

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)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2015

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 31 December 2015 together with comparative figures as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	<i>Notes</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Continuing operations			
Revenue	3	239,466	417,590
Cost of sales		(205,874)	(386,860)
Gross profit		33,592	30,730
Other income	5	6,476	2,892
Other gain	6	4,506	162
Selling and distribution costs		(1,859)	(1,937)
Administrative expenses		(52,069)	(43,480)
Net gain on financial assets at fair value through profit or loss	7	665,601	279,066
Gain on disposal of available-for-sale investments		36,955	–
Finance costs	8	(409)	(139)
Gain on disposal of subsidiaries	9	102	7,197
Profit before tax		692,895	274,491
Income tax expenses	10	(108,539)	(1,201)
Profit for the year from continuing operations	11	584,356	273,290

	<i>Notes</i>	2015 HK\$'000	2014 HK\$'000
Discontinued operation			
Profit for the year from discontinued operation	12	–	106,529
Profit for the year		584,356	379,819
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 gain on available-for-sale investments		56,289	996
Released on disposal of available-for-sale investments		(36,955)	–
Reclassification adjustments upon disposal of subsidiaries	9	–	(7,197)
Reclassification adjustments upon disposal of the Disposal Group	12	–	(7,904)
Other comprehensive income (expense) for the year		19,334	(13,564)
Total comprehensive income for the year		603,690	366,255
Profit for the year attributable to:			
Owners of the Company			
– Profit for the year from continuing operations		584,148	270,465
– Profit for the year from discontinued operation		–	106,529
		584,148	376,994
Non-controlling interests			
– Profit for the year from continuing operations		208	2,825
		584,356	379,819
Total comprehensive income for the year attributable to:			
Owners of the Company		603,482	363,430
Non-controlling interests		208	2,825
		603,690	366,255
Earnings per share attributable to owners of the Company			
From continuing and discontinued operations	14		(Restated)
– Basic		HK5.02 cents	HK6.31 cents
From continuing operations			
– Basic		HK5.02 cents	HK4.53 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	<i>Notes</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		5,087	3,989
Prepaid lease payments		2,768	2,867
Club debentures		628	825
Available-for-sale investments	15	846,820	155,782
Deposit for acquisition of property, plant and equipment		5,193	73
Total non-current assets		860,496	163,536
Current assets			
Inventories		–	552
Trade and other receivables	16	114,933	64,916
Prepaid lease payments		99	99
Loan receivables	17	480,099	3,036
Financial assets at fair value through profit or loss	18	1,713,832	737,686
Pledged bank deposits		52,342	–
Bank balances and cash		371,950	302,480
Total current assets		2,733,255	1,108,769
Current liabilities			
Trade and other payables	19	9,383	6,657
Income tax payable		13,247	5,104
Deferred tax liabilities		99,000	–
Bank borrowings		101,121	–
Total current liabilities		222,751	11,761
Net current assets		2,510,504	1,097,008
Net assets		3,371,000	1,260,544
Capital and reserves			
Share capital	20	3,012,877	1,505,032
Reserves		358,123	(245,359)
Equity attributable to owners of the Company		3,371,000	1,259,673
Non-controlling interests		–	871
Total equity		3,371,000	1,260,544

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”) and in compliance with the Hong Kong Companies Ordinance (Cap. 622) (“CO”). 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 “Stock Exchange”).

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

The financial information relating to the years ended 31 December 2015 and 2014 included in this preliminary final results announcement for the year ended 31 December 2015 does not constitute the Company’s statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the CO is as follows:

The Company has delivered the financial statements for the year ended 31 December 2014 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the CO and will deliver the financial statements for the year ended 31 December 2015 in due course.

The Company’s auditor has reported on the financial statements of the Group for both years. The auditor’s reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the CO (or under their equivalent requirements found in section 141 of the predecessor Companies Ordinance (Cap. 32)).

