



中策集團有限公司
China Strategic Holdings Limited

(Incorporated in Hong Kong with limited liability)

Stock code: 0235

2014

Interim Report

UNAUDITED INTERIM RESULTS

The board of directors (the “Board”) of China Strategic Holdings Limited (the “Company”) announces the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30th June, 2014 together with the comparative figures for the corresponding period in 2013 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30TH JUNE, 2014

	<i>NOTES</i>	Six months ended 30 th June, 2014 <i>HK\$'000</i> (Unaudited)	2013 <i>HK\$'000</i> (Unaudited)
Continuing operations			
Revenue	3	175,889	2,133
Cost of sales		<u>(166,570)</u>	<u>(1,845)</u>
Gross profit		9,319	288
Other income	4	4,223	11,943
Selling and distribution costs		—	(40)
Administrative expenses		(18,537)	(22,439)
Gain (loss) on financial assets at fair value through profit or loss	15	29,897	(62,881)
Finance costs	5	—	(3,733)
Profit (loss) before tax	8	24,902	(76,862)
Income tax expenses	6	(1,630)	—
Profit (loss) for the period from continuing operations		<u>23,272</u>	<u>(76,862)</u>
Discontinued operations			
Profit for the period from discontinued operations	7	<u>106,529</u>	<u>—</u>
Profit (loss) for the period		<u>129,801</u>	<u>(76,862)</u>
Other comprehensive income (expense)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		541	(1,134)
Fair value changes on available-for-sale investments		514	18
		<u>1,055</u>	<u>(1,116)</u>
Reclassify to profit or loss – On disposal of subsidiaries		(7,904)	—
Other comprehensive expense for the period		<u>(6,849)</u>	<u>(1,116)</u>
Total comprehensive income (expense) for the period		<u>122,952</u>	<u>(77,978)</u>

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30TH JUNE, 2014 (Con't)**

	<i>NOTE</i>	Six months ended 30th June,	
		2014	2013
		<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Profit (loss) for the period attributable to:			
Owners of the Company			
– Profit (loss) for the period from continuing operations		20,386	(76,839)
– Profit for the period from discontinued operations		106,529	—
		<hr/>	<hr/>
Profit (loss) for the period attributable to owners of the Company		126,915	(76,839)
Non-controlling interests			
– Profit (loss) for the period from continuing operations		2,886	(23)
		<hr/>	<hr/>
		129,801	(76,862)
		<hr/>	<hr/>
Total comprehensive income (expense) attributable to:			
Owners of the Company			
		120,066	(77,955)
Non-controlling interests			
		2,886	(23)
		<hr/>	<hr/>
		122,952	(77,978)
		<hr/>	<hr/>
Earnings (loss) per share			
	10		
From continuing and discontinued operations			
– Basic and diluted		HK\$3.43 cents	HK\$(2.08) cents
		<hr/>	<hr/>
From continuing operations			
– Basic and diluted		HK\$0.55 cents	HK\$(2.08) cents
		<hr/>	<hr/>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30TH JUNE, 2014**

	<i>NOTES</i>	30.6.2014 <i>HK\$'000</i> (Unaudited)	31.12.2013 <i>HK\$'000</i> (Audited)
Non-Current Assets			
Property, plant and equipment	11	1,629	11,009
Prepaid lease payments		2,967	12,300
Loan receivables	14	—	32,840
Club debentures		825	825
Available-for-sale investments		3,300	2,786
		8,721	59,760
Current Assets			
Inventories		7,066	17,043
Trade and other receivables	12	8,574	20,922
Bills receivable	13	137,081	—
Prepaid lease payments		50	318
Loan receivables	14	—	96,464
Financial assets at fair value through profit or loss	15	521,814	393,077
Bank balances and cash	16	57,796	180,059
		732,381	707,883
Current Liabilities			
Trade and other payables	17	4,471	11,640
Income tax payable		6,762	7,367
Deferred income		—	3,760
Amount due to non-controlling interests	18	—	24,495
Bank and other borrowings	19	—	111,740
		11,233	159,002
Net Current Assets		721,148	548,881
Total Assets less Current Liabilities		729,869	608,641
Non-Current Liability			
Deferred income		—	2,265
Net Assets		729,869	606,376

