



華人策略控股有限公司

Chinese Strategic Holdings Limited

(incorporated in Bermuda with limited liability)

Stock Code: 8089

Interim Report 2013

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors. Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This report, for which the directors (the “Directors”) of Chinese Strategic Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (“GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

The board of directors (the "Board") of Chinese Strategic Holdings Limited (the "Company") hereby announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the "Group") for the three months and six months ended 30 June 2013, together with the comparative figures for the corresponding period in year 2012, as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Three months ended 30 June		Six months ended 30 June	
		2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Continuing operations					
Turnover	3	11,805	23,353	52,211	83,808
Revenue	3	3,025	4,069	5,949	8,686
Cost of sales		(61)	(18)	(108)	(37)
Gross profit		2,964	4,051	5,841	8,649
Other income	4	471	153	537	166
Administrative expenses		(11,147)	(11,869)	(20,653)	(23,879)
Fair value changes in investment properties		2,902	3,665	2,902	3,665
Gain (loss) arising from fair value changes of investments held for trading		8,982	(53,574)	(3,678)	(17,458)
(Loss) gain on disposals of investments held for trading		(957)	3,917	3,321	12,428
Gain (loss) arising from fair value changes of convertible instruments designated at financial assets at fair value through profit or loss		5,735	(14,834)	6,067	(2,561)
Gain arising from fair value changes of derivative financial liabilities		-	-	2,334	-
Gain on derecognition of derivative financial liabilities		2,233	-	2,233	-
Gain on disposal of subsidiaries		-	33	-	33
Impairment loss on interest in an associate		(7,379)	-	(24,351)	-
Share of profit of a jointly controlled entity		622	459	1,476	746
Finance costs	5	(334)	(1,173)	(661)	(1,436)
Profit (loss) before tax	6	4,092	(69,172)	(24,632)	(19,647)
Income tax expense	7	-	-	-	-
Profit (loss) for the period from continuing operations		4,092	(69,172)	(24,632)	(19,647)
Discontinued operations					
Gain for the period from discontinued operations		-	516	-	464
Profit (loss) for the period		4,092	(68,656)	(24,632)	(19,183)

	Notes	Three months ended 30 June		Six months ended 30 June	
		2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Other comprehensive income (expense)					
Item that may be reclassified subsequently to profit or loss:					
Fair value gain (loss) on available-for-sale financial assets		720	(1,306)	3,065	1,831
Exchange differences on translating foreign operations		2,812	(496)	2,930	(211)
Other comprehensive income (expense) for the period		3,532	(1,802)	5,995	1,620
Total comprehensive income (expense) for the period		7,624	(70,458)	(18,637)	(17,563)
Profit (loss) for the period attributable to owners of the Company					
– from continuing operations		3,977	(69,257)	(24,905)	(19,785)
– from discontinued operations		–	516	–	464
Profit (loss) for the period attributable to owners of the Company		3,977	(68,741)	(24,905)	(19,321)
Profit for the period attributable to non-controlling interests from continuing operations		115	85	273	138
Total comprehensive income (expense) attributable to:					
Owners of the Company		7,509	(70,543)	(18,910)	(17,701)
Non-controlling interests		115	85	273	138
Total comprehensive income (expense) attributable to		7,624	(70,458)	(18,637)	(17,563)
Basic and diluted earnings (loss) per share	9				
From continuing and discontinued operations		0.59 cent	(10.17 cents)	(3.69 cents)	(2.86 cents)
From continuing operations		0.59 cent	(10.25 cents)	(3.69 cents)	(2.93 cents)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June	31 December
		2013	2012
		(Unaudited)	(Audited)
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
Non-current assets			
Plant and equipment	10	10,328	10,938
Investment properties		214,884	209,157
Interest in an associate		25,827	50,178
Interest in a jointly controlled entity		137,418	135,942
Club debentures		2,690	2,690
Available-for-sale financial assets		25,985	22,921
		417,132	431,826
Current assets			
Loan receivables	11	119,421	133,952
Convertible instruments designated at financial assets at fair value through profit or loss		69,302	41,441
Prepayments, deposits and other receivables		120,185	115,131
Investments held for trading		117,275	117,399
Bank balances and cash		26,604	43,363
		452,787	451,286
Current liabilities			
Accruals and other payables		23,476	14,190
Taxation		8,210	8,210
Bank borrowings		29,585	30,210
Derivative financial liabilities		–	4,567
		61,271	57,177
Net current assets		391,516	394,109
Total assets less current liabilities		808,648	825,935

