company alleged to be held by Mei Li are deemed to be owned by Mr. Chung. The Company notes that all the convertible bonds held by Mei Li were either cancelled or ceased to be exercisable and Mei Li no longer held any convertible bonds of the Company as at the date of this report.

Save as disclosed above, as at 31 March 2012, the Company has not been notified of any interests or short positions in the shares or underlying shares of the Company which were required to be recorded in the register kept by the Company under Section 336 of the SFO.

DIRECTORS' INTEREST IN COMPETING BUSINESSES

As disclosed in the Company's announcement dated 9 March 2011, a committee of the Board consisting of all the existing directors of the Company (other than Mr. Miao and Professor Chen Guohua who was appointed on 1 March 2012) 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.

In view of Mr. Chung's conflict of interest and 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.

On 1 July 2011, the Company received a Notice of Court Action issued by the Shenzhen Intermediate Court of the PRC (the "SZ Court") and a civil complaint against Thunder Sky Energy Technology Limited ("Thunder Sky (HK)"), an indirect wholly-owned subsidiary of the Company, filed by the companies owned and/or controlled by Mr. Chung (the "SZ Plaintiffs"). Certain questionable documents were filed with the SZ Court by the SZ Plaintiffs and it is alleged that Thunder Sky (HK) is in breach of certain terms in these questionable documents, purportedly related to certain unpaid sales price for Electric Battery Products and certain unpaid fees for facilities upgrade. The amount claimed is RMB185,713,651.20 and there is no application for any injunction or specific performance. Based on the facts as detailed in the Company's announcement dated 8 July 2011, the Board has strong reasons to believe that these questionable documents are fraudulently altered and completely fabricated. For the protection of the Group's interests, the Company has reported this case to the relevant law enforcement agency.

Save as disclosed above, as at 31 March 2012, 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 "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.

CONTINUING CONNECTED TRANSACTIONS

Master Supply Agreement

On 18 January 2010, Thunder Sky (HK) entered into a supply contract (the "Master Supply Agreement") with 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 "Chung's Companies"). Pursuant to the Master Supply Agreement, the Chung's 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 Chung's 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 Chung's 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 Chung's Companies had acted in breach of the Master Supply Agreement and hence no Transactions were carried out for the period between 1 April 2011 and 31 March 2012. Information on such breaches is set out in Note 39 to the financial statements.

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 40 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 28 to the financial statements.

Details of the movements in the convertible bonds of the Company during the year are set out in Notes 30 and 32 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 37 to the financial statements.

RETIREMENT BENEFIT SCHEMES

Information on the Group's retirement benefit schemes is set out in Note 12 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 2012.

Neither the Company nor any of its subsidiaries purchased or sold any of the Company's listed securities during the year ended 31 March 2012.

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 41 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, 29 June 2012

* *for identification only*

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

Throughout the year ended 31 March 2012, the Company applied the principles of and complied with all the code provisions of, the Code on Corporate Governance Practices (the "Code") (currently merged and renamed as Corporate Governance Code and Corporate Governance Report which came into effect on 1 April 2012 (the "new 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 provisions A.2.1 to A.2.3

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

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

Code provision E.1.2

Code provision E.1.2 of the Code stipulates that the chairman of the board should attend the annual general meeting. The Company did not comply with such code provision as it has no Chairman. Mr. Miao Zhenguo, the Deputy Chairman, chaired the Company's annual general meeting held on 22 August 2011 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 for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules. The Securities Code is on terms no less exacting than the required standard set out in the Model Code. All directors of the Company have confirmed, following specific enquiry by the Company, their compliance with the required standard set out in the Model Code and the Securities Code throughout the year ended 31 March 2012.

BOARD OF DIRECTORS

Composition

The Board currently comprises the following eight 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 *(Vice President)*

Non-executive director:
Professor Chen Guohua

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 13 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, financial or legal matters.

The Board has delegated the day-to-day operations of the Group to the management. Commencing from 1 April 2012, the management has been providing the Board with monthly reports, which contain, inter alia, business information, financial summary including cash and bank balances and key events of the Group (if any).

For sake of compliance with the new Code, the Board has assigned corporate governance functions to the Audit Committee and the Executive Committee. Their respective duties are set out in the sections headed "Audit Committee" and "Executive Committee" below.

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.

Non-executive Director and Independent Non-executive Directors

Professor Chen Guohua was appointed as a non-executive director of the Company with effect from 1 March 2012 for a fixed period of two years.

In addition, 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.

All the non-executive director and independent non-executive directors are 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 2012, 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.

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. MVP RV, Inc. has commenced liquidation since December 2011.

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 2012. 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	14/14
Mr. Lo Wing Yat	13 [a]/14
Mr. Xu Donghui	14/14
Mr. Jaime Che	14/14
Non-executive directors:	
Mr. Chung Winston (removed on 14 April 2011)	0/0
Professor Chen Guohua (appointed on 1 March 2012)	0/0
Independent non-executive directors:	
Mr. Chan Yuk Tong	14 [b]/14
Mr. Fei Tai Hung	13 [c]/14
Mr. Tse Kam Fow	14 [d]/14

Notes:

a. Including six meetings participated in by Mr. Lo Wing Yat through having other directors acted as his representatives.

b. Including two meetings participated in by Mr. Chan Yuk Tong through having other directors acted as his representatives.

c. Including three meetings participated in by Mr. Fei Tai Hung through having other director acted as his representative.

d. Including one meeting participated in by Mr. Tse Kam Fow through having other director acted as his representative.

Training

The Company recognises the importance of continuous professional development of directors so as to ensure their contribution to the Board remains informed and relevant. As part of the training programme put in place by the Company, the Company engaged its external legal counsel to provide a comprehensive seminar to the Board on 13 April 2012. Topics covered during the seminar include, but without limitation to, directors' duties and responsibilities, discloseable and connected transactions, disclosure obligations of listed issuers, notification of interests in shares of listed corporation, the Code and the new Code. All directors of the Company attended the seminar in person except Mr. Tse Kam Fow and he was provided with all the seminar materials.

Insurance

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

BOARD COMMITTEES

The Board has established five committees, namely the Remuneration Committee, the Nomination 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 new 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 directors' and senior management remuneration; (ii) to make recommendations to the Board on the remuneration packages of individual executive directors and senior management; (iii) to make recommendations to the Board on the remuneration of non-executive directors; (iv) to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives; 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 Stock Exchange's website and the Company's website at www.sinopolybattery.com.

The Remuneration Committee held two meetings during the year ended 31 March 2012. 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	2/2

During the meetings, the Remuneration Committee considered and recommended to the Board (i) the grant of share options to directors; and (ii) the aggregate amount of directors' fees for approval by the shareholders of the Company at 2011 annual general meeting.

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 2012, no director was involved in deciding his own remuneration.

Nomination Committee

The Nomination Committee of the Company was established on 1 April 2012. The terms of reference of the Nomination Committee are in compliance with the code provisions set out in the new Code. The Nomination Committee currently comprises three independent non-executive directors, namely Mr. Chan Yuk Tong (Chairman of the Nomination Committee), Mr. Fei Tai Hung and Mr. Tse Kam Fow and another two executive directors, namely Mr. Miao Zhenguo and Mr. Jaime Che.

The principal duties of the Nomination Committee include (i) to review the structure, size and composition of the Board and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy; (ii) to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships; (iii) to assess the independence of independent non-executive directors; and (iv) to make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors, in particular the chairman and the chief executive. The full version of the terms of reference of the Nomination Committee is available on the Stock Exchange's website and the Company's website at www.sinopolybattery.com.

Before the formation of the Nomination Committee, the roles and functions of the nomination committee are performed by the Board. During the year ended 31 March 2012, the Board (i) considered the re-election of directors who were subject to retirement by rotation at the 2011 annual general meeting of the Company at a regular board meeting held in June 2011; and (ii) considered and approved the appointment of Professor Chen Guohua as a non-executive director of the Company at a board meeting held in February 2012.

With respect to the board composition, the Nomination Committee (or the Board before the Nomination Committee is established) will ensure that the Board (i) comprises members with mixed skills, knowledge and experience with appropriate weights necessary to accomplish the Group's business development, strategies, operation and opportunities and (ii) has a strong independent element which can exercise independent judgement effectively.

The Nomination Committee (or the Board before the Nomination Committee is established) carries out the process of selecting and recommending candidates for directorship including the consideration of referral, promotion and engagement of recruitment firms, whenever necessary; and considers the suitability of a candidate to act as a director on the basis of his qualifications, experience and background.

Audit Committee

The terms of reference of the Audit Committee are in compliance with the code provisions set out in the new 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; (iii) to oversee the Group's financial reporting system and internal control procedures; and (iv) to review arrangements employees of the Company can use, in confidence, to raise concerns about improprieties in financial reporting, internal control or other matters. Besides, the Audit Committee is delegated by the Board with certain corporate governance duties, namely: (a) to develop and review the Company's policies and practices on corporate governance; and (b) to review the Company's compliance with the new Code and disclosure of this report. The full version of the terms of reference of the Audit Committee is available on the Stock Exchange's website and the Company's website at www.sinopolybattery.com.

The Audit Committee held two meetings during the year ended 31 March 2012. 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

During the year ended 31 March 2012, 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 2011 and six months ended 30 September 2011 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 2012.

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. The Executive Committee is delegated by the Board with certain corporate governance duties, namely: (i) to review and monitor the training and continuous professional development of directors and senior management; (ii) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; and (iii) to review and monitor the code of conduct applicable to employees and directors of the Company.

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 completed in May 2010, inter alia, the legal proceedings against Mr. Chung Winston. 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 2012, the Auditor received approximately HK$1,440,000 for audit service and approximately HK$120,000 for non-audit service in relation to interim review.

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 39 of this annual report.

At 31 March 2012, the Group and the Company had net current liabilities of approximately HK$470,059,000 and HK$18,935,000 respectively, including obligations under 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 enquiries, 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. No material deficiencies have been identified during the review. 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.

SHAREHOLDERS' RIGHTS

The Company values the views of its shareholders and recognises their interests in the Group's strategy and performance. The Company has formulated the shareholders' communication policy which will be reviewed by the Board from time to time to ensure its effectiveness.

Shareholders' Meetings

The annual general meeting and other general meetings of the Company are the primary forum for communication by the Company with the shareholders and for shareholders' participation. All shareholders are encouraged to attend the general meetings or to appoint proxies to attend and vote at meetings on their behalf if they are unable to attend the meetings.

During the year ended 31 March 2012, apart from the annual general meeting held on 22 August 2011 (the "AGM"), the Company has also held two special general meetings, namely (i) for the removal of Mr. Chung Winston as a director of the Company and the approval of new company name and adoption of Chinese name as secondary name of the Company on 14 April 2011; and (ii) for the adoption of the new Bye-laws of the Company on 20 March 2012 (collectively, the "SGMs"). The individual attendance records of the directors at the AGM and SGMs are as follows:

Name of directors	Number of AGM attended/held	Number of SGMs attended/held
Executive directors:		
Mr. Miao Zhenguo	1/1	2/2
Mr. Lo Wing Yat	0/1	0/2
Mr. Xu Donghui	0/1	1/2
Mr. Jaime Che	1/1	2/2
Non-executive directors:		
Mr. Chung Winston (removed on 14 April 2011)	0/0	0/1
Professor Chen Guohua (appointed on 1 March 2012)	0/0	0/1
Independent non-executive directors:		
Mr. Chan Yuk Tong	1/1	2/2
Mr. Fei Tai Hung	0/1	0/2
Mr. Tse Kam Fow	0/1	2/2

The Auditor has also attended the AGM to answer questions about the conduct of the audit, the preparation and content of the Independent Auditor's Report, the accounting policies and auditor independence.

Requisition for Special General Meeting

Shareholder(s) holding at the date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary of the Company, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If the Board fails to proceed to convene such meeting within twenty-one days after such deposit, the shareholder(s) may do so in accordance with the provisions of Section 74(3) of the Companies Act 1981 of Bermuda.

Procedures for Putting Forward Proposals at Shareholders' Meetings

According to Sections 79 and 80 of the Companies Act 1981 of Bermuda, shareholder(s) of the Company, at his/their own expense, holding (i) not less than one-twentieth of the total voting rights of all shareholders having at the date of requisition the right to vote at general meeting; or (ii) of not less than 100 in number, can submit a written request stating the resolution intended to be moved at the next annual general meeting. The requisition signed by the relevant shareholder(s) must be deposited at the head office of the Company at Rooms 901-905, 9th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong for the attention to the Company Secretary not less than six weeks before the meeting. The request will be verified with the branch share registrar of the Company and upon their confirmation that the request is proper and in order, the Company Secretary will ask the Board to include the resolution in the notice for such general meeting.

As mentioned in the above section headed "Requisition for Special General Meeting", shareholder(s) can make a requisition to convene a special general meeting and move forward a resolution thereat. The requisition signed by the relevant shareholder(s) must be deposited at the head office of the Company in Hong Kong for the attention to the Company Secretary. Only when the request has been verified with the branch share registrar to be proper and in order, the Company Secretary will ask the Board to include the resolution in the notice for such general meeting.

