中策集團有限公司
China Strategic Holdings Limited

(Incorporated in Hong Kong with limited liability)

Stock code: 0235

Annual Report 2013

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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
Level 22, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

STOCK CODE

0235

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors (the "Board") of China Strategic Holdings Limited (the "Company"), I would like to present to the shareholders the results of the Company and its subsidiaries (the "Group") for the year ended 31 December, 2013.

In the year of 2013, the revenue of the Group was increased by HK$98.42 million to approximately HK$104.09 million. It is mainly attributable to the Group's new businesses in metals trading and money lending business as well as sales of electronics products. The battery operation has remained weak. The performance of the Group's securities investment has improved over the second half of the year 2013, thus, the Group recorded a gain on financial assets at fair value through profit or loss of approximately HK$19.05 million when compared to a loss on financial assets at fair value through profit or loss of approximately HK$53.59 million for the last fiscal year. Overall, net loss for the year ended 31st December, 2013 decreased by approximately 80.50% to HK$17.69 million when compared with the net loss of HK$90.70 million for the fiscal year of 2012.

Looking ahead, the slowdown of the China's economy may have negative impact to Group's businesses, especially the battery operation. Despite the recent signs of a more stabilized global economy, the global investment market in 2014 may still become volatile due to the possibility that the Federal Reserve in the United States of America may continue with the withdrawal the quantitative easing policy. Thus, the Group is cautious on the performance of its securities investment. The Group will continue in seeking new investment opportunities as well as reviewing the existing business mix and would not exclude the possibility of disposing under-performing business with a view to strengthen the shareholders' value in the long run.

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, 2014

The revenue of the Group for the year ended 31st December, 2013 increased by HK$98.42 million to approximately HK$104.09 million. It was mainly attributable to the Group's new businesses in metals trading and money lending business as well as sales of electronics products. The battery operation has remained weak. The gross profit for the year ended 31st December, 2013 was approximately HK$4.21 million which had increased by approximately HK$3.57 million when compared with the year ended 31st December, 2012. The bank interest income of the Group for the year ended 31st December, 2013 was approximately HK$0.70 million as opposite to HK$5.31 million for the year 2012. The performance of the Group's securities investment has improved over the second half of the year 2013, thus, the Group recorded a gain on financial assets at fair value through profit or loss of approximately HK$19.05 million when compared to a loss on financial assets at fair value through profit or loss of approximately HK$53.59 million for the last fiscal year. Overall, net loss for the year ended 31st December, 2013 decreased by approximately 80.50% to HK$17.69 million when compared with the net loss of HK$90.70 million for the fiscal year of 2012.

During the year of 2013, the Group financed its operations mainly through cash generated from its business activities, banking facilities provided by principal bankers and external borrowings. As at 31st December, 2013, the Group had working capital calculated by current assets less current liabilities of approximately HK$548.88 million and the current ratio decreased to 4.45, compared with the working capital of approximately HK$597.36 million and current ratio of 5.38 as at 31st December, 2012.

For the year under review, the net cash used in operating activities of had decreased 79.46% to HK$82.94 million when compare with the year of 2012. The net cash from investing activities and financing activities were approximately HK$3.23 million and HK$16.20 million, respectively, compared with the net cash generated from investing activities and financing activities of approximately HK$6.42 million and HK$10.40 million in the year of 2012, respectively.

The Group’s bank and other borrowings were decreased 1.53% from approximately HK$113.47 million as at 31st December, 2012 to approximately HK$111.74 million as at 31st December, 2013. At 31st December, 2013, bank and other borrowings denominated in Hong Kong dollars was variable rate loans. There were no convertible notes and long term borrowings outstanding. The gearing ratio was approximately 0.26 (31st December, 2012: 0.22) calculated by the total liabilities of HK$161.27 million (31st December, 2012: HK$136.46 million) divided by total shareholders’ equity of HK$608.87 million (31st December, 2012: HK$624.79 million).

As at 31st December, 2013, the Group had cash and bank balances amounted to approximately of HK$180.06 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$393.08 million and there was no bank deposit pledged. During the year ended 31st December, 2013, 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, 2013, the Group employed 41 staff, the staff costs (excluding directors’ emoluments) was around HK$3.12 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. As at 31st December, 2013, the Group has no share option outstanding.

Looking ahead, the slowdown of China's economy may have negative impact to the Group's business, especially the battery operation. Despite the recent signs of a more stabilized global economy, the global investment market in 2014 may still become volatile due to the possibility that the Federal Reserve in the United States of America may continue with the withdrawal of the quantitative easing policy. Thus, the Group is cautious on the performance of its securities investment. The Group will continue in seeking new investment opportunities as well as reviewing the existing business mix and would not exclude the possibility of disposing under-performing business with a view to strengthen the shareholders' value in the long run.

EXECUTIVE DIRECTORS

Mr. Or Ching Fai, aged 64, 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 the chairman of Nomination Committee and 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 63, 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 45, 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 and CST Mining Group 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 48, 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 25 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 Well Way Group 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 51, 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 50, 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, China New Energy Power Group Limited and CST Mining Group 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 67, 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 63, 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 and China New Energy Power Group 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 2013 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 2013 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, 2013 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 5 to 7 under the section of Biographical Details of Directors.

BOARD DIVERSITY POLICY

The Company recognizes the benefits of having a diverse Board to enhance the quality of its performance. The Company adopted the board diversity policy on 19th July, 2013. The policy set out that nomination committee of the Company reviews and assesses the composition of the Board, makes recommendations to the Board on appointment of new directors of the Company, oversees the conduct of the annual review of the effectiveness of the Board in order to achieve the objective of the board diversity policy.

The nomination committee has reviewed the diversity of the Board of the Company and will review the board diversity policy from time to time to ensure that the policy will implement effectively.

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 during the year ended 31st December, 2013. Mr. Or Ching Fai 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 2013 to discuss remuneration matters of the staff for 2013.

In order to attract, retain, and motivate executives and key employees serving for the Group, the Company has adopted a share option scheme on 10th June, 2011 (the "2011 Scheme). 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 12 to the consolidated financial statements and details of 2011 Scheme are set out in the Director's Report and note 29 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 2013. 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.

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 reviewed 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 2013 annual general meeting until the conclusion of the next annual general meeting.

