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 2013

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 2013, together with the comparative figures for the corresponding period last year as follows:

CONSOLIDATED INCOME STATEMENT
For the year ended 31 March 2013

	Note	**2013** **HK$'000**	2012 HK$'000
Continuing operations			
Revenue	2	**53,854**	59,436
Cost of sales		**(46,659)**	(54,642)
Gross profit		**7,195**	4,794
Other income		**1,846**	3,443
Selling and distribution costs		**(19,641)**	(14,293)
General and administrative expenses		**(82,360)**	(91,866)
Research and development expenses		**(16,821)**	(2,434)
Other operating expenses	5(a)	**(26,083)**	(16,708)
Finance costs	4	**(17,649)**	(15,152)
Write-down of inventories	5(b)	**(15,905)**	—
Amortisation of intangible assets	9	**(106,142)**	(140,084)
Impairment on intangible assets	9	**(100,564)**	(273,625)
Loss before tax	5	**(376,124)**	(545,925)
Income tax	6	**51,677**	103,427
Loss for the year from continuing operations		**(324,447)**	(442,498)

CONSOLIDATED INCOME STATEMENT *(Continued)*
For the year ended 31 March 2013

	Note	**2013** ***HK$'000***	2012 *HK$'000*
Discontinued operation			
Profit for the year from discontinued operation		**—**	164
Loss for the year		**(324,447)**	(442,334)
Attributable to:			
Owners of the Company		**(324,447)**	(442,334)
		HK cents	*HK cents*
Loss per share attributable to owners of the Company	8		
From continuing and discontinued operations — Basic and diluted		**(2.90)**	(4.12)
From continuing operations — Basic and diluted		**(2.90)**	(4.12)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2013

	2013	2012
	HK$'000	*HK$'000*
Loss for the year	**(324,447)**	(442,334)
Other comprehensive income for the year, net of tax		
Exchange differences on translation of foreign subsidiaries	**412**	11,565
Total comprehensive loss for the year	**(324,035)**	(430,769)
Attributable to:		
Owners of the Company	**(324,035)**	(430,769)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2013

	Note	**2013** *HK$'000*	2012 *HK$'000*
Non-current assets			
Intangible assets	9	**660,742**	865,418
Fixed assets		**451,790**	335,419
Deposits paid for fixed assets		**100,778**	187,498
Prepaid rentals		**10,938**	—
		1,224,248	1,388,335
Current assets			
Inventories		**121,543**	57,893
Trade and other receivables	10	**132,294**	110,947
Pledged bank balances		**9,592**	—
Cash and bank balances		**140,567**	216,873
		403,996	385,713
Current liabilities			
Bank loans		**(107,720)**	—
Trade and other payables	11	**(132,586)**	(86,325)
Deposit received for investment	12	**(61,915)**	—
Tax payable		**(8,695)**	(8,695)
Obligations under redeemed convertible bonds	13	**(760,752)**	(760,752)
		(1,071,668)	(855,772)
Net current liabilities		**(667,672)**	(470,059)
Total assets less current liabilities		**556,576**	918,276
Non-current liabilities			
Other non-current liability		**(51,707)**	(51,511)
Convertible bonds		**—**	(121,162)
Deferred tax liabilities		**(164,678)**	(216,355)
		(216,385)	(389,028)
NET ASSETS		**340,191**	529,248
CAPITAL AND RESERVES			
Equity attributable to owners of the Company			
Issued capital		**122,545**	109,917
Reserves		**217,646**	419,331
TOTAL EQUITY		**340,191**	529,248

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. These 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 2013, the Group and the Company had net current liabilities of approximately HK$667,672,000 and HK$187,348,000 respectively, which included obligations under redeemed convertible bonds of approximately HK$760,752,000 as set out in the consolidated and Company statements of financial position. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's and the Company's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business.

