Sinopoly

Sinopoly Battery Limited

中聚電池有限公司

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

Annual Report **2012/13**

Contents

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
Professor Wu Feng

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 LLP

As to Bermuda law:

Conyers Dill & Pearman

PRINCIPAL BANKERS

DBS Bank (Hong Kong) Limited
China Construction Bank Corporation
Bank of Jilin

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
26 Burnaby Street
Hamilton HM 11
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 and liabilities of Sinopoly Battery Limited (the "Company") and its subsidiaries (collectively the "Group") for the five financial years ended 31 March 2013, as extracted from the published audited consolidated financial statements and reclassified and restated as appropriate, is set out below:

	Year ended 31 March				
	2013	2012	2011	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Loss attributable to owners of the Company	**(324,447)**	(442,334)	(2,805,729)	(14,093)	(72,155)
Total assets	**1,628,244**	1,774,048	1,861,469	329,920	75,265
Total liabilities	**(1,288,053)**	(1,244,800)	(1,364,780)	(2,126)	(4,967)
Net assets	**340,191**	529,248	496,689	327,794	70,298
Equity attributable to owners of the Company	**340,191**	529,248	496,689	327,794	70,298

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

MARKET OVERVIEW

Lithium-ion batteries have advantages in energy density, longevity and environmental protection over traditional batteries. Due to the continuous improvement of battery technologies, Lithium-ion batteries have been widely used in daily life. In recent years, there are increasing concerns about energy shortages and environmental pollution and the world is proactively developing various environmental and energy-saving related industries, which result in the yearly growth of Lithium-ion batteries' demand in transportation and energy storage applications. According to the research report issued by Fuji Keizai Japan, the size of the global Lithium-ion battery market in 2017 is expected to expand by 50% as compared to 2012, reaching HK$130 billion.

During the period under review, various favorable news in relation to new energy vehicles was announced in the PRC. In addition to the standard national subsidy of RMB60,000 per EV, Shanghai, Beijing and Guangzhou, the three major cities of the PRC, have also introduced relevant policies. In January 2013, the Shanghai government has launched "a free license plate" policy exclusively for new energy vehicles and the free license plate will last till the life of such vehicle. When compared to the record high price settled at the license plates auction for private cars in Shanghai in March 2013, this additional subsidy is equivalent to no less than RMB90,000. Further, the policies aimed at encouraging the purchase of pure EVs will continue to be implemented in Beijing during the first half of the year 2013, including the standard subsidies and the exemption from the license plate lottery process.

Guangdong province also launched "廣東省新能源汽車產業發展規劃 (2013-2020年)" (the Development Plan for the New Energy Vehicle Industry in Guangdong Province (2013-2020)*), it targets to reach production capacity of more than 200,000 new energy vehicles by 2015. The plan will also introduce a series of policies for new energy vehicles which include: priority in registration and annual inspection, the reduction and exemption of fees in parking and tolls, as well as access to exclusive parking spaces in the city. In light of the serious air pollution problems earlier, the government will expedite the development of the new energy vehicle industry. It will focus on facilitating the transformation of the domestic automotive industry through the promotion of pure EVs, so as to achieve zero emissions of harmful substances.

Besides, the PRC government is introducing a series of policies that will reform the domestic wind and solar energy industries. The objective is to resolve problems such as high initial development costs and the difficulties in grid connection, boosting the growth of the renewable energy industry. According to the report of the World Wind Energy Association, the installed wind capacity in the PRC was 44,700 megawatts in 2010, however, more than 30% of which were not connected to the grid, resulting in energy wasting. The remote area of Inner Mongolia was the worst, representing 76% of the overall wind energy waste in the PRC. As Lithium-ion batteries have the most notable advantages in energy storage applications and will become the ultimate solution for energy wasting, undoubtedly, the re-emergence of the renewable energy industry will create opportunity for domestic Lithium-ion battery consumption.

BUSINESS REVIEW

Improvement in Electric Battery Products' Quality

The production bases in Jilin and Tianjin have commenced commercial production since 2011 and 2012 respectively. During the period under review, the Group has improved the production process techniques, through this manufacturing know-how, the consistency and various specifications of the Electric Battery Products were improved. Furthermore, the two production bases have worked closely with our R&D team and customers in order to meet the high standards and safety requirements of EV batteries. The result is encouraging and the Group's batteries have outperformed and nearly doubled the traveling distance of our competitors' batteries in the EV trial run conducted by our customer. The Group thus received significant battery purchase orders of no less than RMB100 million and it will bring additional business opportunities to the Group.

Entering the Mature Markets of Overseas

The world is proactively developing environmental and energy-saving related industries. Among various countries, energy storage and EV markets in Europe are relatively mature and keen to replace traditional Lead-acid batteries with large capacity Lithium-ion batteries due to environmental concerns and differences in performance. Accordingly, the Group has set Europe as its primary overseas sales target and has successfully penetrated the local markets, established new partnerships and launched various Lithium-ion battery projects with different types of new customers. Overseas orders have increased significantly.

One of the Group's clients Tazzari, an Italian EV manufacturer, plans to export its EVs into the Hong Kong market. The Hong Kong government has approved the sales of such EVs and has also waived the relevant import tax. Tazzari is one of the world's top EV makers with 50 years of history.

Developing the Downstream Business

The EV markets in the PRC are still underdeveloped, which creates the opportunities for the Group to become one of the pioneers to enter into the domestic EV market. Developing the EV leasing business allows the Group to expand its Lithium battery business vertically and create the demand for our products.

Accordingly, the Group has commenced the EV leasing business in the PRC and aligned it with the "EV leasing" project launched by the Hangzhou government. The Group entered into agreements with Zhejiang Kangdi Vehicles Co., Ltd.* ("Kangdi Vehicles"), a vehicle manufacturer listed on NASDAQ, and will purchase 2,000 EVs (without batteries) from Kangdi Vehicles. These 2,000 EVs will be deployed in the ''EV leasing'' project in Hangzhou for leasing. Based on the monthly estimated income of around RMB1,600 per EV, if the Group successfully leases out all 2,000 EVs, it is expected to generate approximately RMB38 million of revenue per year.

Bearing the Fruit of Innovative R&D

The Group, through its internal R&D, has generated over 40 patents in relation to Lithium-ion batteries manufacturing and applications. Through the improved production techniques and technology, the quality and consistency of Electric Battery Products have been significantly improved.

Furthermore, in June 2013, Professor Ma Zifeng, the head of the Sinopoly Battery Research Center, has been chosen as the chief scientist of 超級電容器的大容量儲能體系及其應用基礎研究項目 (Basic Study on the large scale energy storage system of supercapacitor and its application*) of the National Basic Research Programme (the 973 Programme) by the National Technology Department* of the PRC. He is the first scientist in the PRC that was chosen to be the chief scientist of national program twice.

LITIGATIONS

The Group has three litigations during the period under review. These litigations are against Mr. Winston Chung (formerly known as Chung Hing Ka) ("Mr. Chung"), a former director of the Company, and/or companies which are controlled and/or owned by him (together with Mr. Chung, the "Chung Parties"). The background of these litigations is summarized below:

1. The Company and two of its subsidiaries have instituted legal proceedings against the Chung Parties in the High Court of Hong Kong (the "HK Court") for, inter alia, breaches of various agreements in relation to the very substantial acquisition completed by the Group on 25 May 2010 (the "Acquisition") and Mr. Chung's fiduciary duties as a director of the Company (the "Original Proceedings");

2. Two of the Chung Parties sued a subsidiary of the Company in the Shenzhen Intermediate Court of the PRC (the "SZ Court") for approximately RMB185.7 million in relation to an unpaid cost for certain alleged electric battery products and an unpaid fee for certain alleged facilities upgrade that are owing to them in July 2011 (the "Second Proceedings"); and

3. Two of the Chung Parties have instituted legal proceedings against a subsidiary of the Company in the HK Court, for, inter alia, a declaration that such subsidiary of the Company has ceased to have any right to use certain patents in July 2012 (the "Third Proceedings").

(Collectively the "Litigations")

Credibility of the Chung Parties' Case

In the Litigations, the Chung Parties have primarily relied on certain documents (the "Questioned Documents"), to which a subsidiary of the Company is allegedly to be a party, in support of their cases. The Group is not aware of the existence of such Questioned Documents prior to such Litigations and the abovementioned subsidiary had never executed any of those Questioned Documents. The Group has strong reasons to believe that the Questioned Documents are fraudulently altered and/or completely fabricated. During the period under review, an authoritative forensic centre appointed by the SZ Court issued a report in relation to certain Questioned Documents (the "SZ Forensic Report") and confirmed that, inter alia, those Questioned Documents have been tampered. The Company has reported the above incidents to the relevant law enforcement agencies.

In addition, it appears that the Hong Kong Court has made various observations about Mr. Chung's behavior from his legal actions in Hong Kong. In various judgments handed down by the Hong Kong Court, the respective Honorable Judges have stated that:

"…[Mr. Chung] consistently entered into agreements, then subsequently disavowed them. He tried every means to stall a hearing, defer payment or have a judgment set aside.";

"…The opposition by [Mr. Chung] is but another desperate attempt to wriggle out of his liability over the judgment debt."; and

"…[Mr. Chung]'s statement ought not be taken at face value by reason of his repeated unsuccessful attempts to resist judgment being entered, using different reasons at various times.".

These judgments further support the Group's view that the Chung Parties' defences and/or complaints in the Litigations are frivolous, vexatious and an abuse of legal process.

Status of the Litigations

In the Original Proceedings, the Chung Parties have filed a counterclaim for, inter alia, the amount payable of approximately HK$760,752,000 for the redemption of certain convertible bonds of the Company (the "Redemption Amount") which one of the Chung Parties received as part of the consideration of the Acquisition. The damages (arising from the breaches in relation to the Acquisition) claimed by the Group (the "Claim Amount") against the Chung Parties in the Original Proceedings, as supported by an independent forensic accountant report commissioned by the Group, are estimated to be substantially larger than the Redemption Amount. The Group has sought to set off portion of such Claim Amount against the Redemption Amount (the "Set-Off") for the protection of its interest. On 5 March 2013, the HK Court issued a judgment and it is of the view that the Set-Off is plausible and the Company has been given an unconditional leave to defend to the extent of the Set-Off.

In the Second Proceedings, in light of the findings of the abovementioned SZ Forensic Report, two of the Chung Parties applied to withdraw their complaint in relation to the Second Proceedings in February 2013. In March 2013, the SZ Court has issued a judgment in relation to the Second Proceedings (the "SZ Judgment") in which the SZ Court, inter alia, charged two of the Chung Parties a legal fee of RMB485,184.13; and ordered them to pay the forensic centre's related costs of RMB107,183.40. The Group's legal counsels are of the view that such SZ Judgment will further advance and has positive effect on the Original and Third Proceedings.

In regard to the progress of the Third Proceedings, the subsidiary of the Company has pleaded its defence in October 2012 but the Chung Parties have not yet filed their reply, as of the date of the approval of the consolidated financial statements.

Bankruptcy of Mr. Chung

On 27 February 2013, the HK Court has made an order for bankruptcy against Mr. Chung (the "Bankruptcy"). Subsequently, the Company, together with two of its subsidiaries, has filed the proof of debt to the Official Receiver in the Bankruptcy. The Company and two of its subsidiaries have been accepted by the Official Receiver as creditors of Mr. Chung. Based on the Bankruptcy Ordinance of Hong Kong, once a person has been declared bankrupt, all his assets and liabilities/potential liabilities (including the Litigations) as well as all his interests in companies owned and/or controlled by him should be passed over to the Official Receiver or a trustee, who act on behalf of the bankrupt's creditors.

The Board believes that the trustee of the Bankruptcy will study the merit of the Chung Parties' case in the Original and Third Proceedings, and shall act accordingly and reasonably. In view of the Original and Third Proceedings and the Bankruptcy are still at the early stage, the Board cannot determine whether any of the Claim Amount will be recoverable. As a result, the Group has not included any of the Claim Amount in its consolidated financial statements for the year ended 31 March 2013. The aforementioned reasons support the Board's view that the Litigations will not have any significant negative effect on the business, financial position and development of the Group.

FINANCIAL REVIEW

During the year under review, the Group recorded consolidated turnover from continuing operations of approximately HK$53.9 million, representing a slight decrease of approximately 9.4% as compared with approximately HK$59.4 million of the last financial year. The battery products business constituted approximately 98.7% (2012: approximately 96.2%) of the Group's total turnover from continuing operations.

Gross profit from continuing operations increased to approximately HK$7.2 million of the current year from approximately HK$4.8 million in the last financial year. Gross profit margin from the battery products business improved from approximately 4.4% of last financial year to approximately 12.3% of the current year. Such improvement was primarily due to the increase in efficiency of the production process after adoption of the improved technical know-how.

The Group narrowed its net loss after tax from continuing operations by approximately HK$118.1 million from approximately HK$442.5 million in the last financial year to approximately HK$324.4 million of the current year, an improvement of approximately 26.7%. The decrease in loss from continuing operations was resulted mainly from the reduction in the impairment on intangible assets from approximately HK$273.6 million to approximately HK$100.6 million.

