中策集團有限公司
China Strategic Holdings Limited

(Incorporated in Hong Kong with limited liability)

Stock code: 0235

ANNUAL REPORT
2010

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Or Ching Fai
(Vice Chairman and Chief Executive Officer)
Yau Wing Yiu
(Executive Director)
Chiu Ching Ching
(Executive Director)
Chan Ling, Eva
(Executive Director)
Hui Richard Rui
(Executive Director)
Chow Kam Wah
(Executive Director)
Ma Si Hang, Frederick
(Non-executive Director and Chairman)
Ma Yin Fan
(Independent non-executive Director)
Phillip Fei
(Independent non-executive Director)
Leung Hoi Ying
(Independent non-executive Director)

SECRETARY

Chow Kim Hang

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants

REGISTERED OFFICE

Rooms 3206-3210, 32/F
China Resources Building
26 Harbour Road
Wanchai, Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Hang Seng Bank Limited

SOLICITORS

Freshfields Bruckhaus Deringer
Tung & Co

SHARE REGISTRARS AND TRANSFER OFFICE

Tricor Standard Limited
26/F, Tesbury Centre
28 Queen's Road East
Wanchai, Hong Kong

STOCK CODE

0235

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors (the "Board") of China Strategic Holdings Limited (the "Company"), I would like to present to the shareholders the results of the Company and its subsidiaries (the "Group") for the year ended 31st December, 2010.

The Group reported a consolidated net loss attributable to shareholders of the Company amounting to approximately HK$58.68 million. The loss was attributable to the substantial increase in administrative expenses due to, among other things, the proposed acquisition of Nan Shan Life Insurance Company, Ltd. (the "Nan Shan") , a well established insurance company in Taiwan. The administrative expenses increased from approximately HK$46.35 million for the year 2009 to approximately HK$127.64 million for the year ended 2010. On the operating side, benefiting from the continued recovery of global economy, the batteries business showed an improved performance during the year 2010. For the year under review, when compared with the year 2009, both revenue and gross profit of the batteries business have been reported an increase of HK$4.03 million and HK$0.51 million respectively.

The Group has entered into an share purchase agreement (the "Share Purchase Agreement") with American International Group, Inc. to acquire Nan Shan on 13th October, 2009, since then, the Group has cooperated to the furthest extent with the Taiwan regulatory authorities on the requisite conditions imposed but the outcome was disappointing and the Share Purchase Agreement was terminated on 20th September, 2010. Looking ahead, the management of the Company will stay alert of the changing market conditions and will adopt prudent strategy to explore and seek new investment opportunities with a view to improve its business mix and enhance shareholders value.

On behalf of the Board, I would like to take this opportunity to express my appreciation to all management and staff members for their hard work and dedication throughout the year.

Ma Si Hang, Frederick
Chairman
Hong Kong, 22nd March, 2011

MANAGEMENT DISCUSSION & ANALYSIS

The revenue of the Group for the year ended 31st December, 2010 increased by approximately HK$4.03 million to approximately HK$12.28 million. The revenue for the year was generated from the manufacturing and trading of batteries products. With the gradual recovery of the global economy, the demand for the Group's battery products has become stronger and has lead to increase in revenue and also gross profit. Compared with the year 2009, the interest income and gain on financial assets at fair value through profit or loss were decreased by approximately 24.87% to HK$9.36 million and 57.88% to HK$60.90 million respectively. Compared to the year 2009, the administrative expenses for the year were increased approximately HK$81.29 million to approximately HK$127.64 million which including the legal and professional fee of approximately of HK75.50 million mainly due to the Group's proposed acquisition of Nan Shan in Taiwan. As the convertible notes had been redeemed or converted in 2009, the finance costs of the Group for the year 2010 was decreased approximately 88.27% to HK$4.99 million. Overall, net loss for the year ended 31st December, 2010 was approximately HK$58.68 million and net loss for the year 2009 was approximately HK$51.69 million.

During the financial year of 2010, the Group financed its operations mainly through cash generated from its business activities, banking facilities provided by principal bankers and external borrowings. As at 31st December, 2010, the Group had working capital calculated by current assets less current liabilities of approximately HK$754.30 million and the current ratio decreased to 7.75, compared with the working capital of approximately HK$813.83 million and current ratio of 8.48 as at 31st December, 2009.

In the period under review, the net cash from operating activities was approximately HK$99.71 million compared with approximately HK$85.24 million in the same period of 2009. The net cash from investing activities was approximately HK$5.42 million and net cash used in financing activities was approximately HK$4.79 million compared with approximately HK$21.31 million net cash generated from investing activities and approximately HK$401.20 million net cash used in financing activities in the year of 2009.

The Group's bank and other borrowings slightly increased from approximately HK$90.16 million as at 31st December, 2009 to approximately HK$91.23 million as at 31st December, 2010, representing an increase of 1.19%. At 31st December, 2010, bank and other borrowings were variable rate loans and were denominated in RMB and Hong Kong dollars. As at 31st December, 2010, there were no convertible notes outstanding and long term borrowings. The gearing ratio was approximately 0.14 (31st December, 2009: 0.13) calculated by the total liabilities of approximately HK$111.80 million (31st December, 2009: HK$108.78 million) divided by total shareholders' equity of approximately HK$788.39 million (31st December, 2009: HK$844.88 million)

Capital expenditure aggregated to approximately HK$3.95 million for the year ended 2010 and was used primarily for purchasing of property, plant and equipment. The Group's capital expenditures will continue to be funded primarily by internal resources or external borrowings or a combination of both as required.

As at 31st December, 2010, the Group had cash and bank balances amounted to approximately of HK$583.12 million and are mainly denominated in Hong Kong dollars. Financial assets at fair value through profit or loss were in an amount of approximately HK$242.41 million. As at 31st December, 2010, there was no bank deposit pledged. During the year ended 31st December, 2010, the Group did not experience significant exposure to exchange rate and interest rate fluctuations. As a result, the Group did not enter into any material foreign contracts, currency swaps or other financial derivatives.

At 31st December, 2010, available-for-sale investments and financial assets at fair value through profit or loss with a carrying value of approximately HK$2.35 million and HK$4.45 million, respectively were pledged to secure margin account credit facilities and banking facilities granted to the Group. As at 31st December, 2010, margin loan of HK$0.97 million was utilised by the Group and there is no restriction on trading of these available-for-sale investments and financial assets at fair value through profit or loss. At 31st December, 2010, land use right (included in prepaid lease payments) with a carrying value of approximately HK$9.48 million and building (included in property, plant and equipment) with a carrying value of approximately HK$11.51 million were pledged to secure a short-term bank loan granted to a subsidiary.

As at 31st December, 2010, the Group employed approximately 142 staff, the staff cost (excluding directors' emoluments) was approximately HK$6.68 million for the year under review. The staff remuneration packages are normally reviewed annually. The Group operates a Mandatory Provident Fund Scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance and the employees in the subsidiaries in the PRC are members of the state-sponsored pension scheme operated by the government in the PRC. In addition, the Group provides other staff benefits which include double pay, share option scheme, insurance and medical benefits.

There was no share option granted, exercised or lapsed under the share option scheme of the Company during the year ended 31st December, 2010. As at 31st December, 2010, 24,800,000 share options were still outstanding.

On 20th September, 2010, a termination agreement was entered into between PNS Holding and AIG to terminate the Share Purchase Agreement with effect from 20th September, 2010. Since the Share Purchase Agreement has been terminated pursuant to the termination agreement enter into between PNS Holding and AIG on 20th September, 2010, the conditions precedent in each the Conditional CN Placing Agreement, Conditional Share Placing Agreement, Option Deeds and Employment Agreements would not be fulfilled and accordingly each of the Conditional CN Placing Agreement, Conditional Share Placing Agreement, Option Deeds and Employment Agreements were terminated upon termination of the Share Purchase Agreement. In addition, since the CSH Facility Agreement is conditional upon the completion of the placing under the Conditional CN Placing Agreement and Conditional Share Placing Agreement, the Company has given written notice to PNS Holding on 24th September, 2010 to terminate the CSH Facility Agreement. Furthermore, since the Share Purchase Agreement has been terminated, the Acquisition will not proceed to Completion, the Management Agreement and the Consortium Letter, being conditional upon completion of the Share Purchase Agreement and/or the Conditional CN Placing Agreement and Conditional Share Placing Agreement, will terminate on the Long Stop Date. Details of the termination of the Share Purchase Agreement and termination of agreements in connection with the Acquisition were disclosed in the Company's announcements dated 20th September, 2010 and 24th September, 2010. Unless otherwise defined, capitalised terms used herein shall have the same meanings as defined in the circular of the Company dated 27th February, 2010.

Looking forward, despite the recent signs of a more stabilized global economy, the market in 2011 will remain full of challenges. The Company remain cautiously optimistic on the performance of securities investments operation and the batteries manufacturing and trading business. The management of the Group will stay alert of the changing market conditions and prudently seek opportunities to diversify our business to enhance shareholders value.

BIOGRAPHICAL DETAILS OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Or Ching-Fai, aged 61, was appointed as a Vice-Chairman, Chief Executive Office and an executive director of the Company in November 2009, Mr. Or graduated from The University of Hong Kong with a Bachelor's degree in economics and psychology. Mr. Or is a Justice of the Peace and has rich experiences in the insurance, banking and financial services industries. He was the general manager and a director of The Hongkong and Shanghai Banking Corporation Limited. He was also the chairman of HSBC Insurance Limited. Mr. Or was the chief executive and vice-chairman of Hang Seng Bank Limited. He was also the chairman of Hang Seng Insurance Company Limited and Hang Seng Bank (China) Limited. Mr. Or was the chairman of the Hong Kong Association of Banks; the vice president and a Council Member of the Hong Kong Institute of Bankers; the chairman of Executive and Campaign Committee of the Community Chest of Hong Kong. Mr. Or is currently a Vice Patron of the Board of the Community Chest of Hong Kong. Mr. Or was awarded a Silver Bauhinia Star from the Hong Kong Special Administrative Region and Honorary University Fellowships from The University of Hong Kong in 2009. Mr. Or has been Chairman of the Financial Services Advisory Committee and a Member of the Services Promotion Programme Committee of the Hong Kong Trade Development Council. He has been a Member of the Risk Management Committee of Hong Kong Exchanges and Clearing Limited, a Member of the Aviation Development Advisory Committee. He is the Deputy Chairman of the Council of City University of Hong Kong and was a Council Member of The University of Hong Kong; an adviser of the Employers' Federation of Hong Kong, a member of the 5th East Asian Games Planning Committee and a director of 2009 East Asian Games (Hong Kong) Limited. Mr. Or was a director of Cathay Pacific Airways Limited and Hutchison Whampoa Limited and is currently an independent non-executive director of Esprit Holdings Limited and a vice chairman and an independent non-executive director of G-Resources Group Limited, which shares are all listed on the main board of The Stock Exchange of Hong Kong Limited. Save as aforesaid, Mr. Or did not hold any directorship in other listed public companies in the past three years.

Mr. Yau Wing Yiu, aged 44, was appointed as an executive director of the Company in December 2009, Mr. Yau holds a Master Degree of Business Administration in Finance from The Hong Kong University of Science and Technology, Graduate School of Business and a BA (Hons) in Business Studies from The City University of Hong Kong. Mr. Yau was the partner and Chief Financial Officer of AID Partners Capital Limited which is a private equity investment fund. Mr. Yau also worked for various listed companies in Hong Kong and overseas and a number of international investment banks. He has extensive experience in financial management, corporate finance and investment. He is currently an independent non-executive director of Bio-Treat Technology Limited which shares is listed on the Singapore Exchange Securities Trading Limited. He is an associate member of American Institute of Certified Public Accountant and an associate member of Hong Kong Institute of Certified Public Accountant. Save as aforesaid, Mr. Yau did not hold any directorship in other listed public companies in the past three years.

