中策集團有限公司

China Strategic Holdings Limited

(Incorporated in Hong Kong with limited liability)

Stock code: 0235

2012 Annual Report

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Or Ching Fai
(Chairman and Chief Executive Officer)
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 31st December, 2012.

In the year of 2012, the Group reported a loss of approximately HK$90.70 million. The loss was attributable to the loss on financial assets at fair values through profit or loss of approximately HK$53.59 million for the fiscal year of 2012 which had increased 28.37 million when compared to a loss of approximately HK$25.22 million for last fiscal year. On the operating side, the batteries business is still affected by the rising labour costs, more stringent overseas safety requirements and increasing competition, leading up to a drop of revenue and gross profit for the fiscal year of 2012. When compared with the fiscal year of 2011, the revenue and gross profit of the batteries business have been reported a decrease of HK$3.65 million and HK$3.39 million, respectively.

Looking ahead, the recovery of the global economy remains challenging and investment climate is 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 we will adopt a prudent approach in seeking new investment opportunities to improve our business mix, diversify our business from batteries manufacturing in order to maximize shareholders' value.

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

Or Ching Fai
Chairman
Hong Kong, 28th March, 2013

During the year under review, the revenue of the Group was mainly generated from the manufacturing and trading of batteries products. Although the global economy was relatively stable last year, the rising labour cost, increasing competition and more stringent overseas safety requirements have resulted in a decrease of revenue and gross profit. When compared with the fiscal year of 2011, the revenue and gross profit from the batteries business has reported a decreased of approximately HK$3.65 million and approximately HK$3.39 million respectively. On the other hand, the bank interest income of the Group for the year ended 31st December, 2012 was approximately HK$5.31 million which had increased 2.12% when compared with the year of 2011. The Group recorded a loss on financial assets at fair value through profit or loss of approximately HK$53.59 million when compared to a loss of approximately HK$25.22 million for last fiscal year. Overall, loss for the year ended 31st December, 2012 increased by approximately 28.71% to HK$90.70 million when compared with the loss of HK$70.47 million for the fiscal year of 2011.

During the year of 2012, the Group financed its operations mainly through cash generated from its business activities and banking facilities provided by principal bankers and external borrowings. As at 31st December, 2012, the Group had working capital calculated by current assets less current liabilities of approximately HK$597.36 million and the current ratio decreased to 5.38, compared with the working capital of approximately HK$686.02 million and current ratio of 6.56 as at 31st December, 2011.

For the year under review, the net cash used in operating activities of approximately of HK$403.87 million compared with net cash from operating activities of approximately HK$41.69 million in the year of 2011. The net cash from investing activities and financing activities were approximately HK$6.42 million and HK$10.40 million respectively, compared with approximately HK$5.19 million and HK$0.59 million respectively in the year of 2011.

The Group's bank and other borrowings were increased 17.03% from approximately HK$96.96 million as at 31st December, 2011 to approximately HK$113.47 million as at 31st December, 2012. At 31st December, 2012, bank borrowing denominated in RMB was variable rate loans. There were no convertible notes and long term borrowing outstanding. The gearing ratio was 0.22 (31st December, 2011: 0.17) calculated by the total liabilities of HK$136.46 million (31st December, 2011: HK$123.31 million) divided by total owners' equity of HK$624.79 million (31st December, 2011: HK$716.23 million).

As at 31st December, 2012, the Group had cash and bank balances amounted to approximately of HK$243.56 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$469.77 million and there was no bank deposit pledged. During the year ended 31st December, 2012, 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, 2012, the Group employed 90 staff, the staff cost (excluding directors' emoluments) was around HK$3.51 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 options can be granted under the Old Option Scheme. During the year ended 31st December, 2012, no share option has been granted or exercised and 24,800,000 shares option that granted under the Old Option Scheme have been lapsed. As at 31st December, 2012, the Group has no share option outstanding.

Looking ahead, it is observed that the increasing labour costs and competition, the management of the Group anticipates that the results from manufacturing and trading of batteries products remain under pressure. We will adopt a prudent approach in seeking new investment opportunities to improve our business mix, diversify our business from battery manufacturing in order to maximize shareholders' value.

BIOGRAPHICAL DETAILS OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Or Ching Fai, aged 63, 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. He is a director of various subsidiaries of the Company. 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 Chairman and 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, Television Broadcasts Limited and Industrial and Commercial Bank of China Limited, all the shares of which are 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.

Ms. Chiu Ching Ching, aged 62, 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 44, was appointed as an executive director of the Company in September 2008. He is a director of various subsidiaries of the Company. He graduated from University of Technology, Sydney of Australia with a bachelor's 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) Limited) 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 47, 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 24 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 50, was appointed as an executive director of the Company in July 2007. He is a director of various subsidiaries of the Company. 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 49, was appointed as an independent non-executive director in September 2007. She obtained a bachelor's 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, a member of Remuneration Committee and Nomination Committee of the Company. Ms. Ma is currently an independent non-executive director of G-Resources Group Limited (formerly known as Smart Rich Energy Finance (Holdings) Limited), China New Energy Power Group Limited (formerly known as Fulbond Holdings Limited) and CST Mining Group Limited (formerly known as China Sci-Tech Holdings Limited), all 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 66, was appointed as an independent non-executive Director of the Company in March 2011. Mr. Chow is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants. He is a member of Audit Committee and Chairman of Remuneration Committee of the Company. Mr. Chow has over 35 years of experience in commercial, financial and investment management in Hong Kong and Mainland China. Mr Chow was a non-executive director of New World China Land Limited and is currently an independent non-executive director of Playmates Toys Limited and Top Form International Limited, all 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 62, 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, Remuneration Committee and Nomination Committee of the Company. Mr. Leung is currently an independent non-executive director of G-Resources Group Limited (formerly known as Smart Rich Energy Finance (Holdings) Limited) and China New Energy Power Group Limited (formerly known as Fulbond Holdings Limited), all 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 benefit 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 of the Corporate Governance Code (the "Code") 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 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. The 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.

Each of our independent non-executive Directors in 2012 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 2012 are independent. None of the Directors has any financial, business, family or other material/relevant relationship(s) with each other.

The Directors acknowledge their responsibility for preparing the financial statements of the Company and the Group for the year ended 31st December, 2012 which give a true and fair view and on a going concern basis in accordance with the statutory requirements and applicable financial reporting standards.

As at the date of this report, the Board comprises five executive Directors, being Mr. Or Ching Fai (Chairman and Chief Executive Officer), Ms. Chiu Ching Ching, Ms. Chan Ling, Eva, 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 A.2.1 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.

REMUNERATION COMMITTEE

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 the 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-caliber team which is essential to the success of the Group.

The terms of reference of the Remuneration Committee have been determined with reference to the Code. The Remuneration Committee held one meeting during the year 2012 to discuss remuneration matters of the staff for 2012.

In order to attract, retain, and motivate executives and key employees serving for the Group, the Company has adopted an Option Scheme on 10th June, 2011. Such incentive scheme enables the participants to obtain an ownership interest in the Company and thus to reward to the 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 26 to the consolidated financial statements.

