



華人策略控股有限公司

Chinese Strategic Holdings Limited

(incorporated in Bermuda with limited liability)

Stock Code: 8089

2015
First Quarterly Report

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 2015, together with the comparative figures for the corresponding period in year 2014, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Three months ended 31 March	
		2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Turnover	3	5,813	108,474
Revenue	3	1,550	1,883
Cost of sales		(64)	(57)
Gross profit		1,486	1,826
Other income and gains		–	2
Administrative expenses		(17,902)	(16,043)
Changes in fair values in investment properties, net		–	(9,852)
Changes in fair values of investments held for trading		25,960	(7,899)
Gain (loss) on disposals of investments held for trading		9	(13,425)
Changes in fair values of convertible instruments designated as financial assets at fair value through profit or loss		1,920	95,321
Changes in fair values of derivative financial assets		–	(1,396)
Gain on deemed disposal of partial interest in an associate		–	36,862
Share of profit of a joint venture		1,024	873
Operating profit		12,497	86,269
Finance costs	4	(7,155)	(497)
Profit before tax		5,342	85,772
Income tax expense	5	–	–
Profit for the period	6	5,342	85,772

		Three months ended 31 March	
		2015	2014
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
	<i>Note</i>		
Other comprehensive income (expense)			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translating foreign operations		(72)	(1,082)
Fair value gain on available-for-sale financial assets		1,482	3,690
Other comprehensive income for the period, net of income tax		1,410	2,608
Total comprehensive income for the period		6,752	88,380
Profit for the period attributable to:			
Owners of the Company		5,154	85,611
Non-controlling interests		188	161
		5,342	85,772
Total comprehensive income attributable to:			
Owners of the Company		6,564	88,219
Non-controlling interests		188	161
		6,752	88,380
Earnings per share	8		
Basic (HK cents)		0.76 cent	12.67 cents
Diluted (HK cents)		0.64 cent	10.56 cents

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2015

	Attributable to owners of the Company										
	Share capital HK\$'000	Share premium HK\$'000	Share 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 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
At 1 January 2015 (audited)	676	2,901,300	7,914	3,590	20,268	1,350	19,536	(2,127,622)	827,012	25,255	852,267
Profit for the period	-	-	-	-	-	-	-	5,154	5,154	188	5,342
Other comprehensive income (expense) for the period	-	-	-	-	1,482	-	(72)	-	1,410	-	1,410
Total comprehensive income (expense) for the period	-	-	-	-	1,482	-	(72)	5,154	6,564	188	6,752
At 31 March 2015 (unaudited)	676	2,901,300	7,914	3,590	21,750	1,350	19,464	(2,122,468)	833,576	25,443	859,019

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 issued 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 principal activity of the Company is investment holding. 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 2015 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 for the three months ended 31 March 2015 are consistent with those used in the Group's annual financial statements for the year ended 31 December 2014 (the "**2014 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 2014 Financial Statements. The Directors believe that the application of the New HKFRSs has no material impact on the unaudited condensed consolidated financial results for the three months ended 31 March 2015.

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, interest income from the provision of loan financing and dividend income from investments held for trading during the period.

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

	Three months ended 31 March	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Turnover		
Rental income	1,351	755
Net proceeds from the disposal of investments held for trading	4,263	106,592
Interest income from the provision of loan financing	199	1,127
	5,813	108,474
Segment revenue from external customers		
Rental income	1,351	755
Interest income from the provision of loan financing	199	1,127
Dividend income from investments held for trading	-	1
	1,550	1,883

4. FINANCE COSTS

	Three months ended 31 March	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Interest on:		
Bank borrowings	162	169
Other loans	4,443	178
Bond and note payables	2,550	150
	7,155	497

5. INCOME TAX EXPENSE

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the three months ended 31 March 2015 and 31 March 2014.

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%.

6. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging (crediting):

	Three months ended 31 March	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Staff costs including directors' emoluments:		
Salaries and allowances	7,917	6,015
Contributions to retirement benefits scheme	204	197
	8,121	6,212
Depreciation of plant and equipment	637	613
Amortisation of prepaid lease payment	97	–
Minimum lease payments under operating leases	2,386	1,061
	1,351	755
Gross rental income		
Less: outgoings (included in cost of sales)	(64)	(57)
	1,287	698

7. DIVIDEND

No dividend was paid or proposed during the three months ended 31 March 2015 and 31 March 2014, nor has any dividend been proposed since 31 March 2015 and up to the date of this report.