Ms. Chiu Ching Ching, aged 60, was appointed as an executive director of the Company in September 2007. She has over 10 years of experience in senior management positions of several multinational corporations. She has over 15 years of experience in the trading business and business development.

Mr. Hui Richard Rui, aged 42, was appointed as an executive director of the Company in September 2008. He graduated from University of Technology, Sydney of Australia with a bachelor degree in mechanical engineering. He has over 10 years of experience in management positions of companies in Australia, Hong Kong and the PRC. Mr. Hui is currently an executive director of G-Resources Group Limited (formerly known as Smart Rich Energy Finance (Holdings) Ltd.) and CST Mining Group Limited (formerly known as China Sci-Tech Holdings Limited), shares of both companies are listed on The Stock Exchange of Hong Kong Limited. Save as aforesaid, Mr. Hui did not hold any directorship in other listed public companies in the past three years.

Ms. Chan Ling, Eva, aged 45, was appointed as an executive director of the Company in July 2002. Ms. Chan has over 21 years of experience in auditing, accounting and finance in both international accounting firms and listed companies. She is a member of the Institute of Chartered Accountants in Australia, a fellow member of the Association of Chartered Certified Accountants and also a practicing member of the Hong Kong Institute of Certified Public Accountants. Ms. Chan is the managing director of Rosedale Hotel Holdings Limited (formerly known as Wing On Travel (Holdings) Limited) and an independent non-executive director of Trasy Gold Ex Limited, both companies' shares are listed on The Stock Exchange of Hong Kong Limited. She is also the deputy chairman of China Enterprises Limited (which shares are trading on the over-the-counter (OTC) securities markets in the United States) and a director of MRI Holdings Limited which shares were previously listed on the Australian Securities Exchange. The recommendation by the directors of MRI Holdings Limited to return the assets to its shareholders by way of members' voluntary liquidation was approved by its shareholders on 29th April, 2010. Ms. Chan has been an independent non-executive director of Wonson International Holdings Limited (now known as China Ocean Shipbuilding Industry Group Limited) up to 13 August 2008 which shares are listed on The Stock Exchange of Hong Kong Limited. Save as aforesaid, Ms. Chan did not hold any directorship in other listed public companies in the past three years.

Mr. Chow Kam Wah, aged 48, was appointed as an executive director of the Company in July 2007. He holds a Master degree in Accountancy obtained from The Hong Kong Polytechnic University. He has over 15 years of experience in the management of finance and accounting. He is a member of the CPA Australia.

NON-EXECUTIVE DIRECTOR

Mr. Ma Si Hang, Frederick, aged 59, was appointed as Chairman and a non-executive director of the Company in November 2009, Mr. Ma graduated from the University of Hong Kong with a Bachelor's degree in Arts (Honours) in 1973, majoring in economics and history. Mr. Ma was the Secretary for Financial Services and the Treasury of the Government of the Hong Kong Special Administrative Region for the period between 2002 and 2007, among many of his responsibilities, one of which is to oversee the insurance industry in Hong Kong as the chairman of the Insurance Advisory Committee of Hong Kong. Mr. Ma was the Secretary for Commerce and Economic Development of the Government of the Hong Kong Special Administrative Region for 2007 and 2008. Mr. Ma has rich experiences in the financial services industry; he was the Head of Institutional Banking and Second Vice-President of Chase Manhattan Bank at its Hong Kong Branch Office and Canadian Branch Office respectively. Mr. Ma was also the managing director of RBC Dominion Securities in its London Office and Asia-Pacific Chief Executive of JP Morgan Private Bank. Mr. Ma was an executive director and the group chief financial officer of Pacific Century CyberWorks Limited (now known as PCCW Limited) and was the deputy chairman and managing director of Kumagai Gumi (HK) Limited (now known as HKC (Holdings) Limited) and was also a non-executive director of MTR Corporation Limited, which shares are all listed on the main board of the Stock Exchange. Mr. Ma is an Honorary Professor of the School of Economics and Finance at the University of Hong Kong. Mr. Ma was awarded a Gold Bauhinia Star from the Hong Kong Special Administrative Region in 2009. Mr. Ma is an independent non-executive director of China Resources Land Limited which shares are listed on the Stock Exchange of Hong Kong Limited and an independent non-executive director of Hutchison Port Holdings Management Pte. Limited which shares are listed on the Singapore Exchange Securities Trading Limited. Mr. Ma is a director of Husky Energy Inc. which shares are listed on the Toronto Stock Exchange. Save as aforesaid, Mr. Ma did not hold any directorship in other listed public companies in the past three years.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Ma Yin Fan, aged 47, was appointed as independent non-executive director in September 2007. She obtained a Bachelor Degree with honours in Accountancy at Middlesex University in the United Kingdom. She is also awarded the Master of Business Administration and Master Degree in Professional Accounting at Heriot-Watt University in the United Kingdom and Hong Kong Polytechnic University respectively. She is a CPA (Practising) in Hong Kong and has been working in the auditing, accounting and taxation areas for more than 20 years of professional experience. She is the principal of Messrs. Ma Yin Fan & Company CPAs. Ms. Ma is the Fellow member of Hong Kong Institute of Certified Public Accountants, Taxation Institute of Hong Kong, Association of Chartered Certified Accountants, Hong Kong Institute of Chartered Secretaries and Institute of Chartered Secretaries and Administrators. She is also a member of the Institute of Chartered Accountant in the England and Wales. Ms. Ma is the member of Audit Committee and Remuneration Committee of the Company. Ms. Ma is currently an independent non-executive director of G-Resources Group Ltd (formerly known as Smart Rich Energy Finance (Holdings) Ltd) and Fulbond Holdings Limited, the shares of which are listed on The Stock Exchange of Hong Kong Limited. Save as aforesaid, Ms. Ma did not hold any directorship in other listed public companies in the past three years.

Mr. Phillip Fei, aged 55, was appointed as independent non-executive director in September 2007. He was the Professor of The International Economic Department of University of International Relations, the People's Republic of China. He was also the 5th and 6th term director of Beijing Chinese Overseas Friendship Association and the 2nd term director of China Overseas Friendship Association. He has over 10 years of experience in the international trading business and economic research. Mr. Phillip is the member of Audit Committee and Remuneration Committee of the Company.

Mr. Leung Hoi Ying, aged 60, was appointed as independent non-executive director in September 2007. He graduated from Guangdong Foreign Trade School in the People's Republic of China. He has over 15 years of experience in the trading business and business development. Mr. Leung is the member of Audit Committee and Remuneration Committee of the Company. Mr. Leung is currently an independent non-executive director of G-Resources Group Ltd., (formerly known as Smart Rich Energy Finance (Holdings) Ltd) and Fulbond Holdings Limited, the shares of which are listed on The Stock Exchange of Hong Kong Limited. Save as aforesaid, Mr. Leung did not hold any directorship in other listed public companies in the past three years.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company has recognized the importance of transparency and accountability, and believes that shareholders can benefited from good corporate governance. The Company aims to achieve good standard of corporate governance, and thus during the year the Company has complied with most of the code provisions ("Code Provisions") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). Any deviation from the Code Provisions will be explained in this report.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding directors' securities transactions. Based on specific enquiry of all the directors of the Company (the "Director(s)"), the directors complied throughout the year in review with the required standards as set out in the Model Code.

THE BOARD OF DIRECTORS

The board of directors (the "Board") of the Company formulates overall strategy of the Group, monitors its financial performance and maintains effective oversight over the management. The Board members are fully committed to their roles and have act in good faith to maximize the shareholders' value in the long run, and have aligned the Group's goal and directions with the prevailing economic and market conditions. Daily operations and administration are delegated to the management.

The Board met regularly throughout the year to discuss the overall strategy as well as the operation and financial performance of the Group. All directors are kept informed on timely basis of major changes that may affect the Group's business, including relevant rules and regulations. The directors can, upon the reasonable request, seek independent professional advice in appropriate circumstances, at the Company's expenses. The Board shall resolve to provide separate appropriate independent professional advice to the directors to assist the relevant directors to discharge their duties.

THE BOARD OF DIRECTORS – CONTINUED

During the year, 15 board meetings were held and the attendance of each Director is set out as follows:

Name of director	Number of attendance
Ma Si Hang, Frederick	7
Or Ching Fai	11
Yau Wing Yiu	9
Chan Ling, Eva	1
Hui Richard Rui	2
Chiu Ching Ching	0
Lee Sun Man (passed away on 18th March, 2011)	4
Chow Kam Wah	12
Ma Yin Fan	3
Phillip Fei	3
Leung Hoi Ying	3

Each of our independent non-executive Directors in 2010 has made an annual confirmation of independence to the Company in accordance with the requirement of the Listing Rules. The Company considered that all the independent non-executive Directors in 2010 to be independent. None of the Directors has any financial, business, family or other material/relevant relationship(s) with each other.

As at the date of this report, the Board comprises six executive Directors, being Mr. Or Ching Fai (Vice Chairman and Chief Executive Officer), Ms. Chiu Ching Ching, Ms. Chan Ling, Eva, Mr. Yau Wing Yiu, Mr. Hui Richard Rui and Mr. Chow Kam Wah, one non-executive Director being Mr. Ma Si Hang, Frederick (Chairman) and three independent non-executive Directors, being Ms. Ma Yin Fan, Mr. Phillip Fei and Mr. Leung Hoi Ying. The Directors are considered to have a balance of skill and experience appropriate for the requirements of the business of the Company, details of the Directors are shown on pages 6 to 8 under the section of Biographical Details of Directors.

APPOINTMENTS AND RE-ELECTION

The Company has not fixed the term of appointment for non-executive Directors in accordance with A.4.1 of the Code Provision. However, they are appointed subject to retirement by rotation and re-election at the annual general meeting of the Company. The Board has discussed and concluded that the current practice of appointing non-executive Directors without specific terms but otherwise subject to rotation and re-election by shareholders is fair and reasonable, and does not intend to change the current practice at the moment.

The Company has not established a nomination committee and retained the functions to the Board. The Directors from time to time identify individual suitable to be the Board member and make recommendation to the Board. The main criteria in selecting a candidate is whether he/she can add value to the management through his/her contributions in the relevant strategic business areas and the appointment results a strong and diverse the Board.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The remuneration committee comprises three independent non-executive Directors namely Ms. Ma Yin Fan, Mr. Leung Hoi Ying and Mr. Phillip Fei (chairman of remuneration committee). The principal responsibilities of remuneration committee included formulation of the remuneration policy, review and recommending to the Board the annual remuneration policy, and determination of the remuneration of the executive Directors and members of senior management. The overriding objective of the remuneration policy was to ensure that the Group is able to attract, retain, and motivate a high-calibre team which is essential to the success of the Group.

The remuneration committee held one meeting during the year 2010 to discuss remuneration matters of the staff for 2010. The members and attendance of the meeting are as follows:

Name of member	Number of attendance
Phillip Fei	1
Leung Hoi Ying	1
Ma Yin Fan	1

In order to attract, retain, and motivate executives and key employees serving for the Group, the Company has adopted a share option scheme in 2002. Such incentive scheme enables the eligible participants to obtain an ownership interest in the Company and thus to reward to the eligible participants who contribute to the success of the Group's operation.

Details of the remuneration of Directors are set out in note 11 to the consolidated financial statements and details of 2002 share option scheme are set out in the report of director and note 28 to the consolidated financial statements.

AUDIT COMMITTEE

The Audit Committee currently comprises all three independent non-executive directors of the Company, namely Ms. Ma Yin Fan (Chairman of the Audit Committee), Mr. Phillip Fei and Mr. Leung Hoi Ying, who among themselves possess a wealth of management experience in the accounting profession and in commercial fields. The terms of reference of the Audit Committee included all the duties set out in the Code Provision C.3.3 of which among other things include reviewing financial statements of the Company. Any findings and recommendations of the Audit Committee are to be submitted to the Board for consideration.

