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CHINA STRATEGIC HOLDINGS LIMITED
中策集團有限公司

(incorporated in Hong Kong with limited liability)

(Stock Code: 235)

FINAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31ST DECEMBER, 2014

The Board of Directors (the “Board”) of China Strategic Holdings Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred as the “Group”) for the year ended 31st December, 2014 together with comparative figures as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31st December, 2014

	<i>Notes</i>	2014 HK\$'000	2013 HK\$'000 (Restated)
Continuing operations			
Revenue	3	417,590	109,479
Cost of sales		(386,860)	(96,621)
Gross profit		30,730	12,858
Other income	5	2,892	3,826
Other gain	6	162	—
Selling and distribution costs		(1,937)	—
Administrative expenses		(43,480)	(43,139)
Net gain on financial assets at fair value through profit or loss	7	279,066	19,054
Finance costs	8	(139)	—
Gain on disposal of subsidiaries	9	7,197	—
Profit (loss) before tax		274,491	(7,401)
Income tax expenses	10	(1,201)	(403)
Profit (loss) for the year from continuing operations	11	273,290	(7,804)

	<i>Notes</i>	2014 HK\$'000	2013 <i>HK\$'000</i> (Restated)
Discontinued operation			
Profit (loss) for the year from discontinued operation	12	<u>106,529</u>	<u>(9,887)</u>
Profit (loss) for the year		<u>379,819</u>	<u>(17,691)</u>
Other comprehensive income (expense)			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		541	(2,012)
Fair value changes on available-for-sale investments		996	1,494
Reclassification adjustments upon disposal of subsidiaries	9	(7,197)	—
Reclassification adjustments upon disposal of the Disposal Group	12	<u>(7,904)</u>	<u>—</u>
Other comprehensive expense for the year		<u>(13,564)</u>	<u>(518)</u>
Total comprehensive income (expense) for the year		<u>366,255</u>	<u>(18,209)</u>
Profit (loss) for the year attributable to:			
Owners of the Company			
– Profit (loss) for the year from continuing operations		270,465	(5,473)
– Profit (loss) for the year from discontinued operation		<u>106,529</u>	<u>(9,925)</u>
		<u>376,994</u>	<u>(15,398)</u>
Non-controlling interests			
– Profit (loss) for the year from continuing operations		2,825	(2,331)
– Profit for the year from discontinued operation		<u>—</u>	<u>38</u>
		<u>2,825</u>	<u>(2,293)</u>
		<u>379,819</u>	<u>(17,691)</u>
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company		363,430	(15,916)
Non-controlling interests		<u>2,825</u>	<u>(2,293)</u>
		<u>366,255</u>	<u>(18,209)</u>
Earnings (loss) per share attributable to owners of the Company			
14			
From continuing and discontinued operations			
– Basic and diluted		<u>HK8.06 cents</u>	<u>HK(0.36) cent</u>
From continuing operations			
– Basic and diluted		<u>HK5.78 cents</u>	<u>HK(0.13) cent</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31st December, 2014

	<i>Notes</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		3,989	11,009
Prepaid lease payments		2,867	12,300
Loan receivables	<i>15</i>	—	32,840
Club debentures		825	825
Available-for-sale investments		155,782	2,786
Deposit for acquisition of property, plant and equipment		73	—
		<hr/>	<hr/>
Total non-current assets		163,536	59,760
Current assets			
Inventories		552	17,043
Trade and other receivables	<i>16</i>	64,916	20,922
Prepaid lease payments		99	318
Loan receivables	<i>15</i>	3,036	96,464
Financial assets at fair value through profit or loss	<i>17</i>	737,686	393,077
Bank balances and cash		302,480	180,059
		<hr/>	<hr/>
Total current assets		1,108,769	707,883
Current liabilities			
Trade and other payables	<i>18</i>	6,657	11,640
Deferred income		—	3,760
Amount due to non-controlling interests		—	24,495
Income tax payable		5,104	7,367
Other borrowings		—	111,740
		<hr/>	<hr/>
Total current liabilities		11,761	159,002
Net current assets		1,097,008	548,881
Total assets less current liabilities		1,260,544	608,641
Non-current liability			
Deferred income		—	2,265
		<hr/>	<hr/>
Net assets		1,260,544	606,376
		<hr/> <hr/>	<hr/> <hr/>

