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## CHINA STRATEGIC HOLDINGS LIMITED

### 中策集團有限公司

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 235)**

### INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30TH JUNE, 2014

#### 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>	<b>Six months ended 30th June,</b>	
		<b>2014</b>	2013
		<i>HK\$'000</i>	<i>HK\$'000</i>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Continuing operations</b>			
Revenue	3	<b>175,889</b>	2,133
Cost of sales		<u><b>(166,570)</b></u>	<u>(1,845)</u>
Gross profit		<b>9,319</b>	288
Other income	4	<b>4,223</b>	11,943
Selling and distribution costs		<b>—</b>	(40)
Administrative expenses		<b>(18,537)</b>	(22,439)
Gain (loss) on financial assets at fair value through profit or loss		<b>29,897</b>	(62,881)
Finance costs	5	<u><b>—</b></u>	<u>(3,733)</u>

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

	<i>NOTES</i>	<b>Six months ended 30th June, 2014 HK\$'000 (Unaudited)</b>	<b>2013 HK\$'000 (Unaudited)</b>
Profit (loss) before tax	8	<b>24,902</b>	(76,862)
Income tax expenses	6	<u><b>(1,630)</b></u>	<u>—</u>
Profit (loss) for the period from continuing operations		<b>23,272</b>	(76,862)
<b>Discontinued operations</b>			
Profit for the period from discontinued operations	7	<u><b>106,529</b></u>	<u>—</u>
Profit (loss) for the period		<u><b>129,801</b></u>	<u>(76,862)</u>
<b>Other comprehensive income (expense)</b>			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		<b>541</b>	(1,134)
Fair value changes on available-for-sale investments		<u><b>514</b></u>	<u>18</u>
		<b>1,055</b>	(1,116)
Reclassify to profit or loss - On disposal of subsidiaries		<u><b>(7,904)</b></u>	<u>—</u>
Other comprehensive expense for the period		<u><b>(6,849)</b></u>	<u>(1,116)</u>
Total comprehensive income (expense) for the period		<u><u><b>122,952</b></u></u>	<u><u>(77,978)</u></u>

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

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

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

	<i>NOTES</i>	<b>30.6.2014</b> <i>HK\$'000</i> <b>(Unaudited)</b>	31.12.2013 <i>HK\$'000</i> <b>(Audited)</b>
<b>Non-Current Assets</b>			
Property, plant and equipment		<b>1,629</b>	11,009
Prepaid lease payments		<b>2,967</b>	12,300
Loan receivables	13	<b>—</b>	32,840
Club debentures		<b>825</b>	825
Available-for-sale investments		<b>3,300</b>	2,786
		<b>8,721</b>	59,760
<b>Current Assets</b>			
Inventories		<b>7,066</b>	17,043
Trade and other receivables	11	<b>8,574</b>	20,922
Bills receivable	12	<b>137,081</b>	—
Prepaid lease payments		<b>50</b>	318
Loan receivables	13	<b>—</b>	96,464
Financial assets at fair value through profit or loss		<b>521,814</b>	393,077
Bank balances and cash		<b>57,796</b>	180,059
		<b>732,381</b>	707,883
<b>Current Liabilities</b>			
Trade and other payables	14	<b>4,471</b>	11,640
Income tax payable		<b>6,762</b>	7,367
Deferred income		<b>—</b>	3,760
Amount due to non-controlling interests		<b>—</b>	24,495
Bank and other borrowings		<b>—</b>	111,740
		<b>11,233</b>	159,002
<b>Net Current Assets</b>		<b>721,148</b>	548,881
<b>Total Assets less Current Liabilities</b>		<b>729,869</b>	608,641
<b>Non Current Liability</b>			
Deferred income		<b>—</b>	2,265
<b>Net Assets</b>		<b>729,869</b>	606,376
<b>Capital and Reserves</b>			
Share capital		<b>1,217,660</b>	369,918
Reserves		<b>(488,723)</b>	238,953
Equity attributable to the owners of the Company		<b>728,937</b>	608,871
Non-controlling interests		<b>932</b>	(2,495)
<b>Total Equity</b>		<b>729,869</b>	606,376

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

*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.

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

#### 6. INCOME TAX EXPENSE

	Six months ended 30th June,	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>Continuing operations</b>		
Profits tax:		
Hong Kong Profits Tax		
- Current period	<u>1,630</u>	<u>—</u>

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.

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

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

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

	<b>Six months ended 30th June, 2014 HK\$'000</b>
Revenue	700
Cost of sales	(945)
Other income	339
Administrative expenses	(1,319)
Finance costs	<u>(2,817)</u>
Loss for the period	<u><u>(4,042)</u></u>

\* For identification purposes only.



## 7. DISPOSAL OF SUBSIDIARIES (Con't)

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

	<i>HK\$'000</i>
<b>Net liabilities disposed of</b>	
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	<u>(114,557)</u>
	(98,208)
Non-controlling interests	541
Reclassification of cumulative exchange reserve upon disposal of Disposal Group to profit or loss	<u>(7,904)</u>
	<u>(105,571)</u>
Gain on disposal of Disposal Group	<u><u>110,571</u></u>
Total consideration	5,000
Satisfied by:	
Cash	<u><u>5,000</u></u>
Net cash inflow arising on disposal:	
Total cash consideration received	5,000
Bank balances and cash disposed of	<u>(1,443)</u>
	<u><u>3,557</u></u>

## 8. PROFIT (LOSS) FOR THE PERIOD

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

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

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

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

## 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. PROFIT (LOSS) PER SHARE

### From continuing and discontinued operations

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

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

## 10. PROFIT (LOSS) PER SHARE (Con't)

	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	<u>3,699,184</u>	<u>3,699,184</u>

### 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	<u>20,386</u>	<u>(76,839)</u>

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

### 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. TRADE AND OTHER RECEIVABLES

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

## 11. TRADE AND OTHER RECEIVABLES (Con't)

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:

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

## 12. BILLS RECEIVABLE

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

## 13. LOAN RECEIVABLES

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

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.

#### 14. 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.

	<b>30.6.2014</b>	31.12.2013
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Audited)
0 - 90 days	<u>—</u>	<u>40</u>

#### 15. 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.

### 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.

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.

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.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its 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 or sold 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.

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

Hong Kong, 25th August, 2014

*As the date of this announcement, 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.*