中策集團有限公司

China Strategic Holdings Limited

(Incorporated in Hong Kong with limited liability)

Stock code: 0235

2011

Annual Report

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Or Ching Fai
(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 Yin Fan
(Independent non-executive Director)
Chow Yu Chun, Alexander
(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

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 31 December, 2011.

In the year of 2011, the global financial crisis continue to affect all aspects of economic activity. During the year, the Group reported a consolidated net loss of approximately HK$70.47 million. The loss was attributable to the loss on financial assets at fair values through profit or loss of approximately HK$25.22 million for the fiscal year of 2011 and compared with a gain on financial assets at fair values through profit or loss of approximately HK$60.90 million for the fiscal year of 2010. On the operating side, the batteries business is still affected by the increasing labour cost, appreciation of Renminbi and more stringent overseas safety requirements, leading up to a drop of revenue for the fiscal year of 2011. When compared with the fiscal year of 2010, revenue of the batteries business have been reported a decrease of HK$2.96 million.

Looking ahead, the road of recovery for the global economy is still full of uncertainties, while investment climate remains uncertain and unpredictable, the management of the Group believes that in order to achieve sustainable financial growth for the Group and to maximize the value of the shareholders, we will stay alert of the changing market conditions and will adopt prudent strategy to explore and seek new investment opportunities to improve its business mix, diversify its business and create value for its shareholders.

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.

Or Ching Fai
Chairman
Hong Kong, 26th March, 2012

During the year under review, the revenue of the Group was manily generated from the manufacturing and trading of batteries products. The increasing labour cost, appreciation of Renminbi and more stringent overseas safety requirements have resulted in a decrease of revenue. When compared with the fiscal year of 2010, the revenue from the batteries business has reported a decrease of approximately HK$2.96 million and the gross profit of the Group has reported an increase of approximately HK$1.61 million while decreased in revenue. It was due to an amount of HK$3.73 million from reversal of write-down on inventories was made because those inventories impaired in prior years were subsequently sold and included in cost of sales. On the other hand, the interest income of the Group for the year ended 31st December, 2011 was approximately HK$5.20 million which had decreased 44% when compared with the year of 2010. The Group also recorded a loss on financial assets at fair value through profit or loss of approximately HK$25.22 million when compared to a gain on financial assets at fair value through profit or loss of approximately HK$60.90 million for last fiscal year. As the legal and professional fee of approximately of HK$75.50 million due to the proposed acquisition of Nan Shan was incurred and recorded in the year of 2010, the administrative expenses for the year of 2011 had decreased by approximately HK$72.76 million to approximately HK$54.87 million. Overall, net loss for the year ended 31st December, 2011 increased by approximately 20% to HK$70.47 million when compared with the net loss of HK$58.68 million for the year of 2010.

During the financial year of 2011, 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, 2011, the Group had working capital calculated by current assets less current liabilities of approximately HK$686.02 million and the current ratio decreased to 6.56, compared with the working capital of approximately HK$754.30 million and current ratio of 7.75 as at 31st December, 2010.

For the year under review, the net cash from operating activities was approximately HK$41.69 million compared with approximately HK$99.71 million in the financial year of 2010. The net cash from investing activities and financing activities were approximately HK$5.19 million and HK$0.59 million, respectively, compared with approximately HK$5.42 million net cash generated from investing activities and approximately HK$4.79 million net cash used in financing activities in the year of 2010.

The Group's bank and other borrowings slightly increased from approximately HK$91.22 million as at 31st December, 2010 to approximately HK$96.96 million as at 31st December, 2011, representing an increase of 6.29%. At 31st December, 2011, bank and other borrowings denominated in Hong Kong dollars was variable rate loans and bank and other borrowings denominated in RMB was fixed rate loans. There were no convertible notes and long term borrowings outstanding. The gearing ratio was approximately 0.17 (31st December, 2010: 0.14) calculated by the total liabilities of HK$123.31 million (31st December, 2010: HK$111.80 million) divided by total shareholders' equity of HK$716.23 million (31st December, 2010: HK$788.17 million).

As at 31st December, 2011, the Group had cash and bank balances amounted to approximately of HK$630.61 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$167.00 million and there was no bank deposit pledged. During the year ended 31st December, 2011, 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.

As at 31st December, 2011, the Group employed 56 staff, the staff cost (excluding directors' emoluments) was around HK$5.34 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. Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 10th June, 2011, a new share option scheme (the "New Option Scheme") was adopted by the Company and the share option scheme adopted on 4th June, 2002 (the " Old Option Scheme") was terminated. Since the adoption of the New Option Scheme, no further options can be granted under the Old Option Scheme. There were no share option granted under the Old Option Scheme and the New Option Scheme during the year ended 31st December, 2011. During the year, no share option granted had been exercised or lapsed. As at 31st December, 2011, the Group has 24,800,000 share options outstanding.

Looking ahead, the road of recovery for the global economy is still full of uncertainties and financial market is likely to remain volatile, the management of the Group will adopt a prudent approach when seeking new investment opportunities. We will continue to look for opportunities to improve our business mix, diversify our business from battery manufacturing with a view to create value for shareholders.

EXECUTIVE DIRECTORS

Mr. Or Ching Fai, aged 62, was appointed as executive director and Chief Executive Officer of the Company in November 2009. Mr. Or was re-designated as chairman of the Company on 2nd March, 2012. 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. Mr. Or is currently an independent non-executive director of Esprit Holdings Limited, a vice-chairman and an independent non-executive director of G-Resources Group Limited and an independent non-executive director of Chow Tai Fook Jewellery Group Limited which shares are all listed on 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 45, 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 Carry Wealth Holdings Limited which shares are listed on the main board of The Stock Exchange of Hong Kong Limited and an independent non-executive director of HanKore Environment Tech Group Limited which shares are 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 61, 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 43, 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 46, was appointed as an executive director of the Company in July 2002. She is a director of various subsidiaries of the Company. Ms. Chan has over 23 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 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. 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 49, 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Ma Yin Fan, aged 48, was appointed as an 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 chairman of Audit Committee and a member of 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. Chow Yu Chun, Alexander, aged 65, was appointed as an independent non-executive Director of the Company in March 2011. Mr. Chow has over 30 years of experience in property development and investment in Hong Kong. Mr. Chow joined New World Development Company Limited (the "New World Group") in 1973 and was responsible for the financial operations of the New World Group. Mr. Chow is a fellow member of the Association of Chartered Certified Accountants (UK) and a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants. Mr. Chow is a member of Audit Committee and chairman of Remuneration Committee of the Company. Mr. Chow is currently a non-executive director of New World China Land Limited, an independent non-executive director of Playmates Toys Limited and Top Form International Limited, the shares of which are listed on The Stock Exchange of Hong Kong Limited. During the last three years, Mr. Chow had been an executive director of New World China Land Limited up to his re-designation as a non-executive director of New World China Land Limited on 1st January, 2011, the shares of which are listed on The Stock Exchange of Hong Kong Limited. Save as aforesaid, Mr. Chow did not hold any directorships in other listed public companies in the past three years.