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30TH JUNE, 2014 (Con't)**

	<i>NOTE</i>	30.6.2014 <i>HK\$'000</i> (Unaudited)	31.12.2013 <i>HK\$'000</i> (Audited)
Capital and Reserves			
Share capital	20	1,217,660	369,918
Reserves		(488,723)	238,953
		<hr/>	<hr/>
Equity attributable to owners of the Company		728,937	608,871
Non-controlling interests		932	(2,495)
		<hr/>	<hr/>
Total Equity		<u>729,869</u>	<u>606,376</u>

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30TH JUNE, 2014**

	Attributable to owners of the Company										
	Share capital <i>HKS'000</i>	Share premium <i>HKS'000</i>	Special capital reserve <i>HKS'000</i> <i>(Note)</i>	Capital redemption reserve <i>HKS'000</i>	Investment revaluation reserve <i>HKS'000</i>	Exchange reserve <i>HKS'000</i>	Other non-distributable reserve <i>HKS'000</i>	Accumulated losses <i>HKS'000</i>	Total <i>HKS'000</i>	Non-controlling interests <i>HKS'000</i>	Total <i>HKS'000</i>
At 1 st January, 2013 (audited)	369,918	846,242	1,267	233	3,451	9,375	1,943	(607,642)	624,787	(207)	624,580
Loss for the period	—	—	—	—	—	—	—	(76,839)	(76,839)	(23)	(76,862)
Exchange differences arising on translation of foreign operations	—	—	—	—	—	(1,134)	—	—	(1,134)	—	(1,134)
Fair value changes on available-for-sale investments	—	—	—	—	18	—	—	—	18	—	18
Total comprehensive income (expense) for the period	—	—	—	—	18	(1,134)	—	(76,839)	(77,955)	(23)	(77,978)
At 30 th June, 2013 (unaudited)	369,918	846,242	1,267	233	3,469	8,241	1,943	(684,481)	546,832	(230)	546,602

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30TH JUNE, 2014 (Con't)**

	Attributable to owners of the Company							Total HK\$ '000			
	Share capital HK\$ '000	Share premium HK\$ '000	Special capital reserve HK\$ '000	Capital redemption reserve HK\$ '000	Investment revaluation reserve HK\$ '000	Exchange reserve HK\$ '000	Other non- distributable reserve HK\$ '000		Accumulated losses HK\$ '000	Total HK\$ '000	Non- controlling interests HK\$ '000
At 1 st January, 2014 (audited)	369,918	846,242	1,267	233	4,945	7,363	1,943	(623,040)	608,871	(2,495)	606,376
Profit for the period	—	—	—	—	—	—	—	126,915	126,915	2,886	129,801
Exchange differences arising on translation of foreign operations	—	—	—	—	—	541	—	—	541	—	541
Fair value changes on available-for-sale investments	—	—	—	—	514	—	—	—	514	—	514
Reclassification to profit or loss upon disposal of subsidiaries	—	—	—	—	—	(7,904)	—	—	(7,904)	—	(7,904)
Total comprehensive income (expense) for the period	—	—	—	—	514	(7,363)	—	126,915	120,066	2,886	122,952
Transfer upon abolition of par value under the New Hong Kong Companies Ordinance	847,742	(846,242)	(1,267)	(233)	—	—	—	—	—	—	—
Disposal of subsidiaries	—	—	—	—	—	—	—	—	—	541	541
At 30 th June, 2014 (unaudited)	1,217,660	—	—	—	5,459	—	1,943	(496,125)	728,937	932	729,869

Note The special capital reserve of the Group represented the amount arising from the capital reduction carried out by the Company during the year ended 31st December, 2001.