8. EARNINGS PER SHARE

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

	Three months ended 31 March	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit		
Profit for the period attributable to owners of the Company	5,154	85,611
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	675,814	675,814
Effect of dilutive potential ordinary shares in respect of non-listed warrants	135,000	135,000
Weighted average number of ordinary shares for the purpose of diluted earnings per share	810,814	810,814

The computation of diluted earnings per share for the three months ended 31 March 2015 and 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 during the three months ended 31 March 2015 and 31 March 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Performance

For the three months ended 31 March 2015, the Group recorded a turnover of approximately HK\$5,813,000 (three months ended 31 March 2014: approximately HK\$108,474,000), representing a decrease of approximately 94.6% as compared with the last corresponding period. The decrease in turnover was mainly due to the decrease in volume in securities trading.

Administrative expenses for the three months ended 31 March 2015 was approximately HK\$17,902,000 (three months ended 31 March 2014: approximately HK\$16,043,000), representing an increase of approximately 11.6% as compared with the last corresponding period.

The profit attributable to the owners of the Company for the three months ended 31 March 2015 aggregated at approximately HK\$5,154,000 (three months ended 31 March 2014: approximately HK\$85,611,000). The decrease in profit for the three months ended 31 March 2015 was mainly due to decrease in gain arising from fair value changes of convertible instruments designated as financial assets at fair value through profit or loss of approximately HK\$95,321,000 as recorded for the three months ended 31 March 2014 to approximately HK\$1,920,000 in current period. The basic earnings per share for the three months ended 31 March 2015 was HK0.76 cent (three months ended 31 March 2014: HK12.67 cents).

Business Review and Outlook

Through renting out of the properties, the Group recorded a rental income of approximately HK\$1,351,000 for the three months ended 31 March 2015 (three months ended 31 March 2014: approximately HK\$755,000). As at 31 March 2015, the Group held properties in Hong Kong and in Mainland China for investment purposes with total fair value amounted to approximately HK\$226,538,000 (31 December 2014: approximately HK\$226,538,000). The management believes that it will continue to generate a stable income to the Group. The management 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 2015 was HK\$4,263,000 (three months ended 31 March 2014: approximately HK\$106,592,000). During the period under review, the Group recorded a gain arising from the fair value changes of investments held for trading of approximately HK\$25,960,000 (three months ended 31 March 2014: loss of approximately HK\$7,899,000); a gain arising from fair value changes of convertible instruments designated as financial assets at fair value through profit or loss of approximately HK\$1,920,000 (three months ended 31 March 2014: approximately HK\$95,321,000). As at 31 March 2015, the Group had investments held for trading amounted to approximately HK\$354,429,000 (31 December 2014: approximately HK\$231,742,000), and convertible instruments designated as financial assets at fair value through profit or loss amounted to approximately HK\$60,780,000 (31 December 2014: approximately HK\$150,626,000). Following recent Mainland capital propelled Hong Kong stocks, it is expected that the securities market continues to be volatile. The Group will remain cautious in its investment strategy.

The loan financing business generated an interest income of approximately HK\$199,000 during the period under review (three months ended 31 March 2014: approximately HK\$1,127,000) representing a decrease of approximately 82.3%. As the loan financing business remains difficult, it is anticipated that its revenue continues to come under pressure.

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 12 January 2015 and 23 February 2015, the Company and a placing agent entered into an option placing agreement and a supplemental placing agreement respectively, pursuant to which the Company has conditionally agreed to place and the placing agent has conditionally agreed to procure, not less than six independent placees to subscribe for up to 135 options at a premium of HK\$60,000 per option (the "**Placing**"). 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\$1,400,000 at the subscription price of HK\$1,400,000. Assuming exercise of all the 135 options, the optionholders are entitled to subscribe for, in aggregate, the convertible bonds of the Company in the aggregated principal amount of HK\$189,000,000 at the subscription price of HK\$189,000,000. The convertible bonds are convertible into 135,000,000 new shares of the Company at the conversion price of HK\$1.40 per conversion share. Details are set out in the announcements of the Company dated 20 January 2015 and 26 February 2015 respectively. The Placing is not yet completed at the date of this report.