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

(1) Based on a court judgment dated 5 March 2013, the Company has been given an unconditional leave to defend to the extent of the Set-Off (as defined in Note 13) and, based on which the Company is entitled to a stay of execution of payment for the obligations under the redeemed convertible bonds of approximately HK$760,752,000 before the conclusion of the relevant legal proceedings;

(2) Subsequent to the end of the reporting period, as disclosed in Notes 16(a) and (b) respectively, the Group obtained an additional bank loan of RMB60 million (equivalent to approximately HK$74.3 million) in April 2013 and raised fund of approximately HK$264 million (net of direct expenses) by issuing 1,200 million new ordinary shares of the Company to certain subscribers at the subscription price of HK$0.22 per share in May 2013; and

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

In light of the measures and arrangements implemented to date, the Board is of the view that the Group and the Company have sufficient cash resources to satisfy their working capital and other financial obligations for the next twelve months from the date of approval of these financial statements after having taken into account of the Group's projected cash flows, current financial resources and capital expenditure requirements. Accordingly, the Board is of the view that it is appropriate to prepare these financial statements on a going concern basis.

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

1. **BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES** *(Continued)*

(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:

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

The adoption of the above new and revised HKFRSs has had no material impact on the accounting policies of the Group and the methods of recognition and measurement in the Group's financial statements. The Group has not applied any new and revised HKFRSs that are not yet effective for the current accounting period.

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, and income from treasury investment which includes interest income on bank deposits. The securities brokerage business has been classified as discontinued operation during the year ended 31 March 2012.

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

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

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

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

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

3. SEGMENT REPORTING *(Continued)*

Geographical information

(a) *Revenue from external customers*

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

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

(b) *Non-current assets*

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

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

Information about major customers

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

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

4. FINANCE COSTS

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

5. LOSS BEFORE TAX

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

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

Notes:

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

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

6. INCOME TAX

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

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

7. DIVIDEND

No dividend was paid or declared by the Company during the year (2012: nil).

8. LOSS PER SHARE

(a) *Basic loss per share*

From continuing and discontinued operations

The basic loss per share is calculated based on (i) the consolidated loss for the year attributable to owners of the Company of HK$324,447,000 (2012: HK$442,334,000) and (ii) the weighted average number of 11,175,462,000 (2012: 10,733,728,000) ordinary shares in issue during the year.

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

From continuing operations

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

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

From discontinued operation

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

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

(b) *Diluted loss per share*

The calculation of diluted loss per share does not assume the exercise of the Company’s outstanding share options or conversion of outstanding convertible bonds which had anti-dilutive effect and would result in a reduction in loss per share for the years ended 31 March 2013 and 2012. Therefore, the diluted loss per share is the same as the basic loss per share for both years.

9. INTANGIBLE ASSETS

	HK$'000
Cost	
At 1 April 2011, 31 March 2012 and 1 April 2012	3,640,000
Additions: through acquisition	1,981
Additions: from internal developments	49
At 31 March 2013 *(Note(a))*	**3,642,030**
Accumulated amortisation and impairment losses	
At 1 April 2011	2,360,873
Charge for the year ended 31 March 2012	140,084
Impairment for the year ended 31 March 2012 *(Note(b))*	273,625
At 31 March 2012 and 1 April 2012	2,774,582
Charge for the year ended 31 March 2013	106,142
Impairment for the year ended 31 March 2013 *(Note(b))*	100,564
At 31 March 2013	**2,981,288**
Carrying amount	
At 31 March 2013	**660,742**
At 31 March 2012	865,418

Notes:

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

(b) As at 31 March 2013 and 2012, the recoverable amount of the intangible assets was assessed by the Board by reference to the professional valuation performed by Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("Jones Lang LaSalle"), an independent firm of professionally qualified valuers, using multi-period excess earnings method under the income approach. The Board is of the opinion that, based on the valuation performed by Jones Lang LaSalle, an impairment loss of HK$100,564,000 (2012: HK$273,625,000) should be recognised in the Group's consolidated income statement for the year ended 31 March 2013. The valuation performed by Jones Lang LaSalle is based on value-in-use calculations using cash flow projections which are based on financial forecast approved by the Board. The pre-tax discount rate applied to the cash flow projections is 25.57% (2012: 24.74%) per annum. The Board was of the opinion that the decrease in the recoverable amount of the intangible assets and the impairment loss of HK$100,564,000 was mainly attributable to the longer than expected time in (i) the trial run stage of the Tianjin production site; (ii) adopting new raw materials; and (iii) introducing new patents, technique and know-how into production process, which in turn delay production and generated lesser economic benefits to the Group. (2012: impairment loss of HK$273,625,000 attributable to the longer than expected time involved in the pre-production stage to fine-tune and test machinery and train up workers on the expanded production line in the Group's factory in Jilin and changes in the business plans to cope with the future developments in the electric battery industry which caused a delay in deriving expected economic benefits by the Group.)