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30TH JUNE, 2014**

	<i>NOTE</i>	Six months ended 30th June,	
		2014	2013
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
NET CASH USED IN OPERATING ACTIVITIES		<u>(101,405)</u>	<u>(1,050)</u>
NET CASH GENERATED FROM INVESTING ACTIVITY			
Disposal of subsidiaries (net of cash and cash equivalent disposed of)	7	3,557	—
Interest received		<u>80</u>	<u>1,932</u>
		<u>3,637</u>	<u>1,932</u>
NET CASH USED IN FINANCING ACTIVITIES			
Repayment to non-controlling interests		(24,495)	—
Interest paid		—	(3,056)
Repayment of bank borrowing		—	(112,164)
Other borrowings raised		—	107,002
		<u>(24,495)</u>	<u>(8,218)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS		(122,263)	(7,336)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		180,059	243,557
Effect of foreign exchange rate changes		—	22
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, REPRESENTED BY BANK BALANCES AND CASH		<u>57,796</u>	<u>236,243</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30TH JUNE, 2014

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30th June, 2014 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31st December, 2013.

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

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; and
HK(IFRIC) – Int 21	Levies

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

3. SEGMENT INFORMATION

The following is an analysis of the Group's revenue and results by operating segments for the period under review:

	Investments in securities <i>HK\$'000</i> (Unaudited)	Trading of metals <i>HK\$'000</i> (Unaudited)	Sales of electronic products <i>HK\$'000</i> (Unaudited)	Battery products <i>HK\$'000</i> (Unaudited)	Money lending business <i>HK\$'000</i> (Unaudited)	Consolidated <i>HK\$'000</i> (Unaudited)
<i>(Note)</i>						
Six months ended 30th June, 2014						
Continuing operations						
REVENUE						
External sales	—	152,752	15,879	—	7,258	175,889
RESULT						
Segment result	32,476	1,958	102	—	7,751	42,287
Other income						132
Central administrative costs						(17,517)
Finance costs						—
Profit before income tax for the period						24,902
Six months ended 30th June, 2013						
REVENUE						
External sales	—	—	—	2,133	—	2,133
RESULT						
Segment result	(54,358)	—	—	(101)	—	(54,459)
Other income						92
Central administrative costs						(18,762)
Finance costs						(3,733)
Loss before income tax for the period						(76,862)

Note: An operating segment regarding the battery products was disposed during the period ended 30th June, 2014 as detailed in note 7. However, no discontinued operation was restated separately in the condensed consolidated financial statements for the prior period since the directors of the Company considered the financial results contributed by this operating segment was insignificant to the Group.

3. SEGMENT INFORMATION (Con't)

Segment profit (loss) represents profit (loss) earned/incurred by each segment without allocation of certain other income, central administrative costs and finance costs. This is the measure reported to the chief operation decision makers for the purpose of resource allocation and performance assessment.

4. OTHER INCOME

	Six months ended 30 th June,	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Dividend income from financial assets at fair value through profit or loss	3,257	7,232
Interest income	80	1,932
Exchange gain	40	2,661
Others	846	118
	<u>4,223</u>	<u>11,943</u>

5. FINANCE COSTS

	Six months ended 30 th June,	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Interest on borrowings wholly repayable within five years:		
– bank and other borrowings and overdrafts	—	3,733
	<u>—</u>	<u>3,733</u>

6. INCOME TAX EXPENSE

Six months ended 30th June,
2014 2013
HK\$'000 HK\$'000
(Unaudited) (Unaudited)

Continuing operations

Profits tax:

Hong Kong Profits Tax

– Current period

1,630

—

Hong Kong Profits Tax is recognised at annual income tax rate of 16.5% for the current period under review.

During the period ended 30th June, 2013, no provision for Hong Kong Profits Tax and The People's Republic of China Enterprise Income Tax has been made in the condensed consolidated financial statements, since the Group entities either incurred tax losses or estimated assessable profits which are wholly absorbed by tax losses brought forward.

7. DISPOSAL OF SUBSIDIARIES

During the period ended 30th June, 2014, the Group entered into a sales and purchase agreement to dispose the entire equity interest and shareholder's loan to 萬蘊琪 (Wan Yunqi*) ("Disposal Group") at an aggregate cash consideration of HK\$5,000,000. The Disposal Group is 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. The Group's battery products operations are presented as discontinued operations.

