



華人策略控股有限公司

Chinese Strategic Holdings Limited

(incorporated in Bermuda with limited liability)

Stock Code: 8089

First Quarterly Report 2014

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.

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 that there are no other matters the omission of which would make any statement herein or this report misleading.

This report will remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com for at least 7 days and on the Company website at www.chinesestrategic.com from the date of its publication.

The board of directors (the "Board") of Chinese Strategic Holdings Limited (the "Company") is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the "Group") for the three months ended 31 March 2014, together with the comparative figures for the corresponding period in year 2013, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Three months ended	
		31 March	
		2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Turnover	3	108,474	40,406
Revenue	3	1,883	2,924
Cost of sales		(57)	(47)
Gross profit		1,826	2,877
Other income and gains		2	66
Administrative expenses		(16,043)	(9,506)
Net decrease in fair value in investment properties		(9,852)	–
Loss arising from fair value changes of investments held for trading		(7,899)	(12,660)
(Loss) gain on disposals of investments held for trading		(13,425)	4,278
Gain arising from fair value changes of convertible instruments designated at financial assets at fair value through profit or loss		95,321	332
(Loss) gain arising from fair value changes of derivative financial assets/liabilities		(1,396)	2,334
Gain on derecognition of an associate		36,862	–
Impairment loss on interest in an associate		–	(16,972)
Share of profit of a joint venture		873	854
Finance costs	4	(497)	(327)
Profit (loss) before tax	5	85,772	(28,724)
Income tax expense	6	–	–
Profit (loss) for the period		85,772	(28,724)

	Note	Three months ended	
		2014	2013
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
Other comprehensive income (expense)			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Fair value gain on available-for-sale financial assets		3,690	2,345
Exchange differences arising on translating foreign operations		(1,082)	118
Other comprehensive income for the period		2,608	2,463
Total comprehensive income (expense) for the period		88,380	(26,261)
Profit (loss) for the period attributable to:			
Owners of the Company		85,611	(28,882)
Non-controlling interests		161	158
		85,772	(28,724)
Total comprehensive income (expense) attributable to:			
Owners of the Company		88,219	(26,419)
Non-controlling interests		161	158
		88,380	(26,261)
Earnings (loss) per share	8		
Basic		12.67 cents	(4.27 cents)
Diluted		10.56 cents	(4.27 cents)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2014

	Attributable to owners of the Company										
	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Share options reserve HK\$'000	Investment revaluation reserve HK\$'000	Warrant reserve HK\$'000	Translation reserve HK\$'000	Accumulated losses HK\$'000	Total 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	-	-	-	-	-	-	-	(28,882)	(28,882)	158	(28,724)
Other comprehensive income (expense) for the period	-	-	-	-	2,345	-	118	-	2,463	-	2,463
Total comprehensive income (expense) for the period	-	-	-	-	2,345	-	118	(28,882)	(26,419)	158	(26,261)
At 31 March 2013 (unaudited)	676	2,901,300	7,914	3,590	7,670	-	13,780	(2,189,631)	745,299	22,839	768,138
At 1 January 2014 (audited)	676	2,901,300	7,914	3,590	13,418	1,350	20,867	(2,183,164)	765,951	24,687	790,638
Profit for the period	-	-	-	-	-	-	-	85,611	85,611	161	85,772
Other comprehensive income (expense) for the period	-	-	-	-	3,690	-	(1,082)	-	2,608	-	2,608
Total comprehensive income (expense) for the period	-	-	-	-	3,690	-	(1,082)	85,611	88,219	161	88,380
At 31 March 2014 (unaudited)	676	2,901,300	7,914	3,590	17,108	1,350	19,785	(2,097,553)	854,170	24,848	879,018

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL RESULTS

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 results for the three months ended 31 March 2014 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 results 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 2013 (the "2013 Financial Statements"), except for the new and revised HKFRSs ("New HKFRSs") issued by HKICPA which have become effective in this period as detailed in notes of the 2013 Financial Statements. The Directors believe that the application of the new and revised HKFRSs has no material impact on the unaudited condensed consolidated financial results for the three months ended 31 March 2014.

3. TURNOVER AND REVENUE

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. Revenue represents the aggregate of rental income; dividend income from investments held for trading; and interest income from the provision of loan financing during the period.

The analysis of the Group's turnover and revenue for the period is as follows:

	Three months ended	
	31 March	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Turnover		
Rental income	755	604
Net proceeds from the disposal of investments held for trading	106,592	37,482
Interest income from the provision of loan financing	1,127	2,320
	108,474	40,406
Segment revenue from external customers		
Rental income	755	604
Dividend income from investment held for trading	1	–
Interest income from the provision of loan financing	1,127	2,320
	1,883	2,924

4. FINANCE COSTS

	Three months ended	
	31 March	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on:		
Bank borrowings	169	177
Other borrowings	178	–
Bond payables	150	150
	497	327

5. PROFIT (LOSS) BEFORE TAX

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

	Three months ended 31 March	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Staff costs including directors' emoluments:		
Salaries and allowances	6,015	4,452
Contributions to retirement benefits scheme	197	130
	6,212	4,582
Depreciation of plant and equipment	613	582
Minimum lease payments under operating leases	1,061	1,127
	755	604
Gross rental income		
Less: outgoings (included in cost of sales)	(57)	(47)
	698	557

6. INCOME TAX EXPENSE

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the three months ended 31 March 2014 and 31 March 2013.