		30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
	<i>Notes</i>		
Non-current liabilities			
Bond payables		10,000	10,000
Deferred taxation		21,536	21,536
		31,536	31,536
Net assets		777,112	794,399
Capital and reserves			
Share capital	13	676	676
Reserves		753,482	771,042
Total equity attributable to equity shareholders of the Company		754,158	771,718
Non-controlling interests		22,954	22,681
Total equity		777,112	794,399

	Share capital HK\$'000	Share premium HK\$'000	Share Contributed surplus HK\$'000	Share options reserve HK\$'000	Investment revaluation reserve HK\$'000	Share investment reserve HK\$'000	Warrant reserve HK\$'000	Convertible bond options reserve HK\$'000	Translation reserve HK\$'000	Accumulated losses HK\$'000	Equity attributable to owners of the Company HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1 January 2013 (audited)	676	2,901,300	7,914	3,590	5,325	-	-	-	13,662	(2,160,749)	771,718	22,681	794,399
Loss for the period	-	-	-	-	-	-	-	-	-	(24,905)	(24,905)	273	(24,632)
Other comprehensive income (expense) for the period:													
Fair value gain on available-for-sale financial assets	-	-	-	-	3,065	-	-	-	-	-	3,065	-	3,065
Exchange difference on translation of foreign operations	-	-	-	-	-	-	-	-	2,930	-	2,930	-	2,930
Total comprehensive income (expense) for the period	-	-	-	-	3,065	-	-	-	2,930	-	5,995	-	5,995
Issue of non-listed warrants	-	-	-	-	-	-	1,350	-	-	-	1,350	-	1,350
At 30 June 2013 (unaudited)	676	2,901,300	7,914	3,590	8,390	1,350	-	-	16,592	(2,185,654)	754,158	22,954	777,112

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2013

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash (used in)/generated from operating activities	(3,311)	26,780
Net cash (used in)/generated from investing activities	(13,922)	6,310
Net cash generated from/(used in) financing activities	371	(2,854)
Net (decrease) increase in cash and cash equivalents	(16,862)	30,236
Cash and cash equivalents at the beginning of period	43,363	42,273
Effect of foreign exchange rates changes	103	281
Cash and cash equivalents at the end of period	26,604	72,790
Analysis of balances of cash and cash equivalents		
Bank balances and cash	26,604	72,790

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. COMPANY INFORMATION

The Company was incorporated in Bermuda on 25 February 2000 as an exempted company with limited liability under the Companies Act 1981 of Bermuda. Its shares are listed on GEM of the Stock Exchange since 18 May 2000. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda, and its principal place of business is located at 2/F, SBI Centre, Nos. 54-58 Des Voeux Road Central, Hong Kong.

The Company is an investment holding company. The unaudited condensed consolidated financial statements are presented in Hong Kong dollars ("HK\$"), which is the functional currency of the Company.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements for the six months ended 30 June 2013 have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure requirements of the GEM Listing Rules.

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

The accounting policies and methods of computation used in preparing the condensed consolidated financial statements are consistent with those used in the Group's annual financial statements for the year ended 31 December 2012.

With reference to note 2 to the 2012 Financial Statements set out in the Company's 2012 Annual Report, the Group has applied retrospectively the amendments to HKAS 12 Deferred Tax: Recovery of Underlying Assets resulted in the deferred tax liabilities of the Group being increased by HK\$14,947,000 as at 31 December 2011, with the corresponding adjustment being recognized in accumulated losses of HK\$14,470,000 and translation reserve of HK\$477,000. Accordingly, the unaudited condensed consolidated statement of changes in equity for the six months ended 30 June 2012 had been restated.

In the current accounting period, the Group has applied, for the first time, the following new and revised standards, amendments to standards and interpretations ("new and revised HKFRSs") issued by HKICPA.

Amendments to HKFRSs	Annual improvements 2009-2011 Cycle, except for the amendments HKAS 1
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Transition Guidance
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (Continued)

The Directors of the Company believe that the application of the new and revised HKFRSs has no material impact on the unaudited condensed consolidated financial statements for the six months ended 30 June 2013.

The Group has not early applied the following new and revised HKFRSs that have been issued but not yet effective.

Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures ²
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (as revised in 2011)	Investment Entities ¹
HKFRS 9	Financial Instruments ²
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities ¹

¹ Effective for annual periods beginning on or after 1 January 2014.

² Effective for annual periods beginning on or after 1 January 2015.

