

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)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2015

The Board of Directors (the “Board”) of China Strategic Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred as the “Group”) for the six months ended 30 June 2015 together with comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2015

		Six months ended 30 June	
		2015	2014
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Continuing operations			
Revenue	3	176,530	179,146
Cost of sales		(170,669)	(166,570)
		<hr/>	<hr/>
Gross profit		5,861	12,576
Other income	5	534	926
Other (loss) gain	6	(259)	40
Selling and distribution costs		(524)	–
Administrative expenses		(21,664)	(18,537)
Net gain on financial assets at fair value through profit or loss	7	818,106	29,897
Finance costs	8	(15)	–
Gain on disposal of subsidiaries	9	102	–
		<hr/>	<hr/>

		Six months ended 30 June	
		2015	2014
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Profit before tax	<i>12</i>	802,141	24,902
Income tax expense	<i>10</i>	(5,153)	(1,630)
		<hr/>	<hr/>
Profit for the period from continuing operations		796,988	23,272
Discontinued operation			
Profit for the period from discontinued operation	<i>11</i>	–	106,529
		<hr/>	<hr/>
Profit for the period		796,988	129,801
		<hr/>	<hr/>
Other comprehensive income (expense)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		–	541
Fair value changes on available-for-sale investments		17,670	514
Reclassification adjustments upon disposal of the Disposal Group	<i>11</i>	–	(7,904)
		<hr/>	<hr/>
Other comprehensive income (expense) for the period		17,670	(6,849)
		<hr/>	<hr/>
Total comprehensive income for the period		814,658	122,952
		<hr/> <hr/>	<hr/> <hr/>

	Six months ended 30 June	
	2015	2014
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Profit for the period attributable to:		
Owners of the Company		
– Profit for the period from continuing operations	796,780	20,386
– Profit for the period from discontinued operation	–	106,529
	<hr/>	<hr/>
	796,780	126,915
Non-controlling interests		
– Profit for the period from continuing operations	208	2,886
	<hr/>	<hr/>
	796,988	129,801
	<hr/> <hr/>	<hr/> <hr/>
Total comprehensive income for the period attributable to:		
Owners of the Company	814,450	120,066
Non-controlling interests	208	2,886
	<hr/>	<hr/>
	814,658	122,952
	<hr/> <hr/>	<hr/> <hr/>
Earnings per share attributable to owners of the Company		
	<i>14</i>	
From continuing and discontinued operations		
– Basic and diluted	HK11.97 cents	HK3.43 cents
	<hr/>	<hr/>
From continuing operations		
– Basic and diluted	HK11.97 cents	HK0.55 cent
	<hr/>	<hr/>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

		As at 30 June 2015	As at 31 December 2014
	<i>Notes</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
Non-current assets			
Property, plant and equipment		5,251	3,989
Prepaid lease payments		2,817	2,867
Club debentures		825	825
Available-for-sale investment		173,452	155,782
Deposit for acquisition of property, plant and equipment		–	73
Total non-current assets		182,345	163,536
Current assets			
Inventories		–	552
Trade and other receivables	15	50,889	64,916
Prepaid lease payments		99	99
Loan receivables	16	44,185	3,036
Financial assets at fair value through profit or loss	17	1,624,005	737,686
Pledged bank deposits		78,375	–
Bank balances and cash		108,291	302,480
Total current assets		1,905,844	1,108,769
Current liabilities			
Trade and other payables	18	4,328	6,657
Income tax payable		9,738	5,104
Total current liabilities		14,066	11,761
Net current assets		1,891,778	1,097,008
Net assets		2,074,123	1,260,544
Capital and reserves			
Share capital		1,505,032	1,505,032
Reserves		569,091	(245,359)
Equity attributable to owners of the Company		2,074,123	1,259,673
Non-controlling interests		–	871
Total equity		2,074,123	1,260,544

Notes:

1. Basis of preparation

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “*Interim Financial Reporting*” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the “Listing Rule”) on The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”).