2. Application of new and revised HKFRSs

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time in the current year:

Amendments to HKAS 19	Defined benefit plans: 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 amendments to HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in the consolidated financial statements.

3. Revenue

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Trading of metal minerals	202,241	357,612
Sales of electronic components	7,015	36,383
Dividend income from securities investments	14,768	16,301
Interest income from money lending business	12,525	1,638
Arrangement fee income from money lending business	2,917	5,656
	<u>239,466</u>	<u>417,590</u>

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 of Directors of the Company, 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 (collectively referred as "Trading")
3. Money lending

Since the CODM considered that the business of sales of electronic components is similar in nature to that of trading of metal minerals, the CODM combined these businesses since 2014 for making decisions about resources allocation and performance assessment.

In the prior 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 31 December 2015

	Continuing operations			Total HK\$'000
	Investment in securities HK\$'000	Trading HK\$'000	Money lending HK\$'000	
Segment revenue				
External sales	<u>14,768</u>	<u>209,256</u>	<u>15,442</u>	<u>239,466</u>
Results				
Segment results	<u>720,121</u>	<u>2,777</u>	<u>14,436</u>	737,334
Gain on disposal of subsidiaries (note 9)				102
Other income				2,907
Other loss				(105)
Central administrative expenses				(46,934)
Finance costs				(409)
Profit before tax				692,895
Income tax expenses				(108,539)
Profit for the year				<u>584,356</u>
Other segment information				
Amortisation of prepaid lease payments	99	–	–	99
Depreciation of property, plant and equipment	580	2	12	594
Net gain on financial assets at fair value through profit or loss	665,601	–	–	665,601
Gain on disposal of available-for- sale investments	<u>36,955</u>	<u>–</u>	<u>–</u>	<u>36,955</u>

For the year ended 31 December 2014

	Continuing operations			Sub-total HK\$'000	Discontinued operation	Total HK\$'000
	Investment in securities HK\$'000	Trading HK\$'000	Money lending HK\$'000		Battery products HK\$'000	
Segment revenue						
External sales	16,301	393,995	7,294	417,590	700	418,290
Results						
Segment results	294,794	6,279	7,684	308,757	(1,225)	307,532
Gain on disposal of subsidiaries (note 9)				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 (note 12)				–	110,571	110,571
Profit for the year				273,290	106,529	379,819
Other segment information						
Amortisation of prepaid lease payments	100	–	–	100	56	156
Depreciation of property, plant and equipment	274	6	7	287	675	962
Net gain on financial assets at fair value through profit or loss	279,066	–	–	279,066	–	279,066

Segment profit (loss) represents the profit earned by/loss from each segment without allocation of gain on disposal of subsidiaries, other income, other loss, central administrative expenses and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

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 31 December		As at 31 December	
	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
The PRC	202,241	343,314	3,894	4,061
Hong Kong	37,225	74,276	9,782	3,693
	<u>239,466</u>	<u>417,590</u>	<u>13,676</u>	<u>7,754</u>

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

Information about major customers

Revenue from 3 customers (2014: 2 customers) of the corresponding years contributing over 10% of the total revenue of the Group are as follows:

	For the year ended 31 December	
	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Customer A ¹	84,567	— ³
Customer B ¹	63,112	— ³
Customer C ¹	34,807	— ²
Customer D ¹	— ³	215,853
Customer E ¹	— ³	61,185
	<u> </u>	<u> </u>

¹ Revenue from customers of trading business.

² The customer did not contribute over 10% of the total revenue of the Group.

³ No revenue generated from the customers during the year.