No discontinued operations were restated in the condensed consolidated financial statements for the prior period since the directors of the Company considered the financial results contributed by the Disposal Group was insignificant to the Group.

* For identification purposes only.

7. DISPOSAL OF SUBSIDIARIES (Con't)

The profit from the Disposal Group for current period is analysed as follows:

	Six months ended 30th June, 2014 <i>HK\$'000</i>
Loss for the period	(4,042)
Gain on disposal of subsidiaries	110,571
	<hr/>
	106,529
	<hr/> <hr/>

The results of the Disposal Group for the current period was as follows:

	Six months ended 30th June, 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 period	(4,042)
	<hr/> <hr/>

7. DISPOSAL OF SUBSIDIARIES (Con't)

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

	<i>HK\$'000</i>
Net liabilities disposed of	
Property, plant and equipment	7,414
Prepaid lease payment	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
Reclassification of cumulative exchange reserve upon disposal of Disposal Group to profit or loss	(7,904)
	<u>(105,571)</u>
Gain on disposal of Disposal Group	<u>110,571</u>
Total consideration	5,000
Satisfied by:	
Cash	<u>5,000</u>
Net cash inflow arising on disposal:	
Total cash consideration received	5,000
Bank balances and cash disposed of	(1,443)
	<u>3,557</u>

8. PROFIT (LOSS) FOR THE PERIOD

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

	Six months ended 30th June,	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Amortisation of prepaid lease payments	50	154
Depreciation of property, plant and equipment	114	1,213

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

	Six months ended 30th June,	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Amortisation of prepaid lease payments	57	—
Depreciation of property, plant and equipment	675	—

9. DIVIDEND

No dividend were paid, declared or proposed during the six months ended 30th June, 2014. The directors do not recommend the payment of an interim dividend for the six months ended 30th June, 2014 (2013: Nil).

10. EARNINGS (LOSS) PER SHARE

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:

	Six months ended 30th June,	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit (loss) for the period attributable to owners of the Company for the purposes of basic and diluted earnings (loss) per share	126,915	(76,839)

	Six months ended 30th June,	
	2014	2013
	'000	'000
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings (loss) per share	3,699,184	3,699,184

From continuing operations

	Six months ended 30th June,	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit (loss) for the period attributable to owners of the Company from continuing operations for the purposes of basic and diluted earnings (loss) per share	20,386	(76,839)

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

10. EARNINGS (LOSS) PER SHARE (Con't)

From discontinued operations

Basic earnings per share from discontinued operations is HK\$2.88 cents per share (2013: Nil), based on the profit for the period from discontinued operations of HK\$106,529,000 (2013: Nil) and the denominators used are the same as those detailed above for both basic and diluted earnings (loss) per share.

11. PROPERTY, PLANT AND EQUIPMENT

During the period ended 30th June, 2014, the Group disposed of Disposal Group which included the building with carrying amount of HK\$6,560,000 and furniture and fixtures with carrying amount of HK\$854,000 as mentioned in note 7.

12. TRADE AND OTHER RECEIVABLES

	30.6.2014 <i>HK\$'000</i> (Unaudited)	31.12.2013 <i>HK\$'000</i> (Audited)
Trade receivables	4,678	8,050
Less: Allowance for doubtful debts	—	—
	<u>4,678</u>	<u>8,050</u>

The Group normally allows credit period for trade customers of electronic products ranging from 30 days to 35 days and trade customers of battery products ranging from 90 days to 180 days. The following is an aged analysis of trade receivables, net of allowance for doubtful debts, presented based on the invoice date, which approximated the respective revenue recognition dates, at the end of the reporting period:

	30.6.2014 <i>HK\$'000</i> (Unaudited)	31.12.2013 <i>HK\$'000</i> (Audited)
0 - 90 days	<u>4,678</u>	<u>8,050</u>

Included in the other receivables is an amount of approximately HK\$733,000 (31st December, 2013: HK\$8,670,000) placed with securities brokers for trading securities in Hong Kong, which is unsecured, interest-free and repayable on demand.

The remaining balance of other receivables is unsecured, interest-free and repayable on demand.