AUDIT COMMITTEE

The Audit Committee currently comprises 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 have been reviewed and revised with reference to the Code of which among other things include reviewing financial statements of the Company, discussed the internal control of the Group and met with the independent auditor. Any findings and recommendations of the Audit Committee will be submitted to the Board for consideration.

The Audit Committee is authorized by the Board to investigate any activity within its terms of reference. It is authorized to seek any information it requires from any employee. It is also authorized to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers necessary. The Audit Committee held two meetings during the year 2012. During the meetings, the Audit Committee reviews reports from external auditors regarding their audit on annual financial statements and interim financial results.

NOMINATION COMMITTEE

The Nomination Committee currently comprises three Directors of the Company, namely Mr. Or Ching Fai (Chairman of the Nomination Committee), Ms. Ma Yin Fan and Mr. Leung Hoi Ying, both are independent non-executive Directors. The terms of reference of the Nomination Committee have been determined with reference to the Code. Under its terms of reference, the Nomination Committee is responsible for identifying potential directors and making recommendations to the Board on the appointment or re-appointment of Directors of the Company. Potential new directors are selected on the basis of their qualifications, skills and experience that he/she could 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.

No meeting of the Nomination Committee was held during the year ended 31st December, 2012.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for determining the policy for the corporate governance of the Company and performing the corporate governance duties as below:

(i) To develop and review the Group's policies and practices on corporate governance and make recommendations;

(ii) To review and monitor the training and continuous professional development of directors and senior management;

(iii) To review and monitor the Group's policies and practices on compliance with all legal and regulatory requirements;

(iv) To develop, review and monitor the code of conduct and compliance manual (if any) applicable to the employees and Directors of the Group; and

(v) To review the Group's compliance with the Code and disclosure requirements in the Corporate Governance Report.

During the year under review, the Board approved the terms of reference of the Board, the Audit Committee, the Nomination Committee and the Remuneration Committee and the shareholder communication policy.

AUDITOR'S REMUNERATION

Deloitte Touche Tohmatsu has been reappointed as the external auditor of the Company at the 2012 annual general meeting until the conclusion of the next annual general meeting.

During the year, the Company paid approximately HK$1.32 million to Deloitte Touche Tohmatsu in which approximately HK$0.89 million is related to statutory audit. The remaining was paid for the provision of non-statutory audit services amounted to approximately HK$0.43 million.

CONTINUOUS PROFESSIONAL DEVELOPMENT

All Directors should participate in continuous professional development to develop and refresh their knowledge and skills. During the year ended 31st December, 2012, all Directors have participate in continuous professional development by attending training courses and/or referring materials on the topics related to corporate governance and regulations:

	Reading Regulatory updates	Attending expert briefings/ seminars/conferences relevant to the business or Directors duties
Executive Directors		
Or Ching Fai	√	√
Yau Wing Yiu (resigned on 1st February, 2013)	√	√
Hui Richard Rui	√	√
Chan Ling, Eva	√	√
Chiu Ching Ching	√	√
Chow Kam Wah	√	√
Non-Executive Director		
Ma Si Hang, Frederick (resigned on 2nd March, 2012)	√	√
Independent Non-Executive Directors		
Ma Yin Fan	√	√
Chow Yu Chun, Alexander	√	√
Leung Hoi Ying	√	√

TERM OF APPOINTMENT OF NON-EXECUTIVE DIRECTORS

According to the Code, an issuer has to have formal letters of appointment for Directors (with effect from 1st April, 2012) and during 2012, the Company had letter of appointment with each of the non-executive Directors (including Mr. Chow Yu Chun, Alexander, Ms. Ma Yin Fan and Mr. Leung Hoi Ying) specifying the terms of his/her continuous appointment as a non-executive Director and a member of the relevant Board Committees, for a period of two years.

COMPANY SECRETARY

The position of Company Secretary is held by Mr. Chow Kim Hang, a practicing solicitor of Hong Kong who is not an employee of the Company. The Company Secretary can contact the Company through the executive Director of the Company, Mr. Chow Kam Wah. The Company Secretary reported to the Chairman of the Board from time to time. All Directors have access to the advice and services of the Company Secretary to ensure that board procedures, and all applicable laws, rules and regulations are followed.

Since Mr. Chow Kim Hang was appointed in 2007, he has to take no less than 15 hours of relevant professional training during the year 2012. He has fulfilled the requirement during the year under review.

ATTENDANCE OF MEETINGS

The attendance records of each Director at the various meetings of the Company during the year ended 31st December, 2012 are set out as below:

	Meeting Attended/Held			
	Board of Directors	Audit Committee	Remuneration Committee	2012 AGM
Executive Directors				
Or Ching Fai	5/6	—	—	1/1
Yau Wing Yiu (resigned on 1st February, 2013)	5/6	—	—	1/1
Hui Richard Rui	5/6	—	—	1/1
Chan Ling, Eva	6/6	—	—	1/1
Chiu Ching Ching	4/6	—	—	0/1
Chow Kam Wah	6/6	—	—	1/1
Non-Executive Director				
Ma Si Hang, Frederick (resigned on 2nd March, 2012)	1/6	—	—	0/1
Independent Non-Executive Directors				
Ma Yin Fan	4/6	2/2	1/1	1/1
Chow Yu Chun, Alexander	5/6	2/2	1/1	1/1
Leung Hoi Ying	4/6	2/2	1/1	1/1

INTERNAL CONTROL

The Board has overall responsibilities for maintaining sound and effective internal control and reviewing their effectiveness to safeguard the shareholders' investment and the Group's assets. The system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide reasonable but not absolute assurance against material misstatement or loss.

During the year, the Board through the Audit Committee has conducted an annual review of the effectiveness of the internal system of the Group. The Board satisfies that, given the size and activities of the Group, adequate internal control systems have been established and considers continuing reviews of internal controls will be undertaken to ensure its adequacy and effectiveness.

SHAREHOLDERS' RIGHTS AND COMMUNICATION

The Board recognises the importance of effective communications with all shareholders. The Company's 2012 annual general meeting (the "AGM") is a valuable forum for the Board to communicate directly with the shareholders. The Chairman of the Board and the Chairman of the Audit Committee, Remuneration Committee and Nomination Committees together with the external auditors are also present at the AGM to answer shareholders' questions. Pursuant to the Section 113 of Companies Ordinance, an extraordinary general meeting ("EGM") may be convened by a written request signed by shareholders holding not less than one-twentieth of the paid-up share capital of the Company, stating the objects of the meeting, and deposited at our registered office in Hong Kong at Rooms 3206-3210, 32/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong. Shareholders representing not less than one-fortieth of the total voting rights of all shareholders; or not less than 50 shareholders holding shares in the Company on which there has been paid up an average sum, per shareholder, of not less than HK$2,000, may make requisition in writing for proposing resolution or business to be dealt with at the next general meeting. Shareholders should follow the requirements and procedures as set out in Section 115A of the Companies Ordinance for putting forward a proposal at a general meeting.

INVESTOR RELATIONS

A printed copy of the memorandum and articles of association of the Company has been published on the websites of the Company and The Hong Kong Stock Exchange. There have been no changes in the Company's constitutional documents during the year ended 31st December, 2012.