The procedures as to how shareholder(s) can propose a person for election as a director are detailed in the "Rights and Procedure for Shareholders to Propose a Person for Election as a Director" which is available on the Company's website at www.sinopolybattery.com.

Enquiries

All enquiries to the Board are welcome and can be brought through our investor relations' hotline at (852) 3101 6106, fax at (852) 3104 2801, email at ir@sinopolybattery.com or directly in person through participation in general meetings.

ADOPTION OF NEW CONSTITUTIONAL DOCUMENT

In order to bring the Bye-laws of the Company in line with the latest amendments to the Listing Rules which came into effect on 1 January 2012 and certain changes to the Companies Act 1981 of Bermuda, as well as to modernise and update the Bye-laws whose last amendments were made in 2006, the Board resolved to put forward a special resolution to adopt the new Bye-laws in substitution of the existing Bye-laws of the Company. Details of the amendments to the Bye-laws are set out in the Company's circular dated 24 February 2012. The new Bye-laws were duly adopted with effect upon the passing of the relevant resolution at the special general meeting of the Company held on 20 March 2012 and are currently available on the Stock Exchange's website and the Company's website at www.sinopolybattery.com.

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

TO THE SHAREHOLDERS OF SINOPOLY 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 40 to 134 which comprise the consolidated and Company statements of financial position as at 31 March 2012, 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.

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.

OPINION

In our opinion, 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 2012 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.

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

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

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

(i) Hong Kong Legal Proceedings

As disclosed in Note 39 to the consolidated financial statements, legal proceedings were instituted in the High Court of Hong Kong (the "Hong Kong Legal Proceedings") against Mr. Winston Chung (formerly known as Chung Hing Ka) (鍾馨稼) ("Mr. Chung") and his associates under the control of Mr. Chung (including but not limited to Mei Li New Energy Limited ("Mei Li"), and 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 "Chung's Companies")), (collectively the "Defendants") 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 Union Grace Holdings Limited and its wholly-owned subsidiary, Thunder Sky Energy Technology Limited ("Thunder Sky HK") (collectively the "Union Grace Group") on 25 May 2010 (the "Acquisition") and Mr. Chung's breach of fiduciary duties as a director of the Company for the period from 25 May 2010 to 14 April 2011. Details of the Acquisition are disclosed in Note 19 to the consolidated financial statements. Pursuant to the Acquisition Agreements, the Company issued convertible bonds with an aggregate principal amount of approximately HK$960,751,000 (excluding cancelled and derecognised convertible bonds with an aggregate principal amount of HK$75,000,000 utilised to offset the shortfall in the guaranteed 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 has filed a statement of claims in the Hong Kong Legal Proceedings against the Defendants for, amongst other things, damages and injunctions. The Group claimed the Defendants for damages which amount will exceed the Group's obligations under the redeemed convertible bonds of approximately HK$760,752,000 owing to Mei Li (the "Redemption Amount") as referred to in Notes 30 and 32 to the consolidated financial statements. Mei Li has counterclaimed, amongst other things, for the payment of the Redemption Amount. The Group has also sought to set off the Redemption Amount by the claims for damages to be awarded and receivable from the Defendants in the Hong Kong Legal Proceedings (the "Set-Off Defence"). Based on the advices from the legal counsels, the directors of the Company considered that the underlying substance and merits of the Set-Off Defence are sound and meritorious. In the Hong Kong Legal Proceedings, the Chung's Companies also counterclaimed against Thunder Sky HK, amongst other things, for damages in parallel with the Shenzhen Legal Proceedings, as set out in (ii) below, against which based on the advices of the PRC lawyers, the directors of the Company considered that Thunder Sky HK has strong and valid grounds to defend. The directors of the Company expect that the trial of the Hong Kong Legal Proceedings will be highly unlikely to commence by the end of 2013. In view of the uncertain outcome of the litigations which are at the early stage, the Group has not recognised the claim for damages to be awarded and recoverable from the Defendants in the Hong Kong Legal Proceedings.

As disclosed in Note 39 to the consolidated financial statements, on 20 June 2012, Mei Li subsequently filed a writ against the Company for the settlement of the Redemption Amount (the "New Action"). Based on the advices from the legal counsels, the directors of the Company considered that there are valid grounds for the Company to strike off Mei Li's claims in the New Action on the basis that it is an abuse of the legal process by bringing identical claims in separate legal proceedings and therefore, there should not be any material impact on the legal position of the Company and the Group.

(ii) Shenzhen Legal Proceedings

As set out in Note 39 to the consolidated financial statements, during the year ended 31 March 2012, the Chung's Companies instituted a legal action against Thunder Sky HK in the Shenzhen Intermediate Court of the PRC (the "Shenzhen Court") under which the Chung's Companies claimed against Thunder Sky HK for approximately RMB185,713,000 (the "Shenzhen Legal Proceedings") for breaches of certain purported agreements (the "Questionable Documents"). As set out in the Company's announcement dated 8 July 2011, the directors of the Company have strong reasons to believe that the Questionable Documents are fraudulently altered and/or completely fabricated and as such, the Shenzhen Legal Proceedings is groundless. The Company has reported the case to the relevant law enforcement agency. Based on the advices of the PRC lawyers, the Company considered that Thunder Sky HK has strong and valid grounds to defend in the Shenzhen Legal Proceedings and will apply to the Shenzhen Court to set it aside accordingly. The directors of the Company considered that the exposure in the Shenzhen Legal Proceedings is remote and no provision for loss is required in the consolidated financial statements for the year ended 31 March 2012.

(b) Going concern basis

At 31 March 2012, the Group and the Company had net current liabilities of approximately HK$470,059,000 and HK$18,935,000 respectively, including obligations under redeemed convertible bonds of approximately HK$760,752,000 as set out in the consolidated and Company statements of financial position. 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 and the Company, after having taken into account of, including but not limited to, the followings:

– In respect of the obligations under the redeemed convertible bonds of approximately HK$760,752,000 owing to Mei Li as set out in Notes 30 and 32 to the consolidated financial statements, based on the advices of the legal counsels of the Company to the Hong Kong Legal Proceedings as detailed in (a)(i) above, the directors of the Company considered that (i) the Company has valid grounds and merits to believe that the Set-Off Defence in the Hong Kong Legal Proceedings will be available, based on which, the Company should be able to apply a full offset of its obligations under the redeemed convertible bonds by the claims for damages to be awarded and receivable from Mr. Chung and his associates which are under the control of Mr. Chung (including but not limited to Mei Li); and (ii) the Company has valid grounds to strike off Mei Li's claim for settlement in the New Action; and (iii) by reasons of (i) and (ii), the Company will be entitled to a stay of execution of payment for the obligations under the redeemed convertible bonds before the conclusion of the Hong Kong Legal Proceedings for which the trial will be highly unlikely to commence by the end of 2013 ;

– Subsequent to the end of the reporting period, the Group obtained a bank loan of RMB55,000,000 (equivalent to approximately HK$67,529,000), details of which are set out in Note 41(b) to the consolidated financial statements, and the Group is also currently in discussions with other financial institutions for new loan facilities; and

– Mr. Miao Zhenguo ("Mr. Miao"), the Deputy Chairman, Chief Executive Officer and executive director of the Company, and Union Ever Holdings Limited, a substantial shareholder of the Company and beneficially owned by Mr. Miao, have jointly provided an irrevocably letter of undertaking pursuant to which they 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 next twelve months from the date of approval of the consolidated financial statements.

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

The aforementioned conditions indicate the existence of a material uncertainty which may cast significant doubt on the ability of the Group and the Company 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 financial commitments of the Group and the Company in the foreseeable future.

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, 29 June 2012

Leung Chun Wa
Practising Certificate Number P04963

Consolidated Income Statement

For the year ended 31 March 2012

	Note	2012 HK$'000	2011 HK$'000
Continuing operations			
Revenue	*7*	**59,436**	75,766
Cost of sales		**(54,642)**	(41,222)
Gross profit		**4,794**	34,544
Other income	*9*	**3,443**	570
Selling and distribution costs		**(14,293)**	(5,843)
General and administrative expenses		**(94,300)**	(54,108)
Other operating expenses	*11(b)*	**(16,708)**	–
Finance costs	*10*	**(15,152)**	(81,437)
Gain on redemption of convertible bonds		**–**	4,044
Gain on disposal of a subsidiary	*36(a)*	**–**	11,330
Impairment on goodwill	*20*	**–**	(904,240)
Amortisation of intangible assets	*21*	**(140,084)**	(310,183)
Impairment on intangible assets	*21*	**(273,625)**	(2,050,690)
Impairment on other receivables	*26(c)*	**–**	(28,785)
Loss before tax	*11*	**(545,925)**	(3,384,798)
Income tax	*13*	**103,427**	581,523
Loss for the year from continuing operations		**(442,498)**	(2,803,275)
Discontinued operation	*18*		
Profit/(loss) for the year from discontinued operation		**164**	(2,454)
Loss for the year		**(442,334)**	(2,805,729)
Attributable to:			
Owners of the Company	*14*	**(442,334)**	(2,805,729)
		HK cents	HK cents
Loss per share attributable to owners of the Company	*16*		
From continuing and discontinued operations			
– Basic and diluted		**(4.12)**	(64.13)
From continuing operations			
– Basic and diluted		**(4.12)**	(64.07)

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2012

	2012 HK$'000	2011 HK$'000
Loss for the year	**(442,334)**	(2,805,729)
Other comprehensive income for the year, net of tax		
Exchange differences on translation of foreign subsidiaries	**11,565**	7,240
Total comprehensive loss for the year	**(430,769)**	(2,798,489)
Attributable to:		
Owners of the Company	**(430,769)**	(2,798,489)

Consolidated Statement of Financial Position

As at 31 March 2012

	Note	2012 HK$'000	2011 HK$'000
Non-current assets			
Intangible assets	*21*	**865,418**	1,279,127
Fixed assets	*22*	**335,419**	131,634
Deposits paid for fixed assets	*23*	**187,498**	22,006
		1,388,335	1,432,767
Current assets			
Inventories	*25*	**57,893**	7,732
Trade and other receivables	*26*	**110,947**	18,884
Cash and bank balances	*27*	**216,873**	388,568
		385,713	415,184
Assets classified as held for sale	*18*	**–**	13,518
		385,713	428,702
Current liabilities			
Bank loan	*28*	**–**	(35,562)
Trade and other payables	*29*	**(86,325)**	(36,516)
Tax payable		**(8,695)**	(8,695)
Obligations under redeemed convertible bonds	*30*	**(760,752)**	(760,752)
		(855,772)	(841,525)
Liabilities classified as held for sale	*18*	**–**	(5,064)
		(855,772)	(846,589)
Net current liabilities		**(470,059)**	(417,887)
Total assets less current liabilities		**918,276**	1,014,880
Non-current liabilities			
Other non-current liability	*31*	**(51,511)**	–
Convertible bonds	*32*	**(121,162)**	(198,409)
Deferred tax liabilities	*33*	**(216,355)**	(319,782)
		(389,028)	(518,191)
NET ASSETS		**529,248**	496,689

Consolidated Statement of Financial Position

As at 31 March 2012

	Note	2012 HK$'000	2011 HK$'000
CAPITAL AND RESERVES			
Equity attributable to owners of the Company			
Issued capital	*34*	**109,917**	92,847
Reserves	*35*	**419,331**	403,842
TOTAL EQUITY		**529,248**	496,689

Miao Zhenguo
Director

Jaime Che
Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2012

	Attributable to owners of the Company								
	Issued capital HK$'000	Share premium HK$'000	Exchange reserve HK$'000	Contributed surplus HK$'000	Capital redemption reserve HK$'000	Equity component of convertible bonds HK$'000	Share option reserve HK$'000	Accumulated losses HK$'000	Total equity HK$'000
At 1 April 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	7,835	1,183,112	–	–	–	–	–	–	1,190,947
Shares issued pursuant to subscription	4,000	288,000	–	–	–	–	–	–	292,000
Transaction costs attributable to issue of new shares	–	(967)	–	–	–	–	–	–	(967)
Share options lapsed	–	–	–	–	–	–	(447)	–	(447)
Shares issued upon exercise of share options	1,650	34,695	–	–	–	–	(12,280)	–	24,065
Equity-settled share-based payments	–	–	–	–	–	–	742	–	742
Issue of convertible bonds	–	–	–	–	–	1,467,065	–	–	1,467,065
Shares issued upon conversion of convertible bonds	57,141	1,121,467	–	–	–	(672,445)	–	–	506,163
Redemption of convertible bonds	–	–	–	–	–	(423,928)	–	–	(423,928)
Convertible bonds derecognised for contingent consideration	–	–	–	–	–	(88,256)	–	–	(88,256)
At 31 March 2011 and 1 April 2011	92,847	3,089,854	7,240	15,506	1,868	282,436	3,345	(2,996,407)	496,689
Total comprehensive loss for the year	–	–	11,565	–	–	–	–	(442,334)	(430,769)
Shares issued pursuant to share placement *(Note 34(a)*	7,000	357,000	–	–	–	–	–	–	364,000
Transaction costs attributable to issue of new shares	–	(5,125)	–	–	–	–	–	–	(5,125)
Shares issued upon exercise of share options *(Note 34(b))*	70	622	–	–	–	–	(269)	–	423
Equity-settled share-based payments	–	–	–	–	–	–	13,677	–	13,677
Shares issued upon conversion of convertible bonds *(Note 34(e))*	10,000	208,815	–	–	–	(128,462)	–	–	90,353
At 31 March 2012	**109,917**	**3,651,166**	**18,805**	**15,506**	**1,868**	**153,974**	**16,753**	**(3,438,741)**	**529,248**

