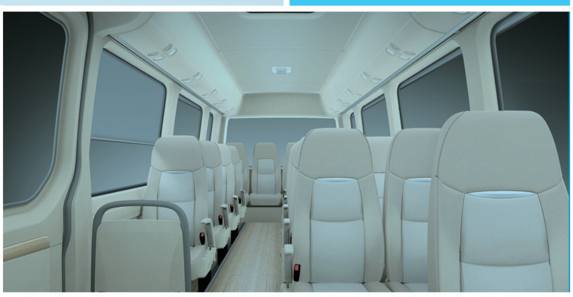
FDG Electric Vehicles Limited
五龍電動車(集團)有限公司

(Formerly named as Sinopoly Battery Limited 中聚電池有限公司)

(Incorporated in Bermuda with limited liability)

(Stock Code: 729)

Annual Report **2013/14**



Contents

Corporate Information

BOARD OF DIRECTORS

Executive directors:

Mr. Cao Zhong
(Chairman and Chief Executive Officer)
Mr. Miao Zhenguo
(Deputy Chairman)
Dr. Chen Yanping
(Chief Operating Officer)
Mr. Lo Wing Yat
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. Cao Zhong
Mr. Miao Zhenguo
Mr. Fei Tai Hung
Mr. Tse Kam Fow

NOMINATION COMMITTEE

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

EXECUTIVE COMMITTEE

Mr. Cao Zhong *(Chairman)*
Mr. Miao Zhenguo
Dr. Chen Yanping
Mr. Lo Wing Yat
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

Crowe Horwath (HK) 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 (Asia) Corporation Limited
Bank of Jilin
Bank of Tianjin
Tianjin Rural Commercial Bank

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Rooms 3001-3005, 30th Floor
China Resources Building
26 Harbour Road
Wanchai
Hong Kong

BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (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.fdgev.com

Group Financial Summary

A summary of the results and of the assets and liabilities of FDG Electric Vehicles Limited (the "Company") and its subsidiaries (collectively the "Group") for the five financial years ended 31 March 2014, as extracted from the published audited consolidated financial statements and reclassified and restated as appropriate, is set out below:

	2014 **HK$'000**	2013 HK$'000	2012 HK$'000	2011 HK$'000	2010 HK$'000
Loss attributable to owners of the Company	**(906,389)**	(324,447)	(442,334)	(2,805,729)	(14,093)
Total assets	**3,876,804**	1,628,244	1,774,048	1,861,469	329,920
Total liabilities	**(1,813,965)**	(1,288,053)	(1,244,800)	(1,364,780)	(2,126)
Net assets	**2,062,839**	340,191	529,248	496,689	327,794
Non-controlling interests	**329,039**	–	–	–	–
Total equity attributable to owners of the Company	**1,733,800**	340,191	529,248	496,689	327,794

Dear Shareholders,

It is a great honour for me to join FDG Electric Vehicles Limited (the "Company") in March 2014, I hereby present the annual results of the Company and its subsidiaries (collectively, the "Group") for the financial year ended 31 March 2014 on behalf of the board of directors of the Company.

In recent years, the energy consumption habits have been changing progressively around the world, electric vehicle has become a new yardstick for emission reduction and energy-saving. The Chinese government is determined to reduce the reliance on imported oil and to improve the air quality. Such favorable policies will stimulate the development of domestic electric vehicles and the relevant Lithium-ion battery industry. On 13th May 2014, the Company's name has been changed from "Sinopoly Battery Limited" to "FDG Electric Vehicles Limited". Such change sets a brand-new positioning for the Group which is consistent with the Company's strategic policies of focusing in developing businesses related to electric vehicles. Meanwhile, the Company will develop into a vertically integrated electric vehicle manufacturer including electric vehicle, lithium-ion battery and electric vehicle leasing business and build a new electric vehicle brand. Since the Group is engaged in the business of power battery and has been operating electric vehicle leasing business, it has established a solid development foundation in condition with cost and quality control, R&D of technology and market information in relation to the development and promotion of electric vehicle business.

The automobile industry is a capital-intensive modern manufacturing business which based on a high level of technology. The PRC automobile market, which is still in its infancy, is nevertheless developing and integrating at a fast pace. Despite the rapid development in China, the Chinese manufacturers still lag behind their foreign peers in terms of technology and service support. While the demand for traditional vehicles and new energy vehicles continues to increase in China, the automobile industry faces not only opportunities and impetus, but also challenges and pressures. President Xi Jinping expressed his opinions concerning the automobile industry during an inspection trip to Shanghai following his presence at the CICA Shanghai summit. He said that the automobile industry enjoys plenty of room for development, and requires high levels of technology and sophisticated management, while the development of new energy vehicles is the course that China must take in order to transform itself from a strong automotive nation to a powerful automotive nation.

In order to grasp the development opportunities in automobile industry, the Group will leverage on the current market demands and the preferential policies provided by the Chinese government in developing electric vehicles. The Group has chosen commercial vehicles as the market entry point and has self-developed two electric vehicles model to that effect. Both commercial vehicles are planned to be commenced commercial production in the first quarter of 2015. Since the utilization rate of commercial vehicles is high, the actual benefits they generate far exceed other types of or other purposes electric vehicles in terms of energy saving and emission reduction. In addition, they not only have further actual mileage than other types of electric vehicles, but are also more stable when it comes to travel route and time. As a result, they require less capital expenditure for supporting structure like charging and swapping battery facilities. China and overseas transportation or logistic companies as well as government departments of various countries have urgent demands for commercial electric vehicles and plan to comprehensively phase out the existing fuel-powered vehicles. Therefore, during the period under review, the Company has entered into a cooperative agreement on strategic cooperation with Smith Electric Vehicles ("SEV"), an internationally renowned commercial electric vehicles supplier and carried out a strategy cooperation to reinforce the long-term development of the Group in the international market. Through the international network of SEV, together with the Group's R&D abilities in full electric vehicles and battery, will cultivate the Group's endeavor towards a leading position in international electric vehicles market.

Chairman's Statement

On behalf of the Board, I would like to extend my sincere gratitude to shareholders, suppliers and business partners for your continuous support. Meanwhile, I would like to express my heartfelt appreciation to the management and all staff of the Group for their unremitting efforts and valuable contributions over the year. In the future, the Group will strive to satisfy the market demands while closely adhering to the market trend of innovative development and green driving. The Group will also actively conduct an in-depth strategic cooperation with different international partners in order to maintain a sustained growth for FDG Electric Vehicles Limited as well as generate even greater investment return for shareholders.

Chairman
Cao Zhong

Hong Kong, 27 June 2014

Officially renamed as Five Dragons Electric Vehicles Limited on May 13th 2014, the Company, previously mainly engaged in the R&D, production, distribution and sale of Lithium-ion batteries as well as the provision of leasing service of electric vehicles, has turned into an integrated electric vehicle manufacturer which will also engages in independent R&D, design and production of electric vehicles such as coaches, medium and minibuses, commercial vehicles, SUVs and other models.

Looking back in 2013, though the growth of the global economy has slowed down slightly, the PRC's economy still saw stable growth in the complicated and ever-changing context of the global economy, recording a gross domestic product growth rate of 7.7% for the year. The Group retained its competitive edges in the overall business while sustaining steady development in its regular business, i.e. the R&D, production and sales of Lithium-ion batteries.

MARKET OVERVIEW

The year of 2014 is a turning point for new energy vehicle development. The remarkable development in technologies of the electric vehicles industry impressed the world and led the industry into a brand new era through technology enhancement. In 2014, innovative technology will become the core impetus to advance the development of the electric vehicle industry.

The global sales of electric vehicles in 2013 amounted to approximately 225,500 units, representing an increase of 73.95% as compared with 129,600 units in 2012. The global electric vehicle markets are primarily focused in the United States, European Union, Japan and the PRC. The global demand for electric vehicles continuously to grow and according to the forecast of Navigan (a research company), the global sales of electric vehicles will total 21.9 million units between 2012 and 2020.

According to the statistics of China Association of Automobile Manufacturers (the "CAAM"), given the stable economic growth in the PRC, both the domestic output and sales of automobile in 2013 have exceeded 20 million units. In particular, the output reached approximately 22.12 million units, representing a year-on-year growth of approximately 14.8% whilst the sales amounted to approximately 21.98 million units with a year-on-year growth of approximately 13.9%. The PRC has been the world's largest automobile manufacturer and consumer for five consecutive years, fully showcasing the robust demand of the domestic automobile market. In respect of new energy vehicles, market demand has been increased under the national policy support with the sales of new energy vehicles reaching 9,000 units in 2013. According to the forecast of CAAM, the sales of new energy vehicles are expected to increase by over 100% reaching 35,000 units in 2014.

In September 2013, by jointly issuing the Notice on Further Development of the Application of New Energy Vehicles (《關於繼續開展新能源汽車推廣應用工作的通知》), the Ministry of Finance, Ministry of Science and Technology, Ministry of Industry and Information Technology and National Development and Reform Commission of the PRC announced that campaign in connection with the promotion and adaptation of new energy vehicles will continue throughout nation from 2013 to 2015, offering a subsidy of up to RMB500,000 for each purchase of pure electric or plug-in hybrid coach. Such subsidy policy fits perfectly with the Group's strategy and objective of developing electric coaches and electric commercial vehicles, thus providing an opportunity for the development of the Group's electric vehicle business. Pursuant to the Planning for the Development of the Energy-Saving and New Energy Vehicle Industry (2012-2020) (《節能與新能源汽車產業發展規劃(2012—2020年)》) issued by the State Council of PRC, the output and sales of new energy vehicles are planned to reach 0.5 million units in 2015 and 2 million units in 2020.

Management Discussion and Analysis

BUSINESS REVIEW

Electric vehicle, with huge potential in improving urban environment and saving energy, is the future trend of the global automotive industry. In view of this, the Group further expanded its operation by strategically entering into the design and production of electric vehicles during the period under review. Power batteries and battery systems play a crucial role in the R&D and production of electric vehicles. In the past year, the power battery and energy storage business as the major income source of the Group recorded steady development. In the future, the majority of the Group's production capacity of power batteries will be allocated to self-developed electric vehicles while maintaining certain overseas sales, so as to enhance the Group's brand awareness in the overseas market. Other than the development of electric vehicle business, the Group will continue to research and develop technologies of power battery in order to safeguard the quality, performance and safety of the electric vehicles produced by the Group. Such production coordination and arrangement will not only promote the development of our existing Lithium-ion batteries business, but also facilitate the development of the Group as an outstanding integrated electric vehicle manufacturer in the long run.

Marching into green field with strength and innovation

During the period, the Group strategically acquired approximately 58.5% of equity interests in Agnita Limited, which marks the Group's involvement into the electric vehicles design and production sector. Five Dragons Electric Vehicle Limited (五龍電動車有限公司) (the "Five Dragons"), a subsidiary of Agnita Limited, has a strong management team with experienced automotive designers and operational professionals. It has designed and developed over 25 automotive models with 3 Design of the Year Awards in the PRC. Its design was listed among the designated cars at the 2010 Shanghai World Expo. In addition, it also owns more than 50 patents and patent applications in relation to electric and traditional vehicles. The management of Five Dragons possesses expertise required for design and development of electric vehicles. Through close cooperation, Five Dragons and the Group jointly completed the design of basic models for four electric vehicles, including minibus, sport utility vehicle and small pure electric passenger vehicle. In addition, Five Dragons has obtained vehicle manufacturing license in the PRC to engage in marketing, sales and distribution of pure electric vehicle and other related businesses. It acquired a land parcel with site area of 345,874 square meters in December 2013 which is used for plant facilities for manufacturing electric vehicles. The production base commenced construction in February of the year and is expected to be completed and commence commercial production at first quarter of 2015. The designed capacity of such production base is 100,000 units of electric vehicles per annum, including two-seat pure electric passenger vehicles, five-seat pure electric passenger vehicles as well as pure electric and extended-range electric minibuses with six to nine meters in length.

Mid-sized coach self-developed and designed by the Group

The Group has a comprehensive development plan for the electric vehicle business, pursuant to which, it will focus on the manufacturing of electric minibuses and electric commercial vehicles at the preliminary stage. The sample cars for electric buses of two models have been completed and are at the testing and inspection stage, they have successfully passed the cold regions test in the Heihe's automobile cold regions experiment site which prevailing interim success has been achieved. During the period, the Group has finished the design of two electric minibuses, one sport utility vehicle and one small electric passenger vehicle. These vehicles, catering to the need of Chinese government and market trend, offer more choices to the market.

Mid-sized coach with comfortable, elegant and spacious interior

In April of this year, the Group commenced the acquisition of Hong Kong Southwest Electric Vehicles Limited which held 50% of registered capital of Yunnan Meidi Coach Manufacturing Co., Ltd.*（雲南美的客車製造有限公司）(the "Yunnan Meidi"). Yunnan Meidi is principally engaged in the business of manufacture, sales, assembly and maintenance of coaches, electric vehicles and parts and components, and holds a vehicle manufacturing license and a vehicle operating license in Kunming, Yunnan, the PRC. Yunnan Meidi's plant located in Kunming is expected to put into operation in the third quarter of 2014. It also leases a land and plant thereon that are free of charge for three years. The capacity of the plant is 4,500 units per annum with 2,500 units of electric coaches and 2,000 units of electric minibuses and electric commercial vehicles. Upon completion of the acquisition, the Group will provide services and management support to Yunnan Meidi in respect of production and sales of electric vehicles, Yunnan Meidi will pay an advisory fee which amount between RMB40,000 to RMB100,000 per each sold electric vehicle, amounting up to RMB3,800 million in total will be paid by Yunnan Meidi to the Group. The acquisition provides an immediate platform for the Group to meet the market demand in electric vehicle industry and consolidates the position of the Group in the sector.

Design sketch of Hangzhou Plant

Design sketch of Yunnan Plant

Expanding domestic and global market resource through innovative business model

The Group has committed itself to exploring proactively development opportunities through cooperation with established enterprise worldwide, so as to improve its technology and ability of R&D, enhance brand effect and strengthen profitability. In October 2013 and May 2014, the Group entered into a letter of interest and a collective agreement with Smith Electric Vehicles Corp (the "SEV") respectively. SEV is a well known international electric vehicle manufacturer who develops and manufactures commercial electric vehicles with more than 80 years of history.

SEV is one of the biggest manufacturers of pure electric vehicle in the world. It has invested approximately US$100 million to the R&D of electric vehicles since 2009. The electric vehicles manufactured by SEV has been put into commercial use extensively. These vehicles have been on the road for about 13.7 million kilometers with the traveling data recorded for analysis purpose. SEV has its production and R&D bases in the United States and the United Kingdom respectively. It also has established customer base comprising internationally renowned companies, demonstrating its profound development potential in the global electric vehicle market. After establishing strategic partnership with SEV, the Groups' batteries and parts of electric vehicle will be employed by the end customers of SEV, helping the Group make inroads in the international market more quickly.

SEV's customers are leading enterprises of various industries in the world, including catering, public utilities, telecommunication, retail, grocery, package and postal delivery, in-campus transportation, military and governments, such as FedEx Express, Pepsi/Frito-Lay, Staples and Coca Cola etc., the cooperation with SEV might enable the Group to expand its business into Europe, Middle East, the United States, Asia and other regions. In the future, SEV will only procure power batteries from the Group required by its production of pure electric vehicles, and regard our electric vehicle production base in Hangzhou as the preferred OEM provider to provide automobile frame and other parts for its electric vehicles.

With the same goal in electric vehicle development, the Group and SEV will establish strategic partnership by integrating the Group's technology in pure electric vehicle and battery and leveraging SEV's professional experience and international coverage, which will help to expand our business, strengthen our competitiveness in international market, gain extensive recognition and trust among renown end customers and thus facilitate the sales of our power batteries in global market.

FINANCIAL REVIEW

During the year under review, the Group recorded a turnover of approximately HK$84.0 million, representing an increase of approximately 55.9% as compared with approximately HK$53.9 million of the last financial year. The increase was due to a better recognition of the Group's battery products by the customers. The battery products business constituted approximately 96.1% (2013: approximately 98.7%) of the Group's total turnover. The Group also entered into the electric vehicle leasing and vehicle design and electric vehicle production businesses, which are new business segments of the Group during the year.

Gross profit slightly decreased approximately 3.5% to approximately HK$6.9 million of the current year from approximately HK$7.2 million of the last financial year.

The Group's net loss after tax increased to approximately HK$911.9 million from approximately HK$324.4 million of the last financial year, which is principally attributable to the one-off goodwill impairment of approximately HK$665.4 million of the current year, mainly representing the fair value increase in the closing market price of the shares of the Company on the completion date (i.e. HK$0.67 per share) from the contracted issue price for the consideration shares stipulated under the acquisition (i.e. HK$0.32 per share). On the other hand, there was an impairment of intangible assets of approximately HK$100.6 million during the last financial year, which did not incur during the year. The goodwill and intangible asset impairments are one-off non-cash items and would not have any impact on the cashflow and operations of the Company.

Excluding the impairments on goodwill and intangible assets, the Group recorded a loss after tax and non-controlling interests of approximately HK$241.0 million, representing an increase of approximately HK$17.1 million from approximately HK$223.9 million in the last financial year. The Group's loss before interest, taxes, depreciation and amortisation ("LBITDA") amounted to approximately HK$111.1 million for the current year (2013: approximately HK$118.9 million).

An analysis of the Group's other major profit or loss items is as follows:

(i) other income of approximately HK$15.5 million, an increase of approximately HK$13.7 million comparing with the last financial year of approximately HK$1.8 million, was mainly attributable to the net exchange gains arising from the unrealised year-end exchange translations of current accounts between the group companies and the receipt of government grants by the Group for, inter alia, its development of strategic emerging industries and development of new energy automotive industries in the PRC;

(ii) the general and administrative expenses of approximately HK$117.9 million, an increase of approximately HK$35.5 million comparing with the last financial year of HK$82.4 million, was mainly attributable to the impairment of certain less technically obsolete machineries of approximately HK$7.0 million and the commencement of commercial operations of both factories during the current year;

(iii) research and development expenses of approximately HK$12.4 million, a decrease of approximately HK$4.4 million comparing with the last financial year of approximately HK$16.8 million;

(iv) the write-down of inventories of approximately HK$26.0 million, an increase of approximately HK$10.1 million when compared with the last financial year of approximately HK$15.9 million as more slow-moving inventories which were less compatible with and less marketable than the Group's current products; and

(v) the amortisation of intangible assets of approximately HK$99.1 million, a decrease of approximately HK$7.0 million when compared with the last financial year of approximately HK$106.1 million mainly due to the decrease in the carrying amount of intangible assets as at 31 March 2013.

Segment Information

Battery products business

The turnover from battery products business of approximately HK$80.6 million, represents an increase of approximately 51.7% as compared with approximately HK$53.2 million of the last financial year. The increase is attributed to the rapid growth trends in the Lithium-ion battery industry and the increasing recognition by customers of the Group. The gross profit ratio from the battery products business decreased from approximately 12.3% of the last financial year to approximately 6.3% of the current year. Such decrease was mainly attributable to the improvement in manufacturing consistency which allows the Group to produce less products, and resulted in temporary decrease in the utilisation rate of the production capacity and therefore an increase in unit cost per battery products. However, this is a temporary situation and with the improved consistency in production, the Group will be in a competitive position to capture the market growth in the long run. The gross profit ratio will be increased once the Group is manufacturing on a large scale basis.