The Directors present their annual report and the audited consolidated financial statements for the year ended 31st December, 2012.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its principal subsidiaries are set out in note 34 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31st December, 2012 are set out in the consolidated statement of comprehensive income on page 22.

The Board does not recommend the payment of a final dividend.

FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years as set out on page 68 of the annual report.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate sales attributable to the Group's five largest customers were approximately 87% of the Group's total sales and the sales attributable to the Group's largest customer were approximately 45% of the Group's total sales.

The aggregate purchases attributable to the Group's five largest suppliers were approximately 90% of the Group's total purchases and the purchases attributable to the Group's largest supplier were approximately 48% 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 25 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, 2012, 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 (resigned on 1st February, 2013)
Mr. Hui Richard Rui
Ms. Chan Ling, Eva
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
Mr. Leung Hoi Ying
Ms. Ma Yin Fan

In accordance with Article 116 of the Company's Articles of Association, Mr. Chow Yu Chun, Alexander, Ms. Chan Ling, Eva and Mr. Leung Hoi Ying will retire at the forthcoming AGM by rotation and, being eligible, will offer themselves for re-election in AGM.

It was further reported that in accordance with the Listing Rules, a resolution for re-election of directors should be proposed and voted by shareholders for each re-elected director separately.

Non-executive Directors were appointed for a term of two years and subject to retirement by rotation in accordance with the Company's Articles of Association.

DIRECTORS' SERVICE CONTRACTS

Mr. Chow Yu Chun, Alexander, Ms Chan Ling, Eva and Mr. Leung Hoi Ying were appointment for a term of 2 years expiring on 31 March, 2014.

Save as disclosed above, none of directors being proposed for re-election at the forthcoming AGM has a service contract with the Company or any of its subsidiaries 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, 2012, 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.

SHARE OPTION SCHEME

Particulars of the Company's share option scheme are set out in note 26 to the consolidated financial statements.

The following table discloses movements of the Company's share options held by eligible participants and Directors during the year:

	Date of grant	Exercisable period	Exercise price HK$	Number of Shares At 1.1.2012	Lapsed	At 31.12.2012
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)	—
Exercisable at the end of the year				24,800,000	(24,800,000)	—
Weighted average exercise price				HK$0.724	HK$0.724	N/A

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, 2012, 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his/her 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 as set out in Appendix 14 of the Listing Rules throughout the year ended 31st December, 2012, except for the following deviation:

Code A.2.1 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.

Further information of the Company's corporate governance practice is set out in the Corporate Governance Report on pages 9 to 14.

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 Participants, details of the scheme are set out in note 26 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.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting policies, principles and practices adopted by the Group and discussed internal control and financial reporting matters, including a review of annual results for year ended 31st December, 2012.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, at all times during the year under review and as 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 at the forthcoming AGM to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Or Ching Fai
Chairman
Hong Kong, 28th March, 2013

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 22 to 67, which comprise the consolidated and company statements of financial position as at 31st December, 2012, 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, 2012, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
28th March, 2013

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December, 2012

	NOTES	2012 HK$'000	2011 HK$'000
Revenue	5	5,665	9,319
Cost of sales		(5,018)	(5,283)
Gross profit		647	4,036
Other income	6	10,489	11,037
Selling and distribution costs		(181)	(236)
Administrative expenses		(41,789)	(54,872)
Other gains or losses	7	(876)	6
Finance costs	8	(5,399)	(5,222)
Loss on financial assets at fair value through profit or loss		(53,592)	(25,216)
Loss before tax		(90,701)	(70,467)
Taxation	9	—	—
Loss for the year	10	(90,701)	(70,467)
Other comprehensive (expense) income			
Exchange differences arising on translation of foreign operations		(514)	402
Fair value changes of available-for-sale investments		(317)	(2,215)
Other comprehensive expense for the year		(831)	(1,813)
Total comprehensive expense for the year		(91,532)	(72,280)
Loss for the year attributable to:			
Owners of the Company		(90,612)	(70,131)
Non-controlling interests		(89)	(336)
		(90,701)	(70,467)
Total comprehensive expense attributable to:			
Owners of the Company		(91,443)	(71,944)
Non-controlling interests		(89)	(336)
		(91,532)	(72,280)
Loss per share			
– Basic and diluted	12	HK(2.45) cents	HK(1.90) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st December, 2012

	NOTES	2012 HK$'000	2011 HK$'000
Non-Current Assets			
Property, plant and equipment	13	12,778	15,063
Prepaid lease payments	14	12,329	12,600
Club debentures	16	825	825
Available-for-sale investments	17	1,292	1,609
		27,224	30,097
Current Assets			
Inventories	18	2,621	1,954
Trade and other receivables	19	17,525	9,435
Prepaid lease payments	14	340	334
Financial assets at fair value through profit or loss	20	469,770	166,997
Bank balances and cash	21	243,557	630,609
		733,813	809,329
Current Liabilities			
Trade payables, other payables and accrued charges	22	16,019	19,390
Loans payable	23	—	96,960
Income tax payable		6,964	6,964
Bank borrowing	24	113,474	—
		136,457	123,314
Net Current Assets		597,356	686,015
Total Assets less Current Liabilities		624,580	716,112
Capital and Reserves			
Share capital	25	369,918	369,918
Reserves		254,869	346,312
Equity attributable to owners of the Company		624,787	716,230
Non-controlling interests		(207)	(118)
Total Equity		624,580	716,112

The consolidated financial statements on pages 22 to 67 were approved and authorised for issue by the Board of Directors on 28th March, 2013 and are signed on its behalf by:

Or Ching Fai *Chairman*	Hui Richard Rui *Director*

STATEMENT OF FINANCIAL POSITION

At 31st December, 2012

	NOTES	2012 HK$'000	2011 HK$'000
Non-Current Assets			
Property, plant and equipment	13	2,216	3,115
Prepaid lease payments	14	3,040	3,159
Club debentures	16	825	825
		6,081	7,099
Current Assets			
Prepaid lease payments	14	117	117
Amounts due from subsidiaries	15	634,994	456,379
Other receivables, deposits and prepayments		11,007	10,497
Bank balances and cash	21	83,265	342,095
		729,383	809,088
Current Liabilities			
Other payables and accrued charges		2,462	5,380
Amounts due to subsidiaries	15	51,856	51,857
		54,318	57,237
Net Current Assets		675,065	751,851
Total Assets less Current Liabilities		681,146	758,950
Capital and Reserves			
Share capital	25	369,918	369,918
Reserves	27	311,228	389,032
Total Equity		681,146	758,950

The statement of financial position of the Company on page 24 was approved and authorised for issue by the Board of Directors on 28th March, 2013 and are signed on its behalf by:

Or Ching Fai *Chairman*	Hui Richard Rui *Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December, 2012