10. TRADE AND OTHER RECEIVABLES

	2013	2012
	HK$'000	*HK$'000*
Trade receivables *(Note)*	**44,876**	44,882
Bills receivables	**858**	—
Other receivables	**28,785**	28,785
Less: Allowance for doubtful debts	**(28,785)**	(28,785)
	45,734	44,882
Deposits and prepayments	**26,362**	23,571
Other receivables	**4,459**	1,947
Value added tax receivables	**55,739**	40,547
	132,294	110,947

Note:

An ageing analysis of trade receivables is as follows:

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

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

11. TRADE AND OTHER PAYABLES

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

11. TRADE AND OTHER PAYABLES *(Continued)*

Note:

An ageing analysis of trade payables is as follows:

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

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

12. DEPOSIT RECEIVED FOR INVESTMENT

On 20 March 2013, the Group entered into an investment agreement (the "Investment Agreement") with an institution (which has a common director with the Company) and its subsidiary (collectively, the "Investors"). The Investors intend to subscribe, or through any of its subsidiaries to subscribe, for equity interests in one or more of the Group's subsidiaries that was engaged or will be engaged in the electric vehicle leasing business subject to the terms and conditions of the Investment Agreement. During the year ended 31 March 2013, an earnest money of HK$61,915,000 was paid by the Investors to the Group for the purpose of securing this investment. The Investment Agreement is valid for six months from 20 March 2013.

13. OBLIGATIONS UNDER REDEEMED CONVERTIBLE BONDS

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

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

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

14. CAPITAL COMMITMENTS

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

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

15. LITIGATIONS

Details of the litigations of the Group are set out in the section headed "Litigations" under Management Discussion and Analysis to this announcement.

16. EVENTS AFTER THE REPORTING PERIOD

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

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

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

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 2013 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

EMPHASIS OF MATTERS

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

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

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

As disclosed in Note 39 to the consolidated financial statements, legal proceedings were instituted in the High Court of Hong Kong (the "HK Court") (the "Hong Kong Legal Proceedings") against Mr. Winston Chung (formerly known as Chung Hing Ka) (鍾馨稼) ("Mr. Chung") and his associates under the control of Mr. Chung (including but not limited to Mei Li New Energy Limited ("Mei Li"), and 深圳市雷天電動車動力總成有限公司 (Shenzhen Thunder Sky Electric Vehicles Limited) and 深圳市雷天電源技術有限公司 (Shenzhen Thunder Sky Battery Technology Limited))(collectively the "Defendants") for, inter alia, breaches of the undertakings and guarantees under the acquisition agreement dated 18 January 2010 (as amended by a supplemental agreement dated 30 April 2010) in respect of the acquisition of the entire equity interest of Union Grace Holdings Limited and its wholly-owned subsidiary, Thunder Sky Energy Technology Limited on 25 May 2010 and Mr. Chung's breach of fiduciary duties as a director of the Company for the period from 25 May 2010 to 14 April 2011. The Group has filed a statement of claim in the Hong Kong Legal Proceedings against the Defendants for, amongst other things, damages and injunctions. The Group claimed the Defendants for damages which amount will exceed the Group's obligations under the redeemed convertible bonds of approximately HK$760,752,000 owing to Mei Li (the "Redemption Amount") as referred to in Note 31 to the consolidated financial statements. The Group has also sought to set off the Redemption Amount by a portion of the claims for damages to be awarded and receivable from the Defendants in the Hong Kong Legal Proceedings ("Set-Off"). On 5 March 2013, the HK Court issued a judgment in favour of the Group based on which, the Group has been given an unconditional leave to defend to the extent of the Set-Off. On 27 February 2013, the HK Court has made an order for bankruptcy against Mr. Chung (the "Bankruptcy"). In March 2013, the Company, together with two of its subsidiaries, has filed the proof of debt to the Official Receiver in the Bankruptcy. In view of the uncertain outcome of the litigations which are at the early stage, the Group has not recognised the claim for damages to be awarded and recoverable from the Defendants in the Hong Kong Legal Proceedings.