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

5. Other income

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Continuing operations		
Bank interest income	3,431	401
Commission income from trading	1,996	–
Gain on disposal of club debenture	891	–
Service charge from customers and suppliers	–	1,000
Gain on disposal of loan receivables	–	805
Others	158	686
	<u>6,476</u>	<u>2,892</u>

6. Other gain

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Continuing operations		
Exchange gain, net	4,506	162

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Continuing operations		
Net unrealised gain on financial assets at fair value through profit or loss (“FVTPL”)	623,319	290,845
Net realised gain (loss) on sales of financial asset at FVTPL	42,282	(11,779)
	<u>665,601</u>	<u>279,066</u>

8. Finance costs

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Continuing operations		
Interest on advances drawn on bills receivables discounted with full recourse (<i>note 16</i>)	409	139

9. Gain on disposal of subsidiaries

For the year ended 31 December 2015

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 previously. The disposal was completed on the same date.

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

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

For the year ended 31 December 2014

On 4 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 was determined as follows:

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

10. Income tax expenses

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Continuing operations		
Tax charge comprises:		
Current tax		
– Hong Kong Profits Tax	10,159	1,217
Over provision in prior year		
– Hong Kong Profits Tax	(620)	(16)
	9,539	1,201
Deferred tax – current year (<i>Note</i>)	99,000	–
Income tax expenses recognised in profit or loss	108,539	1,201

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

Note: Deferred tax arises from the temporary difference related to net unrealised gain on financial assets at FVTPL.

11. Profit for the year from continuing operations

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Staff costs		
– directors' emoluments	20,612	17,130
– other staff salaries, wages and other benefits	9,565	4,929
– retirement benefit schemes contributions, excluding directors	588	219
Total staff costs	30,765	22,278
Auditor's remuneration	1,418	1,367
Amortisation of prepaid lease payments	99	100
Depreciation of property, plant and equipment	594	287
Cost of inventories recognised as expense	205,874	386,860

12. Discontinued operation

During the year ended 31 December 2014, the Group entered into a sale and purchase agreement to dispose of the entire equity interest 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 8 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 for the year from discontinued operation was analysed as follows:

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

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

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

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

	<i>HK\$'000</i>
Net liabilities disposed of:	
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>(98,208)</u>
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>110,571</u>
Net proceeds received from disposal of the Disposal Group	<u>5,000</u>
Satisfied by:	
Cash consideration	<u>5,000</u>
Net cash inflow from disposal of the Disposal Group:	
Cash consideration received	5,000
Bank balances and cash disposed of	(1,443)
	<u>3,557</u>

13. Dividends

No dividend was paid or proposed for the years ended 31 December 2015 and 2014, nor has any dividend been proposed since the end of the reporting periods.

14. Earnings per share attributable to owners of the Company

From continuing and discontinued operations

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Earnings:		
Profit for the year attributable to owners of the Company for the purpose of calculating basic earnings per share	<u>584,148</u>	<u>376,994</u>
	2015 '000	2014 '000 (Restated)
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share (<i>Note</i>)	<u>11,628,019</u>	<u>5,975,534</u>

Note: The weighted average number of ordinary shares for the purpose of calculating basic earnings per share for the year has been retrospectively adjusted for the effect of the rights issue completed in August 2015.

Diluted earnings per share for the year ended 31 December 2015 and 2014 are not presented as there were no dilutive potential ordinary shares in issue during both years.

From continuing operations

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Earnings:		
Profit for the year attributable to owners of the Company for the purpose of calculating basic earnings per share	<u>584,148</u>	<u>270,465</u>

	2015 '000	2014 '000 (Restated)
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share (<i>Note</i>)	<u>11,628,019</u>	<u>5,975,534</u>

Note: The weighted average number of ordinary shares for the purpose of calculating basic earnings per share for the year has been retrospectively adjusted for the effect of the rights issue completed in August 2015.

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

From discontinued operation

During the year ended 31 December 2015, there is no basic earnings per share from discontinued operation (2014: basic earnings per share of HK1.78 cents (restated), calculated based on the profit for the year attributable to owners of the Company from discontinued operation of HK\$106,529,000 and the denominators used are the same as those detailed above for basic earnings per share).