During the year, the Company paid approximately HK$1.61 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$0.72 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, 2013, 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	√	√
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, the non-executive Directors should be appointed for a specific term and subject to re-election. All independent non-executive Directors (including Mr. Chow Yu Chun, Alexander, Ms. Ma Yin Fan and Mr. Leung Hoi Ying) have signed appointment letter with the Company specifying the terms of his/her continuous appointment as an independent non-executive Director and a member of the relevant Board Committees, subject to retirement and re-election as governed by the Articles of Association, 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 2013. 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, 2013 are set out as below:

	Meeting Attended/Held				
	Board of Directors	Nomination Committee	Audit Committee	Remuneration Committee	2013 AGM
Executive Directors					
Or Ching Fai	8/12	1/1	—	—	1/1
Yau Wing Yiu (resigned on 1st February, 2013)	0/12	—	—	—	0/1
Hui Richard Rui	10/12	—	—	—	1/1
Chan Ling, Eva	9/12	—	—	—	1/1
Chiu Ching Ching	3/12	—	—	—	0/1
Chow Kam Wah	11/12	—	—	—	1/1
Independent non-executive Directors					
Ma Yin Fan	7/12	1/1	2/2	1/1	1/1
Chow Yu Chun, Alexander	6/12	—	2/2	1/1	1/1
Leung Hoi Ying	7/12	1/1	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 2013 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 Sections 566 to 568 of Companies Ordinance (Chapter 622 of the Laws of Hong Kong), 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, 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 615 and 616 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) 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, 2013.

The Directors present their annual report and the audited consolidated financial statements for the year ended 31st December, 2013.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its principal subsidiaries are set out in note 37 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31st December, 2013 are set out in the consolidated statement of profit or loss and other comprehensive income on page 20.

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 72 of the annual report.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate sales attributable to the Group's five largest customers were approximately 91% of the Group's total sales and the sales attributable to the Group's largest customer were approximately 30% of the Group's total sales.

The aggregate purchases attributable to the Group's five largest suppliers were approximately 97% of the Group's total purchases and the purchases attributable to the Group's largest supplier were approximately 87% 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 15 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 28 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, 2013, 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

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. Hui Richard Rui, Ms. Ma Yin Fan and Ms. Chiu Ching Ching 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. Hui Richard Rui, Ms. Ma Yin Fan and Ms. Chiu Ching Ching 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, 2013, 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 29 to the consolidated financial statements.

No options were granted nor were there any options outstanding under the share option scheme during the year ended 31st December, 2013.

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, 2013, 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, 2013, 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 during the year ended 31st December, 2013. 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 8 to 13.

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 29 to the consolidated financial statements.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year and 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, 2013.

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, 2014

Deloitte.
德勤

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

We have audited the consolidated financial statements of China Strategic Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 20 to 71, which comprise the consolidated and company statements of financial position as at 31st December, 2013, and the consolidated statement of profit or loss and other 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, 2013, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
28th March, 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31st December, 2013

	NOTES	2013 HK$'000	2012 HK$'000
Revenue	5	104,088	5,665
Cost of sales		(99,874)	(5,018)
Gross profit		4,214	647
Other income	7	12,570	10,489
Selling and distribution costs		(57)	(181)
Administrative expenses		(47,875)	(41,789)
Other gains or losses	8	2,680	(876)
Finance costs	9	(7,874)	(5,399)
Gain (loss) on financial assets at fair value through profit or loss		19,054	(53,592)
Loss before tax		(17,288)	(90,701)
Income tax expenses	10	(403)	—
Loss for the year	11	(17,691)	(90,701)
Other comprehensive (expense) income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		(2,012)	(514)
Fair value changes on available-for-sale investments		1,494	(317)
Other comprehensive expense for the year		(518)	(831)
Total comprehensive expense for the year		(18,209)	(91,532)
Loss for the year attributable to:			
Owners of the Company		(15,398)	(90,612)
Non-controlling interests		(2,293)	(89)
		(17,691)	(90,701)
Total comprehensive expense attributable to:			
Owners of the Company		(15,916)	(91,443)
Non-controlling interests		(2,293)	(89)
		(18,209)	(91,532)
Loss per share			
– Basic and diluted	14	HK(0.42) cents	HK(2.45) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st December, 2013

	NOTES	2013 HK$'000	2012 HK$'000
Non-Current Assets			
Property, plant and equipment	15	11,009	12,778
Prepaid lease payments	16	12,300	12,329
Loan receivables	18	32,840	—
Club debentures	19	825	825
Available-for-sale investments	20	2,786	1,292
		59,760	27,224
Current Assets			
Inventories	21	17,043	2,621
Trade and other receivables	22	20,922	17,525
Prepaid lease payments	16	318	340
Loan receivables	18	96,464	—
Financial assets at fair value through profit or loss	23	393,077	469,770
Bank balances and cash	24	180,059	243,557
		707,883	733,813
Current Liabilities			
Trade and other payables	25	11,640	16,019
Deferred income		3,760	—
Amount due to non-controlling interests	27	24,495	—
Income tax payable		7,367	6,964
Bank and other borrowings	26	111,740	113,474
		159,002	136,457
Net Current Assets		548,881	597,356
Total Assets less Current Liabilities		608,641	624,580
Non-Current Liability			
Deferred income		2,265	—
Net Assets		606,376	624,580
Capital and Reserves			
Share capital	28	369,918	369,918
Reserves		238,953	254,869
Equity attributable to owners of the Company		608,871	624,787
Non-controlling interests		(2,495)	(207)
Total Equity		606,376	624,580

The consolidated financial statements on pages 20 to 71 were approved and authorised for issue by the Board of Directors on 28th March, 2014 and are signed on its behalf by:

Or Ching Fai	Hui Richard Rui
Chairman	*Director*

STATEMENT OF FINANCIAL POSITION

At 31st December, 2013

	NOTES	2013 HK$'000	2012 HK$'000
Non-Current Assets			
Property, plant and equipment	15	1,676	2,216
Prepaid lease payments	16	2,975	3,040
Club debentures	19	825	825
		5,476	6,081
Current Assets			
Prepaid lease payments	16	91	117
Amounts due from subsidiaries	17	648,341	634,994
Other receivables, deposits and prepayments		2,741	11,007
Bank balances and cash	24	25,962	83,265
		677,135	729,383
Current Liabilities			
Other payables and accrued charges		7,541	2,462
Amounts due to subsidiaries	17	26,130	51,856
		33,671	54,318
Net Current Assets		643,464	675,065
Total Assets less Current Liabilities		648,940	681,146
Capital and Reserves			
Share capital	28	369,918	369,918
Reserves	30	279,022	311,228
Total Equity		648,940	681,146

The statement of financial position of the Company on page 22 was approved and authorised for issue by the Board of Directors on 28th March, 2014 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, 2013