13. BILLS RECEIVABLE

The bills receivable is aged within three months and is settled subsequent to balance sheet date.

14. LOAN RECEIVABLES

	30.6.2014 HK\$'000 (Unaudited)	31.12.2013 <i>HK\$'000</i> (Audited)
Fixed-rate loan receivables	—	129,304
Analysed as:		
Current portion	—	96,464
Non-current portion	—	32,840
	—	129,304

During the period ended 30th June, 2014, all outstanding loan receivables are fully settled.

During the year ended 31st December, 2013, the range of interest rate on the Group's loan receivables are 0.81% to 10.25% per annum. No collateral agreement have been entered into in respect of the loan receivables.

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30.6.2014	31.12.2013
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Listed securities held for trading, at fair value:		
Equity securities listed in Hong Kong	513,904	377,833
Equity security listed outside Hong Kong	7,910	7,039
Unlisted debt security designated as financial assets at fair value through profit or loss ("FVTPL"):		
Convertible notes issued by a Hong Kong listed issuer	—	8,205
	521,814	393,077

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 will mature on 12th October, 2014. The Group has the right, at any time following the date of issue of the Convertible Notes until the date falling 7 days before (and excluding) the maturity date, to convert the whole principal amount of the Convertible Notes into ordinary shares at conversion price of HK\$1.00 per share, by giving prior written notice to the issuer.

The issuer has the right at any time from the date of issue the Convertible Notes and inclusive of the maturity date to redeem the whole or any part (in an amount or integral multiple of HK\$1,000,000) of the aggregate outstanding principal amount of the Convertible Notes at principal amount outstanding plus any interest accrued at the redemption date, unless a conversion notice have previously been given by the Group to the issuer in accordance with the terms and conditions of the Convertible Notes.

During the period ended 30th June, 2014, the Group has converted the whole principal amount of the Convertible Notes into 10,000,000 ordinary shares at HK\$1.00 per share and such shares are held by the Group as financial assets at fair value through profit or loss thereafter.

16. BANK BALANCES AND CASH

Bank balances and cash comprises cash and bank balances held by the Group that are interest bearing at prevailing market rate range from 0.01% to 0.7% (31st December, 2013: 0.01% to 1.30%) per annum and have original maturity of three months or less.

17. TRADE AND OTHER PAYABLES

As at 31st December, 2013, included in trade and other payables are trade payable of approximately HK\$40,000 (30th June, 2014: Nil) with the following aged analysis based on invoice date at the end of the reporting period.

	30.6.2014	31.12.2013
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
0 - 90 days	—	40

18. AMOUNT DUE TO NON-CONTROLLING INTERESTS

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

During the period ended 30th June, 2014, the Group has been fully repaid the amount.

19. BANK AND OTHER BORROWINGS

	30.6.2014	31.12.2013
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Unsecured other borrowings repayable within one year	—	111,740

During the period ended 30th June, 2014, the Group disposed of the Disposal Group which included the full amount of other borrowings.

During the year ended 31st December, 2013, the Group had borrowings with a total principal amount of HK\$107,002,000 plus interest of HK\$4,738,000 payable to independent third parties. The borrowing with principal amount of HK\$52,715,000 carried interest at Hong Kong Prime Rate plus 2% per annum. Effective interest rate for this borrowing was 7% per annum. The borrowing with principal amount of HK\$54,287,000 carried interest at Hong Kong Prime Rate plus 3% per annum. Effective interest rate for this borrowing was 8% per annum. These borrowings were unsecured and repayable within one year.

20. SHARE CAPITAL

	Number of shares	Share capital <i>HK\$'000</i>
Authorised:		
As at 1 st January, 2013, 30 th June, 2013, 1 st January, 2014		
– Ordinary shares of HK\$0.10 each	200,000,000,000	20,000,000
As 30 th June, 2014	N/A (Note)	
Issued and fully paid:		
As at 1 st January, 2013, 30 th June, 2013, 1 st January, 2014		
– Ordinary shares of HK\$0.1 each	3,699,183,927	369,918
Transfer from share premium, special capital reserve and capital redemption reserve upon abolition of par value	—	847,742
At 30 th June, 2014		
– Ordinary shares with no par value	<u>3,699,183,927</u>	<u>1,217,660</u>

Note: Under the Hong Kong Companies Ordinance (Cap 622) with effect from 3rd March, 2014, the authorised share capital and par value of the shares have been abolished for companies registered in Hong Kong. There is no impact on the number of shares in issued or the interest of the shareholders of the Company.