15. Available-for-sale investments

Available-for-sale investments comprise:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Unlisted investments, at fair value:		
– Debt securities	775,320	–
Listed investments, at fair value:		
– Equity securities listed in Hong Kong	71,500	155,782
	<u>846,820</u>	<u>155,782</u>

16. Trade and other receivables

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Trade receivables	3,028	10,649
Bill receivables	387	32,096
Bill receivables discounted with full recourse	101,121	–
Payment for subscription of listed securities	–	12,652
Other receivables	10,397	9,519
	<u>114,933</u>	<u>64,916</u>

The Group normally allows credit period for trade customers ranging from 30 days to 180 days (2014: 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:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
0 – 90 days	48,020	42,745
91 – 180 days	54,575	–
Over 180 days	1,941	–
	<u>104,536</u>	<u>42,745</u>

17. Loan receivables

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Fixed-rate loan receivables	<u>480,099</u>	<u>3,036</u>
Analysed as:		
Current portion	480,099	3,036
Non-current portion	–	–
	<u>480,099</u>	<u>3,036</u>

18. Financial assets at fair value through profit or loss

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Held for trading, at fair value:		
Equity securities listed in Hong Kong (<i>Note (i)</i>)	1,693,832	737,686
Unlisted debt securities (<i>Note (ii)</i>)	20,000	–
	<u>1,713,832</u>	<u>737,686</u>

Notes:

- (i) The fair values of the listed equity securities were determined based on the quoted market closing prices available on the Stock Exchange.
- (ii) The fair values of the unlisted debt securities were determined based on the quoted market prices in the over-the-counter market.

19. Trade and other payables

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Trade payables	–	7
Accrued charges and other payables	9,383	6,650
	<u>9,383</u>	<u>6,657</u>

As at 31 December 2015, there are no trade payable (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:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
0 – 90 days	–	7

The average credit period is 30 days for both years.

20. Share capital

	Number of shares '000	Share capital HK\$'000
Authorised:		
At 1 January 2014		
– Ordinary shares of HK\$0.1 each	200,000,000	20,000,000
At 31 December 2014 and 31 December 2015 (<i>Note (i)</i>)	<u>N/A</u>	<u>N/A</u>
Issued and fully paid:		
At 1 January 2014		
– Ordinary shares of HK\$0.1 each	3,699,184	369,918
Transfer upon abolition of par value under the CO (<i>Note (i)</i>)	–	847,742
Issue of shares (<i>Note (ii)</i>)	2,959,292	295,927
Transaction costs attributable to issue of shares (<i>Note (ii)</i>)	–	(8,555)
At 31 December 2014		
– Ordinary shares with no par value	6,658,476	1,505,032
Issue of shares (<i>Note (iii)</i>)	10,329,238	1,549,386
Transaction costs attributable to issue of shares (<i>Note (iii)</i>)	–	(41,541)
At 31 December 2015	<u>16,987,714</u>	<u>3,012,877</u>

Notes:

- (i) 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 CO on 3 March 2014.
- (ii) On 5 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 were set out in the announcement of the Company dated 19 August 2014.

On 15 December 2014, the Company completed an issue and allotment of 2,219,491,963 rights shares at a subscription 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 were set out in the announcement of the Company dated 22 October 2014 and the prospectus of the Company dated 20 November 2014.

(iii) On 20 August 2015, the Company completed an issue and allotment of 3,329,237,945 rights shares at a subscription price of HK\$0.15 per rights share. The net proceeds from the rights issue, after deducting directly attributable costs of HK\$13,389,000, were approximately HK\$485,997,000. Details of which are set out in the announcement of the Company dated 20 May 2015, circular of the Company dated 29 June 2015 and prospectus of the Company dated 29 July 2015.

On the same date, the Company completed a placing of 7,000,000,000 new shares under the specific mandate at a placing price of HK\$0.15 per placing share. The net proceeds from the placing, after deducting directly attributable costs of HK\$28,152,000, were approximately HK\$1,021,848,000. Details of which are set out in the announcement of the Company dated 20 May 2015 and circular of the Company dated 29 June 2015.