3. TURNOVER, REVENUE AND SEGMENT INFORMATION

Turnover represents the aggregate of rental income; net proceeds from the disposal of investments held for trading; and interest income from the provision of loan financing during the period. The analysis of the Group's turnover for the period is as follows:

	Three months ended 30 June		Six months ended 30 June	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Turnover				
Properties investments	810	434	1,414	868
Securities trading	8,793	19,284	46,275	75,122
Loan financing	2,202	3,635	4,522	7,818
	11,805	23,353	52,211	83,808

Segment information

Information reported to the executive directors, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group. The Group's reportable and operating segments from continuing operations under HKFRS 8 are as follows:

- Properties investments – investment in properties for rental income purpose
- Securities trading – Trading of securities and dividend income from investments held for trading
- Loan financing – Provision of financing services

3. TURNOVER, REVENUE AND SEGMENT INFORMATION (Continued)

Segment revenues and results

The following is an analysis of the Group's revenue and results from continuing operations by reportable and operating segment:

	Three months ended 30 June		Six months ended 30 June	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Segment revenue from external customers				
Properties investments	810	434	1,414	868
Dividend income from investments held for trading	13	–	13	–
Loan financing	2,202	3,635	4,522	7,818
	3,025	4,069	5,949	8,686
Segment results				
Properties investments	3,017	3,668	3,333	2,761
Securities trading	7,883	(49,439)	(729)	(5,137)
Loan financing	1,426	(2,113)	3,476	1,163
	12,326	(47,884)	6,080	(1,213)
Unallocated corporate expenses	(8,960)	(5,467)	(16,871)	(14,636)
Unallocated corporate income	471	153	537	166
Gain (loss) on fair value change of convertible instruments designated at financial assets at FVTPL	5,735	(14,834)	6,067	(2,561)
Gain arising from fair value changes of derivative financial liabilities	–	–	2,334	–
Gain on derecognition of derivative financial liabilities	2,233	–	2,233	–
Gain on disposal of subsidiaries	–	33	–	33
Impairment loss on interest in an associate	(7,379)	–	(24,351)	–
Finance costs	(334)	(1,173)	(661)	(1,436)
Profit (loss) before tax from continuing operations	4,092	(69,172)	(24,632)	(19,647)

3. TURNOVER, REVENUE AND SEGMENT INFORMATION (Continued)

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segment:

	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
Segment assets		
Properties investments	368,831	371,798
Securities trading	120,935	159,539
Loan financing	112,023	119,738
Total segment assets	601,789	651,075
Unallocated corporate assets	268,130	232,037
Consolidated assets	869,919	883,112
Segment liabilities		
Properties investments	6,850	3,924
Securities trading	–	2,192
Loan financing	811	835
Total segment liabilities	7,661	6,951
Unallocated corporate liabilities	85,146	81,762
Consolidated liabilities	92,807	88,713

4. OTHER INCOME

The analysis of the Group's other income for the periods are as follows:

	Three months ended 30 June		Six months ended 30 June	
	2013	2012	2013	2012
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Continuing operations				
Bank interest income	25	3	41	13
Interest on promissory note receivable/ convertible instruments	446	150	496	153
	471	153	537	166

5. FINANCE COSTS

	Three months ended 30 June		Six months ended 30 June	
	2013	2012	2013	2012
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Continuing operations				
Interest on:				
Bank borrowings not wholly repayable within five years	177	42	354	82
Promissory note payables	-	1,088	-	1,311
Bond payables	157	43	307	43
	334	1,173	661	1,436

6. PROFIT (LOSS) BEFORE TAX

Profit (loss) before tax has been arrived at after charging:

	Three months ended 30 June		Six months ended 30 June	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Continuing operations				
Staff costs including directors' emoluments:				
Salaries and allowances	5,061	4,573	9,513	9,609
Contributions to retirement benefits scheme	180	145	310	275
	5,241	4,718	9,823	9,884
Depreciation of plant and equipment	573	629	1,155	1,353
Minimum lease payments under operating leases	1,283	1,145	2,410	2,404
Impairment on interest in an associate	7,379	-	24,351	-
Gross rental income	810	434	1,414	868
Less: outgoings (included in cost of sales)	(61)	(18)	(108)	(37)
Net rental income	749	416	1,306	831

7. INCOME TAX EXPENSE

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the six months ended 30 June 2013 and 30 June 2012.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

8. DIVIDEND

No dividend was paid or proposed during the six months ended 30 June 2013 and 30 June 2012, nor has any dividend been proposed since 30 June 2013 and up to the date of this report.