The Audit Committee is authorized by the Board to investigate any activity within its terms of reference. It is authorized to seek any information it requires from any employee. It is also authorized to obtain outside legal or other independent professional advice and to secure the attendence of outsiders with relevant experience and expertise if it considers necessary. The Audit Committee held two meetings during the year 2010. The members and attendance of the meetings are as follows:

Name of member	Number of attendance
Ma Yin Fan	2
Phillip Fei	2
Leung Hoi Ying	2

During the meetings, the Audit Committee reviews reports from external auditors regarding their audit on annual financial statements and interim financial results.

AUDITOR'S REMUNERATION

Deloitte Touche Tohmatsu has been reappointed as the external auditor of the Company at the 2010 annual general meeting until the conclusion of the next annual general meeting.

During the year, the Company paid approximately HK$1.53 million to Deloitte Touche Tohmatsu in which approximately HK$1.05 million is related to statutory audit. The remaining was paid for the provision of non-statutory audit services amounted to approximately HK$0.48 million.

OTHERS

The Directors are responsible for the preparation of financial statements. The Directors are not aware of material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern, therefore the Directors continue to adopt the going concern approach in preparing the financial statements. Also, the internal control system of the Group has also been reviewed during the year.

The statement of the auditors of the Company regarding their reporting responsibilities is set out in the Independent Auditor's Report on page 18 to 19 of this Annual Report.

DIRECTORS' REPORT

The directors present their annual report and the audited consolidated financial statements for the year ended 31st December, 2010.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its principal subsidiaries are set out in notes 38 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31st December, 2010 are set out in the consolidated statement of comprehensive income on page 20.

The directors do not recommend the payment of a dividend.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate sales attributable to the Group's five largest customers were approximately 50% of the Group's total sales and the sales attributable to the Group's largest customer were approximately 15% of the Group's total sales.

The aggregate purchases attributable to the Group's five largest suppliers were approximately 54% of the Group's total purchases and the purchases attributable to the Group's largest supplier were approximately 14% of the Group's total purchases.

At no time during the year did a director, an associate of a director or a shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) have an interest in any of the Group's five largest suppliers or customers.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 27 to the consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

DISTRIBUTABLE RESERVE OF THE COMPANY

As at 31st December, 2010, the Company had no reserve available for distribution to shareholders.

DIRECTORS

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

Executive directors:
Mr. Or Ching Fai (Chief Executive Officer and Vice-chairman)
Ms. Chiu Ching Ching
Mr. Yau Wing Yiu
Mr. Hui Richard Rui
Ms. Chan Ling, Eva
Mr. Lee Sun Man (passed away on 18th March, 2011)
Mr. Chow Kam Wah

Non-executive director:
Mr. Ma Si Hang, Frederick (Chairman)

Independent non-executive directors:
Mr. Phillip Fei
Mr. Leung Hoi Ying
Ms. Ma Yin Fan

In accordance with Article 116 of the Company's Articles of Association, Ms. Chiu Ching Ching, Mr. Hui Richard Rui, Mr. Leung Hoi Ying and Ms. Ma Yin Fan will retire at the forthcoming Annual General Meeting ("AGM") by rotation and, being eligible, will offer themselves for re-election in AGM.

It was further reported that in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), a resolution for re-election of directors should be proposed and voted by shareholders for each re-elected directors separately.

The term of office of each non-executive director is the period up to the retirement by rotation in accordance with the Company's Articles of Association.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming AGM has a service contract which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

DIRECTOR'S AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31st December, 2010, the interest and short positions of the directors of the Company in the shares, underlying shares and debentures of the Company are recorded in the registered required to be kept under Section 352 of the Securities and Futures Ordinance were as follows:

Long positions in Shares, underlying share of the Company:

	Number of shares/underlying shares				
Name of Directors	Beneficiary of a Trust	Share options	Total	Approximate% of the issued share capital of the Company	*Note*
Chan Ling, Eva ("Ms. Chan")	—	4,400,000	4,400,000	0.12	1
Ma Si Hang, Frederick	3,000,000	—	3,000,000	0.08	

Note:

1. The personal interest of Ms. Chan represents an interest in 4,400,000 underlying shares in respect of share options granted by the Company as stated below.

Except as disclosed above, as at 31st December, 2010, none of the directors nor chief executives had any interest or short position in or shares of the Company and their associates in the shares, underlying shares or debentures of the Company or its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited ("The Hong Kong Stock Exchange") pursuant to the Model Code ("Model Code") for Securities Transactions by Directors of Listed Companies.

SHARE OPTION SCHEME

Particulars of the Company's share option scheme are set out in note 28 to the consolidated financial statements.

The following table discloses movements in the Company's share options during the year:

	Date of grant	Exercisable period	Exercise price HK$	Number of shares At 1.1.2010	Granted/ lapsed during the year	At 31.12.2010
Eligible participants	10.7.2007	10.7.2007 to 9.7.2012	0.724	20,400,000	—	20,400,000
Executive director:						
Chan Ling, Eva	10.7.2007	10.7.2007 to 9.7.2012	0.724	4,400,000	—	4,400,000
				24,800,000	—	24,800,000

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than as disclosed above, at no time during the year was the Company, or any of its subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract of significance, to which the Company, any of subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

SUBSTANTIAL SHAREHOLDERS

As at 31st December, 2010, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the Securities and Futures Ordinance showed no person, not being a Director or chief executive of the Company had interests or a short positions in the shares and underlying shares of the Company that were required to be recorded in that register.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rules 3.13 of the Listing Rules. The Company considers all of the independent non-executive directors are independent.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance so as to ensure better transparency and protection of shareholders' interest. The Company has complied with the code provision of the Code on Corporate Governance Practices (the "Code") in Appendix 14 of the Listing Rules throughout the year ended 31st December, 2010, except for the following deviations:

Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term and subject to re-election. Independent non-executive directors of the Company do not have a specific term of appointment as subject to retirement by rotation and re-election at the annual general meeting in accordance with the articles of association of the Company is fair and reasonable.

EMOLUMENT POLICY

A Remuneration Committee is set up for reviewing the Group's emolument policy structure for all remuneration of the directors and senior management of the Group, having regard to the Group's operating results, individual performance and comparable market statistic.

The Company has adopted a share option scheme as an incentive to directors and eligible participants, details of the scheme are set out in note 28 to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, at the date of this report, there is sufficient public float of not less than 25% of the Company's issue share as required under the Listing Rules.

AUDITOR

A resolution will be submitted to the AGM to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Or Ching Fai
Vice Chairman and Chief Executive Officer
22nd March, 2011

INDEPENDENT AUDITOR'S REPORT

Deloitte.
德勤

TO THE MEMBERS OF CHINA STRATEGIC HOLDINGS LIMITED
中策集團有限公司
(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of China Strategic Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 20 to 80, which comprise the consolidated and the Company's statements of financial position as at 31st December, 2010, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31st December, 2010, 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 Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
22nd March, 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December, 2010

	NOTES	2010 HK$'000	2009 HK$'000
Revenue	5	12,279	8,246
Cost of sales		(11,290)	(7,763)
Gross profit		989	483
Other income	6	15,223	25,344
Selling and distribution costs		(636)	(1,708)
Administrative expenses		(127,636)	(46,345)
Other expenses	7	(2,529)	(65,535)
Finance costs	8	(4,988)	(42,541)
Gain on financial assets at fair value through profit or loss		60,900	144,601
Loss on partial redemption of convertible notes		—	(71,034)
Loss before tax		(58,677)	(56,735)
Taxation	9	—	5,042
Loss for the year	10	(58,677)	(51,693)
Other comprehensive income (expense)			
Exchange differences arising on translation of foreign operations		219	151
Fair value changes of available-for-sale investments		1,970	5,120
Reclassification adjustments upon disposal of available-for-sale investments		—	(4,552)
Other comprehensive income for the year		2,189	719
Total comprehensive expense for the year		(56,488)	(50,974)
Loss for the year attributable to:			
Owners of the Company		(58,641)	(51,686)
Non-controlling interests		(36)	(7)
		(58,677)	(51,693)
Total comprehensive expense attributable to:			
Owners of the Company		(56,452)	(50,967)
Non-controlling interests		(36)	(7)
		(56,488)	(50,974)
Loss per share			
– Basic and diluted	12	HK(1.59) cents	HK(2.23) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st December, 2010

	NOTES	2010 HK$'000	2009 HK$'000
Non-Current Assets			
Property, plant and equipment	13	16,906	13,845
Prepaid lease payments	14	12,542	12,493
Club debentures	16	825	825
Available-for-sale investments	17	3,824	3,889
		34,097	31,052
Current Assets			
Inventories	18	2,452	1,178
Trade and other receivables	19	37,782	50,792
Prepaid lease payments	14	327	321
Financial assets at fair value through profit or loss	20	242,408	387,549
Bank balances and cash	21	583,123	482,769
		866,092	922,609
Current Liabilities			
Trade payables, other payables and accrued charges	22	13,608	11,656
Loans payable	23	67,551	67,403
Income tax payable		6,964	6,964
Bank borrowings	24	23,669	22,727
Obligations under finance leases	25	5	26
		111,797	108,776
Net Current Assets		754,295	813,833
Total Assets less Current Liabilities		788,392	844,885

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st December, 2010

	NOTES	2010 HK$'000	2009 HK$'000
Capital and Reserves			
Share capital	27	369,918	369,918
Reserves		418,256	474,708
Equity attributable to owners of the Company		788,174	844,626
Non-controlling interests		218	254
Total Equity		788,392	844,880
Non-Current Liability			
Obligations under finance leases	25	—	5
		—	5
		788,392	844,885

The consolidated financial statements on pages 20 to 80 were approved and authorised for issue by the Board of Directors on 22nd March, 2011 and are signed on its behalf by:

Or Ching Fai
Vice Chairman and Chief Executive Officer

Yau Wing Yiu
Director

STATEMENT OF FINANCIAL POSITION

At 31st December, 2010

	NOTES	2010 HK$'000	2009 HK$'000
Non-Current Assets			
Property, plant and equipment	13	4,014	2,354
Prepaid lease payments	14	3,276	3,393
Investments in subsidiaries	15	57,883	57,883
Club debentures	16	825	825
		65,998	64,455
Current Assets			
Prepaid lease payments	14	117	117
Amounts due from subsidiaries	15	542,574	623,078
Other receivables, deposits and prepayments		23,868	14,732
Bank balances and cash	21	197,141	200,839
		763,700	838,766
Current Liabilities			
Other payables and accrued charges		4,880	2,878
Amounts due to subsidiaries	15	51,864	57,929
		56,744	60,807
Net Current Assets		706,956	777,959
Total Assets less Current Liabilities		772,954	842,414
Capital and Reserves			
Share capital	27	369,918	369,918
Reserves	29	403,036	472,496
Total Equity		772,954	842,414

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December, 2010

	Attributable to owners of the Company												
	Share capital HK$'000	Share premium HK$'000	Special capital reserve HK$'000 (note)	Share option reserve HK$'000	Convertible notes reserve HK$'000	Capital redemption reserve HK$'000	Investment revaluation reserve HK$'000	Exchange reserve HK$'000	Other non-distributable reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1st January, 2009	202,880	352,079	1,267	11,397	185,479	233	3,445	9,117	1,943	(419,003)	348,837	261	349,098
Loss for the year	–	–	–	–	–	–	–	–	–	(51,686)	(51,686)	(7)	(51,693)
Other comprehensive income for the year	–	–	–	–	–	–	568	151	–	–	719	–	719
Total comprehensive income (expense) for the year	–	–	–	–	–	–	568	151	–	(51,686)	(50,967)	(7)	(50,974)
Redemption of convertible notes	–	–	–	–	(71,034)	–	–	–	–	71,034	–	–	–
Reversal of deferred tax liability recognised on partial redemption of convertible notes	–	–	–	–	6,788	–	–	–	–	–	6,788	–	6,788
Conversion of convertible notes	167,038	494,163	–	–	(130,722)	–	–	–	–	–	530,479	–	530,479
Reversal of deferred tax liability recognised on conversion of convertible notes	–	–	–	–	9,489	–	–	–	–	–	9,489	–	9,489
At 31st December, 2009	369,918	846,242	1,267	11,397	–	233	4,013	9,268	1,943	(399,655)	844,626	254	844,880
Loss for the year	–	–	–	–	–	–	–	–	–	(58,641)	(58,641)	(36)	(58,677)
Other comprehensive income for the year	–	–	–	–	–	–	1,970	219	–	–	2,189	–	2,189
Total comprehensive (expense) income for the year	–	–	–	–	–	–	1,970	219	–	(58,641)	(56,452)	(36)	(56,488)
At 31st December, 2010	369,918	846,242	1,267	11,397	–	233	5,983	9,487	1,943	(458,296)	788,174	218	788,392