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

21. Events after the reporting period

On 22 February 2016, the Group completed its acquisition of Harmony Securities Limited (now known as CS Wealth Securities Limited), a registered financial institution licensed by the Securities and Futures Commission under the Securities and Futures Ordinance to carry out securities brokerage business, at a consideration of approximately HK\$18,312,000.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2015 (2014: nil).

BUSINESS REVIEW

For the year ended 31 December 2015, the Group continued to be principally engaged in the business of investment in securities, trading of metal minerals and electronic components, as well as money lending.

Continuing Operations

For the year under review, the Group reported revenue of HK\$239,466,000, showing a decline of 43% from the previous year (2014: HK\$417,590,000), and gross profit of HK\$33,592,000, increased by 9% when compared to the prior year (2014: HK\$30,730,000). The decline in the Group's revenue was mainly due to the decrease in transaction volume of the Group's trading operation whereas the increase in the Group's gross profit was mainly attributed to the increase in profit generated by the Group's money lending operation.

Investment in Securities

For the year under review, the Group's securities investment operation recorded revenue of HK\$14,768,000 (2014: HK\$16,301,000), representing dividends and other income from its investments in equity securities listed in Hong Kong. As a whole, the operation reported a profit of HK\$720,121,000, increased by over 144% from the prior year (2014: HK\$294,794,000), and was mainly attributed to the gain on disposal of available-for-sale investment of HK\$36,955,000 (2014: nil) and net gain on financial assets at fair value through profit or loss of HK\$665,601,000, which in turn comprised of net unrealised gain and net realised gain of HK\$623,319,000 and HK\$42,282,000 respectively (2014: HK\$279,066,000, which comprised of net unrealized gain and net realised loss of HK\$290,845,000 and HK\$11,779,000 respectively). Such gain on securities investments was due primarily to the general upturn of stock market in Hong Kong in 2015, particularly during the first half of the year.

Securities Investments

At 31 December 2015, the Group invested in different category of companies and their weightings to the market value of the Group's securities portfolio of HK\$1,713,832,000 (2014: HK\$737,686,000) were as below:

Category of companies	Approximate weighting to the market value of the Group's short-term securities portfolio (%)
Conglomerate company	20.4
Entertainment and media company	19.1
Financial services and investment company	37.2
Healthcare services company	1.4
Industrial materials company	1.8
Infrastructure company	7.6
Mining and resources company	6.1
Property company	4.9
Others	1.5
Total	<u><u>100.0</u></u>

Available-for-sale investments

In December 2015, the Group invested approximately HK\$772,200,000 to subscribe at par the 9% perpetual securities in the aggregate principal amount of US\$100,000,000 issued by Evergrande Real Estate Group Limited ("Evergrande"), a company listed on the Stock Exchange which is principally engaged in the development of large-scale residential properties and integrated commercial properties, as long term investment. At the year end, a fair value gain on the investment amounting to HK\$3,120,000 was recognised as other comprehensive income. Further details of the investment are set out in the announcements of the Company dated 23 December 2015 and 29 December 2015.

In December 2014, the Group invested in 20,310,500 H shares of Shengjing Bank Co., Ltd., being a commercial bank established in the PRC whose shares are listed on the Stock Exchange. During the year ended 31 December 2015, a fair value gain of HK\$53,169,000 (2014: HK\$687,000) reflecting the appreciation in value of the investment was recognised in the Group's investment revaluation reserve, and as part of the investment was disposed of during the year in light of the then prevailing market conditions, there was a corresponding release of such reserve of HK\$36,955,000 (2014: nil) and the sum was reclassified to profit or loss accordingly.