(b) Going concern basis

At 31 March 2013, the Group and the Company had net current liabilities of approximately HK$667,672,000 and HK$187,348,000 respectively, including obligations under redeemed convertible bonds of approximately HK$760,752,000 as set out in the consolidated and Company statements of financial position. As set out in Note 3 to the consolidated financial statements, the board of directors of the Company has carefully considered the future liquidity of the Group and the Company, after having taken into account of, including but not limited to, the followings:

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

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

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

MARKET OVERVIEW

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

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

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

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

BUSINESS REVIEW

Improvement in Electric Battery Products' Quality

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

Entering the Mature Markets of Overseas

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

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

Developing the Downstream Business

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

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

Bearing the Fruit of Innovative R&D

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

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

LITIGATIONS

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

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

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

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

(Collectively the "Litigations")

Credibility of the Chung Parties' Case

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

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

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

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

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

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

Status of the Litigations

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

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

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

Bankruptcy of Mr. Chung

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

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

FINANCIAL REVIEW

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

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

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

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

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

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

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

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

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

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

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

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

Geographical Analysis of Turnover

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

Liquidity and Financial Resources

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

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

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

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

Foreign Exchange Exposure

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

Capital Structure

During the year under review, a holder of the zero-coupon convertible bonds due 2018 issued by the Company in May 2010 (the "Convertible Bonds") converted all of the Convertible Bonds that it held in the aggregate principal amount of HK$239,719,971 into 1,261,684,057 shares of the Company at the conversion price of HK$0.19 per share. In addition, 1,125,000 shares of the Company were allotted and issued by the Company pursuant to the exercise of share options granted under the Company's share option scheme during the year under review.

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

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

Material Acquisition and Disposals

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

Pledge of Assets and Contingent Liabilities

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

Capital Commitment

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

Employees and Remuneration Policies

As of 31 March 2013, the Group had 35 employees (2012: 34 employees) in Hong Kong and 869 employees (2012: 1,199 employees) in the PRC. Total staff costs (including directors' emoluments and equity-settled-share-based payments) during the year amounted to approximately HK$70.7 million (2012: approximately HK$60.0 million). The remuneration policies are determined with reference to market conditions and individual performance of staff. The Group participates in Mandatory Provident Fund Scheme in Hong Kong and state-managed retirement benefit schemes in the PRC. The Group has a share option scheme for the benefit of its directors and eligible participants.

PROSPECTS

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

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

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

CORPORATE GOVERNANCE

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

Code provisions A.2.1 to A.2.9

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

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

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

Code provision E.1.2

Code provision E.1.2 of the Code stipulates that the chairman of the board should attend the annual general meeting. The Company did not comply with such code provision as it has no Chairman. Mr. Miao Zhenguo, the Deputy Chairman, chaired the Company's annual general meeting held on 20 August 2012 pursuant to the Company's Bye-laws.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code for securities transactions by directors (the "Securities Code"), which is largely based on the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules. The Securities Code has been amended according to the said Model Code which was revised and came into effect on 1 January 2013 (the "Model Code") and is on terms no less exacting than the required standard set out in the Model Code. All directors of the Company have confirmed, following specific enquiry by the Company, their compliance with the required standard set out in the Model Code and the Securities Code throughout the year ended 31 March 2013.

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

The Company did not redeem any of its listed securities during the year ended 31 March 2013.

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

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 2013.

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

Hong Kong, 28 June 2013

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*