	<i>Note</i>	2014 HK\$'000	2013 HK\$'000
Capital and reserves			
Share capital	19	1,505,032	369,918
Reserves		(245,359)	238,953
		<hr/>	<hr/>
Equity attributable to owners of the Company		1,259,673	608,871
Non-controlling interests		871	(2,495)
		<hr/>	<hr/>
Total equity		1,260,544	606,376
		<hr/> <hr/>	<hr/> <hr/>

Notes:

1. Significant accounting policies

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) 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 (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”) and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, that are measured at fair values at the end of each reporting period.

2. Application of new and revised HKFRSs

In the current year, the Group has applied, for the first time, a number of new and revised standards, amendments and interpretations (the “new and revised HKFRSs”) (which include all HKFRSs, Hong Kong Accounting Standards (“HKASs”) and interpretations) issued by the HKICPA which are effective for the Group’s financial year beginning 1st January, 2014. A summary of the new and revised HKFRSs are set out as below:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities
Amendments to HKAS 32	Offsetting financial assets and financial liabilities
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets
Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting
HK(IFRIC) - INT 21	Levies

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.

3. Revenue

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

	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Restated)
Trading of metal minerals	357,612	86,088
Sales of electronic components	36,383	13,185
Dividend income from securities investments (<i>Note</i>)	16,301	8,728
Arrangement fee income from money lending business	5,656	944
Interest income from money lending business	1,638	534
	417,590	109,479

Note: The amount represents the dividend income from securities investments, which was classified as other income in prior year. During the year, the management of the Group reclassified such amount from the other income to the revenue for the purpose of resource allocation and performance assessment for the segment of investment in securities stated below in note 4.

4. Segment information

The following is an analysis of the Group's revenue and results by operating segments, based on information provided to the chief operating decision maker ("CODM") representing the Board for the purpose of allocating resources to segments and assessing their performance. This is also the basis upon which the Group is arranged and organised.

The Group's reportable and operating segments under HKFRS 8 are as follows:

1. Investment in securities
2. Trading of metal minerals and electronic components
3. Money lending

Since the CODM considered the reportable and operating segments of sales of electronic components is similar to those nature of trading of metal minerals, the CODM combined these two reportable and operating segments during the year for better resources allocation.

During the year, the Group disposed of its battery products business, which was engaged in the manufacturing and trading of battery products and related accessories. The battery products segment was classified as discontinued operation as described in note 12.

Segment revenue and results

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

For the year ended 31st December, 2014

	Continuing operations			Sub-total <i>HK\$'000</i>	Discontinued operation	Total <i>HK\$'000</i>
	Investment in securities <i>HK\$'000</i>	Trading <i>HK\$'000</i>	Money lending <i>HK\$'000</i>		Battery products <i>HK\$'000</i>	
Segment revenue						
External sales	<u>16,301</u>	<u>393,995</u>	<u>7,294</u>	<u>417,590</u>	<u>700</u>	<u>418,290</u>
Results						
Segment results	<u>294,794</u>	<u>6,279</u>	<u>7,684</u>	308,757	(1,225)	307,532
Gain on disposal of subsidiaries (<i>Note 9</i>)				7,197	—	7,197
Other income				252	—	252
Central administrative expenses				(41,576)	—	(41,576)
Finance costs				(139)	(2,817)	(2,956)
Profit (loss) before tax				274,491	(4,042)	270,449
Income tax expenses				(1,201)	—	(1,201)
Profit (loss) after tax				273,290	(4,042)	269,248
Gain on disposal of the Disposal Group (<i>Note 12</i>)				—	110,571	110,571
Profit for the year				<u>273,290</u>	<u>106,529</u>	<u>379,819</u>
Other segment information						
Depreciation of property, plant and equipment	274	6	7	<u>287</u>	<u>675</u>	<u>962</u>
Net gain on financial assets at fair value through profit or loss	279,066	—	—	<u>279,066</u>	<u>—</u>	<u>279,066</u>
Amortisation of prepaid lease payments	100	—	—	<u>100</u>	<u>56</u>	<u>156</u>