Note: The special capital reserve of the Group represented the amount arising from the capital reduction carried out by the Company during the year ended 31st December, 2001.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31st December, 2010

	2010 HK$'000	2009 HK$'000
OPERATING ACTIVITIES		
Loss before tax	(58,677)	(56,735)
Adjustments for:		
Finance costs	4,988	42,541
Interest income	(9,364)	(12,464)
Depreciation of property, plant and equipment	885	9,060
Loss on disposal of property, plant and equipment	6	504
Release of prepaid lease payments	327	321
Reversal of impairment loss on inventories	(1,440)	(144)
Reversal of allowance for doubtful debts	(740)	—
Impairment loss on unlisted available-for-sale investments	2,035	—
Impairment loss on property, plant and equipment	—	65,031
Gain on financial assets at fair value through profit or loss	(60,900)	(144,601)
Loss on partial redemption of convertible notes	—	71,034
Gain on disposals of available-for-sale investments	—	(4,552)
Operating cash flows before movements in working capital	(122,880)	(30,005)
Decrease in inventories	166	1,705
Decrease in trade and other receivables	13,750	14,999
Decrease in financial assets at fair value through profit or loss	206,041	156,633
Increase (decrease) in trade payables, other payables and accrued charges	2,636	(58,089)
Cash generated from operations	99,713	85,243
Hong Kong Profits Tax paid	—	—
NET CASH FROM OPERATING ACTIVITIES	99,713	85,243
INVESTING ACTIVITIES		
Interest received	9,364	12,464
Purchase of property, plant and equipment	(3,946)	(523)
Proceeds on disposal of available-for-sale investments	—	9,369
NET CASH FROM INVESTING ACTIVITIES	5,418	21,310

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31st December, 2010

	2010 HK$'000	2009 HK$'000
FINANCING ACTIVITIES		
Repayment of loans payable	(3,352)	—
Interest paid	(1,413)	(1,037)
Repayment of obligations under finance leases	(26)	(26)
Redemption of convertible notes	—	(407,560)
Repayment of bank borrowings	—	(15,306)
New bank borrowings raised	—	22,727
NET CASH USED IN FINANCING ACTIVITIES	(4,791)	(401,202)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	100,340	(294,649)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	482,769	777,418
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	14	—
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, REPRESENTED BY BANK BALANCES AND CASH	583,123	482,769

1. GENERAL

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited ("The Hong Kong Stock Exchange"). The address of the registered office and the principal place of business of the Company is disclosed in the Corporate Information section of the annual report.

The Company and its subsidiaries (the "Group") are mainly gaged in (i) the manufacturing and trading of battery products and related accessories and (ii) the investments in securities.

The consolidated financial statements are presented in Hong Kong dollars, which is also the functional currency of the Company.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 38.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following new and revised Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"):

HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (as revised in 2008)	Business Combinations
HKAS 27 (as revised in 2008)	Consolidated and Separate Financial Statements
HKAS 39 (Amendments)	Eligible Hedged Items
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HK(IFRIC) - Int 17	Distributions of Non-cash Assets to Owners
HK - Int 5	Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

Except as described below, the application of the new and revised Standards and Interpretations in the current year has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") – continued

HKAS 27 (as revised in 2008) Consolidated and Separate Financial Statements

The Group applied HKFRS 3 (Revised 2008) *Business Combinations* prospectively to business combinations for which the acquisition date is on or after 1st January, 2010. The requirements in HKAS 27 (Revised 2008) *Consolidated and Separate Financial Statements* in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1st January, 2010.

As there was no transaction during the current year in which HKFRS 3 (Revised 2008) and HKAS 27 (Revised 2008) are applicable, the application of HKFRS 3 (Revised 2008), HKAS 27 (Revised 2008) and the consequential amendments to other HKFRSs had no effect on the consolidated financial statements of the Group for the current or prior accounting periods.

Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (Revised 2008), HKAS 27 (Revised 2008) and the consequential amendments to the other HKFRSs are applicable.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") – continued

New and revised Standards and Interpretations issued but not yet effective

The Group has not early applied the following new and revised Standards and Interpretations that have been issued but not yet effective:

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010[1]
HKFRS 7 (Amendments)	Disclosures - Transfers of Financial Assets[3]
HKFRS 9	Financial Instruments[4]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[5]
HKAS 24 (as revised in 2009)	Related Party Disclosures[2]
HKAS 32 (Amendments)	Classification of Rights Issues[6]
HK(IFRIC) - Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[2]
HK(IFRIC) - Int 19	Extinguishing Financial Liabilities with Equity Instruments[7]

1 Effective for annual periods beginning on or after 1st July, 2010 or 1st January, 2011, as appropriate.
2 Effective for annual periods beginning on or after 1st January, 2011.
3 Effective for annual periods beginning on or after 1st July, 2011.
4 Effective for annual periods beginning on or after 1st January, 2013.
5 Effective for annual periods beginning on or after 1st January, 2012.
6 Effective for annual periods beginning on or after 1st February, 2010.
7 Effective for annual periods beginning on or after 1st July, 2010.

HKFRS 9 *Financial Instruments* (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 *Financial Instruments* (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of each of the subsequent accounting periods.

In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") – continued

New and revised Standards and Interpretations issued but not yet effective – continued

HKFRS 9 is effective for annual periods beginning on or after 1st January, 2013, with earlier application permitted.

The directors anticipate that HKFRS 9 that will be adopted in the Group's consolidated financial statements for financial year ending 31st December, 2013 and that the application of the HKFRS 9 will have impact on the classification of the Group's available-for-sale investments and may have impact on other financial assets. The directors also anticipate that the application of other new and revised Standards and Interpretations will have no material impact on the Groups' consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Prior to 1st January, 2010, losses applicable to the non-controlling interests in excess of the non-controlling interests in the subsidiary's equity were allocated against the interests of the Group except to the extent that the non-controlling interests had a binding obligation and were able to make an additional investment to cover the losses.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Basis of consolidation – continued

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries on or after 1st January, 2010

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

Changes in the Group's ownership interests in existing subsidiaries prior to 1st January, 2010

Increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised where appropriate. For decreases in interests in subsidiaries, regardless of whether the disposals would result in the Group losing control over the subsidiaries, the difference between the consideration received and the adjustment to the non-controlling interests was recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment transactions with share-based payment transactions of the Group are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquire (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or another measurement basis required by another Standard.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's statement of financial position at cost less any identified impairment losses.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

Revenue from sales of goods is recognised when all of the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Property, plant and equipment

Property, plant and equipment, including buildings held for use in the production or supply of goods or services, or for administrative purposes (other than properties under construction) are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment (other than properties under construction) less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's policy on borrowing costs (see the accounting policy below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately, based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognised in other comprehensive income and accumulated in equity and will be reclassified from equity to profit or loss on disposal of the foreign operation. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the translation reserve).

From 1st January, 2010 onwards, on the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised as and included in finance costs in the consolidated statement of comprehensive income in the year in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average cost method.

Retirement benefit costs

Payments to state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are charged as an expense when employees have rendered service entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Taxation – continued

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly to equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the three categories, including loans and receivables, financial assets at fair value through profit or loss ("FVTPL") and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, bank balances and cash and amounts due from subsidiaries for the Company) are carried at amortised cost using the effective interest method, less any identified impairment losses.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial assets – continued

Financial assets at fair value through profit or loss

Financial assets at FVTPL has two subcategories, including financial assets held for trading and those designated as FVTPL on initial recognition.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future;
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial assets – continued

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

Available-for-sale financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in investment revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see accounting policy on impairment loss on financial assets below).

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at the end of the reporting period.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Trade receivables that are assessed not to be impaired individually, are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial assets – continued

Impairment of financial assets – continued

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amounts are reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in investment revaluation reserve.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's financial liabilities are generally classified into financial liabilities of FVTPL and other financial liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Other financial liabilities

Other financial liabilities (including trade and other payables, loans payable, bank borrowings and amounts due to subsidiaries for the Company) are subsequently measured at amortised cost, using the effective interest rate method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial assets – continued

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss. When the embedded derivative in the host contracts are closely related to the host contracts, the embedded derivative is not separated from the host contracts.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Impairment losses on assets

At the end of the reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. In addition, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amounts, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Equity-settled share-based payment transactions

Share options granted to employees and directors

The fair value of services received determined by reference to the fair value of share options granted at the grant date is recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in equity (share options reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to share options reserve.

At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimated impairment on other receivables

In determining whether allowance for bad and doubtful debts is required, the Group takes into consideration the aged status and likelihood of collection. Specific allowance is only made for receivables that are unlikely to be collected and is recognised based on the estimation of the future cash flow expected to receive and discounted at the original effective interest rate in order to calculate the present value. If the actual recovery is less than expected, an impairment loss may arise. As at 31st December, 2010, the balance of other receivables was HK$36,155,000 (2009: HK$50,024,000).

Estimated impairment loss on inventories

Inventories are stated at the lower of cost and net realisable value. The estimated net realisable value was arrived based on the management's consideration of obsolete or physically damaged items, life span of inventories, handling and other selling costs. If the estimated net realisable value is lower than cost, an impairment loss on inventories is recognised in profit or loss. As at 31st December, 2010, the carrying amount of inventories is HK$2,452,000 (2009: HK$1,178,000).

5. SEGMENT INFORMATION

Information reported to the chief operating decision makers, representing the executive directors of the Group, for the purposes of resource allocation and performance assessment focuses on the Group's business operations. This is also the basis upon which the Group is arranged and organised. The Group's operating and reportable segments under HKFRS 8 are as follows:

1. Investments in and trading of securities

2. Battery products - Manufacturing and trading of battery products and related accessories

Information regarding the above segments is reported below.

Segment revenues and results

The following is an analysis of the Group's revenue and results by operating and reportable segment.

	Investments in securities HK$'000	Battery products HK$'000	Consolidated HK$'000
For the year ended 31st December, 2010			
Gross proceeds	225,965	12,279	238,244
REVENUE			
External sales	—	12,279	12,279
RESULT			
Segment result	71,218	(7,907)	63,311
Other income			437
Central administrative expenses			(117,437)
Finance costs			(4,988)
Loss before tax			(58,677)

5. SEGMENT INFORMATION – continued

Segment revenues and results – continued

	Investments in securities HK$'000	Battery products HK$'000	Consolidated HK$'000
For the year ended 31st December, 2009			
Gross proceeds	341,197	8,246	349,443
REVENUE			
External sales	—	8,246	8,246
RESULT			
Segment result	150,846	(82,140)	68,706
Loss on partial redemption of convertible notes			(71,034)
Other income			21,500
Central administrative expenses			(33,366)
Finance costs			(42,541)
Loss before tax			(56,735)

Other Segment Information

	Investment in securities HK$'000	Battery products HK$'000	Unallocated HK$'000	Consolidated HK$'000
For the year ended 31st December, 2010				
Amounts included in the measure of segment profit or loss:				
Depreciation of property, plant and equipment	573	312	—	885
Gain on financial assets at fair value through profit or loss	(60,900)	—	—	(60,900)
Release of prepaid lease payments	118	209	—	327
Reversal of impairment loss on inventories	—	(1,440)	—	(1,440)
Reversal of allowance for doubtful debts	—	(740)	—	(740)
Amount regularly provided to the chief operating decision makers but not included in the measure of segment assets:				
Additions of non-current assets (Note)	2,613	925	408	3,946

5. SEGMENT INFORMATION – continued

Other Segment Information – continued

	Investment in securities HK$'000	Battery products HK$'000	Unallocated HK$'000	Consolidated HK$'000
For the year ended 31st December, 2009				
Amounts included in the measure of segment profit or loss:				
Depreciation of property, plant and equipment	82	8,978	—	9,060
Impairment loss on property, plant and equipment	—	65,031	—	65,031
Gain on financial assets at fair value through profit or loss	(144,601)	—	—	(144,601)
Release of prepaid lease payments	118	203	—	321
Reversal of impairment loss on inventories	—	(144)	—	(144)
Amount regularly provided to the chief operating decision makers but not included in the measure of segment assets:				
Additions of non-current assets (Note)	401	122	—	523

Note: Non-current assts represent property, plant and equipment.