The battery products business recorded a loss before tax of approximately HK$213.4 million, an improvement of approximately 35.7% as comparing with approximately HK$331.7 million of the last financial year, as all the battery factories of the Group commenced commercial production and the Group continues to strive for high efficiency in operations.

Electric vehicle leasing business

During the year under review, the first batch of electric vehicles which battery products of the Group were applied onto was leased out. The rental income from electric vehicle leasing business was approximately HK$0.8 million for the current year (2013: nil). The segment loss for the year was approximately HK$3.1 million as the new business segment of electric vehicle leasing business of the Group was still at its initial stage and yet to cover the fixed costs.

Vehicle design and electric vehicle production business

The Group entered into vehicle design and electric vehicle production business segment through the acquisition of the Agnita Group in March 2014. The Agnita Group has started constructing facilities in Hangzhou dedicated to producing pure electric vehicles designed and developed by it and will carry out the business of marketing, sales and distribution of those pure electric vehicles. During the year under review, the revenue from such segment of approximately HK$0.4 million was purely attributable to service income from vehicle design. The segment loss for the year was approximately HK$677.4 million as there was the recognition of a one-off non-cash goodwill impairment of approximately HK$665.4 million as mentioned above.

Geographical Analysis of Turnover

During the year under review, the Group made progress in developing its business world-wide and most of the international electric vehicles and energy storage companies acknowledged the quality of the Group's products. The European countries, the PRC, the United States of America, Canada, Australia, Hong Kong and others contributed approximately 24.1% (2013: 38.9%), 50.4% (2013: 27.5%), 4.0% (2013: 9.2%), 6.1% (2013: 2.4%), 4.8% (2013: 9.8%), 2.6% (2013: 4.2%) and 8.0% (2013: 8.0%) to the Group's total turnover respectively.

Liquidity and Financial Resources

As of 31 March 2014, the Group had (i) non-current assets of approximately HK$2,419.6 million (31 March 2013: approximately HK$1,224.2 million), which comprised of goodwill, intangible assets, fixed assets, deposits paid for fixed assets and prepaid rentals; and (ii) current assets of approximately HK$1,457.2 million (31 March 2013: approximately HK$404.0 million), which mainly comprised of inventories, trade and other receivables, pledged bank deposits which were mainly secured for all bills payables and issuance of letter of credit by the Group, and cash and bank balances.

The Group had current liabilities of approximately HK$1,504.4 million (31 March 2013: approximately HK$1,071.7 million), which mainly comprised of bank loans and other borrowings, loan from a non-controlling shareholder, trade and other payables, deposit received, tax payable, and obligations under redeemed convertible bonds of approximately HK$760.8 million (the "Redemption Amount"). In accordance with a judgment given by the High Court of Hong Kong, the Company has been given an unconditional leave to defend to the extent of the set-off portion of the damages to be claimed by the Group against the Redemption Amount in the legal proceedings against the holder of such redeemed convertible bonds and its associates, and based on which, the Company is entitled to a stay of execution of payment for the Redemption Amount before the conclusion of the relevant legal proceedings. If the Redemption Amount is excluded from the calculation of the net current assets, the Group will have net current assets of approximately HK$713.5 million (31 March 2013: approximately HK$93.1 million). The bank loans and other borrowings included the bank loans of approximately HK$107.4 million (31 March 2013: approximately HK$107.7 million), which were secured by certain land and buildings of the Group with a carrying value of approximately HK$206.1 million (31 March 2013: HK$190.7 million), denominated in Renminbi ("RMB"), bear interest at prevailing market interest rates and were repayable within one year. Save as the above bank loans, all other borrowings are unsecured. The Group's borrowings are mostly event driven, with little seasonality.

The Group's total non-current liabilities (comprised of other non-current liability, which was the grant received from the PRC government authority for subsidising the Group's acquisition of land and deferred tax liabilities) increased from approximately HK$216.4 million as at 31 March 2013 to approximately HK$309.5 million as at 31 March 2014.

As at 31 March 2014, the Group's gearing ratio, without taking into account the obligations under redeemed convertible bonds of approximately HK$760.8 million (31 March 2013: approximately HK$760.8 million), was approximately 30.1% (31 March 2013: 31.7%) calculated on the basis of bank loans and other borrowings and loan from a non-controlling shareholder of totally approximately HK$522.2 million (31 March 2013: approximately HK$107.7 million) to total equity attributable to owners of approximately HK$1,733.8 million (31 March 2013: approximately HK$340.2 million) as at 31 March 2014.

Foreign Exchange Exposure

The Group's transactions were mainly denominated in RMB, Hong Kong dollars and United States dollars. Exchange rates between United States 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 of directors of the Company will closely monitor the foreign exchange exposure and considers appropriate hedging instruments when necessary.

Capital Structure

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

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

On 7 March 2014, a total of 1,901,250,000 new shares of the Company were issued and allotted at a price of HK$0.32 per share pursuant to an acquisition agreement entered into among Preferred Market Limited ("Preferred Market"), a direct wholly-owned subsidiary of the Company, the Company as guarantor of Preferred Market, seven vendors (namely Captain Century Limited, Designer Touch Limited, Infinity Wealth International Limited, Super Sleek Limited, Super Engine Limited, Ms. Lam Chiu Che and Ms. Chong Sok Un, collectively the "Vendors") and guarantors of five of the Vendors (namely Dr. Chen Yanping, Mr. Chen Cheng, Mr. Miao Zhenguo, Mr. Wang Chengying and Mr. Wu Yangnian) on 19 December 2013 under the specific mandate sought at the Company's special general meeting held on 28 February 2014. Infinity Wealth International Limited is wholly owned by Mr. Miao Zhenguo, an executive director and a substantial shareholder of the Company, and Ms. Chong Sok Un is an associate of Mr. Jaime Che, an executive director of the Company.

On 31 March 2014, a total of 1,400,000,000 new shares of the Company were issued and allotted at a price of HK$0.50 per share pursuant to a placing agreement entered into between the Company and Guotai Junan Securities (Hong Kong) Limited as the placing manager on 20 March 2014 under the General Mandate. The net proceeds of approximately HK$692 million are intended to be used as capital expenditure required for construction of the electric vehicle production base in Hangzhou and as general working capital of the Group.

As at 31 March 2014, total net proceeds of approximately HK$1,020,680,000 from the above subscription agreements and placing agreement was received by the Group. Among of which, approximately HK$22,000,000 was used for the expansion of production capacity and approximately HK$2,200,000 was used for the electric vehicle leasing business. The unused balances of approximately HK$996,480,000 were kept in Hong Kong.

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

As a result of the above, the number of shares of the Company in issue increased from 12,254,516,626 as at 1 April 2013 to 16,976,891,626 as at 31 March 2014.

Save as disclosed above and the outstanding share options entitling their holders to subscribe for a total of 578,700,000 shares of the Company, the Group had no debt securities or other capital instruments as at 31 March 2014.

Material Acquisition and Disposals

As disclosed in the section headed "Capital Structure" above, an agreement for the sale and purchase of 58.50% interest in Agnita Limited ("Agnita") (the "Acquisition Agreement") was entered into among Preferred Market, the Company, the Vendors and guarantors of five of the Vendors on 19 December 2013. Pursuant to the Acquisition Agreement, Preferred Market would acquire from the Vendors 58.50% of the issued share capital in Agnita at the consideration of HK$608,400,000 which would be settled by the issue of 1,901,250,000 shares of the Company at HK$0.32 per share to the Vendors upon completion. The Acquisition Agreement was approved at the special general meeting of the Company held on 28 February 2014 and its completion took place on 7 March 2014. After completion, Agnita became an indirect non-wholly-owned subsidiary of the Company. The acquisition of Agnita represents a merger of the battery production, electric vehicle manufacturing and electric vehicle leasing businesses and is a significant furtherance of the Group's vertical expansion plan.

On 15 April 2014, Preferred Market entered into a sale and purchase agreement with Mr. Kam Chi Yip ("Mr. Kam") and Mr. Huang Jianmeng pursuant to which Preferred Market would acquire from Mr. Kam the entire issued share capital of Giant Industry Holdings Limited ("Giant Industry") at the consideration of HK$190,000,000 which would be satisfied by the Company through the issue of 380,000,000 shares of the Company at the issue price of HK$0.50 per share. The acquisition of Giant Industry was completed on 7 May 2014 and Giant Industry was accounted as a subsidiary of the Company after completion. The acquisition of Giant Industry provides an immediate platform for the Group to engage in the manufacture of electric vehicles and will be a furtherance of the Company's initiative to develop its electric vehicle manufacturing capability.

Save as disclosed above, the Group had no material acquisitions or disposals of subsidiaries or associated companies during the year ended 31 March 2014.

Pledge of Assets and Contingent Liabilities

There are pledged of assets as at 31 March 2014 and 2013 with details disclosed under the section heading "Liquidity and Financial Resources". In addition, pledged bank deposits of approximately HK$11.3 million (31 March 2013: approximately HK$9.6 million) were pledged to secure mainly for bills payables and letter of credit issued by the Group.

The Group had no significant contingent liabilities as at 31 March 2014 and 2013.

Capital Commitments

Details of the capital commitments of the Group are set out in Note 38(b) to the financial statements on page 133 of this report.

Employees and Remuneration Policies

As of 31 March 2014, the Group had 43 employees (31 March 2013: 35 employees) in Hong Kong and 848 employees (31 March 2013: 869 employees) in the PRC. Total staff costs (including directors' emoluments and equity-settled-share-based payments) during the year amounted to approximately HK$69.1 million (2013: approximately HK$70.7 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.

FUTURE DEVELOPMENT

The Group has chosen commercial vehicles as the market entry point for developing the electric vehicle business

Consolidating green base with technology and quality

The Group believes that compared with those modified from traditional gasoline-powered vehicles, electric vehicles manufactured according to new design started wholly from scratch will have better motion performance and efficiency. As for the electric vehicle business, the Group has detailed production and development plans. It is expected that the Kunming Plant will start producing electric minibuses from the third quarter of 2014 and the Hangzhou Plant will commence the production of two models of electric commercial vehicles from the first quarter of 2015. At the initial stage, the production of the Group will focus on electric minibuses, commercial vehicles and coaches. When the electric vehicle market further matures, the Group will actively launch other types of electric vehicle such as mini SUVs and luxury electric vehicles to provide more choices for the market.

In the future, the Group will continue to increase the investment in certain areas including technology, quality and product design, with an aim to improve our brand image and overall competitiveness and strengthen our business development and earnings. For the upstream sectors, the Group will seek for cooperation with suppliers for raw materials of electric vehicles and battery products in various ways while proactively pursuing strategic cooperation with electric vehicle sellers and marketing companies in the downstream sectors. The Group will utilize its own designs and R&D technology and adopt a light-asset operational strategy through diversified OEM cooperation, thereby lowering the Group's capital expenditure but also meeting the growing demand in the electric vehicle market. The development goal of the Company for the long run is to achieve rapid growth in electric vehicle business by leveraging its outstanding R&D team in the field of electric vehicle and battery production as well as its technology and resources in core parts of new energy vehicle and battery, striving to become a leading integrated electric vehicle manufacturer in the market.

* *For identification only*

Mr. Cao Zhong ("Mr. Cao")
Chairman, Executive Director & Chief Executive Officer

Mr. Cao, aged 54, is the Chairman, executive director and Chief Executive Officer of the Company. He was appointed as a non-executive director and Chairman of the Company on 11 March 2014 and re-designated as an executive director of the Company on 15 April 2014. On 28 May 2014, Mr. Cao was appointed as the Chief Executive Officer of the Company. He is also a member and chairman of the Nomination Committee and Executive Committee of the Company and a member of the Remuneration Committee of the Company. He also holds directorships in various subsidiaries of the Company. Mr. Cao was graduated from Zhejiang University and the Graduate School of the Chinese Academy of Social Sciences with a bachelor degree in engineering and a master degree in economics, respectively. Since 1988, Mr. Cao had served in various institutions, including the National Development and Reform Commission (the "NDRC") of the People's Republic of China (the "PRC"), Guangdong Province Huizhou Municipal People's Government, Beijing International Trust and Investment Company Limited, Shougang Corporation and the Development Research Centre of the State Council of China. Mr. Cao is currently an executive director and chairman of China Resources and Transportation Group Limited (Stock Code: 269), a company whose shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). He was the non-executive director and vice chairman of Shougang Concord International Enterprises Company Limited (Stock Code: 697), a company listed on the Stock Exchange, from May 2010 to December 2012. In addition, he was a non-executive director of Mount Gibson Iron Limited, a company listed on the Australian Securities Exchange (Stock Code: MGX) from December 2008 to February 2012. Mr. Miao Zhenguo, the Deputy Chairman and executive director of the Company, is the brother-in-law of Mr. Cao. Mr. Cao was appointed to the board of directors of the Company (the "Board") on 11 March 2014.

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

Mr. Miao, aged 54, is the Deputy Chairman and an executive director 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 16 of the Companies Ordinance (Chapter 622 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 of the Executive Committee, 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 and the Chief Executive Officer of the Company from August 2010 to May 2014. 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 (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. He is the brother-in-law of Mr. Cao, the Chairman, executive director and Chief Executive Officer of the Company. Mr. Miao was appointed to the Board on 25 May 2010.

Directors' Biographies

Dr. Chen Yanping ("Dr. Chen")
Executive Director & Chief Operating Officer

Dr. Chen, aged 51, is an executive director and Chief Operating Officer of the Company. He is also a member of the Executive Committee of the Company and holds directorships in various subsidiaries of the Company. Dr. Chen has 30 years' vast experience in automobile design, development and manufacturing and is the special automobile technology expert of the China International Engineering Consulting Corporation of the NDRC of the PRC and the Ministry of Science and Technology of the PRC, respectively. Dr. Chen obtained a bachelor degree in engineering from the Hefei University of Technology in 1983, a master degree in automobile engineering from Dalian University of Technology in 2002 and a doctorate degree in management science from Wuhan University of Technology in 2010. He was awarded with the second prize in Beijing science and technology award in 2003 and the third prize in the PRC automobile science technology award in 2004, and was a young technology expert receiving special subsidies from the State Council of the PRC. Dr. Chen has worked as an officer for the technical centre of the China National Heavy Duty Truck Group and a director of the research institute and deputy technical general manager of Beiqi Foton Motor Co. Ltd of the BAIC Group. He has also received training and studies at major international auto brands including Steyr, Mercedes Benz and Volvo. Dr. Chen was appointed to the Board on 28 May 2014.

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

Mr. Lo, aged 55, is an executive director of the Company and a member of the Executive Committee of the Company. Mr. Lo also holds directorships in various subsidiaries of the Company. He is currently a director and Chief Executive Officer of CITIC International Assets Management Limited, an executive director, Executive Vice-chairman and Chief Executive Officer of CIAM Group Limited (the shares of which are listed on the Stock Exchange with Stock Code: 378), and also a director and a Managing Director of CITIC International Financial Holdings Limited. He was an independent non-executive director of Winteam Pharmaceutical Group Limited (currently known as China Traditional Chinese Medicine Co. Limited) (Stock Code:570), a company whose shares are listed on the Stock Exchange, from February 2009 to February 2013. 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 48, was an executive director and Chief Operating Officer of the Company, and a member of the Executive Committee of the Company from March 2011 to May 2014. 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 and resigned as an executive director and the Chief Operating Officer of the Company on 28 May 2014. He will remain as a senior executive for the Group's battery manufacturing business.

Mr. Jaime Che
Executive Director & Vice President

Mr. Jaime Che, aged 33, 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. 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 50, 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.

Directors' Biographies

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

Mr. Chan, aged 52, is an independent non-executive director of the Company. He is also a member and chairman of the Audit Committee and Remuneration Committee of the Company and a member of the Nomination Committee of the Company. He is currently an independent non-executive director of Ausnutria Dairy Corporation Ltd (Stock Code: 1717), Global Sweeteners Holdings Limited (Stock Code: 3889), Kam Hing International Holdings Limited (Stock Code: 2307) and Ground Properties Company Limited (formerly known as China Motion Telecom International Limited) (Stock Code: 989), companies whose shares are listed on the Stock Exchange. He was appointed as a non-executive director of Golden Shield Holdings (Industrial) Limited (Stock Code: 2123), a company listed on the Stock Exchange, on 16 June 2014. He was a non-executive director of Vitop Bioenergy Holdings Limited (Stock Code: 1178) from February 2008 to May 2011, and an independent non-executive director of each of Xinhua Winshare Publishing and Media Co., Ltd. (Stock Code: 811) from April 2006 to July 2013, Anhui Conch Cement Company Limited (Stock Code: 914, a company whose shares are also listed on the Shanghai Stock Exchange) from June 2006 to May 2012, BYD Electronic (International) Company Limited (Stock Code: 285) from November 2007 to June 2013 and Daisho Microline Holdings Limited (Stock Code: 567) from September 2004 to August 2013, all being companies whose shares are listed on the Stock Exchange. He is also a director of Trauson Holdings Company Limited (Stock Code: 325) 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 66, 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 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 54, 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 2014 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 2014 on a named basis are disclosed in Note 17 to the financial statements.

* *For identification only*

Directors' Report

The directors present their report and the audited consolidated financial statements of the Group for the year ended 31 March 2014.

CHANGE OF COMPANY NAME

The English name of the Company has been changed from "Sinopoly Battery Limited" to "FDG Electric Vehicles Limited" and the Company has adopted the Chinese name of "五龍電動車（集團）有限公司" as the secondary name of the Company in place of the Chinese name "中聚電池有限公司", with effect from 13 May 2014.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The Group is mainly engaged in (i) the research and development, production, distribution and sale of Lithium-ion batteries and related products (the "Electric Battery Products"); (ii) the design, production and sale of electric vehicles; and (iii) the electric vehicle leasing business. 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 2014 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 2014 is set out in Note 8 to the financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 March 2014 are set out in the consolidated statement of profit or loss on page 46 of this annual report.

The directors of the Company do not recommend the payment of any dividend for the year ended 31 March 2014.

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$135,123,000 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 21.65% and 50.89% 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 20.85% and 45.47% 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.

PLACING OF NEW SHARES UNDER GENERAL MANDATE

On 31 March 2014, the Company has successfully placed 1,400,000,000 new shares through Guotai Junan Securities (Hong Kong) Limited, the placing manager, to not less than six placees at HK$0.50 per share (the "Placing").

The net proceeds from the Placing of approximately HK$692 million are intended to be used as capital expenditure required for construction of the electric vehicle production base in Hangzhou and as general working capital of the Group.

Details of the Placing are set out in the Company's announcements dated 20 March 2014 and 31 March 2014 respectively.

RESERVES AND DISTRIBUTABLE RESERVES

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

The Company had no reserves available for distribution as at 31 March 2014.

DIRECTORS

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

Executive directors:

Mr. Cao Zhong *(Chairman and Chief Executive Officer)*	*(appointed as a non-executive director and Chairman on 11 March 2014, re-designated from a non-executive director to an executive director on 15 April 2014 and appointed as Chief Executive Officer on 28 May 2014)*
Mr. Miao Zhenguo *(Deputy Chairman)*	*(resigned as Chief Executive Officer on 28 May 2014)*
Dr. Chen Yanping *(Chief Operating Officer)*	*(appointed on 28 May 2014)*
Mr. Lo Wing Yat	
Mr. Xu Donghui *(Chief Operating Officer)*	*(resigned on 28 May 2014)*
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 83(2) of the Company's Bye-laws, Mr. Cao Zhong and Dr. Chen Yanping will hold office until the forthcoming annual general meeting of the Company and, being eligible, have offered themselves for re-election.

