**Sinopoly Battery Limited**
**中聚電池有限公司**
*(Incorporated in Bermuda with limited liability)*
**(Stock Code: 729)**

# FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2011

## FINANCIAL SUMMARY

- During the year ended 31 March 2011, the Group's turnover from continuing operations increased by approximately 23.7 times to reach approximately HK$75.8 million as compared to approximately HK$3.1 million recorded in the preceding financial year.

- The Group recognised the impairment on intangible assets of approximately HK$2,050.7 million, one-off goodwill impairment of approximately HK$904.2 million, amortisation of intangible assets of approximately HK$310.2 million, imputed interest expenses on convertible bonds of approximately HK$81.0 million, and impairment on amount due from related companies of approximately HK$28.8 million, which are non-cash items.

- Net loss after tax from continuing operations for the year ended 31 March 2011 amounted to approximately HK$2,803.3 million (2010: approximately HK$11.7 million). Excluding the impairments on goodwill, intangible assets and amount due from related companies, the Group recorded loss from continuing operations before interest, taxes, depreciation and amortisation ("LBITDA") of approximately HK$21.3 million for the year ended 31 March 2011 (2010: LBITDA of approximately HK$12.2 million).

- The Board does not recommend the payment of any final dividend for the year ended 31 March 2011 (2010: nil).

- The independent auditor of the Company has issued a qualified opinion arising from limitation of audit scope on its financial statements for the year ended 31 March 2011 in respect of the sales made on behalf of the Group by certain companies owned and/or controlled by Mr. Chung Winston (formerly known as Chung Hing Ka), a former director of the Company.

The board of directors (the "Board") of Sinopoly Battery Limited (the "Company") presents the audited consolidated final results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 March 2011, together with the comparative figures for the corresponding last year as follows:

## CONSOLIDATED INCOME STATEMENT

*For the year ended 31 March 2011*

| | Note | 2011 HK$'000 | 2010 HK$'000 (Restated) |
|---|---|---|---|
| ***Continuing operations*** | | | |
| **Revenue** | 2 | **75,766** | 3,065 |
| Cost of sales | | **(41,222)** | (2,587) |
| **Gross profit** | | **34,544** | 478 |
| Other income | | **570** | — |
| Selling and distribution costs | | **(5,843)** | — |
| General and administrative expenses | | **(54,108)** | (13,409) |
| Finance costs | 4 | **(81,437)** | — |
| Gain on redemption of convertible bonds | | **4,044** | — |
| Gain on disposal of a subsidiary | 5 | **11,330** | — |
| Impairment on goodwill | 11 | **(904,240)** | — |
| Amortisation of intangible assets | 12 | **(310,183)** | — |
| Impairment on intangible assets | 12 | **(2,050,690)** | — |
| Impairment on amount due from related companies | 13 | **(28,785)** | — |
| Gain on dilution of interest in a jointly-controlled entity | | — | 3,804 |
| Share of results of a jointly-controlled entity | | — | (2,536) |
| **Loss before tax** | 6 | **(3,384,798)** | (11,663) |
| Income tax | 7 | **581,523** | — |
| **Loss for the year from continuing operations** | | **(2,803,275)** | (11,663) |
| ***Discontinued operation*** | | | |
| Loss for the year from discontinued operation | 10 | **(2,454)** | (2,430) |
| **Loss for the year** | | **(2,805,729)** | (14,093) |
| **Attributable to:** | | | |
| Equity holders of the Company | | **(2,805,729)** | (14,093) |
| | | *HK cents* | *HK cents* (Restated) |
| **Loss per share attributable to equity holders of the Company** | 9 | | |
| **From continuing and discontinued operations** | | | |
| **— Basic and diluted** | | **(64.13)** | (0.74) |
| **From continuing operations** | | | |
| **— Basic and diluted** | | **(64.07)** | (0.61) |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the year ended 31 March 2011*