Accordingly, at 31 December 2015, the Group invested in equity shares of a banking company and perpetual securities of a property company as long-term investments and their respective weighting to the fair value of the Group's long-term securities portfolio of HK\$846,820,000 were as below:

Category of companies	Approximate weighting to the fair value of the Group's long-term securities portfolio (%)
Banking company	8.4
Property company	91.6
	<hr/>
Total	100.0
	<hr/> <hr/>

Trading

During the year under review, the Group's trading operation continued to focus on the trading of metal minerals and electronic components. When compared with the prior year, the segment recorded a 47% drop in revenue to HK\$209,256,000 (2014: HK\$393,995,000) and a 56% decrease in segment profit to HK\$2,777,000 (2014: HK\$6,279,000). The significant drop in the operation's revenue and profit were principally due to the decrease in volume of metal minerals and electronic components transacted during the year, which was in turn due to increased competition among suppliers and sluggish demand from customers based in Mainland China resulting from slowdown of the economy.

Money Lending

The money lending operation showed a significant growth in revenue by 112% to HK\$15,442,000 (2014: HK\$7,294,000). Such increase was mainly due to the higher average amount of loans advanced to customers during the year comparing to the same in the prior year. The loans portfolio held by the Group amounted to HK\$480,099,000 at 31 December 2015, increased by over 157 times over the previous year (2014: HK\$3,036,000). The Group had applied part of the new funds raised from the rights issue and share placement exercise completed in August 2015 to expand the operation's loan portfolio and scale of business activities.

At 31 December 2015, the Group had made loans to individual and corporate clients with details as follows:

Category of borrowers	Approximate weighting to the value of the Group's loan portfolio (%)	Interest rate per annum (%)	Maturity
Individual	23.2	15-24	Within one year
Corporate	76.8	10-18	Within one year
Total	<u>100.0</u>		

The Group had also granted a standby loan facility to an individual for a sum equivalent to RMB12,000,000 during the current year, which had not been drawn down at the year end.

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 (“MOU”) with two individuals (“Sellers”) under which SCWL had indicated that it wished to acquire the entire issued share capital of a Hong Kong company (“Target Company”) for an indicative price of HK\$2,000,000,000 from them. Following the implementation of a restructuring in a manner which was satisfactory to SCWL, it was intended that the Target Company would hold not less than 75% interests in Hualian Electric Commerce Group Co., Ltd. (literal translation of the Chinese company name) (華聯電子商務集團有限公司). As no formal sale and purchase agreement had been entered into by the parties on 15 November 2015, being the last day to enter into a formal agreement, the MOU had lapsed and became of no effect. Under the MOU, the Sellers had granted SCWL an exclusive right to negotiate. As such, if the Company resumes negotiation with the Sellers in the future, such negotiation will, in the absence of a new exclusivity right, be on a non-exclusive basis.

In February 2016, subsequent to the year end, the Group has successfully acquired the entire issued share capital of Harmony Securities Limited (“Harmony”) (now known as CS Wealth Securities Limited) for a cash consideration of approximately HK\$18,312,000. Harmony is a securities brokerage company and is licensed by the Hong Kong Securities and Futures Commission to carry on dealing in securities activity. The acquisition of Harmony represents a further step of the Group to diversify its business and tap into the vast business opportunities of financial markets in Hong

Kong, being one of the leading international financial centers in Asia. The acquisition of Harmony is also expected to create synergy benefits with the Group's existing business in securities investment and money lending. It is the Group's business plan that financial resources will be devoted to develop the securities brokerage business and other related business activities of Harmony with the view that it will become a principal business of the Group in future.

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 the disposal was completed in May 2014. Accordingly, the results of the battery operation were accounted for as discontinued operation and a gain on disposal of HK\$110,571,000 was recognised in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2014.