	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, 2011	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
Loss for the year	—	—	—	—	—	—	—	—	(90,612)	(90,612)	(89)	(90,701)
Exchange differences arising on translation of foreign operations	—	—	—	—	—	—	(514)	—	—	(514)	—	(514)
Fair value changes of available-for-sale investments	—	—	—	—	—	(317)	—	—	—	(317)	—	(317)
Total comprehensive expense for the year	—	—	—	—	—	(317)	(514)	—	(90,612)	(91,443)	(89)	(91,532)
Transfer upon lapse of share options	—	—	—	(11,397)	—	—	—	—	11,397	—	—	—
At 31st December, 2012	369,918	846,242	1,267	—	233	3,451	9,375	1,943	(607,642)	624,787	(207)	624,580

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, 2012

	2012 HK$'000	2011 HK$'000
OPERATING ACTIVITIES		
Loss before tax	(90,701)	(70,467)
Adjustments for:		
Finance costs	5,399	5,222
Interest income	(6,406)	(5,198)
Depreciation of property, plant and equipment	2,333	2,357
Loss (gain) on disposal of property, plant and equipment	28	(5)
Release of prepaid lease payments	340	334
Loss on financial assets at fair value through profit or loss	53,592	25,216
Operating cash flows before movements in working capital	(35,415)	(42,541)
(Increase) decrease in inventories	(667)	498
(Increase) decrease in trade and other receivables	(8,051)	28,396
(Increase) decrease in financial assets at fair value through profit or loss	(356,365)	50,195
(Decrease) increase in trade payables, other payables and accrued charges	(3,371)	5,143
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(403,869)	41,691
INVESTING ACTIVITIES		
Interest received	6,406	5,198
Proceeds from disposal of property, plant and equipment	10	—
Purchase of property, plant and equipment	—	(4)
NET CASH FROM INVESTING ACTIVITIES	6,416	5,194
FINANCING ACTIVITIES		
New loan raised	112,498	24,679
Repayment of loans payable	(96,703)	—
Interest paid	(5,399)	(411)
Repayment of bank borrowings	—	(23,669)
Repayment of obligations under finance leases	—	(5)
NET CASH FROM FINANCING ACTIVITIES	10,396	594
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(387,057)	47,479
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	630,609	583,123
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	5	7
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, REPRESENTED BY BANK BALANCES AND CASH	243,557	630,609

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 34.

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

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets
Amendments to HKFRS 7	Financial Instruments: Disclosures - Transfers of Financial Assets

The application of the amendments to 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.

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

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

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009 - 2011 Cycle[1]
Amendments to HKFRS 7	Disclosures - Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1]
Amendments to HKFRS 10, HKFRS 12 and HKFRS 27	Investment Entities[2]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangements[1]
HKFRS 12	Disclosure of Interests in Other Entities[1]
HKFRS 13	Fair Value Measurement[1]
HKAS 19 (as revised in 2011)	Employee Benefits[1]
HKAS 27 (as revised in 2011)	Separate Financial Statements[1]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[1]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[4]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[2]
HK(IFRIC) - Int 20	Stripping Costs in the Production Phase of a Surface Mine[1]

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

Except for those disclosed below, the directors of the Group anticipate that the application of the new and revised HKFRSs will have no material impact on the results and financial positions of the Group.

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

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:

- All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are 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.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that 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 of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

Based on the consolidated statement of financial position of the Group for the year ended 31st December, 2012, 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.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 Presentation of Items of Other Comprehensive Income introduce new terminology for the statement of comprehensive income. Under the amendments to HKAS 1, a 'statement of comprehensive income' is renamed as a 'statement of profit or loss and other comprehensive income'. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis - the amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1st July, 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in future accounting periods.

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

New and revised standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 "Consolidated and separate financial statements" that deal with consolidated financial statements. HK (SIC) - INT 12 "Consolidation - Special purpose entities" will be withdrawn upon the effective date of HKFRS 10. Under HKFRS 10, there is only one basis for consolidation, that is, control. In addition, HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

In July 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these five HKFRSs for the first time.

These five standards, together with the amendments relating to the transitional guidance, are effective for annual periods beginning on or after 1st January, 2013 with earlier application permitted provided that all of these standards are applied at the same time.

The directors anticipate that the application of these five standards for the annual period beginning 1st January, 2013 will not have a significant impact on the consolidated financial statements.

HKFRS 13 Fair Value measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 "Financial instruments: Disclosures" will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1st January, 2013, with earlier application permitted.

The directors anticipate that the application of the new standard may result in more extensive disclosures in the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

The principal accounting policies are set out below.

Basis of consolidation

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

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and 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.

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 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 subsequent 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Leasing

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

The Group as lessee

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

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.

Foreign currencies

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

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

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

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) 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 translation reserve.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

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.

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 of inventories are 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.

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 before tax 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.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Taxation - continued

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 they relate 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.

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 of initial recognition. 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.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments - continued

Financial assets - continued

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 measured at amortised cost using the effective interest method, less any identified impairment losses.

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 a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments - continued

Financial assets - continued

Available-for-sale financial assets

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

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

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

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each 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;
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Trade receivables that are assessed not to be impaired individually are, 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.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments - continued

Impairment of financial assets - continued

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 the impairment loss 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.

Financial liabilities and equity instruments

Debt and equity instruments issued by the group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements 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.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments - continued

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. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Impairment losses on assets - continued

Equity-settled share-based payment transactions

Share options granted to employees and directors

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

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the 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.

When 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 be received 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, 2012, the balance of other receivables was HK$16,126,000 (2011: HK$8,102,000).

Estimated impairment 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, 2012, the carrying amount of inventories is HK$2,621,000 (2011: HK$1,954,000).

4. KEY SOURCES OF ESTIMATION UNCERTAINTY – continued

Fair value of financial assets

As described in note 29(d), the directors of the Company use their judgment in selecting an appropriate valuation technique for financial assets not quoted in an active market. The fair value of convertible notes investment and bond investment containing term extension option is estimated respectively based on option pricing model and discounted cash flow analysis with assumptions supported, where possible, by observable market prices or rates. The estimation of fair value of unlisted equity instruments includes some assumptions not supported by observable market prices or rates. The carrying amount of unlisted debt and equity securities as at 31st December, 2012 is HK$96,471,000 (31st December, 2011: HK$10,017,000). The directors believe that the chosen valuation techniques and assumptions are appropriate in determining the fair value of financial assets.