Consolidated Statement of Cash Flows

For the year ended 31 March 2012

	Note	2012 HK$'000	2011 HK$'000
Operating activities			
Loss before tax (including profit/(loss) from discontinued operation)		**(545,761)**	(3,387,252)
Adjustments for:			
Interest income	*11*	**(3,298)**	(1,971)
Finance costs	*10*	**15,152**	81,437
Loss on disposal of fixed assets	*11*	**237**	–
Depreciation and amortisation of fixed assets	*11*	**17,764**	3,730
Equity-settled share-based payments		**13,677**	295
Acquisition-related costs	*19(c)*	**–**	9,007
Impairment on other receivables	*26(c)*	**–**	28,785
Impairment on goodwill	*20*	**–**	904,240
Amortisation of intangible assets	*21*	**140,084**	310,183
Impairment on intangible assets	*21*	**273,625**	2,050,690
Gain on redemption of convertible bonds	*32*	**–**	(4,044)
Gain on disposal of a subsidiary	*11*	**(286)**	(11,330)
		(88,806)	(16,230)
Changes in working capital			
Increase in inventories		**(50,161)**	(7,732)
Increase in trade and other receivables		**(88,258)**	(47,228)
Increase in trade and other payables		**45,899**	39,452
Net cash used in operations		**(181,326)**	(31,738)
Interest received		**3,311**	1,958
Finance costs paid		**(2,046)**	(484)
Net cash used in operating activities		**(180,061)**	(30,264)
Investing activities			
Payments for acquisition of fixed assets		**(213,945)**	(131,974)
Payment for acquisition of subsidiaries	*19*	**–**	(99,995)
Proceeds from disposal of a subsidiary, net of cash and cash equivalents disposed of	*36*	**655**	29,804
Payment for acquisition-related costs	*19(c)*	**–**	(9,007)
Increase in deposits paid for fixed assets		**(165,492)**	(22,006)
Government grants received	*31*	**51,511**	–
Net cash used in investing activities		**(327,271)**	(233,178)

Consolidated Statement of Cash Flows

For the year ended 31 March 2012

	Note	2012 HK$'000	2011 HK$'000
Financing activities			
Net proceeds from issue of new shares		**358,875**	291,033
Proceeds from shares issued upon exercise of share options		**423**	24,065
Proceeds of bank loan		**–**	35,562
Repayment of bank loan		**(35,562)**	–
Net cash generated from financing activities		**323,736**	350,660
Net (decrease)/increase in cash and cash equivalents		**(183,596)**	87,218
Effect on exchange rate changes		**3,723**	5,167
Cash and cash equivalents at beginning of the year		**396,746**	304,361
Cash and cash equivalents at end of the year		**216,873**	396,746
Analysis of cash and cash equivalents:			
Cash and bank balances	*27*	**216,873**	388,568
Cash and bank balances reclassified under assets held for sale	*18(c)*	**–**	8,178
		216,873	396,746

Statement of Financial Position

As at 31 March 2012

	Note	2012 HK$'000	2011 HK$'000
Non-current assets			
Interests in subsidiaries	24	**640,706**	965,087
Current assets			
Amounts due from subsidiaries	24	**653,731**	301,617
Trade and other receivables	26	**1,291**	943
Cash and bank balances	27	**122,308**	185,848
		777,330	488,408
Current liabilities			
Trade and other payables	29	**(5,746)**	(5,039)
Amount due to a subsidiary	24(c)	**(29,767)**	(29,772)
Obligations under redeemed convertible bonds	30	**(760,752)**	(760,752)
		(796,265)	(795,563)
Net current liabilities		**(18,935)**	(307,155)
Total assets less current liabilities		**621,771**	657,932
Non-current liabilities			
Convertible bonds	32	**(121,162)**	(198,409)
NET ASSETS		**500,609**	459,523
CAPITAL AND RESERVES			
Issued capital	34	**109,917**	92,847
Reserves	35	**390,692**	366,676
TOTAL EQUITY		**500,609**	459,523

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 the research and development, production, sale and distribution of Lithium-ion batteries and related products, and treasury investment. During the year, the Group has completed the disposal of the discontinued operation of securities brokerage services, details of which are set out in Note 18 to these consolidated financial statements.

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 (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:

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

Except as described below, the adoption of the above new and revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting years.

HKAS 24 Related Party Disclosures (Revised)

HKAS 24 (Revised) has changed the definition of a related party and introduces a partial exemption from the disclosure requirements for government-related entities. As a result, the Group has re-assessed the identification of related parties and concluded that the revised definition does not have any material impact on the Group's related party disclosure in the current and previous years.

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

Improvements to HKFRSs issued in 2010

Improvements to HKFRSs issued in 2010 omnibus standard introduces a number of amendments to the disclosure requirements in HKFRS 7 Financial instruments: Disclosures. The disclosures about the Group's and the Company's financial instruments in Note 6 to the financial statements have conformed to the amended disclosure requirements. These amendments do not have any material impact on the classification, recognition and measurements of the amounts recognised in the financial statements in the current and previous years.

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

HKAS 1 (Amendment)	Presentation of Items of Other Comprehensive Income[3]
HKAS 12 (Amendment)	Deferred Tax – Recovery of Underlying Assets[2]
HKAS 19 (2011)	Employee Benefits[4]
HKAS 27 (2011)	Separate Financial Statements[4]
HKAS 32 (Amendment)	Offsetting Financial Assets and Financial Liabilities[5]
HKFRS 1 (Amendment)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[1]
HKFRS 1 (Amendment)	Government Loans[4]
HKFRS 7 (Amendment)	Disclosures – Transfers of Financial Assets[1]
HKFRS 7 (Amendment)	Disclosures – Offsetting Financial Assets and Financial Liabilities[4]
HKFRS 9 and HKFRS 7 (Amendment)	Mandatory Effective Date of HKFRS 9 and Transition Disclosures [6]
HKFRS 9	Financial Instruments[6]
HKFRS 10	Consolidated Financial Statements[4]
HKFRS 12	Disclosure of Interests in Other Entities[4]
HKFRS 13	Fair Value Measurement[4]

1 Effective for annual periods beginning on or after 1 July 2011
2 Effective for annual periods beginning on or after 1 January 2012
3 Effective for annual periods beginning on or after 1 July 2012
4 Effective for annual periods beginning on or after 1 January 2013
5 Effective for annual periods beginning on or after 1 January 2014
6 Effective for annual periods beginning on or after 1 January 2015

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. The Group considers that 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 2012 comprise the Company and its subsidiaries.

Each entity in the Group is measured using its functional currency, that is 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.

3. BASIS OF PREPARATION *(Continued)*

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 2012, the Group and the Company had consolidated net current liabilities of approximately HK$470,059,000 and HK$18,935,000 respectively, which included obligations under 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 and the Company'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 the aforesaid conditions, 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 the redeemed convertible bonds of approximately HK$760,752,000 (the "Redemption Amount") owing to Mei Li New Energy Limited ("Mei Li") as set out in Notes 30 and 32 to the consolidated financial statements, based on the advices from the legal counsels of the Company, the Board considers that (i) the Company has valid grounds and merits to believe that the Set-Off (as defined in Note 30) will be available, based on which, the Company should be able to apply a full offset of its obligations under the redeemed convertible bonds by the claims for damages to be awarded and receivable from Mr. Winston Chung (formerly known as Chung Hing Ka) (鍾馨稼) ("Mr. Chung") and his associates which are under the control of Mr. Chung (including but not limited to Mei Li); (ii) the Company has valid grounds to strike off Mei Li's claim for settlement in the New Action (as defined in Note 39), and (iii) by reasons of (i) and (ii), the Company will be entitled to a stay of execution of payment for obligations under the redeemed convertible bonds before the conclusion of the legal proceedings for which the trial will be highly unlikely to commence by the end of 2013;

b. Subsequent to the end of the reporting period, the Group obtained a bank loan of RMB55,000,000 (equivalent to approximately HK$67,529,000), details of which are set out in Note 41(b) and the Group is also currently in discussions with other financial institutions for new loan facilities; and

c. Mr. Miao Zhenguo ("Mr. Miao"), the Deputy Chairman, Chief Executive Officer and executive director of the Company, and Union Ever Holdings Limited, a substantial shareholder of the Company and beneficially wholly-owned by Mr. Miao, have jointly provided an irrevocably letter of undertaking pursuant to which they 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 next twelve months from the date of approval of the consolidated financial statements.

3. BASIS OF PREPARATION *(Continued)*

In light of the measures and arrangements implemented to date, the Board is of the view that the Group and the Company have sufficient cash resources to satisfy their working capital and other financial obligations for the next twelve months from the date of approval of these financial statements after having taken into account of Group's 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 30) and the repayment of the Redemption Amount (if applicable)). Accordingly, the Board is of the view that it is appropriate to prepare these consolidated financial statements on a going concern basis.

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.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(b) Business combinations

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 the 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.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(b) Business combinations *(Continued)*

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 at the acquisition date.

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.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(b) Business combinations *(Continued)*

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.

(c) Fixed assets and depreciation

Fixed assets, other than construction in progress, 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 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:

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(c) Fixed assets and depreciation *(Continued)*

- 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 basis over their estimated useful lives as follows:

Leasehold land under finance leases and buildings	over the remaining lease terms
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.

Construction in progress represents buildings and plant and equipment in the course of construction for production or for the Group's own use purposes. Construction in progress is stated at cost less any identified impairment loss. Cost comprises construction expenditure and other direct costs attributable to such projects, if the time involved to complete the construction should last over a financial reporting period. Construction in progress is classified to the appropriate category of fixed assets when completed and ready for its intended use.

No depreciation is provided in respect of construction in progress until it is substantially complete and ready for its intended use.

(d) 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)*

(d) 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.

(e) 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.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(f) Leased assets

Operating lease charges

Where the Group has the use of assets held 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 charged as an expense in 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.

(g) Impairment of assets

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

Investments in equity securities and trade and other receivables that are carried at cost or amortised cost 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.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(g) Impairment of assets *(Continued)*

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

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

— For investments in subsidiaries, the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with Note 4(g)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with Note 4(g)(ii).

— 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.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(g) 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, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased.

— intangible assets;

— fixed assets;

— deposits paid for fixed assets; 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).

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(g) Impairment of assets *(Continued)*

(ii) Impairment of other assets (Continued)

— 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.

(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 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.

(h) 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.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(h) Inventories *(Continued)*

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.

(i) 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.

(j) 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.

(k) 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.

(l) 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 and returns.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(l) Revenue recognition *(Continued)*

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

(m) 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 classif ied 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.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(m) Non-current assets held for sale and discontinued operations *(Continued)*

(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 a 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.

(n) 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 in other comprehensive income and directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

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.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(n) Income tax (Continued)

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.

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;

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(n) Income tax (Continued)

— 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.

(o) 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(o)(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(o)(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.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(p) 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.

(q) 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 resulting 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.

(r) 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.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(s) 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.

(t) 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.

(u) 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 relates to that foreign operation is included in the calculation of the profit or loss on disposal.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(v) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

(w) 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)*

(x) 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 Board, the 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.

(y) 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.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(y) Convertible bonds *(Continued)*

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.

(z) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

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.

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

(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, the amortisation rate for future periods will be adjusted accordingly.

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

(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$273,625,000 (2011: HK$ 2,050,690,000) was recognised in the consolidated income statement for the year ended 31 March 2012.

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

(g) 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.

(h) 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.

(i) Fair value of derivative financial instruments

The fair values of outstanding derivative transactions are based on independent valuations and are compared to 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	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade and other receivables (excluding deposits and prepayments)	**87,376**	7,231	**26**	41
Amounts due from subsidiaries	**–**	–	**653,731**	301,617
Cash and bank balances	**216,873**	388,568	**122,308**	185,848
Loans and receivables (including cash and cash equivalents)	**304,249**	395,799	**776,065**	487,506

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

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Bank loan	**–**	35,562	**–**	–
Trade and other payables	**86,325**	36,516	**5,746**	5,039
Amount due to a subsidiary	**–**	–	**29,767**	29,772
Obligations under redeemed convertible bonds	**760,752**	760,752	**760,752**	760,752
Other non-current liability	**51,511**	–	**–**	–
Convertible bonds	**121,162**	198,409	**121,162**	198,409
Financial liabilities at amortised cost	**1,019,750**	1,031,239	**917,427**	993,972

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 high credit ratings 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 may be granted to 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 a concentration of credit risk of 100% (2011: 97%) of the total trade receivables due from the Group's five largest customers as at 31 March 2012.