The unaudited condensed consolidated interim financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair values, and are presented in Hong Kong dollars (“HK\$”) which is the functional currency of the Company.

The unaudited condensed consolidated interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2014. The accounting policies and methods of computation used in the unaudited condensed consolidated interim financial statements for the six months ended 30 June 2015 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2014.

2. Principal accounting policies

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (“HKFRS”) issued by the HKICPA that are relevant for the preparation of the Group’s unaudited condensed consolidated interim financial statements:

Amendments to HKAS 19	Defined benefit plan: Employee contributions
Amendments to HKFRSs	Annual improvements to HKFRSs 2010-2012 cycle
Amendments to HKFRSs	Annual improvements to HKFRSs 2011-2013 cycle

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these unaudited condensed consolidated interim financial statements and/or disclosures set out in these unaudited condensed consolidated interim financial statements.

3. Revenue

An analysis of the Group's revenue for the period from continuing operations is as follows:

	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Trading of metal minerals	166,408	152,752
Sales of electronic components	5,972	15,879
Dividend income from securities investments (<i>Note</i>)	2,814	3,257
Arrangement fee income from money lending business	250	5,656
Interest income from money lending business	1,086	1,602
	<u>176,530</u>	<u>179,146</u>

Note: The amount represents the dividend income from securities investment, which was classified as other income in the prior period. During the period, the management of the Group reclassified such amount from the other income to the revenue for the purpose of resources 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 segment of sales of electronic components is similar to the nature of trading of metal minerals, the CODM combined these two reportable and operating segments during the period for better resources allocation.

In the prior period, 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 11.

Segment revenue and results

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

	Continuing operations			Sub-total HK\$'000 (Unaudited)	Discontinued operation	Total HK\$'000 (Unaudited)
	Investment in securities HK\$'000 (Unaudited)	Trading HK\$'000 (Unaudited)	Money lending HK\$'000 (Unaudited)		Battery products HK\$'000 (Unaudited)	
Six months ended 30 June 2015						
Segment Revenue						
External sales	2,814	172,380	1,336	176,530	-	176,530
Results						
Segment results	819,716	834	1,119	821,669	-	821,669
Gain on disposal of subsidiaries (note 9)				102	-	102
Other income				61	-	61
Other loss				(10)	-	(10)
Central administrative costs				(19,666)	-	(19,666)
Finance costs				(15)	-	(15)
Profit before tax				802,141	-	802,141
Income tax expense				(5,153)	-	(5,153)
Profit for the period				796,988	-	796,988
Six months ended 30 June 2014						
Segment Revenue						
External sales	3,257	168,631	7,258	179,146	700	179,846
Results						
Segment results	32,476	2,020	7,751	42,247	(1,225)	41,022
Other income				132	-	132
Other gain				40	-	40
Central administrative costs				(17,517)	-	(17,517)
Finance costs				-	(2,817)	(2,817)
Profit (loss) before tax				24,902	(4,042)	20,860
Income tax expense				(1,630)	-	(1,630)
Profit (loss) after tax				23,272	(4,042)	19,230
Gain on disposal of the Disposal Group (note 11)				-	110,571	110,571
Profit for the period				23,272	106,529	129,801

The accounting policies of the operating segments are the same as those adopted in the audited consolidated financial statements of the Company for the year ended 31 December 2014. Segment profit (loss) represents profit (loss) earned/incurred by each segment without allocation of certain other income, other (loss) gain, central administrative costs, finance costs and income tax expense.