21. PLEDGE OF ASSETS

As at 30th June, 2014, available-for-sale investments and financial assets at fair value through profit or loss with a carrying value of approximately HK\$1,863,000 (31st December, 2013: HK\$1,397,000) and HK\$3,179,000 (31st December, 2013: HK\$2,358,000) respectively were pledged to secure margin account credit facilities granted to the Group. As at 30th June, 2014, a margin loan of approximately HK\$963,000 (31st December, 2013: HK\$1,261,000) was utilised by the Group and there is no restriction on trading of these available-for-sale investments and financial assets at fair value through profit or loss.

22. SHARE-BASED PAYMENTS

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

There were no share option granted under the 2011 Scheme during the period under review. No share options were outstanding as at 30th June, 2014 and 31st December, 2013.

23. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset that are not based on observable market data (unobservable inputs).

Financial assets	Fair value as at 30 th June, 2014		Valuation technique(s) and key input(s)	Significant unobservable inputs	Relationship of unobservable inputs to fair value
	Fair value	Fair value hierarchy			
<i>HK\$'000</i>					
Available-for-sale investments					
Listed equity securities	3,300	Level 1	Quoted bid prices in an active market.	N/A	N/A
Listed securities held for trading					
Equity securities listed in Hong Kong	513,904	Level 1	Quoted bid prices in an active market.	N/A	N/A
Equity security listed outside Hong Kong	7,910	Level 1	Quoted bid prices in an active market.	N/A	N/A

**23. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS
(Con't)**

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (con't)

Reconciliation of level 3 fair value measurements of financial assets is as follows:

	Unlisted debt securities <i>HK\$'000</i>	Unlisted equity security <i>HK\$'000</i>	Unlisted convertible notes investment <i>HK\$'000</i>
At 1 st January, 2014 (audited)	—	—	8,205
Total gains recognised in profit or loss	—	—	23,195
Disposal	—	—	(31,400)
	<hr/>	<hr/>	<hr/>
At 30 th June, 2014 (unaudited)	—	—	—
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	Unlisted debt securities <i>HK\$'000</i>	Unlisted equity security <i>HK\$'000</i>	Unlisted convertible notes investment <i>HK\$'000</i>
At 1 st January, 2013 (Audited)	34,800	54,600	7,071
Total (losses) gains recognised in profit or loss	(5,400)	8,400	139
Disposal	—	(63,000)	—
	<hr/>	<hr/>	<hr/>
At 30 th June, 2013 (Unaudited)	29,400	—	7,210
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

23. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Con't)

Fair value measurements and valuation process

The board of directors of the Company has closely monitored and determined the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where level 1 inputs are not available, the Group engages external independent qualified valuers to perform the valuation. The board of directors of the Company works closely with external independent qualified valuers to establish the appropriate valuation techniques and inputs to the model.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed above.

24. RELATED PARTY DISCLOSURES

Compensation of key management personnel

The remuneration of directors who are also identified as members of key management during the periods was as follows:

	Six months ended 30th June,	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Short-term benefits	6,662	9,899
Post-employment benefits	36	37
	<u>6,698</u>	<u>9,936</u>

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

25. EVENT AFTER THE END OF THE INTERIM PERIOD

On 19th August, 2014, the Company entered into the Placing Agreement with Emperor Securities Limited ("Placing Agent"), whereby the Company agreed to place, through the Placing Agent, on a best effort basis, a maximum of 739,800,000 new Shares to not less than six Placees at a price of HK\$0.160 per Placing Shares.

Deloitte.