(ii) Liquidity risk

At 31 March 2012, the Group and the Company have net current liabilities of approximately HK$470,059,000 (2011: HK$417,887,000) and HK$18,935,000 (2011: 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.

6. FINANCIAL INSTRUMENTS *(Continued)*

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

(ii) Liquidity risk (Continued)

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

	2012				
	Within one year or on demand HK$'000	**More than 1 year but less than 2 years HK$'000**	**Over 5 years HK$'000**	**Total un–discounted cash flows HK$'000**	**Total carrying amount HK$'000**
Trade and other payables	**86,325**	**–**	**–**	**86,325**	**86,325**
Obligations under redeemed convertible bonds	**760,752**	**–**	**–**	**760,752**	**760,752**
Other non-current liability	**–**	**51,511**	**–**	**51,511**	**51,511**
Convertible bonds	**–**	**–**	**239,719**	**239,719**	**121,162**
	847,077	**51,511**	**239,719**	**1,138,307**	**1,019,750**

	2011				
	Within one year or on demand HK$'000	More than 1 year but less than 2 years HK$'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
Obligations under 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

6. FINANCIAL INSTRUMENTS *(Continued)*

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

(ii) Liquidity risk (Continued)

Company

	2012			
	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	**5,746**	**–**	**5,746**	**5,746**
Amount due to a subsidiary	**29,767**	**–**	**29,767**	**29,767**
Obligations under redeemed convertible bonds	**760,752**	**–**	**760,752**	**760,752**
Convertible bonds	**–**	**239,719**	**239,719**	**121,162**
	796,265	**239,719**	**1,035,984**	**917,427**

	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
Obligations under 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

6. FINANCIAL INSTRUMENTS *(Continued)*

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

(iii) Interest rate risk

The Group and the Company are exposed to cash flow interest rate risk in relation to variable-rate bank balances and fair value interest rate risk in relation to fixed-rate bank loan, bank deposits and amounts due from subsidiaries.

Group

	2012		2011	
	Effective interest rate	**HK$'000**	Effective interest rate	HK$'000
Variable rate bank balances	**0.01% to 0.50%**	**86,266**	0.01% to 0.40%	151,334
Fixed rate bank balances	**0.06% to 0.70%**	**122,636**	0.10% to 2.16%	229,220
Fixed rate bank loan	**–**	**–**	7.55%	35,562

Company

	2012		2011	
	Effective interest rate	**HK$'000**	Effective interest rate	HK$'000
Variable rate bank balances	**0.01% to 0.36%**	**282**	0.01% to 0.36%	60,240
Fixed rate bank balances	**0.06% to 0.70%**	**119,936**	0.10% to 0.76%	121,818
Fixed rate amounts due from subsidiaries	**2% to 4%**	**362,991**	–	–

6. FINANCIAL INSTRUMENTS *(Continued)*

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

(iii) Interest rate risk (Continued)

Sensitivity analysis

The fixed rate bank loan, bank balances and amounts due from subsidiaries of the Group and the Company 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 2012, 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$863,000 (2011: HK$1,513,000) and HK$3,000 (2011: HK$602,000) 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 2011.

(iv) Currency risk

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

6. FINANCIAL INSTRUMENTS *(Continued)*

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

(iv) Currency risk (Continued)

Group

	2012		2011	
	Assets HK$'000	**Liabilities HK$'000**	Assets HK$'000	Liabilities HK$'000
Cash and bank balances	**6,209**	**–**	1,807	–
Other payables	**–**	**(749)**	–	–
US dollars	**6,209**	**(749)**	1,807	–

Company

	2012		2011	
	Assets HK$'000	**Liabilities HK$'000**	Assets HK$'000	Liabilities HK$'000
Cash and bank balances	**2,465**	**–**	504	–
US dollars	**2,465**	**–**	504	–

The Hong Kong dollars are pegged against US dollars. The financial impact on exchange difference between Hong Kong dollars and US dollars will be immaterial. Therefore, no sensitivity analysis has been prepared.

(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.

6. FINANCIAL INSTRUMENTS *(Continued)*

(c) Estimation of fair values *(Continued)*

(ii) Convertible bonds

An external independent professional valuer, with appropriate recognised professional qualifications, is engaged to value 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 contract are adopted. The basis for determining the fair value is disclosed in Note 32.

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

7. REVENUE

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

	2012 HK$'000	2011 HK$'000
Sales of Lithium-ion batteries and related products	**57,166**	74,356
Bank interest income from treasury investment in cash markets	**2,270**	1,410
Revenue from continuing operations	**59,436**	75,766
Securities brokerage service income from discontinued operation	**32**	610
Total	**59,468**	76,376

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 research and development, manufacture and sales of Lithium-ion batteries and related products;

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

(c) the securities brokerage segment provides securities brokerage services which was classified as a discontinued operation of the Group and was disposed of during the year *(Note 18)*.

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

(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. The revenue from external parties reported to the Board is measured in a manner consistent with that in the income statement;

(iii) All assets are allocated to reportable segments other than unallocated and head office corporate assets; and

(iv) All liabilities are allocated to reportable segments other than unallocated and head office corporate liabilities.

8. SEGMENT REPORTING *(Continued)*

The Group's reportable segments for the years ended 31 March 2012 and 2011 are as follows:

	2012				
	Continuing operations			Discontinued operation	
	Battery products HK$'000	Treasury investment HK$'000	Sub-total HK$'000	Securities brokerage HK$'000	Consolidated HK$'000
Reportable segment revenue from external customers	57,166	2,270	59,436	32	59,468
Reportable segment profit/(loss) before tax	(494,909)	2,270	(492,639)	164	(492,475)
Other segment information:					
Interest income	1,028	2,270	3,298	–	3,298
Depreciation and amortisation of fixed assets	15,714	–	15,714	–	15,714
Finance costs	15,152	–	15,152	–	15,152
Amortisation of intangible assets	140,084	–	140,084	–	140,084
Impairment on intangible assets	273,625	–	273,625	–	273,625
Additions to non-current assets	379,311	–	379,311	–	379,311
Reportable segment assets	1,637,915	120,218	1,758,133	–	1,758,133
Reportable segment liabilities	(1,237,789)	–	(1,237,789)	–	(1,237,789)

8. SEGMENT REPORTING *(Continued)*

	2011				
	Continuing operations			Discontinued operation	
	Battery products HK$'000	Treasury investment HK$'000	Sub-total HK$'000	Securities brokerage HK$'000	Consolidated HK$'000
Reportable segment revenue from external customers	74,356	1,410	75,766	610	76,376
Reportable segment profit/(loss) before tax	(3,362,049)	1,410	(3,360,639)	(2,454)	(3,363,093)
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 other receivables	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	1,832,079	13,518	1,845,597
Reportable segment liabilities	(1,353,329)	–	(1,353,329)	(5,064)	(1,358,393)

8. SEGMENT REPORTING *(Continued)*

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

	2012 HK$'000	2011 HK$'000
Revenue		
Total reportable segments' revenue and consolidated revenue	**59,468**	76,376
Loss		
Reportable segment loss derived from the Group's external customers	**(492,475)**	(3,363,093)
Depreciation	**(2,050)**	(1,614)
Equity-settled share-based payments	**(13,677)**	(295)
Gain on disposal of a subsidiary	**–**	11,330
Other unallocated corporate expenses	**(37,559)**	(33,580)
Consolidated loss before tax	**(545,761)**	(3,387,252)
Assets		
Total reportable segments' assets	**1,758,133**	1,845,597
Unallocated corporate assets	**15,915**	15,872
Consolidated total assets	**1,774,048**	1,861,469
Liabilities		
Total reportable segments' liabilities	**(1,237,789)**	(1,358,393)
Unallocated corporate liabilities	**(7,011)**	(6,387)
Consolidated total liabilities	**(1,244,800)**	(1,364,780)

8. SEGMENT REPORTING *(Continued)*

Geographical information

(a) Revenue from external customers

	2012 HK$'000	2011 HK$'000
The People's Republic of China (the "PRC")	**41,403**	18,520
The United States of America	**977**	31,577
European countries	**10,327**	19,679
Australia	**3,413**	1,151
Hong Kong	**2,366**	2,366
Others	**982**	3,083
	59,468	76,376

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

(b) Non-current assets

	2012 HK$'000	2011 HK$'000
The PRC	**1,384,445**	1,426,721
Hong Kong	**3,890**	6,046
	1,388,335	1,432,767

The Group's non-current assets information is based on the location of assets.

8. SEGMENT REPORTING *(Continued)*

Information about major customers

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

	2012 **HK$'000**	2011 HK$'000
Customer A – revenue from sales of battery products (the PRC)	**36,541**	–
Customer B – revenue from sales of battery products (European countries)	**6,662**	–
Customer C – revenue from sales of battery products (The United States of America)	**–**	24,960
Customer D – revenue from sales of battery products (the PRC)	**–**	7,659
	43,203	32,619

9. OTHER INCOME

	2012 **HK$'000**	2011 HK$'000
Interest income	**1,028**	548
Grants *(Note)*	**983**	–
Others	**1,432**	22
	3,443	570

Note: The grants were entitled to the Group from the PRC government authority for its research and development of Lithium-ion batteries and related products in the PRC.

10. FINANCE COSTS

	2012 **HK$'000**	2011 HK$'000
Imputed interest on convertible bonds *(Note 32)*	**13,106**	80,953
Interest on bank loan wholly repayable within five years	**2,046**	484
Total interest expenses on financial liabilities not at fair value through profit or loss	**15,152**	81,437

11. LOSS BEFORE TAX

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

	2012 HK$'000	2011 HK$'000
Continuing operations		
Interest income	**(3,298)**	(1,958)
Auditor's remuneration	**1,440**	1,570
Cost of inventories sold *(Note (a))*	**54,642**	41,222
Amortisation of intangible assets	**140,084**	310,183
Impairment on intangible assets	**273,625**	2,050,690
Impairment on goodwill	**–**	904,240
Depreciation and amortisation of fixed assets	**17,764**	3,581
Impairment on other receivables	**–**	28,785
Exchange loss, net	**1,566**	5,625
Loss on disposal of fixed assets	**237**	–
Operating lease charges in respect of rented premises	**5,957**	3,912
Research and development expenses	**2,434**	–
Staff costs (including directors' emoluments)		
– salaries and allowances	**42,875**	12,965
– equity-settled share-based payments	**13,677**	217
– contributions to retirement benefits schemes	**3,463**	486
Discontinued operation		
Interest income	**–**	(13)
Gain on disposal of a subsidiary	**(286)**	–
Auditor's remuneration	**–**	130
Depreciation and amortisation of fixed assets	**–**	149
Operating lease charges in respect of rented premises	**44**	803
Staff costs (including directors' emoluments)		
– salaries and allowances	**35**	896
– contributions to retirement benefits schemes	**2**	46

Notes:

(a) Cost of inventories sold includes HK$24,320,000 (2011: HK$1,493,000) 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.

(b) The other operating expenses of HK$16,708,000 (2011: nil) represent production and output costs incurred in trial run stage of the Group's battery production base in Jilin, the PRC during the year.

12. 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 at a rate ranging from 11% to 22% of the eligible employees' salaries 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 2012 amounted to HK$3,465,000 (2011: HK$532,000).

13. INCOME TAX

	2012 **HK$'000**	2011 HK$'000
Current tax – the PRC		
Provision for the year	–	8,695
Deferred tax *(Note 33)*	**(103,427)**	(590,218)
Total credit for the year (attributable to continuing operations)	**(103,427)**	(581,523)

No provision for Hong Kong profits tax has been made as the Group sustained losses for taxation purposes in Hong Kong for the years ended 31 March 2012 and 2011. No provision for the PRC income tax has been made as the Group substained losses for taxation porpose in the PRC for the year ended 31 March 2012. The provision for the PRC income tax was calculated on the assessable profit at 25% for the year ended 31 March 2011. The reversal of deferred tax of HK$103,427,000 (2011: HK$590,218,000) that has been credited to the consolidated income statement arose as a result of the tax effect from amortisation and impairment of intangible assets during the reporting period.

13. INCOME TAX *(Continued)*

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

	2012 **HK$'000**	2011 HK$'000
Profit/(loss) before tax		
Continuing operations	**(545,925)**	(3,384,798)
Discontinued operation	**164**	(2,454)
	(545,761)	(3,387,252)
Notional tax on loss before tax, calculated at the rates applicable to the tax jurisdiction concerned	**(124,673)**	(757,941)
Tax effect of non-deductible expenses	**112,848**	761,835
Tax effect of non-taxable income	**(2,579)**	(2,782)
Tax effect of unrecognised temporary differences	**418**	(256)
Tax effect arising from reversal of temporary differences	**(103,427)**	(590,218)
Tax losses not recognised	**13,986**	7,839
Tax credit for the year	**(103,427)**	(581,523)

14. LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated loss attributable to owners of the Company for the year includes a loss of approximately HK$422,242,000 (2011: HK$2,835,147,000) which has been dealt with in the financial statements of the Company.