The loss for the current year from continuing operations of approximately HK$324.4 million was principally attributable to:

(i) the selling and distribution costs of approximately HK$19.6 million, an increase of approximately HK$5.3 million comparing with the last financial year of HK$14.3 million for additional expenses incurred in marketing and brand building;

(ii) the general and administrative expenses of approximately HK$82.4 million, a decrease of approximately HK$9.5 million comparing with the last financial year of HK$91.9 million, is mainly attributable to the decrease of equity-settled-share-based payments and administrative restructuring during the current year;

(iii) the research and development expenses of approximately HK$16.8 million, an increase of approximately HK$14.4 million when compared with the last financial year of HK$2.4 million as much efforts were put in the development of new patents to enhance the battery production processes in the current year;

(iv) the other operating expenses of approximately HK$26.1 million representing the expenses incurred in the trial run stage of the battery production based in Tianjin, the PRC, an increase of approximately HK$9.4 million when compared with the last financial year of HK$16.7 million for the expenses incurred in the initial trial run stage of the battery production base in Jilin, the PRC;

(v) the finance costs of approximately HK$17.6 million, an increase of approximately HK$2.4 million when compared with the last financial year of approximately HK$15.2 million, representing mainly imputed interest on convertible bonds of approximately HK$12.1 million (2012: approximately HK$13.1 million) which was non-cash in nature;

(vi) the amortisation of intangible assets of approximately HK$106.1 million, a decrease of approximately HK$34.0 million when compared with the last financial year of approximately HK$140.1 million because of the decrease in the carrying amount of intangible assets as at 31 March 2012; and

(vii) the impairment on intangible assets of approximately HK$100.6 million, a decrease of approximately HK$173.0 million when compared with the last financial year of approximately HK$273.6 million.

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

Geographical Analysis of Turnover

During the year under review, the Group made progress in developing its business world-wide and most of international electric vehicles and energy storage companies acknowledged the quality of our products. The European countries, the PRC, the United States of America, Australia, Hong Kong and others contributed approximately 38.9% (2012: 17.4%), 27.5% (2012: 69.6%), 9.2% (2012: 1.6%), 9.8% (2012: 5.7%), 4.2% (2012: 4.0%) and 10.4% (2012: 1.7%) to the Group's total turnover respectively.

Liquidity and Financial Resources

As of 31 March 2013, the Group had (i) non-current assets of approximately HK$1,224.2 million (31 March 2012: approximately HK$1,388.3 million), which comprised of intangible assets, fixed assets, deposits paid for fixed assets and prepaid rentals; and (ii) current assets of approximately HK$404.0 million (31 March 2012: approximately HK$385.7 million), which mainly comprised of inventories, trade and other receivables, pledged bank balances which were mainly secured for all bills payables of the Group, and cash and bank balances.

The Group had current liabilities of approximately HK$1,071.7 million (31 March 2012: approximately HK$855.8 million), which mainly comprised of bank loans, trade and other payables, deposit received for investment, tax payable, and obligations under redeemed convertible bonds of approximately HK$760.8 million. The Company has been given an unconditional leave to defend to the extent of the Set-Off (as defined in the section heading "Litigations") and based on which the Company is entitled to a stay of execution of payment for the obligations under redeemed convertible bonds of approximately HK$760.8 million before conclusion of the relevant legal proceedings. The bank loans of approximately HK$107.7 million were secured by certain land and buildings of the Group with a carrying value of approximately HK$190.7 million (31 March 2012: nil), denominated in Renminbi ("RMB"), bear interest at prevailing market interest rates and are repayable within one year.

The Group's total non-current liabilities (comprised of other non-current liability and deferred tax liabilities) decreased from approximately HK$389.0 million as at 31 March 2012 to approximately HK$216.4 million as at 31 March 2013, the decrease was mainly due to the full conversion of the convertible bonds into new shares of the Company during the year.

As at 31 March 2013, the Group's gearing ratio, without taking into account the obligations under redeemed convertible bonds and convertible bonds of approximately HK$760.8 million (31 March 2012: approximately HK$881.9 million), was approximately 31.7% (31 March 2012: zero) calculated on the basis of bank loans of HK$107.7 million (31 March 2012: nil) to total equity of approximately HK$340.2 million (31 March 2012: approximately HK$529.2 million) as at 31 March 2013.

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 all of the Convertible Bonds that it held in the aggregate principal amount of HK$239,719,971 into 1,261,684,057 shares of the Company at the conversion price of HK$0.19 per share. In addition, 1,125,000 shares of the Company were allotted and issued by the Company pursuant to the exercise of share options granted under the Company's share option scheme during the year under review.

As a result of the above, the number of shares of the Company in issue increased from 10,991,707,569 as at 1 April 2012 to 12,254,516,626 as at 31 March 2013.

Save as disclosed above and the outstanding share options entitling their holders to subscribe for a total of 308,325,000 shares of the Company, the Group had no debt securities or other capital instruments as at 31 March 2013.

Material Acquisitions and Disposals

The Group had no material acquisitions or disposals of subsidiaries or associated companies during the year ended 31 March 2013.

Pledge of Assets and Contingent Liabilities

There are pledge of assets as at 31 March 2013 (31 March 2012: nil) with details disclosed under the section heading "Liquidity and Financial Resources". In addition, bank balances of approximately HK$9.6 million were pledged to secure mainly for bills payables of the Group. The Group had no significant contingent liabilities (31 March 2012: nil).

Capital Commitment

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

Employees and Remuneration Policies

As of 31 March 2013, the Group had 35 employees (2012: 34 employees) in Hong Kong and 869 employees (2012: 1,199 employees) in the PRC. Total staff costs (including directors' emoluments and equity-settled-share-based payments) during the year amounted to approximately HK$70.7 million (2012: approximately HK$60.0 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 participants.

PROSPECTS

Leveraging on internal R&D capabilities, the Group has further enhanced the overall performance of its Electric Battery Products which not only outperformed the competitors in the PRC but also have been highly recognized and received positive feedbacks from the market. Furthermore, the Group possesses unique business advantages through its sound financial platform, top-class experts, breakthrough patented technology and leading production capacity which will position the Group to be a major player in the future of the Lithium-ion battery industry and continue at a better strategic position.

After many years of development and cultivation, the downstream applications of Lithium-ion batteries are becoming more mature now. Governments and EV manufacturers around the world are less conservative and are actively developing the EV business. The Group's Tianjin base has 306 mu of land pending to be developed and, if necessary, will expand its production capacity by building new production lines in accordance with the market demand of the Electric Battery Products. In addition, the Group will further expand new business in the downstream sector, seeking opportunities to work with domestic and foreign governments and state-owned enterprises. Besides increasing the profitability, the demand from the battery business in the upstream sector can also be stimulated, which will bring more considerable returns to the shareholders.

The Group will continue to invest in its R&D targeting on the development of new materials and new products. The Group will also develop new energy storage products according to different market demands. In order to penetrate the energy storage sector, the Group is developing low cost Lithium-ion batteries that cater for energy storage applications. The management believes this new product will be the key to replace traditional batteries in the energy storage sector, fulfilling its mission for a cleaner and greener environment.

* *For identification only*

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

Mr. Miao, aged 53, 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 54, 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, the shares of which 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 was an independent non-executive director of Winteam Pharmaceutical Group Limited (Stock Code: 570), a company whose shares are listed on the Stock Exchange, from February 2009 to February 2013. 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 47, is an executive director and Chief Operating Officer of the Company, and a member of the Executive Committee of the Company. 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 factories and facilities. 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. He graduated from Zhejiang University in 1991 with a master's degree. Mr. Xu was appointed to the Board on 8 March 2011.

Mr. Jaime Che
Executive Director & Vice President

Mr. Jaime Che, aged 32, is an executive director of the Company and a member of the Executive Committee and Nomination Committee of the Company, respectively. 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. He studied commerce at the University of New South Wales. Mr. Jaime Che was appointed to the Board on 8 March 2011.

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

Professor Chen, aged 49, is a non-executive director of the Company. 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 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. Professor Chen was appointed to the Board on 1 March 2012.

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

Mr. Chan, aged 51, 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), Daisho Microline Holdings Limited (Stock Code: 567), Global Sweeteners Holdings Limited (Stock Code: 3889) and Kam Hing International Holdings Limited (Stock Code: 2307), 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 and as an independent non-executive director of Xinhua Winshare Publishing and Media Co., Ltd. (Stock Code: 811) with effect from 10 July 2013. He retired 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) on 31 May 2012 and BYD Electronic (International) Company Limited (Stock Code: 285, a company whose shares are listed on the Stock Exchange) on 7 June 2013. He is also a director of Trauson Holdings Company Limited whose shares have been withdrawn from listing on the Stock Exchange since 15 July 2013. 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 25 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 65, 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"). Mr. Fei has been appointed as a director of Vision Credit Limited, a privately-held company registered in Hong Kong and engaging in consumer financing business in 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 53, is an independent non-executive director of the Company and a member of the Audit Committee, Remuneration Committee and Nomination Committee of the Company. 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, The Association of Chartered Certified Accountants and The Taxation Institute of Hong Kong. He is a certified public accountant and certified tax advisor 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. He retired on 22 May 2013 as 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 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) as at 31 March 2013 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.

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 2013 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 2013.

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 2013 are set out in Note 23 to the financial statements.

SEGMENT INFORMATION

An analysis of the Group's revenue and contribution to the operating results for the year ended 31 March 2013 is set out in Note 8 to the financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 March 2013 are set out in the consolidated income statement on page 38 of this annual report.

The directors of the Company do not recommend the payment of any dividend for the year ended 31 March 2013.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities 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$148,163,000 on acquisition of fixed assets.

Details of the movements in the fixed assets of the Group during the year are set out in Note 21 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 25.3% and 54.7% 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 12.4% and 38.0% 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 35 to the financial statements.

RESERVES AND DISTRIBUTABLE RESERVES

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

The Company had no reserves available for distribution as at 31 March 2013.

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 director:

Professor Chen Guohua

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, Mr. Lo Wing Yat, Mr. Xu Donghui, Mr. Jaime Che and Mr. Chan Yuk Tong will retire from office by rotation at the forthcoming annual general meeting of the Company and, being eligible, have offered themselves for re-election.

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 2013, the interests and short positions of the directors and chief executives of the Company or their respective associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange 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 ("Mr. Miao") *(Note 1A)*	Interest of controlled corporation	2,869,801,043	–	2,869,801,043 *(Note 1B)*	23.42%
	Interest of controlled corporation	105,263,157	–	105,263,157 *(Note 1B)*	0.86%
	Beneficial owner	–	10,000,000 *(Note 2)*	10,000,000	0.08%
Mr. Lo Wing Yat	Beneficial owner	–	50,800,000 *(Note 2)*	50,800,000	0.41%
Mr. Xu Donghui	Beneficial owner	220,000	20,000,000 *(Note 2)*	20,220,000	0.17%
Mr. Jaime Che	Beneficial owner	1,000,000	20,000,000 *(Note 2)*	21,000,000	0.17%
Mr. Chan Yuk Tong	Beneficial owner	–	10,900,000 *(Note 2)*	10,900,000	0.09%
Mr. Fei Tai Hung	Beneficial owner	–	10,900,000 *(Note 2)*	10,900,000	0.09%
Mr. Tse Kam Fow	Beneficial owner	–	10,900,000 *(Note 2)*	10,900,000	0.09%

Notes:

1A. For the purpose of the SFO, Mr. Miao is deemed to be interested in the shares and underlying shares of the Company, of which 2,869,801,043 shares are held by his wholly-owned company, Union Ever Holdings Limited ("Union Ever") and 105,263,157 shares are held by a charitable organization, China Innovation Foundation Limited ("CIFL"), which is associated to him.

1B. During the year ended 31 March 2013, Union Ever exercised its right and redeemed (i) convertible bonds in the principal amount of HK$219,719,971 into 1,156,420,900 shares of the Company which were allotted to Union Ever, thereby its shareholding in the Company increased from 1,713,380,143 shares as at 1 April 2012 to 2,869,801,043 shares as at 31 March 2013; and (ii) convertible bonds in the principal amount of HK$20,000,000 into 105,263,157 shares of the Company which were allotted to CIFL.

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 2013, none of the directors or chief executives of the Company or their respective associates had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had been recorded in the register 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 or their spouses or children under the age of 18 to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate nor had exercised any such right.

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 2013, the persons, other than the directors or chief executives of the Company, who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the 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	2,869,801,043	–	2,869,801,043 *(Note 1B)*	23.42%
Mr. Li Ka-shing *(Note 2)*	Interest of controlled corporations	1,200,000,000	–	1,200,000,000	9.79%
Glorious China Investments Limited ("Glorious China") *(Note 3)*	Beneficial owner	1,098,099,998	–	1,098,099,998	8.96%
Ms. Xu Yueyue *(Note 3)*	Interest of controlled corporation	1,098,099,998	–	1,098,099,998	8.96%
Silver Ride Group Limited ("Silver Ride") *(Note 4)*	Beneficial owner	1,055,000,001	–	1,055,000,001	8.61%
Mr. Chen Jian ("Mr. Chen") *(Note 4)*	Interest of controlled corporation	1,055,000,001	–	1,055,000,001	8.61%
	Beneficial owner	–	10,000,000	10,000,000	0.08%
Long Hing International Limited ("Long Hing") *(Note 5)*	Beneficial owner	911,059,998	–	911,059,998	7.43%
Ms. Song Hong *(Note 5)*	Interest of controlled corporation	911,059,998	–	911,059,998	7.43%

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. Union Ever held 1,713,380,143 shares of the Company as at 1 April 2012. During the year ended 31 March 2013, Union Ever exercised its right and redeemed convertible bonds in the principal amount of HK$219,719,971 into 1,156,420,900 shares of the Company, thereby increased Union Ever's shareholding in the Company to 2,869,801,043 shares as at 31 March 2013.