Segment assets and liabilities

As the Group's segment assets and liabilities are not regularly provided to the Group's executive directors, the measure of total assets and liabilities for each operating and reportable segment is not presented.

Revenue from major product

The Group's revenue are arising from manufacturing and trading of portable alkaline batteries.

5. SEGMENT INFORMATION – continued

Geographical information

The Group's operations are located in the People's Republic of China (the "PRC") and Hong Kong.

The Group's revenue from external customers by geographical location of the customers and information about its non-current assets by geographical location of the assets are detailed as below:

	Revenue from external customers Year ended 31st December,		Non-current assets (Note) As at 31st December,	
	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000
The PRC	9,944	1,093	25,475	22,381
Hong Kong	2,335	7,153	4,798	4,782
	12,279	8,246	30,273	27,163

Note: Non-current assets excluded available-for-sale investments.

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	For the year ended 31st December,	
	2010 HK$'000	2009 HK$'000
Customer A	1,858	1,503
Customer B	1,595	—

All of the revenue is generated from manufacturing and trading of battery products and related accessories.

6. OTHER INCOME

	2010 HK$'000	2009 HK$'000
Interest income	9,364	12,464
Dividend income from investments held for trading	4,409	3,844
Gain on disposals of available-for-sale investments	—	4,552
Exchange gain, net	—	21
Reversal of impairment loss on inventories	1,440	144
Others	10	4,319
	15,223	25,344

7. OTHER EXPENSES

	2010 HK$'000	2009 HK$'000
Exchange loss, net	488	—
Impairment loss on unlisted available-for-sale investments	2,035	—
Loss on disposal of property, plant and equipment	6	504
Impairment loss on property, plant and equipment	—	65,031
	2,529	65,535

8. FINANCE COSTS

	2010 HK$'000	2009 HK$'000
Interest on borrowings wholly repayable within five years:		
Loans payable	3,500	3,624
Bank borrowings	1,481	906
Obligations under finance leases	7	7
Effective interest expense on convertible notes	—	38,004
	4,988	42,541

9. TAXATION

	2010 HK$'000	2009 HK$'000
Hong Kong Profits Tax	—	1,229
Deferred tax (note 30)	—	(6,271)
	—	(5,042)

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the year ended 31st December, 2009.

No tax is payable on the profit for the year ended 31st December, 2010 arising in Hong Kong since the assessable profit is wholly absorbed by tax losses brought forward.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the Group's subsidiaries in the PRC is 25% from 1st January, 2008 onwards.

Pursuant to the relevant laws and regulations in the PRC, two PRC subsidiaries of the Group are exempted from PRC enterprise income tax for two years commencing from the year ended 31st December, 2008, followed by a 50% relief from PRC enterprise income tax for the next three years.

The taxation for the year can be reconciled to the loss before tax per the consolidated statement of comprehensive income as follows:

	2010 HK$'000	2009 HK$'000
Loss before tax	(58,677)	(56,735)
Tax at the domestic income tax rate of 16.5%	(9,682)	(9,361)
Tax effect of expenses not deductible for tax purpose	27,813	28,721
Tax effect of income not taxable for tax purpose	(1,545)	(393)
Utilisation of tax losses previously not recognised	(16,175)	(23,155)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(411)	(854)
Taxation for the year	—	(5,042)

10. LOSS FOR THE YEAR

	NOTES	2010 HK$'000	2009 HK$'000
Loss for the year has been arrived at after charging:			
Staff costs			
- directors' emoluments (note 11(a))		24,518	8,041
- other staff salaries, wages and other benefits		6,268	4,661
- retirement benefits schemes contributions, excluding directors		410	124
Total staff costs		31,196	12,826
Auditor's remuneration		928	1,053
Depreciation of property, plant and equipment		885	9,060
Release of prepaid lease payments		327	321
Cost of inventories recognised as expense		11,290	7,763
Legal and professional fee (included in administrative expenses)	(a)	75,502	13,849
Impairment loss on property, plant and equipment		—	65,031
and after crediting:			
Reversal of impairment loss on inventories (included in other income)	(b)	(1,440)	(144)
Reversal of allowance for doubtful debts		(740)	—

(a) During the year ended 31st December, 2010, the Group incurred legal and professional fee of approximately HK$75,502,000 (2009: HK$13,849,000) mainly due the Group's proposed acquisition of Nan Shan Life Insurance Company, Ltd., a well-established insurance company in Taiwan. The acquisition was terminated on 20th September, 2010 and details are set out in the Company's announcement made on the same date.

(b) Included in other income for the year ended 31st December, 2010 are reversal of impairment loss on inventories of HK$1,440,000 (2009:HK$144,000) due to that inventories impaired in prior years were subsequently sold.

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the 11 (2009: 13) directors were as follows:

		2010					2009				
	Notes	Fee HK$'000	Salaries and other benefits HK$'000	Retirement benefits scheme contributions HK$'000	Bonus HK$'000	Total HK$'000	Fee HK$'000	Salaries and other benefis HK$'000	Retirement benefits scheme contributions HK$'000	Bonus HK$'000	Total HK$'000
Non-executive director											
- Mr. Ma Si Hang, Frederick	(a)	3,500	–	–	–	3,500	496	–	–	–	496
Independent non-executive directors											
– Mr. Phillip Fei		100	–	–	–	100	100	–	–	–	100
– Mr. Leung Hoi Ying		100	–	–	–	100	100	–	–	–	100
– Ms. Ma Yin Fan		150	–	–	–	150	150	–	–	–	150
		3,850	–	–	–	3,850	846	–	–	–	846
Executive directors											
– Mr. Or Ching Fai	(a)	–	10,010	12	3,000	13,022	–	1,418	–	–	1,418
– Mr. Yau Wing Yiu	(d)	–	3,000	11	–	3,011	–	181	–	–	181
– Ms. Chiu Ching Ching		–	260	12	–	272	–	260	12	–	272
– Mr. Hui Richard Rui		–	780	12	–	792	–	780	12	–	792
– Ms. Chan Ling, Eva		–	1,560	12	65	1,637	–	1,560	12	–	1,572
– Mr. Lee Sun Man		–	585	12	80	677	–	520	12	50	582
– Mr. Chow Kam Wah		–	845	12	400	1,257	–	715	12	400	1,127
– Mr. Yeung Kwok Yu	(b)	–	–	–	–	–	–	955	12	–	967
– Mr. Wong Ah Chik	(c)	–	–	–	–	–	–	280	4	–	284
		–	17,040	83	3,545	20,668	–	6,669	76	450	7,195
Total		3,850	17,040	83	3,545	24,518	846	6,669	76	450	8,041

The bonus is at the discretion of the board of directors and determined with reference to the director's performance and the Group's performance for the year.

Notes:

(a) Appointed on 10th November, 2009

(b) Resigned on 10th December, 2009

(c) Resigned on 20th April, 2009

(d) Appointed on 10th December, 2009

During the year, no emoluments were paid by the Group to any directors as an inducement to join or upon joining the Group or as compensation for loss of office. No directors waived any emoluments for the year ended 31st December, 2010.

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS – continued

(b) EMPLOYEES' EMOLUMENTS

The five highest paid individual in the Group in 2010 and 2009 were all directors of the Company and details of their emoluments are included in note 11(a) above.

12. LOSS PER SHARE

The calculation of the basic and diluted loss per share is based on the loss for the year attributable to the owners of the Company of HK$58,641,000 (2009: HK$51,686,000) and the weighted average number of 3,699,183,927 (2009: 2,321,310,933) ordinary shares in issue during the year.

The computation of diluted loss per share for the year ended 31st December, 2010 does not include adjustments for the Company's outstanding share options as they have anti-dilutive effect.

The computation of diluted loss per share for the year ended 31st December, 2009 does not include adjustments for the Company' outstanding share options and convertible notes as they have anti-dilutive effect.

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvements	Furniture and fixtures	Machinery and equipment	Motor vehicles	Construction in progress	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
THE GROUP							
COST							
At 1st January, 2009	62,288	24,438	5,676	173,532	1,745	2,825	270,504
Exchange adjustments	200	195	2	39	1	—	437
Additions	—	53	466	4	—	—	523
Disposals	—	—	(443)	(232)	—	—	(675)
At 1st January, 2010	62,488	24,686	5,701	173,343	1,746	2,825	270,789
Exchange adjustments	2,530	1,022	250	1,395	72	117	5,386
Additions	—	—	3,538	—	408	—	3,946
Disposals	—	—	(10)	—	—	—	(10)
At 31st December, 2010	65,018	25,708	9,479	174,738	2,226	2,942	280,111
DEPRECIATION AND IMPAIRMENT							
At 1st January, 2009	484	5,145	2,537	173,069	1,736	—	182,971
Exchange adjustments	3	28	2	19	1	—	53
Provided for the year	53	8,602	313	42	50	—	9,060
Impairment loss recognised in profit or loss	48,869	10,911	2,192	234	—	2,825	65,031
Eliminated on disposals	—	—	(83)	(47)	(41)	—	(171)
At 1st January, 2010	49,409	24,686	4,961	173,317	1,746	2,825	256,944
Exchange adjustments	2,524	1,022	250	1,395	72	117	5,380
Provided for the year	101	—	725	26	33	—	885
Eliminated on disposals	—	—	(4)	—	—	—	(4)
At 31st December, 2010	52,034	25,708	5,932	174,738	1,851	2,942	263,205
CARRYING VALUES							
At 31st December, 2010	12,984	—	3,547	—	375	—	16,906
At 31st December, 2009	13,079	—	740	26	—	—	13,845

13. PROPERTY, PLANT AND EQUIPMENT – continued

	Buildings HK$'000	Furniture and fixtures HK$'000	Machinery and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
THE COMPANY					
COST					
At 1st January, 2009	2,125	1,581	1,130	541	5,377
Additions	—	757	—	—	757
Disposals	—	(433)	(207)	—	(640)
At 31st December, 2009	2,125	1,905	923	541	5,494
Additions	—	2,493	50	—	2,543
At 31st December, 2010	2,125	4,398	973	541	8,037
DEPRECIATION					
At 1st January, 2009	484	1,231	906	541	3,162
Provided for the year	53	16	13	—	82
Eliminated on disposals	—	(83)	(21)	—	(104)
At 1st January, 2010	537	1,164	898	541	3,140
Provided for the year	116	748	19	—	883
At 31st December, 2010	653	1,912	917	541	4,023
CARRYING VALUES					
At 31st December, 2010	1,472	2,486	56	—	4,014
At 31st December, 2009	1,588	741	25	—	2,354

13. PROPERTY, PLANT AND EQUIPMENT – continued

The above items of property, plant and equipment, other than construction in progress, are depreciated on a straight-line basis at the following rates per annum:

Buildings	Over the shorter of the term of the lease, or 2.5%
Leasehold improvements	5% - 10%
Furniture and fixtures	5% - 25%
Machinery and equipment	10% - 20%
Motor vehicles	12.5% - 25%

During the year ended 31st December, 2009, the directors conducted a review of the Group's property, plant and equipment in view of continuous downturn in business of the battery product segment. Impairment loss on the property, plant and equipment in the battery products segment was determined by comparing their carrying amount to the recoverable amount. The recoverable amount was determined based on a value in use calculation.