	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, 2012	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
Loss for the year	–	–	–	–	–	–	–	–	(15,398)	(15,398)	(2,293)	(17,691)
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	(2,012)	–	–	(2,012)	–	(2,012)
Fair value changes of available-for-sale investments	–	–	–	–	–	1,494	–	–	–	1,494	–	1,494
Capital injection from non-controlling interests	–	–	–	–	–	–	–	–	–	–	5	5
Total comprehensive income (expense) for the year	–	–	–	–	–	1,494	(2,012)	–	(15,398)	(15,916)	(2,288)	(18,204)
At 31st December, 2013	369,918	846,242	1,267	–	233	4,945	7,363	1,943	(623,040)	608,871	(2,495)	606,376

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, 2013

	2013 HK$'000	2012 HK$'000
OPERATING ACTIVITIES		
Loss before tax	(17,288)	(90,701)
Adjustments for:		
Finance costs	7,874	5,399
Interest income	(3,226)	(6,406)
Depreciation of property, plant and equipment	2,018	2,333
Loss on disposal of property, plant and equipment	—	28
Release of prepaid lease payments	318	340
(Gain) loss on financial assets at fair value through profit or loss	(19,054)	53,592
Operating cash flows before movements in working capital	(29,358)	(35,415)
Increase in inventories	(14,422)	(667)
Increase in trade and other receivables	(3,352)	(8,051)
Increase in loan receivables	(129,304)	—
Decrease (increase) in financial assets at fair value through profit or loss	95,747	(356,365)
Decrease in trade and other payables	(8,271)	(3,371)
Increase in deferred income	6,025	—
NET CASH USED IN OPERATING ACTIVITIES	(82,935)	(403,869)
INVESTING ACTIVITIES		
Interest received	3,226	6,406
Proceeds from disposal of property, plant and equipment	—	10
NET CASH FROM INVESTING ACTIVITIES	3,226	6,416
FINANCING ACTIVITIES		
New loan raised	107,002	112,498
Interest paid	(3,136)	(5,399)
Repayment of loans payable	—	(96,703)
Repayment of bank borrowings	(112,164)	—
Capital injection from non-controlling interests	5	—
Advance from non-controlling interests	24,495	—
NET CASH FROM FINANCING ACTIVITIES	16,202	10,396
NET DECREASE IN CASH AND CASH EQUIVALENTS	(63,507)	(387,057)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	243,557	630,609
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	9	5
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, REPRESENTED BY BANK BALANCES AND CASH	180,059	243,557

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, (ii) the investments in securities, (iii) the money lending business, (vi) the trading of metals and (v) the sales of electronic products.

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 37.

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

The Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

Amendments to HKFRSs	Annual improvements to HKFRSs 2009 - 2011 cycle
Amendments to HKFRS 7	Disclosures - Offsetting financial assets and financial liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance
HKFRS 10	Consolidated financial statements
HKFRS 11	Joint arrangements
HKFRS 12	Disclosure of interests in other entities
HKFRS 13	Fair value measurement
HKAS 19 (as revised in 2011)	Employee benefits
HKAS 27 (as revised in 2011)	Separate financial statements
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures
Amendments to HKAS 1	Presentation of items of other comprehensive income
HK(IFRIC) - INT 20	Stripping costs in the production phase of a surface mine

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

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

In the current year, the Group has applied for the first time the package of five standards on consolidation, joint arrangements, associates and disclosures comprising HKFRS 10 "Consolidated financial statements", HKFRS 11 "Joint arrangements", HKFRS 12 "Disclosure of interests in other entities", HKAS 27 (as revised in 2011) "Separate financial statements" and HKAS 28 (as revised in 2011) "Investments in associates and joint ventures", together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding transitional guidance.

HKAS 27 (as revised in 2011) is not applicable to the Group as it only deals with separate financial statements.

The impact of the application of these standards is set out below.

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

Impact of the application of HKFRS 10

HKFRS 10 replaces the parts of HKAS 27 "Consolidated and separate financial statements" that deal with consolidated financial statements and HK(SIC) INT-12 "Consolidation - Special purpose entities". HKFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee.

The directors of the Company made an assessment as at the date of initial application of HKFRS 10 (i.e. 1st January, 2013) as to whether or not the Group has control over its subsidiaries and associates in accordance with the new definition of control and the related guidance set out in HKFRS 10. The directors of the Company concluded that the initial application of HKFRS 10 has no material impact on the consolidated financial statements.

Impact of the application of HKFRS 12

HKFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries. In general, the application of HKFRS 12 has resulted in more extensive disclosures in the consolidated financial statements (please see note 37).

HKFRS 13 Fair value measurement

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements. The scope of HKFRS 13 is broad: the fair value measurement requirements of HKFRS 13 apply 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 for share-based payment transactions that are within the scope of HKFRS 2 "Share-based payment", leasing transactions that are within the scope of HKAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

HKFRS 13 requires prospective application. In accordance with the transitional provisions of HKFRS 13, the Group has not made any new disclosures required by HKFRS 13 for the 2012 comparative period (please see notes 23 and 32d for the 2013 disclosures). Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

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

Amendments to HKAS 1 Presentation of items of other comprehensive income

The Group has applied the amendments to HKAS 1 "Presentation of items of other comprehensive income". Upon the adoption of the amendments to HKAS 1, the Group's 'statement of comprehensive income' is renamed as the '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. Furthermore, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are 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 have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

New and revised HKFRSs in issue but not yet effective

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 2010-2012 cycle[2]
Amendments to HKFRSs	Annual improvements to HKFRSs 2011-2013 cycle[2]
HKFRS 9	Financial instruments[3]
Amendments to HKFRS 9 and HKFRS 7	Mandatory effective date of HKFRS 9 and transition disclosures[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities[1]
Amendments to HKAS 19	Defined benefit plans: Employee contributions[2]
Amendments to HKAS 32	Offsetting financial assets and financial liabilities[1]
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets[1]
Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting[1]
HKFRS 14	Regulatory deferral accounts[4]
HK(IFRIC) - INT 21	Levies[1]

1 Effective for annual periods beginning on or after 1st January, 2014, with earlier application permitted.

2 Effective for annual periods beginning on or after 1st July, 2014, except as disclosed below. Early application is permitted.

3 Available for application - the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.

4 Effective for annual periods beginning on or after 1st January, 2016.

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

Annual improvements to HKFRSs 2010-2012 cycle

The Annual improvements to HKFRSs 2010-2012 cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 2 (i) change the definitions of 'vesting condition' and 'market condition'; and (ii) add definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'. The amendments to HKFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1st July, 2014.

The amendments to HKFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of HKFRS 9 or HKAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss. The amendments to HKFRS 3 are effective for business combinations for which the acquisition date is on or after 1st July, 2014.

