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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 2012

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 2012, together with the comparative figures for the corresponding period last year as follows:

CONSOLIDATED INCOME STATEMENT
For the year ended 31 March 2012

	Note	**2012** *HK$'000*	2011 *HK$'000*
Continuing operations			
Revenue	2	**59,436**	75,766
Cost of sales		**(54,642)**	(41,222)
Gross profit		**4,794**	34,544
Other income		**3,443**	570
Selling and distribution costs		**(14,293)**	(5,843)
General and administrative expenses		**(94,300)**	(54,108)
Other operating expenses	5(b)	**(16,708)**	—
Finance costs	4	**(15,152)**	(81,437)
Gain on redemption of convertible bonds		—	4,044
Gain on disposal of a subsidiary		—	11,330
Impairment on goodwill		—	(904,240)
Amortisation of intangible assets	10	**(140,084)**	(310,183)
Impairment on intangible assets	10	**(273,625)**	(2,050,690)
Impairment on other receivables		—	(28,785)
Loss before tax	5	**(545,925)**	(3,384,798)
Income tax	6	**103,427**	581,523
Loss for the year from continuing operations		**(442,498)**	(2,803,275)

	Note	2012 HK$'000	2011 HK$'000
Discontinued operation	8		
Profit / (loss) for the year from discontinued operation		**164**	(2,454)
Loss for the year		**(442,334)**	(2,805,729)
Attributable to:			
Owners of the Company		**(442,334)**	(2,805,729)
		HK cents	*HK cents*
Loss per share attributable to owners of the Company	9		
From continuing and discontinued operations — Basic and diluted		**(4.12)**	(64.13)
From continuing operations — Basic and diluted		**(4.12)**	(64.07)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2012

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2012

	Note	**2012** **HK$'000**	2011 HK$'000
Non-current assets			
Intangible assets	10	**865,418**	1,279,127
Fixed assets		**335,419**	131,634
Deposits paid for fixed assets		**187,498**	22,006
		1,388,335	1,432,767
Current assets			
Inventories		**57,893**	7,732
Trade and other receivables	11	**110,947**	18,884
Cash and bank balances		**216,873**	388,568
		385,713	415,184
Assets classified as held for sale		**—**	13,518
		385,713	428,702
Current liabilities			
Bank loan		**—**	(35,562)
Trade and other payables	12	**(86,325)**	(36,516)
Tax payable		**(8,695)**	(8,695)
Obligations under redeemed convertible bonds	13	**(760,752)**	(760,752)
		(855,772)	(841,525)
Liabilities classified as held for sale		**—**	(5,064)
		(855,772)	(846,589)
Net current liabilities		**(470,059)**	(417,887)
Total assets less current liabilities		**918,276**	1,014,880
Non-current liabilities			
Other non-current liability		**(51,511)**	—
Convertible bonds		**(121,162)**	(198,409)
Deferred tax liabilities		**(216,355)**	(319,782)
		(389,028)	(518,191)
NET ASSETS		**529,248**	496,689
CAPITAL AND RESERVES			
Equity attributable to owners of the Company			
Issued capital		**109,917**	92,847
Reserves		**419,331**	403,842
TOTAL EQUITY		**529,248**	496,689

NOTES:

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

(a) Basis of preparation

These financial statements 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 financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The financial statements have been prepared under the historical cost convention, except for derivative financial instruments which have been measured at fair value.

In preparing these financial statements, the Board has considered the future liquidity of the Group. As at 31 March 2012, the Group and the Company had net current liabilities of approximately HK$470,059,000 and HK$18,935,000 respectively, which included obligations under redeemed convertible bonds of approximately HK$760,752,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's and the Company's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business.

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

(1) In respect of the obligations under the redeemed convertible bonds of approximately HK$760,752,000 (the "Redemption Amount") owing to Mei Li New Energy Limited ("Mei Li"), based on the advices of the legal counsels of the Company, the Board considers that (i) the Company has valid grounds and merits to believe that the Set-Off (as defined in Note 13) will be available, based on which, the Company should be able to apply a full offset of its obligations under the redeemed convertible bonds by the claims for damages to be awarded and receivable from Mr. Winston Chung (formerly known as Chung Hing Ka) (鍾馨稼) ("Mr. Chung") and his associates which are under the control of Mr. Chung (including but not limited to Mei Li); (ii) the Company has valid grounds to strike off Mei Li's claim for settlement in the New Action (as defined in Note 16(c)), and (iii) by reasons of (i) and (ii), the Company will be entitled to a stay of execution of payment for obligations under the redeemed convertible bonds before the conclusion of the legal proceedings for which the trial will be highly unlikely to commence by the end of 2013;

(2) Subsequent to the end of the reporting period, the Group obtained a bank loan of RMB55,000,000 (equivalent to approximately HK$67,529,000), details of which are set out in Note 16(b), and the Group is also currently in discussions with other financial institutions for new loan facilities; and

(3) Mr. Miao Zhenguo ("Mr. Miao"), the Deputy Chairman, Chief Executive Officer and executive director of the Company, and Union Ever Holdings Limited, a substantial shareholder of the Company and beneficially wholly-owned by Mr. Miao, have jointly provided an irrevocably letter of undertaking pursuant to which they will provide adequate funds to the Group so as to enable it to meet its financial obligations as and when they fall due for the next twelve months from the date of approval of the financial statements.