2. For the purpose of the SFO, Mr. Li Ka-shing is deemed to be interested in a total of 1,200,000,000 shares of the Company, of which 510,000,000 shares are held by Jade Time Investments Limited ("Jade Time"), 90,000,000 shares are held by CEF Holdings Limited ("CEF"), 100,000,000 shares are held by Li Ka Shing (Overseas) Foundation ("LKSOF") and 500,000,000 shares are held by Li Ka Shing (Canada) Foundation ("LKSCF").

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

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

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

   By virtue of the terms of the constituent documents of LKSOF and LKSCF, Mr. Li Ka-shing may be regarded as having the ability to exercise or control the exercise of one-third or more of the voting power at general meetings of LKSOF and LKSCF respectively.

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

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

5. Long Hing is wholly owned by Ms. Song Hong. The 911,059,998 shares of the Company held by Long Hing are deemed to be owned by Ms. Song Hong.

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 derivative interest 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 derivative interest 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 as at 8 March 2011 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 2013, the Company has not been notified of any interests or short positions in the shares or underlying shares of the Company which were required to be recorded in the register kept by the Company under Section 336 of the SFO.

DIRECTORS' INTEREST IN COMPETING BUSINESSES

As at 31 March 2013, 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

Save as disclosed under Note 1B under the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures", 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

Reference is made to the circular of the Company dated 3 May 2010 (the "Circular") in relation to, inter alia, the Master Supply Agreement entered into between Thunder Sky (HK) 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") on 18 January 2010. Capitalized terms used herein shall have the same meanings as those defined in the Circular unless defined otherwise.

The Transactions contemplated under the Master Supply Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As the Chung's Companies had acted in breach of the Master Supply Agreement, no Transactions were carried out for the period between 1 April 2012 and 31 March 2013.

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 31 and 33 to the financial statements.

EMOLUMENT POLICY

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

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

The Company has adopted the Share Option Scheme as incentive to selected participants, including the directors and eligible employees of the Company. Details of the Share Option Scheme are set out in Note 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 2013.

Neither the Company nor any of its subsidiaries purchased or sold any of the Company's listed securities during the year ended 31 March 2013.

DONATIONS

During the year, the Group made donations amounting to approximately HK$86,000.

SUFFICIENCY OF PUBLIC FLOAT

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

EVENTS AFTER THE REPORTING PERIOD

Details of the significant events occurring after the reporting period are set out in Note 41 to the financial statements.

AUDITOR

The consolidated financial statements of the Company for the year ended 31 March 2013 have been audited by CCIF CPA Limited ("CCIF"). CCIF will retire as auditor at the conclusion of the forthcoming annual general meeting and will not offer themselves for re-appointment. CCIF has acted as auditor of the Company in the preceding three years.

A resolution will be submitted to the forthcoming annual general meeting of the Company for the appointment of Crowe Horwath (HK) CPA Limited as auditor of the Company, which was established by the merger of businesses of CCIF and PCP CPA Limited, a member firm in Hong Kong of Crowe Horwath International.

By order of the Board

Miao Zhenguo
Deputy Chairman and Chief Executive Officer

Hong Kong, 28 June 2013

* *For identification only*

The Company is committed to maintaining a high standard of corporate governance. The board of directors of the Company (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 shareholders' value.

CORPORATE GOVERNANCE

The Company applied the principles of and complied with all the code provisions of the Corporate Governance Code and Corporate Governance Report (the "Code") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the year ended 31 March 2013 except for the following deviations.

Code provisions A.2.1 to A.2.9

The Company has no Chairman since 16 October 2008. This constitutes a deviation from the code provisions A.2.1 to A.2.9 of the Code. The Company is in the process of identifying a suitable candidate to fill the vacancy for the Chairman and will issue an announcement when a new appointment is made.

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

Taking up the role of the chairman, Mr. Miao Zhenguo had a meeting with the non-executive directors (including independent non-executive directors) without the executive directors present on 19 March 2013 to discuss the performance of the executive directors and offer them an opportunity to raise any suggestions for improvement to the Company.

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 20 August 2012 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 set out in Appendix 10 to the Listing Rules. The Securities Code has been amended according to the said Model Code which was revised and came into effect on 1 January 2013 (the "Model Code") and 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 2013.

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).

The Board is responsible for overseeing corporate governance practices of the Group and will assign certain functions to other board committee(s) as and when appropriate.

Chairman and Chief Executive Officer

This is detailed under the section headed "Corporate Governance – Code provisions A.2.1 to A.2.9".

Non-executive Director and Independent Non-executive Directors

The Company has one non-executive director and three independent non-executive directors.

The term of appointment of the non-executive director and the independent non-executive directors of the Company is 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 2013, the Company complied with rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules relating to the appointment of at least three independent non-executive directors, at least one independent non-executive director with appropriate professional qualifications, or accounting or related financial management expertise, and a sufficient number of independent non-executive directors representing at least one-third of the board, 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

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 three additional meetings during the year ended 31 March 2013. 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	7/7
Mr. Lo Wing Yat	6[a] /7
Mr. Xu Donghui	7/7
Mr. Jaime Che	7/7
Non-executive director:	
Professor Chen Guohua	7[a] /7
Independent non-executive directors:	
Mr. Chan Yuk Tong	7[b] /7
Mr. Fei Tai Hung	7[a] /7
Mr. Tse Kam Fow	7[a] /7

Notes:

a. Including two meetings through having other director(s) acted as his representative(s).

b. Including one meeting through having other director acted as his representative.

Time Commitment

The Board has reviewed the contribution required from all directors to perform their responsibilities to the Company and considered that each of the directors has been spending sufficient time and attention to the Company's affairs.

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 and the Code.

All directors have also been actively participating in different aspects of professional training to develop and refresh their knowledge and skills. A summary of the training received by the directors for the year ended 31 March 2013 is as follows:

Name of directors	Physical visit to the Company's facilities	Training on corporate governance, regulatory and legal aspects, and technical knowledge	Training on duties and responsibilities of directors
Executive directors:			
Mr. Miao Zhenguo	✓	✓	✓
Mr. Lo Wing Yat	✓	✓	✓
Mr. Xu Donghui	✓	✓	✓
Mr. Jaime Che	✓	✓	✓
Non-executive director:			
Professor Chen Guohua	✓	✓	✓
Independent non-executive directors:			
Mr. Chan Yuk Tong	✓	✓	✓
Mr. Fei Tai Hung	✓	✓	✓
Mr. Tse Kam Fow	✓	✓	–

Insurance

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

BOARD COMMITTEES

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

Remuneration Committee

The terms of reference of the Remuneration Committee are in compliance with the code provisions set out in the Code. The Remuneration Committee currently comprises three independent non-executive directors, namely Mr. Chan Yuk Tong (Chairman of the Remuneration Committee), Mr. Fei Tai Hung and Mr. Tse Kam Fow, and an executive director, 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 2013. 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[a] /2
Mr. Tse Kam Fow	2/2
Mr. Miao Zhenguo	2/2

Note:

a. Including one meeting through having other director acted as his representative.

During the meetings, the Remuneration Committee considered and recommended to the Board (i) the proposal for the Board to fix the directors' remuneration to be put forward at the 2012 annual general meeting for shareholders' approval of the Company; (ii) the directors' fees of each of an executive director and an independent non-executive director; and (iii) the remuneration package of the chief financial officer of the Company.

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 2013, 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 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 Group's business 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.

The Nomination Committee held one meeting during the year ended 31 March 2013. The individual attendance records of the committee members are as follows:

Name of committee members	Number of meetings attended/held
Mr. Chan Yuk Tong	1/1
Mr. Fei Tai Hung	1/1
Mr. Tse Kam Fow	1/1
Mr. Miao Zhenguo	1/1
Mr. Jaime Che	1/1

During the meeting, the Nomination Committee (i) reviewed the structure, size and composition of the Board; and (ii) considered and recommended to the Board the renewal of the term of appointment of each of Mr. Lo Wing Yat, an executive director of the Company and Mr. Chan Yuk Tong, an independent non-executive director of the Company for a further fixed period of two years.

During the year ended 31 March 2013, the Nomination Committee also considered and recommended to the Board the re-election of directors who were subject to retirement by rotation at the 2012 annual general meeting of the Company by way of written resolutions.

With respect to the board composition, the Nomination Committee 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 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 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 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 2013. 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[a] /2
Mr. Tse Kam Fow	2/2

Note:

a. Including two meetings through having other director acted as his representative.

During the year ended 31 March 2013, 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 2012 and six months ended 30 September 2012 and recommended the same to the Board for approval; (iii) recommended to the Board the re-appointment of the Auditor; (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; (v) reviewed the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programmes and budget; and (vi) reviewed corporate governance compliance and disclosure of the Group.

During the year ended 31 March 2013, the Audit Committee held two meetings with the Auditor to discuss the pre-audit planning of the Group and the Company's results for the year ended 31 March 2012, respectively.

The Audit Committee has reviewed with the management and the Auditor the audited results of the Group for the year ended 31 March 2013 and recommended to the Board, due to the formation of Crowe Horwath (HK) CPA Limited as a result of the merger of businesses of CCIF CPA Limited and PCP CPA Limited, the appointment of Crowe Horwath (HK) CPA Limited as the new Auditor to fill the vacancy arising from the retirement of CCIF CPA Limited as the Auditor at the forthcoming annual general meeting of the Company.

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.

Technical Advisory Committee

The Board has set up the Technical Advisory Committee since 8 March 2011 with a view to affording the Board expert advice in relation to strategic planning in the field of Lithium-ion battery and electric vehicle, and enhancing the Group's capability in research and development. The Technical Advisory Committee with well-defined terms of reference currently comprises Professors Ma Zifeng, Xie Kai, Wang Rongshun and Wu Feng who are all distinguished industry experts.

Special Board Committee

The Board established the Special Board Committee in March 2013, in view of Mr. Chung Winston's bankruptcy, with delegated authority to deal with all matters relating to, inter alia, the legal proceedings and legal claims against Mr. Chung Winston and/or companies which are controlled and/or owned by him. It comprises Mr. Chan Yuk Tong (Chairman of the Special Board Committee), Mr. Lo Wing Yat, Mr. Xu Donghui, Professor Chen Guohua, Mr. Fei Tai Hung and Mr. Tse Kam Fow.

AUDITOR'S REMUNERATION

For the year ended 31 March 2013, the Auditor received approximately HK$1,430,000 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 35 to 37 of this annual report.

At 31 March 2013, the Group and the Company had net current liabilities of approximately HK$667,672,000 and HK$187,348,000 respectively, including obligations under redeemed convertible bonds of approximately HK$760,752,000 (the "Redemption Amount"). The directors are of the view that the net current liabilities resulting from the Redemption Amount may not cast significant doubt upon the Company's ability to continue as a going concern, reasons of which are set out under the section headed "Litigations" of "Management Discussion and Analysis" in this annual report. In addition, the Auditor does not consider necessary to qualify their opinion on the consolidated financial statements of the Company and of the Group as at 31 March 2013.

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 set up an internal audit department during the year 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. The relevant 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 (if any) 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 in person.

During the year ended 31 March 2013, the Company has held the annual general meeting on 20 August 2012 (the "AGM"). The individual attendance records of the directors at the AGM are as follows:

Name of directors	**Number of AGM attended/held**
Executive directors:	
Mr. Miao Zhenguo	1/1
Mr. Lo Wing Yat	1/1
Mr. Xu Donghui	0/1
Mr. Jaime Che	1/1
Non-executive director:	
Professor Chen Guohua	1/1
Independent non-executive directors:	
Mr. Chan Yuk Tong *(Chairman of each of the Audit, Remuneration and Nomination Committee)*	1/1
Mr. Fei Tai Hung	1/1
Mr. Tse Kam Fow	0/1

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 (the "Company Secretary"), 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, such shareholder(s) may do so in accordance with the provisions of Section 74(3) of the Companies Act 1981 of Bermuda.

During the year ended 31 March 2013, no such requisition(s) has/have been received.

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 Hong Kong branch share registrar and transfer office (the "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", eligible 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 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.

During the year ended 31 March 2013, no such requisition(s) has/have been received.

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.

CCIF

CCIF CPA LIMITED

9/F Leighton Centre
77 Leighton Road
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 38 to 116 which comprise the consolidated and Company statements of financial position as at 31 March 2013, 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 the 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 2013, 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
– MATERIAL UNCERTAINTIES RELATING TO BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

As disclosed in Note 39 to the consolidated financial statements, legal proceedings were instituted in the High Court of Hong Kong (the "HK Court") (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 "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) 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 on 25 May 2010 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. The Group has filed a statement of claim 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 Note 31 to the consolidated financial statements. The Group has also sought to set off the Redemption Amount by a portion of the claims for damages to be awarded and receivable from the Defendants in the Hong Kong Legal Proceedings ("Set-Off"). On 5 March 2013, the HK Court issued a judgment in favour of the Group based on which, the Group has been given an unconditional leave to defend to the extent of the Set-Off. On 27 February 2013, the HK Court has made an order for bankruptcy against Mr. Chung (the "Bankruptcy"). In March 2013, the Company, together with two of its subsidiaries, have filed the proof of debt to the Official Receiver in the Bankruptcy. 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.