Mr. Leung Hoi Ying, aged 61, was appointed as an 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 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, 14 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 (resigned on 2nd March, 2012)	5
Or Ching Fai	8
Yau Wing Yiu	6
Chan Ling, Eva	4
Hui Richard Rui	9
Chiu Ching Ching	4
Lee Sun Man (passed away on 18th March, 2011)	0
Chow Kam Wah	9
Ma Yin Fan	4
Phillip Fei (resigned on 31st March 2011)	3
Leung Hoi Ying	3
Chow Yu Chun, Alexander (appointed on 31st March 2011)	2

Each of our independent non-executive Directors in 2011 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 2011 are 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 (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, and three independent non-executive Directors, being Ms. Ma Yin Fan, Mr. Chow Yu Chun, Alexander 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.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code Provision A2.1 requires the roles of the chairman and chief executive officer should be separate and should not be performed by the same individual. The Company has deviated from the requirement since 2nd March, 2012 due to the resignation of the chairman and Mr. Or Ching Fai has been re-designated as chairman of the company. Since then, Mr. Or acted as an Executive Director, Chairman and Chief Executive Officer. Although this arrangement constitutes a deviation from the Code, the Board considers that the structure, where the leadership of the Board is distinct from the executive responsibilities for running of the business operations, will not impair the balance of power and authority between the Board and the management of the business, the Board further believes that vesting the roles of Chairman and Chief Executive Officer in the same person provides the Company with strong and consistent leadership in the development and execution of long-term business strategy.

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. Chow Yu Chun, Alexander(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 2011 to discuss remuneration matters of the staff for 2011. The members and attendance of the meeting are as follows:

Name of member	Number of attendance
Phillip Fei (resigned on 31st March 2011)	1
Leung Hoi Ying	1
Ma Yin Fan	1
Chow Yu Chun, Alexander (appointed on 31st March 2011)	0

In order to attract, retain, and motivate executives and key employees serving for the Group, the Company has adopted a New Option Scheme on 10th June, 2011 and the Old Option Scheme was terminated accordingly. 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 New Option Scheme are set out in the Director's Report and note 27 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. Chow Yu Chun, Alexander 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 will be submitted to the Board for consideration.

AUDIT COMMITTEE – continued

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 2011. The members and attendance of the meetings are as follows:

Name of member	Number of attendance
Ma Yin Fan	2
Phillip Fei (resigned on 31st March 2011)	1
Leung Hoi Ying	2
Chow Yu Chun, Alexander (appointed on 31st March 2011)	1

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 2011 annual general meeting until the conclusion of the next annual general meeting.

During the year, the Company paid approximately HK$1.39 million to Deloitte Touche Tohmatsu in which approximately HK$0.93 million is related to statutory audit. The remaining was paid for the provision of non-statutory audit services amounted to approximately HK$0.46 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 19 to 20 of this Annual Report.

The directors present their annual report and the audited consolidated financial statements for the year ended 31st December, 2011.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its principal subsidiaries are set out in notes 35 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31st December, 2011 are set out in the consolidated statement of comprehensive income on page 21.

The directors do not recommend the payment of a final dividend.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate sales attributable to the Group's five largest customers were approximately 51% of the Group's total sales and the sales attributable to the Group's largest customer were approximately 17% of the Group's total sales.

The aggregate purchases attributable to the Group's five largest suppliers were approximately 73% of the Group's total purchases and the purchases attributable to the Group's largest supplier were approximately 21% 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.

PROPERTY, PLANT AND EQUIPMENT

Movement in the property, plant and equipment of the Group during the year are set out in note 13 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 26 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, 2011, 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 (Chairman and Chief Executive Officer)
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 (resigned on 2nd March, 2012)

Independent non-executive directors:
Mr. Chow Yu Chun, Alexander (appointed on 31st March, 2011)
Mr. Leung Hoi Ying
Ms. Ma Yin Fan
Mr. Phillip Fei (resigned on 31st March, 2011)

In accordance with Article 116 of the Company's Articles of Association, Mr. Or Ching Fai, Mr. Yau Wing Yiu and Mr. Chow Kam Wah 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, 2011, 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	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

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, 2011, 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 27 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 1.1.2011	Number of shares: Granted/ lapsed during the year	Number of shares: At 31.12.2011
Eligible participants other than directors	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, 2011, 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, 2011, except for the following deviations:

Code Provision A2.1 requires the roles of the Chairman and chief executive officer should be separate and should not be performed by the same individual. The Company has deviated from the requirement since 2nd March, 2012 due to the resignation of the Chairman. The Board believes that vesting the roles of Chairman and Chief Executive Officer in the same person provides the Company with strong and consistent leadership in the development and execution of long-term business strategy.

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.

Further information of the Company's corporate governance practice is set out in the Corporate Governance Report on Pages 9 to 12.

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 27 to the consolidated financial statements.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year up to the date of this Annual Report, none of the Directors, or any of their respective associates (as defined in the Listing Rules) had any material interest in a business that competes or may compete with the business of the Group.

