CHINA STRATEGIC HOLDINGS LIMITED
中 策 集 團 有 限 公 司

(incorporated in Hong Kong with limited liability)

(Stock Code: 235)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31ST DECEMBER, 2011

The board of directors (the "Board") of China Strategic Holdings Limited (the "Company") announces the results of the Company and its subsidiaries (the "Group") for the year ended 31st December, 2011 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December, 2011

	NOTES	2011	2010
		HK$'000	HK$'000
Revenue	3	9,319	12,279
Cost of sales		(5,283)	(9,850)
Gross profit		4,036	2,429
Other income	4	11,037	13,783
Selling and distribution costs		(236)	(636)
Administrative expenses		(54,872)	(127,636)
Other gains or losses	5	6	(2,529)
Finance costs	6	(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	7	—	—
Loss for the year	8	(70,467)	(58,677)

	NOTE	2011 HK$'000	2010 HK$'000
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	9	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		15,063	16,906
Prepaid lease payments		12,600	12,542
Club debentures		825	825
Available-for-sale investments		1,609	3,824
		30,097	34,097
Current Assets			
Inventories		1,954	2,452
Trade and other receivables	11	9,435	37,782
Prepaid lease payments		334	327
Financial assets at fair value through profit or loss		166,997	242,408
Bank balances and cash		630,609	583,123
		809,329	866,092
Current Liabilities			
Trade payables, other payables and accrued charges	12	19,390	13,608
Loans payable		96,960	67,551
Income tax payable		6,964	6,964
Bank borrowings		—	23,669
Obligations under finance leases		—	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		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

NOTES

1. BASIS OF PREPARATION

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

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (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 (the "Listing Rules") and by the Hong Kong Companies Ordinance.

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 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]

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. 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)

	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

	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.

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	2010	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'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	2010
	HK$'000	HK$'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.

4. OTHER INCOME

	2011	2010
	HK$'000	HK$'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

5. 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)

6. 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

7. 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.

8. LOSS FOR THE YEAR

	2011	2010
	HK$'000	HK$'000
Loss for the year has been arrived at after charging:		
Staff costs		
– directors' emoluments	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.

9. 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.

10. FINAL DIVIDEND

The Board of the Company does not recommend the payment of any final dividend for the year ended 31st December, 2011 (2010: nil).

11. TRADE AND OTHER RECEIVABLES

	2011 HK$'000	2010 HK$'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:

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

12. 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:

	2011 HK$'000	2010 HK$'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.

13. 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.

MANAGEMENT DISCUSSION & ANALYSIS

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.

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.

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.

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.

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.

REVIEW BY AUDIT COMMITTEE

The 2011 annual results have been reviewed by the audit committee.

By Order of the Board
CHINA STRATEGIC HOLDINGS LIMITED
Or Ching Fai
Chairman

Hong Kong, 26th March, 2012

As at the date hereof, the Board comprises Mr. Or Ching Fai, Ms. Chiu Ching Ching, Mr. Yau Wing Yiu, Mr. Hui Richard Rui, Ms. Chan Ling, Eva and Mr. Chow Kam Wah as executive Directors. Ms. Ma Yin Fan, Mr. Chow Yu Chun, Alexander and Mr. Leung Hoi Ying as independent non-executive Directors.