(b) Going concern basis

At 31 March 2013, the Group and the Company had net current liabilities of approximately HK$667,672,000 and HK$187,348,000 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 following:

– Based on a court judgment dated 5 March 2013, the Company has been given an unconditional leave to defend to the extent of the Set-Off, based on which, the Company is entitled to a stay of execution of payment for the obligations under the redeemed convertible bonds of HK$760,752,000 before the conclusion of the Hong Kong Legal Proceedings;

– Subsequent to the end of the reporting period, as disclosed in Notes 41(a) and (b) to the consolidated financial statements respectively, the Group obtained a bank loan of RMB60 million (equivalent to approximately HK$74.3 million) in April 2013 and raised fund of approximately HK$264 million (net of direct expenses) by issuing 1,200 million new ordinary shares of the Company of HK$0.01 each to certain subscribers at the subscription price of HK$0.22 per share in May 2013; 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, 28 June 2013

Leung Chun Wa
Practising Certificate Number P04963

Consolidated Income Statement

For the year ended 31 March 2013

	Note	2013 HK$'000	2012 HK$'000
Continuing operations			
Revenue	7	**53,854**	59,436
Cost of sales		**(46,659)**	(54,642)
Gross profit		**7,195**	4,794
Other income	9	**1,846**	3,443
Selling and distribution costs		**(19,641)**	(14,293)
General and administrative expenses		**(82,360)**	(91,866)
Research and development expenses		**(16,821)**	(2,434)
Other operating expenses	11(a)	**(26,083)**	(16,708)
Finance costs	10	**(17,649)**	(15,152)
Write-down of inventories	11(b)	**(15,905)**	–
Amortisation of intangible assets	20	**(106,142)**	(140,084)
Impairment on intangible assets	20	**(100,564)**	(273,625)
Loss before tax	11	**(376,124)**	(545,925)
Income tax	13	**51,677**	103,427
Loss for the year from continuing operations		**(324,447)**	(442,498)
Discontinued operation	18		
Profit for the year from discontinued operation		**–**	164
Loss for the year		**(324,447)**	(442,334)
Attributable to:			
Owners of the Company	14	**(324,447)**	(442,334)
		HK cents	HK cents
Loss per share attributable to owners of the Company	16		
From continuing and discontinued operations			
– Basic and diluted		**(2.90)**	(4.12)
From continuing operations			
– Basic and diluted		**(2.90)**	(4.12)

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2013

	2013 **HK$'000**	2012 HK$'000
Loss for the year	**(324,447)**	(442,334)
Other comprehensive income for the year, net of tax		
Exchange differences on translation of foreign subsidiaries	**412**	11,565
Total comprehensive loss for the year	**(324,035)**	(430,769)
Total comprehensive loss attributable to owners of the Company arises from:		
Continuing operations	**(324,035)**	(430,933)
Discontinued operation	**–**	164
	(324,035)	(430,769)

Consolidated Statement of Financial Position

As at 31 March 2013

	Note	2013 HK$'000	2012 HK$'000
Non-current assets			
Intangible assets	*20*	**660,742**	865,418
Fixed assets	*21*	**451,790**	335,419
Deposits paid for fixed assets	*22*	**100,778**	187,498
Prepaid rentals		**10,938**	–
		1,224,248	1,388,335
Current assets			
Inventories	*24*	**121,543**	57,893
Trade and other receivables	*25*	**132,294**	110,947
Pledged bank balances	*26*	**9,592**	–
Cash and bank balances	*27*	**140,567**	216,873
		403,996	385,713
Current liabilities			
Bank loans	*28*	**(107,720)**	–
Trade and other payables	*29*	**(132,586)**	(86,325)
Deposit received for investment	*30*	**(61,915)**	–
Tax payable		**(8,695)**	(8,695)
Obligations under redeemed convertible bonds	*31*	**(760,752)**	(760,752)
		(1,071,668)	(855,772)
Net current liabilities		**(667,672)**	(470,059)
Total assets less current liabilities		**556,576**	918,276
Non-current liabilities			
Other non-current liability	*32*	**(51,707)**	(51,511)
Convertible bonds	*33*	**–**	(121,162)
Deferred tax liabilities	*34*	**(164,678)**	(216,355)
		(216,385)	(389,028)
NET ASSETS		**340,191**	529,248

As at 31 March 2013

	Note	2013 HK$'000	2012 HK$'000
CAPITAL AND RESERVES			
Equity attributable to owners of the Company			
Issued capital	*35*	**122,545**	109,917
Reserves	*36*	**217,646**	419,331
TOTAL EQUITY		**340,191**	529,248

Miao Zhenguo
Director

Jaime Che
Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2013

	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 2011	92,847	3,089,854	7,240	15,506	1,868	282,436	3,345	(2,996,407)	496,689
Loss for the year	–	–	–	–	–	–	–	(442,334)	(442,334)
Other comprehensive income for the year	–	–	11,565	–	–	–	–	–	11,565
Total comprehensive loss for the year	–	–	11,565	–	–	–	–	(442,334)	(430,769)
Shares issued pursuant to share placement *(Note 35(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 35(b))*	70	622	–	–	–	–	(269)	–	423
Equity-settled share-based payments	–	–	–	–	–	–	13,677	–	13,677
Shares issued upon conversion of convertible bonds *(Note 35(c))*	10,000	208,815	–	–	–	(128,462)	–	–	90,353
At 31 March 2012 and 1 April 2012	109,917	3,651,166	18,805	15,506	1,868	153,974	16,753	(3,438,741)	529,248
Loss for the year	–	–	–	–	–	–	–	(324,447)	(324,447)
Other comprehensive income for the year	–	–	412	–	–	–	–	–	412
Total comprehensive loss for the year	–	–	412	–	–	–	–	(324,447)	(324,035)
Shares issued upon exercise of share options *(Note 35(b))*	11	93	–	–	–	–	(35)	–	69
Equity-settled share-based payments	–	–	–	–	–	–	1,643	–	1,643
Shares issued upon conversion of convertible bonds *(Note 35(c))*	12,617	274,623	–	–	–	(153,974)	–	–	133,266
At 31 March 2013	**122,545**	**3,925,882**	**19,217**	**15,506**	**1,868**	**–**	**18,361**	**(3,763,188)**	**340,191**

Consolidated Statement of Cash Flows

For the year ended 31 March 2013

	Note	2013 HK$'000	2012 HK$'000
Operating activities			
Loss before tax (including profit from discontinued operation)		**(376,124)**	(545,761)
Adjustments for:			
Interest income	*11*	**(1,130)**	(3,298)
Finance costs	*10*	**17,649**	15,152
Loss on disposal of fixed assets	*11*	**10**	237
Depreciation and amortisation of fixed assets	*11*	**32,836**	17,764
Equity-settled share-based payments		**1,643**	13,677
Amortisation of intangible assets	*20*	**106,142**	140,084
Impairment on intangible assets	*20*	**100,564**	273,625
Write-down of inventories	*11(b)*	**15,905**	–
Foreign exchange difference		**(1,578)**	–
Gain on disposal of a subsidiary		**–**	(286)
		(104,083)	(88,806)
Changes in working capital			
Increase in prepaid rentals		**(10,938)**	–
Increase in inventories		**(79,555)**	(50,161)
Increase in trade and other receivables		**(20,943)**	(88,258)
Increase in trade and other payables		**22,634**	45,899
Net cash used in operations		**(192,885)**	(181,326)
Interest received		**1,130**	3,311
Finance costs paid		**(5,545)**	(2,046)
Net cash used in operating activities		**(197,300)**	(180,061)
Investing activities			
Payments for acquisition of intangible assets		**(2,030)**	–
Payments for acquisition of fixed assets		**(43,740)**	(213,945)
Proceeds from disposal of a subsidiary, net of cash and cash equivalents disposed of	*18(c)*	**–**	655
Increase in deposits paid for fixed assets		**(2,947)**	(165,492)
Government grants received		**–**	51,511
Increase in pledged bank balances		**(9,592)**	–
Net cash used in investing activities		**(58,309)**	(327,271)

Consolidated Statement of Cash Flows

For the year ended 31 March 2013

	Note	2013 HK$'000	2012 HK$'000
Financing activities			
Net proceeds from issuance of new shares		–	358,875
Proceeds from shares issued upon exercise of share options		**69**	423
Proceeds from bank loans		**107,720**	–
Repayment of bank loan		–	(35,562)
Increase in deposit received for investment		**61,915**	–
Increase in bills payables		**9,287**	–
Net cash generated from financing activities		**178,991**	323,736
Net decrease in cash and cash equivalents		**(76,618)**	(183,596)
Effect on foreign exchange rate changes		**312**	3,723
Cash and cash equivalents at beginning of the year		**216,873**	396,746
Cash and cash equivalents at end of the year		**140,567**	216,873
Analysis of cash and cash equivalents:			
Cash and bank balances	*27*	**140,567**	216,873

Statement of Financial Position

As at 31 March 2013

	Note	2013 HK$'000	2012 HK$'000
Non-current assets			
Interests in subsidiaries	23	**519,540**	640,706
Current assets			
Amounts due from subsidiaries	23	**545,499**	653,731
Trade and other receivables	25	**1,179**	1,291
Cash and bank balances	27	**30,372**	122,308
		577,050	777,330
Current liabilities			
Trade and other payables	29	**(3,646)**	(5,746)
Amount due to a subsidiary	23(c)	**–**	(29,767)
Obligations under redeemed convertible bonds	31	**(760,752)**	(760,752)
		(764,398)	(796,265)
Net current liabilities		**(187,348)**	(18,935)
Total assets less current liabilities		**332,192**	621,771
Non-current liabilities			
Convertible bonds	33	**–**	(121,162)
NET ASSETS		**332,192**	500,609
CAPITAL AND RESERVES			
Issued capital	35	**122,545**	109,917
Reserves	36	**209,647**	390,692
TOTAL EQUITY		**332,192**	500,609

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 ended 31 March 2012, 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 ("HKFRS"), 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:

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

The adoption of the above new and revised HKFRSs has had no material impact on the accounting policies of the Group and the methods of recognition and measurement in the Group's financial statements.

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[1]
HKAS 19 (2011)	Employee Benefits[2]
HKAS 27 (2011)	Separate Financial Statements[2]
HKAS 28 (2011)	Investments in Associates and Joint Ventures[2]
HKAS 32 (Amendment)	Offsetting Financial Assets and Financial Liabilities[3]
HKAS 36 (Amendment)	Recoverable Amount Disclosures for Non-Financial Assets[3]
HKFRS 1 (Amendment)	Government Loans[2]
HKFRS 7 (Amendment)	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
HKFRS 9 and HKFRS 7 (Amendment)	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[4]
HKFRS 9	Financial Instruments[4]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
HK(IFRIC) – Int 21	Levies[3]
Annual Improvements Project	Annual Improvements 2009-2011 Cycle[2]

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

[1] Effective for annual periods beginning on or after 1 July 2012
[2] Effective for annual periods beginning on or after 1 January 2013
[3] Effective for annual periods beginning on or after 1 January 2014
[4] 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 all applicable individual HKFRS, HKASs and Interpretations issued by the HKICPA (collectively "HKFRSs"), 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.

The consolidated financial statements for the year ended 31 March 2013 comprise the Company and its subsidiaries.

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

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

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

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

3. BASIS OF PREPARATION *(Continued)*

In preparing these financial statements, the board of directors (the "Board") has considered the future liquidity of the Group. As at 31 March 2013, the Group and the Company had net current liabilities of approximately HK$667,672,000 and HK$187,348,000 respectively, which included obligations under redeemed convertible bonds of approximately HK$760,752,000 as set out in the consolidated and Company statements of financial position. 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 the followings:

(1) Based on a court judgment dated 5 March 2013, the Company has been given an unconditional leave to defend to the extent of the Set-Off (as defined in Note 31) and, based on which the Company is entitled to a stay of execution of payment for the obligations under the redeemed convertible bonds of approximately HK$760,752,000 before the conclusion of the relevant legal proceedings;

(2) Subsequent to the end of the reporting period, as disclosed in Notes 41(a) and (b) respectively, the Group obtained an additional bank loan of RMB60 million (equivalent to approximately HK$74.3 million) in April 2013 and raised fund of approximately HK$264 million (net of direct expenses) by issuing 1,200 million new ordinary shares of the Company to certain subscribers at the subscription price of HK$0.22 per share in May 2013; and

(3) 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 financial statements.

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 the Group's projected cash flows, current financial resources and capital expenditure requirements. Accordingly, the Board is of the view that it is appropriate to prepare these 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 make provision 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 these financial statements.

4. PRINCIPAL ACCOUNTING POLICIES

(a) Subsidiaries

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

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

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

(b) 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 the 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 fair values, except that:

- a 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 carry forwards of an acquiree that exist at the acquisition-date or arise as a result of the acquisition are recognised and measured in accordance with HKAS 12 Income Taxes;

- 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.

When the consideration that the Group transferred 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 included 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 against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period (which cannot exceed one year from the acquisition date) 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.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(b) Business combinations *(Continued)*

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.

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 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. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and account for as fixed assets.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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

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

- Buildings held for own use situated on leasehold land under operating lease 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%
Electric vehicles	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, leasehold improvement and plant and equipment in the course of construction for production and 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. 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.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(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 each financial year end.

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.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(e) Goodwill *(Continued)*

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. 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 goodwill is included in the calculation of the profit or loss on disposal.

(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;

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(g) Impairment of assets *(Continued)*

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

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

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

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

— For 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.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors and other receivables 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 and other receivables 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.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(g) Impairment of assets *(Continued)*

(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; and

— deposits paid for fixed assets.

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

— Recognition of impairment losses

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

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(g) Impairment of assets *(Continued)*

(ii) Impairment of other assets (Continued)

— 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.

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

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

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(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.

(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.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(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 classified as held for sale, or is included in a disposal group that is classified as held for sale, the non-current asset is not depreciated or amortised.

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.

(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.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(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 that are 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 are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(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.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(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.

(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.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(v) Related parties *(Continued)*

(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.

(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.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(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 rate 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. Transaction costs relating to the embedded derivative are charged directly to the income statement. Transaction costs relating to the equity component are charged directly to equity.