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
Chairman
26th March, 2012

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 21 to 71, which comprise the consolidated and company statements of financial position as at 31st December, 2011, 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 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, 2011, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
26th March, 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December, 2011

	NOTES	2011 HK$'000	2010 HK$'000
Revenue	5	9,319	12,279
Cost of sales		(5,283)	(9,850)
Gross profit		4,036	2,429
Other income	6	11,037	13,783
Selling and distribution costs		(236)	(636)
Administrative expenses		(54,872)	(127,636)
Other gains or losses	7	6	(2,529)
Finance costs	8	(5,222)	(4,988)
(Loss) gain on financial assets at fair value through profit or loss		(25,216)	60,900
Loss before tax		(70,467)	(58,677)
Taxation	9	—	—
Loss for the year	10	(70,467)	(58,677)
Other comprehensive income (expense)			
Exchange differences arising on translation of foreign operations		402	219
Fair value changes of available-for-sale investments		(2,215)	1,970
Other comprehensive (expense) income for the year		(1,813)	2,189
Total comprehensive expense for the year		(72,280)	(56,488)
Loss for the year attributable to:			
Owners of the Company		(70,131)	(58,641)
Non-controlling interests		(336)	(36)
		(70,467)	(58,677)
Total comprehensive expense attributable to:			
Owners of the Company		(71,944)	(56,452)
Non-controlling interests		(336)	(36)
		(72,280)	(56,488)
Loss per share			
- Basic and diluted	12	HK(1.90) cents	HK(1.59) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st December, 2011

	NOTES	2011 HK$'000	2010 HK$'000
Non-current Assets			
Property, plant and equipment	13	15,063	16,906
Prepaid lease payments	14	12,600	12,542
Club debentures	16	825	825
Available-for-sale investments	17	1,609	3,824
		30,097	34,097
Current Assets			
Inventories	18	1,954	2,452
Trade and other receivables	19	9,435	37,782
Prepaid lease payments	14	334	327
Financial assets at fair value through profit or loss	20	166,997	242,408
Bank balances and cash	21	630,609	583,123
		809,329	866,092
Current Liabilities			
Trade payables, other payables and accrued charges	22	19,390	13,608
Loans payable	23	96,960	67,551
Income tax payable		6,964	6,964
Bank borrowings	24	—	23,669
Obligations under finance leases	25	—	5
		123,314	111,797
Net Current Assets		686,015	754,295
Total Assets less Current Liabilities		716,112	788,392
Capital and Reserves			
Share capital	26	369,918	369,918
Reserves		346,312	418,256
Equity attributable to owners of the Company		716,230	788,174
Non-controlling interests		(118)	218
Total Equity		716,112	788,392

The consolidated financial statements on pages 21 to 71 were approved and authorised for issue by the Board of Directors on 26th March, 2012 and are signed on its behalf by:

Or Ching Fai
Chairman

Yau Wing Yiu
Director

STATEMENT OF FINANCIAL POSITION

At 31st December, 2011

	NOTES	2011 HK$'000	2010 HK$'000
Non-current Assets			
Property, plant and equipment	13	3,115	4,014
Prepaid lease payments	14	3,159	3,276
Investments in subsidiaries	15	—	57,883
Club debentures	16	825	825
		7,099	65,998
Current Assets			
Prepaid lease payments	14	117	117
Amounts due from subsidiaries	15	456,379	542,574
Other receivables, deposits and prepayments		10,497	23,868
Bank balances and cash	21	342,095	197,141
		809,088	763,700
Current Liabilities			
Other payables and accrued charges		5,380	4,880
Amounts due to subsidiaries	15	51,857	51,864
		57,237	56,744
Net Current Assets		751,851	706,956
Total Assets less Current Liabilities		758,950	772,954
Capital and Reserves			
Share capital	26	369,918	369,918
Reserves	28	389,032	403,036
Total Equity		758,950	772,954

The statement of financial position of the Company on page 23 was approved and authorised for issue by the Board of Directors on 26th March, 2012 and are signed on its behalf by:

Or Ching Fai
Chairman

Yau Wing Yiu
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December, 2011

	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	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, 2010	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)
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	219	–	–	219	–	219
Fair value changes of available-for-sale investments	–	–	–	–	–	1,970	–	–	–	1,970	–	1,970
Total comprehensive income (expense) 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
Loss for the year	–	–	–	–	–	–	–	–	(70,131)	(70,131)	(336)	(70,467)
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	402	–	–	402	–	402
Fair value changes of available-for-sale investments	–	–	–	–	–	(2,215)	–	–	–	(2,215)	–	(2,215)
Total comprehensive (expense) income for the year	–	–	–	–	–	(2,215)	402	–	(70,131)	(71,944)	(336)	(72,280)
At 31st December, 2011	369,918	846,242	1,267	11,397	233	3,768	9,889	1,943	(528,427)	716,230	(118)	716,112

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, 2011

	2011 HK$'000	2010 HK$'000
OPERATING ACTIVITIES		
Loss before tax	(70,467)	(58,677)
Adjustments for:		
Finance costs	5,222	4,988
Interest income	(5,198)	(9,364)
Depreciation of property, plant and equipment	2,357	885
(Gain) loss on disposal of property, plant and equipment	(5)	6
Release of prepaid lease payments	334	327
Reversal of allowance for doubtful debts	—	(740)
Impairment loss on unlisted available-for-sale investments	—	2,035
Loss (gain) on financial assets at fair value through profit or loss	25,216	(60,900)
Operating cash flows before movements in working capital	(42,541)	(121,440)
Decrease(increase) in inventories	498	(1,274)
Decrease in trade and other receivables	28,396	13,750
Decrease in financial assets at fair value through profit or loss	50,195	206,041
Increase in trade payables, other payables and accrued charges	5,143	2,636
NET CASH FROM OPERATING ACTIVITIES	41,691	99,713
INVESTING ACTIVITIES		
Interest received	5,198	9,364
Purchase of property, plant and equipment	(4)	(3,946)
NET CASH FROM INVESTING ACTIVITIES	5,194	5,418
FINANCING ACTIVITIES		
New loan raised	24,679	—
Repayment of bank borrowings	(23,669)	—
Interest paid	(411)	(1,413)
Repayment of obligations under finance leases	(5)	(26)
Repayment of loans payable	—	(3,352)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	594	(4,791)
NET INCREASE IN CASH AND CASH EQUIVALENTS	47,479	100,340
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	583,123	482,769
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	7	14
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, REPRESENTED BY BANK BALANCES AND CASH	630,609	583,123

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 Corporation Information section of the annual report.

The Company and its subsidiaries (the "Group") are mainly engaged 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 35.

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 HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"):

Amendments to HKFRSs	Improvements to HKFRSs issued in 2010
HKAS 24 (as revised in 2009)	Related Party Disclosures
Amendments to HKAS 32	Classification of Rights Issues
Amendments to HK(IFRIC) - Int 14	Prepayments of a Minimum Funding Requirement
HK (IFRIC) - Int 19	Extinguishing Financial Liabilities with Equity Instruments

The application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and revised Standards and Interpretations issued but not yet effective

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

Amendments to HKFRS 7	Disclosures - Transfers of Financial Assets[1]
	Disclosures - Offsetting Financial Assets and Financial Liabilities[2]
Amendments to HKFRS 7 and HKFRS 9	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[5]
Amendments to HKAS 12	Deferred Tax - Recovery of Underlying Assets[4]
HKAS 19 (as revised in 2011)	Employee Benefits[2]
HKAS 27 (as revised in 2011)	Separate Financial Statements[2]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[6]
HK(IFRIC) - Int 20	Stripping Costs in the Production Phase of a Surface Mine[2]

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

[1] Effective for annual periods beginning on or after 1st July, 2011.
[2] Effective for annual periods beginning on or after 1st January, 2013.
[3] Effective for annual periods beginning on or after 1st January, 2015.
[4] Effective for annual periods beginning on or after 1st January, 2012.
[5] Effective for annual periods beginning on or after 1st July, 2012.
[6] Effective for annual periods beginning on or after 1st January, 2014.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

- HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at 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 subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. 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 recognition 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.