In accordance with Bye-law 84(2) of the Company's Bye-laws, Mr. Miao Zhenguo, Mr. Fei Tai Hung and Mr. Tse Kam Fow will retire from office by rotation at the forthcoming annual general meeting of the Company and, being eligible, have offered themselves for re-election.

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 2014, 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. Cao Zhong ("Mr. Cao")	Interest of controlled corporation	1,911,059,998 *(Note 1)*	–	1,911,059,998	11.26%
Mr. Miao Zhenguo ("Mr. Miao")	Interest of controlled corporation	2,283,801,043 *(Note 2)*	–	2,283,801,043	13.45%
	Interest of controlled corporation	164,250,000 *(Note 2)*	–	164,250,000	0.97%
	Beneficial owner	–	22,000,000 *(Note 3)*	22,000,000	0.13%
Mr. Lo Wing Yat	Beneficial owner	–	58,800,000 *(Note 3)*	58,800,000	0.35%
Mr. Xu Donghui *(Note 4)*	Beneficial owner	220,000	28,000,000 *(Note 3)*	28,220,000	0.17%
Mr. Jaime Che	Beneficial owner	1,000,000	32,000,000 *(Note 3)*	33,000,000	0.19%
Professor Chen Guohua	Beneficial owner	–	6,000,000 *(Note 3)*	6,000,000	0.04%
Mr. Chan Yuk Tong	Beneficial owner	–	18,900,000 *(Note 3)*	18,900,000	0.11%
Mr. Fei Tai Hung	Beneficial owner	–	18,900,000 *(Note 3)*	18,900,000	0.11%
Mr. Tse Kam Fow	Beneficial owner	–	18,900,000 *(Note 3)*	18,900,000	0.11%

Notes:

1. For the purpose of the SFO, Mr. Cao is deemed to be interested in a total of 1,911,059,998 shares of the Company which are held by Long Hing International Limited ("Long Hing"). Long Hing is wholly owned by Mr. Cao and he is also a director of Long Hing.

2. For the purpose of the SFO, Mr. Miao is deemed to be interested in a total of 2,448,051,043 shares of the Company, of which 2,283,801,043 shares are held by Union Ever Holdings Limited ("Union Ever") and 164,250,000 shares are held by Infinity Wealth International Limited ("Infinity Wealth"). Both Union Ever and Infinity Wealth are wholly owned by Mr. Miao and he is also a director of both companies.

3. 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.

4. Mr. Xu Donghui resigned as an executive director of the Company on 28 May 2014.

Save as disclosed above, as at 31 March 2014, 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

Pursuant to the approval by the shareholders of the Company at the special general meeting held on 28 February 2014, the share option scheme adopted by the Company on 30 March 2004 (the "Old Scheme") is terminated and a new share option scheme (the "New Scheme" or "Share Option Scheme") which is in compliance with the requirements set out in the Listing Rules was adopted by the Company, both effective on 28 February 2014. Details of the Old Scheme and the New 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 convertible bonds due 2017 issued by the Company on 14 April 2014 as detailed in its announcements dated 20 March 2014 and 14 April 2014 respectively, 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 2014, 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 1)*	Beneficial owner	2,283,801,043	–	2,283,801,043	13.45%
Long Hing *(Notes 2 & 4)*	Beneficial owner	1,911,059,998	–	1,911,059,998	11.26%
Mr. Li Ka-shing *(Notes 3 & 4)*	Interest of controlled corporations	1,700,000,000	–	1,700,000,000	10.01%
Silver Ride Group Limited ("Silver Ride") *(Note 5)*	Beneficial owner	1,055,000,001	–	1,055,000,001	6.21%
Mr. Chen Jian ("Mr. Chen") *(Note 5)*	Interest of controlled corporation	1,055,000,001	–	1,055,000,001	6.21%
	Beneficial owner	–	17,000,000	17,000,000	0.10%
Mr. Li Tzar Kuoi, Victor *(Notes 4 & 6)*	Interest of controlled corporations	850,000,000	–	850,000,000	5.01%

Notes:

1. Union Ever is wholly owned by Mr. Miao, a director of the Company. The 2,283,801,043 shares of the Company held by Union Ever are deemed to be owned by Mr. Miao. Mr. Miao is also a director of Union Ever.

2. Long Hing is wholly owned by Mr. Cao, a director of the Company. The 1,911,059,998 shares of the Company held by Long Hing are deemed to be owned by Mr. Cao and such shares have taken the purchase of shares of the Company by Long Hing from each of CEF Holdings Limited ("CEF"), Jade Time Investments Limited ("Jade Time"), Lion Cosmos Limited ("Lion Cosmos") and Li Ka Shing (Canada) Foundation ("LKSCF") as mentioned in Note 4 below into account. Mr. Cao is also a director of Long Hing.

3. For the purpose of the SFO, Mr. Li Ka-shing is deemed to be interested in a total of 1,700,000,000 shares of the Company, of which 722,500,000 shares are held by Jade Time, 127,500,000 shares are held by CEF, 141,660,000 shares are held by Lion Cosmos and 708,340,000 shares are held by LKSCF. The total number of shares of the Company which is deemed to be interested by Mr. Li Ka-shing has taken the sales of shares of the Company by CEF, Jade Time, Lion Cosmos and LKSCF as mentioned in Note 4 below into account.

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

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

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

   Lion Cosmos is a wholly-owned subsidiary of Li Ka Shing (Overseas) Foundation ("LKSOF"). 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.

4. Pursuant to the four agreements entered into between each of CEF, Jade Time, Lion Cosmos, LKSCF with Long Hing on 27 March 2014, Long Hing has agreed to purchase 37,500,000 shares of the Company from CEF, 212,500,000 shares of the Company from Jade Time, 41,680,000 shares of the Company from Lion Cosmos and 208,320,000 shares of the Company from LKSCF. For details, please refer to the Company's announcement dated 27 March 2014. Such sales of shares are reflected in the disclosure of interests forms received by the Company from Mr. Li Ka-shing, Jade Time, LKSCF, Mayspin and Mr. Li Tzar Kuoi, Victor, the dates of relevant event of which are 1 April 2014.

5. Silver Ride is wholly owned by Mr. Chen, a director of certain subsidiaries of the Company. The 1,055,000,001 shares of the Company held by Silver Ride are deemed to be owned by Mr. Chen. Mr. Chen was also interested in a total of 17,000,000 underlying shares of the Company which represent interests in the (i) options granted to him on 21 April 2011 at a total consideration of HK$1 to subscribe for 10,000,000 shares of the Company at an exercise price of HK$0.81 per share (subject to adjustments) during the period from 21 April 2012 to 20 April 2014; and (ii) options granted to him on 4 September 2013 at a total consideration of HK$1 to subscribe for 7,000,000 shares of the Company at an exercise price of HK$0.45 per share (subject to adjustments) (the "Second Options"). 50% of the Second Options is exercisable from 4 September 2015 to 3 September 2023 while the remaining 50% of the Second Options is exercisable from 4 September 2018 to 3 September 2023.

6. For the purpose of the SFO, Mr. Li Tzar Kuoi, Victor is deemed to be interested in a total of 850,000,000 shares of the Company, of which 141,660,000 shares are held by Lion Cosmos and 708,340,000 shares are held by LKSCF. Lion Cosmos is a wholly-owned subsidiary of LKSOF. By virtue of the terms of the constituent documents of LKSOF and LKSCF, Mr. Li Tzar Kuoi, Victor may be regarded as having the ability to exercise or control the exercise of one-third or more of the voting power at general meetings of LKSOF and LKSCF respectively. The total number of shares of the Company which is deemed to be interested by Mr. Li Tzar Kuoi, Victor has taken the sales of shares of the Company by Lion Cosmos and LKSCF as mentioned in Note 4 above into account.

Save as disclosed above, as at 31 March 2014, 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 2014, none of the directors of the Company or their respective associates was interested in any business apart from the Group's businesses, which competes or is likely to compete, either directly or indirectly, with the Group's businesses pursuant to rule 8.10(2) of the Listing Rules.

DIRECTORS' INTEREST IN CONTRACTS

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

CONTROLLING SHAREHOLDERS' INTEREST IN CONTRACTS

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

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

MANAGEMENT CONTRACTS

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

CONNECTED TRANSACTIONS

Acquisition Agreement

On 19 December 2013, an agreement for the sale and purchase of 58.50% interest in Agnita Limited ("Agnita") (the "Acquisition Agreement") was entered into among Preferred Market Limited (the "Purchaser"), a direct wholly-owned subsidiary of the Company, the Company as the Purchaser's guarantor, seven vendors (namely Captain Century Limited, Designer Touch Limited, Infinity Wealth, Super Sleek Limited, Super Engine Limited, Ms. Lam Chiu Che and Ms. Chong Sok Un, collectively the "Vendors") and guarantors of five of the Vendors (namely Dr. Chen Yanping, Mr. Chen Cheng, Mr. Miao, Mr. Wang Chengying and Mr. Wu Yangnian).

Pursuant to the Acquisition Agreement, the Purchaser shall acquire from the Vendors 58.50% of the issued share capital in Agnita at the consideration of HK$608,400,000 (the "Acquisition"). The consideration would be settled by the issue of 1,901,250,000 shares of the Company at HK$0.32 per share to the Vendors upon completion.

Infinity Wealth is wholly owned by Mr. Miao, an executive director and a substantial shareholder of the Company, and Ms. Chong Sok Un is an associate of Mr. Jaime Che, an executive director of the Company, and are therefore connected persons of the Company for the purpose of the Listing Rules. As such, the Acquisition constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

Details of the Acquisition are set out in the Company's circular dated 12 February 2014. The Acquisition Agreement was approved at the special general meeting of the Company held on 28 February 2014 and its completion took place on 7 March 2014.

Call Option Deed

On 19 December 2013, a call option deed (the "Call Option Deed") was entered into among Preferred Market Limited (the "Grantor", a subsidiary of the Company), the Company as the Grantor's guarantor, CIAM Investment (BVI) Limited ("CIAM BVI", as the "Grantee") and CIAM Group Limited ("CIAM") as the Grantee's guarantor.

Pursuant to the Call Option Deed, the Grantor shall grant a call option to CIAM BVI, which if exercised, would require the Grantor to sell to CIAM BVI 8.50% of the issued share capital of Agnita (the "Call Option"). The exercise price of the Call Option was HK$88,400,000 and would be satisfied by the issue of 66,466,165 CIAM shares at HK$1.33 per CIAM share.

CIAM BVI is a substantial shareholder of Agnita and will become a connected person of the Company at the subsidiary level upon completion of the Acquisition. Accordingly, the grant of the Call Option constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

Details of the Call Option Deed are set out in the Company's circular dated 12 February 2014. The Call Option Deed was approved at the special general meeting of the Company held on 28 February 2014 and was not exercised by CIAM BVI as at the date of this report.

Details of other related party transactions undertaken by the Group in the normal course of business during the year, which do not constitute connected transactions nor continuing connected transactions of the Company required to be disclosed under the Listing Rules, are provided under Note 40 to the financial statements.

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

BORROWINGS

Details of the Group's borrowings as at the end of the reporting period are set out in Notes 28 and 29 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 2014.

Neither the Company nor any of its subsidiaries purchased or sold any of the Company's listed securities during the year ended 31 March 2014.

DONATIONS

During the year, the Group made donations amounting to approximately HK$38,000.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the best 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 last three years ended 31 March 2011, 31 March 2012 and 31 March 2013 were audited by CCIF CPA Limited ("CCIF"). Due to the merger of businesses of CCIF and PCP CPA Limited, Crowe Horwath (HK) CPA Limited ("Crowe Horwath") was established and appointed as auditor of the Company at the annual general meeting of the Company on 27 August 2013.

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

By order of the Board

Cao Zhong
Chairman and Chief Executive Officer

Hong Kong, 27 June 2014

Corporate Governance Report

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 2014 and up to the date of this report except for the following deviations.

Code provisions A.2.1 to A.2.9

The Company has no Chairman from 16 October 2008 to 10 March 2014. This constitutes a deviation from the code provisions A.2.1 to A.2.9 of the Code. On 11 March 2014, the Company appointed Mr. Cao Zhong as the Chairman while Mr. Miao Zhenguo remained as the Chief Executive Officer of the Group. Since then and up to 27 May 2014, the roles of the Chairman and Chief Executive Officer of the Company were segregated and performed by different individuals.

Before the appointment of Mr. Cao Zhong, both the roles of Deputy Chairman and Chief Executive Officer were vested in Mr. Miao Zhenguo. The Board was of the view that this would not impair the balance of power and authority between the Board and the management of the Company as the Board would meet regularly to consider major matters affecting the operations of the Group. Mr. Miao Zhenguo was mainly responsible for the day-to-day management of the Group's business operations.

On 28 May 2014, Mr. Cao Zhong was appointed as the Chief Executive Officer of the Company while Mr. Miao Zhenguo resigned as the Chief Executive Officer of the Company. Since then, both the roles of Chairman and Chief Executive Officer are vested in Mr. Cao Zhong. The Board considers that it will be more effective in implementing the Company's business strategies under this arrangement as the Group is expanding into the electric vehicle sector and that a balance of power and authority is maintained at all times as the Board comprises experienced and high calibre individuals including sufficient number of independent non-executive directors as required under the Listing Rules.

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 24 January 2014 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 when the annual general meeting of the Company was held. Mr. Miao Zhenguo, the Deputy Chairman, chaired the Company's annual general meeting held on 27 August 2013 pursuant to the Company's Bye-laws.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code for securities transactions by directors (the "Securities Code"), which is largely based on the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules. The Securities Code is on terms no less exacting than the required standard set out in the Model Code. All directors of the Company have confirmed, following specific enquiry by the Company, their compliance with the required standard set out in the Model Code and the Securities Code throughout the year ended 31 March 2014.

BOARD OF DIRECTORS

Composition

The Board currently comprises the following nine directors:

Executive directors:
Mr. Cao Zhong *(Chairman and Chief Executive Officer)*
Mr. Miao Zhenguo *(Deputy Chairman)*
Dr. Chen Yanping *(Chief Operating Officer)*
Mr. Lo Wing Yat
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 17 to 21 of this annual report.

Board Diversity

The Board has adopted a board diversity policy (the "Policy") effective from 1 September 2013. Under the Policy, the selection of candidates for Board appointment will be based on a range of diversity perspectives, including but without limitation to gender, age, cultural and education background, professional and industry experience, skills, knowledge and length of service. The Nomination Committee has considered that the current Board composition has the appropriate skills, experience and diversity of perspectives that are required to support the execution of the business strategies of the Company and achieve the effective running of the Board.

The Nomination Committee will monitor the implementation of the Policy and assess the Board composition on an annual basis.

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 and 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 2014, 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

Mr. Miao Zhenguo, the Deputy Chairman of the Company, is the brother-in-law of Mr. Cao Zhong, the Chairman and Chief Executive Officer of the Company.

Ms. Chong Sok Un ("Ms. Chong") is the mother of Mr. Jaime Che, an executive director of the Company. To the best of the directors' knowledge and information, Ms. Chong held 82,875,000 shares of the Company upon completion of the acquisition of 58.50% of the issued share capital of Agnita Limited by Preferred Market Limited, a wholly-owned subsidiary of the Company, on 7 March 2014, representing approximately 0.53% of the then issued share capital of the Company.

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

Meetings and Attendance

The Board held four regular meetings and two additional meetings during the year ended 31 March 2014. 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. Cao Zhong *(appointed on 11 March 2014)*	N/A
Mr. Miao Zhenguo	6/6
Mr. Lo Wing Yat	6[a]/6
Mr. Xu Donghui *(resigned on 28 May 2014)*	6/6
Mr. Jaime Che	6/6
Non-executive director:	
Professor Chen Guohua	6[b]/6
Independent non-executive directors:	
Mr. Chan Yuk Tong	6[a]/6
Mr. Fei Tai Hung	6[c]/6
Mr. Tse Kam Fow	6[a]/6

Notes:

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

b. Including two meetings through having other directors acted as his representatives.

c. Including three meetings through having other directors acted as his representatives.

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 an external organisation to provide a boardroom strategies training to the Board on risk management on 4 September 2013.

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 2014 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 management practices and principles
Executive directors:			
Mr. Cao Zhong *(appointed on 11 March 2014)*	✓	✓	–
Mr. Miao Zhenguo	✓	–	✓
Mr. Lo Wing Yat	✓	✓	✓
Mr. Xu Donghui *(resigned on 28 May 2014)*	✓	–	✓
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 two executive directors, namely Mr. Cao Zhong and 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.fdgev.com.

The Remuneration Committee held three meetings during the year ended 31 March 2014. The individual attendance records of the committee members are as follows:

Name of committee members	**Number of meetings attended/held**
Mr. Chan Yuk Tong	3[a]/3
Mr. Fei Tai Hung	3[b]/3
Mr. Tse Kam Fow	3[a]/3
Mr. Cao Zhong *(appointed on 11 March 2014)*	N/A
Mr. Miao Zhenguo	3/3

Notes:

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

b. Including two meetings through having other directors acted as his representatives.

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 2013 annual general meeting for shareholders' approval of the Company; (ii) the grant of share options to directors and senior management; and (iii) the directors' fee of the then non-executive Chairman of the Company who was later re-designated as an executive Chairman 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 purposes of providing incentives or rewards to eligible participants, including the directors of the Company (i) in recognition of their contribution to the Group; (ii) to attract and retain or otherwise maintain an on-going relationship with them for the benefit of the Group; and (iii) to align their interests with the shareholders of the Company, thereby encouraging them to work towards enhancing the value of the shares of the Company.

During the year ended 31 March 2014, no director was involved in deciding his own remuneration.

Nomination Committee

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 executive directors, namely Mr. Cao Zhong (Chairman of the Nomination Committee), Mr. Miao Zhenguo and Mr. Jaime Che, and three independent non-executive directors, namely Mr. Chan Yuk Tong, Mr. Fei Tai Hung and Mr. Tse Kam Fow.

The principal duties of the Nomination Committee include (i) to review the structure, size and diversity (including but without limitation to gender, age, cultural and education background, professional and industry experience, skills, knowledge and length of service) 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.fdgev.com.

The Nomination Committee held two meetings during the year ended 31 March 2014. The individual attendance records of the committee members are as follows:

Name of committee members	**Number of meetings attended/held**
Mr. Cao Zhong *(appointed on 11 March 2014)*	N/A
Mr. Chan Yuk Tong	2[a]/2
Mr. Fei Tai Hung	2[a]/2
Mr. Tse Kam Fow	2[a]/2
Mr. Miao Zhenguo	2/2
Mr. Jaime Che	2/2

Note:

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

During the meetings, the Nomination Committee (i) considered and recommended to the Board the re-election of directors who were subject to retirement by rotation at the 2013 annual general meeting of the Company; (ii) reviewed the structure, size and composition of the Board; (iii) assessed the independence of the independent non-executive directors; and (iv) considered and recommended to the Board the appointment of Mr. Cao Zhong as the then non-executive Chairman of the Company and the chairman of the Nomination Committee.

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.fdgev.com.