9. EARNINGS (LOSS) PER SHARE

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

	Three months ended 30 June		Six months ended 30 June	
	2013	2012	2013	2012
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Profit (loss) for the period attributable to owners of the company				
– from continuing and discontinued operations	3,977	(68,741)	(24,905)	(19,321)
– from continuing operations	3,977	(69,257)	(24,905)	(19,785)
	'000	'000	'000	'000
Number of shares				
Weighted average number of ordinary shares for the purpose of basic and diluted earnings (loss) per share	675,814	675,814	675,814	675,814

The computation of diluted earnings (loss) per share does not assume the exercise of the Company's share options, non-listed warrants and the option to subscribe convertible bond because the respective exercise price of the Company's share options and non-listed warrants were higher than the average market price of the Company's shares for both periods in 2013 and 2012, and the respective exercise price of the Company's option to subscribe convertible bond was higher than the average market price of the Company's shares during the six month ended 30 June 2012.

10. PLANT AND EQUIPMENT

During the six months ended 30 June 2013, the Group had additions to plant and equipment in amount of approximately HK\$541,000 (2012: HK\$425,000).

11. LOAN RECEIVABLE

	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
<i>Loan receivables arising from loan financing business:</i>		
Secured loan receivables	203,933	205,593
Unsecured loan receivables	122,771	125,154
Less: impairment loss recognised	(228,724)	(228,724)
	97,980	102,023
<i>Other loan receivables:</i>		
Promissory note receivables	14,925	14,801
Amount due from a former subsidiary	151,980	151,980
Advance to an associate	6,516	17,128
Other unsecured loan receivable	3,823	3,823
	177,244	187,732
Less: impairment loss recognised	(155,803)	(155,803)
	21,441	31,929
	119,421	133,952

The secured loan receivables arising from loan financing business are secured by listed equity shares and bear interest at fixed interest rate of 8% (2012: 8% to 14%) per annum.

The unsecured loan receivables arising from loan financing business bear interest at a rate ranging from 8% to 10% (2012: 5% to 14%) per annum and are guaranteed by independent third parties.

The promissory note is unsecured bear interest at a rate of 2% per annum based on the principal amount and repayable on 30 September 2013.

Amount due from a former subsidiary and other unsecured loan receivable is unsecured, non interest bearing and repayable on demand.

Advance to an associate is unsecured, bears interest at 6% per annum and repayable on 31 July 2014.

11. LOAN RECEIVABLE (Continued)

The following table illustrates the ageing analysis, based on the loan drawn down date of the loan receivables (net of accumulated impairment losses) outstanding at the end of the reporting period:

	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
Within 3 months	–	–
More than 3 months but less than 6 months	–	–
More than 6 months but less than 12 months	9,605	23,970
More than 12 months	109,816	109,982
	119,421	133,952

12. COMMITMENTS

Operating leases

The Group as lessor

The Group had contracted with tenants for the following future minimum lease payments:

	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
Within one year	2,834	2,821
In the second to fifth year inclusive	1,405	2,800
	4,239	5,621

Operating lease receipts represent rentals receivable by the Group for certain of its equipment and investment properties. Leases are negotiated and rentals are fixed for two to five (2012: one to five) years.

The Group as lessee

The Group had commitments for future minimum lease payments in respect of premises under various non-cancellable operating leases which fall due as follows:

	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
Within one year	1,692	2,610
In the second to fifth year inclusive	–	678
	1,692	3,288

Operating lease payments represent rentals payable by the Group for certain of its office properties and staff quarters. Leases are negotiated and rentals are fixed for an average of two years.

12. COMMITMENTS (Continued)

Capital commitments

As at 30 June 2013, the Group did not have any capital commitments (31 December 2012: nil).

13. SHARE CAPITAL

	Number of shares '000	Nominal value HK\$'000
Authorised:		
Ordinary shares of HK\$0.001 each at 31 December 2012 and 30 June 2013	100,000,000	100,000
Issued and fully paid ordinary shares of HK\$0.001 each at 1 January 2012, 31 December 2012 and 30 June 2013	675,814	676

14. RELATED PARTY TRANSACTIONS

Compensation of directors and key management personnel

The remuneration of directors and other members of key management during the period was as follows:

	Six months ended 30 June	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Fees	497	554
Salaries and other benefits	1,656	1,656
Retirement benefits scheme contribution	15	13
	2,168	2,223

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Performance

For the six months ended 30 June 2013, the Group recorded a turnover of approximately HK\$52,211,000 (six months ended 30 June 2012: approximately HK\$83,808,000), representing a decrease of approximately 37.7% as compared with the last corresponding period. The decrease in turnover was mainly attributable to decrease in volume of securities trading.