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 managed 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

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, 2012			
Gross proceeds	35,755	5,665	41,420
SEGMENT REVENUE			
External sales	—	5,665	5,665
RESULT			
Segment result	(46,414)	(4,831)	(51,245)
Other income			1,441
Central administrative expenses			(35,498)
Finance costs			(5,399)
Loss before tax			(90,701)

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, 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)

Other Segment Information

	Investment in securities HK$'000	Battery products HK$'000	Consolidated HK$'000
For the year ended 31st December, 2012			
Amounts included in the measure of segment profit or loss:			
Depreciation of property, plant and equipment	927	1,406	2,333
Loss on financial assets at fair value through profit or loss	53,592	—	53,592
Release of prepaid lease payments	117	223	340

	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	987	1,370	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

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,	
	2012 HK$'000	2011 HK$'000	2012 HK$'000	2011 HK$'000
The PRC	5,665	8,607	20,765	22,234
Hong Kong	—	712	5,167	6,254
	5,665	9,319	25,932	28,488

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,	
	2012 HK$'000	2011 HK$'000
Customer A	2,527	1,600
Customer B	1,278	1,017

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

6. OTHER INCOME

	2012 HK$'000	2011 HK$'000
Bank interest income	5,308	5,198
Coupon interest from unlisted debt securities held for trading	1,098	—
Dividend income from investments held for trading	3,781	3,840
Others	302	1,999
	10,489	11,037

7. OTHER GAINS OR LOSSES

	2012 HK$'000	2011 HK$'000
Exchange (loss) gain, net	(848)	1
(Loss) gain on disposal of property, plant and equipment	(28)	5
	(876)	6

8. FINANCE COSTS

	2012 HK$'000	2011 HK$'000
Interest on borrowings wholly repayable within five years:		
Loans payable	4,600	4,730
Bank borrowings	799	490
Obligations under finance leases	—	2
	5,399	5,222

9. TAXATION

No provision for Hong Kong Profits Tax and the PRC Enterprise Income Tax is made for the year ended 31st December, 2012 and 2011 since the Group has no assessable profit in both years.

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.

9. TAXATION – continued

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

	2012 HK$'000	2011 HK$'000
Loss before tax	(90,701)	(70,467)
Tax at the domestic income tax rate of 16.5%	(14,966)	(11,627)
Tax effect of expenses not deductible for tax purpose	16,716	13,480
Tax effect of income not taxable for tax purpose	(1,681)	(1,491)
Tax effect of tax loss not recognised	54	—
Utilisation of tax losses previously not recognised	—	(18)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(123)	(344)
Taxation for the year	—	—

As at 31st December, 2012, the Group and the Company have unused tax losses of approximately HK$5,421,000 and HK$5,421,000 respectively, (2011: HK$5,094,000 and HK$5,094,000 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

	2012 HK$'000	2011 HK$'000
Loss for the year has been arrived at after charging:		
Staff costs		
- directors' emoluments (note 11(a))	18,851	24,230
- other staff salaries, wages and other benefits	3,320	5,137
- retirement benefits schemes contributions, excluding directors	191	200
Total staff costs	22,362	29,567
Auditor's remuneration	888	898
Depreciation of property, plant and equipment	2,333	2,357
Release of prepaid lease payments	340	334
Cost of inventories recognised as expense	5,018	5,283

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

(a) *DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS*

The emoluments paid or payable to each of the 10 (2011: 12) directors were as follows:

	Notes	2012 Fee HK$'000	2012 Salaries and other benefits HK$'000	2012 Retirement benefits scheme contributions HK$'000	2012 Bonus HK$'000	2012 Total HK$'000	2011 Fee HK$'000	2011 Salaries and other benefits HK$'000	2011 Retirement benefits scheme contributions HK$'000	2011 Bonus HK$'000	2011 Total HK$'000
Non-executive directors											
- Mr. Ma Si Hang, Frederick	(a)	602	–	–	–	602	3,500	–	–	–	3,500
Independent non-executive directors											
- Mr. Leung Hoi Ying		100	–	–	–	100	100	–	–	–	100
- Ms. Ma Yin Fan		150	–	–	–	150	150	–	–	–	150
- Mr. Chow Yu Chun Alexander	(b)	150	–	–	–	150	113	–	–	–	113
- Mr. Phillip Fei	(c)	–	–	–	–	–	25	–	–	–	25
		1,002	–	–	–	1,002	3,888	–	–	–	3,888
Executive directors											
- Mr. Or Ching Fai		–	10,400	14	–	10,414	–	10,010	12	3,000	13,022
- Mr. Yau Wing Yiu	(d)	–	3,121	14	–	3,135	–	3,000	12	–	3,012
- Ms. Chiu Ching Ching		–	260	12	–	272	–	260	12	–	272
- Mr. Hui Richard Rui		–	780	14	–	794	–	780	12	–	792
- Ms. Chan Ling, Eva		–	1,800	14	150	1,964	–	1,720	12	150	1,882
- Mr. Chow Kam Wah		–	956	14	300	1,270	–	910	12	300	1,222
- Mr. Lee Sun Man	(e)	–	–	–	–	–	–	137	3	–	140
		–	17,317	82	450	17,849	–	16,817	75	3,450	20,342
Total		1,002	17,317	82	450	18,851	3,888	16,817	75	3,450	24,230

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.

Mr. Or Ching Fai is also the Chief Executive Officer of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive Officer.

Notes:

(a) Resigned on 2nd March, 2012
(b) Appointed on 31st March, 2011
(c) Resigned on 31st March, 2011
(d) Resigned on 1st February, 2013
(e) Deceased on 18th March, 2011

During the year, no emoluments were paid by the Group to any directors as an inducement to join or upon joining the Group or as compensation for loss of office. No directors waived any emoluments for the year ended 31st December, 2012.

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS – continued

(b) EMPLOYEES' EMOLUMENTS

The five highest paid individuals in the Group in 2012 and 2011 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$90,612,000 (2011: HK$70,131,000) and 3,699,183,927 (2011: 3,699,183,927) ordinary shares in issue during the year.

The computation of diluted loss per share for the year ended 31st December, 2012 and 31st December, 2011 does not include adjustments for the Company's outstanding share options as they have anti-dilutive effect.

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvements	Furniture and fixtures	Machinery and equipment	Motor vehicles	Construction in progress	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
THE GROUP							
COST							
At 1st January, 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 1st January, 2012	67,593	24,866	8,349	165,223	1,749	3,062	270,842
Exchange adjustments	527	194	65	1,288	13	24	2,111
Disposals	—	—	—	—	(188)	—	(188)
At 31st December, 2012	68,120	25,060	8,414	166,511	1,574	3,086	272,765
DEPRECIATION AND IMPAIRMENT							
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 1st January, 2012	55,637	24,866	5,595	165,223	1,396	3,062	255,779
Exchange adjustments	463	194	44	1,288	12	24	2,025
Provided for the year	1,406	—	818	—	109	—	2,333
Eliminated on disposals	—	—	—	—	(150)	—	(150)
At 31st December, 2012	57,506	25,060	6,457	166,511	1,367	3,086	259,987
CARRYING VALUES							
At 31st December, 2012	10,614	—	1,957	—	207	—	12,778
At 31st December, 2011	11,956	—	2,754	—	353	—	15,063

As at 31st December, 2012 and 2011, the directors considered the recurring loss of the battery products segment to be an impairment indicator and conducted an impairment assessment on the relevant property, plant and equipment and prepaid lease payment. The recoverable amounts of the property, plant and equipment and prepaid lease payments were determined by reference to the respective assets' fair value less cost to sell, which were determined based on the valuation conducted by an independent qualified professional valuer at the same dates. The recoverable amounts of the respective assets are higher than the carrying amount of the relevant assets and thus, no impairment on the property, plant and equipment and prepaid lease payments is recognised for both years.