That calculation used cash flow projections for a period of 10 years, based on a three-year budget for the battery products business, with a discount rate of 15.94%.The projections of cash flows beyond the three-year period were estimated by extrapolating using a zero growth rate. The growth rate was based on the relevant industry growth forecasts and did not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value in use calculations related to the estimation of cash inflows/outflows which included budgeted sales and gross margin, such estimation was based on the Group's past performance and management's expectations for the market development. During the year ended 31st December, 2009, the Group recognised an impairment loss of approximately HK$65,031,000 in relation to the property, plant and equipment.

At 31st December, 2010 and 2009, the buildings of the Group are situated on land in the PRC under medium-term land use right.

The carrying value of certain furniture and fixtures of the Group includes an amount of approximately HK$4,000 (2009: HK$9,000) in respect of assets held under finance leases.

At 31st December, 2010, a building with a carrying value of HK$11,513,000 (2009: HK$11,491,000) was pledged to secure a short-term bank loan granted to a subsidiary.

14. PREPAID LEASE PAYMENTS

	THE GROUP		THE COMPANY	
	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000
Analysed for reporting purposes as:				
Current asset	327	321	117	117
Non-current asset	12,542	12,493	3,276	3,393
	12,869	12,814	3,393	3,510

The Group's prepaid lease payments represent payments for land use rights in the PRC under medium-term land use rights.

At 31st December, 2010, the Group has pledged a land use right with a carrying value of HK$9,476,000 (2009: HK$9,304,000) to a bank to secure a short-term bank loan granted to a subsidiary.

15. INVESTMENTS IN SUBSIDIARIES/AMOUNTS DUE FROM (TO) SUBSIDIARIES

	THE COMPANY	
	2010 HK$'000	2009 HK$'000
Investments in subsidiaries		
Unlisted shares, at cost	33,261	33,261
Deemed capital contribution in subsidiaries	102,204	57,883
Less: Impairment loss	(77,582)	(33,261)
	57,883	57,883

The amounts due from (to) subsidiaries are unsecured, non-interest bearing and repayable on demand.

Before making any advances to any subsidiaries, the Company will review the subsidiary's credit quality and defines its credit limit. Loan receivables are advanced to subsidiaries with appropriate credit history. Credit limit attributed to subsidiaries are reviewed regularly.

At the end of the reporting period, the Company reviews the carrying amounts of the amounts due from subsidiaries to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount due from a subsidiary is estimated to be less than its carrying amount, the carrying amount is reduced to its recoverable amount.

15. INVESTMENTS IN SUBSIDIARIES/AMOUNTS DUE FROM (TO) SUBSIDIARIES – continued

The recoverable amounts have been determined based on the present value of the future cash flows expected to be derived from the subsidiaries, taking into account their subsequent recovery. At 31st December, 2010 and 2009, the amounts due from subsidiaries amount to HK$542,574,000 and HK$623,078,000, respectively, net of impairment loss on the amounts due from subsidiaries of HK$913,044,000 and HK$1,025,045,000 respectively.

While the loans carry no interest, the initial carrying amounts of the loans were determined by discounting the principal amount at their original effective interest rates of 6.4% (2009: 5.3%), with the difference recognised as deemed capital contribution to the subsidiaries. Imputed interest income on the amounts due from subsidiaries of HK$44,321,000 (2009: HK$33,374,000) was recognised in the statement of comprehensive income of the Company for the year ended 31st December, 2010.

At 31st December, 2010 and 2009, the Company does not hold any collateral over the balance.

The principal activities of the principal subsidiaries are set out in note 38.

16. CLUB DEBENTURES

THE GROUP AND THE COMPANY

The club debentures represent the club membership of Macau Golf & Country Club and Aberdeen Marine Club. The directors are of opinion that it is not necessary to make any impairment of the club debentures since the quoted prices are higher than its carrying values.

17. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments comprise:

	THE GROUP	
	2010	2009
	HK$'000	HK$'000
Listed investments, at fair value:		
- Equity securities listed in Hong Kong	3,824	1,854
Unlisted investments, at cost less impairment:		
- Equity securities	—	2,035
Total	3,824	3,889
Analysed for reporting purposes as:		
Non-current assets	3,824	3,889
	3,824	3,889

At the end of the reporting period, all available-for-sale investments are stated at fair value, except for those unlisted investments of which the fair values cannot be measured reliably. Fair values of the listed investments have been determined with reference to bid prices quoted in active markets.

The carrying values of unlisted investments at 31st December, 2009 comprise 16.4% equity interests in Beijing Technology Development Fund LDC, a company incorporated in the Cayman Islands and engaged in investment venture business in the PRC.

The unlisted investments are measured at cost less impairment at the end of each reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

At 31st December, 2010, the Group reviews the unlisted investments and determined that the investments were impaired, due to the significant deterioration in performance of the investment venture business of Beijing Technology Development Fund LDC. The recoverable amount has been determined based on present value of the future cash flows expected to be derived from the unlisted investments. During the year ended 31st December, 2010, the Group recognised an impairment loss of HK$2,035,000.

18. INVENTORIES

	THE GROUP	
	2010	2009
	HK$'000	HK$'000
Raw materials	1,128	1,178
Finished goods	1,324	—
	2,452	1,178

19. TRADE AND OTHER RECEIVABLES

	THE GROUP	
	2010	2009
	HK$'000	HK$'000
Trade receivables	1,627	1,508
Less: allowance for doubtful debts	—	(740)
	1,627	768

The Group normally allows its trade customers credit period ranging from 90 days to 180 days. The following is an aged analysis of trade receivables, net of allowance for doubtful debts, presented based on the invoice date at the end of the reporting period:

	THE GROUP	
	2010	2009
	HK$'000	HK$'000
0-90 days	1,597	768
Over 90 days	30	—
	1,627	768

Before accepting any new customer, the Group will assess the potential customer's credit quality and defines its credit limit. Credit sales are made to customers with appropriate credit history. Credit limits attributed to customers are reviewed regularly.

At the end of the reporting periods, the directors considered the trade receivables which were neither past due nor impaired were of good credit quality.

At 31st December, 2010, included in the Group's trade receivable balance were debtors with aggregate carrying amount of approximately HK$30,000 (2009: Nil) which were past due at the reporting date for which the Group had not provided for any impairment loss. There had not been significant change in credit quality and the directors of the Company considered the amounts were still recoverable. The Group did not hold any collateral over these balances.

19. TRADE AND OTHER RECEIVABLES – continued

Ageing of trade receivables which are past due but not impaired based on payment due date

	THE GROUP	
	2010 HK$'000	2009 HK$'000
0 - 90 days	30	—

The Group has provided fully for all receivables over 365 days because historical experience is such that receivables that are past due beyond 365 days are generally not recoverable.

Movement in the allowance for doubtful debts

	THE GROUP	
	2010 HK$'000	2009 HK$'000
At 1st January	740	740
Impairment losses reversed	(740)	—
At 31st December	—	740

Included in other receivables is unrestricted deposits of approximately HK$28,390,000 (2009: HK$28,448,000) placed with securities brokers for trading securities in Hong Kong which is non-interest bearing. The remaining balance of other receivables is unsecured, interest-free and repayable on demand.

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	THE GROUP	
	2010	2009
	HK$'000	HK$'000
Listed securities held for trading, at fair value:		
Equity securities listed in Hong Kong	230,149	304,134
Bonds listed in Singapore with fixed interest rate of 9.75% and maturity date on 23rd July, 2014 (the "Bonds")	—	70,306
	230,149	374,440
Unlisted debt securities designated as financial assets at FVTPL:		
Convertible notes issued by a Hong Kong listed issuer	12,259	13,109
	242,408	387,549

During the year ended 31st December, 2008, the Group acquired convertible notes of principal amount of HK$9,600,000, issued by a Hong Kong listed issuer. The convertible notes with zero-coupon rate and maturity date of 14th October, 2011 are redeemable on maturity date at principal amount.

The Group had the right, at any time until the date falling 7 days before (and excluding) the maturity date, to convert the whole or part of the outstanding principal amount of the convertible notes into ordinary shares in the issued share capital of the issuer at HK$0.06 each, by giving prior written notice to the issuer. The convertible notes have no early redemption option.

The hybrid instrument comprising debt component and conversion component of the convertible notes was initially measured at fair value. During the year ended 31st December, 2010, a decrease in fair value of HK$850,000 (2009: increase by HK$4,049,000) was recognised in the consolidated statement of comprehensive income.

The fair value of the debt component of the convertible notes at 31st December, 2010 is determined using the prevailing market interest rate of 5.05% (2009: 7.08%).

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS– continued

The fair value of the conversion component of the convertible notes at 31st December, 2010 and 2009 is determined using Black Scholes Model with the following assumptions:

	2010	2009
Valuation date share price	HK$1.780	HK$1.640
Exercise price (Note)	HK$1.478	HK$1.478
Expected life	0.79 years	1.79 years
Expected volatility	50.88%	73.31%
Dividend yield	Nil	Nil
Risk-free rate	0.331%	0.4538%

During the year ended 31st December, 2010, the Group disposed of its entire interest in Bonds at a consideration of HK$124,762,000. This resulted in a gain on fair value changes of financial assets at fair value through profit or loss of HK$54,456,000 which was recognised in the consolidated statement of comprehensive income.

Note: Exercises price at date of issue was HK$0.06 and has been adjusted according to the announcement of the issuer on 3rd July, 2009 to HK$1.478.

21. BANK BALANCES AND CASH

THE GROUP AND THE COMPANY

Bank balances and cash comprise cash and short-term bank deposits with an original maturity of three months or less held by the Group and the Company. The amounts carry interest at 0.01% to 0.31% (2009: 0.01% to 0.26%) per annum.

22. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED CHARGES

Included in trade payables, other payables and accrued charges are trade payables of approximately HK$1,555,000 (2009: HK$1,803,000) with the following aged analysis based on invoice date at the end of the reporting period:

	THE GROUP	
	2010 HK$'000	2009 HK$'000
0-90 days	476	405
91-180 days	251	175
Over 180 days	828	1,223
	1,555	1,803

The average credit period is 90 days.

Included in other payables as at 31st December, 2009 is balances payable to an investment broker of approximately HK$904,000 for acquisition of financial assets at fair value through profit or loss, payable 2 days after the transaction date. The remaining balances are unsecured, interest-free and repayable on demand.

23. LOANS PAYABLE

As at 31st December, 2010, the loans payable of the Group represents a loan with principal amount of HK$50,000,000 (2009: HK$50,000,000) plus interest of HK$17,551,000 (2009: HK$14,051,000) payable to independent third parties. The loan carries interest at Hong Kong Prime Rate plus 2% (2009: Hong Kong Prime Rate plus 2%) per annum and is unsecured and repayable on demand. The remaining amounts of HK$3,352,000 as at 31st December, 2009 were unsecured, non-interest bearing and were fully settled during the year ended 31st December, 2010.

24. BANK BORROWINGS

	THE GROUP	
	2010	2009
	HK$'000	HK$'000
Secured bank borrowings repayable within one year	23,669	22,727

The amount represents variable-rate bank borrowings which carried interest at prevailing market rate ranging from 5.31% to 6.37% (2009: 5.31% to 5.84%) per annum.

25. OBLIGATIONS UNDER FINANCE LEASES

It is the Group's policy to lease certain of its furniture and fixtures under finance leases. The average lease term is 5 years. Interest rates underlying all obligations under finance leases are fixed at respective contract dates of 8.44% (2009: 8.44%). These leases have no terms of renewal or purchase options and escalation clauses.