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TO THE BOARD OF DIRECTORS OF CHINA STRATEGIC HOLDINGS LIMITED

中策集團有限公司

(incorporated in Hong Kong with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of China Strategic Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 1 to 23, which comprise the condensed consolidated statement of financial position as of 30th June, 2014 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Statements Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

25th August, 2014

MANAGEMENT DISCUSSION AND ANALYSIS

For the period ended 30th June, 2014, the Group discontinued its manufacturing and trading of battery products and related accessories (the “Battery Business”) and continued to engage in (i) the trading of metals; (ii) the sales of electronic products; (iii) the money lending business and (iv) investments in securities.

Continuing operation

During the period under review, the Group concentrated on the metals trading and money lending business as well as sales of electronics products and investments in securities. When compared with the six months ended 30th June, 2013, the total revenue of the Group increased by approximately of HK\$173.76 million to approximately of HK\$175.89 million which mainly attributed from the trading of metals, the sales of electronic products and money lending business of approximately HK\$152.75 million, HK\$15.88 million and 7.26 million, respectively. On the other hand, the Group recorded a gain on financial assets at fair value through profit or loss of approximately HK\$29.90 million for the six months ended 30th June, 2014 as compared to a loss of approximately HK\$62.88 million for the corresponding six months ended 30th June, 2013 as the result of the recent upturn in the financial market.

Discontinued operation

For the period under review, the Battery Business reported revenue of approximately HK\$0.70 million and incurred segment loss of approximately HK\$4.04 million respectively compared with the corresponding six months ended 30th June, 2013 was approximately HK\$2.13 million and HK\$0.10 million respectively. On 8th May, 2014, the Group entered into a sale and purchase agreement with a third party independent of the Company and its connected persons to dispose of its Battery Business at a consideration of HK\$5.00 million and the disposal was completed on the same day. A gain on disposal of the Battery Business amounting to approximately of HK\$110.57 million was recognized by the Group in the period under review. Details of the disposal were disclosed in the Company’s announcement dated 8th May, 2014. As the Battery Business had been incurring losses in the past years, the Board was of the view that the disposal would enable the Group to deploy resources in other businesses with better prospects, and was in the interests of the Company and its shareholders as a whole.

Overall, the Group recorded a profit of approximately HK\$129.80 million from continuing and discontinued operations for the period under review as compared to a loss of approximately HK\$76.86 million for the six months ended 30th June, 2013. The profit is mainly attributable to the gain on disposal of Battery Business and financial assets at fair value through profit or loss.

MANAGEMENT DISCUSSION AND ANALYSIS (Con't)

During the period under review, the Group financed its operations mainly through cash generated from its operating activities, banking facilities provided by principal bankers and external borrowings. As at 30th June, 2014, the Group had working capital of approximately HK\$721.15 million, calculated by current assets less current liabilities, and the current ratio increased to 65.20, compared with the working capital of approximately HK\$548.88 million and current ratio of 4.45 as at 31st December, 2013.

During the period under review, the net cash used in operating activities was approximately HK\$101.41 million compared with the corresponding six months ended 30th June, 2013 was approximately HK\$1.05 million. The net cash generated from investing activities and used in financing activities for the six months ended 30th June, 2014 was approximately HK\$3.64 million and HK\$24.50 million, respectively, compared with the corresponding six months ended 30th June, 2013 was approximately HK\$1.93 million and HK\$8.22 million, respectively.

The Group has no bank and other borrowings as well as long-term borrowings as at 30th June, 2014. The gearing ratio was approximately 0.02 (31st December, 2013: 0.26) calculated by the total liabilities of approximately HK\$11.23 million (31st December, 2013: HK\$161.27 million) divided by total shareholders' equity of approximately HK\$728.94 million (31st December, 2013: HK\$608.87 million).

There was no significant capital expenditure incurred for the six months ended 30th June, 2014. Future capital expenditure will be continued to be funded primarily by internal resources or external borrowings or a combination of both as required.

As at 30th June, 2014, the Group had cash and bank balances amounted to approximately of HK\$57.80 million and is mainly denominated in Hong Kong dollars. Financial assets at fair value through profit or loss were in an amount of approximately HK\$521.81 million. As at 30th June, 2014, there was no pledged bank deposit. During the six months ended 30th June, 2014, the Group did not experience significant exposure to exchange rate and interest rate fluctuations. As a result, the Group did not enter into any material foreign contracts, currency swaps or other financial derivatives.