15. DIVIDEND

No dividend was paid or declared by the Company during the year (2011: nil).

16. LOSS PER SHARE

(a) Basic loss per share

From continuing and discontinued operations

The basic loss per share is calculated based on (i) the consolidated loss for the year attributable to owners of the Company of HK$442,334,000 (2011: HK$2,805,729,000) and (ii) the weighted average number of 10,733,728,000 (2011: 4,375,120,000) ordinary shares in issue during the year.

	2012 Weighted average number of ordinary shares '000	2011 Weighted average number of ordinary shares '000
Issued ordinary shares at the beginning of the reporting period	**9,284,782**	2,222,125
Effect on issue of shares pursuant to share placement *(Note 34(a))*	**451,366**	–
Effect on issue of shares upon exercise of share options *(Note 34(b))*	**5,777**	100,548
Effect on issue of shares pursuant to acquisition transaction *(Note 34(c))*	**–**	667,599
Effect on issue of shares pursuant to subscription *(Note 34(d))*	**–**	334,247
Effect on issue of shares upon conversion of convertible bonds *(Note 34(e))*	**991,803**	1,050,601
Weighted average number of ordinary shares at the end of the reporting period	**10,733,728**	4,375,120

16. LOSS PER SHARE *(Continued)*

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

From continuing operations

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

	2012 **HK$'000**	2011 HK$'000
Loss for the year attributable to owners of the Company		
Loss for the year	**442,334**	2,805,729
Profit/(loss) for the year from discontinued operation *(Note 18(a))*	**164**	(2,454)
Loss for the year from continuing operations	**442,498**	2,803,275

From discontinued operation

Basic profit per share from discontinued operation for the year ended 31 March 2012 was HK cents nil (2011: basic loss per share of HK cents 0.06) which was calculated based on the profit for the year attributable to owners of the Company from discontinued operation of HK$164,000 (2011: loss of HK$2,454,000).

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

(b) Diluted loss per share

The calculation of diluted loss per share does not assume the exercise of the Company's outstanding share options or conversion of outstanding convertible bonds which had anti-dilutive effect and would result in a reduction in loss per share for the years ended 31 March 2012 and 2011. Therefore, the diluted loss per share is the same as the basic loss per share for both years.

17. 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 2012 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$'000	Retirement benefit schemes contributions HK$'000	2012 Total HK$'000
Executive Directors					
Mr. Miao Zhenguo	–	1,389	506	12	1,907
Mr. Lo Wing Yat	320	–	1,017	–	1,337
Mr. Jaime Che	–	1,094	1,010	12	2,116
Mr. Xu Donghui	–	1,088	1,010	12	2,110
Non-executive Directors					
Professor Chen Guohua *(Note (a))*	27	–	–	–	27
Mr. Chung Winston *(Note (b))*	12	–	–	–	12
Independent non-executive Directors					
Mr. Chan Yuk Tong	320	–	506	–	826
Mr. Fei Tai Hung	320	–	506	–	826
Mr. Tse Kam Fow	320	–	506	–	826
	1,319	3,571	5,061	36	9,987

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

(a) Directors' emoluments *(Continued)*

The emoluments of 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$'000	Retirement benefit schemes contributions HK$'000	2011 Total HK$'000
Executive Directors					
Mr. Miao Zhenguo	–	1,144	–	11	1,155
Mr. Chung Winston *(Note (b))*	–	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 (b))*	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

Notes:

(a) Professor Chen Guohua has been appointed as a non-executive director of the Company with effect from 1 March 2012.

(b) Mr. Chung Winston (formerly known as Chung Hing Ka) ("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 and 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. Mr. Chung was 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.

17. 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:

	2012 **HK$'000**	2011 HK$'000
Fees		
Executive Directors	**320**	235
Non-executive Directors	**39**	97
Independent non-executive Directors	**960**	705
	1,319	1,037
Other emoluments for Directors		
Basic salaries, allowances and benefits in kind	**3,571**	3,161
Equity-settled share-based payments	**5,061**	344
Retirement benefits schemes contributions	**36**	32
	8,668	3,537
	9,987	4,574

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 37.

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 2012 and 2011.

No Directors waived or agreed to waive any remuneration during the years ended 31 March 2012 and 2011.

(b) Five highest paid individuals

The five highest paid individuals of the Group include four (2011: two) Directors, details of whose emoluments are set out in Note 17(a) to the financial statements. Details of the emoluments of the remaining one (2011: three) individuals for the year are as follows:

	2012 **HK$'000**	2011 HK$'000
Basic salaries, allowances and benefits in kind	**1,225**	2,024
Equity-settled share-based payments	**606**	80
Retirement benefits schemes contributions	**–**	33
	1,831	2,137

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

(b) Five highest paid individuals *(Continued)*

The emoluments of the one (2011: three) individual with the highest emoluments fell within the following bands are follow:

	Number of Employees	
Emoluments bands	**2012**	2011
HK$nil – HK$1,000,000	**–**	3
HK$1,500,001 – HK$2,000,000	**1**	–

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

On 19 April 2011, the Group has completed the disposal of its entire interest in a subsidiary, Infast Brokerage Limited ("Infast") for a net consideration of HK$8,767,000. A gain on disposal of the subsidiary of approximately HK$286,000 has been recognised during the year. The securities brokerage business segment which was solely carried out by Infast was classified as discontinued operation during the year.

The assets and liabilities attributable to Infast have been classified as a disposal group held for sale and were presented separately in the consolidated statement of financial position as at 31 March 2011 .

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

	2012 **HK$'000**	2011 HK$'000
Revenue	**32**	610
Interest income	**–**	13
General and administrative expenses	**(154)**	(3,077)
Gain on disposal of a subsidiary *(Note 36)*	**286**	–
Income tax on gain on disposal of a subsidiary	**–**	–
Profit/(loss) before and after tax from discontinued operation attributable to owners of the Company	**164**	(2,454)

18. DISCONTINUED OPERATION AND ASSETS/LIABILITIES CLASSIFIED AS HELD FOR SALE *(Continued)*

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

	2012 **HK$'000**	2011 HK$'000
Net cash outflow from operating activities	**(66)**	(2,812)
Net cash inflow/(outflow) from investing activities	**655**	(1)
Net cash inflow from financing activities	**–**	3,000
Total cash and cash equivalents inflows	**589**	187

(c) The major classes of assets and liabilities of Infast classified as held for sale as at 31 March 2011 were 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.

19. BUSINESS COMBINATION – 2011

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 "Chung's Companies") and Thunder Sky (HK), the Chung's 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 Chung's 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.

19. BUSINESS COMBINATION – 2011 *(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 21)*	3,640,000
Trade and other receivables, net of impairments *(Note (b))*	–
Cash and bank balances	5
Other payables	(2)
Deferred tax liabilities	(910,000)
	2,730,003
Goodwill, after adjustment for contingent consideration *(Notes (e) and 20)*	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 was 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)

19. BUSINESS COMBINATION – 2011 *(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 Chung's 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 Chung's Companies.

(c) The acquisition-related costs of HK$9,007,000 were included in general and administrative expenses in the consolidated income statement for the year ended 31 March 2011.

(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 the consolidated financial statements for the year ended 31 March 2011, the Group had not finalised the audited financial information of the Actual Profit of the Union Grace Group, the consideration of the Acquisition and the related goodwill were recognised on provisional amounts only during the year ended 31 March 2011.

On 24 August 2011, the Lock-up Convertible Bonds in an aggregate principal amount of HK$150,000,000 have been cancelled. Such cancellation was due to the Autal Profit being less than the Guaranteed Profit by HK$150,000,000 based on the audited financial statements of the Union Grace Group issued on 22 August 2011. Accordingly, the consideration of the Acquisition and the goodwill recognised during the year ended 31 March 2011 were finalised amounts.

(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 21) and tax credit on intangible assets of HK$590,218,000 (Note 13) respectively to the Group for the period between the date of Acquisition and the end of the last reporting period.

If the Acquisition had been completed on 1 April 2010, total revenue and loss of the Group for the year ended 31 March 2011 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.

20. GOODWILL

Group

	HK$'000
Cost	
At 1 April 2010	1,648
Acquisition of subsidiaries *(Note 19)*	904,240
Reclassified as assets held for sale	(1,648)
At 31 March 2011, 1 April 2011 and 31 March 2012	**904,240**
Impairment	
At 1 April 2010	1,648
Impairment loss for the year ended 31 March 2011	904,240
Reclassified as assets held for sale	(1,648)
At 31 March 2011, 1 April 2011 and 31 March 2012	**904,240**
Carrying amount	
At 31 March 2012	**–**
At 31 March 2011	–

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

	2012 **HK$'000**	2011 HK$'000
Battery products operation	**904,240**	904,240
Less: Provision for impairment losses	**(904,240)**	(904,240)
	–	–

The goodwill of HK$904,240,000, after adjusting for the Lock-up Convertible Bonds of HK$150,000,000, in relation to the Acquisition 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.

21. INTANGIBLE ASSETS

Group

	HK$'000
Cost	
Acquisition of subsidiaries *(Note 19)* and at 31 March 2011	3,640,000
At 31 March 2011, 1 April 2011 and 31 March 2012	**3,640,000**
Accumulated amortisation and impairment losses	
Charge for the year ended 31 March 2011	310,183
Impairment for the year ended 31 March 2011 *(Note (b))*	2,050,690
At 31 March 2011 and 1 April 2011	2,360,873
Charge for the year ended 31 March 2012	140,084
Impairment for the year ended 31 March 2012 *(Note (c))*	273,625
At 31 March 2012	**2,774,582**
Carrying amount	
At 31 March 2012	**865,418**
At 31 March 2011	1,279,127

Notes:

(a) Intangible assets represent the exclusive using rights to the Licensed Patents granted to the Group through the acquisition of Union Grace Group.

(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 was of the opinion, based on the valuation performed by Jones Lang that, an impairment loss of HK$2,050,690,000 should be recognised in the Group's consolidated income statement for the last financial year. The valuation performed by Jones Lang was based on value-in-use calculations using cash flow projections which were 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 was 20.9%, which was based on the expected weighted average cost of the capital determined by the required return on equity, derived by the Capital Assets Pricing Model (the "CAPM") with reference to the average rates for comparable companies from similar industry and the business risk of the relevant business unit, cost of debt and risk premium for intangible assets. Growth rates ranging from 40% to 293% were used in the cash flow projections for the first year to the seventh year and 0% onwards. The Board was of the opinion that the decrease of recoverable amount of the intangible assets and the impairment loss of HK$2,050,690,000 was mainly attributable to, including but not limited to, the following reasons:

21. INTANGIBLE ASSETS *(Continued)*

(b) *(Continued)*

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

– failed and refused, despite repeated requests and demands, to provide any sales records or accounts to the Group for 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 to supply by the Chung's Companies of an estimated annual production of 100 million AH Electric Battery Products was an indicator that the recoverable amount of intangible assets had 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 had competed with the battery business of the Group and diverted battery business from the Group. Under such circumstances, the exclusivity on the rights to use the certain Licensed Patents was 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 (Note 39).

(c) As at 31 March 2012, the recoverable amount of the intangible assets of HK$865,418,000 was assessed by the Board by reference to the professional valuation performed by Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("Jones Lang LaSalle"), an independent firm of professionally qualified valuers, using multi-period excess earnings method under the income approach. The Board is of the opinion that, based on the valuation performed by Jones Lang LaSalle, an impairment loss of HK$273,625,000 should be recognised in the Group's consolidated income statement for the year ended 31 March 2012. The valuation performed by Jones Lang LaSalle 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 eight years from 1 April 2012 to 31 March 2020. The discount rate applied to the cash flow projections is 20.01%, which is based on the expected weighted average cost of capital determined by the required return on equity, derived by the CAPM with reference to the average rates for comparable companies from similar industry and the business risk of the relevant business unit, cost of debt and risk premium for intangible assets. Growth rates ranging from 40% to 243% are used in the cash flow projections for the first year to the eighth years. The Board is of the opinion that the decrease in the recoverable amount of the intangible assets and the impairment loss of HK$273,625,000 is mainly attributable to the longer than expected time involved in the pre-production stage to fine-tune and test machinery and train up workers on the expanded production line in the Group's factory in Jilin and changes in the business plans to cope with the future developments in the electric battery industry which caused a delay in deriving expected economic benefits by the Group.