	Minimum lease payments		Present value of minimum lease payments	
	2010	2009	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000
Amounts payable under finance leases				
Within one year	7	33	5	26
In more than one year but not more than two years	—	7	—	5
In more than two years but not more than five years	—	—	—	—
	7	40	5	31
Less: future finance charges	(2)	(9)		
Present value of lease obligations	5	31		
Less: Amount due within one year			(5)	(26)
Amount due after one year			—	5

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets.

26. CONVERTIBLE NOTES

On 5th November, 2007 and 7th January, 2008, convertible notes with principal amounts of HK$146,850,000 and HK$1,173,150,000 ("Convertible Notes") were issued respectively. The Convertible Notes are denominated in Hong Kong dollars, non-interest bearing and redeemable on its maturity date on 31st December, 2010. The conversion price, subject to anti-dilutive adjustments, shall be HK$0.33 per share from the date of issue of the convertible notes up to 31st December, 2008, HK$0.36 per share from 1st January, 2009 to 31st December, 2009, and HK$0.39 per share from 1st January, 2010 to the maturity date.

The Convertible Notes holders had the right, at any time before the maturity date of 31st December, 2010, to convert the whole or part of the outstanding principal amount of the Convertible Notes into ordinary shares in the issued share capital of the Company of HK$0.10 par value each, by giving prior written notice to the Company.

The Company had the right to early redeem the Convertible Notes, at any time before the maturity date on 31st December, 2010, by giving not less than 7 business days' prior written notice to the Convertible Note holders at the principal amounts of the Convertible Notes so redeemed.

On initial recognition, the fair value of the liability component of Convertible Notes is determined using the prevailing market interest rate of similar non-convertible debts at 10.32% per annum. The difference between the gross proceeds of the issue of the convertible notes and the fair value assigned to the liability component, representing the conversion option for the holder to convert the Convertible Notes into equity, is included in equity (convertible notes reserve).

In November, 2008, the Company early redeemed Convertible Notes with principal amount of HK$311,101,000. In January, 2009 and March, 2009, the Company early redeemed Convertible Notes with a principal amount of HK$307,560,000 and HK$100,000,000, respectively.

The movement of the liability component of the Convertible Notes for the year ended 31st December, 2010 and 2009 is set out below:

	THE GROUP AND THE COMPANY HK$'000
At 1st January, 2009	829,001
Effective interest expenses	38,004
Early redemption of Convertible Notes	(336,526)
Conversion of convertible notes (Note 27)	(530,479)
At 31st December, 2009 and 2010	—

27. SHARE CAPITAL OF THE COMPANY

	Number of shares	Value HK$'000
Authorised:		
Ordinary shares of HK$0.10 each		
At 1st January, 2009 and 31st December, 2009	8,000,000,000	800,000
Increase on 16th March, 2010	192,000,000,000	19,200,000
At 31st December, 2010	200,000,000,000	20,000,000
Issued and fully paid:		
Ordinary shares of HK$0.10 each		
At 1st January, 2009	2,028,797,543	202,880
Issue of shares (Note)	1,670,386,384	167,038
At 31st December, 2009 and 31st December, 2010	3,699,183,927	369,918

Note: On 3rd August, 4th August and 17th November, 2009, 100,000,000, 200,000,000 and 1,370,386,384 shares of the Company of HK$0.10 each were issued upon conversion of convertible notes with aggregate principal amount of HK$36,000,000, HK$72,000,000 and HK$493,339,000, respectively.

28. SHARE-BASED PAYMENT TRANSACTIONS

On 4th June, 2002, the Company adopted a share option scheme ("2002 Scheme") which is effective for a period of ten years for the primary purpose of providing incentives to directors and eligible employees. Under the 2002 Scheme, the Board of Directors of the Company may grant options to eligible employees, including executive directors of the Company and its subsidiaries, to subscribe for shares in the Company for a consideration of HK$1.00. Options granted must be taken up within 30 days of the date of grant, upon payment of HK$1.00 per grant. Options granted are exercisable not later than ten years after the date the options are granted. The exercise price, subject to adjustments, is determined by the board of directors of the Company and will not be less than the highest of (i) the closing price of the Company's share on the date of options granted; (ii) the average closing price of the Company's shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

The total number of shares in respect of which options may be granted under the 2002 Scheme is not permitted to exceed 202,879,754 shares, representing 10% of the issued share capital of the Company as at the date of adoption of 2002 Scheme. Subject to the issue of a circular and the approval of the shareholders of the Company in general meeting and/or such other requirements prescribed under the Rules Governing the Listing of Securities of The Stock Exchange (the "Listing Rules") from time to time, the Board may refresh the limit at any time to 10% of the total number of shares in issue as at the date of approval by the shareholders of the Company in general meeting. The number of shares in respect of which options may be granted to any individual is not permitted to exceed 1% of the aggregate number of shares of the Company in issue and issuable under 2002 Scheme at any point in time, without prior approval from the Company's shareholders.

28. SHARE-BASED PAYMENT TRANSACTIONS – continued

The following table discloses movements of the Company's share options held by employees and directors during the year:

	Date of grant	Exercisable period	Exercise price HK$	Number of Shares At 1.1.2009	Lapsed during the year	At 31.12.2009 and 31.12.2010
Eligible participants	10.7.2007	10.7.2007 to 9.7.2012	0.724	20,400,000	—	20,400,000
	4.11.2008	4.11.2008 to 3.11.2009	0.580	4,000,000	(4,000,000)	—
				24,400,000	(4,000,000)	20,400,000
Executive director: Chan Ling, Eva	10.7.2007	10.7.2007 to 9.7.2012	0.724	4,400,000	—	4,400,000
				4,400,000	—	4,400,000
				28,800,000	(4,000,000)	24,800,000
Exercisable at the end of the year						24,800,000
Weighted average exercise price						HK$0.724

During the year ended 31st December, 2010 and 2009, no share options granted had been exercised.

The total number of shares available for issue under the 2002 Scheme is 178,879,754 represent 4.84% of the issued share capital of the Company as at 31 December, 2010.

29. RESERVES OF THE COMPANY

	Share premium HK$'000	Special capital reserve HK$'000	Share option reserve HK$'000	Convertible notes reserve HK$'000	Capital redemption reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1st January, 2009	352,079	1,267	11,397	185,479	233	(375,479)	174,976
Loss for the year and total comprehensive expense for the year	—	—	—	—	—	(82,198)	(82,198)
Redemption of convertible notes	—	—	—	(71,034)	—	71,034	—
Reversal of deferred tax liability recognised on redemption of equity component of convertible notes	—	—	—	6,788	—	—	6,788
Conversion of convertible notes	494,163	—	—	(121,233)	—	—	372,930
At 1st January, 2010	846,242	1,267	11,397	—	233	(386,643)	472,496
Loss for the year and total comprehensive expense for the year	—	—	—	—	—	(69,460)	(69,460)
At 31st December, 2010	846,242	1,267	11,397	—	233	(456,103)	403,036

The special capital reserve of the Company represented the amount arising from the capital reduction carried out by the Company during the year ended 31st December, 2001.

The Board of the Company does not recommend the payment of any final dividend for the year ended 31st December, 2010 (2009: Nil).

30. DEFERRED TAX LIABILITIES

The following are the major deferred tax liabilities provided by the Group and the Company in respect of the convertible notes issued as at the end of the reporting periods and the movements thereon during the current and prior reporting periods:

	THE GROUP AND THE COMPANY HK$'000
At 1st January, 2009	22,548
Reversal on redemption of equity component of convertible notes	(6,788)
Reversal on amortisation of liability component of convertible notes	(6,271)
Reversal on conversion of convertible notes	(9,489)
At 31st December, 2009 and 31st December, 2010	—

As at 31st December, 2010, the Group and the Company have unused tax losses of approximately HK$3,969,000 and HK$3,642,000 respectively, (2009: HK$101,999,000 and HK$101,672,000 respectively) available for offset against future profits. No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

31. CAPITAL RISK MANAGEMENT

The Group and the Company manage their capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's and the Company's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of the borrowings disclosed in note 24, net of cash and cash equivalents, and equity attributable to equity holders of the Company, comprising issued share capital, reserves and accumulated losses.

The capital structure of the Company represents equity attributable to equity holders of the Company, comprising issued share capital, reserves and accumulated losses.

The directors of the Company review the capital structure regularly. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues, raising of new debt and redemption of existing debt.

32. FINANCIAL INSTRUMENTS

32a. Categories of financial instruments

	THE GROUP		THE COMPANY	
Statement of financial position	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000
Financial assets				
Loans and receivables				
(including cash and cash equivalents)	620,322	529,903	740,408	824,712
Available-for-sale financial assets	3,824	3,889	—	—
Fair value through profit or loss				
Held for trading	230,149	374,440	—	—
Designated at FVTPL	12,259	13,109	—	—
Financial liabilities				
Amortised cost	101,475	94,228	51,874	58,685

32b. Statement of comprehensive income

	THE GROUP		THE COMPANY	
	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000
Available-for-sale investments				
Impairment loss	(2,035)	—	—	—
Gain on disposals	—	4,552	—	—
	(2,035)	4,552	—	—
Financial assets at FVTPL -				
Held for trading				
Fair value changes	61,750	140,552	—	—
Designated at FVTPL				
Fair value changes	(850)	4,049	—	—

32. FINANCIAL INSTRUMENTS – continued

32c. Financial risk management objectives and policies

The major financial instruments of the Group and the Company include trade and other receivables, available-for-sale investments, financial assets at fair value through profit or loss, amounts due from/to subsidiaries, trade and other payables, loans payable, bank balances and bank borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (interest rate risk, other price risk and currency risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances, loans payable and bank borrowings. It is the policy of the Group to keep its borrowings at floating rate of interests so as to minimise the interest rate risk. Sensitivity analysis was prepared, except for bank balances, since the directors consider the amount involved is not significant.

The Company is exposed to cash flow interest rate risk in relation to its variable-rate bank balances. No sensitivity analysis was prepared as the directors consider the amount involved is insignificant.

The exposures of the Group and the Company to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note. The cash flow interest rate risk of the Group is mainly concentrated on the fluctuation of Hong Kong Prime Rate and Hong Kong Interbank Offer Rate arising from the loans payable, and bank borrowings.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for the non-derivative instruments (including loans payable and bank borrowings) of the Group at the end of the reporting period. The analysis is prepared assuming the amount of non-derivative instruments outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the loss for the year ended 31st December, 2010 of the Group would increase/decrease by HK$368,000 (2009: HK$451,000).

32. FINANCIAL INSTRUMENTS – continued

32c. Financial risk management objectives and policies – continued

Market risk – continued

(ii) Other price risk - Investments in equity securities

The Group is exposed to equity price risk through its investments in listed and unlisted equity securities. The management manages this exposure by maintaining a portfolio of investments with different risks. The Group's listed equity price risk is mainly concentrated on equity instruments quoted in the Hong Kong Stock Exchange.

The Group is also exposed to price risk through its investments in financial assets designated at FVTPL. The Group does not have any policy to hedge against such risk. No sensitivity analysis was prepared since the directors consider the amount involved is not significant.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks, excluding unlisted investments which are measured at cost less impairment, at the reporting date. For sensitivity analysis purpose, the sensitivity rate is 10% (2009: 25%) in the current year.

If the prices of the respective equity securities had been 10% (2009: 25%) higher/lower:

- loss for the year ended 31st December, 2010 would decrease/increase by HK$19,218,000 (2009: HK$78,164,000) as a result of the changes in fair value of listed equity securities held for trading; and

- investment valuation reserve would increase by HK$382,000/loss for the year ended 31st December, 2010 would increase by HK$382,000 (2009: investment valuation reserve would increase by HK$972,000/loss for the year would be increased by HK$972,000) for the Group as a result of the changes in fair value of available-for-sale investments.

(iii) Currency risk

Most of the Group's transactions are denominated in the group entities' functional currency, which is either Renminbi ("RMB") or Hong Kong dollar ("HKD"). The Group's exposure to foreign currency risk regarding these transactions is insignificant.