The amendments to HKFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of HKFRS 13 clarify that the issue of HKFRS 13 and consequential amendments to HKAS 39 and HKFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial.

The amendments to HKAS 16 and HKAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to HAKS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The directors do not anticipate that the application of the amendments included in the "Annual improvements to HKFRSs 2010-2012 cycle" will have a material effect on the Group's consolidated financial statements.

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

Annual improvements to HKFRSs 2011-2013 cycle

The annual improvements to HKFRSs 2011-2013 cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to HKFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, HKAS 39 or HKFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within HKAS 32.

The amendments to HKAS 40 clarify that HKAS 40 and HKFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

(a) the property meets the definition of investment property in terms of HKAS 40; and

(b) the transaction meets the definition of a business combination under HKFRS 3.

The directors do not anticipate that the application of the amendments included in the annual improvements to HKFRSs 2011-2013 cycle will have a material effect on the Group's consolidated financial statements.

HKFRS 9 Financial instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting.

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

HKFRS 9 Financial instruments - continued

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.

The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors anticipate that the adoption of HKFRS 9 in the future may have significant impact on amounts reported in respect of the Group's financial assets, however, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 Investment entities

The amendments to HKFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its financial statements.

To qualify as an investment entity, a reporting entity is required to:

- obtain funds from one or more investors for the purpose of providing them with professional investment management services;
- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measure an evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments have been made to HKFRS 12 and HKAS 27 to introduce new disclosure requirements for investment entities.

The directors of the Company do not anticipate that the investment entities amendments will have any effect on the Group's consolidated financial statements as the Company is not an investment entity.

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.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

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 and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Basis of consolidation - continued

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries 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.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

Investments in subsidiaries

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Revenue recognition - continued

Arrangement fee income on loan receivables is deferred and recognised as an adjustment to the effective interest rate on the loan receivables.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Leasing - continued

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 profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Taxation - continued

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 related 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 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, loan 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;
- on initial recognition 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 any gains or losses arising from remeasurement recognised in profit or loss. 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; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter into 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, bank and borrowings, amount due to non-controlling interests 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.

Impairment loss on inventories

Inventories are stated at the lower of cost and net realisable value. The estimated net realisable value was arrived based on the management's consideration of obsolete or physically damaged items, life span of inventories, handling and other selling costs. If the estimated net realisable value is lower than cost, a write-down on inventories is recognised in profit or loss. As at 31st December, 2013, the carrying amount of inventories is HK$17,043,000 (2012: HK$2,621,000).

Impairment loss on loan receivables

Management regularly reviews the recoverability of the loan receivables. Appropriate impairment for estimated irrecoverable amount is recognised in profit and loss when there is objective evidence that the amount is not recoverable.

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 the loans receivable that are unlikely to be collected and is recognised on the difference between the carrying amount of loans receivable and the present value of estimated future cash flow discounted using the original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31st December, 2013, the carrying amount of loan receivables net of accumulated impairment loss is HK$129,304,000 (2012: nil).

4. KEY SOURCES OF ESTIMATION UNCERTAINTY – continued

Impairment loss on trade receivables

The policy for allowance for bad or doubtful debts of the Group is based on the evaluation of collectability of amounts based on management's estimate. In determining whether impairment is required, the Group takes into consideration the likelihood of collection of debts on an individual basis as well as on a collective basis, including the Group's past experience of collecting payments. Specific allowance is only made for receivables that are unlikely to be collected and is recognised on the difference between the estimated future cash flow expected to receive discounted using the original interest rate and the carrying value. As at 31st December, 2013, the carrying amount of trade receivables net of allowance for doubtful debts is HK$8,050,000 (2012: HK$1,399,000).

Fair value of financial assets

As described in note 32(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 security as at 31st December, 2013 is HK$8,205,000 (2012: the carrying amount of unlisted debt and equity securities is HK$96,471,000). The directors believe that the chosen valuation techniques and assumptions are appropriate in determining the fair value of financial assets.

5. REVENUE

As analysis of the Group's revenue for the year is as follows:

	2013 HK$'000	2012 HK$'000
Trading of metals	86,088	—
Sales of electronic products	13,185	—
Sales of battery products	3,337	5,665
Arrangement fee from money lending business	944	—
Interest income from money lending business	534	—
	104,088	5,665

6. 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. Trading of metals
3. Sales of electronic products
4. Battery products - Manufacturing and trading of battery products and related accessories
5. Money lending business

Note: The operating segments regarding the trading of metals, the sales of electronic products and the money lending business are newly commenced during the year ended 31st December, 2013.

Segment revenue and results

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

For the year ended 31st December, 2013

	Investments in securities HK$'000	Trading of metals HK$'000	Sales of electronic products HK$'000	Battery products HK$'000	Money lending business HK$'000	Consolidated HK$'000
Gross proceeds	238,062	86,088	13,185	3,337	1,478	342,150
SEGMENT REVENUE						
External sales	—	86,088	13,185	3,337	1,478	104,088
RESULT						
Segment result	30,645	2,218	434	(2,013)	1,275	32,559
Other income						152
Central administrative expenses						(42,125)
Finance costs						(7,874)
Loss before tax						(17,288)

6. SEGMENT INFORMATION – continued

Segment revenue and results – continued

For the year ended 31st December, 2012

	Investments in securities HK$'000	Battery products HK$'000	Consolidated HK$'000
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)

Other segment information

For the year ended 31st December, 2013

	Investments in securities HK$'000	Trading of metals HK$'000	Sales of electronic products HK$'000	Battery products HK$'000	Money lending business HK$'000	Consolidated HK$'000
Amounts included in the measure of segment results:						
Depreciation of property, plant and equipment	543	42	28	1,339	66	2,018
Gain on financial assets at fair value through profit or loss	19,054	—	—	—	—	19,054
Release of prepaid lease payments	91	—	—	227	—	318

6. SEGMENT INFORMATION – continued

Other segment information – continued

For the year ended 31st December, 2012

	Investment in securities HK$'000	Battery products HK$'000	Consolidated HK$'000
Amounts included in the measure of segment results:			
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

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 products and services

The Group's revenue is arising from trading of metals, sales of electronic products, manufacturing and trading of portable batteries and related accessories, and money lending business.