For the year ended 31st December, 2013

	Continuing operations			Discontinued operation		Total HK\$'000
	Investment in securities HK\$'000	Trading HK\$'000	Money lending HK\$'000	Sub-total HK\$'000	Battery products HK\$'000	
Segment revenue						
External sales	<u>8,728</u>	<u>99,273</u>	<u>1,478</u>	<u>109,479</u>	<u>3,337</u>	<u>112,816</u>
Results						
Segment results	<u>30,645</u>	<u>2,652</u>	<u>1,275</u>	34,572	(2,013)	32,559
Other income				152	—	152
Central administrative expenses				(42,125)	—	(42,125)
Finance costs				—	(7,874)	(7,874)
Loss before tax				(7,401)	(9,887)	(17,288)
Income tax expenses				(403)	—	(403)
Loss after tax				<u>(7,804)</u>	<u>(9,887)</u>	<u>(17,691)</u>
Other segment information						
Depreciation of property, plant and equipment	543	70	66	<u>679</u>	<u>1,339</u>	<u>2,018</u>
Net gain on financial assets at fair value through profit or loss	19,054	—	—	<u>19,054</u>	—	<u>19,054</u>
Amortisation of prepaid lease payments	91	—	—	<u>91</u>	<u>227</u>	<u>318</u>

Revenue from major products and services

The Group's revenue is arising from investment in securities, trading and money lending businesses.

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 from continuing operations 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		Non-current assets <i>(Note)</i>	
	Year ended 31st December, 2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i> (Restated)	As at 31st December, 2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
The PRC	343,314	3,682	—	18,590
Hong Kong	74,276	105,797	7,754	5,544
	<u>417,590</u>	<u>109,479</u>	<u>7,754</u>	<u>24,134</u>

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

Information about major customers

Revenue from 2 customers (2013: 3 customers) of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	For the year ended 31st December,	
	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Customer A ¹	215,853	—
Customer B ¹	61,185	—
Customer C ¹	—	31,604
Customer D ¹	—	28,115
Customer E ¹	—	25,124
	<u> </u>	<u> </u>

¹ Revenue from customers of trading business

All of the revenue from continuing operations is generated from investment in securities, trading and money lending businesses for both years.

5. Other income

	2014 HK\$'000	2013 HK\$'000 (Restated)
Continuing operations		
Service charge from customers and suppliers	1,000	—
Gain on disposal of loan receivables	805	—
Bank interest income	401	702
Coupon interest from unlisted debt securities held for trading	—	2,523
Others	686	601
	2,892	3,826

6. Other gain

	2014 HK\$'000	2013 HK\$'000 (Restated)
Continuing operations		
Exchange gain, net	162	—

7. Net gain on financial assets at fair value through profit or loss

	2014 HK\$'000	2013 HK\$'000
Continuing operations		
Net unrealised gain on financial assets at fair value through profit or loss (“FVTPL”)	290,845	8,583
Net realised (loss) gain on sales of financial assets at FVTPL	(11,779)	10,471
	279,066	19,054

8. Finance costs

	2014 HK\$'000	2013 HK\$'000 (Restated)
Continuing operations		
Interest on borrowings wholly repayable within five years: Bank borrowings	139	—

9. Gain on disposal of subsidiaries

On 4th September, 2014, the Group entered into a sale and purchase agreement with an independent third party to dispose of the entire equity interest of and shareholder's loan to certain subsidiaries which were mainly engaged in investment in securities. The disposal was completed on the same date.