22. FIXED ASSETS

Group

	Interest in leasehold land held for own use under operating lease HK$'000	Leasehold land under finance leases and buildings HK$'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$'000	Sub-total HK$'000	Construction in progress HK$'000	Total HK$'000
Cost										
At 1 April 2010	–	–	–	1,317	–	1,919	1,373	4,609	–	4,609
Additions	14,759	–	51,860	2,769	54,383	2,841	5,362	131,974	–	131,974
Exchange adjustments	249	–	876	–	919	16	52	2,112	–	2,112
Reclassified as assets held for sale	–	–	–	(559)	–	(897)	–	(1,456)	–	(1,456)
At 31 March 2011 and 1 April 2011	15,008	–	52,736	3,527	55,302	3,879	6,787	137,239	–	137,239
Additions	12,801	41,371	24,512	–	83,156	5,457	2,063	169,360	44,585	213,945
Exchange adjustments	786	571	2,483	–	3,397	120	155	7,512	615	8,127
Disposals	–	–	–	(759)	–	(1)	–	(760)	–	(760)
At 31 March 2012	**28,595**	**41,942**	**79,731**	**2,768**	**141,855**	**9,455**	**9,005**	**313,351**	**45,200**	**358,551**
Accumulated depreciation and amortisation and impairment losses										
At 1 April 2010	–	–	–	551	–	1,708	829	3,088	–	3,088
Charge for the year	84	–	453	787	1,194	271	941	3,730	–	3,730
Exchange adjustments	2	–	8	–	20	1	3	34	–	34
Reclassified as assets held for sale	–	–	–	(372)	–	(875)	–	(1,247)	–	(1,247)
At 31 March 2011 and 1 April 2011	86	–	461	966	1,214	1,105	1,773	5,605	–	5,605
Charge for the year	633	–	2,380	938	10,646	1,323	1,844	17,764	–	17,764
Exchange adjustments	13	–	52	–	196	3	22	286	–	286
Disposals	–	–	–	(523)	–	–	–	(523)	–	(523)
At 31 March 2012	**732**	**–**	**2,893**	**1,381**	**12,056**	**2,431**	**3,639**	**23,132**	**–**	**23,132**
Carrying amount										
At 31 March 2012	**27,863**	**41,942**	**76,838**	**1,387**	**129,799**	**7,024**	**5,366**	**290,219**	**45,200**	**335,419**
At 31 March 2011	14,922	–	52,275	2,561	54,088	2,774	5,014	131,634	–	131,634

Notes:

(a) All of the Group's land and buildings are held in the PRC under medium-term lease as at 31 March 2012 and 2011.

(b) The construction in progress as at 31 March 2012 primarily relates to the additional production premises and facilities of subsidiaries in the PRC.

23. DEPOSITS PAID FOR FIXED ASSETS

During the year, the Group acquired a land in the PRC from the local government at a consideration of HK$96,838,000 (equivalent to RMB78,500,000) and paid the full consideration. The land which was partly subsidised by the government grant (Note 31) is not transferrable in the next ten years after acquisition. The relevant titles on land was still not yet obtained by the Group as at the date of approval of these financial statements.

During the year ended 31 March 2011, the Group paid a deposit of HK$19,404,000 for the acquisition of land and building in the PRC at a consideration of HK$34,377,000. The acquisition was completed in May 2011 when all the relevant titles on land and buildings were transferred to the Group.

Save as disclosed above, the Group paid deposit of HK$90,660,000 (2011: HK$2,602,000) for the purchase of machineries and equipment during the year.

24. INTERESTS IN SUBSIDIARIES

Company

	2012 **HK$'000**	2011 HK$'000
Unlisted shares, at cost	**11**	11
Amounts due from subsidiaries *(Note (b))*	**4,465,373**	4,055,683
	4,465,384	4,055,694
Less: Allowance for impairment losses *(Note (a))*	**(3,170,947)**	(2,788,990)
	1,294,437	1,266,704
Less: Amounts due from subsidiaries under current assets *(Note (d))*	**(653,731)**	(301,617)
Interests in subsidiaries	**640,706**	965,087

24. INTERESTS IN SUBSIDIARIES *(Continued)*

Notes:

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

	2012 HK$'000	2011 HK$'000
Balance at beginning of the year	**2,788,990**	74,529
Add: Impairment losses during the year	**381,957**	2,718,009
Less: Released upon disposals	**–**	(3,548)
Balance at end of the year	**3,170,947**	2,788,990

Impairment losses were recognised during the years ended 31 March 2012 and 2011 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, except for amounts due from subsidiaries of HK$653,731,000 (2011: HK$301,617,000) which are repayable on demand, the remaining balances, which will not be demanded for repayment, are considered as quasi-equity investment in subsidiaries.

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

(d) The amounts due from subsidiaries under current assets are unsecured and repayable on demand or within one year. Except for the amounts due from subsidiaries of HK$362,991,000 (2011: nil) are charged with interest at the rate of 2% to 4%, the remaining balances are interest-free.

(e) Particulars of the principal subsidiaries as at 31 March 2012 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
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
Lucky Metro Trading Ltd.	British Virgin Islands	100 ordinary shares of US$1 each	–	100%	Investment holding
Qiyang Limited	British Virgin Islands	1 ordinary share of US$1	100%	–	Investment holding
Sinopoly Battery International Limited (formerly known as Thunder Sky Battery International Sales Limited)	Hong Kong	1 ordinary share of HK$1	–	100%	Distribution and sale of battery products
Sinopoly Battery Research Center Limited (formerly known as Common Well International Limited)	Hong Kong	1 ordinary share of HK$1	–	100%	Research and development

24. INTERESTS IN SUBSIDIARIES *(Continued)*

(e) Particulars of the principal subsidiaries as at 31 March 2012 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*	*Indirectly*	Principal activities
Thunder Sky Energy Technology Limited	Hong Kong	1,000,000 ordinary shares of HK$1 each	–	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. *(Note 1)*	PRC	Registered capital of HK$350,000,000*	–	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 *(Note 1)*	PRC	Registered capital of HK$177,000,000*	–	100%	Manufacture and sale of battery products
北京中聚力佳科技有限公司（formerly known as 北京中聚雷天新能源科技有限公司）*(Note 1)*	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 *(Note 1)*	PRC	Registered capital of HK$10,000,000*	–	100%	Sale of battery products
Tianjin Sinopoly New Energy Technology Co., Ltd. *(Note 1)*	PRC	Registered capital of HK$130,000,000*	–	100%	Manufacture and sale of battery products
上海中聚佳華電池科技有限公司 *(Note 2)*	PRC	Registered capital of RMB10,000,000*	–	100%	Research and development
天津中聚新能源設備有限公司 *(Note 2)*	PRC	Registered capital of RMB10,000,000*	–	100%	Manufacture and sale of battery-related products

Note 1: These subsidiaries established in the PRC are wholly foreign-owned enterprises.

Note 2: These subsidiaries established in the PRC are limited liability companies.

* The registered capital has been fully paid-up.

25. INVENTORIES

Group

	2012 HK$'000	2011 HK$'000
Raw materials	**16,929**	6,197
Work in progress	**9,581**	577
Finished goods	**31,383**	958
	57,893	7,732

26. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2012 HK$'000	2011 HK$'000	**2012 HK$'000**	2011 HK$'000
Trade receivables *(Notes (a) and (b))*	**44,882**	5,140	**–**	–
Other receivables *(Note (c))*	**28,785**	28,785	**–**	–
Less: Allowance for doubtful debts *(Note (c))*	**(28,785)**	(28,785)	**–**	–
	44,882	5,140	**–**	–
Deposits and prepayments	**23,571**	11,653	**1,265**	902
Other receivables	**42,494**	2,091	**26**	41
	110,947	18,884	**1,291**	943

Notes:

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

Group

	2012 HK$'000	2011 HK$'000
Within 1 month	**42,829**	5,009
Between 1 and 3 months	**1,844**	129
Over 3 months	**209**	2
	44,882	5,140

Trading terms with customers are either on a cash basis or on credit. For those customers who trade on credit, a credit period ranging from 30 days to 90 days is allowed. Credit limits are set for customers. The Group seeks to maintain tight control over its outstanding receivables in order to minimise credit risk. Overdue balances are regularly reviewed by senior management. The carrying amounts of the receivables approximate their fair values.

26. TRADE AND OTHER RECEIVABLES *(Continued)*

Notes: (Continued)

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

Group

	2012 HK$'000	2011 HK$'000
Neither past due nor impaired	**42,697**	5,138
Less than 1 month past due	**1,976**	–
More than 3 months past due	**209**	2
Past due but not impaired	**2,185**	2
	44,882	5,140

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 2012 and 2011, the Group does not hold any collateral 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, the other receivables of HK$28,785,000 was due from the Chung's Companies, in respect of the trade sales amount receipts due to the Group as reduced by the amount of purchases payable to the Chung's Companies. However, the Chung's Companies have failed and refused to remit such amount to the Group. As the recoverability of the balances of other receivables was in doubt, full provision had been made (Note 40(a)) during the year ended 31 March 2011 and the Group did not hold any collateral over this balance.

27. CASH AND BANK BALANCES

	Group		**Company**	
	2012 HK$'000	2011 HK$'000	**2012 HK$'000**	2011 HK$'000
Cash at bank and in hand	**94,237**	159,348	**2,372**	64,031
Short-term bank deposits	**122,636**	229,220	**119,936**	121,817
Cash and cash equivalents in the consolidated statement of cash flows	**216,873**	388,568	**122,308**	185,848

28. BANK LOAN

Group

	2012 HK$'000	2011 HK$'000
Bank loan repayable within one year	–	35,562

At 31 March 2011, the Group's bank loan bore fixed interest rate of 7.55% per annum and was guaranteed by an independent third party. The carrying amount of the Group's bank loan approximated its fair value.

The Group's bank loan was fully repaid during the year.

29. TRADE AND OTHER PAYABLES

	Group		Company	
	2012 HK$'000	2011 HK$'000	2012 HK$'000	2011 HK$'000
Trade payables *(Note)*	12,712	2,408	–	–
Other payables and accruals	73,613	34,108	5,746	5,039
	86,325	36,516	5,746	5,039

Note:

An ageing analysis of trade payables is as follows:

Group

	2012 HK$'000	2011 HK$'000
Within 1 month	4,520	2,408
Between 1 and 3 months	4,282	–
Over 3 months	3,910	–
	12,712	2,408

The carrying amounts of trade and other payables approximate their fair values.

30. OBLIGATIONS UNDER REDEEMED CONVERTIBLE BONDS

On 8 March 2011, the Company issued a redemption notice to Mei Li which was beneficially wholly-owned by Mr. Chung, a former director of the Company, for the redemption of the convertible bonds of approximately HK$760,752,000 held by Mei Li at the face value. In the legal proceedings against Mr. Chung and his associates (including but not limited to Mei Li) (the "Defendants") (Note 39), the amount of damages to be claimed (the "Claim Amount") by the Group against the Defendants is expected to exceed the Redemption Amount. The Group has also sought to set off the Redemption Amount by the claims for damages to be awarded and receivable from the Defendants in the legal proceedings (the "Set-Off"). The Group has consulted its legal counsels and have valid grounds to believe that the Set-Off will be available. The Group anticipates that the trial of the legal proceedings will be highly unlikely to commence by the end of 2013.

31. OTHER NON-CURRENT LIABILITY

During the year, the Group received a grant of HK$51,511,000 (equivalent to RMB41,757,000) from the PRC government authority for subsidising the Group's acquisition of a land for constructing Lithium-ion batteries production plant (Note 23). The grant is subject to certain conditions to be complied by the Group.

32. CONVERTIBLE BONDS

On 25 May 2010, the Company, inter alia, issued convertible bonds with an aggregate principal amount of approximately HK$2,343,296,000 (the "Convertible Bonds") and Locked-up Convertible Bonds as contingent consideration of HK$150 million, pursuant to the Acquisition.

The Locked-up Convertible Bonds in an aggregate principal amount of HK$150,000,000 were derecognised during the year ended 31 March 2011 and have been cancelled with effect from 24 August 2011 (Note 19(d)). The 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 conversion price has been adjusted from HK$0.20 per share to HK$0.19 per share with effect from 9 August 2011 following the Company's share placement (Note 34(a)). The Company may at any time up to (and excluding) the commencement of the seventh calendar day period ending on (and including) the maturity date, by written notice to the holder of the Convertible Bonds elect to redeem the whole or part of the then outstanding principal amount of the Convertible Bonds at an amount equal to 100% of the principal amount of the Convertible Bonds sought to be redeemed.

32. CONVERTIBLE BONDS *(Continued)*

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 periods at 31 March 2012 and 2011 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, the Convertible Bonds with an aggregate principal amount of HK$200,000,000 were converted into 1,000,000,000 ordinary shares of the company of HK$0.01 each at a conversion price of HK$0.20 each (Note 34(e)). During the year ended 31 March 2011, the Convertible Bonds with an aggregate principal amount of approximately HK$1,142,825,000 were converted into 5,714,125,105 ordinary shares of the Company of HK$0.01 each at a conversion price of HK$0.20 each.

The Convertible Bonds and Locked-up Convertible Bonds 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 ended 31 March 2011	964,487	1,378,809	2,343,296	61,744	88,256	150,000
Converted into shares during the year ended 31 March 2011	(506,163)	(672,445)	(1,178,608)	–	–	–
Derecognised upon redemption	(340,868)	(423,928)	(764,796)	–	–	–
Derecognised upon adjustment for contingent consideration	–	–	–	(61,744)	(88,256)	(150,000)
Imputed interest expense	80,953	–	80,953	–	–	–
At 31 March 2011 and 1 April 2011	198,409	282,436	480,845	–	–	–
Converted into shares during the year	(90,353)	(128,462)	(218,815)	–	–	–
Imputed interest expense *(Note 10)*	13,106	–	13,106	–	–	–
At 31 March 2012	**121,162**	**153,974**	**275,136**	**–**	**–**	**–**

32. 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 Mei Li at the face value of approximately HK$760,752,000 pursuant to the terms of the convertible bonds 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 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 for the year ended 31 March 2011. The Redemption Amount related to the equity component of HK$423,928,000 was recognised in equity during the year ended 31 March 2011.