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, 2011	2,125	4,398	973	541	8,037
Additions	—	4	—	—	4
At 1st January, 2012	2,125	4,402	973	541	8,041
Write off	—	—	—	(541)	(541)
At 31st December, 2012	2,125	4,402	973	—	7,500
DEPRECIATION					
At 1st January, 2011	653	1,912	917	541	4,023
Provided for the year	71	814	18	—	903
At 1st January, 2012	724	2,726	935	541	4,926
Provided for the year	69	813	17	—	899
Eliminated on write off	—	—	—	(541)	(541)
At 31st December, 2012	793	3,539	952	—	5,284
CARRYING VALUES					
At 31st December, 2012	1,332	863	21	—	2,216
At 31st December, 2011	1,401	1,676	38	—	3,115

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 of 40 - 50 years, or 2.5%
Leasehold improvements	Over the shorter of the term of the lease of 40 - 50 years or 5% - 10%
Furniture and fixtures	5% - 25%
Machinery and equipment	10% - 20%
Motor vehicles	12.5% - 25%

At 31st December, 2012 and 2011, the buildings of the Group and the Company are situated on land in the PRC under medium-term land use right.

14. PREPAID LEASE PAYMENTS

	THE GROUP		THE COMPANY	
	2012	2011	2012	2011
	HK$'000	HK$'000	HK$'000	HK$'000
Analysed for reporting purposes as:				
Current assets	340	334	117	117
Non-current assets	12,329	12,600	3,040	3,159
	12,669	12,934	3,157	3,276

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

15. 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 investment 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. As at 31st 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 investment in subsidiaries is HK$135,465,000 for both years ended 31st December, 2012 and 2011.

At 31st December, 2012 and 2011, the amounts due from subsidiaries amount to HK$634,994,000 and HK$456,379,000, respectively, net of impairment loss on the amounts due from subsidiaries of HK$879,021,000 and HK$832,225,000 respectively.

At 31st December, 2012 and 2011, the Company does not hold any collateral over the balances.

The principal activities of the principal subsidiaries are set out in note 34.

16. CLUB DEBENTURES

THE GROUP AND THE COMPANY

The club debentures represent the club membership of Macau Golf & Country Club and Aberdeen Marine Club. The directors are of opinion that it is not necessary to make any impairment loss 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	
	2012 HK$'000	2011 HK$'000
Listed investments, at fair value:		
- Equity securities listed in Hong Kong	1,292	1,609

At the end of the reporting period, all available-for-sale investments are stated at fair value. Fair values have been determined with reference to closing prices quoted in the active markets.

18. INVENTORIES

	THE GROUP	
	2012 HK$'000	2011 HK$'000
Raw materials	2,378	1,835
Finished goods	243	119
	2,621	1,954

19. TRADE AND OTHER RECEIVABLES

	THE GROUP	
	2012 HK$'000	2011 HK$'000
Trade receivables	1,399	1,333
Less: allowance for doubtful debts	—	—
	1,399	1,333

19. TRADE AND OTHER RECEIVABLES – continued

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, which approximated the respective revenue recognition dates, at the end of the reporting period:

	THE GROUP	
	2012 HK$'000	2011 HK$'000
0-90 days	1,111	921
Over 90 days	288	412
	1,399	1,333

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

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

At 31st December, 2012, included in the Group's trade receivables balance were debtors with aggregate carrying amount of approximately HK$288,000 (2011: HK$412,000) 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 payment due date

	THE GROUP	
	2012 HK$'000	2011 HK$'000
91 - 180 days	110	202
Over 180 days	178	210
	288	412

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.

Included in other receivables are unrestricted deposits of approximately HK$1,527,000 (2011: HK$1,120,000) 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$6,700,000 (2011: HK$2,843,000), which is unsecured, interest-free and repayable on demand. The remaining balance of other receivables represents mainly prepayment and deposit for office use as well as investment income receivables.

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	THE GROUP	
	2012 HK$'000	2011 HK$'000
Listed securities held for trading, at fair value:		
Equity securities listed in Hong Kong	373,299	156,980
Unlisted debt securities held for trading, at fair value:		
Bonds with fixed interest rate of 2.5% and maturity date on 4th January, 2014 issued by a Hong Kong listed issuer	34,800	—
Unlisted security held for trading, at fair value:		
Unlisted equity security	54,600	—
Unlisted debt securities designated as financial assets at FVTPL:		
Convertible notes issued by a Hong Kong listed issuer	7,071	10,017
	469,770	166,997

The Group acquired unlisted unsecured bonds at purchase price of HK$75,000,000 through a broker during the year ended 31st December, 2012.

The unlisted unsecured bonds, issued by a company listed on The Hong Kong Stock Exchange, with principal amount of HK$120,000,000, carry coupon rate of 2.5% per annum, are redeemable by issuer at any time before maturity at its principal amount together with interest accrued at the redemption date. The bonds are repayable upon maturity on 4th January, 2014 or extended maturity date of 4th January, 2019, if the issuer has delivered an extension notice to bondholders at any time before extension deadline, with an adjusted coupon rate of 12.5%.

The fair value of the unlisted unsecured bond as at 31st December, 2012 has been arrived at on basis of a valuation with reference to the valuation performed by Asset Appraisal Limited, an independent qualified professional valuer not connected with the Group. The fair value of the unlisted unsecured bonds at 31st December, 2012 were determined using discounted cash flows method using the interest rate of 48% applied at the time by the market to instruments of comparable credit status, credit quality and taking into account the probability of extension of the bonds.

As at 31st December, 2012, the Group held 1.18% equity interest in a private entity incorporated in the Cayman Islands. The fair value of the unlisted equity securities has been arrived at on the basis of a valuation carried out as at that date by an independent qualified professonal valuer. The fair value of the unlisted equity securities is determined with reference to publicly available information of comparable companies applying a marketability discount.

In the opinion of the directors of the Company, there exists an active market for there securities as the Group will be able to sell the securities through the same financial institution from whom it bought the securities initially. Accordingly, these investments in securities are classified as held for trading.

During the year 31st December, 2011, the Group acquired convertible notes of principal amount HK$10,000,000 issued by a Hong Kong listed issuer (the "Convertible Notes"). The 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 Convertible Notes until the date falling 7 days before (and excluding) the maturity date, to convert the whole principal amount of the Convertible Notes into ordinary shares at conversion price of HK$1.00, by giving prior written notice to the issuer.

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

The issuer has the right at any time from the date of issue the 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 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 Convertible Notes.

During the year ended 31st December, 2012, a decrease in fair value of HK$2,946,000 (2011: an increase of HK$17,000) is recognized in the consolidated statement of comprehensive income for Convertible Notes. At 31st December, 2012, the fair value of the debt component of the Convertible Notes is determined using the prevailing market interest rate of 21.49% (2011: 14.51%) while the fair value of the embedded derivative of the Convertible Note is determined using Option Pricing Model by an independent professional valuer with the following inputs:

	31/12/2012	31/12/2011
Valuation date share price:	HK$0.247	HK$0.970
Exercise price:	HK$1.000	HK$1.000
Expected life:	2 years	3 years
Expected volatility:	43.83%	64.40%
Expected yield:	Nil	Nil
Risk-free rate:	0.11%	0.49%

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 ranging from 0.01% to 1.81% (2011: 0.01% to 1.94%) 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$2,947,000 (2011: HK$1,711,000) with the following aged analysis based on invoice date at the end of the reporting period:

	THE GROUP	
	2012 HK$'000	2011 HK$'000
0-90 days	1,956	1,558
91-180 days	—	66
Over 180 days	991	87
	2,947	1,711

The average credit period is 90 days.

22. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED CHARGES – continued

Included in other payables as at 31st December, 2012 is balance payable to an investment broker of approximately HK$1,150,000 (2011: HK$1,053,000) for acquisition of available-for-sale investments and financial assets at fair value through profit or loss.

23. LOANS PAYABLE

As at 31st December, 2011, the Group has two loans with a total principal amount of HK$74,679,000 plus interest of HK$22,281,000 payable to independent third parties. The loan with principal amount of HK$50,000,000 carries interest at Hong Kong Prime Rate plus 2% per annum. Effective interest rate for this loan was 7%, while the remaining balance carries fixed interest rate at 6.6% per annum. Both loans were unsecured and repayable on demand. During the year ended 31st December, 2012, the Group has fully repaid the loans.

24. BANK BORROWING

	THE GROUP	
	2012 HK$'000	2011 HK$'000
Unsecured bank borrowing repayable within one year	113,474	—

During the year, the Group obtained new loan in the amount of HK$113,474,000. The loan bear interest at quoted lending rate of the People's Bank of China (the "PBOC") plus 2%. Effective interest rate for the loan is 6.50% per annum.

25. SHARE CAPITAL OF THE COMPANY

	Number of shares	Share capital HK$'000
Ordinary shares of HK$0.10 each		
Authorised:		
At 31st December, 2011 and 31st December, 2012	200,000,000,000	20,000,000
Issued and fully paid:		
At 1st January, 2011, 31st December, 2011 and 31st December, 2012	3,699,183,927	369,918

26. SHARE-BASED PAYMENT TRANSACTIONS

Prior to the adoption of 2011 Scheme (as defined as follows), the Company had an option scheme which adopted on 4th June, 2002 (Old Option Scheme) for a period of 10 years. The Old Option Scheme was terminated on 10th June, 2011 since the adoption of 2011 Scheme. 24,800,000 share options granted under the Old Option Scheme lapsed during the year of 2012.

On 10th June, 2011, the Company has adopted a share option scheme ("2011 Scheme") which is effective for a period of ten years for the primary purpose of providing incentives to Participants (terms used herein shall, unless otherwise defined, shall have the same meanings as defined in the circular of the Company dated 6th May, 2011). Under the 2011 Scheme, the Board of Directors of the Company may grant options to Participants to subscribe for shares in the Company for a consideration of HK$1. Options granted must be taken up within 21 days inclusive of and from the date on which an Option is offered, 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 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 2011 Scheme is not permitted to exceed 369,918,392 shares, representing 10% of the issued share capital of the Company as at the date of adoption of 2011 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 Listing Rules from time to time, the Board of the Company 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 2011 Scheme at any point in time, without prior approval from Company's shareholders.

No share options granted under the Old Option Scheme had been exercised and no share options have been granted since the adoption of 2011 Scheme during both years.

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

				Number of Shares		
	Date of grant	Exercisable period	Exercise price HK$	At 1.1.2011 and 31.12.2011	Lapsed	At 31.12.2012
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)	—
Exercisable at the end of the year				24,800,000	(24,800,000)	—
Weighted average exercise price				HK$0.724	HK$0.724	N/A

27. 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, 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 1st January, 2012	846,242	1,267	11,397	233	(470,107)	389,032
Loss for the year and total comprehensive expense for the year	—	—	—	—	(77,804)	(77,804)
Transfer upon lapse of share options	—	—	(11,397)	—	11,397	—
At 31st December, 2012	846,242	1,267	—	233	(536,514)	311,228

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, 2012 (2011: Nil).

28. CAPITAL RISK MANAGEMENT

The Group and the Company manage their capital to ensure that entities in the Group and the Company 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 borrowing disclosed in notes 23 and 24, and equity attributable to owners of the Company, comprising issued share capital, reserves and accumulated losses.

The capital structure of the Company represents equity attributable to owners' 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.

29. FINANCIAL INSTRUMENTS

29a. Categories of financial instruments

	THE GROUP		THE COMPANY	
Statement of financial position	2012 HK$'000	2011 HK$'000	2012 HK$'000	2011 HK$'000
Financial assets				
Loans and receivables (including cash and cash equivalents)	258,691	638,295	726,884	807,215
Available-for-sale financial assets	1,292	1,609	—	—
Fair value through profit or loss				
Held for trading	462,699	156,980	—	—
Designated at FVTPL	7,071	10,017	—	—
Financial liabilities				
Amortised cost	127,237	102,103	52,668	51,879

29b. Statement of comprehensive income

	THE GROUP		THE COMPANY	
	2012 HK$'000	2011 HK$'000	2012 HK$'000	2011 HK$'000
Financial assets at FVTPL -				
Held for trading				
Fair value changes	(50,646)	(22,574)	—	—
Designated at FVTPL				
Fair value changes	(2,946)	(1,831)	—	—
Loss on redemption	—	(811)	—	—

29c. 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 borrowing. 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.

29. FINANCIAL INSTRUMENTS – continued

29c. 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 the unlisted debt securities. The Group currently does not have any interest rate hedging policy. The Group monitors the interest rate risk exposure closely and may enter any holding activities if the need arises.

The Group is 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 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 the quoted lending rate of the PBOC arising from the loans payable, and bank borrowing.

Sensitivity analysis

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

If interest rates had been 50 basis points higher/lower and all other variables were held constant.

- Loss for the year ended 31st December, 2012 of the Group would increase/decrease by HK$474,000 (2011: HK$297,000) as a result of changes in interest rate of the bank borrowing and loan payable; and
- Loss for the year ended 31st December, 2012 of the Group would increase/decrease by HK$145,000 (2011: Nil) as a result of the impact of changes in the market interest rate on the unlisted debt securities investment.

In management' opinion, the sensitivity analysis is unrepresentative of the inherent interest rate risk as the year end exposure does not reflect the exposure during the year.

(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 in relation to the embedded conversion option of the convertible notes designated as financial assets at FVTPL. The Group does not have any policy to hedge against such risk.

29. FINANCIAL INSTRUMENTS – continued

29c. 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 at the reporting date. For sensitivity analysis purpose, the sensitivity rate is 10% (2011: 10%) in the current year.

If the prices of the respective listed equity securities, unlisted equity securities and the underlying shares of convertible notes investments had been 10% (2011: 10%) higher/lower:

- loss for the year ended 31st December, 2012 would decrease/increase by HK$38,635,000 (2011: HK$13,108,000) as a result of the changes in fair value of listed and unlisted equity securities;
- loss for the year ended 31st December, 2012 would decrease/increase by HK$590,000 (2011: HK$836,000) as a result of changes in fair value of the unlisted debt security designated as financial assets at FVTPL; and
- investment valuation reserve would increase by HK$129,000/loss for the year ended 31st December, 2012 would increase by HK$129,000 (2011: investment valuation reserve would increase by HK$161,000/loss for the year would be increased by HK$161,000) 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.