Based on the consolidated statement of financial position of the Group for the year ended 31st December, 2011, the directors anticipate that the adoption of HKFRS 9 is not expected to have a significant impact on amounts reported in respect of the Group's financial assets and financial liabilities, except for available-for-sale investments.

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 (effective from 1st January, 2010 onwards).

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 the goods are delivered and titles have passed, at which time 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 income can be measured reliably. Interest income 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 leasehold land (classified as finance leases) and buildings held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress) are stated in the consolidated statement of financial position 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 construction in progress) 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. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Property, plant and equipment – continued

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 is recognised in profit or loss.

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.

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, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. 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.

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 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.

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) using the exchange rates prevailing at the end of each reporting period. Income and expenses items 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 under the heading of exchange reserve.

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 in profit or loss in the period in which they are incurred.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average cost method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Retirement benefit costs

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

3. SIGNIFICANT ACCOUNTING POLICIES – continued

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.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, 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 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.

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.

Current and deferred tax are recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

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. The classification depends on the nature and purpose of the financial assets and is determined at the time. 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 instruments – 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 at 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

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 considered to be 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;
- default or delinquency in interest or principal payments;
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

Trade receivables that are assessed not to be impaired individually are, in addition, 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, the amount of impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

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 is 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.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

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 through profit or loss. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in investment revaluation reserve.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

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 (including all fees and points 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 liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

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

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

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.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

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. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

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 (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

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 original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, 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, 2011, the balance of other receivables was HK$8,102,000 (2010: HK$36,155,000).

Estimated write-down 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, a write-down on inventories is recognised in profit or loss. As at 31st December, 2011, the carrying amount of inventories is HK$1,954,000 (2010: HK$2,452,000).

5. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision makers, 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, 2011			
Gross proceeds	60,778	9,319	70,097
SEGMENT REVENUE			
External sales	—	9,319	9,319
RESULT			
Segment result	(21,222)	(8,303)	(29,525)
Other income			1,047
Central administrative expenses			(36,767)
Finance costs			(5,222)
Loss before tax			(70,467)

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, 2010			
Gross proceeds	225,965	12,279	238,244
SEGMENT 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)

Other Segment Information

	Investment in securities HK$'000	Battery products HK$'000	Consolidated HK$'000
For the year ended 31st December, 2011			
Amounts included in the measure of segment profit or loss:			
Depreciation of property, plant and equipment	1,164	1,193	2,357
Loss on financial assets at fair value through profit or loss	25,216	—	25,216
Release of prepaid lease payments	117	217	334

5. SEGMENT INFORMATION – continued

Other Segment Information – continued

	Investment in securities HK$'000	Battery products HK$'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 allowance for doubtful debts	—	(740)	(740)

Segment assets and liabilities

As the Group's segment assets and liabilities are not regularly provided to the Company'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 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.

Information about the Group's revenue from external customers by geographical location of the customers is presented based on the location of the operations. Information about the Group's non-current assets is presented based on the geographical location of the assets.

	Revenue from external customers Year ended 31st December,		Non-current assets (Note) As at 31st December,	
	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000
The PRC	8,607	9,944	21,290	25,475
Hong Kong	712	2,335	7,198	4,798
	9,319	12,279	28,488	30,273

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,	
	2011 HK$'000	2010 HK$'000
Customer A	1,600	—
Customer B	1,017	—
Customer C	—	1,858
Customer D	—	1,595

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

6. OTHER INCOME

	2011 HK$'000	2010 HK$'000
Interest income	5,198	9,364
Dividend income from listed securities held for trading	3,840	4,409
Others	1,999	10
	11,037	13,783

7. OTHER GAINS OR LOSSES

	2011 HK$'000	2010 HK$'000
Exchange gain (loss), net	1	(488)
Impairment loss on unlisted available-for-sale investments	—	(2,035)
Gain (loss) on disposal of property, plant and equipment	5	(6)
	6	(2,529)

8. FINANCE COSTS

	2011 HK$'000	2010 HK$'000
Interest on borrowings wholly repayable within five years:		
Loans payable	4,730	3,500
Bank borrowings	490	1,481
Obligations under finance leases	2	7
	5,222	4,988

9. TAXATION

No provision for Hong Kong Profits Tax and the PRC Enterprise Income Tax is made for the year ended 31st December, 2011 and 2010 since the assessable profit is wholly absorbed by tax losses brought forward.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

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:

	2011 HK$'000	2010 HK$'000
Loss before tax	(70,467)	(58,677)
Tax at the domestic income tax rate of 16.5%	(11,627)	(9,682)
Tax effect of expenses not deductible for tax purpose	13,480	27,813
Tax effect of income not taxable for tax purpose	(1,491)	(1,545)
Utilisation of tax losses previously not recognised	(18)	(16,175)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(344)	(411)
Taxation for the year	—	—

As at 31st December, 2011, the Group and the Company have unused tax losses of approximately HK$3,860,000 and HK$3,612,000 respectively, (2010: HK$3,969,000 and HK$3,642,000 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.

10. LOSS FOR THE YEAR

	2011 HK$'000	2010 HK$'000
Loss for the year has been arrived at after charging:		
Staff costs		
– directors' emoluments (note 11(a))	24,230	24,518
– other staff salaries, wages and other benefits	5,137	6,268
– retirement benefits schemes contributions, excluding directors	200	410
Total staff costs	29,567	31,196
Auditor's remuneration	898	928
Depreciation of property, plant and equipment	2,357	885
Release of prepaid lease payments	334	327
Cost of inventories recognised as expense	5,283	9,850
Legal and professional fee (included in administrative expenses) (note)	1,149	75,502
and after crediting:		
Reversal of allowance for doubtful debts	—	(740)

Note:

During the year ended 31st December, 2010, the Group incurred legal and professional fee of approximately HK$75,502,000 mainly due to 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.