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.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(z) Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

(aa) Warranties

Provisions for the expected cost of warranty obligations under the relevant sale of goods legislation are recognised at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Group's obligation.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group has made certain key assumptions concerning the future, and other key sources of estimation 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 technological changes. The depreciation and amortisation expense for future periods is adjusted if there are significant changes from previous estimates.

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

(b) Impairment of fixed assets

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

(c) Impairment of interests in subsidiaries

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

(d) Impairment of receivables

The management evaluates whether there is any objective evidence that trade and other receivables are impaired and determines the amount of impairment loss as a result of the inability of the debtors to make required payments. The management's estimation is on the ageing of the trade and other receivables balances, credit-worthiness, and historical write-off experience. If the financial condition of the debtors were to deteriorate, actual write-offs would be higher than estimated.

(e) Useful lives and amortisation of intangible assets

The exclusive using rights of licensed patents and the licensed patents are amortised on a straight-line basis over the estimated useful life of 10 years. The weighted average remaining useful life of intangible assets were 7.15 years (2012: 8.15 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 judgement 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.

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

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

Determining whether intangible assets of the exclusive using rights of the licensed patents are impaired requires an estimation of the value-in-use of the cash-generating units to which intangible assets has been allocated. The value-in-use calculation requires the Group to estimate the future cash flows and profit forecast expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. As the industry of the Lithium-ion batteries is new and currently at its early stage of development, the cash flow and profit forecast projections involve significant judgements and estimates on the accuracy of the assumptions for the projections and estimates of, including but not limited to, the future growth rates, the extent of the future market competition, market demand and market share, and sales and cost structures of the Lithium-ion batteries that the Group will achieve during the forecasting period. Where the actual future cash flows are less than expected, a material impairment loss may arise. The management performed an impairment assessment on intangible assets and an impairment loss of HK$100,564,000 (2012: HK$ 273,625,000) was recognised in the consolidated income statement for the year ended 31 March 2013.

(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 in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The management estimates the net realisable value for inventories based primarily on the latest invoice prices, current market conditions, historical experience on selling similar inventories and physical conditions of the inventories. It could change significantly as a result of changes in 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) Warranty obligation

The costs of the warranty obligation provided during the year ended 31 March 2013 amounted to HK$953,000 (2012: nil) are based on the estimated costs of fulfilling the total obligation are accrued at the time the related sales are recognised. The costs are estimated by the management based on past experience. The assumptions used to estimate the warranty provision are reviewed periodically in light of actual results. When a material defect is subsequently tested and identified, further warranty provision may arise.

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

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

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade and other receivables (excluding deposits and prepayments and value added tax receivables)	**50,193**	46,829	**2**	26
Amounts due from subsidiaries	**–**	–	**545,499**	653,731
Pledged bank balances	**9,592**	–	**–**	–
Cash and bank balances	**140,567**	216,873	**30,372**	122,308
Loans and receivables (including cash and cash equivalents)	**200,352**	263,702	**575,873**	776,065

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

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Bank loans	**107,720**	–	**–**	–
Trade and other payables (excluding receipts in advance and warranty provision)	**116,730**	79,316	**3,646**	5,746
Deposit received for investment	**61,915**	–	**–**	–
Amount due to a subsidiary	**–**	–	**–**	29,767
Obligations under redeemed convertible bonds	**760,752**	760,752	**760,752**	760,752
Other non-current liability	**51,707**	51,511	**–**	–
Convertible bonds	**–**	121,162	**–**	121,162
Financial liabilities at amortised cost	**1,098,824**	1,012,741	**764,398**	917,427

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 Group's and the Company's credit risk are primarily attributable to bank deposits, trade and other receivables and amounts due from subsidiaries. The management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

The Group's and the Company's bank balances are deposited with creditworthy banks with high credit ratings and the Group and the Company have limited exposure to any single financial institution.

In respect of trade and other 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 generally 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 98.27% (2012: 100%) of the total trade receivables due from the Group's five largest debtors as at 31 March 2013.

In respect of amounts due from subsidiaries, the Company reviews the recoverable amounts of individual debts at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management considers that the Company's credit risk is significantly reduced.

Except for the financial guarantee given by the Company as set out in Note 30, the Group and the Company do not provide any other guarantees which would expose the Group or the Company to credit risk. The maximum exposure to credit risk in respect of this financial guarantee at the end of the reporting period is disclosed in Note 30.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in Note 25.

(ii) Liquidity risk

At 31 March 2013, the Group and the Company have net current liabilities of approximately HK$667,672,000 (2012: HK$470,059,000) and HK$187,348,000 (2012: HK$18,935,000) respectively, which included obligations under redeemed convertible bonds of approximately HK$760,752,000 (the "Redemption Amount"). 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. Based on a court judgment dated 5 March 2013, the Group has been given an unconditional leave to defend to the extent of the Set-Off (as defined in Note 31) and, based on which the Group is entitled to a stay of execution of payment for the Redemption Amount before the conclusion of the relevant legal proceedings.

6. FINANCIAL INSTRUMENTS *(Continued)*

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

(ii) Liquidity risk (Continued)

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

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

Group

	2013				
	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 loans *(Note (a))*	**107,720**	**–**	**–**	**107,720**	**107,720**
Trade and other payables (excluding receipts in advance and warranty provision)	**116,730**	**–**	**–**	**116,730**	**116,730**
Deposit received for investment	**61,915**	**–**	**–**	**61,915**	**61,915**
Obligations under redeemed convertible bonds *(Note (b))*	**760,752**	**–**	**–**	**760,752**	**760,752**
Other non-current liability	**–**	**51,707**	**–**	**51,707**	**51,707**
	1,047,117	**51,707**	**–**	**1,098,824**	**1,098,824**

	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 (excluding receipts in advance)	79,316	–	–	79,316	79,316
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
	840,068	51,511	239,719	1,131,298	1,012,741

Notes:

(a) Bank loans with a repayment on demand clause are included in the "within one year or on demand" time band. The directors believe that such bank loans will be repaid in accordance with the scheduled repayment date within one year as set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will be amounted to HK$110,124,000.

(b) Based on a court judgment dated 5 March 2013, the Group has been given an unconditional leave to defend to the extent of the Set-Off (as defined in Note 31) and based on which, the Group is entitled to a stay of execution of payment for the obligations under redeemed convertible bonds before the conclusion of relevant legal proceedings.

6. FINANCIAL INSTRUMENTS *(Continued)*

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

(ii) Liquidity risk (Continued)

Company

	2013 **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	**3,646**	**–**	**3,646**	**3,646**
Obligations under redeemed convertible bonds *(Note)*	**760,752**	**–**	**760,752**	**760,752**
	764,398	**–**	**764,398**	**764,398**
Financial guarantee issued: Maximum amount guaranteed	**61,915**	**–**	**61,915**	**–**

	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
Financial guarantee issued: Maximum amount guaranteed	–	–	–	–

Note: Based on a court judgment dated 5 March 2013, the Company has been given an unconditional leave to defend to the extent of the Set-Off (as defined in Note 31) and based on which, the Company is entitled to a stay of execution of payment for the obligations under redeemed convertible bonds before the conclusion of relevant legal proceedings.

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 loans, bank deposits and amounts due from subsidiaries.

Group

	2013		2012	
	Effective interest rate	HK$'000	Effective interest rate	HK$'000
Variable rate bank balances	**0.01% to 0.39%**	**62,983**	0.01% to 0.50%	86,266
Fixed rate bank balances	**0.16% to 3.08%**	**78,346**	0.06% to 0.70%	122,636
Fixed rate bank loans	**7.80% to 8.20%**	**107,720**	–	–

Company

	2013		2012	
	Effective interest rate	HK$'000	Effective interest rate	HK$'000
Variable rate bank balances	**0.01%**	**4**	0.01% to 0.36%	282
Fixed rate bank balances	**0.16% to 0.65%**	**26,292**	0.06% to 0.70%	119,936
Fixed rate amounts due from subsidiaries	**–**	**–**	2% to 4%	362,991

Sensitivity analysis

The fixed rate bank loans, 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 2013, 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$630,000 (2012: HK$863,000) and HK$nil (2012: HK$3,000) respectively. Other components of equity would not be affected by the changes in interest rates for both years.

6. FINANCIAL INSTRUMENTS *(Continued)*

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

(iii) Interest rate risk (Continued)

Sensitivity analysis *(Continued)*

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 2012.

(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.

Group

	2013		2012	
	Assets HK$'000	**Liabilities HK$'000**	Assets HK$'000	Liabilities HK$'000
Cash and bank balances	**11,529**	**–**	6,209	–
Trade and other receivables	**321**	**–**	–	–
Other payables	**–**	**(4,667)**	–	(749)
US dollars	**11,850**	**(4,667)**	6,209	(749)

Company

	2013		2012	
	Assets HK$'000	**Liabilities HK$'000**	Assets HK$'000	Liabilities HK$'000
Cash and bank balances	**5,788**	**–**	2,465	–
US dollars	**5,788**	**–**	2,465	–

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.

6. FINANCIAL INSTRUMENTS *(Continued)*

(c) Estimation of fair values

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

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 from continuing operations, which is also the Group's turnover, represents the aggregate of gross proceeds from sales of Lithium-ion batteries and related products, and income from treasury investment which includes interest income on bank deposits. The securities brokerage business has been classified as discontinued operation during the year ended 31 March 2012.

	2013 **HK$'000**	2012 HK$'000
Sales of Lithium-ion batteries and related products	**53,175**	57,166
Bank interest income from treasury investment in cash markets	**679**	2,270
Revenue from continuing operations	**53,854**	59,436
Securities brokerage service income from discontinued operation	**–**	32
Total	**53,854**	59,468

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 of the Group, for the purposes of resource allocation and performance assessment.

The Board considers that the Group's business structure is organised into business units based on their products and services. The Group is principally engaged in the research and development, production, distribution and sales of Lithium-ion batteries and related products (the "Lithium-ion battery business") and treasury investment.

As almost all of Group's business operations related to the Lithium-ion battery business, which constituted over 90% of Group's revenue, results, assets and liabilities for the year ended 31 March 2013, the Board makes decisions about resource allocation and performance assessment based on the entity-wide financial information, and no business segment analysis is presented accordingly.

No financial information of treasury investment and securities brokerage business for the year ended 31 March 2012 is presented as the Board considers the segment data of treasury investment and securities brokerage business for the year ended 31 March 2012 is insignificant to the Group.

Geographical information

(a) Revenue from external customers

	2013 HK$'000	2012 HK$'000
European countries	**20,965**	10,327
The People's Republic of China (the "PRC") (place of domicile)	**14,801**	41,403
The United States of America	**4,967**	977
Australia	**5,287**	3,413
Hong Kong	**2,246**	2,366
Others	**5,588**	982
	53,854	59,468

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

(b) Non-current assets

	2013 HK$'000	2012 HK$'000
The PRC	**1,222,206**	1,384,445
Hong Kong	**2,042**	3,890
	1,224,248	1,388,335

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

8. SEGMENT REPORTING *(Continued)*

Information about major customers

Revenue(s) from customer(s) contributing 10% or more of the total revenue of the Group is/are as follows:

	2013 **HK$'000**	2012 HK$'000
Customer A – revenue from sales of battery products (the PRC)	**N/A**	36,541
Customer B – revenue from sales of battery products (European countries)	**6,682**	6,662

9. OTHER INCOME

	2013 **HK$'000**	2012 HK$'000
Interest income	**451**	1,028
Grants *(Note)*	**554**	983
Others	**841**	1,432
	1,846	3,443

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

10. FINANCE COSTS

	2013 **HK$'000**	2012 HK$'000
Imputed interest on convertible bonds *(Note 33)*	**12,104**	13,106
Interest on bank loans wholly repayable within five years	**5,545**	2,046
Total interest expenses on financial liabilities not at fair value through profit or loss	**17,649**	15,152

11. LOSS BEFORE TAX

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

	2013 **HK$'000**	2012 HK$'000
Continuing operations		
Interest income	**(1,130)**	(3,298)
Auditor's remuneration	**1,430**	1,440
Cost of inventories recognised as expenses		
– included in cost of sales	**46,659**	54,642
– included in research and development expenses	**11,498**	–
– included in selling and distribution costs	**2,249**	–
– included in write-down of inventories	**15,905**	–
Amortisation of intangible assets	**106,142**	140,084
Impairment on intangible assets	**100,564**	273,625
Depreciation and amortisation of fixed assets	**32,836**	17,764
Exchange (gain)/loss, net	**(221)**	1,566
Loss on disposal of fixed assets	**10**	237
Minimum lease payments under operating leases	**7,151**	5,957
Staff costs (including directors' emoluments)		
– salaries and allowances	**61,804**	42,875
– equity-settled share-based payments	**1,643**	13,677
– contributions to retirement benefits schemes	**7,241**	3,463
Discontinued operation		
Gain on disposal of a subsidiary	**–**	(286)
Minimum lease payments under operating leases	**–**	44
Staff costs (including directors' emoluments)		
– salaries and allowances	**–**	35
– contributions to retirement benefits schemes	**–**	2

Notes:

(a) During the period under review, the other operating expenses of HK$26,083,000 represent production and output costs incurred in trial run stage of the Group's battery production base in Tianjin, the PRC. The other operating expenses of HK$16,708,000 for the year ended 31 March 2012 represent production and output costs incurred in trial run stage of the Group's battery production base in Jilin, the PRC.

(b) The write-down of inventories amounted to HK$15,905,000 was provided for those slow-moving inventories which were less technical advanced and less marketable than the Group's current products.