29. FINANCIAL INSTRUMENTS – continued

29c. Financial risk management objectives and policies - continued

Market risk - continued

Credit risk

As at 31st December, 2012, the maximum exposure of the Group and the Company to credit risk which will cause a financial loss to the Group and the Company due to failure to discharge an obligation by the counterparties is arising from:

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

In order to minimise the credit risk, the management of the Group and the Company has delegated a team responsible for 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 three financial institutions for the Group's investment in securities business of HK$1,173,000 (2011: deposits placed at two financial institutions HK$809,000) which represents, approximately 78% (2011: 72%) of the Group's deposit placed with securities brokers, and other receivable of HK$6,700,000 (2011: HK$2,843,000) due from a single counter party. The management considered the credit risk on such balances held at financial institutions and the counter party is limited because the financial institutions are with good reputation and the single counter party is in good financial position.

The Group is also exposed to credit risk in respect of its investment in bonds issued by a Hong Kong listed issuer (classified as unlisted debt securities held for trading). The management manages and monitors these exposures by monitoring the performance of the listed issuer to ensure appropriate measures are implemented on a timely and effective manner.

The Group invests in convertible notes issued by a Hong Kong listed issuer of HK$7,071,000 (2011: HK$10,017,000). The management considered the credit risk on such balanse is limited because the management closely monitor financial position of the Hong Kong listed issuer.

At 31st December, 2012, approximately 87% (2011: 56%) of the Group's trade receivables were due from the five largest customers within battery business in Hong Kong and the PRC. The management performs periodic evaluations and customer visits to ensure the Group's exposure to bad debts is not significant. The historical experience in the collection of trade receivables from the five largest customers falls within the expectation of the directors. The management currently is seeking new customers base to explore the market in order to reduce the reliance on the several major customers, and also mitigate concentrations of credit risk.

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

The credit risk on liquid funds is limited because the counterparties are banks with good reputation.

29. FINANCIAL INSTRUMENTS – continued

29c. Financial risk management objectives and policies - continued

Liquidity risk

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

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

THE GROUP

Liquidity tables

	Weighted average effective interest rate %	Less than 1 month HK$'000	1 - 3 months HK$'000	3 months to 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2012 HK$'000
2012						
Non-derivative financial liabilities						
Trade and other payables	—	13,763	—	—	13,763	13,763
Bank borrowing	6.5	—	—	116,547	116,547	113,474
		13,763	—	116,547	130,310	127,237

	Weighted average effective interest rate %	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 payables	6.89	71,465	—	26,479	97,944	96,960
		76,608	—	26,479	103,087	102,103

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.

29. FINANCIAL INSTRUMENTS – continued

29c. Financial risk management objectives and policies - continued

Liquidity risk - continued

THE COMPANY

Liquidity tables

	Weighted average effective interest rate %	Less than 1 month HK$'000	Over 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2012 HK$'000
2012					
Non-derivative financial liabilities					
other payables	—	812	—	812	812
Amounts due to subsidiaries	—	51,856	—	51,856	51,856
		52,668	—	52,668	52,668

	Weighted average effective interest rate %	Less than 1 month HK$'000	Over 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2011 HK$'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

29. FINANCIAL INSTRUMENTS – continued

29d. 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.

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, 2012			
	Level 1	Level 2	Level 3	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Financial assets at FVTPL				
Listed equity securities	373,299	—	—	373,299
Unlisted debt securities	—	—	34,800	34,800
Unlisted equity security	—	—	54,600	54,600
Unlisted convertible notes investment	—	—	7,071	7,071
Available-for-sale				
Listed equity securities	1,292	—	—	1,292

29. FINANCIAL INSTRUMENTS – continued

29d. Fair value – continued

	31st December, 2011			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'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

There is no transfer between Level 1, 2 and 3 in the current year.

Reconciliation of Level 3 fair value measurements of financial assets

	Unlisted debt securities HK$'000	Unlisted equity security HK$'000	Unlisted convertible notes investment HK$'000
At 1st January, 2011	—	—	12,259
Addition	—	—	10,000
Disposal	—	—	(9,600)
Change in fair value in profit or loss	—	—	(2,642)
At 31st December, 2011	—	—	10,017
Addition	75,000	75,000	—
Disposal	—	(12,000)	—
Change in fair value in profit or loss	(40,200)	(8,400)	(2,946)
At 31st December, 2012	34,800	54,600	7,071

30. OPERATING LEASES

The Group as lessee

The Group made approximately HK$4,290,000 (2011: HK$4,416,000) 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	
	2012 HK$'000	2011 HK$'000	2012 HK$'000	2011 HK$'000
Within one year	—	3,982	—	3,982
In the second to third years inclusive	—	—	—	—
	—	3,982	—	3,982

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.

31. PLEDGE OF ASSETS

At 31st December, 2012, available-for-sale investments and financial assets at fair value through profit or loss with a carrying value of HK$775,000 (2011: HK$956,000) and HK$2,081,000 (2011: HK$2,532,000), respectively were pledged to secure margin account credit facilities and banking facilities granted to the Group. As at 31st December, 2012 margin loan of HK$1,150,000 (2011: HK$1,053,000) 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.

32. 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:

	2012 HK$'000	2011 HK$'000
Short-term benefits	18,769	24,155
Post-employment benefits	82	75
	18,851	24,230

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

33. 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 and HK$1,250 after 1st June, 2012 (2011: HK$ 1,000), which contribution is matched by the Group.

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

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

The total cost charged to statement of comprehensive income of approximately HK$273,000 (2011: HK$275,000) represents contributions payable to these schemes by the Group.

34. PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries at 31st December, 2012 and 2011 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 and trading of battery products
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 foreign owned enterprise in the PRC.

The above table lists the subsidiaries of the Company 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,				
	2008 HK$'000	2009 HK$'000	2010 HK$'000	2011 HK$'000	**2012** **HK$'000**
Continuing operations					
Revenue	18,699	8,246	12,279	9,319	**5,665**
Loss before tax	(468,103)	(56,735)	(58,677)	(70,467)	**(90,701)**
Taxation	15,738	5,042	—	—	**—**
Loss for the year	(452,365)	(51,693)	(58,677)	(70,467)	**(90,701)**
Attributable to:					
Owners of the Company	(452,365)	(51,686)	(58,641)	(70,131)	**(90,612)**
Non-controlling interests	—	(7)	(36)	(336)	**(89)**
	(452,365)	(51,693)	(58,677)	(70,467)	**(90,701)**

(B) ASSETS AND LIABILITIES

	At 31st December,				
	2008 HK$'000	2009 HK$'000	2010 HK$'000	2011 HK$'000	**2012** **HK$'000**
Total assets	1,362,240	953,661	900,189	839,426	**761,037**
Total liabilities	(1,013,142)	(108,781)	(111,797)	(123,314)	**(136,457)**
	349,098	844,880	788,392	716,112	**624,580**
Equity attributable to owners of the Company	348,837	844,626	788,174	716,230	**624,787**
Non-controlling interests	261	254	218	(118)	**(207)**
	349,098	844,880	788,392	716,112	**624,580**