5. Other income

	Six months ended 30 June	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Continuing operations		
Bank interest income	433	80
Others	101	846
	<u>534</u>	<u>926</u>

6. Other (loss) gain

	Six months ended 30 June	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Continuing operations		
Exchange (loss) gain, net	(259)	40
	<u>(259)</u>	<u>40</u>

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

	Six months ended 30 June	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Continuing operations		
Net unrealised gain on financial assets at fair value through profit or loss ("FVTPL")	778,627	33,891
Net realised gain (loss) on sales of financial assets at FVTPL	39,479	(3,994)
	<u>818,106</u>	<u>29,897</u>

8. Finance costs

Six months ended 30 June	
2015	2014
<i>HK\$'000</i>	<i>HK\$'000</i>
(Unaudited)	(Unaudited)

Continuing operations

Interest on borrowings wholly repayable within five years:

– bank borrowings

<u>15</u>	<u>–</u>
-----------	----------

9. Gain on disposal of subsidiaries

On 19 June 2015, the Group entered into a sale and purchase agreement with an independent third party to dispose of the entire equity interest of a group of subsidiaries which was mainly engaged in money lending business. The disposal was completed on the same date.

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

	<i>HK\$'000</i>
Bank balances and cash	2,854
Other payables	(83)
Tax payable	(519)
	<hr/>
Net assets disposed of	2,252
Non-controlling interests	(1,079)
Gain on disposal of subsidiaries	102
	<hr/>
Net proceeds received from disposal of subsidiaries	<u>1,275</u>
	<hr/>
Satisfied by:	
Cash consideration	<u>1,275</u>
	<hr/>
Net cash outflow from disposal of subsidiaries:	
Cash consideration received	1,275
Bank balances and cash disposed of	(2,854)
	<hr/>
	<u>(1,579)</u>
	<hr/>

10. Income tax expense

	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Continuing operations		
Tax charge comprises:		
Current tax		
– Hong Kong Profits Tax	5,773	1,630
Overprovision in prior year		
– Hong Kong Profits Tax	(620)	–
	<hr/>	<hr/>
Income tax expense recognised in profit or loss	5,153	1,630
	<hr/> <hr/>	<hr/> <hr/>

Hong Kong Profits Tax is recognised at profits tax rate of 16.5% for the periods under review.

11. Discontinued operation

During the six months ended 30 June 2014, the Group entered into a sale and purchase agreement to dispose of the entire equity interest and shareholder's loan of 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 8 May 2014, on which date the Group lost control of the Disposal Group. Accordingly, the disposed battery products operation was presented as discontinued operation.

The profit for the period from discontinued operation was as follows:

	Six months ended
	30 June 2014
	HK\$'000
Revenue	700
Cost of sales	(945)
Other income	339
Administrative expenses	(1,319)
Finance costs	(2,817)
	<hr/>
Loss for the period	(4,042)
Gain on disposal of the Disposal Group	110,571
	<hr/>
Profit for the period from discontinued operation	106,529
	<hr/> <hr/>

Profit for the period from discontinued operation had been arrived at after charging the following items:

	Six months ended 30 June 2014 <i>HK\$'000</i>
Depreciation of property, plant and equipment	675
Amortisation of prepaid lease payments	56
Cost of inventories recognised as expenses	945
	<u><u> </u></u>
Cash flow from discontinued operation	
Net cash used in operating activities and net cash outflows	(1,318)
	<u><u> </u></u>

The net liabilities of the Disposal Group at the date of disposal were determined 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)
	<u> </u>
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
	<u> </u>
Net proceeds received from disposal of the Disposal Group	5,000
	<u><u> </u></u>
Satisfied by:	
Cash consideration	5,000
	<u><u> </u></u>
Net cash inflow arising from disposal of the Disposal Group:	
Cash consideration received	5,000
Bank balances and cash disposed of	(1,443)
	<u> </u>
	<u><u> </u></u>

12. Profit for the period

Profit for the period from continuing operations has been arrived at after charging the following items:

	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Amortisation of prepaid lease payments	50	50
Depreciation of property, plant and equipment	275	114
	<u>275</u>	<u>114</u>

13. Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2015 (six months ended 30 June 2014: nil).