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 2015, the Group had cash and cash equivalent of approximately HK\$2,622,000 (31 December 2014: approximately HK\$17,303,000) and had interest-bearing borrowings of approximately HK\$69,039,000 (31 December 2014: approximately HK\$109,367,000).

As at 31 March 2015, the gearing ratio (measured as total liabilities to total assets) was approximately 20.6% (31 December 2014: approximately 20%).

Capital Structure

As at 31 March 2015 and 31 December 2014, 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 2015, the Group did not have any capital commitment (31 December 2014: nil).

Contingent Liabilities

As at 31 March 2015, the Group did not have any material contingent liability (31 December 2014: nil).

Charges on Assets

As at 31 March 2015, investment properties and certain investments held for trading with an aggregate carrying value of HK\$102,784,000 (31 December 2014: HK\$245,533,000) have been pledged to banks and other financial institution to secure the credit facilities granted to the Group.

Material Acquisitions and Disposals

On 17 July 2014 and 8 October 2014, Chinese Travel (Holdings) Limited (“**CTHL**”), an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement and a supplemental agreement respectively with a vendor, an independent third party, pursuant to which CTHL agreed to purchase and the vendor agreed to sell 38% of the entire issued share capital of Oriental Tours & Travel Co. Limited at a consideration of HK\$380,000. On 5 January 2015, they have entered into a second supplemental agreement and the long stop date has been further postponed to 31 March 2015. Details are set out in the announcements of the Company dated 18 July 2014, 8 October 2014 and 5 January 2015 respectively. The transaction was completed on 31 March 2015.

Litigations

Reference is made to page 12 of 2014 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 thereof wherever appropriate or necessary.

Advance to an Entity

On 11 April 2014 and 21 May 2014, the Group made payment in the amount of HK\$8,000,000 and HK\$27,000,000 respectively to Well Target Limited as further deposit of the convertible notes. Details are set out in the announcements of the Company dated 22 May 2014, 5 June 2014, 28 June 2014 and 18 July 2014. Subsequently, such amount was applied in entirety to settle and discharge the rental prepayment of HK\$151,638,010 (the **"Rental Prepayment"**) upon the execution of the agency agreement with Hong Kong Entertainment (Overseas) Investments Limited (**"HKE"**). On 9 December 2014, the Rental Prepayment was scheduled to be repaid by HKE to Gain Millennia Limited under a deed of settlement. On 15 February 2015, HKE and Tinian Entertainment Co., Ltd. (**"TEC"**), an indirect wholly-owned subsidiary of the Company, entered into a provisional operating agreement (the **"Provisional Operating Agreement"**) under which HKE intended to lease to TEC and TEC intended to lease from HKE, the leased property comprising of the Dynasty Hotel and the relevant assets at the occupation fees of approximately HK\$133,000,000. Upon the execution of the Provisional Operating Agreement, TEC should pay HKE a refundable deposit of HK\$50,000,000, which has been set off with part of the Rental Prepayment repayable by HKE. As at 31 March 2015, the remaining balance of the Rental Prepayment that should be refunded under the deed of settlement was reduced to HK\$101,638,010. Details are set out in the announcements of the Company dated 23 February 2015 and 3 March 2015. On 24 March 2015, HKE and TEC entered into a formal operating agreement (the **"Operating Agreement"**). Details of the Operating Agreement are set out in the announcement of the Company dated 20 April 2015.

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

As at 31 March 2015, 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 2015, 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 2015 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 2015.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2015, 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%
Well Support Limited	Beneficial owner	67,081,466 (note 2)	–	9.93%
Liu Yi Dong	Trustee of Liu Yi Dong Family Trust	67,081,466 (note 2)	–	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. 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 2015 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 2015.

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 2015.

COMPLIANCE ADVISER

CLC International Limited ("**CLC**") being the compliance adviser of the Company as at 31 March 2015, 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 2015 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 condensed consolidated financial statements and this quarterly report for the three months ended 31 March 2015 and has provided comments thereon.

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

Hong Kong, 8 May 2015

As at the date hereof, the Company's executive Directors are Mr. Lam Kwok Hing Wilfred, J.P., (Chairman), Ms. Chan Shui Sheung Ivy and Mr. Mok Tsan San; and the independent non-executive Directors are Ms. Yuen Wai Man, Mr. Wang Chin Mong and Mr. Chow Fu Kit Edward.