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華人策略控股有限公司

Chinese Strategic Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 8089)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2018

CHARACTERISTICS OF GEM OF THE EXCHANGE

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the 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.

Given that the companies listed on GEM are generally small and mid-sized companies, 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 announcement, 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 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 announcement 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 announcement misleading.*

This announcement 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**”) hereby announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2018, together with the comparative figures for the corresponding period in year 2017, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Three months ended 30 June		Six months ended 30 June	
		2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Revenue	3	8,750	2,041	19,318	3,951
Cost of sales		(7,438)	(87)	(16,506)	(154)
Gross profit		1,312	1,954	2,812	3,797
Other income and gains	4	283	2	284	66
Administrative expenses		(18,280)	(20,165)	(39,402)	(36,181)
Changes in fair values in investment properties, net		4,990	440	6,090	3,170
Changes in fair values of investments held for trading, net		(12,246)	(6,031)	(25,366)	(16,700)
Loss on disposals of investments held for trading, net		(4,944)	(9,598)	(18,514)	(28,678)
Changes in fair values of convertible instruments designated as financial assets at fair value through profit or loss, net		3,040	1,416	3,119	4,154
Gain on redemption of convertible instruments designated as financial assets at fair value through profit or loss		-	-	-	1,333
Gain on disposal of available-for-sale financial assets		-	-	-	1,108
Allowance for impairment on loan and other receivables		(678)	-	(678)	-
Gain on disposal of subsidiaries		2,560	-	907	-
Gain on deemed disposal of a subsidiary		45	-	45	-
Loss on disposal of an associate		-	-	-	(770)
Share of profit (loss) of joint venture		697	935	462	1,879
Operating loss		(23,221)	(31,047)	(70,241)	(66,822)
Finance costs	5	(7,133)	(5,741)	(12,587)	(10,877)
Loss before tax		(30,354)	(36,788)	(82,828)	(77,699)
Income tax expenses	6	-	-	-	-
Loss for the period	7	(30,354)	(36,788)	(82,828)	(77,699)

	Three months ended 30 June		Six months ended 30 June	
	2018	2017	2018	2017
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other comprehensive income (expense)				
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Exchange differences arising on translation of foreign operations	(4)	2	-	-
Other comprehensive income (expense) for the period, net of income tax	(4)	2	-	-
Total comprehensive expense for the period	(30,358)	(36,786)	(82,828)	(77,699)
(Loss) profit for the period attributable to:				
Owners of the Company	(30,521)	(36,961)	(83,188)	(78,047)
Non-controlling interests	167	173	360	348
	(30,354)	(36,788)	(82,828)	(77,699)
Total comprehensive income (expense) attributable to:				
Owners of the Company	(30,525)	(36,959)	(83,188)	(78,047)
Non-controlling interests	167	173	360	348
	(30,358)	(36,786)	(82,828)	(77,699)
Loss per share	9			
Basic (HK cents)	(14.76) cents	(31.31) cents	(40.23) cents	(67.01) cents
Diluted (HK cents)	(14.76) cents	(31.31) cents	(40.23) cents	(67.01) cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2018 (Unaudited) (HK\$'000)	31 December 2017 (Audited) (HK\$'000)
	<i>Notes</i>		
Non-current assets			
Plant and equipment	10	9,368	4,017
Convertible instruments designated as financial assets at fair value through profit or loss	18	7,662	7,500
Prepaid lease payment – non-current portion	11	18,920	19,114
Investment properties		172,000	117,700
Interests in associates		408	400
Interest in a joint venture		182,471	182,012
Club debentures		2,690	2,690
Equity instruments at fair value through other comprehensive income		3,634	–
Available-for-sale financial assets		–	3,634
		397,153	337,067
Current assets			
Loan and interest receivables	12	38,103	50,964
Trade and other receivables	13	75,587	112,670
Investments held for trading	14	168,273	204,232
Prepaid lease payment – current portion	11	388	388
Convertible instruments designated as financial assets at fair value through profit or loss	18	22,906	19,949
Amount due from an associate		38	–
Amount due from a joint venture		11,646	3,341
Bank balances and cash		14,338	49,146
		331,279	440,690
Current liabilities			
Trade and other payables		26,298	34,119
Amount due to an associate		731	731
Amount due to a joint venture		3,000	–
Borrowings		198,460	139,226
Obligations under finance leases – current portion		738	608
Tax liabilities		8,943	11,503
		238,170	186,187
Net current assets		93,109	254,503
Total assets less current liabilities		490,262	591,570

		30 June	31 December
		2018	2017
	<i>Notes</i>	(Unaudited)	(Audited)
		(HK\$'000)	(HK\$'000)
Non-current liabilities			
Bond payables		50,000	50,000
Obligations under finance leases – non-current portion		1,122	891
Deferred tax liabilities		1,393	1,393
		<u>52,515</u>	<u>52,284</u>
Net assets		<u>437,747</u>	<u>539,286</u>
Capital and reserves			
Share capital	<i>15</i>	2,068	2,068
Reserves		404,669	506,578
		<u>406,737</u>	<u>508,646</u>
Equity attributable to owners of the Company		406,737	508,646
Non-controlling interests		31,010	30,640
		<u>437,747</u>	<u>539,286</u>
Total equity		<u>437,747</u>	<u>539,286</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