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.

7. DIVIDEND

No dividend was paid or proposed during the three months ended 31 March 2014 and 31 March 2013, nor has any dividend been proposed since 31 March 2014 and up to the date of this report.

8. 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 31 March	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Earnings (loss)		
Profit (loss) for the period attributable to owners of the company	85,611	(28,882)
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	675,814	675,814
Effect of dilutive potential ordinary share in respect of non-listed warrants	135,000	–
Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share	810,814	675,814

The computation of diluted earnings per share for the three months ended 31 March 2014 does not assume the exercise of the Company's share options because the exercise price of the Company's share options was higher than the average market price of the Company's shares for the period in 2014.

The computation of diluted loss per share for the three months ended 31 March 2013 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 prices of the Company's share options, non-listed warrants and the option to subscribe convertible bond were higher than the average market price of the Company's shares during the three months ended 31 March 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Performance

For the three months ended 31 March 2014, the Group recorded a turnover of approximately HK\$108,474,000 (three months ended 31 March 2013: approximately HK\$40,406,000), representing an increase of approximately 168.5% as compared with the last corresponding period. The increase in turnover was mainly due to the increase in volume in securities trading.

Administrative expenses for the three months ended 31 March 2014 was approximately HK\$16,043,000 (three months ended 31 March 2013: approximately HK\$9,506,000), representing an increase of 68.8% as compared with the last corresponding period. The increase in expenses was mainly due to increase in consultancy and professional fees expenses, as well as staff costs.

The profit attributable to the owners of the Company for the three months ended 31 March 2014 aggregated at approximately HK\$85,611,000 (three months ended 31 March 2013: loss approximately HK\$28,882,000). Profit for the period is mainly attributable to gain arising from fair value changes of convertible instruments designated at financial assets at fair value through profit or loss. The basic earnings per share for the three months ended 31 March 2014 was HK12.67 cents (three months ended 31 March 2013: loss per share HK4.27 cents).

Business Review and Outlook

Through renting out of the properties, the Group recorded a rental income of approximately HK\$755,000 for the three months ended 31 March 2014 (three months ended 31 March 2013: approximately HK\$604,000). As at 31 March 2014, the Group held properties in Hong Kong and in Mainland China for investment purposes with total fair value amounted to approximately HK\$209,089,000 (31 December 2013: approximately HK\$219,964,000). The Board will from time to time review the portfolio of investment properties in a prudent manner for the benefit of the Company and its shareholders.

Segmental turnover of the securities trading business for the three months ended 31 March 2014 was HK\$106,592,000 (three months ended 31 March 2013: approximately HK\$37,482,000). The Group recorded a loss arising from the fair value changes of investments held for trading of approximately HK\$7,899,000 (three months ended 31 March 2013: approximately HK\$12,660,000) and a loss on disposals of investments held for trading of approximately HK\$13,425,000 (three months ended 31 March 2013: gain approximately HK\$4,278,000); a gain arising from fair value changes of convertible instruments designated at financial assets at fair value through profit or loss of approximately HK\$95,321,000 (three months ended 31 March 2013: approximately HK\$332,000). As at 31 March 2014, the Group had investments held for trading amounted to approximately HK\$141,535,000 (31 December 2013: approximately HK\$170,831,000), and convertible instruments designated at financial assets at fair value through profit of loss amounted to approximately HK\$165,133,000 (31 December 2013: approximately HK\$66,612,000). The global stock market is expected to continue to be volatile. The Group will remain cautious in its investment strategy.

The loan financing business generated an interest income of approximately HK\$1,127,000 during the period under review (three months ended 31 March 2013: approximately HK\$2,320,000) representing a decrease of approximately 51.4%, mainly due to repayment of loans in second half of 2013. In view of the uncertainty in the credit market, the management has already adopted a conservative approach in implementing the lending practice and loan policy.

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.

Liquidity and Financial Resources

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

As at 31 March 2014, the Group had cash and cash equivalent of approximately HK\$15,266,000 (31 December 2013: approximately HK\$38,050,000) and had interest-bearing borrowings of approximately HK\$45,333,000 (31 December 2013: HK\$29,731,000).

As at 31 March 2014, the gearing ratio (measured as total liabilities to total assets) was 10.4% (31 December 2013: 10.7%).

Capital Structure

As at 31 March 2014 and 31 December 2013, the Company's issued share capital was HK\$675,814, divided into 675,814,000 shares of HK\$0.001 each.

Capital Commitments

As at 31 March 2014, the Group did not have any capital commitments (31 December 2013: nil).

Contingent Liabilities

As at 31 March 2014, the Group did not have any material contingent liability (31 December 2013: nil).