The Audit Committee held three meetings during the year ended 31 March 2014. The individual attendance records of the committee members are as follows:

Name of committee members	Number of meetings attended/held
Mr. Chan Yuk Tong	3/3
Mr. Fei Tai Hung	3/3
Mr. Tse Kam Fow	3/3

During the year ended 31 March 2014, 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 2013 and six months ended 30 September 2013 and recommended the same to the Board for approval; (iii) recommended to the Board the appointment of Crowe Horwath (HK) CPA Limited as the Auditor as a result of the merger of businesses of CCIF CPA Limited and PCP CPA Limited; (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 2014, 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 2013, respectively.

The Audit Committee has reviewed with the management and the Auditor the audited results of the Group for the year ended 31 March 2014.

Executive Committee

The Executive Committee currently comprises five executive directors of the Company, namely Mr. Cao Zhong (Chairman of the Executive Committee), Mr. Miao Zhenguo, Dr. Chen Yanping, Mr. Lo Wing Yat 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 currently comprises Mr. Chan Yuk Tong (Chairman of the Special Board Committee), Mr. Lo Wing Yat, Professor Chen Guohua, Mr. Fei Tai Hung and Mr. Tse Kam Fow.

AUDITOR'S REMUNERATION

For the year ended 31 March 2014, the Auditor received approximately HK$1,650,000 for audit service and approximately HK$320,000 for non-audit service regarding interim review and service for major transaction in relation to acquisition of subsidiaries.

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 44 to 45 of this annual report.

At 31 March 2014, the Group had net current liabilities of approximately HK$47,266,000, 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 in Note 3 "Basis of Preparation" and Note 32 "Obligations under Redeemed Convertible Bonds" to the financial statements of this annual report. In addition, the Auditor does not consider necessary to qualify their opinion on the consolidated financial statements of the Group as at 31 March 2014.

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 an internal audit department 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 2014, the Company has held the annual general meeting on 27 August 2013 (the "AGM") and a special general meeting on 28 February 2014 (the "SGM"). The individual attendance records of the directors at the AGM and the SGM are as follows:

Name of directors		**Number of AGM attended/held**	**Number of SGM attended/held**
Executive directors:			
Mr. Cao Zhong	*(appointed as director and Chairman of the Nomination Committee on 11 March 2014)*	N/A	N/A
Mr. Miao Zhenguo		1/1	1/1
Mr. Lo Wing Yat		0/1	0/1
Mr. Xu Donghui	*(resigned on 28 May 2014)*	1/1	1/1
Mr. Jaime Che		1/1	1/1
Non-executive director:			
Professor Chen Guohua		1/1	1/1
Independent non-executive directors:			
Mr. Chan Yuk Tong	*(Chairman of the Nomination Committee from 1 April 2013 to 10 March 2014 and Chairmen of the Audit and Remuneration Committees throughout the year under review)*	1[a]/1	1/1
Mr. Fei Tai Hung		1/1	1[a]/1
Mr. Tse Kam Fow		0/1	1/1

Note:

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

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 2014, 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 3001-3005, 30th 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 2014, 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.fdgev.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@fdgev.com or directly in person through participation in general meetings.

Independent Auditor's Report

國富浩華(香港)會計師事務所有限公司
Crowe Horwath (HK) CPA Limited
Member Crowe Horwath International

9/F Leighton Centre,
77 Leighton Road,
Causeway Bay, Hong Kong

TO THE SHAREHOLDERS OF FDG ELECTRIC VEHICLES LIMITED
(PREVIOUSLY KNOWN AS "SINOPOLY BATTERY LIMITED")
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of FDG Electric Vehicles Limited (previously known as "Sinopoly Battery Limited") (the "Company") and its subsidiaries (together the "Group") set out on pages 46 to 136, which comprise the consolidated and company statements of financial position as at 31 March 2014, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other 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 2014, 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.

Crowe Horwath (HK) CPA Limited
Certified Public Accountants
Hong Kong, 27 June 2014

Yau Hok Hung
Practising Certificate Number P04911

Consolidated Statement of Profit or Loss

For the year ended 31 March 2014

	Note	2014 HK$'000	2013 HK$'000
Revenue	7	**83,956**	53,854
Cost of sales		**(77,014)**	(46,659)
Gross profit		**6,942**	7,195
Other income	9	**15,518**	1,846
Selling and distribution costs		**(18,995)**	(19,641)
General and administrative expenses		**(117,912)**	(82,360)
Research and development expenses		**(12,358)**	(16,821)
Finance costs	10	**(19,329)**	(17,649)
Other operating expenses	11(a)	**–**	(26,083)
Write-down of inventories	11(b)	**(25,954)**	(15,905)
Amortisation of intangible assets	20	**(99,055)**	(106,142)
Impairment on intangible assets	20	**–**	(100,564)
Impairment on goodwill	19	**(665,438)**	–
Loss before tax	11	**(936,581)**	(376,124)
Income tax	13	**24,703**	51,677
Loss for the year		**(911,878)**	(324,447)
Attributable to:			
Owners of the Company	14	**(906,389)**	(324,447)
Non-controlling interests		**(5,489)**	–
		(911,878)	(324,447)
		HK cents	HK cents
Loss per share attributable to owners of the Company	16		
– Basic and diluted		**(6.67)**	(2.90)

The accompanying notes form part of these financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2014

	2014 HK$'000	2013 HK$'000
Loss for the year	**(911,878)**	(324,447)
Other comprehensive (loss)/income for the year, net of nil tax:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign subsidiaries	**(80)**	412
Total comprehensive loss for the year	**(911,958)**	(324,035)
Attributable to:		
Owners of the Company	**(905,559)**	(324,035)
Non-controlling interests	**(6,399)**	–
Total comprehensive loss for the year	**(911,958)**	(324,035)

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position

As at 31 March 2014

	Note	2014 HK$'000	2013 HK$'000
Non-current assets			
Goodwill	19	**349,576**	–
Intangible assets	20	**982,563**	660,742
Fixed assets	21	**874,358**	451,790
Deposits paid for fixed assets	22	**203,249**	100,778
Prepaid rentals		**9,877**	10,938
		2,419,623	1,224,248
Current assets			
Inventories	24	**123,346**	121,543
Trade and other receivables	25	**252,928**	132,294
Pledged bank deposits	26	**11,284**	9,592
Cash and bank balances	27	**1,069,623**	140,567
		1,457,181	403,996
Current liabilities			
Bank loans and other borrowings	28	**(372,181)**	(107,720)
Loan from a non-controlling shareholder	29	**(150,000)**	–
Trade and other payables	30	**(212,819)**	(132,586)
Deposit received	31	**–**	(61,915)
Tax payable		**(8,695)**	(8,695)
Obligations under redeemed convertible bonds	32	**(760,752)**	(760,752)
		(1,504,447)	(1,071,668)
Net current liabilities		**(47,266)**	(667,672)
Total assets less current liabilities		**2,372,357**	556,576
Non-current liabilities			
Other non-current liability	33	**(52,656)**	(51,707)
Deferred tax liabilities	34	**(256,862)**	(164,678)
		(309,518)	(216,385)
NET ASSETS		**2,062,839**	340,191

Consolidated Statement of Financial Position

As at 31 March 2014

	Note	2014 HK$'000	2013 HK$'000
CAPITAL AND RESERVES			
Issued capital	*35*	**169,769**	122,545
Reserves	*36*	**1,564,031**	217,646
Total equity attributable to owners of the Company		**1,733,800**	340,191
Non-controlling interests		**329,039**	–
TOTAL EQUITY		**2,062,839**	340,191

Miao Zhenguo
Director

Jaime Che
Director

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 March 2014

	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 HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 April 2012	109,917	3,651,166	18,805	15,506	1,868	153,974	16,753	(3,438,741)	529,248	–	529,248
Loss for the year	–	–	–	–	–	–	–	(324,447)	(324,447)	–	(324,447)
Other comprehensive income for the year	–	–	412	–	–	–	–	–	412	–	412
Total comprehensive loss for the year	–	–	412	–	–	–	–	(324,447)	(324,035)	–	(324,035)
Shares issued upon exercise of share options *(Note 35(b))*	11	93	–	–	–	–	(35)	–	69	–	69
Equity-settled share-based payments	–	–	–	–	–	–	1,643	–	1,643	–	1,643
Shares issued upon conversion of convertible bonds *(Note 35(e))*	12,617	274,623	–	–	–	(153,974)	–	–	133,266	–	133,266
At 31 March 2013 and 1 April 2013	122,545	3,925,882	19,217	15,506	1,868	–	18,361	(3,763,188)	340,191	–	340,191
Loss for the year	–	–	–	–	–	–	–	(906,389)	(906,389)	(5,489)	(911,878)
Other comprehensive income for the year	–	–	830	–	–	–	–	–	830	(910)	(80)
Total comprehensive loss for the year	–	–	830	–	–	–	–	(906,389)	(905,559)	(6,399)	(911,958)
Share issued pursuant to subscriptions and placement *(Note 35(a) & (d))*	28,200	1,000,480	–	–	–	–	–	–	1,028,680	–	1,028,680
Share issued upon exercise of share options *(Note 35(b))*	11	93	–	–	–	–	(35)	–	69	–	69
Issue of ordinary shares related to acquisition transaction *(Note 35(c))*	19,013	1,254,825	–	–	–	–	–	–	1,273,838	–	1,273,838
Non-controlling interests arising on business combination	–	–	–	–	–	–	–	–	–	335,438	335,438
Transaction costs attributable to issue of new shares	–	(7,155)	–	–	–	–	–	–	(7,155)	–	(7,155)
Share options lapsed	–	–	–	–	–	–	(223)	223	–	–	–
Equity-settled share-based payments	–	–	–	–	–	–	3,736	–	3,736	–	3,736
At 31 March 2014	**169,769**	**6,174,125**	**20,047**	**15,506**	**1,868**	**–**	**21,839**	**(4,669,354)**	**1,733,800**	**329,039**	**2,062,839**

Consolidated Statement of Cash Flows

For the year ended 31 March 2014

	Note	2014 HK$'000	2013 HK$'000
Operating activities			
Loss before tax		**(936,581)**	(376,124)
Adjustments for:			
Interest income	*11*	**(3,817)**	(1,130)
Finance costs	*10*	**19,329**	17,649
(Gain)/loss on disposal of fixed assets	*11*	**(626)**	10
Depreciation and amortisation of fixed assets	*11*	**41,660**	32,836
Equity-settled share-based payments	*11*	**3,736**	1,643
Impairment on goodwill	*19*	**665,438**	–
Amortisation of intangible assets	*20*	**99,055**	106,142
Impairment on intangible assets	*20*	**–**	100,564
Impairment on fixed assets	*11*	**6,973**	–
Write-down of inventories	*11(b)*	**25,954**	15,905
Warranty provision		**467**	953
Foreign exchange difference		**(5,119)**	(1,578)
		(83,531)	(103,130)
Changes in working capital:			
Decrease/(increase) in prepaid rentals		**1,260**	(10,938)
Increase in inventories		**(27,757)**	(79,555)
Increase in trade and other receivables		**(90,119)**	(20,943)
(Decrease)/increase in trade and other payables		**(19,410)**	21,681
Net cash used in operations		**(219,557)**	(192,885)
Interest received		**3,783**	1,130
Finance costs paid		**(17,087)**	(5,545)
Net cash used in operating activities		**(232,861)**	(197,300)
Investing activities			
Payments for acquisition of intangible assets		**(2,871)**	(2,030)
Payments for acquisition of fixed assets		**(58,183)**	(46,687)
Receipts on disposal of fixed assets		**1,700**	–
Increase in pledged bank deposits		**(603)**	(9,592)
Net cash inflows on acquisition of subsidiaries		**126,812**	–
Net cash generated from/(used in) investing activities		**66,855**	(58,309)

Consolidated Statement of Cash Flows

For the year ended 31 March 2014

	Note	2014 HK$'000	2013 HK$'000
Financing activities			
Net proceeds from issuance of new shares		**1,021,525**	–
Proceeds from shares issued upon exercise of share options		**69**	69
Proceeds from bank loans		**183,030**	107,720
Repayment of bank loans		**(109,694)**	–
(Decrease)/increase in deposit received		**–**	61,915
(Decrease)/increase in bills payables		**(1,028)**	9,287
Net cash generated from financing activities		**1,093,902**	178,991
Net increase/(decrease) in cash and cash equivalents		**927,896**	(76,618)
Effect of foreign exchange rate changes		**1,160**	312
Cash and cash equivalents at beginning of the year		**140,567**	216,873
Cash and cash equivalents at end of the year		**1,069,623**	140,567
Analysis of cash and cash equivalents			
Cash and bank balances	*27*	**1,069,623**	140,567

The accompanying notes form part of these financial statements.

Statement of Financial Position

As at 31 March 2014

	Note	2014 HK$'000	2013 HK$'000
Non-current assets			
Interests in subsidiaries	*23*	**1,155,399**	519,540
Current assets			
Amounts due from subsidiaries	*23*	**406,778**	545,499
Trade and other receivables	*25*	**64,331**	1,179
Cash and bank balances	*27*	**855,329**	30,372
		1,326,438	577,050
Current liabilities			
Trade and other payables	*30*	**(3,848)**	(3,646)
Obligations under redeemed convertible bonds	*32*	**(760,752)**	(760,752)
		(764,600)	(764,398)
Net current assets/(liabilities)		**561,838**	(187,348)
Total assets less current liabilities		**1,717,237**	332,192
NET ASSETS		**1,717,237**	332,192
CAPITAL AND RESERVES			
Issued capital	*35*	**169,769**	122,545
Reserves	*36*	**1,547,468**	209,647
TOTAL EQUITY		**1,717,237**	332,192

Miao Zhenguo
Director

Jaime Che
Director

Notes to the Financial Statements

1. GENERAL INFORMATION

FDG Electric Vehicles Limited (previously known as "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 3001-3005, 30th 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 (i) research and development, production and sale of Lithium-ion batteries and related products; (ii) vehicle design and the design, manufacture and sale of electric vehicles; (iii) leasing of electric vehicles and (iv) treasury investment.

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

The Hong Kong Institute of Certified Public Accountants ("HKICPA") has issued a number of new individual Hong Kong Financial Reporting Standards ("HKFRS"), Hong Kong Accounting Standards ("HKASs") and Interpretations (collectively "HKFRSs") and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

HKAS 1 (Amendment)	Presentation of Items of Other Comprehensive Income
HKFRS 10	Consolidated Financial Statements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
Annual Improvements Project	Annual Improvements 2009-2011 Cycle
HKFRS 7 (Amendment)	Disclosures - Offsetting Financial Assets and Financial Liabilities

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, except for the followings:

HKAS 1 (Amendment) Presentation of Items of Other Comprehensive Income

The amendments require entities to present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The presentation of other comprehensive income in the consolidated statement of profit or loss and other comprehensive income in these financial statements has been modified accordingly. In addition, the Group has chosen to use the new titles "Statement of profit or loss" and "Statement of profit or loss and other comprehensive income" as introduced by the amendments in these financial statements.

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

HKFRS 10 Consolidated Financial Statements

HKFRS 10 replaces the requirements in HKAS 27 "Consolidated and Separate Financial Statements" relating to the preparation of consolidated financial statements and HK(SIC)-Int 12 "Consolidation – Special Purpose Entities". It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 April 2013.

HKFRS 12 Disclosure of Interests in Other Entities

HKFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required by HKFRS 12 are generally more extensive than those previously required by the respective standards. To the extent that the requirements are applicable to the Group, the Group has provided those disclosures in Note 23.

HKFRS 13 Fair Value Measurement

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. The adoption of HKFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

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

Up to the date of issue of these financial statements, the HKICPA has issued several amendments and standards which are not yet effective for the year ended 31 March 2014 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

Amendments to HKAS 32	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities[1]
Amendment to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[1]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets[1]
HK(IFRIC) – Int 21	Levies[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle[3]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle[2]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[2]
HKFRS 9	Financial Instruments[5]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[5]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[4]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[4]
HKFRS 14	Regulatory Deferral Accounts[4]

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 July 2014
3 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions
4 Effective for annual periods beginning on or after 1 January 2016
5 Available for application – mandatory effective date not yet determined

The Group is in the process of making an assessment of the impact of these amendments and standards in the period of initial application. So far, it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

In addition, the requirements of Part 9, "Accounts and Audit", of the new Hong Kong Companies Ordinance (Cap. 622) come into operation from the company's first financial year commencing after 3 March 2014 (i.e. the Company's financial year which began on 1 April 2014) in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of the expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9. So far it has concluded that the impact is unlikely to be significant and will primarily only affect the presentation and disclosure of information in the consolidated financial statements.

3. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable HKFRSs and accounting principles generally accepted in Hong Kong. These consolidated financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap.32), in accordance with transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap.622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that 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"). A summary of principal accounting policies adopted by the Group is set out in Note 4 below.

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 2014 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$") and that of its subsidiaries in The People's Republic of China (the "PRC") is Renminbi ("RMB"). For the purposes of presenting the consolidated financial statements, the Group has adopted HK$ 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 that are 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 that are not readily apparent from other sources. Actual results may differ from these estimates.

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

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

In preparing these financial statements, the board of directors of the Company (the "Board") has considered the Group's future liquidity and believes that adequate funding is available to fulfill the Group's short-term obligations and capital expenditure requirements. As at 31 March 2014, the Group had net current liabilities of approximately HK$47,266,000, which included obligations under redeemed convertible bonds of approximately HK$760,752,000 (the "Redemption Amount") as set out in the consolidated statement of financial position.

3. BASIS OF PREPARATION *(Continued)*

Notwithstanding the aforesaid conditions, the consolidated financial statements have been prepared on a going concern basis because the Board is of the opinion that 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 portion of the damages to be claimed by the Group against the Redemption Amount in the legal proceedings against the holder of such redeemed convertible bonds and its associates and based on which the Company is entitled to a stay of execution of payment for the Redemption Amount before the conclusion of the relevant legal proceedings;

(2) Subsequent to the end of the reporting period, as disclosed in Note 41(a), the Group raised fund of HK$400 million (before direct expenses) by issuing three-year convertible bonds to a subscriber in April 2014;

(3) The directors of the Company have reviewed the cash flow forecast of the Group for the twelve months ending 31 March 2015 and projected to have sufficient cash flows to finance the working capital and capital expenditure requirements of the Group during that period. In preparing the cash flow forecast, the directors have considered historical cash requirements of the Group as well as other key factors, including the availability of (i) the balance of cash at banks and on hand of approximately HK$1,069,623,000 as at 31 March 2014 and (ii) the above-mentioned convertible bonds;

(4) The directors of the Company are considering various alternatives to support its capital expenditure needs and will continue the negotiations with the Group's bankers; and

(5) Mr. Miao Zhenguo ("Mr. Miao"), the Deputy Chairman 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 irrevocable 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 has 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.

4. PRINCIPAL ACCOUNTING POLICIES

(a) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment 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, transactions and cash flows and any unrealised profits 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.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets, however, the choice of measuring non-controlling interests is limited to those types of non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the subsidiary's net assets in the event of liquidation. All other types of non-controlling interests shall be measured at their acquisition-date fair values, unless another measurement basis is required by HKFRSs.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with Notes 4(k), (l) or (m) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

In the Company's statement of financial position, interests in subsidiaries are carried at cost less any impairment losses (see Note 4(g)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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

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

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash-generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see Note 4(g)).