Administrative expenses for the six months ended 30 June 2013 was approximately HK\$20,653,000 (six months ended 30 June 2012: approximately HK\$23,879,000), representing a decrease of 13.5% as compared with the last corresponding period.

The loss attributable to the owners of the Company for the six months ended 30 June 2013 aggregated at approximately HK\$24,905,000 (six months ended 30 June 2012: approximately HK\$19,321,000). The basic loss per share for the six months ended 30 June 2013 was approximately HK3.69 cents (six months ended 30 June 2012: loss per share HK2.86 cents).

Business Review and Outlook

Through renting out of the properties, the Group recorded a rental income of approximately HK\$1,414,000 for the six months ended 30 June 2013 (six months ended 30 June 2012: approximately HK\$868,000). As at 30 June 2013, the Group held properties in Hong Kong and in Mainland China for investment purposes with total value amounted to approximately HK\$214,884,000 (31 December 2012: approximately HK\$209,157,000). Despite that in both Hong Kong and Mainland China, various measures have been introduced to control property prices and are still in effect, the Group remains confident of the longer term prospects for the property markets in Hong Kong and Mainland China. The Board will continue to prudently implement its investment strategies for the benefit of the Group and all its shareholders.

Segmental turnover of the securities trading business for the six months ended 30 June 2013 was HK\$46,275,000 (six months ended 30 June 2012: approximately HK\$75,122,000). As a result of the volatility in securities market in the first half of 2013, the Group recorded a loss arising from the fair value changes of investments held for trading of approximately HK\$3,678,000 (six months ended 30 June 2012: approximately HK\$17,458,000) and a gain on disposals of investments held for trading of approximately HK\$3,321,000 (six months ended 30 June 2012: approximately HK\$12,428,000). As at 30 June 2013, the Group held investments held for trading amount to approximately HK\$117,275,000 (31 December 2012: approximately HK\$117,399,000). Given the uncertain in the global financial market, the management will remain cautious in its investment strategy.

The loan financing business generated an interest income of approximately HK\$4,522,000 to the Group during the period under review (six months ended 30 June 2012: approximately HK\$7,818,000) representing a decrease of approximately 42.2%. In view of the impairment loss recognized in the past two financial years resulted from the decline in repayment ability of certain borrowers, the management has adopted a conservative approach in loan financing business, thus the business has dropped as compared with the corresponding period in 2012.

The Group will continue to adopt a positive but prudent approach in managing its financial resources and towards its investment strategy in exploring the feasibility of expansion into other business segments.

Fund Raising Activities

On 27 May 2013, the Company entered into a placing agreement with FT Securities Limited as the placing agent, pursuant to which the placing agent conditionally agreed to place, on a best effort basis, up to 135,000,000 warrants to not less than six independent placees at the issue price of HK\$0.01 per warrant. The subscription price is HK\$0.20 (subject to adjustments) per subscription share. The gross proceeds and net proceeds of the placing will be approximately HK\$1,350,000 and HK\$1,057,500 respectively, representing a net issue price of approximately HK\$0.0078 per warrant. Assuming the full exercise of the subscription rights attaching to the warrants, it is expected approximately HK\$28,350,000 will be raised. The total net proceeds of approximately HK\$28,057,500 (with a net subscription price of HK\$0.2078 per warrant). The net proceeds from the placing are intended to be used as general working capital of the Group. On 6 June 2013, the placing of 135,000,000 warrants was completed. For details, please refer to the announcements of the Company dated 27 May 2013 and 6 June 2013.

The Company has placed 27 options at a premium of HK\$50,000 per option on 30 May 2012. Upon exercise of each of the option, the optionholder is entitled to subscribe for the convertible bonds of the company in the principal amount of HK\$1,000,000 at the subscription price of HK\$1,000,000. Assuming exercise of all the 27 options, the optionholders are entitled to subscribe for, in aggregate, the convertible bonds of the Company in the principal amount of HK\$27,000,000 at the subscription price of HK\$27,000,000. The convertible bonds are convertible into 135,000,000 new shares of the Company at the conversion price of HK\$0.20 per conversion share. Details are set out in the Company's announcements date 30 May 2012 and 23 July 2012. The options have lapsed on 30 June 2013.

Liquidity and Financial Resources

The Group principally finances its operations through a combination of shareholders equity, internally generated cash flows and interest-bearing bank borrowings.