The net assets of the subsidiaries being disposed of at the date of disposal were as follows:

	<i>HK\$'000</i>
Available-for-sale investments	3,095
Financial assets at FVTPL	3,410
Other receivables	139
Bank balances and cash	439
Other payables	<u>(7,070)</u>
Net assets disposed of	13
Release of cumulative investment revaluation reserve and other non-distributable reserve upon disposal of subsidiaries	(7,197)
Gain on disposal of subsidiaries	<u>7,197</u>
Net proceeds received from disposal of subsidiaries	<u><u>13</u></u>
Satisfied by:	
Cash consideration	<u><u>13</u></u>
Net cash outflow from disposal of subsidiaries:	
Cash consideration received	13
Bank balances and cash disposed of	<u>(439)</u>
	<u><u>(426)</u></u>

10. Income tax expenses

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Continuing operations		
Tax charge comprises:		
Current tax		
– Hong Kong Profits Tax	1,217	403
Over provision in prior year		
– Hong Kong Profits Tax	(16)	—
	<u>1,201</u>	<u>403</u>
Income tax recognised in profit or loss	<u>1,201</u>	<u>403</u>

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

11. Profit (loss) for the year from continuing operations

Profit (loss) for the year from continuing operations has been arrived at after charging the following items:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i> (Restated)
Staff costs		
– directors' emoluments	17,130	21,268
– other staff salaries, wages and other benefits	4,929	2,743
– retirement benefit schemes contributions, excluding directors	219	186
	<u>22,278</u>	<u>24,197</u>
Total staff costs	<u>22,278</u>	<u>24,197</u>
Auditor's remuneration	1,367	1,180
Depreciation of property, plant and equipment	287	679
Amortisation of prepaid lease payments	100	91
Cost of inventories recognised as expense	<u>386,860</u>	<u>96,621</u>

12. Discontinued operation

During the year, the Group entered into a sale and purchase agreement to dispose of the entire equity interest of and shareholder's loan to certain subsidiaries (the "Disposal Group") to an independent third party at an aggregate cash consideration of HK\$5,000,000. The Disposal Group was mainly engaged in manufacturing and trading of battery products and related accessories. The disposal was completed on 8th May, 2014, on which date the Group lost control of the Disposal Group. Accordingly, the disposed battery products operation is presented as discontinued operation.

The profit (loss) for the year from the discontinued operation is analysed as follows:

	2014	2013
	HK\$'000	HK\$'000
Revenue	700	3,337
Cost of sales	(945)	(3,253)
Other income	339	16
Other gain	—	2,680
Selling and distribution costs	—	(57)
Administrative expenses	(1,319)	(4,736)
Finance costs	(2,817)	(7,874)
	<hr/>	<hr/>
Loss for the year	(4,042)	(9,887)
Gain on disposal of the Disposal Group	110,571	—
	<hr/>	<hr/>
Profit/(loss) for the year from discontinued operation	106,529	(9,887)

Profit (loss) for the year from discontinued operation has been arrived at after charging the following items:

	2014	2013
	HK\$'000	HK\$'000
Staff costs		
– other staff salaries, wages and other benefits	—	195
Depreciation of property, plant and equipment	675	1,339
Amortisation of prepaid lease payments	56	227
Cost of inventories recognised as expenses	945	3,253
	<hr/>	<hr/>
Cash flows (used in) from discontinued operation		
Net cash (used in) from operating activities	(1,318)	9,503
Net cash used in financing activities	—	(8,188)
	<hr/>	<hr/>
Net cash (outflows) inflows	(1,318)	1,315

The net liabilities of the Disposal Group at the date of disposal were as follows:

	<i>HK\$'000</i>
Property, plant and equipment	7,414
Prepaid lease payments	9,298
Trade receivables	700
Bank balances and cash	1,443
Other payables	(2,506)
Other borrowings	(114,557)
	<hr/>
Net liabilities disposed of	(98,208)
Non-controlling interests	541
Release of cumulative exchange reserve upon disposal of the Disposal Group	(7,904)
Gain on disposal of the Disposal Group	110,571
	<hr/>
Net proceeds received from disposal of the Disposal Group	5,000
	<hr/> <hr/>
Satisfied by:	
Cash consideration	5,000
	<hr/> <hr/>
Net cash inflow arising from disposal of the Disposal Group:	
Cash consideration received	5,000
Bank balances and cash disposed of	(1,443)
	<hr/>
	3,557
	<hr/> <hr/>

13. Dividends

No dividend was paid or proposed for the years ended 31 December 2014 and 2013, nor has any dividend been proposed since the end of the reporting periods.