12. RETIREMENT BENEFIT SCHEMES

The Group's Hong Kong subsidiaries operate defined contribution retirement benefit schemes under the Hong Kong Mandatory Provident Fund Schemes Ordinance ("Ordinance"). The Ordinance requires each employer and its employees to contribute 5% of the employees' monthly gross earnings with a ceiling of HK$1,250 (HK$1,000 per month prior to June 2012)(2012: 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 Group's PRC subsidiaries are members of the retirement schemes operated by the PRC 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 2013 amounted to HK$7,241,000 (2012: HK$3,465,000).

13. INCOME TAX

	2013 **HK$'000**	2012 HK$'000
The PRC tax:		
Charge for the year	**–**	–
Deferred *(Note 34)*	**(51,677)**	(103,427)
Total credit for the year (attributable to continuing operations)	**(51,677)**	(103,427)

No provision for the Hong Kong profits tax and the PRC income tax has been made as the Group sustained losses for taxation purposes in Hong Kong and the PRC for the years ended 31 March 2013 and 2012. The reversal of deferred tax of HK$51,677,000 (2012: HK$103,427,000) that has been credited to the consolidated income statement arose as a result of the tax effect from the 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:

	2013 **HK$'000**	2012 HK$'000
Profit/(loss) before tax		
Continuing operations	**(376,124)**	(545,925)
Discontinued operation	**–**	164
	(376,124)	(545,761)
Notional tax on loss before tax, calculated at the rates applicable to the tax jurisdiction concerned	**(88,389)**	(124,673)
Tax effect of non-deductible expenses	**15,665**	9,421
Tax effect of non-taxable income	**(165)**	(2,579)
Tax effect of unrecognised temporary differences	**248**	418
Tax losses not recognised	**20,964**	13,986
Tax credit for the year	**(51,677)**	(103,427)

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$303,395,000 (2012: HK$422,242,000) 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 (2012: 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$324,447,000 (2012: HK$442,334,000) and (ii) the weighted average number of 11,175,462,000 (2012: 10,733,728,000) ordinary shares in issue during the year.

	2013 Weighted average number of ordinary shares '000	2012 Weighted average number of ordinary shares '000
Issued ordinary shares at the beginning of the reporting period	**10,991,707**	9,284,782
Effect of issue on shares pursuant to share placement *(Note 35(a))*	**–**	451,366
Effect of issue on shares upon exercise of share options *(Note 35(b))*	**1,076**	5,777
Effect of issue on shares upon conversion of convertible bonds *(Note 35(c))*	**182,679**	991,803
Weighted average number of ordinary shares at the end of the reporting period	**11,175,462**	10,733,728

From continuing operations

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

	2013 HK$'000	2012 HK$'000
Loss for the year attributable to owners of the Company		
Loss for the year	**324,447**	442,334
Add: Profit for the year from discontinued operation *(Note 18(a))*	**–**	164
Loss for the year from continuing operations	**324,447**	442,498

16. LOSS PER SHARE *(Continued)*

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

From discontinued operation

Basic profit per share from discontinued operation for the year ended 31 March 2012 was HK cents nil which was calculated based on the profit for the year attributable to owners of the Company from discontinued operation of HK$164,000.

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

(b) Diluted loss per share

The calculation of diluted loss per share does not assume the exercise of the Company's outstanding share options or conversion of outstanding convertible bonds which had anti-dilutive effect and would result in a reduction in loss per share for the years ended 31 March 2013 and 2012. 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 2013 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	2013 Total HK$'000
Executive Directors					
Mr. Miao Zhenguo					
(Chief Executive Officer)	–	1,370	31	14	1,415
Mr. Lo Wing Yat	320	–	62	–	382
Mr. Jaime Che	–	1,057	62	14	1,133
Mr. Xu Donghui	–	1,096	62	14	1,172
Non-executive Directors					
Professor Chen Guohua	320	–	–	–	320
Independent non-executive Directors					
Mr. Chan Yuk Tong	320	–	31	–	351
Mr. Fei Tai Hung	320	–	31	–	351
Mr. Tse Kam Fow	320	–	31	–	351
	1,600	3,523	310	42	5,475

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

(a) Directors' emoluments *(Continued)*

The emoluments of 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 *(Chief Executive Officer)*	–	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

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 re-designated from an executive Director to a non-executive Director with effect from 8 March 2011 and 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:

	2013 **HK$'000**	2012 HK$'000
Fees		
Executive Directors	**320**	320
Non-executive Directors	**320**	39
Independent non-executive Directors	**960**	960
	1,600	1,319
Other emoluments for Directors		
Basic salaries, allowances and benefits in kind	**3,523**	3,571
Equity-settled share-based payments	**310**	5,061
Retirement benefit schemes contributions	**42**	36
	3,875	8,668
	5,475	9,987

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 2013 and 2012.

No Directors has waived or agreed to waive any remuneration during the years ended 31 March 2013 and 2012.

(b) Five highest paid individuals

The five highest paid individuals of the Group include three (2012: four) Directors, details of whose emoluments are set out in Note 17(a) to the financial statements. Details of the emoluments of the remaining two (2012: one) individuals for the year are as follows:

	2013 **HK$'000**	2012 HK$'000
Basic salaries, allowances and benefits in kind	**2,141**	1,225
Equity-settled share-based payments	**345**	606
Retirement benefit schemes contributions	**14**	–
	2,500	1,831

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

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

The emoluments of the two (2012: one) individual with the highest emoluments fell within the following bands:

	Number of Employees	
Emoluments bands	**2013**	2012
HK$1,000,001 – HK$1,500,000	**2**	–
HK$1,500,001 – HK$2,000,000	–	1

18. DISCONTINUED OPERATION – 2012

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 ended 31 March 2012. The securities brokerage business segment which was solely carried out by Infast was classified as discontinued operation during the year ended 31 March 2012.

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

	2012 HK$'000
Revenue	32
General and administrative expenses	(154)
	(122)
Gain on disposal of a subsidiary	286
Profit before and after tax from discontinued operation attributable to owners of the Company	164

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

	2012 HK$'000
Net cash outflow from operating activities	(66)
Net cash inflow from investing activities	655
Total cash and cash equivalents inflows	589

18. DISCONTINUED OPERATION – 2012 *(Continued)*

(c) Notes to consolidated statement of cash flows – Disposal of a subsidiary

	2012 HK$'000
Net assets disposed of:	
Fixed assets	209
Other operating assets	205
Trade and other receivable	1,108
Cash and bank balances	8,112
Trade and other payables	(1,153)
	8,481
Gain on disposal of a subsidiary	286
	8,767
Satisfied by:	
Cash consideration received	8,776
Less: Legal costs	(9)
	8,767
Net cash inflow arising on disposal:	
Net cash consideration received	8,767
Cash and bank balances disposed of	(8,112)
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	655

19. GOODWILL

Group

	HK$'000
Cost	
At 1 April 2011, 31 March 2012, 1 April 2012 and 31 March 2013	**904,240**
Impairment	
At 1 April 2011, 31 March 2012, 1 April 2012 and 31 March 2013	**904,240**
Carrying amount	
At 31 March 2013	–
At 31 March 2012	–

Goodwill was allocated to the Group's Lithium-ion batteries operating segment.

20. INTANGIBLE ASSETS

Group

	HK$'000
Cost	
At 1 April 2011, 31 March 2012 and 1 April 2012	3,640,000
Additions: through acquisition	1,981
Additions: from internal developments	49
At 31 March 2013 *(Note(a))*	**3,642,030**
Accumulated amortisation and impairment losses	
At 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(b))*	273,625
At 31 March 2012 and 1 April 2012	2,774,582
Charge for the year ended 31 March 2013	106,142
Impairment for the year ended 31 March 2013 *(Note(b))*	100,564
At 31 March 2013	**2,981,288**
Carrying amount	
At 31 March 2013	**660,742**
At 31 March 2012	865,418

Notes:

(a) Intangible assets of previous financial years represent the exclusive using rights of the certain licensed patents granted to the Group through the acquisition of Union Grace Holdings Limited. The additions of the intangible assets represent patents generated through internal research and developments and other licensed patents acquired by the Group during this financial year.

(b) As at 31 March 2013 and 2012, the recoverable amount of the intangible assets 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$100,564,000 (2012: HK$273,625,000) should be recognised in the Group's consolidated income statement for the year ended 31 March 2013. 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. The pre-tax discount rate applied to the cash flow projections is 25.57% (2012: 24.74%) per annum. The Board was of the opinion that the decrease in the recoverable amount of the intangible assets and the impairment loss of HK$100,564,000 was mainly attributable to the longer than expected time in (i) the trial run stage of the Tianjin production site; (ii) adopting new raw materials; and (iii) introducing new patents, technique and know-how into production process, which in turn delay production and generated lesser economic benefits to the Group. (2012: impairment loss of HK$273,625,000 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.)

21. 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$'000	Electric vehicles HK$'000	Sub-total HK$'000	Construction in progress HK$'000	Total HK$'000
Cost											
At 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 and 1 April 2012	28,595	41,942	79,731	2,768	141,855	9,455	9,005	–	313,351	45,200	358,551
Additions	–	1,453	–	–	102,668	4,950	422	4,633	114,126	34,037	148,163
Exchange adjustments	109	160	304	–	540	26	20	–	1,159	173	1,332
Transfers	–	42,771	14,824	5,446	3,168	2,921	–	–	69,130	(69,130)	–
Disposals	–	–	–	–	(10)	(3)	–	–	(13)	–	(13)
At 31 March 2013	**28,704**	**86,326**	**94,859**	**8,214**	**248,221**	**17,349**	**9,447**	**4,633**	**497,753**	**10,280**	**508,033**
Accumulated depreciation and amortisation and impairment losses											
At 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 and 1 April 2012	732	–	2,893	1,381	12,056	2,431	3,639	–	23,132	–	23,132
Charge for the year	639	2,166	3,663	923	20,726	2,700	1,919	100	32,836	–	32,836
Exchange adjustments	7	15	36	–	187	19	14	–	278	–	278
Disposals	–	–	–	–	(2)	(1)	–	–	(3)	–	(3)
At 31 March 2013	**1,378**	**2,181**	**6,592**	**2,304**	**32,967**	**5,149**	**5,572**	**100**	**56,243**	**-**	**56,243**
Carrying amount											
At 31 March 2013	**27,326**	**84,145**	**88,267**	**5,910**	**215,254**	**12,200**	**3,875**	**4,533**	**441,510**	**10,280**	**451,790**
At 31 March 2012	27,863	41,942	76,838	1,387	129,799	7,024	5,366	–	290,219	45,200	335,419

Notes:

(a) All of the Group's land and buildings are held in the PRC under medium-term leases as at 31 March 2013 and 2012.

(b) The construction in progress primarily relates to facilities of the subsidiaries in the PRC.

(c) As at 31 March 2013, certain land and buildings of the Group with a total carrying amount of HK$190,663,000 (2012: nil) were pledged as securities for the Group's bank loans (Note 28).

22. DEPOSITS PAID FOR FIXED ASSETS

The Group acquired a land in the PRC from the local government and paid the full consideration and related direct costs of totally HK$97,933,000 (2012: HK$96,838,000). The land which was partly subsidised by the government grant (Note 32) is not transferrable in the next ten years after acquisition. The Group was still in the process of obtaining relevant titles on land during the year ended 31 March 2013 and 2012.

Save as disclosed above, the Group had deposit of HK$2,845,000 (2012: HK$90,660,000) for the purchase of machineries and equipment as at 31 March 2013.

23. INTERESTS IN SUBSIDIARIES

Company

	2013 **HK$'000**	2012 HK$'000
Unlisted shares, at cost	**11**	11
Amounts due from subsidiaries *(Note (b))*	**4,501,585**	4,465,373
	4,501,596	4,465,384
Less: Allowance for impairment losses *(Note (a))*	**(3,436,557)**	(3,170,947)
	1,065,039	1,294,437
Less: Amounts due from subsidiaries under current assets *(Note (b))*	**(545,499)**	(653,731)
Interests in subsidiaries	**519,540**	640,706

Notes:

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

	2013 **HK$'000**	2012 HK$'000
Balance at beginning of the year	**3,170,947**	2,788,990
Add: Impairment losses during the year	**265,610**	381,957
Balance at end of the year	**3,436,557**	3,170,947

Impairment losses were recognised during the years ended 31 March 2013 and 2012 after taking into consideration of the financial position and loss making situations of those subsidiaries.

(b) The amounts due from subsidiaries are unsecured. In the opinion of the Board, except for amounts due from subsidiaries of HK$545,499,000 (2012: HK$653,731,000) which are repayable on demand, the remaining balances which will not be demanded for repayment, are considered as quasi-equity investment in subsidiaries.

The amounts due from subsidiaries as at 31 March 2013 are interest-free. As at 31 March 2012, except for the amounts due from subsidiaries under current assets of HK$362,991,000 were charged with interest at the rate of 2% to 4%, the remaining balance of HK$931,435,000 was interest-free.

(c) The amount due to a subsidiary as at 31 March 2012 was unsecured, interest-free and repayable on demand.

23. INTERESTS IN SUBSIDIARIES *(Continued)*

(d) Particulars of the principal subsidiaries as at 31 March 2013 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
Glory Era Limited	Hong Kong	10,000 ordinary shares of HK$1 each	100%	—	Human resources, administrative management and consultancy services
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	Hong Kong	1 ordinary share of HK$1	—	100%	Distribution and sale of battery products
Sinopoly Battery Research Center Limited	Hong Kong	1 ordinary share of HK$1	—	100%	Research and development
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
Tianjin Sinopoly New Energy Technology Co., Ltd. *(Note 1)*	PRC	Registered capital of HK$130,000,000*	—	100%	Manufacture 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 *(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
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
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

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.

