

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



CHINA STRATEGIC HOLDINGS LIMITED

中策集團有限公司

(incorporated in Hong Kong with limited liability)

(Stock Code: 235)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31ST DECEMBER, 2010

The board of directors (the “Board”) of China Strategic Holdings Limited (the “Company”) announces the results of the Company and its subsidiaries (the “Group”) for the year ended 31st December, 2010 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December, 2010

	NOTES	2010 HK\$'000	2009 HK\$'000
Revenue	3	12,279	8,246
Cost of sales		(11,290)	(7,763)
Gross profit		989	483
Other income	4	15,223	25,344
Selling and distribution costs		(636)	(1,708)
Administrative expenses		(127,636)	(46,345)
Other expenses	5	(2,529)	(65,535)
Finance costs	6	(4,988)	(42,541)
Gain on financial assets at fair value through profit or loss		60,900	144,601
Loss on partial redemption of convertible notes		—	(71,034)
Loss before tax		(58,677)	(56,735)
Taxation	7	—	5,042
Loss for the year	8	(58,677)	(51,693)

	NOTE	2010 HK\$'000	2009 HK\$'000
Other comprehensive income (expense)			
Exchange differences arising on translation of foreign operations		219	151
Fair value changes of available-for-sale investments		1,970	5,120
Reclassification adjustments upon disposal of available-for-sale investments		—	(4,552)
		<u>2,189</u>	<u>719</u>
Other comprehensive income for the year			
Total comprehensive expense for the year		<u>(56,488)</u>	<u>(50,974)</u>
Loss for the year attributable to:			
Owners of the Company		(58,641)	(51,686)
Non-controlling interests		(36)	(7)
		<u>(58,677)</u>	<u>(51,693)</u>
Total comprehensive expense attributable to:			
Owners of the Company		(56,452)	(50,967)
Non-controlling interests		(36)	(7)
		<u>(56,488)</u>	<u>(50,974)</u>
Loss per share			
– Basic and diluted	9	<u>HK(1.59) cents</u>	<u>HK(2.23) cents</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st December, 2010

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

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

NOTES

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair values.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and by the Hong Kong Companies Ordinance.

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

In the current year, the Group has applied the following new and revised Standards and Interpretations issued by the HKICPA.

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

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

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

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

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

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

New and revised Standards and Interpretations issued but not yet effective

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

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

¹ Effective for annual periods beginning on or after 1st July, 2010 or 1st January, 2011, as appropriate.

² Effective for annual periods beginning on or after 1st January, 2011.

³ Effective for annual periods beginning on or after 1st July, 2011.

⁴ Effective for annual periods beginning on or after 1st January, 2013.

⁵ Effective for annual periods beginning on or after 1st January, 2012.

⁶ Effective for annual periods beginning on or after 1st February, 2010.

⁷ Effective for annual periods beginning on or after 1st July, 2010.

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

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

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

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

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

3. SEGMENT INFORMATION

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

1. Investments in and trading of securities
2. Battery products - Manufacturing and trading of battery products and related accessories

Information regarding the above segments is reported below.

Segment revenues and results

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

	Investments in securities HK\$'000	Battery products HK\$'000	Consolidated HK\$'000
<i>For the year ended 31st December, 2010</i>			
Gross proceeds	<u>225,965</u>	<u>12,279</u>	<u>238,244</u>
REVENUE			
External sales	<u>—</u>	<u>12,279</u>	<u>12,279</u>
RESULT			
Segment result	<u>71,218</u>	<u>(7,907)</u>	63,311
Other income			437
Central administrative expenses			(117,437)
Finance costs			<u>(4,988)</u>
Loss before tax			<u>(58,677)</u>
	Investments in securities HK\$'000	Battery products HK\$'000	Consolidated HK\$'000
<i>For the year ended 31st December, 2009</i>			
Gross proceeds	<u>341,197</u>	<u>8,246</u>	<u>349,443</u>
REVENUE			
External sales	<u>—</u>	<u>8,246</u>	<u>8,246</u>
RESULT			
Segment result	<u>150,846</u>	<u>(82,140)</u>	68,706
Loss on partial redemption of convertible notes			(71,034)
Other income			21,500
Central administrative expenses			(33,366)
Finance costs			<u>(42,541)</u>
Loss before tax			<u>(56,735)</u>

Other Segment Information

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

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

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

Segment assets and liabilities

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

Revenue from major product

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

Geographical information

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

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

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

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

Information about major customers

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

	For the year ended 31st December,	
	2010	2009
	HK\$'000	HK\$'000
Customer A	1,858	1,503
Customer B	<u>1,595</u>	<u>–</u>

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

4. OTHER INCOME

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

5. OTHER EXPENSES

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

6. FINANCE COSTS

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

7. TAXATION

	2010 HK\$'000	2009 HK\$'000
Hong Kong Profits Tax	—	1,229
Deferred tax	—	(6,271)
	<u>—</u>	<u>(5,042)</u>
	<u>—</u>	<u>(5,042)</u>

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

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

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

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

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

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

8. LOSS FOR THE YEAR

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

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

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

9. LOSS PER SHARE

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

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

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

10. FINAL DIVIDEND

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

11. TRADE AND OTHER RECEIVABLES

	2010 HK\$'000	2009 HK\$'000
Trade receivables	1,627	1,508
Less: allowance for doubtful debts	—	(740)
	<u>1,627</u>	<u>768</u>

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

	2010 HK\$'000	2009 HK\$'000
0-90 days	1,597	768
Over 90 days	30	—
	<u>1,627</u>	<u>768</u>

12. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED CHARGES

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

	2010 HK\$'000	2009 HK\$'000
0-90 days	476	405
91-180 days	251	175
Over 180 days	828	1,223
	<u>1,555</u>	<u>1,803</u>

The average credit period is 90 days.

13. COMMITMENTS

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

14. PLEDGE OF ASSETS

- (a) At 31st December, 2010, available-for-sale investments and financial assets at fair value through profit or loss with a carrying value of HK\$2,353,000 (2009: HK\$1,854,000) and HK\$4,451,000 (2009: HK\$3,526,000), respectively were pledged to secure margin account credit facilities and banking facilities granted to the Group. As at 31st December, 2010, margin loan of HK\$971,000 (2009: nil) was utilised by the Group and there is no restriction on trading of these available-for-sale investments and financial assets at fair value through profit or loss.
- (b) At 31st December, 2010, land use right (included in prepaid lease payments) with a carrying value of approximately HK\$9,476,000 (2009: HK\$9,304,000) and building (included in property, plant and equipment) with a carrying value of HK\$11,513,000 (2009: HK\$11,491,000) were pledged to secure a short-term bank loan granted to a subsidiary.

MANAGEMENT DISCUSSION & ANALYSIS

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

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

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

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

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

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

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

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

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

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

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

CORPORATE GOVERNANCE

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

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

EMOLUMENT POLICY

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

The Company has adopted a share option scheme as an incentive to directors and eligible participants.

DIRECTORS' SECURITIES TRANSACTIONS

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

REVIEW BY AUDIT COMMITTEE

The 2010 annual results have been reviewed by the audit committee.

By Order of the Board
CHINA STRATEGIC HOLDINGS LIMITED
Ma Si Hang, Frederick
Chairman

Hong Kong, 22nd March, 2011

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