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the 12 (2010: 11) directors were as follows:

		2011					2010				
	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 benefits HK$'000	Retirement benefits scheme contributions HK$'000	Bonus HK$'000	Total HK$'000
Non-executive directors											
– Mr. Ma Si Hang, Frederick	(a)	3,500	—	—	—	3,500	3,500	—	—	—	3,500
Independent non-executive directors											
– Mr. Phillip Fei	(b)	25	—	—	—	25	100	—	—	—	100
– Mr. Leung Hoi Ying		100	—	—	—	100	100	—	—	—	100
– Ms. Ma Yin Fan		150	—	—	—	150	150	—	—	—	150
– Mr. Chow Yu Chun, Alexander	(c)	113	—	—	—	113	—	—	—	—	—
		3,888	—	—	—	3,888	3,850	—	—	—	3,850
Executive directors											
– Mr. Or Ching Fai		—	10,010	12	3,000	13,022	—	10,010	12	3,000	13,022
– Mr. Yau Wing Yiu		—	3,000	12	—	3,012	—	3,000	11	—	3,011
– Ms. Chiu Ching Ching		—	260	12	—	272	—	260	12	—	272
– Mr. Hui Richard, Rui		—	780	12	—	792	—	780	12	—	792
– Ms. Chan Ling, Eva		—	1,720	12	150	1,882	—	1,560	12	65	1,637
– Mr. Lee Sun Man	(d)	—	137	3	—	140	—	585	12	80	677
– Mr. Chow Kam Wah		—	910	12	300	1,222	—	845	12	400	1,257
		—	16,817	75	3,450	20,342	—	17,040	83	3,545	20,668
Total		3,888	16,817	75	3,450	24,230	3,850	17,040	83	3,545	24,518

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS – continued

(a) DIRECTORS' EMOLUMENTS – continued

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) Resigned on 2nd March, 2012

(b) Resigned on 31st March, 2011

(c) Appointed on 31st March, 2011

(d) Deceased on 18th March, 2011

During both years, 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, 2011 and 2010.

(b) EMPLOYEES' EMOLUMENTS

The five highest paid individuals in the Group in 2011 and 2010 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$70,131,000 (2010: HK$58,641,000) and the weighted average number of 3,699,183,927 (2010: 3,699,183,927) ordinary shares in issue during the year.

The computation of diluted loss per share for the year ended 31st December, 2011 and 2010 does not include adjustments for the Company's outstanding share options as they have anti-dilutive effect.

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Machinery and equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
THE GROUP							
COST							
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 1st January, 2011	65,018	25,708	9,479	174,738	2,226	2,942	280,111
Exchange adjustments	2,575	999	254	1,448	21	120	5,417
Additions	—	—	4	—	—	—	4
Disposals	—	(1,841)	(1,388)	(10,963)	(498)	—	(14,690)
At 31st December, 2011	67,593	24,866	8,349	165,223	1,749	3,062	270,842
DEPRECIATION AND IMPAIRMENT							
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 1st January, 2011	52,034	25,708	5,932	174,738	1,851	2,942	263,205
Exchange adjustments	2,104	999	211	1,448	25	120	4,907
Provided for the year	1,499	—	840	—	18	—	2,357
Eliminated on disposals	—	(1,841)	(1,388)	(10,963)	(498)	—	(14,690)
At 31st December, 2011	55,637	24,866	5,595	165,223	1,396	3,062	255,779
CARRYING VALUES							
At 31st December, 2011	11,956	—	2,754	—	353	—	15,063
At 31st December, 2010	12,984	—	3,547	—	375	—	16,906

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, 2010	2,125	1,905	923	541	5,494
Additions	—	2,493	50	—	2,543
At 1st January, 2011	2,125	4,398	973	541	8,037
Additions	—	4	—	—	4
At 31st December, 2011	2,125	4,402	973	541	8,041
DEPRECIATION					
At 1st January, 2010	537	1,164	898	541	3,140
Provided for the year	116	748	19	—	883
At 1st January, 2011	653	1,912	917	541	4,023
Provided for the year	71	814	18	—	903
At 31st December, 2011	724	2,726	935	541	4,926
CARRYING VALUES					
At 31st December, 2011	1,401	1,676	38	—	3,115
At 31st December, 2010	1,472	2,486	56	—	4,014

The above items of property, plant and equipment, except for 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%

At 31st December, 2011 and 2010, the buildings of the Group are situated on land in the PRC under medium-term land use right.

As at 31st December, 2010, the carrying value of certain furniture and fixtures of the Group includes an amount of approximately HK$4,000 (2011: nil) in respect of assets held under finance leases.

At 31st December, 2010, a building with a carrying value of HK$11,513,000 was pledged to secure a short-term bank loan granted to a subsidiary. The pledge was released during the year ended 31st December, 2011 upon repayment of the said bank loan.

14. PREPAID LEASE PAYMENTS

	THE GROUP		THE COMPANY	
	2011	2010	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000
Analysed for reporting purposes as:				
Current asset	334	327	117	117
Non-current asset	12,600	12,542	3,159	3,276
	12,934	12,869	3,276	3,393

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 pledged the land use right with a carrying value of HK$9,476,000 to a bank to secure a short-term bank loan granted to a subsidiary. The pledge was released during the year ended 31st December, 2011 upon repayment of the said bank loan.

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

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 investments in subsidiaries and amounts due from subsidiaries to determine whether there is any indication that those assets have suffered an impairment loss.

The recoverable amounts of investments in subsidiaries and amounts due from subsidiaries 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 31 December, 2011, the Company has fully provided for investments in subsidiaries which represent the Company's interest in the unlisted equity of the subsidiaries of HK$57,883,000. Cumulative impairment loss on investments in subsidiaries is HK$135,465,000 (2010: HK$77,582,000).

At 31st December, 2011 and 2010, the amounts due from subsidiaries amount to HK$456,379,000 and HK$542,574,000, respectively, net of impairment loss on the amounts due from subsidiaries of HK$832,225,000 and HK$913,044,000 respectively.

At 31st December, 2011 and 2010, the Company does not hold any collateral over the balances.

The principal activities of the principal subsidiaries are set out in note 35.

16. CLUB DEBENTURES

THE GROUP AND THE COMPANY

The club debentures represent the club memberships 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	
	2011 HK$'000	2010 HK$'000
Listed investments, at fair value:		
– Equity securities listed in Hong Kong	1,609	3,824
Unlisted investments, at cost less impairment:		
– Equity securities	—	—
Total	1,609	3,824
Analysed for reporting purposes as:		
Non-current assets	1,609	3,824

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 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. 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 (2011: nil).