14. Earnings per share attributable to owners of the Company

From continuing and discontinued operations

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

	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Earnings:		
Profit attributable to owners of the Company for the purposes of calculating basic and diluted earnings per share	796,780	126,915
	<u>796,780</u>	<u>126,915</u>

	Six months ended 30 June	
	2015	2014
	'000	'000
Number of shares:		
Weighted average number of ordinary shares for the purposes of calculating basic and diluted earnings per share	6,658,476	3,699,184
	<u>6,658,476</u>	<u>3,699,184</u>

From continuing operations

	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Earnings:		
Profit attributable to owners of the Company for the purposes of calculating basic and diluted earnings per share	796,780	20,386
	<u>796,780</u>	<u>20,386</u>

The denominators used are the same as those detailed above for both basic and diluted earnings per share.

From discontinued operation

During the six months ended 30 June 2015, there is no basic earnings per share from discontinued operation (six months ended 30 June 2014: basic earnings per share from discontinued operation of HK2.88 cents, calculated based on the profit attributable to owners of the Company from the discontinued operation of HK\$106,529,000 and the denominators used are the same as those detailed above for both basic and diluted earnings per share).

No dilutive earnings per share is presented as there are no dilutive potential ordinary shares for both periods.

15. Trade and other receivables

	As at 30 June 2015 HK\$'000 (Unaudited)	As at 31 December 2014 HK\$'000 (Audited)
Trade receivables	4,992	10,649
Less: Allowance for doubtful debts	—	—
	<u>4,992</u>	<u>10,649</u>
Bill receivables	—	32,096
Payment for subscription of listed securities	—	12,652
Other receivables	45,897	9,519
	<u>50,889</u>	<u>64,916</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 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:

	As at 30 June 2015 HK\$'000 (Unaudited)	As at 31 December 2014 HK\$'000 (Audited)
0 – 90 days	1,614	42,745
90 – 180 days	1,566	—
Over 180 days	1,812	—
	<u>4,992</u>	<u>42,745</u>

Included in the other receivables are mainly unrestricted deposits of approximately HK\$41,590,000 (31 December 2014: HK\$3,710,000) placed with securities brokers for trading securities in Hong Kong.

16. Loan receivables

	As at 30 June 2015 HK\$'000 (Unaudited)	As at 31 December 2014 HK\$'000 (Audited)
Fixed-rate loan receivables	44,185	3,036
Analysed as:		
Current portion	44,185	3,036
Non-current portion	—	—
	44,185	3,036

During the six months ended 30 June 2015, the range of interest rate on the Group's loan receivables are 12% to 18% per annum (year ended 31 December 2014: 0.81% to 18% per annum). No collateral agreement have been entered into in respect of the loan receivables. No loan receivable is past due but not impaired.

17. Financial assets at fair value through profit or loss

	As at 30 June 2015 HK\$'000 (Unaudited)	As at 31 December 2014 HK\$'000 (Audited)
Listed securities held for trading, at fair value:		
Equity securities listed in Hong Kong (<i>Note</i>)	1,624,005	737,686

Note: The fair values of the listed securities were determined based on the quoted market closing prices available on the Hong Kong Stock Exchange.

18. Trade and other payables

	As at 30 June 2015 <i>HK\$'000</i> (Unaudited)	As at 31 December 2014 <i>HK\$'000</i> (Audited)
Trade payables	–	7
Accrued charges and other payables	<u>4,328</u>	<u>6,650</u>
	<u>4,328</u>	<u>6,657</u>

As at 30 June 2015, there is no trade payables (31 December 2014: HK\$7,000). The following is an aged analysis of trade payables, presented based on the invoice date, at the end of the reporting period:

	As at 30 June 2015 <i>HK\$'000</i> (Unaudited)	As at 31 December 2014 <i>HK\$'000</i> (Audited)
0 – 90 days	<u>–</u>	<u>7</u>

19. Events after the reporting period

The underwriting agreement dated 18 May 2015 and the extension letter dated 26 June 2015 were entered into between Emperor Securities Limited (“Emperor Securities”) and the Company (collectively, the “Underwriting Agreement”) in relation to the issue of 3,329,237,945 rights shares at the subscription price of HK\$0.15 per rights share on the basis of one (1) rights share for every two (2) shares held on the record date (i.e. 28 July 2015), subject to the terms and conditions as set out in the Underwriting Agreement (the “Rights Issue”).