On disposal of a cash-generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(c) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedge the net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

(d) Fixed assets and depreciation

Fixed assets, other than construction in progress, are carried at cost less accumulated depreciation and any accumulated impairment losses (see Note 4(g)). 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 profit or loss 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.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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

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.

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 over the shorter of the unexpired term of lease and their estimated useful lives.

- Other fixed assets are depreciated 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	10% to 33.3%
Motor vehicles	10% to 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 profit or loss 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)*

(e) Intangible assets (other than goodwill)

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 (see Note 4(g)). Other development expenditure is recognised as an expense in the period in which it is incurred.

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see Note 4(g)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

–	patents and exclusive patents using rights	10 years
–	Industrial proprietary right	25 years
–	Technical know-hows	5 years

The period and method of amortisation are reviewed annually.

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

(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 profit or loss 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 profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss 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.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(g) Impairment of assets

(i) Impairment of trade and other receivables

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 loss 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; and

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

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

For trade and other receivables 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 financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets 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 profit or loss. 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 receivables 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 receivables 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 profit or loss.

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.

– goodwill;

– intangible assets;

– fixed assets;

– deposits paid for fixed assets;

– pre-paid interests in leasehold land classified as being held under an operating lease; and

– interests in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less cost of disposal 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 profit or loss if 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 of disposal (if measurable), 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 profit or loss 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 (see Notes 4(g)(i) and (ii)).

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) Project contracts in progress

Project contracts in progress represents the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognised to date (see Note 4(r)(ii)) less progress billings and recognised losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity.

Project contracts in progress is presented as ''Amounts due from customers for contract work'' (as part of trade and other receivables) in the statement of financial position for all contracts in which costs incurred plus recognised profits less recognised losses exceed progress billings. If progress billings exceed costs incurred plus recognised profits less recognised losses, then the difference is presented as ''Amounts due to customers for contract work'' (as part of trade and other payables) in the statement of financial position.

(j) 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 (see Note 4(g)), 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.

(k) 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 profit or loss 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 profit or loss 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 profit or loss upon conversion or expiration of the option.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(k) Convertible bonds *(Continued)*

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 profit or loss. 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 profit or loss and the amount of consideration relating to the equity component is recognised in equity.

(l) 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 profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(m) 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.

(n) 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 that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(o) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, contributions to defined contribution retirement 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.

(ii) Share-based payments

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 profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to share option reserve. 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) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. 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).

(iii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(p) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(p) Income tax *(Continued)*

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

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

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

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

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

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.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(p) Income tax *(Continued)*

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; or

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

  – the same taxable entity; or

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

(q) Provisions and contingent liabilities

(i) Contingent liabilities assumed in business combinations

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

(ii) Other provisions and contingent liabilities

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

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

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(r) 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 profit or loss as follows:

(i) Sales of goods

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) Service income

Service income is recognised when the outcome of a service contract can be estimated reliably, revenue from a fixed price contract is recognised using the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to estimated total contract costs for the contract.

When the outcome of a service contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

(iii) Interest income

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.

(iv) Government grants

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

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(s) 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 profit or loss.

Non-monetary assets and liabilities that are 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 measured.

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. Statement of financial position items 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 relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(t) 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.

(u) 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.

(v) Dividends and distributions

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

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(w) Related parties

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

(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.

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) Going concern

As mentioned in Note 3 to the consolidated financial statements, the directors are satisfied that the Group has sufficient cash resources to satisfy the Group's working capital and other financial obligations for the next twelve months from the date of approval of these financial statements. Under such circumstances, the consolidated financial statements have been prepared on a going concern basis. If the going concern basis is not appropriate, adjustments would have to be made to restate the values of assets to their immediate 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. Such adjustments may have a significant consequential effect on the loss for the year and net assets of the Group.

(b) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash-generating units to which the goodwill is allocated. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. In the process of estimating expected future cash flow, management makes assumptions about future revenues and profits. These assumption relate to future events and circumstances. The actual results may vary and may cause a material adjustment to the carrying amount of goodwill within the next financial year. Determining the appropriate discount rate involves estimating the appropriate adjustments for market risk and for asset specific risk factor.

The carrying amount of goodwill at 31 March 2014 was HK$349,576,000. Further details are given in Note 19.

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

Determining whether intangible assets (other than goodwill) 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 industries of the Lithium-ion batteries and related electric vehicles are 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 and related electric vehicles 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 no impairment loss (2013: HK$100,564,000) was recognised in the consolidated statement of profit or loss for the year ended 31 March 2014.

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

(d) 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.

(e) 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.

(f) 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 based 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.

(g) 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)*

(h) Useful lives and amortisation of intangible assets

The intangible assets are amortised on a straight-line basis over the estimated useful lives. 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.

(i) 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.

(j) 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.

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

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

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade and other receivables (excluding deposits and prepayments and value added tax receivables)	**167,139**	50,193	**63,025**	2
Amounts due from subsidiaries	**–**	–	**406,778**	545,499
Pledged bank deposits	**11,284**	9,592	**–**	–
Cash and bank balances	**1,069,623**	140,567	**855,329**	30,372
Loans and receivables (including cash and cash equivalents)	**1,248,046**	200,352	**1,325,132**	575,873

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

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Bank loans and other borrowings	**372,181**	107,720	**–**	–
Loan from a non-controlling shareholder	**150,000**	–	**–**	–
Trade and other payables (excluding receipts in advance and warranty provision)	**204,171**	116,730	**3,848**	3,646
Deposit received	**–**	61,915	**–**	–
Obligations under redeemed convertible bonds	**760,752**	760,752	**760,752**	760,752
Financial liabilities at amortised cost	**1,487,104**	1,047,117	**764,600**	764,398

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 89.33% (2013: 98.27%) of the total trade receivables due from the Group's five largest debtors as at 31 March 2014.

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 31, 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 31.

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.

6. FINANCIAL INSTRUMENTS *(Continued)*

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

(ii) Liquidity risk

At 31 March 2014, the Group has net current liabilities of approximately HK$47,266,000 (2013: HK$667,672,000) which included obligations under redeemed convertible bonds of approximately HK$760,752,000 (the "Redemption Amount"). The Group is 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 32) 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.

The Board is of the opinion that the Group 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

		2014	
	Within 1 year or on demand HK$'000	**Total undiscounted cash flows HK$'000**	**Carrying amount at 31 March HK$'000**
Bank loans and other borrowings	**390,702**	**390,702**	**372,181**
Loan from a non-controlling shareholder	**150,000**	**150,000**	**150,000**
Trade and other payables (excluding receipts in advance and warranty provision)	**204,171**	**204,171**	**204,171**
Obligations under redeemed convertible bonds *(Note)*	**760,752**	**760,752**	**760,752**
	1,505,625	**1,505,625**	**1,487,104**

6. FINANCIAL INSTRUMENTS *(Continued)*

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

(ii) Liquidity risk (Continued)

Group *(Continued)*

	2013 Within 1 year or on demand HK$'000	2013 Total undiscounted cash flows HK$'000	2013 Carrying amount at 31 March HK$'000
Bank loans and other borrowings	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	61,915	61,915	61,915
Obligations under redeemed convertible bonds *(Note)*	760,752	760,752	760,752
	1,047,117	1,047,117	1,047,117

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 32) 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.

Company

	2014 Within 1 year or on demand HK$'000	**2014 Total undiscounted cash flows HK$'000**	**2014 Carrying amount at 31 March HK$'000**
Other payables	**3,848**	**3,848**	**3,848**
Obligations under redeemed convertible bonds *(Note)*	**760,752**	**760,752**	**760,752**
	764,600	**764,600**	**764,600**
Financial guarantee issued: Maximum amount guaranteed	**–**	**–**	**–**

6. FINANCIAL INSTRUMENTS *(Continued)*

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

(ii) Liquidity risk (Continued)

Company ***(Continued)***

	2013		
	Within 1 year or on demand HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31 March 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 *(Note 31)*	61,915	61,915	–

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 32) 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.

(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, other borrowings and bank deposits.

Group

	2014		2013	
	Effective interest rate	**HK$'000**	Effective interest rate	HK$'000
Variable rate bank balances	**0.01% to 0.39%**	**188,125**	0.01% to 0.39%	62,983
Fixed rate bank balances	**0.20% to 3.70%**	**879,230**	0.16% to 3.08%	78,346
Fixed rate bank loans	**7.50% to 7.80%**	**183,031**	7.80% to 8.20%	107,720
Fixed rate other borrowings	**7.00% to 20.00%**	**189,150**	–	–

6. FINANCIAL INSTRUMENTS *(Continued)*

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

(iii) Interest rate risk (Continued)

Company

	2014		2013	
	Effective interest rate	**HK$'000**	Effective interest rate	HK$'000
Variable rate bank balances	**0.01%**	**4,169**	0.01%	4
Fixed rate bank balances	**0.20% to 1.20%**	**844,092**	0.16% to 0.65%	26,292

Sensitivity analysis

The fixed rate bank loans, other borrowings and bank balances of the Group and the Company which are fixed rate instrument are insensitive to any change in interest rates. A change in interest rate at the end of the reporting period would not affect the consolidated statement of profit or loss.

At 31 March 2014, it is estimated that a general increase or decrease of 100 basis points in interest rates in respect of variable rate bank balances, with all other variable held constant, would decrease or increase the Group's and the Company's loss after tax for the year and accumulated losses by approximately HK$1,881,000 (2013: HK$630,000) and HK$42,000 (2013: nil), respectively.

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 2013.

(iv) Currency risk

The Group currently does not have a foreign currency hedging policy. However, the management monitors the relative foreign exchanges positions of its assets and liabilities and will consider hedging significant foreign currency exposures should the need arises.

The following table details the Group's and the Company's exposure at the end of the reporting period to currency risk arising from the following assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in Hong Kong dollars, translated using the spot rate at the end of the reporting period. Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency are excluded.

6. FINANCIAL INSTRUMENTS *(Continued)*

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

(iv) Currency risk (Continued)

Group

	2014		2013	
	United States Dollars		United States Dollars	
	Assets	**Liabilities**	Assets	Liabilities
	HK$'000	**HK$'000**	HK$'000	HK$'000
Cash and bank balances	**10,849**	**–**	11,529	–
Trade and other receivables	**1,305**	**–**	321	–
Other payables	**–**	**(4,388)**	–	(4,667)
	12,154	**(4,388)**	11,850	(4,667)

Company

	2014		2013	
	United States Dollars		United States Dollars	
	Assets	**Liabilities**	Assets	Liabilities
	HK$'000	**HK$'000**	HK$'000	HK$'000
Cash and bank balances	**7,084**	**–**	5,788	–

As the Hong Kong dollars are pegged to United States dollars, the Group and the Company considers the risk of movements in exchange rates between the Hong Kong dollars and the United States dollars to be insignificant. Therefore, no sensitivity analysis is prepared.

(v) Fair value measurement

Fair value of financial assets and liabilities carried at other than fair value

The directors consider that the carrying amounts of the Group's and the Company's financial instruments at cost or amortised cost are not materially different from their fair values as at 31 March 2014 and 2013.

7. REVENUE

Revenue, which is also the Group's turnover, represents the aggregate of gross proceeds from sales of Lithium-ion batteries and its related products, service income from vehicle design, rental income from leasing of electric vehicles and income from treasury investment which represents interest income on bank deposits.

	2014 HK$'000	2013 HK$'000
Sales of Lithium-ion batteries and its related products	**80,649**	53,175
Service income from vehicle design	**444**	–
Rental income from leasing of electric vehicles	**781**	–
Interest income from treasury investment in cash markets	**2,082**	679
Total	**83,956**	53,854

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 is organised into business units based on their products and services, and has reportable operating segments as follows:

(a) the battery products segment includes the research and development, manufacture and sales of Lithium-ion batteries and its related products;

(b) the vehicle design and electric vehicle production segment includes the vehicle design and the design, manufacture and sales of electric vehicles (a new business which was acquired during the year ended 31 March 2014);

(c) the electric vehicle leasing segment represents the provision of leasing service of electric vehicles (a new business which commenced during the year ended 31 March 2014); and

(d) the treasury investment segment represents investments in bank deposits.

8. SEGMENT REPORTING *(Continued)*

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

During the year ended 31 March 2014, as the Group commenced and identified two new reportable segments and changed the structure of its internal organisation, the corresponding information for the year ended 31 March 2013 was restated accordingly.

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

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

(ii) Revenue and expenses are allocated to each reportable segment with reference to revenue generated by the relevant segments and the expenses incurred by the relevant segments or which otherwise arise from the depreciation and amortisation of assets attributable to the relevant segments. The revenue from external parties reported to the Board is measured in a manner consistent with that in the consolidated statement of profit or loss. Inter-segment transactions are on an arm's length basis in a manner similar to transactions with third parties;

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

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

8. SEGMENT REPORTING *(Continued)*

The Group's reportable segments for the years ended 31 March 2014 and 2013 are as follows:

	2014				
	Battery products HK$'000	Vehicle design & electric vehicle production HK$'000	Electric vehicle leasing HK$'000	Treasury investment HK$'000	Total HK$'000
Revenue from external customers	80,649	444	781	2,082	83,956
Inter-segment revenue	727	–	–	–	727
Reportable segment revenue	81,376	444	781	2,082	84,683
Reportable segment profit/(loss) before tax	(213,401)	(677,380)	(3,095)	2,082	(891,794)
Other segment information:					
Interest income	1,047	245	443	2,082	3,817
Depreciation and amortisation of fixed assets	37,933	582	1,594	–	40,109
Finance costs	13,845	1,943	–	–	15,788
Amortisation of intangible assets	92,578	6,477	–	–	99,055
Impairment on goodwill	–	665,438	–	–	665,438
Impairment on fixed assets	6,973	–	–	–	6,973
Write-down of inventories	25,954	–	–	–	25,954
Additions to non-current assets	34,442	1,967,620	583	–	2,002,645
Reportable segment assets	1,584,683	1,402,124	22,932	855,329	3,865,068
Reportable segment liabilities	(1,341,023)	(466,849)	(1,050)	–	(1,808,922)

8. SEGMENT REPORTING *(Continued)*

	2013 (Restated)				
	Battery products HK$'000	Vehicle design & electric vehicle production HK$'000	Electric vehicle leasing HK$'000	Treasury investment HK$'000	Total HK$'000
Reportable segment revenue from external customers	53,175	–	–	679	53,854
Reportable segment profit/(loss) before tax	(331,703)	–	–	679	(331,024)
Other segment information:					
Interest income	451	–	–	679	1,130
Depreciation and amortisation of fixed assets	30,889	–	–	–	30,889
Finance costs	17,649	–	–	–	17,649
Amortisation of intangible assets	106,142	–	–	–	106,142
Impairment on intangible assets	100,564	–	–	–	100,564
Write-down of inventories	15,905	–	–	–	15,905
Additions to non-current assets	69,871	–	–	–	69,871
Reportable segment assets	1,572,297	–	–	30,372	1,602,669
Reportable segment liabilities	(1,220,945)	–	–	–	(1,220,945)

8. SEGMENT REPORTING *(Continued)*

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

	2014 **HK$'000**	2013 HK$'000
Revenue		
Reportable segment revenue	**84,683**	53,854
Elimination of inter-segment revenue	**(727)**	–
Consolidated revenue	**83,956**	53,854
Loss		
Reportable segment loss	**(891,794)**	(331,024)
Other income	**1,449**	407
Depreciation and amortisation	**(1,551)**	(1,947)
Finance costs	**(3,541)**	–
Unallocated corporate expenses	**(41,144)**	(43,560)
Consolidated loss before tax	**(936,581)**	(376,124)
Assets		
Reportable segment assets	**3,865,068**	1,602,669
Unallocated corporate assets	**11,736**	25,575
Consolidated total assets	**3,876,804**	1,628,244
Liabilities		
Reportable segment liabilities	**(1,808,922)**	(1,220,945)
Unallocated corporate liabilities	**(5,043)**	(67,108)
Consolidated total liabilities	**(1,813,965)**	(1,288,053)

8. SEGMENT REPORTING *(Continued)*

Geographical information

(a) Revenue from external customers

	2014 HK$'000	2013 HK$'000
European countries	**20,247**	20,965
PRC	**42,280**	14,801
The United States of America	**3,349**	4,967
Canada	**5,100**	1,267
Australia	**4,036**	5,287
Hong Kong	**2,201**	2,246
Others	**6,743**	4,321
	83,956	53,854

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

(b) Non-current assets

	2014 HK$'000	2013 HK$'000
The PRC	**2,415,046**	1,222,206
Hong Kong	**4,577**	2,042
	2,419,623	1,224,248

The geographical location of the non-current assets is based on the physical location of the asset, in case of fixed assets and other non-current assets, and the location of the operation to which they are allocated, in the case of intangible assets and goodwill.

Information about major customers

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

	2014 HK$'000	2013 HK$'000
Customer A - revenue from sales of battery products	**N/A**	6,682
Customer B - revenue from sales of battery products	**17,508**	N/A

9. OTHER INCOME

	2014 HK$'000	2013 HK$'000
Interest income	**1,735**	451
Government grants *(Note)*	**4,106**	554
Exchange gain, net	**4,871**	221
Others	**4,806**	620
	15,518	1,846

Note: The government grants were entitled to the Group from the PRC government for, inter alia, its development of strategic emerging industries and development of new energy automotive industries in the PRC.

10. FINANCE COSTS

	2014 HK$'000	2013 HK$'000
Imputed interest on convertible bonds	**–**	12,104
Interest on bank loans wholly repayable within five years	**13,845**	5,545
Other borrowing costs	**5,484**	–
Total interest expenses on financial liabilities not at fair value through profit or loss	**19,329**	17,649

11. LOSS BEFORE TAX

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

	2014 **HK$'000**	2013 HK$'000
Interest income	**(3,817)**	(1,130)
Auditor's remuneration	**1,650**	1,430
Cost of inventories recognised as expenses		
– included in cost of sales	**74,827**	46,659
– included in research and development expenses	**4,351**	11,498
– included in selling and distribution costs	**1,907**	2,249
– included in write-down of inventories *(Note (b))*	**25,954**	15,905
Amortisation of intangible assets	**99,055**	106,142
Impairment on intangible assets	**–**	100,564
Impairment on fixed assets	**6,973**	–
Impairment on goodwill	**665,438**	–
Depreciation and amortisation of fixed assets	**41,660**	32,836
Exchange gains, net	**(4,871)**	(221)
(Gain)/loss on disposal of fixed assets	**(626)**	10
Minimum lease payments under operating leases in respect of property rentals	**10,762**	7,151
Staff costs (including directors' emoluments)		
– salaries and allowances	**57,732**	61,804
– equity-settled share-based payments	**3,736**	1,643
– contributions to retirement benefits schemes	**7,621**	7,241

Notes:

(a) During the year ended 31 March 2013, the other operating expenses of HK$26,083,000 represented production and output costs incurred in trial run stage of the Group's battery production base in Tianjin, the PRC.

(b) The write-down of inventories amounted to HK$25,954,000 (2013: HK$15,905,000) was provided for those slow-moving inventories which were less compatible with 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) 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 statement of profit or loss.

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 14% to 21% 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 statement of profit or loss for the year ended 31 March 2014 amounted to HK$7,621,000 (2013: HK$7,241,000).