14. Earnings (loss) per share attributable to owners of the Company

From continuing and discontinued operations

The calculation of the basic and diluted earnings (loss) per share attributable to owners of the Company is based on the following data:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Earnings (loss):		
Profit (loss) for the year attributable to owners of the Company for the purposes of calculating basic and diluted earnings (loss) per share	<u>376,994</u>	<u>(15,398)</u>
	2014 <i>'000</i>	2013 <i>'000</i> (Restated)
Number of shares:		
Weighted average number of ordinary shares for the purposes of calculating basic and diluted earnings (loss) per share (<i>Note</i>)	<u>4,677,329</u>	<u>4,329,265</u>

Note: The weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings (loss) per share for the year has been retrospectively adjusted for the effect of the rights issue completed in December 2014.

From continuing operations

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i> (Restated)
Earnings (loss):		
Profit (loss) for the year attributable to owners of the Company from continuing operations for the purposes of calculating basic and diluted earnings (loss) per share	<u>270,465</u>	<u>(5,473)</u>
	2014 <i>'000</i>	2013 <i>'000</i> (Restated)
Number of shares:		
Weighted average number of ordinary shares for the purposes of calculating basic and diluted earnings (loss) per share (<i>Note</i>)	<u>4,677,329</u>	<u>4,329,265</u>

Note: The weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings (loss) per share for the year has been retrospectively adjusted for the effect of the rights issue completed in December 2014.

From discontinued operation

Basic earnings per share from discontinued operation is HK2.28 cents (2013: basic loss per share of HK0.23 cent), calculated based on the profit for the year attributable to owners of the Company from discontinued operation of HK\$106,529,000 (2013: loss of HK\$9,925,000) and the denominators used are the same as those detailed above for both basic and diluted earnings (loss) per share.

No diluted earnings (loss) per share is presented for the year ended 31st December, 2014 and 2013 as there are no dilutive potential ordinary shares in existence for both years.

15. Loan receivables

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Fixed-rate loan receivables	<u>3,036</u>	<u>129,304</u>
Analysed as:		
Current portion	3,036	96,464
Non-current portion	<u>—</u>	<u>32,840</u>
	<u>3,036</u>	<u>129,304</u>

During the year ended 31st December, 2014, the range of interest rate on the Group's loan receivables are 0.81% to 18% per annum (2013: 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 internal credit assessment process to assess the potential borrower's credit quality and defines credit limits granted to the 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, 2014.

16. Trade and other receivables

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Trade receivables	10,649	8,050
Less: Allowance for doubtful debts	—	—
	<u>10,649</u>	<u>8,050</u>
Bill receivables	32,096	—
Payment for subscription of listed securities	12,652	—
Other receivables	9,519	12,872
	<u>64,916</u>	<u>20,922</u>

The Group normally allows credit period for trade customers ranging from 30 days to 180 days. The following is an aged analysis of trade receivables and bill 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:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
0 – 90 days	<u>42,745</u>	<u>8,050</u>

17. Financial assets at fair value through profit or loss

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Listed securities held for trading, at fair value:		
Equity securities listed (<i>Note (i)</i>)		
– in Hong Kong	737,686	377,833
– overseas	—	7,039
Unlisted debt securities designated as financial assets at FVTPL:		
Convertible notes issued by a Hong Kong listed issuer (<i>Note (ii)</i>)	—	8,205
	<u>737,686</u>	<u>393,077</u>

Notes:

- (i) The fair value was based on the quoted prices of the respective securities in active markets.
- (ii) During the year ended 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 was mature on 12th October, 2014. The Group had 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 its ordinary shares at the conversion price of HK\$1.00, by giving prior written notice to the issuer.