In light of the measures and arrangements implemented to date, the Board is of the view that the Group and the Company have sufficient cash resources to satisfy their working capital and other financial obligations for the next twelve months from the date of approval of these financial statements after having taken into account of the Group's projected cash flows, current financial resources and capital expenditure requirements with respect to the production facilities and development of its businesses (other than the Claim Amount (as defined in Note 13) and the repayment of the Redemption Amount (if applicable)). Accordingly, the Board is of the view that it is appropriate to prepare these financial statements on a going concern basis.

Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to restate the values of assets to their recoverable amounts, to 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 financial statements.

(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 financial statements:

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

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. The Group has not applied any new and revised HKFRSs that are not yet effective for the current accounting period.

2. REVENUE

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

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

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

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

(c) the securities brokerage segment provides securities brokerage services which was classified as a discontinued operation of the Group and was disposed of during the year *(Note 8)*.

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

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

(ii) Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation of assets attributable to those segments. The revenue from external parties reported to the Board is measured in a manner consistent with that in the income statement;

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

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

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

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

2011	Continuing operations			Discontinued operation	
	Battery products	Treasury investment	Sub-total	Securities brokerage	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Reportable segment revenue from external customers	74,356	1,410	75,766	610	76,376
Reportable segment profit/(loss) before tax	(3,362,049)	1,410	(3,360,639)	(2,454)	(3,363,093)
Other segment information:					
Interest income	548	1,410	1,958	13	1,971
Depreciation and amortisation of fixed assets	1,967	—	1,967	149	2,116
Finance costs	81,437	—	81,437	—	81,437
Impairment on goodwill	904,240	—	904,240	—	904,240
Amortisation of intangible assets	310,183	—	310,183	—	310,183
Impairment on intangible assets	2,050,690	—	2,050,690	—	2,050,690
Impairment on other receivables	28,785	—	28,785	—	28,785
Additions to non-current assets	147,520	—	147,520	1	147,521
Reportable segment assets	1,650,021	182,058	1,832,079	13,518	1,845,597
Reportable segment liabilities	(1,353,329)	—	(1,353,329)	(5,064)	(1,358,393)

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

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

Geographical information

(a) *Revenue from external customers*

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

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

(b) *Non-current assets*

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

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

Information about major customers

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

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

4. FINANCE COSTS

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

5. LOSS BEFORE TAX

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

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

Notes:

(a) Cost of inventories sold includes HK$24,320,000 (2011: HK$1,493,000) from continuing operations relating to staff costs, depreciation and amortisation expenses which amounts are also included in the respective total amounts disclosed separately above for each of these types of expenses.

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

6. INCOME TAX

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

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

7. DIVIDEND

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

8. DISCONTINUED OPERATION

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

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

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

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 for the year attributable to owners of the Company of HK$442,334,000 (2011: HK$2,805,729,000) and (ii) the weighted average number of 10,733,728,000 (2011: 4,375,120,000) ordinary shares in issue during the year.

	2012 Weighted average number of ordinary shares *'000*	2011 Weighted average number of ordinary shares *'000*
Issued ordinary shares at the beginning of the reporting period	**9,284,782**	2,222,125
Effect of issue on shares pursuant to share placement	**451,366**	—
Effect of issue on shares upon exercise of share options	**5,777**	100,548
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	**991,803**	1,050,601
Weighted average number of ordinary shares at the end of the reporting period	**10,733,728**	4,375,120

From continuing operations

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

	2012 ***HK$'000***	2011 *HK$'000*
Loss for the year attributable to owners of the Company		
Loss for the year	**442,334**	2,805,729
Profit/(loss) for the year from discontinued operation *(Note 8)*	**164**	(2,454)
Loss for the year from continuing operations	**442,498**	2,803,275

From discontinued operation

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

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

(b) *Diluted loss per share*

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

10. INTANGIBLE ASSETS

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

Notes:

(a) Intangible assets represent the exclusive using rights of the certain licensed patents granted to the Group through the acquisition of Union Grace Holdings Limited.