The placing and underwriting agreement dated 18 May 2015 was entered into between Emperor Securities as placing agent and the Company (the “Placing and Underwriting Agreement”) in relation to the placing of a maximum number of 7,000,000,000 placing shares, as to 3,500,000,000 placing shares be placed on a fully underwritten basis and 3,500,000,000 placing shares be placed on a best effort basis at the placing price of HK\$0.15 per placing share, subject to the terms and conditions as set out in the Placing and Underwriting Agreement (the “Placing”).

The Rights Issue and the Placing were approved by the shareholders of the Company at the extraordinary general meeting of the Company held on 17 July 2015. As all conditions precedent of the Rights Issue and the Underwriting Agreement have been fulfilled, and all conditions precedent of the Placing as set out in the Placing and Underwriting Agreement have been fulfilled with all 7,000,000,000 Placing Shares having been successfully placed by/through Emperor Securities to not less than six places who are independent third parties, both the Rights Issue and the Placing became unconditional and completed on 20 August 2015.

The Company issued 10,329,237,945 new shares and raised net proceeds of approximately HK\$1,508,000,000 as a result of the Rights Issue and the Placing. Further details of the Rights Issue and the Placing were set out in the announcement of the Company dated 20 May 2015, the circular of the Company dated 29 June 2015, the prospectus of the Company dated 29 July 2015 and the announcements of the Company dated 19 August 2015 and 20 August 2015.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2015 (30 June 2014: nil).

BUSINESS REVIEW

For the period ended 30 June 2015, the Group continued to principally engage in investment in securities, trading and money lending businesses.

Continuing Operations

For the six months ended 30 June 2015, the Group reported revenue of HK\$176,530,000, remained flat compared to the previous period (30 June 2014: HK\$179,146,000), and gross profit of HK\$5,861,000, showing a drop of 53% from the prior period (30 June 2014: HK\$12,576,000). The decline in the Group's gross profit was mainly attributed to the lowered interest income earned by the money lending operation.

Investment in Securities

Securities Investments

During the review period, the Group's securities investment operation recorded revenue of HK\$2,814,000 (30 June 2014: HK\$3,257,000), representing dividends from its investments in equity securities listed in Hong Kong. As a whole, the operation reported a profit of HK\$819,716,000, significantly increased by over 24 times from the prior period (30 June 2014: HK\$32,476,000), and was mainly attributed to the net gain on financial assets at fair value through profit or loss of HK\$818,106,000, which comprised of net unrealised gain and net realised gain of HK\$778,627,000 and HK\$39,479,000 respectively (30 June 2014: HK\$29,897,000, which comprised of net unrealised gain and net realised loss of HK\$33,891,000 and HK\$3,994,000 respectively). Such gain on securities investments is due primarily to the general upturn of stock market in Hong Kong during the first half of 2015. At the period end, the Group had invested in Hong Kong listed equity securities of different category of companies comprising financial services and investment company, mining and resources company, property company, entertainment and media company, infrastructure company, conglomerate company, healthcare services company and industrial materials company. The Group's securities portfolio was valued at HK\$1,624,005,000 as at 30 June 2015 (31 December 2014: HK\$737,686,000).

Available-for-sale-investment

In December 2014, the Group had invested in 20,310,500 H shares of Shengjing Bank Co., Ltd. ("Shengjing Bank"), a commercial bank established in the People's Republic of China and listed on the Hong Kong Stock Exchange, under a cornerstone investment agreement. For the six months ended 30 June 2015, a gain of HK\$17,670,000 (30 June 2014: nil), being fair value change on such investment was recognised as other comprehensive income. For the year ended 31 December 2014 and the six months ended 30 June 2015, Shengjing Bank continued to register growth in its interest income and net profit attributable to its equity shareholders.