As at 30 June 2013, the Group had cash and cash equivalent of approximately HK\$26,604,000 (31 December 2012: approximately HK\$43,363,000) and had interest-bearing bank borrowings of approximately HK\$29,585,000 (31 December 2012: HK\$30,210,000).

As at 30 June 2013, the gearing ratio (measured as total liabilities to total assets) was 10.7% (31 December 2012: 10%).

Capital Structure

As at 30 June 2013 and 31 December 2012, the Company's issued share capital was HK\$675,814, divided into 675,814,000 shares of HK\$0.001 each.

Contingent Liabilities

As at 30 June 2013, the Group did not have any material contingent liability (31 December 2012: nil).

Charges on Assets

As at 30 June 2013, investment properties of the Group with an aggregate carrying value of HK\$78,400,000 have been pledged to banks to secure the credit facilities granted to the Group and third parties (31 December 2012: HK\$76,300,000).

Exposure to Fluctuation in Exchange Rates and Related Hedges

The reporting currency adopted by the Group is Hong Kong dollars ("HK\$"). The majority of the Group's sales, receivables and expenditures are dominated in HK\$, United States dollars ("USD") or Renminbi ("RMB"). HK\$ is closely linked with USD. Although the exchange rate of HK\$ against RMB had steadily depreciated during the period under review, the Directors do not consider that the Group is exposed to any material foreign currency exchange risk. No hedging or other similar device has been implemented. However, the Directors will constantly monitor the Group's foreign exchange exposure and implement foreign currency hedging measures should the need arises.

Material Acquisitions and Disposals

On 11 January 2013, the Group disposed the convertible bonds issued by Long Success International (Holdings) Limited in the principal amount of HK\$20,000,000 at a cash consideration of HK\$21,000,000. Further details of the disposal were set out in the announcement of the Company dated 11 January 2013.

On 30 January 2013, the Group entered into a subscription agreement among Teamedics Enterprise (Holdings) Co., Limited ("Teamedics Enterprise"), Mr. Wong Chi To, Alex as a guarantor for subscription of the convertible bonds issued by Teamedics Enterprise in the principal amount of HK\$8,000,000 by way of procuring the bank to grant and provide to Teamedics Enterprise and/or its subsidiary, credit facilities of HK\$8,000,000 which will be secured by a deed of mortgage on a property held by a non wholly-owned subsidiary of the Company. Further details of the subscription were set out in the announcement of the Company dated 30 January 2013.

On 22 February 2013, Top Status International Limited ("Top Status"), a wholly-owned subsidiary of the Company, subscribed for the convertible bonds issued by China Eco-Farming Limited ("CEF") in the principal amount of HK\$34,500,000 at an initial conversion price of HK\$0.01, up to a maximum of 3,450,000,000 conversion shares, representing approximately 54.06% of the issued share capital of CEF as enlarged by the issue of the conversion shares. The subscription of the convertible bonds in the principal amount of HK\$34,500,000 was completed on 30 April 2013. Further details of the subscription and proposed loan facility were set out in the announcements of the Company dated 22 February 2013, 19 March 2013 and 30 April 2013.

Litigations

With reference to the litigations of the Group set out in pages 12 to 14 of the Company's 2012 annual report, Fameway Finance Limited ("Fameway"), a wholly-owned subsidiary of the Company carrying on business as a licensed money lender in Hong Kong, has instituted various proceedings in the Court of First Instance of the High Court of Hong Kong (the "Court") against the borrowers concerned and other relevant parties for, among other relieves, repayment of the corresponding loans.

Judgment has recently been granted to Fameway in four of these proceedings. Upon obtaining sealed orders/judgments from the Court and subject to legal advice, Fameway will proceed to enforce these judgments.

Fameway's claims against two other borrowers are still ongoing. And in another set of claim, Fameway will seek further legal advice on the merits in pursuing against two individual borrowers (both of whom are nationals of the PRC) and a corporate guarantor (incorporated in the British Virgin Islands).

Meanwhile, as set out in the 2012 annual report of the Company, Fameway has obtained judgment in another case while the Company and King Perfection Limited have obtained judgement in a separate matter.

The Company will announce or disclose the outcome of enforcement actions as well as the conduct of outstanding claims wherever appropriate or necessary.

On 6 May 2013, a writ of summons was served on the Company in relation to the court filing containing an action claiming against a former wholly-owned subsidiary of the Company (as first defendant) and the Company (as second defendant) for the aggregate sum of RMB5,188,732,500. Further details were set out in the announcements of the Company dated 2 May 2013 and 6 May 2013. After seeking legal advice, the Company has applied to strike out the claim against the Company. The strikeout application will be heard by the court on 6 September 2013.