The issuer had the right at any time from the date of issue of 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 Notes at the principal amount outstanding plus any interest accrued at the redemption date, unless a conversion notice has previously been given by the Group to the issuer in accordance with the terms and conditions of the Convertible Notes.

During the year ended 31st December, 2014, the Group had converted the whole principal amount of the Convertible Notes into 10,000,000 ordinary shares of the issuer at the conversion price of HK\$1.00 per share and such shares are held by the Group as financial assets at fair value through profit or loss thereafter.

18. Trade and other payables

	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	7	40
Accrued changes and other payables	<u>6,650</u>	<u>11,600</u>
	<u>6,657</u>	<u>11,640</u>

Included in trade and other payables are trade payables of HK\$7,000 (2013: HK\$40,000) with the following aged analysis based on invoice date at the end of the reporting period:

	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
0-90 days	<u>7</u>	<u>40</u>

The average credit period is 30 days for both years.

Included in other payables as at 31st December, 2013 is balances payable to a securities broker of HK\$1,261,000 for acquisition of financial assets at fair value through profit or loss. There was no such balance as at 31st December, 2014.

19. Share Capital

	Number of shares '000	Share capital HK\$'000
Authorised:		
At 1st January, 2013 and 31st December, 2013		
– Ordinary shares of HK\$0.1 each	200,000,000	20,000,000
At 31st December, 2014 (<i>Note</i>)	<u>N/A</u>	<u>N/A</u>
Issued and fully paid:		
At 1st January, 2013 and 31st December, 2013		
– Ordinary shares of HK\$0.1 each	3,699,184	369,918
Transfer upon abolition of par value under the new Hong Kong Companies Ordinance (<i>Note</i>)	—	847,742
Issue of shares	2,959,292	295,927
Transaction costs attributable to issue of shares	—	(8,555)
At 31st December, 2014	<u>6,658,476</u>	<u>1,505,032</u>

Note: Par value of the Company's shares is retired and the relevant concepts of nominal value, share premium, special capital reserve, capital redemption reserve are abolished upon the commencement of the new Hong Kong Companies Ordinance on 3rd March, 2014.

On 5th September, 2014, the Company completed a placing of 739,800,000 new shares under the general mandate at a placing price of HK\$0.16 per placing share. The net proceeds from the placing, after deducting directly attributable costs of HK\$3,059,000, were approximately HK\$115,309,000. Details of which are set out in the announcement of the Company dated 19th August, 2014.

On 15th December, 2014, the Company completed an issue and allotment of 2,219,491,963 rights shares at issue price of HK\$0.08 per rights share. The net proceeds from the rights issue, after deducting directly attributable costs of HK\$5,496,000, were approximately HK\$172,063,000. Details of which are set out in the prospectus of the Company dated 20th November, 2014.

All ordinary shares issued during the year rank pari passu with the then existing ordinary shares in all respects.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31st December, 2014 (2013: nil).

BUSINESS REVIEW

During the year ended 31st December, 2014, the Group discontinued its battery operation and continued to engage in investment in securities, trading and money lending businesses.

Continuing Operations

Investment in Securities

Securities Investments

For the year under review, the Group's securities investment operation recorded revenue of HK\$16,301,000 (2013: HK\$8,728,000) representing dividend from listed equity securities. The operation's profit substantially increased by over 8.6 times to HK\$294,794,000 (2013: HK\$30,645,000), which was mainly due to the upturn in Hong Kong stock market. The profit earned by the operation comprised mainly dividend income received and a net unrealised gain of HK\$290,845,000 (2013: HK\$8,583,000) on the listed securities portfolio held by the Group. During the year, the investment sentiments in Hong Kong stock market had improved mainly because of the market perceptions that the economic recovery of the United States and the economic growth of Mainland China are sustainable, and as a result, a significant increase in profit was recorded by the operation. At year end, the Group's securities portfolio comprised mainly Hong Kong listed equity securities in infrastructure company, property company, industrial materials company, healthcare services company, financial services company, mining and resources company, conglomerate company and energy company and was valued at HK\$737,686,000 (2013: HK\$393,077,000).