However, the Group is exposed to foreign currency risk to the extent of intra-group loans when the subsidiaries (which have HKD as their functional currency) raised funding denominated in HKD for operations in the PRC which have RMB as their functional currency. The Group has not formulated a policy to hedge the foreign currency risk. No sensitivity analysis was prepared since the directors consider the amount involved is not significant.

32. FINANCIAL INSTRUMENTS – continued

32c. Financial risk management objectives and policies – continued

Credit risk

As at 31st December, 2010, the maximum exposure of the Group and the Company to credit risk which will cause a financial loss to the Group and the Company due to failure to discharge an obligation by the counterparties is arising from:

- the cash held in financial institutions; and
- the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group and the Company has delegated a team responsible for credit limit determination, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group and the Company review the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the credit risk of the Group and the Company is significantly reduced.

The Group has concentrations of credit risk comprising deposits placed at three financial institutions for the Group's investment in securities business of HK$27,787,000 (2009: deposits placed at two financial institutions HK$27,458,000) which represents, approximately 98% (2009: 97%) of the Group's deposit placed with securities brokers, and other receivable of HK$5,760,000 (2009: HK$16,896,000) due from a single counter party. The management considered the credit risk on such balances held at financial institutions and the counter party is limited because the financial institutions are with good reputation and the single counter party which has its shares listed on the Hong Kong Stock Exchange is in good financial position.

At 31st December, 2010, approximately 50% (2009: 40%) of the Group's trade receivables were due from the five largest customers within battery business in Hong Kong and the PRC. The management performs periodic evaluations and customer visits to ensure the Group's exposure to bad debts is not significant. The historical experience in the collection of trade receivables from the five largest customers falls within the expectation of the directors. The management currently is seeking new customers base to explore the market in order to reduce the reliance on the several major customers, and also mitigate concentrations of credit risk.

The credit risk of the Company on amounts due from subsidiaries is limited because the directors of the Company consider that the recoverable amount exceeds the carrying amount of amounts due from subsidiaries. The recoverable amounts of the amounts due from subsidiaries is determined based on the present value of the future cash flows expected to be derived from the subsidiaries.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

32. FINANCIAL INSTRUMENTS – continued

32c. Financial risk management objectives and policies – continued

Liquidity risk

In the management of the liquidity risk, the Group and the Company monitor and maintain a level of cash and cash equivalents deemed adequate by the management to finance the operations of the Group and the Company and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings.

The following tables detail the remaining contractual maturity of the Group and the Company for its financial liabilities based on the agreed repayment terms. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

THE GROUP

Liquidity tables

	Weighted average effective interest rate %	Less than 1 month HK$'000	1-3 months HK$'000	3 months to 1 year HK$'000	Over 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2010 HK$'000
2010							
Non-derivative financial liabilities							
Trade and other payables	—	10,255	—	—	—	10,255	10,255
Loans payable	7.00	67,945	—	—	—	67,945	67,551
Bank borrowings	6.37	—	24,046	—	—	24,046	23,669
Total financial liabilities		78,200	24,046	—	—	102,246	101,475
Obligations under finance leases	8.44	2	3	—	—	5	5
		78,202	24,049	—	—	102,251	101,480

32. FINANCIAL INSTRUMENTS – continued

32c. Financial risk management objectives and policies – continued

Liquidity risk – continued

THE GROUP – continued

Liquidity tables – continued

	Weighted average effective interest rate	Less than 1 month	1-3 months	3 months to 1 year	Over 1 year	Total undiscounted cash flows	Carrying amount at 31.12.2009
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2009							
Non-derivative financial liabilities							
Trade and other payables	—	4,098	—	—	—	4,098	4,098
Loans payable	4.20	67,799	—	—	—	67,799	67,403
Bank borrowings	5.31	—	—	23,029	—	23,029	22,727
Total financial liabilities		71,897	—	23,029	—	94,926	94,228
Obligations under finance leases	8.44	2	5	22	7	36	31
		71,899	5	23,051	7	94,962	94,259

The cash flow of variable interest rate instruments is based on the rate outstanding at the end of the reporting period.

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those of interest rates determined at the end of the reporting period.

32. FINANCIAL INSTRUMENTS – continued

32c. Financial risk management objectives and policies – continued

Liquidity risk – continued

THE COMPANY

Liquidity tables

	Weighted average effective interest rate %	Less than 1 month HK$'000	Over 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2010 HK$'000
2010					
Non-derivative financial liabilities					
Other payables	—	10	—	10	10
Amounts due to subsidiaries	—	51,864	—	51,864	51,864
		51,874	—	51,874	51,874

	Weighted average effective interest rate %	Less than 1 month HK$'000	Over 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2009 HK$'000
2009					
Non-derivative financial liabilities					
Other payables	—	756	—	756	756
Amounts due to subsidiaries	—	57,929	—	57,929	57,929
		58,685	—	58,685	58,685

32. FINANCIAL INSTRUMENTS – continued

32d. Fair value

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market bid prices; and
- the fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

32. FINANCIAL INSTRUMENTS – continued

32d. Fair value – continued

	31st December, 2010			
	Level 1	Level 2	Level 3	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Financial assets at FVTPL				
Non-derivative financial assets at FVTPL	230,149	—	12,259	242,408
Available-for-sale				
Listed equity securities	3,824	—	—	3,824

	31st December, 2009			
	Level 1	Level 2	Level 3	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Financial assets at FVTPL				
Non-derivative financial assets at FVTPL	374,440	—	13,109	387,549
Available-for-sale				
Listed equity securities	1,854	—	—	1,854

There is no transfer between Level 1 and 2 in the current year.

Reconciliation of Level 3 fair value measurements of financial assets

	HK$'000
At 1st January, 2009	9,060
Change in fair value in profit or loss	4,049
At 31st December, 2009	13,109
Change in fair value in profit or loss	(850)
At 31st December, 2010	12,259

There is no transfer into/out of level 3 in the current year.

Of the HK$60,900,000 (2009: HK$144,601,000) gain on financial assets at FVTPL recognised in profit or loss, HK$850,000 (2009: HK$4,049,000) related to the Level 3 unlisted convertible debt securities held at the end of the reporting period.

33. OPERATING LEASES

The Group as lessee

The Group made approximately HK$3,951,000 (2009: HK$1,006,000) minimum lease payments under operating leases during the year in respect of certain of its office premises.

At the end of the reporting period, the Group and the Company had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	THE GROUP		THE COMPANY	
	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000
Within one year	4,092	176	3,982	—
In the second to third years inclusive	3,982	110	3,982	—
	8,074	286	7,964	—

Operating lease payments represented rentals payable by the Group and the Company for certain of its office premises. Leases are negotiated for an average term of one to three years and rentals are fixed for an average of one to three years.

34. COMMITMENTS

At 31st December 2009, the Group had a capital commitment of HK$13,903,000,000 (2010:Nil) for capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of a subsidiary. The acquisition was terminated on 20th September, 2010.

35. PLEDGE OF ASSETS

(a) At 31st December, 2010, available-for-sale investments and financial assets at fair value through profit or loss with a carrying value of HK$2,353,000 (2009: HK$1,854,000) and HK$4,451,000 (2009: HK$3,526,000), respectively were pledged to secure margin account credit facilities and banking facilities granted to the Group. As at 31st December, 2010 margin loan of HK$971,000 (2009: Nil) was utilised by the Group and there is no restriction on trading of these available-for-sale investments and financial assets at fair value through profit or loss.

(b) At 31st December, 2010, land use right (included in prepaid lease payments) with a carrying value of approximately HK$9,476,000 (2009: HK$9,304,000) and building (included in property, plant and equipment) with a carrying value of HK$11,513,000 (2009: HK$11,491,000) were pledged to secure a short-term bank loan granted to a subsidiary.

36. RELATED PARTY DISCLOSURES

Compensation of key management personnel

The remuneration of directors who are also identified as members of key management during the years was as follows:

	2010 HK$'000	2009 HK$'000
Short-term benefits	24,435	7,965
Post-employment benefits	83	76
	24,518	8,041

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

37. RETIREMENT BENEFITS SCHEMES

The Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") for all qualifying employees in Hong Kong under the Mandatory Provident Fund Scheme Ordinance. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The employees contribute 5% of the relevant payroll costs to the scheme with a maximum amount of HK$1,000 which contribution is matched by the Group.

The retirement benefit scheme contributions relating to the MPF Scheme charged to the consolidated statement of comprehensive income represent contributions payable to the scheme by the Group at rates specified in the rules of the scheme.

The employees in the Group's wholly owned subsidiaries in the PRC are members of the state-sponsored pension scheme operated by the government in the PRC. The wholly owned subsidiaries are required to contribute a certain percentage of their payroll costs to the pension scheme to fund the benefits. The only obligation of the Group with respect to the pension scheme is to make the required contributions under the scheme. The amount of contributions payable to the pension schemes are charged to the statement of comprehensive income.

The total cost charged to statement of comprehensive income of approximately HK$493,000 (2009: HK$200,000) represents contributions payable to these schemes by the Group.

38. PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries at 31st December, 2010 and 2009 are as follows:

Name of subsidiary	Place of incorporation/ registration and operation	Issued and fully paid ordinary share capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital held by the Company Directly %	Indirectly %	Principal activity
Rich Crown Investments Limited (note a)	Hong Kong	HK$1	—	100	Investments in securities
Super Energy Battery Industries Limited (note a)	Hong Kong	HK$2,500,000	—	80	Investment holding and trading of battery products
Super Energy Group Limited (note a)	Hong Kong	HK$13,000,000	—	80	Investment holding and trading of battery products
Talent Cosmos Limited (note a)	BVI	US$13,000	—	80	Investment holding
Wealthy Gain Limited (note a)	BVI	US$1	100	—	Investments in securities
台山市超量電池有限公司（「台山市超量」）(note b)	PRC	RMB9,183,763	—	80	Manufacturing of battery products
台山市信威電池有限公司（「台山市信威」）(note c)	PRC	US$9,377,653	—	100	Manufacturing of battery products

Notes:

a. These companies are limited liability companies incorporated in the respective jurisdiction.

b. 台山市超量is a non-wholly owned foreign enterprise held by Super Energy Battery Industries Limited and the Group holds 80% effective interest.

c. 台山市信威 is a wholly owned foreign enterprise in the PRC.

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the Group's results for the year or formed a substantial portion of the Group's assets and liabilities. To give details of other subsidiaries would, in the opinion of the directors, results in particulars of excessive length.

None of the subsidiaries had any debt securities subsisting at the end of the year or at any time during the year.

FINANCIAL SUMMARY

(A) RESULTS

	For the year ended 31st December,				
	2006	2007	2008	2009	2010
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Continuing operations					
Revenue	32,846	45,717	18,699	8,246	12,279
Loss before tax	(43,651)	(33,775)	(468,103)	(56,735)	(58,677)
Taxation	(5,782)	(6,595)	15,738	5,042	—
Loss for the year from continuing operations	(49,433)	(40,370)	(452,365)	(51,693)	(58,677)
Discontinued operations					
Loss for the year from discontinued operations	(9,818)	—	—	—	—
Loss for the year	(59,251)	(40,370)	(452,365)	(51,693)	(58,677)
Attributable to:					
Owners of the Company	(38,417)	(40,369)	(452,365)	(51,686)	(58,641)
Non-controlling interests	(20,834)	(1)	—	(7)	(36)
	(59,251)	(40,370)	(452,365)	(51,693)	(58,677)

(B) ASSETS AND LIABILITIES

	At 31st December,				
	2006	2007	2008	2009	2010
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	267,605	422,522	1,362,240	953,661	900,189
Total liabilities	(116,512)	(277,456)	(1,013,142)	(108,781)	(111,797)
	151,093	145,066	349,098	844,880	788,392
Equity attributable to owners of the Company	150,831	144,805	348,837	844,626	788,174
Non-controlling interests	262	261	261	254	218
	151,093	145,066	349,098	844,880	788,392