Trading

During the period under review, the Group's trading operation continued to focus on the trading of metal minerals and electronic components. When compared with the prior period, the segment recorded a 2% rise in revenue to HK\$172,380,000 (30 June 2014: HK\$168,631,000) and a 59% decrease in segment profit to HK\$834,000 (30 June 2014: HK\$2,020,000). The increase in the operation's revenue was a result of the management's efforts in expanding the customer base of the business whereas the drop in the operation's profit was mainly due to the increased competition among suppliers. As most of the operation's customers are based in Mainland China, the slowdown of the China economy growth may pose further pressure on the operation's profit margin in the second half of the financial year.

Money Lending

The money lending operation showed a drop in revenue by 82% to HK\$1,336,000 (30 June 2014: HK\$7,258,000). Such decrease was mainly due to the lower average amount of loans advanced to customers during the first half of 2015 comparing to the corresponding period in 2014. The loans portfolio held by the Group amounted to HK\$44,185,000 at the period end (31 December 2014: HK\$3,036,000).

Discontinued Operation

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. Accordingly, the results of the battery operation were accounted for as discontinued operation in the prior period.

Proposed Acquisition

On 15 May 2015, Success China Worldwide Limited ("SCWL"), an indirect wholly owned subsidiary of the Company, entered into a memorandum of understanding with two individuals under which SCWL has indicated that it wishes to acquire the entire issued share capital of a Hong Kong company ("Target Company") for an indicative price of HK\$2 billion from them. Following the implementation of a restructuring in a manner which is satisfactory to SCWL, it is intended that the Target Company will hold not less than 75% interests in Hualian Electric Commerce Group Co., Ltd. (literal translation of the Chinese company name) ("Hualian") (華聯電子商務集團有限公司). Hualian and its subsidiaries operate an online shopping platform (www.hloto.com) in Mainland China and have plans to expand into the convenience chain stores business which is expected to integrate and enhance its existing online business and Online to Offline (O2O) business model. As of the date of this announcement, the due diligence review on the Target Company is still in progress and definitive agreements in relation to the proposed acquisition have not been entered into. Appropriate announcement in relation to the proposed acquisition will be made by the Company in due course.

Overall Results

For the period ended 30 June 2015, the Group recorded profit from continuing operations attributable to owners of the Company of HK\$796,780,000 (30 June 2014: HK\$20,386,000) and basic earnings per share of HK11.97 cents (30 June 2014: HK0.55 cent) from continuing operations. The results of the Group's securities investment operation is very encouraging whereas the results of the Group's money lending and trading operation are largely in line with the management's expectation, all three operations contributed to the profitable results of the Group for the six months ended 30 June 2015.

FINANCIAL REVIEW

Liquidity, Financial Resources and Capital Structure

For the six months ended 30 June 2015, the Group financed its operation mainly by cash generated from its business activities and credit facilities provided by banks. At the period end, the Group had current assets of HK\$1,905,844,000 (31 December 2014: HK\$1,108,769,000) and liquid assets comprising cash and short-term securities investment of HK\$1,732,296,000 (31 December 2014: HK\$1,040,166,000) (excluding pledged bank deposits). The Group's current ratio, calculated based on current assets over current liabilities of HK\$14,066,000 (31 December 2014: HK\$11,761,000), was at a very strong ratio of about 135.5 at the period end (31 December 2014: 94.3). At 30 June 2015, the Group's trade and other receivables amounted to HK\$50,889,000 (31 December 2014: HK\$64,916,000), comprising mainly trade receivables arising from the Group's trading activities and unrestricted deposits placed with securities brokers for securities trading activities. The finance costs related to the Group's continuing operations amounting to HK\$15,000 (30 June 2014: nil), representing mainly interests on bill receivables discounted to banks.