(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 LaSalle Sallmanns Limited ("Jones Lang"), an independent firm of professionally qualified valuers, using multi-period excess earnings method under the income approach. The Board was of the opinion, based on the valuation performed by Jones Lang that, an impairment loss of HK$2,050,690,000 should be recognised in the Group's consolidated income statement for the last financial year. The valuation performed by Jones Lang was based on value-in-use calculations using cash flow projections which were based on financial forecast approved by the Board covering a period of nine years from 1 April 2011 to 31 March 2020. The discount rate applied to the cash flow projections was 20.9%, which was based on the expected weighted average cost of the capital determined by the required return on equity, derived by the Capital Assets Pricing Model (the "CAPM") with reference to the average rates for comparable companies from similar industry and the business risk of the relevant business unit, cost of debt and risk premium for intangible assets. Growth rates ranging from 40% to 293% were used in the cash flow projections for the first year to the seventh year and 0% onwards. The Board was of the opinion that the decrease of recoverable amount of the intangible assets and the impairment loss of HK$2,050,690,000 was mainly attributable to, including but not limited to, the following reasons:

(i) Pursuant to the master supply agreement dated 18 January 2010, the Chung's Companies (as defined in the section headed "Litigations" to this announcement) agreed to manufacture and supply to the Group the Lithium-ion batteries and related products (the "Electric Battery Products") in accordance with the requirements of the Group. Furthermore, the Chung's Companies have also acted as agents to sell Electric Battery Products for the Group. However, the Chung's Companies have:

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

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

In view of the above, the Group considered the failure to supply by the Chung's Companies of an estimated annual production of 100 million AH Electric Battery Products was an indicator that the recoverable amount of intangible assets had been impaired.

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

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

11. TRADE AND OTHER RECEIVABLES

	2012	2011
	HK$'000	*HK$'000*
Trade receivables *(Note)*	**44,882**	5,140
Other receivables	**28,785**	28,785
Less: Allowance for doubtful debts	**(28,785)**	(28,785)
	44,882	5,140
Deposits and prepayments	**23,571**	11,653
Other receivables	**42,494**	2,091
	110,947	18,884

Notes:

An ageing analysis of trade receivables is as follows:

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

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

12. TRADE AND OTHER PAYABLES

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

Note:

An ageing analysis of trade payables is as follows:

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

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

13. OBLIGATIONS UNDER REDEEMED CONVERTIBLE BONDS

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

14. CAPITAL COMMITMENTS

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

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

15. LITIGATIONS

Details of the litigations of the Group are set out in the section headed “Litigations” to this announcement.

16. EVENTS AFTER THE REPORTING PERIOD

(a) Subsequent to the reporting period and up to the date of approval of these financial statements, options to subscribe for 1,125,000 ordinary shares of the Company of HK$0.01 each at the exercise price of HK$0.061 per share were exercised with an aggregate consideration of approximately HK$68,000 received by the Company.

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

(c) On 20 June 2012, Mei Li filed a writ against the Company for the settlement of the Redemption Amount ("New Action"). Details of the legal proceedings are set out in the section headed "Litigations" to this announcement.

AN EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The auditor will express an unqualified opinion in the independent auditor's report, but will draw attention by adding the emphasis of matters paragraphs as follows:

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2012 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

EMPHASIS OF MATTERS

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

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

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

(i) Hong Kong Legal Proceedings

As disclosed in Note 39 to the consolidated financial statements, legal proceedings were instituted in the High Court of Hong Kong (the "Hong Kong Legal Proceedings") against Mr. Winston Chung (formerly known as Chung Hing Ka) (鍾馨稼) ("Mr. Chung") and his associates under the control of Mr. Chung (including but not limited to Mei Li New Energy Limited ("Mei Li"), and 深圳市雷天電動車動力總成有限公司 (Shenzhen Thunder Sky Electric Vehicles Limited) and 深圳市雷天電源技術有限公司 (Shenzhen Thunder Sky Battery Technology Limited) (collectively the "Chung's Companies")), (collectively the "Defendants") for, inter alia, breaches of the undertakings and guarantees under the acquisition agreement dated 18 January 2010 (as amended by a supplemental agreement dated 30 April 2010) (the "Acquisition Agreements") in respect of the acquisition of the entire equity interest of Union Grace Holdings Limited and its wholly-owned subsidiary, Thunder Sky Energy Technology Limited ("Thunder Sky HK") (collectively the "Union Grace Group") on 25 May 2010 (the "Acquisition") and Mr. Chung's breach of fiduciary duties as a director of the Company for the period from 25 May 2010 to 14 April 2011. Details of the Acquisition are disclosed in Note 19 to the consolidated financial statements. Pursuant to the Acquisition Agreements, the Company issued convertible bonds with an aggregate principal amount of approximately HK$960,751,000 (excluding cancelled and derecognised convertible bonds with an aggregate principal amount of HK$75,000,000 utilised to offset the shortfall in the guaranteed profit of the Union Grace Group for the period from 25 May 2010 to 24 May 2011) to Mei Li, as part of the consideration for the Acquisition. The Group has filed a statement of claims in the Hong Kong Legal Proceedings against the Defendants for, amongst other things, damages and injunctions. The Group claimed the Defendants for damages which amount will exceed the Group's obligations under the redeemed convertible bonds of approximately HK$760,752,000 owing to Mei Li (the "Redemption Amount") as referred to in Notes 30 and 32 to the consolidated financial statements. Mei Li has counterclaimed, amongst other things, for the payment of the Redemption Amount. The Group has also sought to set off the Redemption Amount by the claims for damages to be awarded and receivable from the Defendants in the Hong Kong Legal Proceedings (the "Set-Off Defence"). Based on the advices from the legal counsels, the Company considered that the underlying substance and merits of the Set-Off Defence are sound and meritorious. In the Hong Kong Legal Proceedings, the Chung's Companies also counterclaimed against Thunder Sky HK, amongst other things, for damages in parallel with the Shenzhen Legal Proceedings, as set out in (ii) below, against which based on the advices of the PRC lawyers, the directors of the Company considered that Thunder Sky HK has strong and valid grounds to defend. The directors of the Company expect that the trial of the Hong Kong Legal Proceedings will be highly unlikely to commence by the end of 2013. In view of the uncertain outcome of the litigations which are at the early stage, the Group has not recognised the claim for damages to be awarded and recoverable from the Defendants in the Hong Kong Legal Proceedings.