33. DEFERRED TAX LIABILITIES

Group

	2012 Intangible assets HK$'000	2011 Intangible assets HK$'000
At beginning of the reporting period	**319,782**	–
Acquisition of subsidiaries	**–**	910,000
Credit to the consolidated income statement *(Note 13)*	**(103,427)**	(590,218)
At end of the reporting period	**216,355**	319,782

The reversal of deferred tax of HK$103,427,000 (2011: HK$590,218,000) that has been credited to the consolidated income statement arose as a result of the tax effect on the amortisation and impairment of intangible assets during the reporting period.

During the year ended 31 March 2011, 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.

At 31 March 2012, the Group has unprovided deferred tax assets of approximately HK$28,456,000 (2011: HK$22,496,000), 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$11,564,000 (2011: HK$2,196,000) that will expire in the coming three to five years.

34. SHARE CAPITAL

	2012		2011	
	No. of shares		No. of shares	
	'000	**HK$'000**	'000	HK$'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	**9,284,782**	**92,847**	2,222,125	22,221
Issue of new shares:				
– pursuant to share placement *(Note (a))*	**700,000**	**7,000**	–	–
– upon exercise of share options *(Note (b))*	**6,925**	**70**	165,015	1,650
– pursuant to acquisition transaction *(Note (c))*	**–**	**–**	783,517	7,835
– pursuant to subscription *(Note (d))*	**–**	**–**	400,000	4,000
– upon conversion of convertible bonds *(Note (e))*	**1,000,000**	**10,000**	5,714,125	57,141
At end of the reporting period				
Ordinary shares of HK$0.01 each	**10,991,707**	**109,917**	9,284,782	92,847

Notes:

(a) On 9 August 2011, the Company issued 700,000,000 ordinary shares of HK$0.01 each at the price of HK$0.52 per share pursuant to the placing agreement dated 29 July 2011.

(b) During the year, options to subscribe for 6,925,000 ordinary shares were exercised. The net consideration was HK$423,000 of which HK$70,000 was credited to share capital account and the balance of HK$353,000 was credited to the share premium account. Amount of HK$269,000 was transferred from share option reserve account to share premium account. Options to subscribe for 165,015,000 ordinary shares were exercised during the year ended 31 March 2011. The consideration received was HK$24,065,000 of which HK$1,650,000 was credited to share capital account and the balance of HK$22,415,000 was credited to the share premium account. The amount of HK$12,280,000 was transferred from share option reserve account to share premium account upon exercise of share options.

(c) On 25 May 2010, 783,517,010 new ordinary shares of the Company of HK$0.01 each were issued at an issue price of HK$0.20 per share in connection with the acquisition of Union Grace Group as part of the consideration.

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

(e) During the year, the convertible bonds with an aggregate principal amount of HK$200 million were converted into 1,000 million new ordinary shares of the Company of HK$0.01 each at a conversion price of HK$0.20 per share (Note 32). During the year ended 31 March 2011, convertible bonds with an aggregate principal amount of approximately HK$1,142,825,000 were converted into 5,714,125,105 new ordinary shares of the Company of HK$0.01 each at a conversion price of HK$0.20 per share.

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

35. 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 2010	463,547	15,506	1,868	–	15,330	(191,186)	305,065
Shares issued pursuant to acquisition transaction	1,183,112	–	–	–	–	–	1,183,112
Shares issued pursuant to subscription	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	34,695	–	–	–	(12,280)	–	22,415
Equity-settled share-based payments	–	–	–	–	742	–	742
Issue of convertible bonds	–	–	–	1,467,065	–	–	1,467,065
Shares issued upon conversion of convertible bonds	1,121,467	–	–	(672,445)	–	–	449,022
Redemption of convertible bonds	–	–	–	(423,928)	–	–	(423,928)
Derecognised convertible bonds for contingent consideration	–	–	–	(88,256)	–	–	(88,256)
Total comprehensive loss	–	–	–	–	–	(2,835,147)	(2,835,147)
At 31 March 2011 and 1 April 2011	3,089,854	15,506	1,868	282,436	3,345	(3,026,333)	366,676
Shares issued pursuant to share placement *(Note 34(a))*	357,000	–	–	–	–	–	357,000
Transaction costs attributable to issue of new shares	(5,125)	–	–	–	–	–	(5,125)
Shares issued upon exercise of share options *(Note 34(b))*	622	–	–	–	(269)	–	353
Equity-settled share-based payments	–	–	–	–	13,677	–	13,677
Shares issued upon conversion of convertible bonds *(Note 34(e))*	208,815	–	–	(128,462)	–	–	80,353
Total comprehensive loss	–	–	–	–	–	(422,242)	(422,242)
At 31 March 2012	**3,651,166**	**15,506**	**1,868**	**153,974**	**16,753**	**(3,448,575)**	**390,692**

35. 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(y).

(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 2012 and 2011. 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.

36. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

Disposal of a subsidiary

	2012 **HK$'000**	2011 HK$'000
Net assets disposed of:		
Fixed assets	**209**	–
Other operating assets	**205**	–
Available-for-sale financial asset	**–**	18,479
Trade and other receivable	**1,108**	–
Cash and bank balances	**8,112**	1
Trade and other payables	**(1,153)**	(5)
	8,481	18,475
Gain on disposal of a subsidiary *(Notes 18 and 36(a))*	**286**	11,330
	8,767	29,805
Satisfied by:		
Cash consideration received	**8,776**	30,000
Less: Legal costs	**(9)**	(195)
	8,767	29,805
Net cash inflow arising on disposal:		
Net cash consideration received	**8,767**	29,805
Cash and bank balances disposed of	**(8,112)**	(1)
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	**655**	29,804

Note:

(a) During the year ended 31 March 2011, 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, 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 was recognised during the year ended 31 March 2011.

37. 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.

37. SHARE OPTION SCHEME *(Continued)*

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 date of refreshment of share option mandates from time to time.

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 293,125,000, which represented approximately 2.67% 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.

37. SHARE OPTION SCHEME *(Continued)*

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.

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.

37. SHARE OPTION SCHEME *(Continued)*

Details of the options and movements in such holdings during the year ended 31 March 2012 are as follows:

Category of participants	Date of grant	Number of options: Outstanding as at 1.4.2011	Granted during the year *(Note 2)*	Exercised during the year	Lapsed during the year	Re-classified during the year	Outstanding as at 31.3.2012	Exercise period	Exercise price per option *HK$*	Weighted average closing price of the shares immediately before the dates on which the options were exercised *HK$*
Director & Substantial Shareholder										
Miao Zhenguo	21.4.2011	–	10,000,000	–	–	–	10,000,000	21.4.2012 – 20.4.2014 *(Note 3)*	0.810	–
Directors										
Xu Donghui	21.4.2011	–	20,000,000	–	–	–	20,000,000	21.4.2012 – 20.4.2014 *(Note 3)*	0.810	–
Jaime Che	21.4.2011	–	20,000,000	–	–	–	20,000,000	21.4.2012 – 20.4.2014 *(Note 3)*	0.810	–
Lo Wing Yat	23.8.2007	14,600,000	–	–	–	–	14,600,000	23.8.2008 – 22.8.2017 *(Note 4)*	0.230	–
	8.5.2009	16,200,000	–	–	–	–	16,200,000	8.5.2010 – 7.5.2019 *(Note 4)*	0.061	–
	21.4.2011	–	20,000,000	–	–	–	20,000,000	21.4.2012 – 20.4.2014 *(Note 3)*	0.810	–
Chan Yuk Tong	8.5.2009	900,000	–	–	–	–	900,000	8.11.2010 – 7.5.2019 *(Note 5)*	0.061	–
	21.4.2011	–	10,000,000	–	–	–	10,000,000	21.4.2012 – 20.4.2014 *(Note 3)*	0.810	–

37. SHARE OPTION SCHEME *(Continued)*

Category of participants	Date of grant	Number of options: Outstanding as at 1.4.2011	Granted during the year *(Note 2)*	Exercised during the year	Lapsed during the year	Re-classified during the year	Outstanding as at 31.3.2012	Exercise period	Exercise price per option HK$	Weighted average closing price of the shares immediately before the dates on which the options were exercised HK$
Fei Tai Hung	8.5.2009	900,000	–	–	–	–	900,000	8.11.2010 – 7.5.2019 *(Note 5)*	0.061	–
	21.4.2011	–	10,000,000	–	–	–	10,000,000	21.4.2012 – 20.4.2014 *(Note 3)*	0.810	–
Tse Kam Fow	8.5.2009	900,000	–	–	–	–	900,000	8.11.2010 – 7.5.2019 *(Note 5)*	0.061	–
	21.4.2011	–	10,000,000	–	–	–	10,000,000	21.4.2012 – 20.4.2014 *(Note 3)*	0.810	–
Employees	8.5.2009	2,490,000	–	(175,000)	(65,000) *(Note 7)*	–	2,250,000	8.5.2011 – 7.5.2019 *(Note 6)*	0.061	0.410
	21.4.2011	–	58,300,000	–	–	–	58,300,000	21.4.2012 – 20.4.2014 *(Note 3)*	0.810	–
	21.4.2011	–	12,460,000	–	(1,060,000) *(Note 7)*	5,000,000 *(Note 8)*	16,400,000	21.4.2013 – 20.4.2014 *(Note 6)*	0.810	–

37. SHARE OPTION SCHEME *(Continued)*

Category of participants	Date of grant	Number of options: Outstanding as at 1.4.2011	Granted during the year *(Note 2)*	Exercised during the year	Lapsed during the year	Re-classified during the year	Outstanding as at 31.3.2012	Exercise period	Exercise price per option *HK$*	Weighted average closing price of the shares immediately before the dates on which the options were exercised *HK$*
Others	23.8.2007	7,200,000	–	–	–	–	7,200,000	23.8.2008 – 22.8.2017 *(Note 4)*	0.230	–
	8.5.2009	6,750,000	–	(6,750,000)	–	–	–	8.5.2011 – 7.5.2019 *(Note 6)*	0.061	0.730
	21.4.2011	–	93,000,000	–	–	–	93,000,000	21.4.2012 – 20.4.2014 *(Note 3)*	0.810	–
	21.4.2011	–	5,000,000	–	–	(5,000,000) *(Note 8)*	–	21.4.2013 – 20.4.2014 *(Note 6)*	0.810	–
		49,940,000	**268,760,000**	**(6,925,000)**	**(1,125,000)**	**–**	**310,650,000**			
Weighted average exercise price *(HK$)*		0.135	0.810	0.061	0.767	0.810	0.718			
Exercisable as at 31.3.2012							21,800,000 21,150,000		0.230 0.061	

37. SHARE OPTION SCHEME *(Continued)*

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

		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 1.4.2010	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$*	*HK$*
Directors									
Yip Chi Chiu *(Note 11)*	23.8.2007	16,400,000	–	–	(16,400,000) *(Note 11)*	–	23.8.2008 – 22.8.2017 *(Note 4)*	0.230	–
	8.5.2009	18,000,000	–	–	(18,000,000) *(Note 11)*	–	8.5.2010 – 7.5.2019 *(Note 4)*	0.061	–
Lo Wing Yat	23.8.2007	14,600,000	–	–	–	14,600,000	23.8.2008 – 22.8.2017 *(Note 4)*	0.230	–
	8.5.2009	16,200,000	–	–	–	16,200,000	8.5.2010 – 7.5.2019 *(Note 4)*	0.061	–
So George Siu Ming *(Note 12)*	23.8.2007	14,600,000	(5,300,000)	–	(9,300,000) *(Note 12)*	–	23.8.2008 – 22.8.2017 *(Note 4)*	0.230	1.520
	8.5.2009	16,200,000	–	–	(16,200,000) *(Note 12)*	–	8.5.2010 – 7.5.2019 *(Note 4)*	0.061	–

37. 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$
Leung Chung Tak Barry *(Note 13)*	23.8.2007	14,600,000	(500,000)	–	(14,100,000) *(Note 13)*	–	23.8.2008 – 22.8.2017 *(Note 4)*	0.230	1.570
	8.5.2009	7,200,000	–	(3,600,000) *(Note 13)*	(3,600,000) *(Note 13)*	–	8.5.2010 – 7.5.2019 *(Note 4)*	0.061	–
Wong Kwok Kuen *(Note 14)*	23.8.2007	3,600,000	(3,600,000)	–	–	–	23.8.2008 – 22.8.2017 *(Note 4)*	0.230	1.570
	8.5.2009	1,800,000	(900,000)	(900,000) *(Note 14)*	–	–	8.5.2010 – 7.5.2019 *(Note 4)*	0.061	1.570
Chan Yuk Tong	23.8.2007	1,800,000	(1,800,000)	–	–	–	23.8.2008 – 22.8.2017 *(Note 4)*	0.230	1.990
	8.5.2009	1,800,000	(900,000)	–	–	900,000	8.5.2010 – 7.5.2019 *(Note 4)*	0.061	1.990
Fei Tai Hung	23.8.2007	1,800,000	(1,800,000)	–	–	–	23.8.2008 – 22.8.2017 *(Note 4)*	0.230	1.640
	8.5.2009	1,800,000	(900,000)	–	–	900,000	8.5.2010 – 7.5.2019 *(Note 4)*	0.061	1.640