18. INVENTORIES

	THE GROUP	
	2011	2010
	HK$'000	HK$'000
Raw materials	1,835	1,128
Finished goods	119	1,324
	1,954	2,452

19. TRADE AND OTHER RECEIVABLES

	THE GROUP	
	2011	2010
	HK$'000	HK$'000
Trade receivables	1,333	1,627
Less: allowance for doubtful debts	—	—
	1,333	1,627

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	
	2011	2010
	HK$'000	HK$'000
0-90 days	921	1,597
Over 90 days	412	30
	1,333	1,627

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 trade receivables which were neither past due nor impaired have no history of default.

19. TRADE AND OTHER RECEIVABLES – continued

At 31st December, 2011, included in the Group's trade receivable balance were debtors with aggregate carrying amount of approximately HK$412,000 (2010: HK$30,000) 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.

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

	THE GROUP	
	2011 HK$'000	2010 HK$'000
91 - 180 days	202	30
Over 180 days	210	—
	412	30

It is the Group's policy to provide 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. At 31st December, 2011, no receivables aged over 365 days were included in the Group's receivable balance.

Movement in the allowance for doubtful debts

	THE GROUP	
	2011 HK$'000	2010 HK$'000
At 1st January	—	740
Impairment losses reversed	—	(740)
At 31st December	—	—

Included in other receivables are unrestricted deposits of approximately HK$1,120,000 (2010: HK$28,390,000) placed with securities brokers for trading securities in Hong Kong which is non-interest bearing, and an advance to an independent third party of HK$2,843,000 (2010: HK$5,760,000), which is unsecured, interest-free and repayable on demand. 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	
	2011 HK$'000	2010 HK$'000
Listed securities held for trading, at fair value:		
Equity securities listed in Hong Kong	156,980	230,149
Unlisted hybrid securities designated as financial assets at FVTPL:		
Convertible notes issued by a Hong Kong listed issuer	10,017	12,259
	166,997	242,408

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 "Old Convertible Notes"). The Old Convertible Notes with zero-coupon rate and maturity date of 14th October, 2011 were redeemed on maturity date at principal amount. This resulted in a loss of HK$2,659,000 which was recognised in the consolidated statement of comprehensive income for the year.

During the year 31st December, 2011, the Group acquired convertible notes of principal amount of HK$10,000,000 issued by a Hong Kong listed issuer (the "New Convertible Notes"). The New Convertible Notes carry 5% coupon rate and will mature on 12th October, 2014.

The Group has the right, at any time following the date of issue of the New Convertible Notes until the date falling 7 days before (and excluding) the maturity date, to convert the whole principal amount of the New Convertible Notes into ordinary shares at conversion price of HK$1.00, by giving prior written notice to the issuer.

The issuer has the right at any time from the date of issue of the New Convertible Notes and inclusive of the maturity date to redeem the whole or any part (in an amount or integral multiple of HK$1,000,000) of the aggregate outstanding principal amount of the New Convertible Note at principal amount outstanding plus any interest accrued at the redemption date, unless a conversion notice have previously been given by the Group to the issuer in accordance with the terms and conditions of the New Convertible Notes.

The hybrid instrument comprising debt component and embedded derivate of the New and Old Convertible Notes are designated as financial assets at fair value through profit or loss on initial recognition and subsequently measured at fair value.

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

During the year ended 31st December 2011, an increase in fair value of HK$17,000 is recognised in the consolidated statement of comprehensive income for the New Convertible Notes. At 31st December, 2011, the fair value of the debt component of the New Convertible Notes is determined using the prevailing market interest rate of 14.51% while the fair value of the embedded derivative of the New Convertible Notes is determined using Trinomial Lattice Model by an independent professional valuer with the following inputs:

Valuation date share price: HK$0.970
Exercise price: HK$1.00
Expected life: 3 years
Expected volatility: 64.40%
Dividend yield: Nil
Risk-free rate: 0.4912%

During the year ended 31st December, 2010, a decrease in fair value of HK850,000 is recognised in the consolidated statement of comprehensive income for the Old Convertible Notes. At 31st December, 2010, the fair value of the debt component of the Old Convertible Notes is determined using the prevailing market interest rate of 6.03% while the fair value of the conversion component of the Old Convertible Notes is determined using Black Scholes Model by an independent professional valuer with the following assumptions:

	At redemption date	At 31st December, 2010
Valuation date share price:	HK$1.490	HK$1.780
Exercise price:	HK$1.478	HK$1.478
Expected life:	N/A	0.79 years
Expected volatility:	43.76%	50.88%
Dividend yield:	Nil	Nil
Risk-free rate:	0.065%	0.331%

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 1.94% (2010: 0.01% to 0.31%) 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$1,711,000 (2010: HK$1,555,000) with the following aged analysis based on invoice date at the end of the reporting period:

	THE GROUP	
	2011	2010
	HK$'000	HK$'000
0 - 90 days	1,558	476
91-180 days	66	251
Over 180 days	87	828
	1,711	1,555

The average credit period is 90 days.

Included in other payables as at 31st December, 2011 is margin loan payable approximately HK$1,053,000 (2010: HK$971,000) for acquisition of financial assets at fair value through profit or loss. The remaining balances are unsecured, interest-free and repayable on demand.

23. LOANS PAYABLE

As at 31st December, 2011, the loans payable of the Group represent two loans with a total principal amount of HK$74,679,000 plus interest of HK$22,281,000 (2010: HK$17,551,000) payable to independent third parties. The loan with principal amount of HK$50,000,000 (2010: HK$50,000,000) carries interest at Hong Kong Prime Rate quoted by HSBC plus 2% (2010: Hong Kong Prime Rate quoted by HSBC plus 2%) per annum. Effective interest rate for this loan for the year ended 31st December, 2011 is 7% (2010: 7%) per annum, while the remaining balance carries fixed interest rate at 6.6% per annum. Both loans are unsecured and repayable on demand.

24. BANK BORROWINGS

	THE GROUP	
	2011 HK$'000	2010 HK$'000
Secured bank borrowings repayable within one year	—	23,669

At 31st December, 2010, the amount represented variable-rate bank borrowings which carried interest at prevailing market rate ranging from 5.31% to 6.37% per annum. The amount was fully repaid during the year ended 31st December, 2011.