Available-for-sale Investment

In December 2014, the Group invested about HK\$155,095,000 to subscribe for 20,310,500 H shares of Shengjing Bank Co., Ltd., a commercial bank in the PRC and listed on the Hong Kong Stock Exchange, as long-term investment. Further details of the investment are set out in the announcement of the Company dated 10th December, 2014.

Trading

During the year under review, the Group's trading operation continued to focus on the sourcing, transporting and supplying of metal minerals and electronic components. When comparing with last year, the operation posted an almost 3 times jump in revenue to HK\$393,995,000 (2013: HK\$99,273,000) and an about 1.4 times increase in segment profit to HK\$6,279,000 (2013: HK\$2,652,000). The growth in the operation's revenue and profit were principally attributed to the increased volume of metal minerals and electronic components transacted during the year, which was in turn a result of the management's successful efforts in expanding the operation's supplier and customer base.

Money Lending

The money lending operation continued to provide a stable income source to the Group for the current year. Interest income generated by the operation amounting to HK\$7,294,000, increased by over 3.9 times over the prior year (2013: HK\$1,478,000) and with its segment profit also increased by over 5 times to HK\$7,684,000 (2013: HK\$1,275,000). The increases in revenue and profit of the operation were mainly due to the higher average amount of loans advanced to customers over last year. The loan portfolio held by the Group amounted to HK\$3,036,000 (2013: HK\$129,304,000) at the year end.

Discontinued Operation

For the year under review, the discontinued battery operation reported revenue of HK\$700,000 (2013: HK\$3,337,000) and incurred segment loss of HK\$1,225,000 (2013: HK\$2,013,000). In May 2014, the Group entered into a sale and purchase agreement with an independent third party to dispose of its battery operation at a cash consideration of HK\$5,000,000 and a gain on disposal of HK\$110,571,000 was recognised. As mentioned in the Company's announcement dated 8th May, 2014, the battery operation was engaged in the manufacturing and trading of battery products and related accessories. In view of the losses suffered by the operation in previous financial years, the Board decided to discontinue the operation and was of the view that the disposal would provide a good opportunity for the Group to realise its investment in the battery operation.

Overall Results

For the year ended 31st December, 2014, the Group recorded profit attributable to owners of the Company of HK\$376,994,000 (2013: loss of HK\$15,398,000) and basic earnings per share of HK 8.06 cents (2013: basic loss per share of HK0.36 cent) from continuing and discontinued operations. The turnaround of the Group's results were mainly due to the substantial profit earned by the securities investments operation of HK\$294,794,000 (2013: HK\$30,645,000) and a gain on disposal of the discontinued battery operation of HK\$110,571,000, as well as the profitable results contributed by the trading operation of HK\$6,279,000 (2013: HK\$2,652,000) and the money lending operation of HK\$7,684,000 (2013: HK\$1,275,000).

FINANCIAL REVIEW

During the year ended 31st December, 2014, the Group financed its operations mainly by cash generated from its business activities and credit facilities provided by banks. At 31st December, 2014, the Group had current assets of HK\$1,108,769,000 (2013: HK\$707,883,000) comprising cash and short-term securities investments totaling HK\$1,040,166,000 (2013: HK\$573,136,000). The Group's current ratio, calculated based on current assets of HK\$1,108,769,000 (2013: HK\$707,883,000) over current liabilities of HK\$11,761,000 (2013: HK\$159,002,000), was at a very strong ratio of 94.3 (2013: 4.5). At year end, the Group's trade and other receivables amounted to HK\$64,916,000, increased by 2.1 times over last year (2013: HK\$20,922,000) mainly due to the surge in trade volume of metal minerals and electronic components transacted during the year. The finance costs related to the Group's continuing operations were HK\$139,000 (2013: nil), represented mainly the interest on bill receivables discounted to banks.