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 customers. 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,	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
The PRC	**7,018**	5,665	**18,590**	20,765
Hong Kong	**97,070**	—	**5,544**	5,167
	104,088	5,665	**24,134**	25,932

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

6. SEGMENT INFORMATION – continued

Information about major customers

Revenue from 3 customers (2012: 2 customers) of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	For the year ended 31st December, 2013 HK$'000	2012 HK$'000
Customer A[1]	31,064	—
Customer B[1]	28,115	—
Customer C[1]	25,124	—
Customer D[2]	—	2,527
Customer E[2]	—	1,278

[1] Revenue from trading of metals

[2] Revenue from manufacturing and trading of battery products and related accessories

7. OTHER INCOME

	2013 HK$'000	2012 HK$'000
Bank interest income	703	5,308
Coupon interest from unlisted debt securities held for trading	2,523	1,098
Dividend income from investments held for trading	8,728	3,781
Others	616	302
	12,570	10,489

8. OTHER GAINS OR LOSSES

	2013 HK$'000	2012 HK$'000
Exchange gain (loss), net	2,680	(848)
Loss on disposal of property, plant and equipment	—	(28)
	2,680	(876)

9. FINANCE COSTS

	2013 HK$'000	2012 HK$'000
Interest on borrowings wholly repayable within five years:		
Loans payable	—	4,600
Bank and other borrowings and overdrafts	7,874	799
	7,874	5,399

10. INCOME TAX EXPENSES

	2013 HK$'000	2012 HK$'000
Tax charge comprises:		
Current tax		
– Hong Kong Profits Tax	403	—

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

The tax charge for the year can be reconciled to the loss before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2013 HK$'000	2012 HK$'000
Loss before tax	(17,288)	(90,701)
Tax at the domestic income tax rate of 16.5%	(2,853)	(14,966)
Tax effect of expenses not deductible for tax purpose	9,087	16,716
Tax effect of income not taxable for tax purpose	(5,888)	(1,681)
Tax effect of tax loss not recognised	56	54
Effect of different tax rates of subsidiaries operating in other jurisdictions	1	(123)
Income tax expenses for the year	403	—

As at 31st December, 2013, the Group and the Company have unused tax losses of approximately HK$5,763,000 and HK$5,735,000 respectively (2012: HK$5,421,000 and HK$5,421,000 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.

11. LOSS FOR THE YEAR

	2013 HK$'000	2012 HK$'000
Loss for the year has been arrived at after charging:		
Staff costs		
– directors' emoluments (note 12)	21,268	18,851
– other staff salaries, wages and other benefits	2,938	3,320
– retirement benefit schemes contributions, excluding directors	186	191
Total staff costs	24,392	22,362
Auditor's remuneration	1,180	888
Depreciation of property, plant and equipment	2,018	2,333
Release of prepaid lease payments	318	340
Cost of inventories recognised as expense	99,874	5,018

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Directors' and chief executive's emoluments

The emoluments paid or payable to each of the 9 (2012: 10) Directors were as follows:

	Notes	2013 Fee HK$'000	2013 Salaries and other benefits HK$'000	2013 Retirement benefits scheme contributions HK$'000	2013 Bonus HK$'000	2013 Total HK$'000	2012 Fee HK$'000	2012 Salaries and other benefits HK$'000	2012 Retirement benefits scheme contributions HK$'000	2012 Bonus HK$'000	2012 Total HK$'000
Non-executive directors											
– Mr. Ma Si Hang, Frederick	(a)	–	–	–	–	–	602	–	–	–	602
Executive directors											
– Mr. Or Ching Fai		–	10,400	15	6,000	16,415	–	10,400	14	–	10,414
– Mr. Yau Wing Yiu	(b)	–	260	1	–	261	–	3,121	14	–	3,135
– Ms. Chiu Ching Ching		–	260	12	–	272	–	260	12	–	272
– Mr. Hui Richard Rui		–	780	15	–	795	–	780	14	–	794
– Ms. Chan Ling, Eva		–	1,800	15	–	1,815	–	1,800	14	150	1,964
– Mr. Chow Kam Wah		–	995	15	300	1,310	–	956	14	300	1,270
		–	14,495	73	6,300	20,868	–	17,317	82	450	18,451
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		150	–	–	–	150	150	–	–	–	150
		400	–	–	–	400	400	–	–	–	400
Total		400	14,495	73	6,300	21,268	1,002	17,317	82	450	18,851

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) Resigned on 1st February, 2013

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, 2013.

13. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, four (2012: five) of them were executive Directors of the Company whose emoluments are included in note 12 above. The emolument of the remaining one (2012: nil) individual was as follows:

	2013 HK$'000	2012 HK$'000
Salaries and other benefits	444	—
Retirement benefits scheme contributions	15	—
	459	—

The emolument was within the following band:

	2013 Number of employee	2012 Number of employee
Nil - HK$1,000,000	1	—

14. 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$15,398,000 (2012: HK$90,612,000) and 3,699,183,927 (2012: 3,699,183,927) ordinary shares in issue during the year.

No diluted loss per share is presented for the year ended 31st December, 2013 as there is no dilutive potential ordinary share in existence for the year.

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

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Machinery and equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
THE GROUP							
COST							
At 1st January, 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
Exchange adjustments	1,937	713	239	4,735	24	88	7,736
Disposals	—	—	(150)	—	(792)	—	(942)
At 31st December, 2013	70,057	25,773	8,503	171,246	806	3,174	279,559
DEPRECIATION AND IMPAIRMENT							
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
Exchange adjustments	1,680	713	247	4,735	24	88	7,487
Provided for the year	1,432	—	447	—	139	—	2,018
Eliminated on disposals	—	—	(150)	—	(792)	—	(942)
At 31st December, 2013	60,618	25,773	7,001	171,246	738	3,174	268,550
CARRYING VALUES							
At 31st December, 2013	9,439	—	1,502	—	68	—	11,009
At 31st December, 2012	10,614	—	1,957	—	207	—	12,778

As at 31st December, 2013 and 2012, 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 payments. 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 loss on the property, plant and equipment and prepaid lease payments is recognised for both years.

15. 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, 2012	2,125	4,402	973	541	8,041
Write off	—	—	—	(541)	(541)
At 31st December, 2012 and 2013	2,125	4,402	973	—	7,500
DEPRECIATION					
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
Provided for the year	69	464	7	—	540
At 31st December, 2013	862	4,003	959	—	5,824
CARRYING VALUES					
At 31st December, 2013	1,263	399	14	—	1,676
At 31st December, 2012	1,332	863	21	—	2,216

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, 2013 and 2012, the buildings of the Group and the Company are situated on land in the PRC under medium-term land use right.

16. PREPAID LEASE PAYMENTS

	THE GROUP		THE COMPANY	
	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000
Analysed for reporting purposes as:				
Current asset	318	340	91	117
Non-current asset	12,300	12,329	2,975	3,040
	12,618	12,669	3,066	3,157

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

17. 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 define 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. Accumulated impairment loss on investment in subsidiaries is HK$135,465,000 for both years ended 31st December, 2013 and 2012.