25. OBLIGATIONS UNDER FINANCE LEASES

The Group leased certain of its furniture and fixtures under finance leases. The average lease term was 5 years. Interest rates underlying all obligations under finance leases were fixed at respective contract dates of 8.44% per annum. These leases have no terms of renewal or purchase options and escalation clauses.

	Minimum lease payments		Present value of minimum lease payments	
	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000
Amounts payable under finance leases				
Within one year	—	7	—	5
	—	7	—	5
Less: future finance charges	—	(2)		
Present value of lease obligations	—	5		
Less: Amount due within one year			—	(5)
Amount due after one year			—	—

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

26. SHARE CAPITAL OF THE COMPANY

	Number of shares	Share capital HK$'000
Ordinary shares of HK$0.10 each		
Authorised:		
At 1st January, 2010	8,000,000,000	800,000
Increase on 16th March, 2010 (Note)	192,000,000,000	19,200,000
At 31st December, 2010 and 31st December, 2011	200,000,000,000	20,000,000
Issued and fully paid:		
At 1st January, 2010, 31st December, 2010 and 31st December, 2011	3,699,183,927	369,918

Note: Pursuant to a resolution passed on 16th March, 2010, the Company's authorised share capital was increased from HK$800,000,000 to HK$20,000,000,000 by the creation of an additional 192,000,000,000 ordinary shares of HK$0.10 each in aggregate.

27. SHARE-BASED PAYMENT TRANSACTIONS

On 4th June, 2002, the Company adopted a share option scheme ("Old Option Scheme") which is effective for a period of ten years for the primary purpose of providing incentives to directors and eligible employees. Under the Old Option 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. Options granted must be taken up within 30 days of the date of grant, upon payment of HK$1 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 Old Option 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 Old Option 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 Old Option Scheme at any point in time, without prior approval from the Company's shareholders.

27. SHARE-BASED PAYMENT TRANSACTIONS – continued

Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 10th June, 2011, a new share option scheme (the "New Option Scheme") was adopted by the Company and the Old Option Scheme was terminated. Since the adoption of the New Option Scheme, no further options can be granted under the Old Option Scheme.

There were no share option granted under the Old Option Scheme and the New Option Scheme during the year ended 31st December, 2011. During the year, no share option granted had been exercised or lapsed. As at 31st December, 2011, the Group has 24,800,000 (2010: 24,800,000) share options outstanding.

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 1.1.2010, 31.12.2010 and 31.12.2011
Eligible participants other than directors	10.7.2007	10.7.2007 to 9.7.2012	0.724	20,400,000
Executive director: Chan Ling, Eva	10.7.2007	10.7.2007 to 9.7.2012	0.724	4,400,000
				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, 2011 and 2010, no share options granted had been exercised.

The total number of shares available for issue under the New Option Scheme is 369,918,392 represent 10% of the issued capital of the Company as at 31st December, 2011.

28. RESERVES OF THE COMPANY

	Share premium HK$'000	Special capital reserve HK$'000	Share option reserve HK$'000	Capital redemption reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
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 1st January, 2011	846,242	1,267	11,397	233	(456,103)	403,036
Loss for the year and total comprehensive expense for the year	—	—	—	—	(14,004)	(14,004)
At 31st December, 2011	846,242	1,267	11,397	233	(470,107)	389,032

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, 2011 (2010: Nil).

29. 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 loans payable and bank borrowings disclosed in notes 23 and 24, 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.

30. FINANCIAL INSTRUMENTS

30a. Categories of financial instruments

Statement of financial position	THE GROUP 2011 HK$'000	THE GROUP 2010 HK$'000	THE COMPANY 2011 HK$'000	THE COMPANY 2010 HK$'000
Financial assets				
Loans and receivables				
(including cash and cash equivalents)	638,295	620,322	807,215	740,408
Available-for-sale financial assets	1,609	3,824	—	—
Fair value through profit or loss				
Held for trading	156,980	230,149	—	—
Designated at FVTPL	10,017	12,259	—	—
Financial liabilities				
Amortised cost	102,103	101,475	51,879	51,874

30b. Statement of comprehensive income

	THE GROUP 2011 HK$'000	THE GROUP 2010 HK$'000	THE COMPANY 2011 HK$'000	THE COMPANY 2010 HK$'000
Available-for-sale investments				
Impairment loss	—	(2,035)	—	—
Financial assets at FVTPL-				
Held for trading				
Fair value changes	(22,574)	61,750	—	—
Designated at FVTPL				
Fair value changes	(1,831)	(850)	—	—
Loss on redemption	(811)	—	—	—

30c. Financial risk management objectives and policies

The Group's major financial instruments 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.

30. FINANCIAL INSTRUMENTS – continued

30c. Financial risk management objectives and policies – continued

Market risk

(i) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to a fixed-rate loan payable (see note 23). It is also exposed to cash flow interest rate risk in relation to variable-rate bank balances, loan 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 variable-rate loan payable and bank borrowings) of the Group at the end of the reporting period. The analysis is prepared assuming the amount 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, 2011 of the Group would increase/decrease by HK$209,000 (2010: HK$368,000).

(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.

30. FINANCIAL INSTRUMENTS – continued

30c. Financial risk management objectives and policies – continued

Market risk – continued

(ii) Other price risk - Investments in equity securities – continued

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% (2010: 10%) in the current year.

If the prices of the respective equity securities had been 10% (2010: 10%) higher/lower:

- loss for the year ended 31st December, 2011 would decrease/increase by HK$13,108,000 (2010: HK$19,218,000) as a result of the changes in fair value of listed equity securities held for trading; and
- investment valuation reserve would increase by HK$161,000/loss for the year ended 31st December, 2011 would increase by HK$161,000 (2010: investment valuation reserve would increase by HK$382,000/loss for the year would be increased by HK$382,000) 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.

Credit risk
As at 31st December, 2011, 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.

30. FINANCIAL INSTRUMENTS – continued

30c. Financial risk management objectives and policies – continued

Market risk – continued

(iii) Currency risk – continued

Credit risk – continued

In order to minimise the credit risk, the management of the Group and the Company has delegated a team responsible for determination of credit limit, 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 two financial institutions for the Group's investment in securities business of HK$809,000 (2010: deposits placed at three financial institutions HK$27,787,000) which represents, approximately 72% (2010: 98%) of the Group's deposit placed with securities brokers, and other receivable of HK$2,843,000 (2010: HK$5,760,000) 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 management closely monitor the financial position of the financial institutions and the single counter party which has its shares listed on the Hong Kong Stock Exchange.