13. INCOME TAX

	2014 **HK$'000**	2013 HK$'000
The PRC tax:		
Charge for the year	**–**	–
Deferred *(Note 34)*	**(24,703)**	(51,677)
Total credit for the year	**(24,703)**	(51,677)

No provision for the Hong Kong profits tax and the PRC enterprise 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 2014 and 2013. The deferred tax of HK$24,703,000 (2013: HK$51,677,000) that has been credited to the consolidated statement of profit or loss arose from origination and reversal of temporary differences.

13. INCOME TAX *(Continued)*

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

	2014 **HK$'000**	2013 HK$'000
Loss before tax	**(936,581)**	(376,124)
Notional tax on loss before tax, calculated at the rates applicable to the tax jurisdiction concerned	**(173,401)**	(88,389)
Tax effect of non-deductible expenses	**120,062**	15,665
Tax effect of non-taxable income	**(545)**	(165)
Tax effect of unrecognised temporary differences	**(313)**	248
Tax losses not recognised	**29,494**	20,964
Tax credit for the year	**(24,703)**	(51,677)

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$914,123,000 (2013: HK$303,395,000) 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 (2013: nil).

16. LOSS PER SHARE

(a) Basic loss per share

The basic loss per share is calculated based on (i) the consolidated loss for the year attributable to owners of the Company of HK$906,389,000 (2013: HK$324,447,000) and (ii) the weighted average number of 13,584,372,000 (2013: 11,175,462,000) ordinary shares in issue during the year.

	2014 Weighted average number of ordinary shares ’000	2013 Weighted average number of ordinary shares ’000
Issued ordinary shares at the beginning of the reporting period	**12,254,516**	10,991,707
Effect of issue on shares pursuant to share subscriptions *(Note 35(a))*	**1,195,233**	–
Effect of issue on shares upon exercise of share options *(Note 35(b))*	**564**	1,076
Effect of issue on shares upon acquisition transaction *(Note 35(c))*	**130,223**	–
Effect of issue on shares pursuant to share placement *(Note 35(d))*	**3,836**	–
Effect of issue on shares upon conversion of convertible bonds *(Note 35(e))*	**–**	182,679
Weighted average number of ordinary shares at the end of the reporting period	**13,584,372**	11,175,462

(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 2014 and 2013. 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 2014 disclosed pursuant to the Listing Rules and section 78 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622), with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32), 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	2014 Total HK$'000
Executive Directors					
Mr. Miao Zhenguo *(Chief Executive Officer)* *(Note (i))*	–	1,370	165	15	1,550
Mr. Lo Wing Yat	320	–	109	–	429
Mr. Jaime Che	–	1,047	165	15	1,227
Mr. Xu Donghui *(Note (ii))*	–	1,096	109	15	1,220
Non-executive Directors					
Mr. Cao Zhong *(Chairman) (Note (iii))*	19	–	–	–	19
Professor Chen Guohua	320	–	82	–	402
Independent non-executive Directors					
Mr. Chan Yuk Tong	320	–	109	–	429
Mr. Fei Tai Hung	320	–	109	–	429
Mr. Tse Kam Fow	320	–	109	–	429
	1,619	3,513	957	45	6,134

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

(a) Directors' emoluments *(Continued)*

The emoluments of the Directors for the year ended 31 March 2013 disclosed pursuant to the Listing Rules and Section 161 of the predecessor 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 Director					
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

Notes:

(i) Mr. Miao Zhenguo has resigned as the Chief Executive Officer of the Company but remained as the Deputy Chairman and executive director of the Company with effect from 28 May 2014.

(ii) Mr. Xu Donghui has resigned as an executive director and the Chief Operating Officer of the Company with effect from 28 May 2014 but remained as a senior executive in the Group's battery manufacturing business.

(iii) Mr. Cao Zhong has been appointed as a non-executive director and Chairman of the Company with effect from 11 March 2014 and re-designated as an executive director of the Company with effect from 15 April 2014. On 28 May 2014, Mr. Cao Zhong has been appointed as the Chief Executive Officer of the Company.

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:

	2014 HK$'000	2013 HK$'000
Fees		
Executive Directors	**320**	320
Non-executive Directors	**339**	320
Independent non-executive Directors	**960**	960
	1,619	1,600
Other emoluments for Directors		
Basic salaries, allowances and benefits in kind	**3,513**	3,523
Equity-settled share-based payments	**957**	310
Retirement benefit schemes contributions	**45**	42
	4,515	3,875
	6,134	5,475

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 2014 and 2013.

No Directors has waived or agreed to waive any remuneration during the years ended 31 March 2014 and 2013.

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

(b) Five highest paid individuals

The five highest paid individuals of the Group include three (2013: three) Directors, details of whose emoluments are set out in Note 17(a) to the financial statements. Details of the emoluments of the remaining two (2013: two) individuals for the year are as follows:

	2014 **HK$'000**	2013 HK$'000
Basic salaries, allowances and benefits in kind	**1,900**	2,141
Equity-settled share-based payments	**219**	345
Retirement benefit schemes contributions	**15**	14
	2,134	2,500

The emoluments of the two (2013: two) individuals with the highest emoluments fell within the following bands:

	Number of Employees	
	2014	2013
Emoluments bands		
HK$500,001 – HK$1,000,000	**1**	–
HK$1,000,001 – HK$1,500,000	**1**	2
	2	2

18. ACQUISITION OF SUBSIDIARIES

On 19 December 2013, Preferred Market Limited ("Preferred Market"), a wholly-owned subsidiary of the Company, together with the Company as its guarantor, entered into an acquisition agreement (the "Acquisition Agreement") with Captain Century Limited, Designer Touch Limited, Infinity Wealth International Limited, Super Sleek Limited, Super Engine Limited, Ms. Lam Chiu Che, and Ms. Chong Sok Un, (collectively, the "Vendors") and five Vendors' guarantors. Pursuant to the Acquisition Agreement, the Vendors conditionally agreed to sell and Preferred Market conditionally agreed to purchase 58.50% equity interest in Agnita Limited ("Agnita") and its subsidiaries (collectively, the "Agnita Group") for a total consideration of HK$608,400,000 (the "Acquisition"). The consideration of the Acquisition was settled by the issue of 1,901,250,000 new shares of the Company (the "Consideration Shares") at the contracted issue price of HK$0.32 per share and the Acquisition was completed on 7 March 2014 (the "Completion Date").

Infinity Wealth International Limited is wholly owned by Mr. Miao Zhenguo, the Deputy Chairman, executive director and substantial shareholder of the Company and is therefore a connected person of the Company for the purpose of the Listing Rules. Ms. Chong Sok Un is an associate of Mr. Jamie Che, an executive director of the Company, and is therefore a connected person of the Company for the purpose of the Listing Rules. Accordingly, the Acquisition constitutes a connected transaction for the Company.

18. ACQUISITION OF SUBSIDIARIES *(Continued)*

Preferred Market would have the right to nominate and appoint majority of the directors in Agnita Limited and all of its subsidiaries, and they would become indirect non wholly-owned subsidiaries of the Company post the Completion Date.

The Agnita Group was principally engaged in (i) the design, research and development, and testing of electric vehicles, and (ii) selling and licensing auto vehicle designs and associated patents to the automobile manufacturers. The Agnita Group started to construct facilities dedicated to producing pure electric vehicles which are designed and developed by it and will carry out the business of marketing, sales and distribution of those pure electric vehicles.

Given the Group's experience in the electric vehicle leasing business and being one of the leading Lithium-ion battery manufacturers in the PRC for electric vehicles, the Board are of the view that the Acquisition represents a significant furtherance of the Group's strategic development of vertical expansion and will be beneficial to the development of the Group's electric battery products through the synergy formed.

The Group has elected to measure the non-controlling interests in the Agnita Group at the non-controlling interests' proportionate share of the Agnita Group's identifiable net assets.

The fair values of the identifiable assets and liabilities of the Agnita Group as at the Completion Date were as follows:

	Fair value recognised on the Acquisition HK$'000
Intangible assets *(Note 20)*	418,193
Fixed assets *(Note 21)*	330,343
Deposits paid for fixed assets	182,983
Trade and other receivables	30,481
Pledged bank deposits	1,089
Cash and bank balances	126,812
Trade and other payables	(40,418)
Other borrowings	(190,170)
Loan from a non-controlling shareholder	(150,000)
Deferred tax liabilities *(Note 34)*	(116,935)
Total identifiable net assets at fair value	592,378
Non-controlling interests	(335,438)
Goodwill arising on the Acquisition *(Note 19)*	1,016,898
	1,273,838

	HK$'000
Consideration for the Acquisition:	
Issue of 1,901,250,000 Consideration Shares at fair value	1,273,838

18. ACQUISITION OF SUBSIDIARIES *(Continued)*

The fair value of each Consideration Share was calculated at HK$0.67, being the closing market price of the Company's ordinary share on the Completion Date.

The Group incurred transaction costs of HK$2,425,000 for the Acquisition. These transaction costs have been expensed and are included in general and administrative expenses in the consolidated statement of profit or loss.

An analysis of the cash flows in respect of the Acquisition is as follows:

	HK$'000
Cash and bank balances acquired and included in cash flows from investing activities	126,812
Transaction costs of the Acquisition included in cash flows from operating activities	(2,425)
	124,387

Since the completion of the Acquisition, the Agnita Group contributed HK$444,000 to the Group's revenue and caused a loss of HK$10,394,000 to the consolidated loss for the year ended 31 March 2014.

Had the Acquisition taken place at the beginning of the year, the revenue of the Group and the loss of the Group for the year would have been HK$101,971,000 and HK$957,165,000 respectively.

At the Completion Date, a call option was granted by Preferred Market (the Company as guarantor) to CIAM Investment BVI Limited ("CIAM BVI") (which has a common director with the Company, a shareholder of Agnita and is a wholly-owned subsidiary of CIAM Group Limited ("CIAM Group"), a company listed on the Stock Exchange) in accordance with the call option deed dated 19 December 2013. If the call option was exercised, Preferred Market would be required to sell 8.50% of the issued share capital of Agnita to CIAM BVI at an exercise price of HK$88,400,000, which will be satisfied by the issuance of CIAM Group's 66,466,165 new ordinary shares. The call option is exercisable by CIAM BVI within one year from the Completion Date. Upon the exercise of the call option, Agnita will be held as to 50% by each of Preferred Market and CIAM BVI, but Preferred Market will still have the right to nominate and appoint the majority of the directors in each member of the Agnita Group. Hence, Agnita will remain as an indirect non wholly-owned subsidiary of the Group and the accounting treatment of Agnita will remain unchanged. As at the Completion Date and at the end of the reporting period, the fair values of the call option were insignificant according to the valuation performed by an independent valuer.

19. GOODWILL

Group

Goodwill is allocated to the Group's cash-generating units identified according to the operating segments as follows:

	Allocated to battery products segment HK$'000	Allocated to vehicle design & electric vehicle production segment HK$'000	Total HK$'000
Cost			
At 1 April 2012, 31 March 2013 and 1 April 2013	904,240	–	904,240
Acquisition of subsidiaries *(Note 18)*	–	1,016,898	1,016,898
Exchange adjustments	–	(5,453)	(5,453)
At 31 March 2014	**904,240**	**1,011,445**	**1,915,685**
Accumulated impairment losses			
At 1 April 2012, 31 March 2013 and 1 April 2013	904,240	–	904,240
Impairment loss for the year	–	665,438	665,438
Exchange adjustments	–	(3,569)	(3,569)
At 31 March 2014	**904,240**	**661,869**	**1,566,109**
Carrying amount			
At 31 March 2014	**–**	**349,576**	**349,576**
At 31 March 2013	–	–	–

19. GOODWILL *(Continued)*

Impairment testing of goodwill in respect of vehicle design and electric vehicle production segment

Significant portion of the goodwill in connection with the Acquisition arose from the increase in fair value of the Consideration Share from the contracted issue price of HK$0.32 per Consideration Share as stipulated under the Acquisition to the closing market price of the shares of the Company on the Completion Date. The closing market price per share of the Company on the Completion Date was used as the fair value of the issued shares of the Company for the purpose of calculating the fair value of the Consideration Shares issued for the Acquisition. The impairment loss of goodwill of approximately HK$665,438,000 was recognised immediately upon completion of the Acquisition according to the recoverable amount of the cash-generating unit to which goodwill has been allocated with reference to the valuation performed by an independent professional valuer, Jones Lang LaSalle Corporate Appraisal and Advisory Limited. In the opinion of the Board, the impairment loss was mainly attributable to the increase in the fair value of Consideration Shares of the Company at the Completion Date. After the recognition of impairment loss, the carrying amount of goodwill was HK$349,576,000, which was arisen mainly by the benefit of expected synergies, revenue growth and future market development. None of the goodwill recognised is expected to be deductible for income tax purposes.

The recoverable amount of the vehicle design and electric vehicle production cash-generating unit has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period approved by management. The discount rate applied to the cash flow projections is approximately 22.71% per annum and cash flows beyond the five-year period are extrapolated using an estimated growth rate of 3% per annum.

The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins – Budgeted gross margins are based on the average values of the comparables and the expectations for market development.

Discount rate – The discount rate used is before tax and reflects specific risks relating to the relevant units. In determining an appropriate discount rate, a consideration has been given to the applicable borrowing interest rates in the year immediately before the budget years.

Growth rate – The growth rate used does not exceed the long-term average growth rate of the relevant market in the PRC.

The values assigned to the key assumptions on market development, gross margins and discount rate are consistent with external information sources.

The impairment loss recognised during the year solely relates to the Group's vehicle design and electric vehicle production activities. As the cash-generating unit has been reduced to its recoverable amount of approximately HK$1,998 million, any adverse change in the assumptions used in the calculation of recoverable amount would result in further impairment loss.

20. INTANGIBLE ASSETS

Group

	Patents and patent using rights HK$'000	Industrial proprietary right HK$'000	Technical know-hows HK$'000	Total HK$'000
Cost				
At 1 April 2012	3,640,000	–	–	3,640,000
Additions through acquisition	1,981	–	–	1,981
Additions from internal developments	49	–	–	49
At 31 March 2013 and 1 April 2013	3,642,030	–	–	3,642,030
Additions through acquisition of subsidiaries *(Note 18)*	–	29,594	388,599	418,193
Additions from internal developments	24	–	2,847	2,871
Exchange adjustments	36	(159)	(65)	(188)
At 31 March 2014	**3,642,090**	**29,435**	**391,381**	**4,062,906**
Accumulated amortisation and impairment losses				
At 1 April 2012	2,774,582	–	–	2,774,582
Charge for the year	106,142	–	–	106,142
Impairment loss for the year	100,564	–	–	100,564
At 31 March 2013 and 1 April 2013	2,981,288	–	–	2,981,288
Charge for the year	92,578	–	6,477	99,055
At 31 March 2014	**3,073,866**	**–**	**6,477**	**3,080,343**
Carrying amount				
At 31 March 2014	**568,224**	**29,435**	**384,904**	**982,563**
At 31 March 2013	660,742	–	–	660,742

20. INTANGIBLE ASSETS *(Continued)*

Notes:

(a) Intangible assets mainly represent:

(1) the exclusive using rights of certain licensed patents granted to the Group through an acquisition in 2010;

(2) the industrial proprietary right and capitalised development costs of certain technical know-hows relating to the electric vehicle production business acquired through the Acquisition; and

(3) the patents generated through further acquisitions and internal research and developments and capitalised technical know-hows by the Group.

(b) As at 31 March 2014 and 2013, the recoverable amount of the patents and patents using rights 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. The Board is of the opinion that, based on the valuation performed by Jones Lang LaSalle, no impairment losses (2013: HK$100,564,000) should be recognised in the Group's consolidated statement of profit or loss for the year ended 31 March 2014. 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 23.69% (2013: 25.57%) 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 for the year ended 31 March 2013 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-hows into production process, which in turn delay production and generated lesser economic benefits to the Group. The patents and patents using rights were belong to battery products segment.

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 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 and 1 April 2013	28,704	86,326	94,859	8,214	248,221	17,349	9,447	4,633	497,753	10,280	508,033
Acquisition of subsidiaries *(Note 18)*	245,588	–	66,781	–	–	17,237	737	–	330,343	–	330,343
Additions	102,691	8,981	190	2,795	4,415	1,664	1,906	–	122,642	12,481	135,123
Exchange adjustments	(502)	1,593	1,376	100	4,552	177	103	85	7,484	189	7,673
Transfers	–	10,003	–	–	–	1,582	–	–	11,585	(11,585)	–
Disposals	–	–	–	(2,769)	(1,196)	(617)	(525)	–	(5,107)	–	(5,107)
Reclassification	–	–	2,972	–	(481)	(3,789)	1,298	–	–	–	–
At 31 March 2014	**376,481**	**106,903**	**166,178**	**8,340**	**255,511**	**33,603**	**12,966**	**4,718**	**964,700**	**11,365**	**976,065**
Accumulated depreciation and amortisation and impairment losses											
At 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 and 1 April 2013	1,378	2,181	6,592	2,304	32,967	5,149	5,572	100	56,243	–	56,243
Charge for the year	2,257	1,868	5,448	1,939	23,218	3,164	2,279	1,487	41,660	–	41,660
Impairment for the year	–	–	–	–	6,973	–	–	–	6,973	–	6,973
Exchange adjustments	15	41	65	1	621	68	50	3	864	–	864
Disposals	–	–	–	(2,769)	(301)	(610)	(353)	–	(4,033)	–	(4,033)
Reclassification	–	–	94	–	(200)	(101)	207	–	–	–	–
At 31 March 2014	**3,650**	**4,090**	**12,199**	**1,475**	**63,278**	**7,670**	**7,755**	**1,590**	**101,707**	**–**	**101,707**
Carrying amount											
At 31 March 2014	**372,831**	**102,813**	**153,979**	**6,865**	**192,233**	**25,933**	**5,211**	**3,128**	**862,993**	**11,365**	**874,358**
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

21. FIXED ASSETS *(Continued)*

Notes:

(a) All of the Group's land and buildings are held in the PRC under medium-term leases as at 31 March 2014 and 2013.

(b) As at 31 March 2014, certain land and buildings of the Group with a total carrying amount of HK$206,138,000 (2013: HK$190,663,000) were pledged as securities for the Group's bank loans (Note 28 (a)).

22. DEPOSITS PAID FOR FIXED ASSETS

As at 31 March 2014, the deposits of HK$203,249,000 were for the purchase of machineries and equipment and moulding.

As at 31 March 2013, 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. The land which was partly subsidised by the government grant (Note 33) is not transferrable in the next ten years after acquisition. The Group transferred the land from deposits paid for fixed assets to fixed assets during the year ended 31 March 2014. The remaining deposit of HK$2,845,000 was for the purchase of machineries and equipment.

23. INTERESTS IN SUBSIDIARIES

Company

	2014 HK$'000	2013 HK$'000
Unlisted shares, at cost	**11**	11
Amounts due from subsidiaries *(Note (b))*	**5,892,068**	4,501,585
	5,892,079	4,501,596
Less: Allowance for impairment losses *(Note (a))*	**(4,329,902)**	(3,436,557)
	1,562,177	1,065,039
Less: Amounts due from subsidiaries under current assets *(Note (b))*	**(406,778)**	(545,499)
Interests in subsidiaries	**1,155,399**	519,540

23. INTERESTS IN SUBSIDIARIES *(Continued)*

Notes:

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

	2014 HK$'000	2013 HK$'000
Balance at beginning of the year	**3,436,557**	3,170,947
Add: Impairment losses during the year	**893,345**	265,610
Balance at end of the year	**4,329,902**	3,436,557

Impairment losses were recognised during the years ended 31 March 2014 and 2013 after taking into consideration of the financial position and loss making situations of those subsidiaries.