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

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 March 2011*

| | *Note* | **2011** *HK$'000* | 2010 *HK$'000* |
|---|---|---|---|
| **Non-current assets** | | | |
| Intangible assets | 12 | **1,279,127** | — |
| Fixed assets | | **131,634** | 1,521 |
| Available-for-sale financial asset | | **—** | 18,479 |
| Other operating assets | | **—** | 205 |
| Deposits paid for fixed assets | | **22,006** | — |
| | | **1,432,767** | 20,205 |
| **Current assets** | | | |
| Inventories | | **7,732** | — |
| Trade and other receivables | 13 | **18,884** | 5,354 |
| Cash and bank balances | | **388,568** | 304,361 |
| | | **415,184** | 309,715 |
| Assets classified as held for sale | | **13,518** | — |
| | | **428,702** | 309,715 |
| **Current liabilities** | | | |
| Bank loan | | **(35,562)** | — |
| Trade and other payables | 14 | **(36,516)** | (2,126) |
| Tax payable | | **(8,695)** | — |
| Provision for redeemed convertible bonds | 15 | **(760,752)** | — |
| | | **(841,525)** | (2,126) |
| Liabilities classified as held for sale | | **(5,064)** | — |
| | | **(846,589)** | (2,126) |
| **Net current (liabilities)/assets** | | **(417,887)** | 307,589 |
| **Total assets less current liabilities** | | **1,014,880** | 327,794 |
| **Non-current liabilities** | | | |
| Convertible bonds | | **(198,409)** | — |
| Deferred tax liabilities | | **(319,782)** | — |
| | | **(518,191)** | — |
| **NET ASSETS** | | **496,689** | 327,794 |
| **CAPITAL AND RESERVES** | | | |
| Equity attributable to equity holders of the Company | | | |
| Issued capital | | **92,847** | 22,221 |
| Reserves | | **403,842** | 305,573 |
| **TOTAL EQUITY** | | **496,689** | 327,794 |

*NOTES:*

## 1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

### *(a) Basis of preparation*

These final results have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which include Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and accounting principles generally accepted in Hong Kong. These final results also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The final results have been prepared under the historical cost convention, except for derivative financial instruments which have been measured at fair value.

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

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

(1) In respect of the obligations for redeemed convertible bonds with an aggregate principal amount of approximately HK$760,752,000 ("Redemption Amount") payable to Mei Li New Energy Limited ("Mei Li"), the Company has sought legal opinion to confirm that (i) the Company has no immediate obligations to pay the Redemption Amount; and (ii) the Company has valid grounds and rights to offset the Redemption Amount, in the event Mei Li makes a demand for the payment, by the claims for damages from Mr. Chung and his associates in the legal proceedings as described under Note 17. The Company's legal advisor estimated that the legal proceedings will likely take at least 2 to 3 years before progressing to a trial;

(2) The Company is considering various options for financing the Company's working capital and capital commitments in the foreseeable future;

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

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

(5) The Board confirms that in the absence of unforeseeable circumstances, the Group is projected to have sufficient working capital for the next 12 months from the date of approval of these final results for its business operations after having taken into account of its projected cash flows, current financial resources and capital expenditure requirements with respect to the production facilities and development of its businesses (other than the Claim Amount (as defined in Note 15) and the repayment of the Redemption Amount (if applicable)).

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

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

### *(b) Impact of new and revised Hong Kong Financial Reporting Standards*

The Group has where applicable adopted the following new and revised HKFRSs, HKASs and Interpretations (hereinafter collectively referred to as the "new and revised HKFRSs") issued by the HKICPA for the first time in the current year's final results:

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

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

***HKFRS 3 (Revised) Business Combinations***

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

***HKAS 27 (Revised) Consolidated and Separate Financial Statements***

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

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

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

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

## 2. REVENUE

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

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

## 3. SEGMENT REPORTING

Operating segments are identified on the basis of internal reports which provide information about components of the Group. These information are reported to and reviewed by the Board, the chief operating decision maker, for the purposes of resource allocation and performance assessment.

The Board considers that the Group is organised into business units based on their products and services, and has reportable operating segments as follows:

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

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

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

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

(e) the securities brokerage segment provides securities brokerage services which was classified as a discontinued operation of the Group during the year (Note 10).