24. INVENTORIES

Group

	2013 HK$'000	2012 HK$'000
Raw materials	**16,388**	16,929
Work in progress	**8,760**	9,581
Finished goods	**96,395**	31,383
	121,543	57,893

25. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Trade receivables *(Notes (a) and (b))*	**44,876**	44,882	**–**	–
Bills receivables	**858**	–	**–**	–
Other receivables *(Note (c))*	**28,785**	28,785	**–**	–
Less: Allowance for doubtful debts	**(28,785)**	(28,785)	**–**	–
	45,734	44,882	**–**	–
Deposits and prepayments	**26,362**	23,571	**1,177**	1,265
Other receivables	**4,459**	1,947	**2**	26
Value added tax receivables	**55,739**	40,547	**–**	–
	132,294	110,947	**1,179**	1,291

Notes:

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

Group

	2013 HK$'000	2012 HK$'000
Within 1 month	**316**	42,829
Between 1 and 3 months	**73**	1,844
Over 3 months	**44,487**	209
	44,876	44,882

Trading terms with customers are either on a cash basis or on credit. For those customers who trade on credit, a credit period generally ranging from 30 days to 90 days is allowed. Credit limits are set for those 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.

25. 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

	2013 HK$'000	2012 HK$'000
Neither past due nor impaired	**356**	42,697
Less than 1 month past due	**160**	1,976
Between 1 and 3 months past due	**413**	–
More than 3 months past due	**43,947**	209
Past due but not impaired	**44,520**	2,185
	44,876	44,882

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, the 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 2013 and 2012, the Group does not hold any collateral over these balances.

(c) The other receivables of HK$28,785,000 was due from the Chung Parties (as defined in Note 31), in respect of the trade sales amount receipts due to the Group as reduced by the amount of purchases payable to the Chung Parties. However, the Chung Parties have failed and refused to remit such amount to the Group. Impairment losses in respect of the other receivables 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 the other receivables directly.

(d) All of the trade and other receivables (net of allowance for doubtful debts) are expected to be recovered or recognised as expense within one year.

26. PLEDGED BANK BALANCES

As at 31 March 2013, the pledged bank balances of HK$9,592,000 (2012: nil) was pledged as security for a sale contract and the issuance of bills payables (Note 29) by the Group.

27. CASH AND BANK BALANCES

	Group		**Company**	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Cash at bank and in hand	**71,508**	94,237	**4,080**	2,372
Short-term bank deposits	**69,059**	122,636	**26,292**	119,936
Cash and cash equivalents in the consolidated statement of cash flows	**140,567**	216,873	**30,372**	122,308

28. BANK LOANS

Group

	2013 HK$'000	2012 HK$'000
Secured bank loans repayable within one year	**107,720**	–

The bank loans were secured by certain land and buildings of the Group (Note 21(c)).

29. TRADE AND OTHER PAYABLES

	Group		Company	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Trade payables *(Note)*	**19,178**	12,712	**–**	–
Bills payables	**9,287**	–	**–**	–
Receipts in advance	**14,903**	7,009	**–**	–
Other payables and accruals	**88,265**	66,604	**3,646**	5,746
Warranty provision	**953**	–	**–**	–
	132,586	86,325	**3,646**	5,746

Note:

An ageing analysis of trade payables is as follows:

Group

	2013 HK$'000	2012 HK$'000
Within 1 month	**4,214**	4,520
Between 1 and 3 months	**1,864**	4,282
Over 3 months	**13,100**	3,910
	19,178	12,712

The carrying amounts of trade and other payables approximate their fair values. As at 31 March 2013, bills payables of HK$9,287,000 was secured by the equivalent amount of bank deposits (Note 26).

30. DEPOSIT RECEIVED FOR INVESTMENT

On 20 March 2013, the Group entered into an investment agreement (the "Investment Agreement") with an institution (which has a common director with the Company) and its subsidiary (collectively, the "Investors"). The Investors intend to subscribe, or through any of its subsidiaries to subscribe, for equity interests in one or more of the Group's subsidiaries that are engaged or will be engaged in the electric vehicle leasing business, subject to its due diligence and the terms and conditions to be agreed. During the year ended 31 March 2013, an earnest money of HK$61,915,000 (the "Deposit") was paid by the Investors to the Group for the purpose of securing this investment. The Investment Agreement is valid for six months from 20 March 2013. During the year, the Company has given a guarantee to the Investors to secure the due and punctual performance of its subsidiaries under the Investment Agreement. As at 31 March 2013, the maximum exposure of the Company under the guarantee represents the Deposit received of HK$61,915,000 (2012: nil). The fair value of the guarantee was not recognised as it was insignificant and that the directors of the Company considered it is unlikely that a claim would be made against the Company under the guarantee.

31. OBLIGATIONS UNDER REDEEMED CONVERTIBLE BONDS

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

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

On 27 February 2013, the HK Court has made an order for bankruptcy against Mr. Chung (the "Bankruptcy"). Subsequently in March 2013, the Company, together with two of its subsidiaries, has filed the proof of debt to the Official Receiver in the Bankruptcy. The Company and two of its subsidiaries have been accepted by the Official Receiver as creditors of Mr. Chung. Based on the Bankruptcy Ordinance of Hong Kong, once a person has been declared bankrupt, all his assets and liabilities/potential liabilities (including the Litigations) as well as all his interests in companies owned and/or controlled by him should be passed over to the Official Receiver or a trustee, who act on behalf of the bankrupt's creditors. The Company is waiting for further instructions from the trustee of the Bankruptcy. The Board believes that the trustee of the Bankruptcy will study the merit of the Chung Parties' case in the Original and Third Proceedings (which details are set out in Note 39), and shall act accordingly and reasonably.

32. OTHER NON-CURRENT LIABILITY

The Group had received a grant of HK$51,707,000 (2012: HK$51,511,000) from the PRC government authority for subsidising the Group's acquisition of a land (Note 22) for constructing the Lithium-ion batteries production plant. The grant is subject to certain conditions to be complied by the Group. Since the related conditions were not yet fulfilled, there was no recognition of such grant as deferred income in the consolidated income statement for the years ended 31 March 2013 and 2012.

33. CONVERTIBLE BONDS

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 35(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.

At inception, the host debt instrument was fairly valued and accounted for as a liability component of 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 was 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 at 31 March 2012 and at the date of conversion were insignificant. The effective interest rate of the liability component of convertible bonds is 11.4% per annum.

During the year ended 31 March 2013, the convertible bonds with an aggregate principal amount of HK$239,720,000 were converted into approximately 1,261,684,000 ordinary shares of the Company of HK$0.01 each at a conversion price of HK$0.19 each (Note 35(c)). All the convertible bonds were fully converted during the year ended 31 March 2013.

During the year ended 31 March 2012, the convertible bonds with an aggregate principal amount of HK$200,000,000 were converted into 1,000,000,000 ordinary shares of the Company of HK$0.01 each at a conversion price of HK$0.20 each.

The convertible bonds have been split as to their liability and equity components as follows:

33. CONVERTIBLE BONDS *(Continued)*

	Liability component HK$'000	Equity component HK$'000	Total HK$'000
At 1 April 2011	198,409	282,436	480,845
Imputed interest expense	13,106	–	13,106
Converted into shares during the year	(90,353)	(128,462)	(218,815)
At 31 March 2012 and 1 April 2012	121,162	153,974	275,136
Imputed interest expense *(Note 10)*	12,104	–	12,104
Converted into shares during the year	(133,266)	(153,974)	(287,240)
At 31 March 2013	**–**	**–**	**–**

34. DEFERRED TAX LIABILITIES

Group

	2013 Intangible assets HK$'000	2012 Intangible assets HK$'000
At beginning of the reporting period	**216,355**	319,782
Credit to the consolidated income statement *(Note 13)*	**(51,677)**	(103,427)
At end of the reporting period	**164,678**	216,355

At 31 March 2013, the Group has unprovided deferred tax assets of approximately HK$49,420,000 (2012: HK$28,456,000), 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$27,526,000 (2012: HK$11,564,000) that will expire in the coming two to five years.

35. SHARE CAPITAL

	2013 No. of shares '000	2013 HK$'000	2012 No. of shares '000	2012 HK$'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	**10,991,707**	**109,917**	9,284,782	92,847
Issue of new shares:				
– pursuant to share placement *(Note (a))*	**–**	**–**	700,000	7,000
– upon exercise of share options *(Note (b))*	**1,125**	**11**	6,925	70
– upon conversion of convertible bonds *(Note (c))*	**1,261,684**	**12,617**	1,000,000	10,000
At end of the reporting period				
Ordinary shares of HK$0.01 each	**12,254,516**	**122,545**	10,991,707	109,917

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

Options to subscribe for 6,925,000 ordinary shares were exercised during the year ended 31 March 2012. The net consideration received 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. The amount of HK$269,000 was transferred from share option reserve account to share premium account upon exercise of share options.

(c) During the year, the convertible bonds with an aggregate principal amount of HK$239,720,000 were converted into approximately 1,261,684,000 new ordinary shares of the Company of HK$0.01 each at a conversion price of HK$0.19 per share (Note 33). During the year ended 31 March 2012, 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.

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.

36. RESERVES

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

Company

	Share premium HK$'000	Contributed surplus HK$'000	Capital redemption reserve HK$'000	Equity component of convertible bonds HK$'000	Share option reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2011	3,089,854	15,506	1,868	282,436	3,345	(3,026,333)	366,676
Shares issued pursuant to share placement *(Note 35(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 35(b))*	622	–	–	–	(269)	–	353
Equity-settled share-based payments	–	–	–	–	13,677	–	13,677
Shares issued upon conversion of convertible bonds *(Note 35(c))*	208,815	–	–	(128,462)	–	–	80,353
Loss for the year	–	–	–	–	–	(422,242)	(422,242)
Total comprehensive loss	–	–	–	–	–	(422,242)	(422,242)
At 31 March 2012 and 1 April 2012	3,651,166	15,506	1,868	153,974	16,753	(3,448,575)	390,692
Shares issued upon exercise of share options *(Note 35(b))*	93	–	–	–	(35)	–	58
Equity-settled share-based payments	–	–	–	–	1,643	–	1,643
Shares issued upon conversion of convertible bonds *(Note 35(c))*	274,623	–	–	(153,974)	–	–	120,649
Loss for the year	–	–	–	–	–	(303,395)	(303,395)
Total comprehensive loss	–	–	–	–	–	(303,395)	(303,395)
At 31 March 2013	**3,925,882**	**15,506**	**1,868**	**–**	**18,361**	**(3,751,970)**	**209,647**

36. RESERVES *(Continued)*

Notes:

(a) Share premium

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

(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). The convertible bonds of the Group were fully converted during the year ended 31 March 2013.

(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 2013 and 2012. Under the Companies Act 1981 of Bermuda, contributed surplus is available for distribution to shareholders. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if the Company is, or would after the payment be, unable to pay its liabilities as they become due; or the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

37. 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 307,425,000, which represented approximately 2.28% 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 2013 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 1.4.2012	Exercised during the year	Lapsed during the year	Re-classified during the year	Outstanding as at 31.3.2013	Exercise period	Exercise price per option *HK$*	*HK$*
Director & Substantial Shareholder									
Mr. Miao Zhenguo	21.4.2011	10,000,000	–	–	–	10,000,000	21.4.2012 – 20.4.2014 *(Note 2)*	0.810	–
Directors									
Mr. Lo Wing Yat	23.8.2007	14,600,000	–	–	–	14,600,000	23.8.2008 – 22.8.2017 *(Note 3)*	0.230	–
	8.5.2009	16,200,000	–	–	–	16,200,000	8.5.2010 – 7.5.2019 *(Note 3)*	0.061	–
	21.4.2011	20,000,000	–	–	–	20,000,000	21.4.2012 – 20.4.2014 *(Note 2)*	0.810	–
Mr. Xu Donghui	21.4.2011	20,000,000	–	–	–	20,000,000	21.4.2012 – 20.4.2014 *(Note 2)*	0.810	–
Mr. Jaime Che	21.4.2011	20,000,000	–	–	–	20,000,000	21.4.2012 – 20.4.2014 *(Note 2)*	0.810	–

37. SHARE OPTION SCHEME *(Continued)*

Category of participants	Date of grant	Number of options: Outstanding as at 1.4.2012	Exercised during the year	Lapsed during the year	Re-classified during the year	Outstanding as at 31.3.2013	Exercise period	Exercise price per option *HK$*	Weighted average closing price of the shares immediately before the dates on which the options were exercised *HK$*
Mr. Chan Yuk Tong	8.5.2009	900,000	–	–	–	900,000	8.11.2010 – 7.5.2019 *(Note 4)*	0.061	–
	21.4.2011	10,000,000	–	–	–	10,000,000	21.4.2012 – 20.4.2014 *(Note 2)*	0.810	–
Mr. Fei Tai Hung	8.5.2009	900,000	–	–	–	900,000	8.11.2010 – 7.5.2019 *(Note 4)*	0.061	–
	21.4.2011	10,000,000	–	–	–	10,000,000	21.4.2012 – 20.4.2014 *(Note 2)*	0.810	–
Mr. Tse Kam Fow	8.5.2009	900,000	–	–	–	900,000	8.11.2010 – 7.5.2019 *(Note 4)*	0.061	–
	21.4.2011	10,000,000	–	–	–	10,000,000	21.4.2012 – 20.4.2014 *(Note 2)*	0.810	–
Employees	8.5.2009	2,250,000	(1,125,000)	–	–	1,125,000	8.5.2011 – 7.5.2019 *(Note 5)*	0.061	0.330
	21.4.2011	58,300,000	–	–	(8,000,000) *(Note 6)*	50,300,000	21.4.2012 – 20.4.2014 *(Note 2)*	0.810	–
	21.4.2011	16,400,000	–	(1,200,000) *(Note 7)*	–	15,200,000	21.4.2013 – 20.4.2014 *(Note 5)*	0.810	–