At 31st December, 2013 and 2012, the amounts due from subsidiaries amount to HK$648,341,000 and HK$634,994,000, respectively, net of impairment loss on the amounts due from subsidiaries of HK$890,656,000 and HK$879,021,000 respectively.

The principal activities of the principal subsidiaries are set out in note 37.

18. LOAN RECEIVABLES

	THE GROUP	
	2013 HK$'000	2012 HK$'000
Fixed-rate loan receivables	129,304	—
Analysed as:		
Current portion	96,464	—
Non-current portion	32,840	—
	129,304	—

The range of interest rate on the Group's loan receivables are 0.81% to 10.25% per annum.

No collateral agreements have been entered into in respect of the loan receivables.

Before granting loans to outsiders, the Group uses an internal credit assessment process to assess the potential borrower's credit quality and defines credit limits granted to borrowers. The credit limits attributed to the borrowers are reviewed by the management regularly.

No loan receivable is past due but not impaired. All outstanding loan receivables are fully settled after the year ended 31st December, 2013.

19. CLUB DEBENTURES

THE GROUP AND THE COMPANY

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

20. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments comprise:

	THE GROUP	
	2013 HK$'000	2012 HK$'000
Listed investments, at fair value:		
- Equity securities listed in Hong Kong	2,786	1,292

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 active markets.

21. INVENTORIES

	THE GROUP 2013 HK$'000	THE GROUP 2012 HK$'000
Metals	15,550	—
Electronic products	548	—
Battery - raw materials and finished goods	945	2,621
	17,043	2,621

22. TRADE AND OTHER RECEIVABLES

	THE GROUP 2013 HK$'000	THE GROUP 2012 HK$'000
Trade receivables	8,050	1,399
Less: Allowance for doubtful debts	—	—
	8,050	1,399

The Group normally allows credit period for trade customers of electronic products ranging from 30 days to 35 days and trade customers of battery 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 2013 HK$'000	THE GROUP 2012 HK$'000
0 - 90 days	8,050	1,111
Over 90 days	—	288
	8,050	1,399

Before accepting any new customer, the Group will assess the potential customer's credit quality and define 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, 2013, included in the Group's trade receivable balance were debtors with aggregate carrying amount of nil (2012: HK$288,000) 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.

22. TRADE AND OTHER RECEIVABLES – continued

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

	THE GROUP	
	2013	2012
	HK$'000	HK$'000
91 - 180 days	—	110
181 - 365 days	—	178
	—	288

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

Included in other receivables are unrestricted deposits of approximately HK$8,670,000 (2012: HK$1,527,000) placed with securities brokers for trading securities in Hong Kong which is non-interest bearing and an advance to an independent third party of nil (2012: HK$6,700,000), 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.

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	THE GROUP	
	2013	2012
	HK$'000	HK$'000
Listed securities held for trading, at fair value:		
Equity securities listed in Hong Kong	384,872	373,299
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	8,205	7,071
	393,077	469,770

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

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

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, were redeemable by issuer at any time before maturity at its principal amount together with interest accrued at the redemption date. The bonds were repayable upon maturity on 4th January, 2014 or extended maturity date of 4th January, 2019, if the issuer delivered an extension notice to bondholders at any time before extension deadline, with an adjusted coupon rate of 12.5%. During the year ended 31st December, 2013, the bonds was disposed to an independent third party at a consideration of HK$30,000,000, resulting in a decrease in fair value of HK$4,800,000.

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 was arrived at on the basis of a valuation carried out as at that date by an independent qualified professional valuer. The fair value of the unlisted equity securities was determined with reference to publicly available information of comparable companies applying a marketability discount. In the opinion of the directors of the Company, there existed an active market for these securities as the Group was able to sell the securities through the same financial institutions from whom it bought the securities initially. Accordingly, these investments in securities were classified as held for trading. During the year ended 31st December, 2013, the entire 1.18% equity interest was disposed to an independent third party at a consideration of HK$63,000,000, resulting in an increase in fair value of HK$8,400,000.

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.

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.

For the year ended 31st December, 2013, an increase in fair value of the Convertible Notes of HK$1,134,000 is recognised in the consolidated statement of profit or loss and other comprehensive income. At 31st December, 2013, the fair value of the debt component of the Convertible Notes is determined using the prevailing market interest rate of 65.19% 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. 2013	31.12. 2012
Valuation date share price:	HK$0.790	HK$0.247
Exercise price:	HK$1.000	HK$1.000
Expected life:	0.78 years	1.78 years
Expected volatility:	33.87%	43.83%
Expected yield:	Nil	Nil
Risk-free rate:	0.53%	0.11%

24. 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 1.30% (2012: 0.01% to 1.81%) per annum.

25. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of approximately HK$40,000 (2012: HK$2,947,000) with the following aged analysis based on invoice date at the end of the reporting period:

	THE GROUP	
	2013 HK$'000	2012 HK$'000
0 - 90 days	40	1,956
91-180 days	—	—
Over 180 days	—	991
	40	2,947

The average credit period is 30 days (2012: 90 days).

Included in other payables as at 31st December, 2013 is balance payable to an investment broker of approximately HK$1,261,000 (2012: HK$1,150,000) for acquisition of financial assets at fair value through profit or loss.

26. BANK AND OTHER BORROWINGS

	THE GROUP	
	2013 HK$'000	2012 HK$'000
Unsecured bank borrowing repayable within one year	—	113,474
Unsecured other borrowings repayable within one year	111,740	—
	111,740	113,474

During the year, the Group repaid in full the unsecured bank loan. The loan bore interest at quoted lending rate of the People's Bank of China (the "PBOC") plus 2% per annum. Effective interest rate for the loan was 6.50% per annum.

During the year, the Group had borrowings with a total principal amount of HK$107,002,000 plus interest of HK$4,738,000 payable to independent third parties. The borrowings with principal amount of HK$52,715,000 carried interest at Hong Kong Prime Rate plus 2% per annum. Effective rate of interest for these borrowings was 7% per annum. The borrowing with principal amount of HK$54,287,000 carried interest at Hong Kong Prime Rate plus 3% per annum. Effective rate of interest for this borrowing was 8% per annum. These borrowings are unsecured and repayable within one year.

27. AMOUNT DUE TO NON-CONTROLLING INTEREST

The amount due to non-controlling interests is unsecured, non-interest bearing and repayable on demand.