At the period end, the equity attributable to owners of the Company amounted to HK\$2,074,123,000 (31 December 2014: HK\$1,259,673,000) and was equivalent to an attributable amount of approximately HK31.15 cents (31 December 2014: HK18.92 cents) per share of the Company. The increase in the equity attributable to owners of the Company was mainly a result of the profit earned by the Group during the period.

At 30 June 2015, the Group's gearing ratio, calculated on the basis of total indebtedness of HK\$14,066,000 (31 December 2014: HK\$11,761,000) divided by the equity attributable to owners of the Company of HK\$2,074,123,000 (31 December 2014: HK\$1,259,673,000), was at a very low ratio of about 0.68% (31 December 2014: 0.93%).

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.

On 19 August 2014, the Company entered into a placing agreement with Emperor Securities Limited as placing agent, pursuant to which the placing agent had conditionally agreed to place a maximum number of 739,800,000 new ordinary shares of the Company to not less than six placees who were independent third parties of the Company, at the placing price of HK\$0.16 per placing share, representing a discount of approximately 18.37% to the closing price of HK\$0.196 per share as quoted on the Hong Kong Stock Exchange on the date of the placing agreement. The net price per placing share was approximately HK\$0.156. The placing was completed on 5 September 2014 and the net proceeds of approximately HK\$115,309,000 raised from the placing had been used as intended as the general working capital of the Group. Further details of the placing were set out in the announcements of the Company dated 19 August 2014 and 5 September 2014.

On 22 October 2014, the Company entered into an underwriting agreement with Enerchine Securities Limited as underwriter, pursuant to which the Company proposed to implement a rights issue of 2,219,491,963 rights shares on the basis of one rights share for every two shares held on the then record date at the subscription price of HK\$0.08 per rights share, representing a discount of approximately 59.80% to the closing price of HK\$0.199 per share as quoted on the Hong Kong Stock Exchange on the date of the underwriting agreement (the “2014 Rights Issue”). The net price per rights share was approximately HK\$0.077. Completion of the 2014 Rights Issue took place on 15 December 2014 and net proceeds of approximately HK\$172,063,000 were raised. As previously disclosed by the Company, the net proceeds were intended to be used as to (i) approximately 40% to 50% for the development of its money lending business; (ii) approximately 30% to 40% for the development of its metal minerals and electronic components trading business; and (iii) the remaining balance for opportunistic investments and general corporate purpose. As at 30 June 2015, the net proceeds from the 2014 Rights Issue have been used largely in line with the original intention where approximately 26% is applied to the Group’s money lending business mainly for providing short term loans to customers, approximately 51% is applied to its metal minerals and electronic components trading business mainly for placing deposits with banks for securing trade credit facilities and making other trade payments, and the balance for its investment in securities business mainly for acquiring equity securities listed on the Hong Kong Stock Exchange. Further details of the 2014 Rights Issue are set out in the announcements of the Company dated 22 October 2014 and 12 December 2014, and the prospectus of the Company dated 20 November 2014.

On 18 May 2015, the Company entered into an underwriting agreement with Emperor Securities Limited as underwriter, pursuant to which the Company proposed to implement a rights issue of 3,329,237,945 rights shares on the basis of one rights share for every two shares held on the then record date at the subscription price of HK\$0.15 per rights share, representing a discount of approximately 49.15% to the closing price of HK\$0.295 per share as quoted on the Hong Kong Stock Exchange on 15 May 2015, being the last trading day before the signing of the underwriting agreement (the “2015 Rights Issue”). The net price per rights share was approximately HK\$0.146 and the net proceeds intended to be raised from the 2015 Rights Issue were approximately HK\$486,000,000.