Overall Results

For the year ended 31 December 2015, the Group recorded profit from continuing operations attributable to owners of the Company of HK\$584,148,000 (2014: HK\$270,465,000) and basic earnings per share from continuing operations of HK5.02 cents (2014: HK4.53 cents). The Group also registered total comprehensive income attributable to owners of the Company of HK\$603,482,000 (2014: HK\$363,430,000). The very encouraging results achieved by the Group were mainly attributed to the substantial profit earned by the securities investment operation of HK\$720,121,000 (2014: HK\$294,794,000) and the profitable results of the money lending operation of HK\$14,436,000 (2014: HK\$7,684,000) and the trading operation of HK\$2,777,000 (2014: HK\$6,279,000).

FINANCIAL REVIEW

Liquidity, Financial Resources and Capital Structure

During the year ended 31 December 2015, the Group financed its operation mainly by cash generated from its operations, credit facilities provided by banks and shareholders' funds. At the year end, the Group had current assets of HK\$2,733,255,000 (2014: HK\$1,108,769,000) and liquid assets comprising cash and financial assets (comprising mainly listed equity securities) totalling HK\$2,085,782,000 (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\$222,751,000 (2014: HK\$11,761,000), was at a very strong ratio of about 12.3 (2014: 94.3). At the year end, the Group's trade and other receivables amounted to HK\$114,933,000 (2014: HK\$64,916,000), which mainly comprised of trade and bill receivables arising from the Group's trading activities and unrestricted deposits placed with securities brokers for securities trading activities.

At 31 December 2015, the equity attributable to owners of the Company amounted to HK\$3,371,000,000 (2014: HK\$1,259,673,000) and was equivalent to an attributable amount of approximately HK19.84 cents (2014: HK18.92 cents) per share of the Company. The increase in equity attributable to owners of the Company was mainly a result of the profit earned by the Group and the aggregate net proceeds of about HK\$1,507,845,000 raised by the Company through the rights issue and share placement exercise completed in August 2015.

At 31 December 2015, the Group's bank borrowings represented advances from banks drawn on bill receivables discounted with full recourse. The borrowings bore interest at floating rates, secured by the relevant bills receivable and were repayable within one year. The Group's gearing ratio, calculated on the basis of total indebtedness of HK\$222,751,000 (2014: HK\$11,761,000) divided by the equity attributable to owners of the Company of HK\$3,371,000,000 (2014: HK\$1,259,673,000), was at a low ratio of about 6.6% at the year end (2014: 0.9%). The finance costs relating to the Group's continuing operations for the current year amounted to HK\$409,000 (2014: HK\$139,000), representing mainly interests on bill receivables discounted to banks.

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

The concerns that the China economy had been grown at a slower rate than the government target of 7% in 2015, the continuous sliding of the Chinese and Hong Kong stock markets in the past months, the fall in oil and many minerals prices, the financial uncertainties about the pace of increase in interest rate in the United States and the instabilities in the European economy have all posed negative impact to the sentiments of global financial and investment markets, including Hong Kong, and the Group's operating environment. Despite that there were substantial investment gains recorded by the Group for the year ended 31 December 2015, the volatile Hong Kong stock market in the past months has 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 increased volatility of the Hong Kong stock market. As for the money lending business, it is the Group's 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 and favourable returns to the Group in future years. As for the Group's trading business, the management will put more effort in pursuing the goal of enlarging the supplier and customer base of this business in order to allow a higher volume of trades to be transacted. With the view to strengthen the Group's capital base, the Company had completed a rights issue and share placement exercise in August 2015 and raised in aggregate net proceeds of approximately HK\$1,507,845,000 for the continuous development of the Group's existing businesses as well as for potential investment opportunities with good prospects.

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 for the year ended 31 December 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 year ended 31 December 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 audited consolidated financial statements of the Company for the year ended 31 December 2015 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 31 December 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, 30 March 2016

As at the date of this announcement, the Board comprises four Executive Directors, namely Dr. Or Ching Fai (Chairman and Chief Executive Officer), Mr. Sue Ka Lok, Ms. Lee Chun Yeung, Catherine 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.