37. 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$
Tse Kam Fow	23.8.2007	1,800,000	(1,800,000)	–	–	–	23.8.2008 – 22.8.2017 *(Note 4)*	0.230	1.553
	8.5.2009	1,800,000	(900,000)	–	–	900,000	8.5.2010 – 7.5.2019 *(Note 4)*	0.061	1.570
Employees	23.8.2007	7,100,000	(23,500,000)	–	16,400,000 *(Note 11)*	–	23.8.2008 – 22.8.2017 *(Note 4)*	0.230	1.668
	7.5.2008	36,600,000	(5,000,000)	–	(31,600,000) *(Note 15)*	–	7.11.2008 – 6.5.2018 *(Note 17)*	0.156	2.200
	7.5.2008	1,000,000	(1,000,000)	–	–	–	7.5.2009 – 6.5.2018 *(Note 4)*	0.156	2.318
	8.5.2009	42,620,000	(26,565,000)	(15,365,000) *(Note 15)*	1,800,000 *(Notes 11, 15 &16)*	2,490,000	8.5.2010 – 7.5.2019 *(Note 4)*	0.061	1.596

37. 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$*	Weighted average closing price of the shares immediately before the dates on which the options were exercised *HK$*
Others	23.8.2007	–	(14,100,000)	–	14,100,000 *(Note 13)*	–	23.8.2008 – 31.10.2010 *(Notes 4 & 13)*	0.230	1.309
	23.8.2007	7,200,000	(9,300,000)	–	9,300,000 *(Note 12)*	7,200,000	23.8.2008 – 22.8.2017 *(Note 4)*	0.230	1.204
	7.5.2008	–	(31,600,000)	–	31,600,000 *(Note 15)*	–	7.11.2008 – 31.10.2010 *(Notes 15 & 17)*	0.156	1.360
	8.5.2009	–	(14,400,000)	–	14,400,000 *(Notes 13 & 15)*	–	8.5.2010 – 31.10.2010 *(Notes 4, 13 & 15)*	0.061	1.306
	8.5.2009	12,600,000	(21,150,000)	(6,300,000) *(Note 16)*	21,600,000 *(Notes 12 & 16)*	6,750,000	8.5.2010 – 7.5.2019 *(Note 4)*	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	

37. SHARE OPTION SCHEME *(Continued)*

Notes:

1. Number of options refers to the number of underlying shares of the Company covered by the options under the Share Option Scheme.

2. Options to subscribe for 268,760,000 shares of the Company were granted on 21 April 2011. The Company received an aggregate consideration of HK$63 for the grant of these options. The closing price of the shares of the Company on the trading day immediately before the date on which these options were granted was HK$0.60.

3. Options granted were subject to a vesting period of one year and were exercisable 12 months after the relevant date of grant.

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

5. Options granted were subject to a vesting period of two years with half of the options becoming exercisable 18 months after the date of grant and the remainder becoming exercisable 24 months after the date of grant.

6. Options granted were subject to a vesting period of two years and were exercisable 24 months after the relevant date of grant.

7. A total of 1,125,000 unvested options lapsed during the year following the cessation of optionholders to be employees of the Company or eligible participants of the Share Option Scheme.

8. An optionholder was employed by the Company following the termination of a consultancy agreement entered into between Glory Era Limited, a wholly-owned subsidiary of the Company, and him on 2 August 2011. His outstanding options entitling him to subscribe for a total of 5,000,000 shares of the Company with an exercise price of HK$0.810 per share were therefore re-classified from the category of "Others" to the category of "Employees" during the year.

9. The weighted average fair values of the options granted during the year ended 31 March 2012 calculated using the Binomial Option-Pricing Model and the inputs into such model were as follows:

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

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

10. No options were cancelled during the year ended 31 March 2012.

11. 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 ended 31 March 2011.

12. 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. He was a consultant of the Group up to 30 June 2011. 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 ended 31 March 2011.

37. SHARE OPTION SCHEME *(Continued)*

Notes: (Continued)

13. 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 ended 31 March 2011 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 ended 31 March 2011.

14. 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 ended 31 March 2011 as determined by the board of directors of the Company.

15. A total of 15,365,000 unvested options lapsed during the year ended 31 March 2011 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 ended 31 March 2011.

16. As determined by the board of directors of the Company, a total of 6,300,000 unvested options lapsed during the year ended 31 March 2011 following the cessation of optionholder(s) to act as consultant(s) of the Group. Optionholder(s) resigned as employee(s) during the year ended 31 March 2011 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 ended 31 March 2011.

17. Options granted were subject to a vesting period and were exercisable 6 months after the date of grant.

18. The Group recognised total expenses of approximately HK$13,677,000 for the year ended 31 March 2012 (2011: approximately HK$295,000) in relation to the options granted by the Company. The options outstanding as at 31 March 2012 had a weighted average remaining contractual life of 2.6 years (2011: 7.4 years).

38. 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**	
	2012 HK$'000	2011 HK$'000	**2012 HK$'000**	2011 HK$'000
Within one year	**5,430**	5,699	**3,720**	3,720
In the second to fifth years	**4,311**	5,795	**848**	4,568
After fifth years	**6,785**	–	**–**	–
	16,526	11,494	**4,568**	8,288

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

38. COMMITMENTS *(Continued)*

(b) Capital commitments

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

Group

	2012 **HK$'000**	2011 HK$'000
Capital commitments in respect of fixed assets		
Contracted, but not provided for	**57,548**	19,002
Capital commitments in respect of capital expenditure of the Group's factories in the PRC		
Authorised, but not contracted for	**–**	223,886
	57,548	242,888

The Company did not have any material capital commitments at the end of the reporting period (2011: nil).

39. LITIGATIONS

Hong Kong Proceedings

The Company and two of its subsidiaries commenced legal proceedings on 12 March 2011 for the enforcement of the Group's rights and claims in the High Court of Hong Kong (the "HK Court") against Mr. Chung, the Chung's Companies, Mei Li (all are wholly-owned and/or controlled by Mr. Chung) and certain Mr. Chung's associates (collectively, the "Defendants") for breaches of various agreements in relation to the Acquisition and Mr. Chung's fiduciary duties as a director of the Company (the "HK Proceedings"). On 15 June 2011, the statement of claim was submitted and filed with the HK Court claiming for, amongst other things, damages and injunctions.

In the HK Proceedings, the Defendants have relied on certain documents for the establishment of their case (the "Defence Documents"). During discovery, the Group transpired that the Defence Documents contain documents which (i) are different in form and substance from the corresponding documents maintained by the Group as part of its records; (ii) are allegedly executed by a subsidiary of the Group but the existence of which the Group was not aware up to the time of discovery; and (iii) are non-existent. In respect of some of the Defence Documents, the Defendants have produced different versions of the same in the course of discovery. The Defendants have failed to provide any sufficient explanation as to the state of the documents described above, despite being given repeated opportunities to do so.

39. LITIGATIONS *(Continued)*

Hong Kong Proceedings *(Continued)*

The Defendants have filed a counterclaim in the HK Proceedings for, inter alia, the Redemption Amount. The damages claimed by the Group against the Defendants in the HK Proceedings are expected to exceed the Redemption Amount. The Group will seek to set off portion of its claimed amount against the Redemption Amount (the "Set-Off") for the protection of its interest.

The HK Proceedings is now coming to the end of the pleading stage and will progress to discovery, drafting and exchange of witness statements in the foreseeable future. The Board is of the view that the Defendants have used and will continue to use delaying tactics in regard to the HK Proceedings to avoid and delay the unfavorable outcome to them. For example, the Defendants (i) changed their legal representative at the pleading stage; (ii) repeatedly applied for extension during pleadings; (iii) disagreeing to what they have agreed before; and (iv) abusing the legal process by issuing a new writ in relation to the Redemption Amount which they have already counterclaimed in the HK Proceedings. All of the above are hallmarks of delaying tactics in legal proceeding. The Group will continue to pursue these and other matters in the HK Proceedings vigorously, with a view to speed up the litigation process in order to protect the Group's and the shareholders' interest.

As the litigations are at the early stage, the Group has not included in these consolidated financial statements the claim to be awarded recoverable from Mr. Chung and his associates in the HK Proceedings. Based on the legal opinion of the Group's legal counsels, the Group does not anticipate that the HK Proceedings will go to trial by the end of 2013 and hence, the Set-Off will not be completed before 2014.

On 20 June 2012, Mei Li subsequently filed a writ against the Company for the settlement of the Redemption Amount (the "New Action"). Based on the advices from the legal counsels, the Company considered that there are valid grounds for the Company to strike off Mei Li's claims in the New Action on the basis that it is an abuse of the legal process by bringing identical claims in separate legal proceedings and therefore, there should not be any material impact on the legal position of the Company and the Group.

Shenzhen Proceedings

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

It is alleged that Thunder Sky (HK) is in breach of certain purported agreements (the "Questionable Documents") concerning certain unpaid costs for Electric Battery Products and certain unpaid fees for facilities upgrade. The amount claimed by the Chung's Companies in the SZ Court is approximately RMB185,713,000 and there is no application for any injunction or specific performance.

39. LITIGATIONS *(Continued)*

Shenzhen Proceedings *(Continued)*

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

The Questionable Documents have been sent to an authoritative authentication institution in the PRC to determine the authenticity of them under the order of the SZ Court. In addition, the SZ Court has requested the Chung's Companies to submit a written report explaining the come about and formation of the Questionable Documents. However, up to the date of approving these consolidated financial statements, they have failed to submit such report to the SZ Court. The Board is of the view that the Chung's Companies have been using delaying tactics in regard to the SZ Proceedings. The Company considered that the exposure in the SZ Proceedings is remote and no provision for loss is required in these consolidated financial statements. The Board is also of the view that the SZ Proceedings has no and will not have any, negative effect on the business, financial position and development of the Group, and the HK Proceedings.

40. RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

During the year ended 31 March 2011 and as further detailed in Note 19, the Group has engaged the Chung's Companies as sole agent to handle all the sales (as an agent) on behalf of the Group (as the principal) at nil consideration. The Chung's 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 Chung's Companies during the year ended 31 March 2011. Accordingly, the Chung's Companies were related parties of the Company. During the year ended 31 March 2011, the Group had sales of HK$68,173,000 which were carried out by the Chung's Companies as agent for the Group, and it had purchases from the Chung's 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 31 March 2011, the net amount due from the Chung's 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 Chung's Companies. The amount due from the Chung's Companies was unsecured, interest-free and trading in nature. The Chung's 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 39 for, inter alia, the recovery of the amount due to the Group. As the recoverability of the balance due from the Chung's Companies is in doubt, an impairment of the full amount of HK$28,785,000 was recognised in the consolidated financial statements for the year ended 31 March 2011.

40. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Key management personnel remuneration

Remuneration of key management personnel, including amounts paid to the Company's directors as disclosed in Note 17(a) and certain of the highest paid employees as disclosed in Note 17(b), is as follows:

	2012 **HK$'000**	2011 HK$'000
Short-term employee benefits	**5,152**	5,485
Equity-settled share-based payments	**4,149**	366
	9,301	5,851

41. EVENTS AFTER THE REPORTING PERIOD

(a) Subsequent to the reporting period and up to the date of approval of these financial statements, options to subscribe for 1,125,000 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 approximately HK$68,000 received by the Company.

(b) A bank loan of RMB55,000,000 (equivalent to approximately HK$67,529,000) was drawn by the Group on 14 June 2012 for its general working capital purpose. The loan is secured by the pledge of certain lands and buildings of the Group, bearing variable interest rates of the People's Bank of China and repayable on 6 June 2013.

(c) On 20 June 2012, Mei Li filed a writ against the Company for the settlement of the Redemption Amount (the "New Action"). Details of the legal proceedings are set out in Note 39 to the financial statements.

42. 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 owners 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 2012 and 2011.

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 debts and bank borrowings.

42. CAPITAL MANAGEMENT *(Continued)*

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, obligations under 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:

	2012 **HK$'000**	2011 HK$'000
Bank loan	**–**	35,562
Obligations under redeemed convertible bonds	**760,752**	760,752
Convertible bonds	**121,162**	198,409
Total borrowings	**881,914**	994,723
Less: Cash and cash equivalents	**(216,873)**	(388,568)
Net debt	**665,041**	606,155
Total equity	**529,248**	496,689
Net debt to equity ratio	**126%**	122%

43. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board on 29 June 2012.