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

(ii) Shenzhen Legal Proceedings

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

(b) Going concern basis

At 31 March 2012, the Group and the Company had net current liabilities of approximately HK$470,059,000 and HK$18,935,000 respectively, including obligations under redeemed convertible bonds of approximately HK$760,752,000 as set out in the consolidated and Company statements of financial position. As set out in Note 3 to the consolidated financial statements, the board of directors of the Company has carefully considered the future liquidity of the Group and the Company, after having taken into account of, including but not limited to, the followings:

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

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

- Mr. Miao Zhenguo ("Mr. Miao"), the Deputy Chairman, Chief Executive Officer and executive director of the Company, and Union Ever Holdings Limited, a substantial shareholder of the Company and beneficially owned by Mr. Miao, have jointly provided an irrevocably letter of undertaking pursuant to which they will provide adequate funds to the Group so as to enable it to meet its financial obligations as and when they fall due for the next twelve months from the date of approval of the consolidated financial statements.

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

MARKET OVERVIEW

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

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

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

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

BUSINESS REVIEW

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

During the year under review, the management of the Group dedicated themselves to implement the following strategies and devoted great effort to the following areas:

Improvement and expansion of the Jilin battery production base

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

Construction of the Tianjin battery production base

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

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

Setting up of Sinopoly Battery Research Center

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

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

Strengthening our team

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

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

Sales orders and market potential

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

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

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

Entering downstream market

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

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

LITIGATIONS

Hong Kong Proceedings

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

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

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

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

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

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

Shenzhen Proceedings

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

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

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

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

FINANCIAL REVIEW

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

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

Electric Battery Products Business

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

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

Securities Brokerage Business

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

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

Geographical Analysis of Turnover

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

Liquidity and Financial Resources

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

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

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

Foreign Exchange Exposure

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

Capital Structure

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

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

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

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

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

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

Material Acquisitions and Disposals

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

Pledge of Assets and Contingent Liabilities

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

Employees and Remuneration Policies

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

Capital Commitments

Details of the capital commitments of the Group are set out in Note 14 to the financial statements of this announcement.

PROSPECTS

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

Organic growth

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

Inorganic growth

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

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

CORPORATE GOVERNANCE

Throughout the year ended 31 March 2012, the Company applied the principles of and complied with all the code provisions of, the Code on Corporate Governance Practices (the "Code") (currently merged and renamed as Corporate Governance Code and Corporate Governance Report which came into effect on 1 April 2012) contained in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited except for the following deviations.

Code provisions A.2.1 to A.2.3

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

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

Code provision E.1.2

Code provision E.1.2 of the Code stipulates that the chairman of the board should attend the annual general meeting. The Company did not comply with such code provision as it has no Chairman. Mr. Miao Zhenguo, an executive director, chaired the Company's annual general meeting held on 22 August 2011 pursuant to the Company's Bye-laws.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code for securities transactions by directors (the "Securities Code"), which is largely based on the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules. The Securities Code is on terms no less exacting than the required standard set out in the Model Code. All directors of the Company have confirmed, following specific enquiry by the Company, their compliance with the required standard set out in the Model Code and the Securities Code throughout the year ended 31 March 2012.

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

The Company did not redeem any of its listed securities during the year ended 31 March 2012.

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

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 2012.

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

Hong Kong, 29 June 2012

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 (Vice President) as executive directors; Professor Chen Guohua as non-executive director; 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*