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

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

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

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

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

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

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

**2011**

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

2010 (Restated)

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

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

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

***Geographical information***

*(a)* *Revenue from external customers*

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

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

*(b)* *Non-current assets*

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

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

***Information about major customers***

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

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

## 4. FINANCE COSTS

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

## 5. GAIN ON DISPOSAL OF A SUBSIDIARY

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

## 6. LOSS BEFORE TAX

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

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

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

## 7. INCOME TAX

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

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

## 8. DIVIDEND

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

## 9. LOSS PER SHARE

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

*From continuing and discontinued operations*

The basic loss per share is calculated based on (i) the consolidated loss attributable to equity holders of the Company of HK$2,805,729,000 (2010: HK$14,093,000) and (ii) the weighted average number of 4,375,120,000 (2010: 1,896,154,000) ordinary shares in issue during the year.

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

*From continuing operations*

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

| | **2011** *HK$'000* | 2010 *HK$'000* (Restated) |
|---|---|---|
| Loss for the year attributable to equity holders of the Company | | |
| Loss for the year | **2,805,729** | 14,093 |
| Less: Loss for the year from discontinued operation *(Note 10)* | **(2,454)** | (2,430) |
| Loss for the year from continuing operations | **2,803,275** | 11,663 |

*From discontinued operation*

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

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

### *(b) Diluted loss per share*

The calculation of diluted loss per share does not assume the exercise of the Company's share options or conversion of convertible bonds which would result in a reduction in loss per share for the years ended 31 March 2011 and 2010. Therefore, the diluted loss per share is the same as the basic loss per share for both years.

## 10. DISCONTINUED OPERATION

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

An analysis of the results of the discontinued operation is as follows:

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

## 11. BUSINESS COMBINATION

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

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

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

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

| | **Fair value** |
|---|---|
| | ***HK$'000*** |
| Intangible assets *(Notes (a) and 12)* | **3,640,000** |
| Trade and other receivables, net of impairments *(Note (b))* | **—** |
| Cash and bank balances | **5** |
| Other payables | **(2)** |
| Deferred tax liabilities | **(910,000)** |
| | **2,730,003** |
| Goodwill, after adjustment for contingent consideration *(Notes (e) and (f))* | **904,240** |
| | **3,634,243** |

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

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

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

*Notes:*

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

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

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

(d) Based on the information available and in the opinion of the Board, the shortfall of Guaranteed Profit over the Actual Profit of the Union Grace Group was expected to be in excess of HK$150,000,000. The Lock-up Convertible Bonds with an aggregate principal amount of HK$150,000,000 under contingent consideration have been derecognised in the consolidated financial statements as at 31 March 2011 as the Company has the contractual right to offset such shortfall against the Lock-up Convertible Bonds. As at the date of this announcement, the Group has not finalised the audited financial information of the Actual Profit of the Union Grace Group, the consideration of the Acquisition and the related goodwill are recognised on provisional amounts only.

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

(f) The goodwill of HK$904,240,000, after adjusting for the contingent consideration, in relation to the Group's Acquisition of the Union Grace Group arose mainly from the fair value change in respect of the substantial increase in the market price of the issued shares of the Company from the date of signing the letter of intent to the date of completion of the Acquisition. Under HKFRS 3 (Revised), the closing price per share on the date of completion was used as the fair value of the issued shares of the Company for the purpose of calculating the fair value of the consideration shares issued for the Acquisition. An impairment loss of goodwill of HK$904,240,000 was recognised immediately upon completion of the Acquisition because, in the opinion of the Board, the goodwill was mainly attributable to an increase in the fair value of consideration shares of the Company at the completion date of the Acquisition and its recoverable amount was estimated to be zero.

## 12. INTANGIBLE ASSETS

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

*Notes:*

(a) Intangible assets represent the exclusive using right of the Licensed Patents granted to the Group through the Acquisition (Note 11).