On 18 May 2015, the Company also entered into the placing and underwriting agreement with Emperor Securities Limited as placing agent, pursuant to which the placing agent had conditionally agreed to place a maximum number of 7,000,000,000 placing shares to not less than six placees who were independent third parties of the Company, at the placing price of HK\$0.15 per placing share, representing a discount of approximately 49.15% to the closing price of HK\$0.295 per share as quoted on the Hong Kong Stock Exchange on 15 May 2015, being the last trading day before the signing of the placing and underwriting agreement (“2015 Placing”). The net price per placing share was approximately HK\$0.146. The net proceeds intended to be raised from the 2015 Placing were approximately HK\$1,022,000,000.

On 17 July 2015, the Company held an extraordinary general meeting to consider the 2015 Rights Issue and the 2015 Placing and the transactions contemplated thereunder were duly approved by shareholders.

Completion of the 2015 Rights Issue and the 2015 Placing took place on 20 August 2015. The Company intends to use the net proceeds from the 2015 Rights Issue and the 2015 Placing as working capital for expansion of the existing businesses of the Company and any future business opportunities to be identified by the Company including but not limited to the potential acquisition of the Target Company as disclosed above. At present, the Company intends that (i) approximately 30% to 40% of the net proceeds raised from the 2015 Rights Issue and the 2015 Placing will be used for the development of the Group’s investment in securities business; (ii) approximately 30% to 40% for the development of the Group’s money lending business; and (iii) the remaining balance for the Group’s trading business. Nevertheless, the utilization of the net proceeds raised from the 2015 Rights Issue and the 2015 Placing may change, depending on the financial position of the Group at the relevant time, and whether the Company decides to pursue new business opportunities with good prospects, including but not limited to the potential acquisition of the Target Company as mentioned. Appropriate announcement and/or disclosures in annual report and/or interim report will be made by the Company in due course.

Further details of the 2015 Rights Issue and the 2015 Placing are set out in the announcements of the Company dated 20 May 2015, 19 August 2015, 20 August 2015, the circular of the Company dated 29 June 2015 and the prospectus of the Company dated 29 July 2015.

PROSPECTS

The heightened concerns of whether the China economy is growing at a slower pace than the government target of 7% for 2015, the continuous sliding of the Chinese and Hong Kong stock markets in the past weeks, the fall in oil and many minerals prices recently, the uncertainties about the rise of interest rate in the United States and the instabilities in the European economy have all posed negative impact to the global financial and investment markets, including Hong Kong, and the Group’s operating environment. Despite the fact that there was a general upturn in the Hong Kong stock market since

April 2015, and had resulted in substantial investment gains recorded by the Group for the six months ended 30 June 2015, the recent consecutive falls of the Hong Kong stock market have led the management to take a more cautious approach in managing the Group's securities investments portfolio. The management may restructure and divest part of the Group's securities investments portfolio in view of the recent volatility of the Hong Kong stock market. As for the money lending business, it is the Group's business plan to continue developing this business by allocating additional financial resources to it so as to accomplish the target that it will contribute a stable income stream to the Group in future years. As for the Group's trading business, the management will continue to pursue the goal of enlarging the supplier and customer base of this business in order to allow a higher volume of trades to be transacted. Following the completion of the 2015 Rights Issue and the 2015 Placing on 20 August 2015 with the aggregate net proceeds of approximately HK\$1,508,000,000 being raised, the Group will deploy the new capital raised as explained in the Company's circular dated 29 June 2015 for developing its existing businesses as well as for seeking investment opportunities with good potential with the view to enhance shareholders' value.

CORPORATE GOVERNANCE

The Company has 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 six months ended 30 June 2015, except for the following deviation with reason as explained:

Chairman and chief executive

Code Provision A.2.1

Code Provision A.2.1 of the CG Code requires the roles of the 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 six months ended 30 June 2015. 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.

AUDIT COMMITTEE

The unaudited condensed consolidated interim financial statements of the Company for the six months ended 30 June 2015 have not been audited, but have been reviewed by the Audit Committee of the Company and 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 six months ended 30 June 2015, neither the Company nor any of its subsidiaries had 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, 28 August 2015

As at the date of this announcement, the Board comprises five Executive Directors, namely Dr. 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.