28. SHARE CAPITAL OF THE COMPANY

	Number of shares	Share capital HK$'000
Ordinary shares of HK$0.10 each		
Authorised:		
At 31st December, 2012 and 31st December, 2013	200,000,000,000	20,000,000
Issued and fully paid:		
At 1st January, 2012, 31st December, 2012 and 31st December, 2013	3,699,183,927	369,918

29. SHARE-BASED PAYMENT TRANSACTIONS

Under the share option scheme of the Company adopted on 10th June, 2011 (the "2011 Scheme"), the Board may, at its discretion, grant options to the Participants (as defined in the circular of the Company dated 6th May, 2011) enable them to subscribe for shares of the Company as incentives or rewards for their contribution to the Group.

Prior to the adoption of 2011 Scheme, 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 Old Option Scheme were not exercised and lapsed in July 2012.

There were no share option granted under the 2011 Scheme during the year ended 31st December, 2013 and 2012. No share options were outstanding as at 31st December, 2013 and 31st December, 2012.

30. 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, 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
Loss for the year and total comprehensive expense for the year	—	—	—	—	(32,206)	(32,206)
At 31st December, 2013	846,242	1,267	—	233	(568,720)	(279,022)

30. RESERVES OF THE COMPANY – continued

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, 2013 (2012: Nil).

31. 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 bank and other borrowings and amount due to non-controlling interests disclosed in notes 26 and 27, 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.

32. FINANCIAL INSTRUMENTS

32a. Categories of financial instruments

	THE GROUP		THE COMPANY	
Statement of financial position	**2013 HK$'000**	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Financial assets				
Loans and receivables (including cash and cash equivalents)	**326,764**	258,691	**674,651**	726,884
Available-for-sale investments	**2,786**	1,292	**—**	—
Fair value through profit or loss				
Held for trading	**384,872**	462,699	**—**	—
Designated at FVTPL	**8,205**	7,071	**—**	—
Financial liabilities				
Amortised cost	**142,281**	127,237	**28,734**	52,668

32. FINANCIAL INSTRUMENTS – continued

32b. Statement of profit or loss and other comprehensive income

	THE GROUP		THE COMPANY	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets at FVTPL				
– Held for trading				
Fair value changes	**17,920**	(50,646)	**—**	—
– Designated at FVTPL				
Fair value changes	**1,134**	(2,946)	**—**	—

32c. Financial risk management objectives and policies

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

Market risk

(i) Interest rate risk

The Group was exposed to fair value interest rate risk in relation to the unlisted debt securities during the year ended 31st December, 2012. 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 and bank and other 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 bank and other borrowings.

32. FINANCIAL INSTRUMENTS – continued

32c. Financial risk management objectives and policies – continued

Market risk - continued

(i) Interest rate risk - continued

Sensitivity analysis

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

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

- Loss for the year ended 31st December, 2013 of the Group would increase/decrease by HK$447,000 (2012: HK$474,000) as a result of changes in interest rate of the bank and other borrowings; and
- Loss for the year ended 31st December, 2013 of the Group would increase/decrease by nil (2012: HK$145,000) as a result of the impact of changes in the market interest rate on the unlisted debt securities investment.

In management's 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 through its investments in financial assets designated at FVTPL. The Group does not have any policy to hedge against such risk.

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% (2012: 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% (2012: 10%) higher/lower:

- loss for the year ended 31st December, 2013 would decrease/increase by HK$32,137,000 (2012: HK$38,635,000) as a result of the changes in fair value of listed and unlisted equity securities;
- loss for the year ended 31st December, 2013 would decrease/increase by HK$686,000 (2012: HK$590,000) 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$279,000/loss for the year ended 31st December, 2013 would increase by HK$279,000 (2012: investment valuation reserve would increase by HK$129,000/loss for the year ended 31st December, 2012 would increase by HK$129,000) for the Group as a result of the changes in fair value of available-for-sale investments.

32. FINANCIAL INSTRUMENTS – continued

32c. Financial risk management objectives and policies – continued

Market risk - continued

(iii) *Currency risk*

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

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

Credit risk

As at 31st December, 2013, 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$8,459,000 (2012: HK$1,173,000) which represents, approximately 97% (2012: 78%) of the Group's deposit placed with securities brokers, and other receivable of HK$366,000 (2012: HK$6,700,000) 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 was also exposed to credit risk in respect of its investment in bonds issued by a Hong Kong listed issuer (classified as unlisted debt securities designated as financial assets at FVTPL) during the year ended 31st December, 2012 The management managed and monitored these exposures by monitoring the performance of the listed issuer to ensure appropriate measures were implemented on a timely and effective manner.

32. FINANCIAL INSTRUMENTS – continued

32c. Financial risk management objectives and policies – continued

Credit risk - continued

The Group invests in convertible notes issued by a Hong Kong listed issuer of HK$8,205,000 (2012: HK$7,071,000). The management considers the credit risk on such balance is limited because the management closely monitor financial position of the Hong Kong listed issuer.

The Group is exposed to credit risk in respect of its loan receivables. As at 31st December, 2013, the carrying amount of loan receivables net of accumulated impairment loss is HK$129,304,000 (2012: nil). The Group seeks to maintain strict control over its outstanding loan receivables to minimise credit risk. Management has a credit policy in place and the exposures to the credit risk are monitored on an ongoing basis. Impairment allowances on outstanding loan receivables are determined by an evaluation of financial background and current liability to pay at the end of the reporting period.

At 31st December, 2013, approximately 63% (2012: 87%) of the Group's trade receivables were due from the five largest customers within trading of metals and sales of electronic products in Hong Kong and PRC and within battery business in PRC during the year ended 31st December, 2013 and 2012 respectively. 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.

32. FINANCIAL INSTRUMENTS – continued

32c. Financial risk management objectives and policies – continued

Liquidity risk

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

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

THE GROUP

Liquidity tables

	Weighted average effective interest rate	Less than 1 month	1 - 3 months	3 months to 1 year	Total undiscounted cash flows	Carrying amount at 31.12.2013
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2013						
Non-derivative financial liabilities						
Trade and other payables	—	6,046	—	—	6,046	6,046
Other borrowings	7.5	—	—	115,357	115,357	111,740
		6,046	—	115,357	121,403	117,786

	Weighted average effective interest rate	Less than 1 month	1 - 3 months	3 months to 1 year	Total undiscounted cash flows	Carrying amount at 31.12.2012
	%	HK$'000	HK$'000	HK$'000	HK$'000	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

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

32. FINANCIAL INSTRUMENTS – continued

32c. Financial risk management objectives and policies – continued

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.