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

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

(i) Pursuant to the Master Supply Agreement, the PRC Operating Companies agreed to manufacture and supply to the Group the Electric Battery Products in accordance with the requirements of the Group. Furthermore, the PRC Operating Companies have also acted as agents to sell Electric Battery Products for the Group since 18 January 2010. However, the PRC Operating Companies have:

- failed and refused, despite repeated requests and demands, to provide any sales records or accounts to the Group for any sales since 1 October 2010; and
- failed to manufacture and supply to the Group the Electric Battery Products in accordance with the requirements of the Group from early 2011.

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

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

## 13. TRADE AND OTHER RECEIVABLES

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

*Notes:*

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

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

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

The balances of trade receivables are non-interest bearing. The carrying amounts of the receivables approximate their fair values.

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

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

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

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

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

## 14. TRADE AND OTHER PAYABLES

| | 2011 | 2010 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Trade payables *(Note)* | **2,408** | 1,216 |
| Other payables and accruals | **34,108** | 910 |
| | **36,516** | 2,126 |

*Note:*

An ageing analysis of trade payables is as follows:

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

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

## 15. PROVISION FOR REDEEMED CONVERTIBLE BONDS

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

## 16. CAPITAL COMMITMENTS

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

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

As at 31 March 2010, the Group had commitments on conditional acquisition of subsidiaries and the details of the transaction are stated in Note 11.

## 17. LITIGATIONS

Details of the legal proceedings against Mr. Chung, Mei Li, the PRC Operating Companies and other Mr. Chung's associates are set out in the section heading “Actions against Mr. Chung Winston and his associates for their breaches” on page 30 of this announcement.

## 18. EVENTS AFTER THE REPORTING PERIOD

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

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

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

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

(e) As further detailed in Note 10, the disposal of the entire issued share capital of Infast was completed in April 2011. The gain on this disposal is approximately HK$280,000.

## AN EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The audit opinion for the consolidated financial statements of the Group for the year ended 31 March 2011 is extracted as follows:

**BASIS OF QUALIFIED OPINION**

As set out in note 20 to the consolidated financial statements, on 25 May 2010, the Company acquired the entire equity interest of Union Grace Holdings Limited and its subsidiary Thunder Sky Energy Technology Limited ("Thunder Sky (HK)") (collectively the "Union Grace Group") from six vendors, including Mei Li New Energy Limited ("Mei Li") which is beneficially owned by Mr. Chung Winston (formerly known as Chung Hing Ka) (鍾馨稼) ("Mr. Chung"), a former director of the Company. Pursuant to the master supply agreement dated 18 January 2010 (the "Master Supply Agreement") made between 深圳市雷天電動車動力總成有限公司 (Shenzhen Thunder Sky Electric Vehicles Limited) and 深圳市雷天電源技術有限公司 (Shenzhen Thunder Sky Battery Technology Limited) (collectively the "PRC Operating Companies") and Thunder Sky (HK), the PRC Operating Companies have agreed to manufacture and supply to Thunder Sky (HK), in accordance with its requirements, Lithium-ion batteries and related products (the "Electric Battery Products") at a fixed unit price of not higher than US$0.5 per ampere-hour. The PRC Operating Companies also agreed to handle as agents the sales of Electric Battery Products on behalf of Thunder Sky (HK) (as the principal) for the period from 18 January 2010 to 30 May 2011 at nil consideration. The PRC Operating Companies are indirectly wholly-owned by Mr. Chung and, accordingly, are associates of a connected person and related parties of the Company. During the year, the PRC Operating Companies failed and refused to provide or allow the Company access to the underlying books and records in respect of the sales and collection of sales revenue of the Electric Battery Products made by them as agents for and on behalf of the Group or to remit the net proceeds of such sales to the Group. Mr. Chung was removed as a director of the Company on 14 April 2011. As disclosed in note 40 to the consolidated financial statements, on 12 March 2011, legal proceedings were instituted against Mr. Chung and his associates (including but not limited to Mei Li and the PRC Operating Companies) in the High Court of Hong Kong. On 15 June 2011, a statement of claim was filed with the High Court of Hong Kong.