As at 30th June, 2014, the Group employed approximately 14 staff. For the period under review, the staff costs (excluding directors' emoluments) was approximately HK\$2.24 million. The staff remuneration packages are normally reviewed annually. The Group operates a Mandatory Provident Fund Scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance. In addition, the Group provides other staff benefits which include double pay, share option scheme, insurance and medical benefits.

MANAGEMENT DISCUSSION AND ANALYSIS (Con't)

Under the share option scheme of the Company adopted on 10th June, 2011 (the “Option Scheme”), the Board may, at its discretion, grant options to the directors and Participants (as defined in the Option Scheme) enable them to subscribe for shares of the Company as incentives or rewards for their contribution to the Group. Since the adoption of the Option Scheme, there was no share option granted and exercised during the period under review. As at 30th June, 2014, no share option was outstanding.

On 19th August, 2014, the Company entered into a placing agreement with Emperor Securities Limited (“Emperor”) pursuant to which Emperor agreed to place, on best effort basis, 739,800,000 new shares at HK\$0.16 per share to independent third parties (“Placing”). The net proceeds from the Placing of approximately HK\$115.20 million are intended to be utilized as general working capital of the Group. Details of the Placing were disclosed in the Company’s announcement dated 19th August, 2014.

Looking ahead, the slowdown of the China’s economy and the uncertainties surrounding the global economy that may have negative impact to the global investment environment, the management of the Group anticipates that the global investment market in the 2nd half of 2014 may still become volatile and the management of the Group is cautious on the performance of the financial assets at fair value through profit or loss. Following to the disposal of the underperforming business and the placing agreement entered into on 19th August, 2014, the Group will deploy resources in other business with better prospect and the placing will provide additional working capital to the Group in carry on its existing business and will also broaden the capital and shareholder base of the Group. The Group would focus on the continuing operation and will adopt a prudent approach when looking for potential investment opportunities to diversify its business scope with a view to strengthen the shareholders’ value in the long run.

CORPORATE GOVERNANCE

The Company has, during the six months ended 30th June, 2014, met the code provisions set out in the Corporate Governance Code and Corporate Governance Report (the “Code”) contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) except for the following deviations:

Code provision A.2.1

Code provision A.2.1 requires the roles of the chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Or Ching Fai acted as Chairman and Chief Executive Officer. Although this arrangement constitutes a deviation from the Code, the Board considers that the structure, where the leadership of the Board is distinct from the executive responsibilities for running of the business operations, will not impair the balance of power and authority between the Board and the management of the business, the Board further believes that vesting the roles of Chairman and Chief Executive Officer in the same person provides the Company with strong and consistent leadership in the development and execution of long-term business strategy.

SUBSTANTIAL SHAREHOLDERS

As at 30th June, 2014, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO showed no person, not being a Director or chief executive of the Company had interests or a short positions in the shares and underlying shares of the Company that were required to be recorded in that register.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as its code of conduct regarding director's securities transactions. Having made specific enquiry of all Directors, all Directors confirmed that they had complied with the required standards set out in the Model Code during the six months ended 30th June, 2014.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company has not redeemed any of its shares during the six months ended 30th June, 2014. Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the period.

REVIEW BY AUDIT COMMITTEE

Having been reviewed by the Company's auditor, Deloitte Touche Tohmatsu, the 2014 interim report has been reviewed by audit committee of the Company (the "Audit Committee"). The Audit Committee currently comprises three independent non-executive Directors, namely Ms. Ma Yin Fan (Chairman of Audit Committee), Mr. Chow Yu Chun, Alexander and Mr. Leung Hoi Ying.

As the date of this interim report, the Board of the Company comprises Mr. Or Ching Fai, Mr. Hui Richard Rui, and Mr. Chow Kam Wah as executive Directors, and Ms. Ma Yin Fan, Mr. Chow Yu Chun, Alexander and Mr. Leung Hoi Ying as independent non-executive Directors.

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

Hong Kong, 25th August, 2014