At year end, the equity attributable to owners of the Company amounted to HK\$1,259,673,000 (2013: HK\$608,871,000) and was equivalent to an attributable amount of about HK\$0.19 (2013: HK\$0.16) per share of the Company. The increase in equity attributable to owners of the Company was mainly due to the profit earned by the Group and the aggregate net proceeds of about HK\$287,372,000 raised by the Company through the shares placement and rights issue exercises conducted during the year. The net proceeds of approximately HK\$115,309,000 raised from the shares placement completed in September 2014 had been utilized as general working capital of the Group whereas the net proceeds of about HK\$172,063,000 raised from the rights issue completed in December 2014 were intended to be utilized as to (i) approximately 40% to 50% for the development of the Group's money lending business; (ii) approximately 30% to 40% for the development of the Group's metal minerals and electronic components trading business; and (iii) the remaining balance for opportunistic investments and general corporate purpose.

At 31st December, 2014, the Group had no bank and other borrowings (2013: HK\$111,740,000). The Group's gearing ratio calculated by dividing total liabilities of HK\$11,761,000 (2013: HK\$161,267,000) over the equity attributable to owners of the Company of HK\$1,259,673,000 (2013: HK\$608,871,000) was at a very low level of about 0.01 (2013: 0.26).

With the amount of liquid assets on hand as well as credit facilities granted by banks, the management is of the view that the Group has sufficient financial resources to meet its ongoing operational requirements.

PROSPECTS

Looking forward, the slowdown of the Mainland's economy, the uncertainties about the raise of interest rate in the United States and the instabilities in the European economy may all pose negative impact to the global investment markets including Hong Kong. As such, the management will take a prudent approach in managing the Group's securities investments portfolio. In order to strengthen the Group's capital base, the Company had conducted the shares placement and rights issue exercises during the year and raised in aggregate net proceeds of approximately HK\$287,372,000. The Group will deploy the new capital raised to continue developing its existing businesses as well as seeking investment opportunities with good potential with the view to enhance shareholders' value.

CORPORATE GOVERNANCE

The Company is committed to maintain high standards of corporate governance so as to ensure better transparency and protection of shareholders' interest. The Company had adopted the principles and complied with all the applicable provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Listing Rules throughout the year ended 31st December, 2014, except for the following deviations with reasons as explained:

Code Provision A.2.1

Code Provision A.2.1 of the CG Code requires the roles of chairman and chief executive should be separate and should not be performed by the same individual.

Deviation

The Company has deviated from the requirement during the year ended 31st December, 2014. The Board believes that vesting the roles of chairman and chief executive officer in the same person provides the Company with strong and consistent leadership in the development and execution of long-term business strategy.

Code Provision A.6.7

Code provision A.6.7 of the CG Code stipulates that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders.

Deviation

One independent non-executive director of the Company was unable to attend the annual general meeting of the Company held on 20th June, 2014 (the "AGM") as he had other important business engagement. However, there were three executive directors and two independent non-executive directors of the Company present at the AGM to enable the Board to develop a balanced understanding of the views of shareholders of the Company.

AUDIT COMMITTEE

The audited consolidated financial statements of the Company for the year ended 31st December, 2014 have been reviewed by the Audit Committee of the Company before they are duly approved by the Board under the recommendation of the Audit Committee.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31st December, 2014, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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

Hong Kong, 23rd March, 2015

As at the date of this announcement, the Board comprises five Executive Directors, namely Mr. Or Ching Fai (Chairman and Chief Executive Officer), Mr. Sue Ka Lok, Ms. Lee Chun Yeung, Catherine, Mr. Hui Richard Rui and Mr. Chow Kam Wah; and three Independent Non-executive Directors, namely Ms. Ma Yin Fan, Mr. Chow Yu Chun, Alexander and Mr. Leung Hoi Ying.