37. SHARE OPTION SCHEME *(Continued)*

Category of participants	Date of grant	Number of options: Outstanding as at 1.4.2012	Exercised during the year	Lapsed during the year	Re-classified during the year	Outstanding as at 31.3.2013	Exercise period	Exercise price per option *HK$*	Weighted average closing price of the shares immediately before the dates on which the options were exercised *HK$*
Others	23.8.2007	7,200,000	–	–	–	7,200,000	23.8.2008 – 22.8.2017 *(Note 3)*	0.230	–
	21.4.2011	93,000,000	–	–	8,000,000 *(Note 6)*	101,000,000	21.4.2012 – 20.4.2014 *(Note 2)*	0.810	–
		310,650,000	**(1,125,000)**	**(1,200,000)**	**–**	**308,325,000**			
Weighted average exercise price *(HK$)*		0.718	0.061	0.810	0.810	0.720			
Exercisable as at 31.3.2013						21,800,000		0.230	
						20,025,000		0.061	
						251,300,000		0.810	

37. SHARE OPTION SCHEME *(Continued)*

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

		Number of options								
Category of participants	**Date of grant**	**Outstanding as at 1.4.2011**	**Granted during the year** *(Note 9)*	**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										
Mr. Miao Zhenguo	21.4.2011	–	10,000,000	–	–	–	10,000,000	21.4.2012 – 20.4.2014 *(Note 2)*	0.810	–
Directors										
Mr. Lo Wing Yat	23.8.2007	14,600,000	–	–	–	–	14,600,000	23.8.2008 – 22.8.2017 *(Note 3)*	0.230	–
	8.5.2009	16,200,000	–	–	–	–	16,200,000	8.5.2010 – 7.5.2019 *(Note 3)*	0.061	–
	21.4.2011	–	20,000,000	–	–	–	20,000,000	21.4.2012 – 20.4.2014 *(Note 2)*	0.810	–
Mr. Xu Donghui	21.4.2011	–	20,000,000	–	–	–	20,000,000	21.4.2012 – 20.4.2014 *(Note 2)*	0.810	–
Mr. Jaime Che	21.4.2011	–	20,000,000	–	–	–	20,000,000	21.4.2012 – 20.4.2014 *(Note 2)*	0.810	–
Mr. Chan Yuk Tong	8.5.2009	900,000	–	–	–	–	900,000	8.11.2010 – 7.5.2019 *(Note 4)*	0.061	–
	21.4.2011	–	10,000,000	–	–	–	10,000,000	21.4.2012 – 20.4.2014 *(Note 2)*	0.810	–

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 9)*	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$
Mr. Fei Tai Hung	8.5.2009	900,000	–	–	–	–	900,000	8.11.2010 – 7.5.2019 *(Note 4)*	0.061	–
	21.4.2011	–	10,000,000	–	–	–	10,000,000	21.4.2012 – 20.4.2014 *(Note 2)*	0.810	–
Mr. Tse Kam Fow	8.5.2009	900,000	–	–	–	–	900,000	8.11.2010 – 7.5.2019 *(Note 4)*	0.061	–
	21.4.2011	–	10,000,000	–	–	–	10,000,000	21.4.2012 – 20.4.2014 *(Note 2)*	0.810	–
Employees	8.5.2009	2,490,000	–	(175,000)	(65,000) *(Note 10)*	–	2,250,000	8.5.2011 – 7.5.2019 *(Note 5)*	0.061	0.410
	21.4.2011	–	58,300,000	–	–	–	58,300,000	21.4.2012 – 20.4.2014 *(Note 2)*	0.810	–
	21.4.2011	–	12,460,000	–	(1,060,000) *(Note 10)*	5,000,000 *(Note 11)*	16,400,000	21.4.2013 – 20.4.2014 *(Note 5)*	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 9)*	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 3)*	0.230	–
	8.5.2009	6,750,000	–	(6,750,000)	–	–	–	8.5.2011 – 7.5.2019 *(Note 5)*	0.061	0.730
	21.4.2011	–	93,000,000	–	–	–	93,000,000	21.4.2012 – 20.4.2014 *(Note 2)*	0.810	–
	21.4.2011	–	5,000,000	–	–	(5,000,000) *(Note 11)*	–	21.4.2013 – 20.4.2014 *(Note 5)*	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		0.230	
							21,150,000		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 granted were subject to a vesting period of one year and were exercisable 12 months after the relevant date of grant.

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

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

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

6. The outstanding options (vested but not yet exercised) entitling the employee to subscribe for a total of 8,000,000 shares of the Company at an exercise price of HK$0.810 per share remained exercisable until 20 April 2014 as determined by the board of directors of the Company. Such options were therefore re-classified from the category of "Employees" to the category of "Others" as quasi-employees during the year ended 31 March 2013.

7. A total of 1,200,000 unvested options lapsed during the year ended 31 March 2013 following the cessation of optionholders to be employees of the Company or eligible participants of the Share Option Scheme.

8. No options were granted or cancelled during the year ended 31 March 2013.

9. 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.

10. A total of 1,125,000 unvested options lapsed during the year ended 31 March 2012 following the cessation of optionholders to be employees of the Company or eligible participants of the Share Option Scheme.

11. 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 ended 31 March 2012.

12. 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.

13. The Group recognised total expenses of approximately HK$1,643,000 for the year ended 31 March 2013 (2012: HK$13,677,000) in relation to the options granted by the Company. The options outstanding as at 31 March 2013 had a weighted average remaining contractual life of 1.6 years (2012: 2.6 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	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**5,589**	5,430	**2,790**	3,720
In the second to fifth years	**479**	4,311	**–**	848
After fifth years	**–**	6,785	**–**	–
	6,068	16,526	**2,790**	4,568

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

(b) Capital commitments

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

Group

	2013	2012
	HK$'000	HK$'000
Capital commitments in respect of fixed assets		
Contracted, but not provided for	**15,797**	57,548
Capital commitments in respect of capital expenditure of the Group's factories in the PRC		
Authorised, but not contracted for	**17,483**	–
	33,280	57,548

The Company did not have any material capital commitments at the end of the reporting period (2012: nil).

39. LITIGATIONS

The Group has three litigations during the period under review. These litigations are against Mr. Winston Chung (formerly known as Chung Hing Ka) ("Mr. Chung"), a former director of the Company, and/or companies which are controlled and/or owned by him (together with Mr. Chung, the "Chung Parties"). The background of these litigations is summarized below:

1. The Company and two of its subsidiaries have instituted legal proceedings against the Chung Parties in the High Court of Hong Kong (the "HK Court") for, inter alia, breaches of various agreements in relation to the very substantial acquisition completed by the Group on 25 May 2010 (the "Acquisition") and Mr. Chung's fiduciary duties as a director of the Company (the "Original Proceedings");

2. Two of the Chung Parties sued a subsidiary of the Company in the Shenzhen Intermediate Court of the PRC (the "SZ Court") for approximately RMB185.7 million in relation to an unpaid cost for certain alleged electric battery products and an unpaid fee for certain alleged facilities upgrade that are owing to them in July 2011 (the "Second Proceedings"); and

3. Two of the Chung Parties have instituted legal proceedings against a subsidiary of the Company in the HK Court, for, inter alia, a declaration that such subsidiary of the Company has ceased to have any right to use certain patents in July 2012 (the "Third Proceedings").

(Collectively the "Litigations")

Credibility of the Chung Parties' Case

In the Litigations, the Chung Parties have primarily relied on certain documents (the "Questioned Documents"), to which a subsidiary of the Company is allegedly to be a party, in support of their cases. The Group is not aware of the existence of such Questioned Documents prior to such Litigations and the abovementioned subsidiary had never executed any of those Questioned Documents. The Group has strong reasons to believe that the Questioned Documents are fraudulently altered and/or completely fabricated. During the period under review, an authoritative forensic centre appointed by the SZ Court issued a report in relation to certain Questioned Documents (the "SZ Forensic Report") and confirmed that, inter alia, those Questioned Documents have been tampered. The Company has reported the above incidents to the relevant law enforcement agencies.

The Group considered that the Chung Parties' defences and/or complaints in the Litigations are frivolous, vexatious and an abuse of legal process.

39. LITIGATIONS *(Continued)*

Status of the Litigations

In the Original Proceedings, the Chung Parties have filed a counterclaim for, inter alia, the amount payable of approximately HK$760,752,000 for the redemption of certain convertible bonds of the Company (the "Redemption Amount") which one of the Chung Parties received as part of the consideration of the Acquisition. The damages (arising from the breaches in relation to the Acquisition) claimed by the Group (the "Claim Amount") against the Chung Parties in the Original Proceedings, as supported by an independent forensic accountant report commissioned by the Group, are estimated to be substantially larger than the Redemption Amount. The Group has sought to set off portion of such Claim Amount against the Redemption Amount (the "Set-Off") for the protection of its interest. On 5 March 2013, the HK Court issued a judgment and it is of the view that the Set-Off is plausible and the Company has been given an unconditional leave to defend to the extent of the Set-Off.

In the Second Proceedings, in light of the findings of the abovementioned SZ Forensic Report, two of the Chung Parties applied to withdraw their complaint in relation to the Second Proceedings in February 2013. In March 2013, the SZ Court has issued a judgment in relation to the Second Proceedings (the "SZ Judgment") in which the SZ Court, inter alia, charged two of the Chung Parties a legal fee of RMB485,184.13; and ordered them to pay the forensic centre's related costs of RMB107,183.40. The Group's legal counsels are of the view that such SZ Judgment will further advance and has positive effect on the Original and Third Proceedings.

In regard to the progress of the Third Proceedings, the subsidiary of the Company has pleaded its defence in October 2012 but the Chung Parties have not yet filed their reply, as of the date of the approval of the consolidated financial statements.

Bankruptcy of Mr. Chung

On 27 February 2013, the HK Court has made an order for bankruptcy against Mr. Chung (the "Bankruptcy"). Subsequently, the Company, together with two of its subsidiaries, has filed the proof of debt to the Official Receiver in the Bankruptcy. The Company and two of its subsidiaries have been accepted by the Official Receiver as creditors of Mr. Chung. Based on the Bankruptcy Ordinance of Hong Kong, once a person has been declared bankrupt, all his assets and liabilities/potential liabilities (including the Litigations) as well as all his interests in companies owned and/or controlled by him should be passed over to the Official Receiver or a trustee, who act on behalf of the bankrupt's creditors.

The Board believes that the trustee of the Bankruptcy will study the merit of the Chung Parties' case in the Original and Third Proceedings, and shall act accordingly and reasonably. In view of the Original and Third Proceedings and the Bankruptcy are still at the early stage, the Board cannot determine whether any of the Claim Amount will be recoverable. As a result, the Group has not included any of the Claim Amount in its consolidated financial statements for the year ended 31 March 2013. The aforementioned reasons support the Board's view that the Litigations will not have any significant negative effect on the business, financial position and development of the Group.

40. RELATED PARTY TRANSACTIONS

In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

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:

	2013 **HK$'000**	2012 HK$'000
Short-term employee benefits	**7,264**	5,116
Retirement benefit schemes contributions	**56**	36
Equity-settled share-based payments	**655**	4,149
	7,975	9,301

41. EVENTS AFTER THE REPORTING PERIOD

(a) A bank loan of RMB60,000,000 (equivalent to approximately HK$74,298,000) was obtained by the Group on 9 April 2013 for its purchase of raw materials in the production process. The loan is bearing prevailing market interest rates and repayable on 7 April 2014.

(b) On 23 April 2013, the Company and five independent parties (collectively the "Subscribers") entered into agreements pursuant to which the Subscribers conditionally agreed to subscribe and/or procure any of their affiliates to subscribe for an aggregate of 1,200 million ordinary shares of the Company at the subscription price of HK$0.22 per share. Further details are set out in the Company's announcement dated 24 April 2013. The subscription transaction was completed on 6 May 2013. The Company issued and allotted totally 1,200 million ordinary shares to the Subscribers and their affiliates for the net proceeds of approximately HK$264 million.

(c) On 19 April 2013, the Group entered into agreements with Zhejiang Kangdi Vehicles Co., Ltd (浙江康迪車業有限公司) (the "Supplier"), pursuant to which the Group agreed to purchase an additional 1,900 electric vehicles from the Supplier at an aggregate consideration of RMB75,620,000 (equivalent to HK$93,640,000). All the electric vehicles will be used for the electric vehicle leasing business, which is a new business segment of the Group. Further details are set out in the Company's announcement dated 21 April 2013.

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 2013 and 2012.

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.

Neither the Company or 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 loans, 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:

	2013 **HK$'000**	2012 HK$'000
Bank loans	**107,720**	–
Obligations under redeemed convertible bonds *(Note)*	**760,752**	760,752
Convertible bonds	**–**	121,162
Total borrowings	**868,472**	881,914
Less: Cash and bank balances	**(140,567)**	(216,873)
Net debt	**727,905**	665,041
Total equity	**340,191**	529,248
Net debt to equity ratio	**214%**	126%

Note: Based on a court judgment dated 5 March 2013, the Group has been given an unconditional leave to defend to the extent of the Set-Off (as defined in Note 31) and based on which, the Group is entitled to a stay of execution of payment for the obligations under redeemed convertible bonds before the conclusion of relevant legal proceedings.

43. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board on 28 June 2013.