Events after the Reporting Period

On 2 August 2013, Top Status entered into the agreement dispose the convertible bonds issued by CEF in the principal amount of HK\$34,500,000 at a cash consideration of HK\$40,000,000. The disposal constitutes a major and connected transaction of the Company and is conditional upon the approval of the independent shareholders of the Company. Details of the disposal of convertible bonds were set out in the Company's announcement dated 2 August 2013.

Employee Information and Remuneration Policy

The Group had 68 employees (31 December 2012: 56 employees) in Hong Kong and Mainland China as at 30 June 2013. During the six months ended 30 June 2013, the Group incurred staff costs (including Directors' emoluments) of approximately HK\$9,823,000 (six months ended 30 June 2012: approximately HK\$9,884,000).

The emoluments of the Directors are recommended by the remuneration committee, and approved by the Board, as authorized by the shareholders of the Company in the annual general meeting of the Company, having regard to the respective Directors' skills, knowledge and involvement in the Company's affairs. None of the Directors are involved in deciding their own remuneration.

The employees are remunerated with basic salary and discretionary bonus with reference to corporate and individual's performance during the period. The Group offers competitive remuneration package, including medical and retirement benefits, to eligible employees. Apart from basic salary, executive directors and employees are eligible to receive a discretionary bonus taking into account factors, such as market conditions as well as corporate and individual's performance during the period.

OTHER INFORMATION

Change of Company Name

The special resolution regarding the change of name of the Company was duly passed by the shareholders of the Company at the annual general meeting held on 7 June 2013. With effect from 12 June 2013, the name of the Company has been changed from "China Railway Logistics Limited" to "Chinese Strategic Holdings Limited" and, upon the change of name becoming effective, to adopt "華人策略控股有限公司" as the secondary name of the Company in place of "中國鐵路貨運有限公司" for identification purpose only. The Certificate of Incorporation on Change of Name was issued by the Registrar of Companies in Bermuda on 18 June 2013 confirming the change of name has become effective on 12 June 2013. The Companies Registry in Hong Kong issued the Certificate of Registration of Change of Corporate Name of Non-Hong Kong Company on 12 July 2013.

SHARE OPTION SCHEME

The Company adopted a share option scheme ("2002 Share Option Scheme"), for a period of 10 years starting from 13 November 2002, under which the Board may, at its discretion, grant options to the eligible participants as defined in the 2002 Share Option Scheme included, among others, the employees and non-executive directors of the Company, its subsidiaries or any entity in which the Group holds any equity interest. The 2002 Share Option Scheme had expired during the year 2012.

For the six months ended 30 June 2013, no other share option scheme has been adopted.

Details of the outstanding options under the 2002 Share Option Scheme as at 30 June 2013 were as follows:

Name	Date of grant	Exercisable period	Subscription price per share HK\$	Number of share options outstanding as
				at 1 January 2013 and 30 June 2013
Employees	3 April 2007	3 April 2007 to 2 April 2017	7.35	1,000,000
Consultants	3 April 2007	3 April 2007 to 2 April 2017	7.35	1,200,000
Total				2,200,000

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES OF THE COMPANY

As at 30 June 2013, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and the chief executives of the Company were deemed or taken to have under such provision of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuer as referred to in rule 5.46 of the GEM Listing Rules were as follows:

Long position in shares and underlying shares of the Company

Name of Director	Type of interests	Number of issued ordinary shares held	Approximate percentage of the issued share capital
Chan Shui Sheung Ivy	Beneficial owner	60,000	0.01%

Save as disclosed above, as at 30 June 2013, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to rule 5.46 of the GEM Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the above section headed "Directors' and Chief Executives' Interests in Shares of the Company", at no time during the six months ended 30 June 2013 was the Company or any of its subsidiaries a party to any arrangement to enable any of the Directors or the chief executives of the Company to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of the Company or any other body corporate, and none of the Directors, their spouse or their children under the age 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the six months ended 30 June 2013.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which any of the Directors or Company's members of its management had a material interest, whether directly or indirectly, subsisted at 30 June 2013 or at any time during the six months ended 30 June 2013.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2013, persons (other than a director or chief executive of the Company) who had interests or short positions directly or indirectly in the Company's shares and/or underlying shares recorded in the register kept by the Company pursuant to Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange were as follows:

Long position in shares and underlying shares of the Company

Name of Shareholders	Capacity	Number of shares	Number of underlying shares	Approximate percentage of interests
Chinese Capital Management Limited	Beneficial owner	–	134,000,000 <i>(note 1)</i>	19.83%
PME Group Limited	Interest of corporation controlled	67,294,000 <i>(note 2)</i>	–	9.96%
Sunbright Asia Limited	Beneficial owner	61,500,000 <i>(note 2)</i>	–	9.10%
Well Support Limited	Beneficial owner	67,081,466 <i>(note 3)</i>	–	9.93%
Liu Yi Dong	Trustee of Liu Yi Dong Family Trust	67,081,466 <i>(note 3)</i>	–	9.93%

Notes:

1. This is an interest in underlying shares held directly by Chinese Capital Management Limited in respect of each warrant to subscribe for one subscription share of the Company a maximum of 134,000,000 subscription shares (with an aggregate nominal value of HK\$134,000 of the subscription shares) upon full exercise of the subscription rights attaching to the warrants.
2. In accordance with the corporate substantial shareholder notices filed by PME Group Limited ("PME") and Sunbright Asia Limited ("Sunbright"), these 67,294,000 shares comprised 61,500,000 shares held by Sunbright and 5,794,000 shares held by Betterment Enterprises Limited ("Betterment"). Sunbright is wholly-owned by CR Investment Group Limited ("CR Investment"). Betterment is owned as to 99.49% by Richcom Group Limited ("Richcom"). Richcom is in turn wholly-owned by CR Investment. CR Investment is in turn wholly-owned by PME. Accordingly, each of Richcom, CR Investment and PME is deemed to be interested in the shares held by Betterment; and each of CR Investment and PME is deemed to be interested in the shares held by Sunbright.
3. Pursuant to the corporate substantial shareholder notice filed by Well Support Limited and the individual substantial shareholder notice filed by Liu Yi Dong, these shares are held by Well Support Limited, which is beneficially owned by Liu Yi Dong Family Trust and the beneficiaries of which are Liu Yi Dong and his family members.

Save as disclosed above, the Directors were not aware of any other persons, other than a director or chief executive of the Company, who had an interest or a short position in the shares or underlying shares of the Company as at 30 June 2013 as recorded in the register required to be kept by the Company under Section 336 of the SFO or as otherwise notified to the Company or the Stock Exchange.

COMPETING INTERESTS

None of the Directors or any of their respective associates (as defined in the GEM Listing Rules) had any business or interest that competes or may compete with the business of the Group or had any other conflict of interest with the Group during the six months ended 30 June 2013.

CODE ON CORPORATE GOVERNANCE

The Company has complied with the code provisions as set out in the Corporate Governance Code as contained in Appendix 15 to the GEM Listing Rules (the "CG Code") for the six months ended 30 June 2013 except for the following deviations:

The code provision A.2.1 of the CG Code prescribed, among others, the roles of chairman and chief executive should be separate and should not be performed by the same individual.

During the six months ended 30 June 2013, the Company does not have a chairman or chief executive. The Board will keep reviewing the current structure from time to time and should candidates with suitable knowledge, skill, and experience be identified, the Company will make appointments to fill the posts as appropriate.

DIRECTORS' SECURITIES TRANSACTION

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the "Code of Conduct"). Following a specific enquiry, all Directors confirmed that they have complied with the Code of Conduct throughout the six months ended 30 June 2013.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2013.

COMPLIANCE ADVISER

The Board appointed Guangdong Securities Limited to be its compliance adviser (the "Compliance Adviser") for a term from 23 April 2013 to 22 April 2015.

As updated and notified by the Compliance Adviser, none of the Compliance Adviser, or its directors, employees or associates (as defined under the GEM Listing Rules) had any interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities) as at 30 June 2013 pursuant to Rule 6A.32 of the GEM Listing Rules.

AUDIT COMMITTEE

The Company has established an audit committee (the "Audit Committee") with written terms of reference in compliance with the GEM Listing Rules. The primary duties of the Audit Committee are to review the Company's annual report and financial statements, interim reports and quarterly reports and to provide comments thereon to the Board.

The Audit Committee has reviewed the Group's unaudited financial results for the six months ended 30 June 2013 and has provided comments thereon and this report.

On behalf of the Board
Chinese Strategic Holdings Limited
Yeung Sau Han Agnes
Executive Director

Hong Kong, 9 August 2013

As at the date hereof, the executive Directors are Ms. Yeung Sau Han Agnes and Ms. Chan Shui Sheung Ivy, and the independent non-executive Directors are Ms. Yuen Wai Man, Mr. Wang Chin Mong and Mr. Chow Fu Kit Edward.