THE COMPANY

Liquidity tables

	Weighted average effective interest rate	Less than 1 month	Over 1 year	Total undiscounted cash flows	Carrying amount at 31.12.2013
	%	HK$'000	HK$'000	HK$'000	HK$'000
2013					
Non-derivative financial liabilities					
Other payables	—	2,604	—	2,604	2,604
Amounts due to subsidiaries	—	26,130	—	26,130	26,130
		28,734	—	28,734	28,734

	Weighted average effective interest rate	Less than 1 month	Over 1 year	Total undiscounted cash flows	Carrying amount at 31.12.2012
	%	HK$'000	HK$'000	HK$'000	HK$'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

32. FINANCIAL INSTRUMENTS – continued

32d. Fair value measurements of financial instruments

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how that fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs
	31.12. 2013 HK$'000	31.12.2012 HK$'000			
1) Available-for-sale investments					
Listed equity securities	2,786	1,292	Level 1	Quoted bid prices in an active market	N/A
2) Listed securities held for trading					
Equity securities listed					
– in Hong Kong	377,833	373,299	Level 1	Quoted bid prices in an active market	N/A
– outside Hong Kong	7,039	—	Level 1	Quoted bid prices in an active market	N/A
3) Unlisted debt security designated as financial assets at FVTPL					
Convertibles notes issued by a Hong Kong listed issuer	8,205	7,071	Level 3	Black-Scholes model with Trinominal Tree method The key inputs are stock price, conversion price, remaining time to maturity, risk-free rate, dividend yield and volatility	Volatility, estimated by using the historical daily volatility of six comparable companies at the valuation date, quoted from Bloomberg Dividend yield, estimated by the trailing 12-month dividend payout of the issuer

32. FINANCIAL INSTRUMENTS – continued

32d. Fair value measurements of financial instruments – continued

Fair value hierarchy

	31st December, 2013			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets at FVTPL				
Listed equity securities	384,872	—	—	384,872
Unlisted convertible notes investment	—	—	8,205	8,205
Available-for-sale				
Listed equity securities	2,786	—	—	2,786

	31st December, 2012			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'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

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

The fair values of the financial assets included in the level 3 categories above have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

32. FINANCIAL INSTRUMENTS – continued

32d. Fair value measurements of financial instruments – continued

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, 2012	—	—	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
Disposal	(29,400)	(54,600)	—
Change in fair value in profit or loss	(5,400)	—	1,134
At 31st December, 2013	**—**	**—**	**8,205**

Of the total gains or losses for the period included in profit or loss, HK$1,134,000 relates to gain relates to unlisted convertible notes investment designated as fair value through profit or loss held at the end of the current reporting period. Fair value gains or losses on unlisted debt securities held for trading and unlisted convertible notes investment designated as fair value through profit or loss are included in 'other gain and losses'.

33. OPERATING LEASES

The Group as lessee

The Group made approximately HK$8,519,000 (2012: HK$4,290,000) 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	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Within one year	**8,351**	—	**8,201**	—

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

34. PLEDGE OF ASSETS

At 31st December, 2013, available-for-sale investments and financial assets at fair value through profit or loss with a carrying value of HK$1,397,000 (2012: HK$775,000) and HK$2,358,000 (2012: HK$2,081,000), respectively were pledged to secure margin account credit facilities and banking facilities granted to the Group. As at 31st December, 2013 margin loan of HK$1,261,000 (2012: HK$1,150,000) 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.

35. 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:

	2013 HK$'000	2012 HK$'000
Short-term benefits	21,195	18,769
Post-employment benefits	73	82
	21,268	18,851

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

36. 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$1,250 (2012: HK$1,000 before 1st June, 2012 and HK$1,250 after 1st June, 2012), which contribution is matched by the Group.

The retirement benefit scheme contributions relating to the MPF Scheme charged to the consolidated statement of profit or loss and other 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 profit or loss and other comprehensive income.

The total cost charged to statement of profit or loss and other comprehensive income of approximately HK$259,000 (2012: HK$273,000) represents contributions payable to these schemes by the Group.

37. PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries at 31st December, 2013 and 2012 are as follows:

Name of subsidiary	Place of incorporation/ registration and operation	Class of shares held	Issued and fully paid ordinary share capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital held by the Company				Proportion of voting power held by the Company				Principal activities
				31st December, 2013		31st December, 2012		31st December, 2013		31st December, 2012		
				Directly %	Indirectly %	Directly %	Indirectly %	Directly %	Indirectly %	Directly %	Indirectly %	
Rich Crown Investments Limited	Hong Kong	Ordinary	HK$1	–	100	–	100	–	100	–	100	Investments in securities
Super Energy Battery Industries Limited	Hong Kong	Ordinary	HK$2,500,000	–	80	–	80	–	80	–	80	Investment holding and trading of battery products
Wealthy Gain Limited	British Virgin Islands	Ordinary	US$1	–	100	–	100	–	100	–	100	Investments in securities
台山市信威電池有限公司 ("台山市信威") (Note)	PRC	Ordinary	US$9,377,653	–	100	–	100	–	100	–	100	Manufacturing and trading of battery products
Max Talent Investments Limited	Hong Kong	Ordinary	HK$1	–	100	–	100	–	100	–	100	Trading of metals and sales of electronic products
First Pacific Finance Limited	Hong Kong	Ordinary	HK$10,000	–	51	–	–	–	51	–	–	Money lending business
Presitige Faith Finance Limited	Hong Kong	Ordinary	HK$1	–	100	–	–	–	100	–	–	Money lending business

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.

(A) RESULTS

	For the year ended 31st December,				
	2009 HK$'000	2010 HK$'000	2011 HK$'000	2012 HK$'000	**2013 HK$'000**
Continuing operations					
Revenue	8,246	12,279	9,319	5,665	**104,088**
Loss before tax	(56,735)	(58,677)	(70,467)	(90,701)	**(17,288)**
Taxation	5,042	—	—	—	**(403)**
Loss for the year	(51,693)	(58,677)	(70,467)	(90,701)	**(17,691)**
Attributable to:					
Owners of the Company	(51,686)	(58,641)	(70,131)	(90,612)	**(15,398)**
Non-controlling interests	(7)	(36)	(336)	(89)	**(2,293)**
	(51,693)	(58,677)	(70,467)	(90,701)	**(17,691)**

(B) ASSETS AND LIABILITIES

	At 31st December,				
	2009 HK$'000	2010 HK$'000	2011 HK$'000	2012 HK$'000	**2013 HK$'000**
Total assets	953,661	900,189	839,426	761,037	**767,643**
Total liabilities	(108,781)	(111,797)	(123,314)	(136,457)	**(161,267)**
	844,880	788,392	716,112	624,580	**606,376**
Equity attributable to owners of the Company	844,626	788,174	716,230	624,787	**608,871**
Non-controlling interests	254	218	(118)	(207)	**(2,495)**
	844,880	788,392	716,112	624,580	**606,376**