The Group invests in convertible notes issued by a Hong Kong listed issuer of HK$10,017,000 (2010: HK$12,259,000). The management considered the credit risk on such balance is limited because the management closely monitor financial position of the Hong Kong listed issuer.

At 31st December, 2011, approximately 56% (2010: 50%) 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.

In the opinion of the directors, the credit risk of the Company on amounts due from subsidiaries is limited because the amounts are mainly due from three operating subsidiaries, which engage in securities investment and have sufficient cash balance for repayment.

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

30. FINANCIAL INSTRUMENTS – continued

30c. Financial risk management objectives and policies – continued

Market risk – continued

(iii) Currency risk – 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 %	Repayable on demand or less than 1 month HK$'000	1 - 3 months HK$'000	3 months to 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2011 HK$'000
2011						
Non-derivative financial liabilities						
Trade and other payables	—	5,143	—	—	5,143	5,143
Loans payable	6.89	71,465	—	26,479	97,944	96,960
		76,608	—	26,479	103,087	102,103

30. FINANCIAL INSTRUMENTS – continued

30c. Financial risk management objectives and policies – continued

Market risk – continued

(iii) Currency risk – continued

Liquidity risk – continued

	Weighted average effective interest rate %	Repayable on demand or less than 1 month HK$'000	1 - 3 months HK$'000	3 months to 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

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.

30. FINANCIAL INSTRUMENTS – continued

30c. Financial risk management objectives and policies – continued

Market risk – continued

(iii) Currency risk – continued

Liquidity risk – continued

THE COMPANY

Liquidity tables

	Weighted average effective interest rate %	Repayable on demand or less than 1 month HK$'000	Over 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2011 HK$'000
2011					
Non-derivative financial liabilities					
Other payables	—	22	—	22	22
Amounts due to subsidiaries	—	51,857	—	51,857	51,857
		51,879	—	51,879	51,879

	Weighted average effective interest rate %	Repayable on demand or 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

30d. 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 are determined in accordance with generally accepted pricing models based on discounted cash flow analysis; and
- the fair value of unlisted convertible notes investment designated at fair value through profit or loss are determined from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

30. FINANCIAL INSTRUMENTS – continued

30d. Fair value – continued

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).

	31st December, 2011			
	Level 1	Level 2	Level 3	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Financial assets at FVTPL				
Listed equity securities	156,980	—	—	156,980
Unlisted convertible notes investment	—	—	10,017	10,017
Available-for-sale				
Listed equity securities	1,609	—	—	1,609

	31st December, 2010			
	Level 1	Level 2	Level 3	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Financial assets at FVTPL				
Listed equity securities	230,149	—	—	230,149
Unlisted convertible notes investment	—	—	12,259	12,259
Available-for-sale				
Listed equity securities	3,824	—	—	3,824

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

30. FINANCIAL INSTRUMENTS – continued

30d. Fair value – continued

Reconciliation of Level 3 fair value measurements of financial assets

	HK$'000
At 1st January, 2010	13,109
Change in fair value in profit or loss	(850)
At 31st December, 2010	12,259
Addition	10,000
Disposal	(9,600)
Change in fair value in profit or loss	(2,642)
At 31st December, 2011	10,017

Of the HK$25,216,000 (2010: Gain of HK$60,900,000) loss on financial assets at FVTPL recognised in profit or loss, loss of HK$2,642,000 (2010: HK$850,000) related to the Level 3 unlisted convertible notes investment held at the end of the reporting period.

31. OPERATING LEASES

The Group as lessee

The Group made approximately HK$4,416,000 (2010: HK$3,951,000) 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	
	2011	2010	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000
Within one year	3,982	4,092	3,982	3,982
In the second to third years inclusive	—	3,982	—	3,982
	3,982	8,074	3,982	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.

32. PLEDGE OF ASSETS

(a) At 31st December, 2011, available-for-sale investments and financial assets at fair value through profit or loss with a carrying value of HK$956,000 (2010: HK$2,353,000) and HK$2,532,000 (2010: HK$4,451,000), respectively were pledged to secure margin account credit facilities and banking facilities granted to the Group. As at 31st December, 2011, margin loan of HK$1,053,000 (2010: HK$971,000) 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 and building (included in property, plant and equipment) with a carrying value of HK$11,513,000 were pledged to secure a short-term bank loan granted to a subsidiary. The pledge was released during the year ended 31st December, 2011 upon repayment of the bank loan.

33. 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:

	2011 HK$'000	2010 HK$'000
Short-term benefits	24,155	24,435
Post-employment benefits	75	83
	24,230	24,518

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

34. 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.

34. RETIREMENT BENEFITS SCHEMES – continued

The total cost charged to statement of comprehensive income of approximately HK$275,000 (2010: HK$493,000) represents contributions payable to these schemes by the Group.

35. PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries at 31st December, 2011 and 2010 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		Principal activity
			Directly %	Indirectly %	
Rich Crown Investments Limited	Hong Kong	HK$1	—	100	Investments in securities
Super Energy Battery Industries Limited	Hong Kong	HK$2,500,000	—	80	Investment holding and trading of battery products
Super Energy Group Limited	Hong Kong	HK$13,000,000	—	80	Investment holding
Wealthy Gain Limited	BVI	US$1	—	100	Investments in securities
台山市信威電池有限公司 (「台山市信威」) (note)	PRC	US$9,377,653	—	100	Manufacturing of battery products

Note: 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.

(A) RESULTS

	For the year ended 31st December,				
	2007	2008	2009	2010	2011
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Continuing operations					
Revenue	45,717	18,699	8,246	12,279	9,319
Loss before tax	(33,775)	(468,103)	(56,735)	(58,677)	(70,467)
Taxation	(6,595)	15,738	5,042	—	—
Loss for the year	(40,370)	(452,365)	(51,693)	(58,677)	(70,467)
Attributable to:					
Owners of the Company	(40,369)	(452,365)	(51,686)	(58,641)	(70,131)
Non-controlling interests	(1)	—	(7)	(36)	(336)
	(40,370)	(452,365)	(51,693)	(58,677)	(70,467)

(B) ASSETS AND LIABILITIES

	At 31st December,				
	2007	2008	2009	2010	2011
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	422,522	1,362,240	953,661	900,189	839,426
Total liabilities	(277,456)	(1,013,142)	(108,781)	(111,797)	(123,314)
	145,066	349,098	844,880	788,392	716,112
Equity attributable to owners of the Company	144,805	348,837	844,626	788,174	716,230
Non-controlling interests	261	261	254	218	(118)
	145,066	349,098	844,880	788,392	716,112