(b) The amounts due from subsidiaries are unsecured and interest-free. In the opinion of the Board, except for amounts due from subsidiaries of HK$406,778,000 (2013: HK$545,499,000) which are repayable on demand, the remaining balances which will not be demanded for repayment, are considered as quasi-equity investment in subsidiaries.

(c) Particulars of the principal subsidiaries as at 31 March 2014 are as follows:

Name	Place of incorporation and operation	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	HK$1	–	100%	Investment holding
Agnita Limited	British Virgin Islands	US$10,000	–	58.50%	Investment holding
Basland Enterprises Ltd.	British Virgin Islands	US$100	100%	–	Investment holding
Five Dragons Electric Vehicle Limited	Hong Kong	HK$100	–	58.50% *(Note 3)*	Investment holding
Glory Era Limited	Hong Kong	HK$10,000	100%	–	Human resources, administrative management and consultancy services
Lucky Metro Trading Ltd.	British Virgin Islands	US$100	–	100%	Investment holding
Preferred Market Limited	British Virgin Islands	US$1	100%	–	Investment holding
Qiyang Limited	British Virgin Islands	US$1	100%	–	Investment holding
Sinopoly Battery International Limited	Hong Kong	HK$1	–	100%	Distribution and sale of battery products
Sinopoly Battery Research Center Limited	Hong Kong	HK$1	–	100%	Research and development
Thunder Sky Energy Technology Limited	Hong Kong	HK$1,000,000	–	100%	Investment holding
Union Grace Holdings Limited	British Virgin Islands	US$1,000	–	100%	Investment holding

23. INTERESTS IN SUBSIDIARIES *(Continued)*

Notes: (Continued)

(c) Particulars of the principal subsidiaries as at 31 March 2014 are as follows: *(Continued)*

Name	Place of incorporation and operation	Issued and fully paid capital/registered capital	Percentage of equity interest held by the Company		Principal activities
			Directly	Indirectly	
Sinopoly New Energy Investment Co., Ltd. *(Note 1)*	PRC	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	HK$130,000,000*	–	100%	Manufacture and sale of battery products
吉林中聚新能源科技有限公司 (Jilin Sinopoly New Energy Technology Co., Ltd.△) *(Note 1)*	PRC	HK$177,000,000*	–	100%	Manufacture and sale of battery products
北京中聚力佳科技有限公司 (Beijing Sinopoly Li Jia Technology Co., Ltd.△) *(Note 1)*	PRC	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 (Shenzhen Sinopoly Battery Ltd.△) *(Note 1)*	PRC	HK$10,000,000*	–	100%	Sale of battery products
天津中聚新能源設備有限公司 (Tianjin Sinopoly New Energy Equipment Co., Ltd△) *(Note 2)*	PRC	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 (Shanghai Sinopoly Jia Hua Battery Technology Co., Ltd.△) *(Note 2)*	PRC	RMB10,000,000*	–	100%	Research and development
簡式國際汽車設計(北京)有限公司 (Jasmin International Auto R&D (Beijing) Co., Ltd△) *(Note 2)*	PRC	RMB80,000,000*	–	46.80% *(Note 4)*	Design of electric vehicles
杭州長江汽車有限公司 (Hangzhou Changjiang Automobile Co., Ltd△) *(Note 2)*	PRC	RMB21,320,000*	–	25.74% *(Note 5)*	Manufacture and distribution of electric vehicles

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.

Note 3: Five Dragons Electric Vehicle Limited ("Five Dragons") was wholly-owned by Agnita (which was in return 58.50% owned by the Group). Accordingly, the Company has a 58.50% effective interest in Five Dragons.

Note 4: Jasmin International Auto R&D (Beijing) Co., Ltd ("Jasmin Beijing") was 80% owned by Five Dragons (which was in return wholly owned by Agnita). Accordingly, the Company has a 46.80% effective interest in Jasmin Beijing.

Note 5: Hangzhou Changjiang Automobile Co., Ltd ("Changjiang") was 55% owned by Jasmin Beijing (which was controlled by the Group through Agnita (Note 4)). Accordingly, the Company has a 25.74% effective interest in Changjiang.

* The registered capital has been fully paid-up.

△ For identification purpose.

23. INTERESTS IN SUBSIDIARIES *(Continued)*

The following table lists out the information of Agnita, the subsidiary of the Group which has material non-controlling interest ("NCI"). The summarised financial information presented below represents the amounts before any inter-company elimination. Since Agnita was acquired by the Group during the year ended 31 March 2014, no comparative information was presented accordingly.

	2014 Agnita HK$'000
NCI percentage	41.50%
Current assets	111,566
Non-current assets	956,192
Current liabilities	(356,880)
Non-current liabilities	(115,268)
Net assets attributable to NCI of Agnita's subsidiaries	139,933
Net assets attributable to the owners of Agnita	455,677
Carrying amount of NCI	189,106
Revenue	444
Loss attributable to NCI of Agnita's subsidiaries	(2,009)
Loss attributable to the owners of Agnita	(8,385)
Loss allocated to NCI	(3,480)
Total comprehensive loss attributable to NCI of Agnita's subsidiaries	(2,385)
Total comprehensive loss attributable to the owners of Agnita	(9,674)
Dividend paid to NCI	–
Cash flows used in operating activities	(13,516)
Cash flows used in investing activities	(44,080)
Cash flows used in financing activities	–

24. INVENTORIES

Group

	2014 HK$'000	2013 HK$'000
Raw materials	**13,135**	16,388
Work in progress	**9,495**	8,760
Finished goods	**100,716**	96,395
	123,346	121,543

The carrying amount of inventories carried at fair value less cost to sell amounted to HK$52,454,000 (2013: nil).

25. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000
Trade receivables *(Notes (a) and (b))*	**66,648**	44,876	**–**	–
Bills receivables	**–**	858	**–**	–
Amounts due from customers for contract work *(Note (c))*	**3,650**	–	**–**	–
Other receivables *(Notes (d) and (e))*	**125,626**	33,244	**63,025**	2
Less: Allowance for doubtful debts for other receivables	**(28,785)**	(28,785)	**–**	–
Deposits and prepayments	**19,578**	26,362	**1,306**	1,177
Value added tax receivables	**66,211**	55,739	**–**	–
	252,928	132,294	**64,331**	1,179

Notes:

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

Group

	2014 HK$'000	2013 HK$'000
Within 1 month	**10,131**	316
Between 1 and 3 months	**943**	73
Over 3 months	**55,574**	44,487
	66,648	44,876

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

	2014 **HK$'000**	2013 HK$'000
Neither past due nor impaired	**11,584**	356
Less than 1 month past due	**827**	160
Between 1 and 3 months past due	**1,006**	413
More than 3 months past due	**53,231**	43,947
Past due but not impaired	**55,064**	44,520
	66,648	44,876

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 and/or sound financial background 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 2014 and 2013, the Group does not hold any collateral over these balances.

(c) As at 31 March 2014, the aggregate amount of costs incurred plus recognised profits less recognised losses to date, included in the amounts due from customers for contract work, was approximately HK$12,384,000 (2013: nil) less progress billings of HK$8,734,000 (2013: nil). The amounts due from customers for contract work is expected to be recovered within one year.

(d) Included in other receivables is an amount of HK$28,785,000 (2013: HK$28,785,000) which was due from certain Chung Parties (as defined in Note 39), in respect of the trade sales amount receipts due to the Group as reduced by the amount of purchases payable to such Chung Parties. However, such 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.

(e) Included in other receivables is an amount of HK$62,988,000 (2013: nil) due from an entity which has a common director with the Company. The outstanding balance is unsecured, non-interest bearing and is expected be recovered within one year.

(f) 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 DEPOSITS

As at 31 March 2014, the pledged bank deposits of HK$311,000 (2013: HK$305,000), HK$8,259,000 (2013: HK$9,287,000) and HK$2,714,000 (2013: nil) were pledged as security for a sale contract, the issuance of bills payables (Note 30) and letter of credit by the Group, respectively.

As at 31 March 2014 and 2013, all pledged bank deposits relating to the PRC subsidiaries were denominated in RMB. RMB is not freely convertible into other currencies and the remittance of funds out of the PRC is subject to exchange restrictions imposed by the PRC government.

27. CASH AND BANK BALANCES

	Group		Company	
	2014 HK$'000	2013 HK$'000	**2014 HK$'000**	2013 HK$'000
Cash at bank and in hand	**198,652**	71,508	**11,237**	4,080
Short-term bank deposits	**870,971**	69,059	**844,092**	26,292
Cash and cash equivalents in the consolidated statement of cash flows	**1,069,623**	140,567	**855,329**	30,372

At the end of the reporting period, the cash and bank balances of the PRC subsidiaries denominated in RMB amounted to HK$152,291,000 (2013: HK$79,600,000). RMB is not freely convertible into other currencies and the remittance of funds out of the PRC is subject to exchange restrictions imposed by the PRC government.

28. BANK LOANS AND OTHER BORROWINGS

Group

	2014 HK$'000	2013 HK$'000
Secured bank loans repayable within one year *(Note (a))*	**107,371**	107,720
Unsecured bank loans repayable within one year *(Note (b))*	**75,660**	–
Unsecured other borrowings repayable within one year	**189,150**	–
	372,181	107,720

Notes:

(a) As at 31 March 2014 and 2013, the bank loans were secured by certain land and buildings of the Group (Note 21(b)).

(b) As at 31 March 2014, the bank loan was granted under a corporate guarantee given by an independent third party.

29. LOAN FROM NON-CONTROLLING SHAREHOLDER

The Group obtained a loan from a non-controlling shareholder of the Group's subsidiaries, which is non-interest bearing, unsecured, and repayable in September 2014.

30. TRADE AND OTHER PAYABLES

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables *(Note (a))*	**25,437**	19,178	**–**	–
Bills payables	**8,259**	9,287	**–**	–
Payables for acquisition of fixed assets	**65,117**	69,487	**–**	–
Other payables and accruals	**105,358**	18,778	**3,848**	3,646
Receipts in advance	**7,228**	14,903	**–**	–
Warranty provision *(Note (b))*	**1,420**	953	**–**	–
	212,819	132,586	**3,848**	3,646

As at 31 March 2014, bills payables of HK$8,259,000 (2013: HK$9,287,000) was secured by the equivalent amount of bank deposits (Note 26).

Notes:

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

Group

	2014	2013
	HK$'000	HK$'000
Within 1 month	**8,474**	4,214
Between 1 and 3 months	**7,007**	1,864
Over 3 months	**9,956**	13,100
	25,437	19,178

(b) Warranty provision

Group

	HK$'000
At 1 April 2013	953
Additional provision made	467
At 31 March 2014	1,420

The Group generally provides one to three-year warranties to its customers on certain of its battery products, under which faulty products are repaired or replaced. The amount of the provision for the warranties is estimated based on sales volumes and past experience of the level of repairs and returns. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

31. DEPOSIT RECEIVED

On 20 March 2013, the Group entered into an investment agreement (the "Investment Agreement") with an institution (which has a common director with the Company) and its subsidiary (collectively, the "Investors"). The Investors intend to subscribe for equity interests in the Group's subsidiaries which operate electric vehicles leasing business (the "Investment"), subject to their due diligence and the terms and conditions to be agreed. An earnest money of RMB50,000,000 (approximately HK$61,915,000) (the "Deposit") was paid by the Investors for the purpose of securing the Investment. The Company gave a guarantee to the Investors in return to secure the due and punctual performance of its subsidiaries under the Investment Agreement (the "Guarantee"). Upon the expiry of the Investment Agreement, the Group entered into a supplementary agreement ("Supplementary Agreement") with the Investors to return the Deposit within six months starting from 21 September 2013 and the Company gave the Investors a cash pledge amounting to HK$62,988,000 as a security and the Guarantee was cancelled accordingly. During the year ended 31 March 2014, the Group entered into another supplementary agreement with the Investors to further extend the repayment date of the Deposit and to terminate the cash pledge under the Supplementary Agreement. As at 31 March 2014, since such outstanding balance was no longer related to the Investment, such outstanding balance was transferred to the other payables and as included in "Trade and Other Payables" (Note 30). Such balance was unsecured, non-interest bearing and expected to be settled within one year.

32. 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") for the redemption of convertible bonds at face value of approximately HK$760,752,000 held by Mei Li (the "Redemption Amount") for the protection of the Company. Further, in the legal proceedings against Mr. Chung and/or companies which are controlled and/or owned by him, the damages claimed (the "Claim Amount") by the Group, 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"). As a result, all litigations involving Mr. Chung have been stayed. The Company is currently awaiting the trustee (the "Trustee") in Mr. Chung's bankruptcy to wind up his assets and take over the litigations involving Mr. Chung (the "Winding Up"). Despite Mr. Chung was adjudged bankrupt on 27 February 2013, Mr. Chung neither submitted a substantive statement of affairs, an annual report of his earnings and acquisitions nor delivered any substantial property to the Trustee as required by the Bankruptcy Ordinance as of the date of approval of these financial statements. The Company has consequently filed a complaint with the Trustee and the Official Receiver and urged them to take immediate actions to expedite the Winding Up.

33. OTHER NON-CURRENT LIABILITY

The Group had received a grant of HK$52,656,000 (2013: HK$51,707,000) from the PRC government authority for subsidising the Group's acquisition of a land 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 statement of profit or loss for the years ended 31 March 2014 and 2013.

34. DEFERRED TAX LIABILITIES

Group

The following are the major deferred tax balances recognised and movements thereon during the years end 31 March 2014 and 2013:

	Fixed assets HK$'000	Intangible assets HK$'000	Total HK$'000
At 1 April 2012	–	216,355	216,355
Credit to profit or loss *(Note 13)*	–	(51,677)	(51,677)
At 31 March 2013 and 1 April 2013	–	164,678	164,678
Credit to profit or loss *(Note 13)*	–	(24,703)	(24,703)
Acquisition of subsidiaries *(Note 18)*	22,918	94,017	116,935
Exchange adjustments	(9)	(39)	(48)
At 31 March 2014	22,909	233,953	256,862

At 31 March 2014, the Group has not recognised deferred tax assets in respect of cumulative tax losses of HK$427,311,000 (2013: HK$242,816,000), as it is not probable that future taxable profits against which the tax losses can be utilised will be available in the relevant taxation authority and the relevant taxable entity. The tax losses do not expire under current tax legislation, except for amounts of HK$251,420,000 (2013: HK$110,105,000) that will expire in the coming one to five years.

At 31 March 2014, the Company has not recognised deferred tax assets in respect of cumulative tax losses of HK$42,655,000 (2013: HK$22,622,000), as it is not probable that future taxable profits against which the tax losses can be utilised will be available in the relevant taxation authority. The tax losses do not expire under current tax legislation.

35. SHARE CAPITAL

	2014		2013	
	No. of shares '000	HK$'000	No. of shares '000	HK$'000
Authorised:				
At beginning and at end of the reporting period				
Ordinary shares of HK$0.01 each	**50,000,000**	**500,000**	50,000,000	500,000
Issued and fully paid:				
At beginning of the reporting period				
Ordinary shares of HK$0.01 each	**12,254,516**	**122,545**	10,991,707	109,917
Issue of new shares:				
– pursuant to share subscriptions *(Note (a))*	**1,420,000**	**14,200**	–	–
– upon exercise of share options *(Note (b))*	**1,125**	**11**	1,125	11
– pursuant to acquisition transaction *(Note (c))*	**1,901,250**	**19,013**	–	–
– pursuant to share placement *(Note (d))*	**1,400,000**	**14,000**	–	–
– upon conversion of convertible bonds *(Note (e))*	**–**	**–**	1,261,684	12,617
At end of the reporting period				
Ordinary shares of HK$0.01 each	**16,976,891**	**169,769**	12,254,516	122,545

Notes:

(a) During the year ended 31 March 2014, the Company issued totally 1,420,000,000 ordinary shares pursuant to the following subscription agreements:

– on 6 May 2013, the Company issued 1,200,000,000 ordinary shares of HK$0.01 each at the subscription price of HK$0.22 per share to five subscribers pursuant to the subscription agreements dated 23 April 2013.

– on 30 September 2013, the Company issued 220,000,000 ordinary shares of HK$0.01 each at the subscription price of HK$0.294 per share pursuant to the subscription agreement dated 19 September 2013.

(b) During the year ended 31 March 2014, share options were exercised to subscribe for 1,125,000 ordinary shares of the Company. The net consideration was HK$69,000 of which HK$11,000 was credited to share capital account and the balance of HK$58,000 was credited to the share premium account. The amount of HK$35,000 was transferred from share option reserve account to share premium account upon exercise of share options.

During the year ended 31 March 2013, share options were exercised to subscribe for 1,125,000 ordinary shares of the Company. 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 has been transferred from share option reserve account to share premium account upon exercise of share options.

(c) On 7 March 2014, 1,901,250,000 new shares of the Company of HK$0.01 each were issued at an issue price of HK$0.32 per share in connection with the acquisition of the Agnita Group as consideration. The fair value of the shares is calculated based on the closing price of the Company's share of HK$0.67 on the date of completion of the Acquisition.

(d) On 31 March 2014, the Company issued 1,400,000,000 ordinary shares of HK$0.01 each at the price of HK$0.50 per share pursuant to the placing agreement dated 20 March 2014.

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

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 reserves is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of reserves 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 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(e))*	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 and 1 April 2013	3,925,882	15,506	1,868	–	18,361	(3,751,970)	209,647
Share issued pursuant to subscriptions and placement *(Note 35 (a) &(d))*	1,000,480	–	–	–	–	–	1,000,480
Shares issued upon exercise of share options *(Note 35(b))*	93	–	–	–	(35)	–	58
Issue of ordinary share related to acquisition transaction *(Note 35(c))*	1,254,825	–	–	–	–	–	1,254,825
Transaction cost attributable to issue of new shares	(7,155)	–	–	–	–	–	(7,155)
Share option lapsed	–	–	–	–	(223)	223	–
Equity-settled share-based payments	–	–	–	–	3,736	–	3,736
Loss for the year	–	–	–	–	–	(914,123)	(914,123)
Total comprehensive loss	–	–	–	–	–	(914,123)	(914,123)
At 31 March 2014	**6,174,125**	**15,506**	**1,868**	**–**	**21,839**	**(4,665,870)**	**1,547,468**

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. 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) Distributability of reserve

The Company had no reserves available for distribution as at 31 March 2014 and 2013. 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

Pursuant to the approval by the shareholders of the Company at the special general meeting held on 28 February 2014, the share option scheme adopted by the Company on 30 March 2004 (the "Old Scheme") was terminated and a new share option scheme (the "New Scheme") which was in compliance with the requirements set out in the Listing Rules was adopted by the Company, both effective on 28 February 2014. No further options can be granted under the Old Scheme; howsoever, the options of which granted under the Old Scheme before 28 February 2014 remains exercisable.

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

Purpose of the New Scheme

The purpose of the New Scheme is to enable the Group to grant option(s) to the Eligible Participants (as defined below) to subscribe for shares of the Company (i) in recognition of their contribution to the Group; (ii) to attract and retain or otherwise maintain an on-going relationship with them for the benefit of the Group; and (iii) to align their interests with the shareholders of the Company, thereby encouraging them to work towards enhancing the value of the shares of the Company.