Charges on Assets

As at 31 March 2014, investment properties of the Group with an aggregate carrying value of HK\$74,570,000 have been pledged to banks and other financial institution to secure the credit facilities granted to the Group (31 December 2013: HK\$77,700,000).

Material Acquisitions and Disposals

On 9 January 2014, Gain Millennia Limited (the "Lessee"), a wholly-owned subsidiary of the Company, entered into a leasing agreement (the "Leasing Agreement") with Hong Kong Entertainment (Overseas) Investments Limited (the "Lessor"), Mega Stars Overseas Limited and Tinian Dynasty Investments Limited, pursuant to which the Lessor has conditionally agreed to, as head lessee of various pieces of land in Tinian, the Commonwealth of Northern Mariana Islands (the "Land"), grant the leasing of the Land, together with the Tinian Dynasty Hotel & Casino on the Land (the "Hotel and Casino"), to the Lessee during the term of the land lease ending on 18 May 2051 (the "Land Lease"), and the Lessee has agreed to take up the Land Lease from the Lessor, at the consideration of HK\$1,000,000,000, which shall be satisfied as to HK\$300,000,000 by cash and as to HK\$700,000,000 by promissory notes. Details are set out in the announcements of the Company dated 11 February 2014, 27 February 2014, 3 April 2014 and 15 April 2014.

On 6 February 2014, the Group agreed to subscribe for the convertible bonds of The Hong Kong Building and Loan Agency Limited ("HKBLA") (a company listed on the Stock Exchange with stock code 145) in the principal amount of HK\$43,200,000. Assuming the conversion rights attaching to the convertible bonds are exercised in full at the initial conversion price of HK\$0.135 per conversion share, a total of 320,000,000 conversion shares will be allotted and issued, representing approximately 56.08% of the existing issued share capital of HKBLA. Details are set out in the announcement of the Company dated 7 February 2014. The subscription was completed on 17 February 2014.

Litigations

Reference is made to page 10 of the 2013 Annual Report of the Company which discloses particulars on and progress of litigation matters in which the Company and/or its subsidiaries are involved.

The Company will announce or disclose the conduct of litigation matters and/or outcome of enforcement proceedings wherever appropriate or necessary.

Events after the Reporting Period

On 9 April 2014, the Group entered into a framework agreement with Well Target Limited ("Well Target"), pursuant to which Well Target intends to procure a new company to issue the convertible notes and the Group intends to subscribe the convertible notes at a consideration of HK\$340,000,000. Assuming the conversion rights attaching to the convertible notes are exercised in full, representing approximately 60% of the issued share capital of the issuer as enlarged by the issue of the issuer conversion shares. Details are set out in the announcements of the Company dated 9 April 2014 and 15 April 2014.

On 21 April 2014, the Group has submitted an application for a casino resort developer license in the Commonwealth of the Northern Mariana Islands. Details are set out in the announcements of the Company dated 22 April 2014 and 8 May 2014.

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

As at 31 March 2014, 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 31 March 2014, 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

At no time during the three months ended 31 March 2014 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 three months ended 31 March 2014.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2014, 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	–	124,000,000 (note 1)	18.35%
PME Group Limited	Interest of corporation controlled	67,294,000 (note 2)	–	9.96%
Sunbright Asia Limited	Beneficial owner	61,500,000 (note 2)	–	9.10%
Well Support Limited	Beneficial owner	67,081,466 (note 3)	–	9.93%
Liu Yi Dong	Trustee of Liu Yi Dong Family Trust	67,081,466 (note 3)	–	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 124,000,000 subscription shares (with an aggregate nominal value of HK\$124,000 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 31 March 2014 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 three months ended 31 March 2014.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the three months ended 31 March 2014.

COMPLIANCE ADVISER

The Company had appointed Proton Capital Limited ("Proton Capital") as the compliance adviser on an on-going basis for consultation on compliance with GEM Listing Rules for the period from 11 September 2013 to 1 February 2014. Owing to the personnel changes in Proton Capital, such appointment was terminated. Subsequently, the Company appointed CLC International Limited ("CLC") as a new compliance adviser on an on-going basis for a period of 20 months commencing from 6 March 2014 to 5 November 2015.

Proton Capital was the compliance adviser of the Company as at 1 February 2014, confirmed that Proton Capital together with its directors, employees and associates (as defined under the GEM Listing Rules) were not interested in any share capital of the Company or any member of the Group (including options or rights to subscribe for such securities) as at 1 February 2014 pursuant to Rule 6A.32 of the GEM Listing Rules.

CLC being the compliance adviser of the Company as at 31 March 2014, confirmed that CLC together with its directors, employees or associates (as defined under the GEM Listing Rules) were not interested in any share capital of the Company or any member of the Group (including options or rights to subscribe for such securities) as at 31 March 2014 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 three months ended 31 March 2014 and has provided comments thereon.

On behalf of the Board
Chinese Strategic Holdings Limited
Lam Kwok Hing Wilfred
Chairman and Executive Director

Hong Kong, 9 May 2014

As at the date hereof, the Company's executive Directors are Mr. Lam Kwok Hing Wilfred, J.P., (Chairman) 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.