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

## QUALIFIED OPINION ARISING FROM LIMITATION OF AUDIT SCOPE

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

## MATTERS OF EMPHASIS – Fundamental uncertainties relating to basis of preparation of consolidated financial statements

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

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

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

(b) Going concern basis

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

— In respect of obligations under the redeemed convertible bonds with an aggregate principal amount of approximately HK$760,752,000 ("Redemption Amount"), as set out in Note 32 to the consolidated financial statements, the Company has sought legal opinion to confirm that (i) the Company has no immediate obligations to pay the Redemption Amount; and (ii) the Company has valid grounds and rights to offset the

Redemption Amount, in the event Mei Li makes a demand for the payment, by the claims for damages from Mr. Chung and his associates in the aforesaid legal proceedings. The Company's legal advisor estimated that the legal proceedings will likely take at least 2 to 3 years before progressing to a trial; and

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

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

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

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

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

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

## MANAGEMENT DISCUSSION AND ANALYSIS

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

### MARKET OVERVIEW

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

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

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

### BUSINESS REVIEW

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

### *Increasing Demand*

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

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

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

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

### *Production Capacity*

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

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

### *Research and Development*

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

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

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

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

### *New Products*

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

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

### *Recognition*

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

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

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

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

**ACTIONS AGAINST MR. CHUNG WINSTON AND HIS ASSOCIATES FOR THEIR BREACHES**

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

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

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

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

## FINANCIAL REVIEW

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

### *Electric Battery Products Business*

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

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

***Securities Brokerage Business***

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

***Geographical Analysis of Turnover***

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

***Liquidity and Financial Resources***

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

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

As at 31 March 2011, the Group's gearing ratio was approximately 7.2% on the basis of total bank borrowing of approximately HK$35.6 million to total equity of approximately HK$496.7 million. As the Group had no bank borrowing as at 31 March 2010, no gearing ratio of the Group was presented.

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

### *Foreign Exchange Exposure*

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

### *Capital Structure*

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

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

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

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

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

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

### *Material Acquisitions and Disposals*

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

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

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

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

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

***Employees and Remuneration Policies***

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

***Capital Commitment***

Details of the capital commitments of the Group are set out in note 16 to the financial statements on page 22 of this announcement.

## PROSPECTS AND FUTURE PLAN OF THE GROUP

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

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

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

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

## CORPORATE GOVERNANCE PRACTICES

Throughout the year ended 31 March 2011, the Company applied the principles of and complied with all the code provisions of, the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") except for the following deviations.

*Code provision A.2.1 to A.2.3*

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

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

*Code provision A.5.4*

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

*Code provision E.1.2*

Code provision E.1.2 of the Code stipulates that the chairman of the board should attend the annual general meeting. The Company did not comply with such code provision as it has no Chairman. Mr. Miao Zhenguo, an executive director, chaired the Company's annual general meeting held on 10 September 2010 pursuant to the Company's Bye-laws.

## DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code for securities transactions by directors (the "Securities Code"), which is largely based on the Model Code. The Securities Code is on terms no less exacting than the required standard set out in the Model Code. Apart from the deviation from the Basic Principle 1 and Rule B.8 of the Model Code disclosed in the section headed "Corporate Governance Practices" above, all directors of the Company have confirmed, following specific enquiry by the Company, their compliance with the required standard set out in the Model Code and the Securities Code throughout the year ended 31 March 2011.

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

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

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

## REVIEW OF ANNUAL RESULTS

The audit committee of the Company has reviewed with the management and the Company's independent auditor the audited results of the Group for the year ended 31 March 2011.

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

Hong Kong, 30 June 2011

*As of the date of this announcement, the Board comprises Mr. Miao Zhenguo (Deputy Chairman and Chief Executive Officer), Mr. Lo Wing Yat, Mr. Xu Donghui (Chief Operating Officer) and Mr. Jaime Che as executive directors; and Mr. Chan Yuk Tong, Mr. Fei Tai Hung and Mr. Tse Kam Fow as independent non-executive directors.*

*Website: http://www.sinopolybattery.com*

** For identification only*