Participants of the New Scheme

The Board may, at its absolute discretion, invite any persons 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) of, or any individual for the time being seconded to work for, the Company, or any of its subsidiaries, or any entity in which any member of the Group holds an equity interest (the "Invested Entity") (the persons are collectively referred to as "Eligible Employees");

(b) any directors (including executive, non-executive and independent non-executive directors) of the Company, or any directors of 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, agent or distributor of any member of the Group or any Invested Entity;

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

37. SHARE OPTION SCHEME *(Continued)*

Participants of the New Scheme *(Continued)*

(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 has contributed or may contribute to the Group or the applicable Invested Entity;

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

(h) any joint venture or business partner of any member of the Group or any Invested Entity who has contributed or may contribute to the Group or the applicable Invested Entity,

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

Total number of shares available for issue

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Scheme and any other share option schemes must 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 issued upon the exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the New Scheme and any other share option schemes) to be granted under the New Scheme and any other share option schemes must not in aggregate exceed 10% of the total number of shares of the Company 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 of the Company that may be issued upon exercise of all options granted and vested but not yet exercised was 40,700,000, which represented approximately 0.23% of the issued share capital of the Company on that date.

37. SHARE OPTION SCHEME *(Continued)*

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 the 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 the exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) under the New Scheme and any other share option schemes 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 of the Company.

Subject to the aforesaid, the total number of shares issued and which may fall to be issued upon the exercise of any options granted under the New Scheme and any other share option schemes (including both exercised or outstanding options) to each grantee in any 12-month period must not in aggregate 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 of the Company with such grantee and his associates abstaining from voting.

Option period

The period within which the shares must be taken up under an option shall be determined and notified by the Board 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 Board 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.

37. SHARE OPTION SCHEME *(Continued)*

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 New Scheme will be a price determined by the Board, 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 on the offer date, which must be a business day; (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 New Scheme

The New Scheme commenced on 28 February 2014 and shall continue in force until the tenth anniversary of such date.

The Old Scheme has more or less the same principal terms as the New Scheme except for the following:

Purpose of the Old Scheme

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

Participants of the Old Scheme

The directors may at their absolute discretion, invite any person belonging to any of the following classes of participants (the "Former 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 "Former Invested Entity") in which any member of the Group holds an equity interest (the persons are collectively referred to as the "Former Eligible Employees");

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

37. SHARE OPTION SCHEME *(Continued)*

Participants of the Old Scheme *(Continued)*

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

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

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

(f) any shareholder of any member of the Group or any Former Invested Entity or any holder of any securities issued by any member of the Group or any Former 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 Former 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 Old Scheme, an offer for the grant of an option may be made to any company wholly owned by one or more Former Eligible Participants.

37. SHARE OPTION SCHEME *(Continued)*

Details of the options and movements in such holdings during the year ended 31 March 2014 are as follows:

		Number of options							Weighted average closing price of the shares immediately before the dates on
Category of participants	Date of grant	Outstanding as at 1.4.2013	Grant during the year *(Note 2)*	Exercise during the year	Lapsed during the year	Outstanding as at 31.3.2014	Exercised period	Exercise price per option *HK$*	which the options were exercised *HK$*
Director & Substantial Shareholder									
Mr. Miao Zhenguo	21.4.2011	10,000,000	–	–	–	10,000,000	21.4.2012–20.4.2014 *(Note 3)*	0.810	–
	4.9.2013	–	12,000,000	–	–	12,000,000	4.9.2015–3.9.2023 *(Note 4)*	0.450	–
Directors									
Mr. Lo Wing Yat	23.8.2007	14,600,000	–	–	–	14,600,000	23.8.2008–22.8.2017 *(Note 5)*	0.230	–
	8.5.2009	16,200,000	–	–	–	16,200,000	8.5.2010–7.5.2019 *(Note 5)*	0.061	–
	21.4.2011	20,000,000	–	–	–	20,000,000	21.4.2012–20.4.2014 *(Note 3)*	0.810	–
	4.9.2013	–	8,000,000	–	–	8,000,000	4.9.2015–3.9.2023 *(Note 4)*	0.450	–

37. SHARE OPTION SCHEME *(Continued)*

Details of the options and movements in such holdings during the year ended 31 March 2014 are as follows: *(Continued)*

		Number of options							
Category of participants	Date of grant	Outstanding as at 1.4.2013	Grant during the year *(Note 2)*	Exercise during the year	Lapsed during the year	Outstanding as at 31.3.2014	Exercised 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. Xu Donghui	21.4.2011	20,000,000	–	–	–	20,000,000	21.4.2012–20.4.2014 *(Note 3)*	0.810	–
	4.9.2013	–	8,000,000	–	–	8,000,000	4.9.2015–3.9.2023 *(Note 4)*	0.450	–
Mr. Jaime Che	21.4.2011	20,000,000	–	–	–	20,000,000	21.4.2012–20.4.2014 *(Note 3)*	0.810	–
	4.9.2013	–	12,000,000	–	–	12,000,000	4.9.2015–3.9.2023 *(Note 4)*	0.450	–
Professor Chen Guohua	4.9.2013	–	6,000,000	–	–	6,000,000	4.9.2015–3.9.2023 *(Note 4)*	0.450	–
Mr. Chan Yuk Tong	8.5.2009	900,000	–	–	–	900,000	8.11.2010–7.5.2019 *(Note 6)*	0.061	–
	21.4.2011	10,000,000	–	–	–	10,000,000	21.4.2012–20.4.2014 *(Note 3)*	0.810	–
	4.9.2013	–	8,000,000	–	–	8,000,000	4.9.2015–3.9.2023 *(Note 4)*	0.450	–

37. SHARE OPTION SCHEME *(Continued)*

Details of the options and movements in such holdings during the year ended 31 March 2014 are as follows: *(Continued)*

		Number of options							
Category of participants	Date of grant	Outstanding as at 1.4.2013	Grant during the year *(Note 2)*	Exercise during the year	Lapsed during the year	Outstanding as at 31.3.2014	Exercised 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 6)*	0.061	–
	21.4.2011	10,000,000	–	–	–	10,000,000	21.4.2012–20.4.2014 *(Note 3)*	0.810	–
	4.9.2013	–	8,000,000	–	–	8,000,000	4.9.2015–3.9.2023 *(Note 4)*	0.450	–
Mr. Tse Kam Fow	8.5.2009	900,000	–	–	–	900,000	8.11.2010–7.5.2019 *(Note 6)*	0.061	–
	21.4.2011	10,000,000	–	–	–	10,000,000	21.4.2012–20.4.2014 *(Note 3)*	0.810	–
	4.9.2013	–	8,000,000	–	–	8,000,000	4.9.2015–3.9.2023 *(Note 4)*	0.450	–

37. SHARE OPTION SCHEME *(Continued)*

Details of the options and movements in such holdings during the year ended 31 March 2014 are as follows: *(Continued)*

		Number of options							
Category of participants	Date of grant	Outstanding as at 1.4.2013	Grant during the year *(Note 2)*	Exercise during the year	Lapsed during the year	Outstanding as at 31.3.2014	Exercised period	Exercise price per option *HK$*	Weighted average closing price of the shares immediately before the dates on which the options were exercised *HK$*
Employees	8.5.2009	1,125,000	–	(1,125,000)	–	–	8.5.2011–7.5.2019 *(Note 7)*	0.061	0.310
	21.4.2011	50,300,000	–	–	–	50,300,000	21.4.2012–20.4.2014 *(Note 3)*	0.810	–
	21.4.2011	15,200,000	–	–	(1,800,000) *(Note 8)*	13,400,000	21.4.2013–20.4.2014 *(Note 7)*	0.810	–
	4.9.2013	–	197,400,000	–	(4,100,000) *(Note 8)*	193,300,000	4.9.2015–3.9.2023 *(Note 4)*	0.450	–

37. SHARE OPTION SCHEME *(Continued)*

Details of the options and movements in such holdings during the year ended 31 March 2014 are as follows: *(Continued)*

		Number of options							
Category of participants	Date of grant	Outstanding as at 1.4.2013	Grant during the year *(Note 2)*	Exercise during the year	Lapsed during the year	Outstanding as at 31.3.2014	Exercised 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 5)*	0.230	–
	21.4.2011	101,000,000	–	–	–	101,000,000	21.4.2012–20.4.2014 *(Note 3)*	0.810	–
	4.9.2013	–	10,000,000	–	–	10,000,000	4.9.2015–3.9.2023 *(Note 4)*	0.450	–
		308,325,000	**277,400,000**	**(1,125,000)**	**(5,900,000)**	**578,700,000**			
Weighted average exercise price *(HK$)*		0.720	0.450	0.061	0.560	0.594			
Exercisable as at 31.3.2014						21,800,000 18,900,000 264,700,000		0.230 0.061 0.810	

37. SHARE OPTION SCHEME *(Continued)*

Details of the options and movements in such holdings during the year ended 31 March 2013 are as follows:

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$*	Weighted average closing price of the shares immediately before the dates on which the options were exercised *HK$*
Director & Substantial Shareholder									
Mr. Miao Zhenguo	21.4.2011	10,000,000	–	–	–	10,000,000	21.4.2012–20.4.2014 *(Note 3)*	0.810	–
Directors									
Mr. Lo Wing Yat	23.8.2007	14,600,000	–	–	–	14,600,000	23.8.2008–22.8.2017 *(Note 5)*	0.230	–
	8.5.2009	16,200,000	–	–	–	16,200,000	8.5.2010–7.5.2019 *(Note 5)*	0.061	–
	21.4.2011	20,000,000	–	–	–	20,000,000	21.4.2012–20.4.2014 *(Note 3)*	0.810	–
Mr. Xu Donghui	21.4.2011	20,000,000	–	–	–	20,000,000	21.4.2012–20.4.2014 *(Note 3)*	0.810	–
Mr. Jaime Che	21.4.2011	20,000,000	–	–	–	20,000,000	21.4.2012–20.4.2014 *(Note 3)*	0.810	–

37. SHARE OPTION SCHEME *(Continued)*

Details of the options and movements in such holdings during the year ended 31 March 2013 are as follows: *(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 6)*	0.061	–
	21.4.2011	10,000,000	–	–	–	10,000,000	21.4.2012–20.4.2014 *(Note 3)*	0.810	–
Mr. Fei Tai Hung	8.5.2009	900,000	–	–	–	900,000	8.11.2010–7.5.2019 *(Note 6)*	0.061	–
	21.4.2011	10,000,000	–	–	–	10,000,000	21.4.2012–20.4.2014 *(Note 3)*	0.810	–
Mr. Tse Kam Fow	8.5.2009	900,000	–	–	–	900,000	8.11.2010–7.5.2019 *(Note 6)*	0.061	–
	21.4.2011	10,000,000	–	–	–	10,000,000	21.4.2012–20.4.2014 *(Note 3)*	0.810	–

37. SHARE OPTION SCHEME *(Continued)*

Details of the options and movements in such holdings during the year ended 31 March 2013 are as follows: *(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$*	Weighted average closing price of the shares immediately before the dates on which the options were exercised *HK$*
Employees	8.5.2009	2,250,000	(1,125,000)	–	–	1,125,000	8.5.2011–7.5.2019 *(Note 7)*	0.061	0.330
	21.4.2011	58,300,000	–	–	(8,000,000) *(Note 11)*	50,300,000	21.4.2012–20.4.2014 *(Note 3)*	0.810	–
	21.4.2011	16,400,000	–	(1,200,000) *(Note 12)*	–	15,200,000	21.4.2013–20.4.2014 *(Note 7)*	0.810	–
Others	23.8.2007	7,200,000	–	–	–	7,200,000	23.8.2008–22.8.2017 *(Note 5)*	0.230	–
	21.4.2011	93,000,000	–	–	8,000,000 *(Note 11)*	101,000,000	21.4.2012–20.4.2014 *(Note 3)*	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 20,025,000 251,300,000		0,230 0.061 0.810	

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 Old Scheme. No options were granted under the New Scheme for the year ended 31 March 2014.

2. Options to subscribe for 277,400,000 shares of the Company were granted on 4 September 2013. The Company received an aggregate consideration of HK$119 for the grant of these options. The closing price of the shares of the Company on the trading day immediately before the date on which these options were granted was HK$0.300.

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

4. Options granted are subject to a vesting period of five years with half of the options becoming exercisable 24 months after the date of grant and the remainder becoming exercisable 60 months after the date of grant.

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

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

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

8. A total of 1,800,000 vested options and 4,100,000 unvested options lapsed during the year ended 31 March 2014 following the cessation of optionholders to be employees of the Company or eligible participants of the Old Scheme.

9. The weighted average fair values of the options granted during the year ended 31 March 2014 calculated using the Binomial Option-Pricing Model and the inputs into such model were as follows:

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

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

10. No options were cancelled during the year ended 31 March 2014.

11. 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. 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.

12. 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 Old Scheme.

13. The Group recognised total expenses of approximately HK$3,736,000 for the year ended 31 March 2014 (2013: HK$1,643,000) in relation to the options granted by the Company. The options outstanding as at 31 March 2014 had a weighted average remaining contractual life of 4.8 years (2013: 1.6 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	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**9,985**	5,589	**7,367**	2,790
In the second to fifth years	**20,702**	479	**19,420**	–
	30,687	6,068	**26,787**	2,790

Leases are negotiated for terms from one to four 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:

	2014	2013
	HK$'000	HK$'000
Capital commitments in respect of fixed assets		
Contracted, but not provided for *(Note)*	**899,878**	15,797
Capital commitments in respect of capital expenditure of the Group's factories in the PRC		
Authorised, but not contracted for	**14,045**	17,483
	913,923	33,280

The Company did not have any material capital commitments at the end of the reporting period (2013: nil).

Note:

The amounts of approximately HK$786,233,000 (2013: nil) related to capital expenditure of electric vehicle production business intend to be contributed and supported by the Group and non-controlling shareholders of the Agnita Group on pro rata to their equity interest.

39. LITIGATIONS

The Company and two of its subsidiaries are currently involved in several litigations with Mr. Winston Chung (formerly known as Chung Hing Ka) ("Mr. Chung") and companies which are controlled and/or owned by him (together with Mr. Chung, the "Chung Parties"). The summaries of litigations are as follows:

– The Company and two of its subsidiaries have instituted legal proceedings against the Chung Parties in the HK Court for, inter alia, breaches of various agreements in relation to the acquisition completed by the Group on 25 May 2010. The Chung Parties has made a counterclaim based on certain documents.

– The Chung Parties has filed a lawsuit against a subsidiary of the Company in the HK Court and alleged that the Company's subsidiary is not entitled to use certain patents.

– The Chung Parties has filed a lawsuit against a subsidiary of the Company in the Shenzhen Intermediate Court of the PRC for breaches of various agreements in relation to the production of battery products.

In these litigations, the allegations and defenses of the Chung Parties are primarily based on certain documents (the "Questioned Documents") which the Group denied that they are the versions executed by the Group and the Chung Parties. The Group has strong reasons to believe that the Questioned Documents are fraudulently altered and/or completely fabricated.

On 27 February 2013, the HK Court has made an order for bankruptcy against Mr. Chung (the "Bankruptcy"). As a result, all litigations involving Mr. Chung have been stayed. The Group is currently awaiting the trustee (the "Trustee") in Mr. Chung's bankruptcy to wind up his estates and take over the litigations involving Mr. Chung. Despite Mr. Chung was adjudged bankrupt over a year, Mr. Chung neither submitted a substantive statement of affairs, an annual report of his earnings and acquisitions nor delivered any substantial property to the Trustee as required by the Bankruptcy Ordinance.

Based on legal advice, the directors of the Company are of the view that the allegations and defenses of the Chung Parties are frivolous, vexations and based on unsubstantiated and invalid grounds, and the directors of the Company do not believe it is probable that the courts will find against them. No provision has therefore been made in respect of these litigations.

40. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances 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:

	2014 **HK$'000**	2013 HK$'000
Short-term employee benefits	**5,911**	7,264
Retirement benefit schemes contributions	**60**	56
Equity-settled share-based payments	**1,067**	655
	7,038	7,975

41. EVENTS AFTER THE REPORTING PERIOD

(a) On 20 March 2014, the Company entered into a convertible bond agreement with the subscriber pursuant to which the subscriber has conditionally agreed to subscribe for the three-year convertible bonds with the principal amount of HK$400 million at the rate of 8% per annum. The subscription was completed on 14 April 2014.

(b) On 15 April 2014, Preferred Market entered into an agreement with the vendor pursuant to which Preferred Market would purchase the entire equity interest of Giant Industry Holdings Limited (the "Target") which has a 50% indirect equity interest in Yunnan Meidi Coach Manufacturing Co., Ltd. (the "PRC Company") (collectively, the "Target Group") which is principally engaged in the manufacture, sale, assembly and maintenance of coaches, electric vehicles and systems, and parts and components. Preferred Market would have the right to nominate and appoint all the directors of the Target and a majority of the directors in the PRC Company, and they would become the subsidiaries of the Company upon the completion of the acquisition. The acquisition will provide an immediate platform for the Group to engage in the manufacture of electric vehicles. The acquisition consideration is HK$190 million and would be settled by the issuance of 380,000,000 ordinary shares of the Company. If the net assets value of the Target Group as determined in accordance with the completion accounts is less than HK$88,000,000, the guarantor and/or the vendor will indemnify Preferred Market against such shortfall. The acquisition was completed on 7 May 2014 and the Group is in the process of finalising the fair value assessments of the net assets acquired. Accordingly, certain disclosures in relation to the business combination as at the date of the acquisition have not been presented.

(c) On 28 April 2014, the Company granted to the eligible participants a total of 183,200,000 share options at the exercise price of HK$0.63 per share with validity of 10 years from the date of grant, to subscribe for the Company's ordinary shares under the New Scheme.

(d) On 11 May 2014, the Company entered into the agreement with Smith Electric Vehicles Corp. ("SEV"), a company incorporated in the United States of America. Pursuant to the agreement, the Company (i) has agreed to subscribe (a) the series AA senior secured convertible promissory notes in the principal amount of US$2 million issued by SEV; and (b) the series E preferred shares issued by SEV offering at a total subscription amount of US$10 million subject to, among other things, the execution of an exclusive battery supply contract and a memorandum of understanding in relation to the supply of electric vehicle components; and (ii) will enter into definitive agreements to subscribe for common shares of a certain public listed company, of which SEV will become its wholly-owned subsidiary, for a total subscription amount of US$30 million subject to certain terms and conditions.

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 2014 and 2013.

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 and other borrowings, loan from a non-controlling shareholder and obligations under redeemed convertible bonds) less cash and bank balances as shown in consolidated statement of financial position. Total capital includes all components of equity attributable to owners to the Company. The net debt to equity ratio as at end of the reporting period is as follows:

	2014 **HK$'000**	2013 HK$'000
Bank loans and other borrowings	**372,181**	107,720
Loan from a non-controlling shareholder	**150,000**	–
Obligations under redeemed convertible bonds *(Note)*	**760,752**	760,752
Total borrowings	**1,282,933**	868,472
Less: Cash and bank balances	**(1,069,623)**	(140,567)
Net debt	**213,310**	727,905
Total equity attributable to owners of the Company	**1,733,800**	340,191
Net debt to equity ratio	**12%**	214%

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 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 27 June 2014.