	Attributable to owners of the Company							Non-controlling interests HK\$'000	Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Share options reserve HK\$'000	Investment revaluation reserve HK\$'000	Translation reserve HK\$'000	Accumulated losses HK\$'000		
At 1 January 2017 (audited)	1,149	3,087,530	7,914	15,137	24,304	(8,923)	(2,601,482)	525,629	555,862
(Loss) profit for the period	-	-	-	-	-	-	(78,047)	(78,047)	(77,699)
Other comprehensive (expense) income for the period	-	-	-	-	-	-	-	-	-
Total comprehensive (expense) income for the period	-	-	-	-	-	-	(78,047)	(78,047)	(77,699)
Issue of shares upon open offer	574	56,865	-	-	-	-	-	57,439	57,439
Transaction cost attributable to issue of shares upon open offer	-	(2,264)	-	-	-	-	-	(2,264)	(2,264)
Disposal of available-for-sale financial assets	-	-	-	-	(24,304)	-	24,304	-	-
At 30 June 2017 (unaudited)	1,723	3,142,131	7,914	15,137	-	(8,923)	(2,655,225)	502,757	533,338
At 1 January 2018 (audited)	2,068	3,168,665	7,914	11,547	-	2,806	(2,684,354)	508,646	539,286
Impact of initial application of Hong Kong Financial Reporting Standard ("HKFRS") 9 (Note 2)	-	-	-	-	-	-	(18,721)	(18,721)	(18,721)
At 1 January 2018 (adjusted)	2,068	3,168,665	7,914	11,547	-	2,806	(2,703,075)	489,925	520,565
(Loss) profit for the period	-	-	-	-	-	-	(83,188)	(83,188)	(82,828)
Other comprehensive (expense) income for the period	-	-	-	-	-	-	-	-	-
Total comprehensive (expense) income for the period	-	-	-	-	-	-	(83,188)	(83,188)	(82,828)
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	10
At 30 June 2018 (unaudited)	2,068	3,168,665	7,914	11,547	-	2,806	(2,786,263)	406,737	437,747

On 1 January 2018, the Group has been impacted by the requirements of HKFRS 9 relating to the measurement of credit losses on financial assets. As a result, the additional of credit loss allowance was recognised against accumulated losses. As permitted by the HKFRS 9, comparatives have not been restated.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

For the six months ended 30 June 2018

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash used in operating activities	(23,485)	(12,970)
Net cash used in investing activities	(54,724)	(2,375)
Net cash generated from financing activities	<u>43,401</u>	<u>35,828</u>
Net (decrease) increase in cash and cash equivalents	(34,808)	20,483
Cash and cash equivalents at the beginning of period	<u>49,146</u>	<u>34,489</u>
Cash and cash equivalents at the end of period	<u><u>14,338</u></u>	<u><u>54,972</u></u>
Analysis of balances of cash and cash equivalents		
Bank balances and cash	<u><u>14,338</u></u>	<u><u>54,972</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL RESULTS

1. COMPANY INFORMATION

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on GEM of The Stock Exchange of Hong Kong Limited (the “**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 2nd Floor, Lee Kum Kee Central, 54-58 Des Voeux Road Central, Hong Kong.

The principal activity of the Company is investment holding, and the principal activities of its subsidiaries are properties investments, securities trading, loan financing and trading business.

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 2018 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 for the six months ended 30 June 2018 are consistent with those used in the Group’s annual financial statements for the year ended 31 December 2017, except for the new and revised HKFRSs and interpretations issued by HKICPA that are first effective for the current accounting period of the Company. There has been no significant change to the accounting policy applied in these unaudited condensed consolidated financial statements for the period presented as a result of adoption of these amendments, except for adoption of HKFRS 9 *Financial Instruments* in relation to the classification and measurement of financial assets as mentioned below.

In the current accounting period, the Group has applied the following amendments to HKFRSs issued by HKICPA.

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) – Interpretation (“ Int ”) 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKFRS 40	Transfer of Investment Property
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period, except for the amendments to HKFRS 9, *Prepayment features with negative compensation* which have been adopted at the same time as HKFRS 9.

The Group has been impacted by the adoption of HKFRS 9 in relation to measurement of credit losses. The Group will not restate comparative information relating to prior period which HKFRS 9 allows.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 *Financial Instruments: Recognition and Measurement*. Details of these key requirements as well as their impact on the Group's consolidated financial statements are described below.

Classification and measurement of financial assets

All recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods.

Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income ("FVTOCI").

All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 applies) in other comprehensive income, with only dividend income generally recognised in profit or loss.

Equity instruments designated as at FVTOCI

At the date of initial application/initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the FVTOCI reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained profits.

Dividends on these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established in accordance with HKFRS 9, unless the dividends clearly represent a recovery of part of the investment. Dividends are included in the "other income" line item in profit or loss.

Financial assets at fair value through profit or loss

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at fair value through profit or loss (“FVTPL”).

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the other “other gains and losses” line item.

The Directors reviewed and assessed the Group’s financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date. Changes in classification and measurement on the Group’s financial assets are mentioned below.

Impairment under expected credit losses (“ECL”) model

In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Specifically, HKFRS 9 requires the Group to recognise a loss allowance for expected credit losses on (i) debt investments subsequently measured at amortised cost or at FVTOCI, (ii) lease receivables, (iii) contract assets and (iv) loan commitments and financial guarantee contracts to which the impairment requirements of HKFRS 9 apply. In particular, HKFRS 9 requires the Group to measure the loss allowance for a financial instrument at an amount equal to the lifetime ECL if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset. On the other hand, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), the Group may measure the loss allowance for that financial instrument at an amount equal to 12-mth ECL. However, HKFRS 9 also provides a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables, contract assets and lease receivables in certain circumstances and the Group applies this approach.

As at 1 January 2018, the Directors reviewed and assessed the Group’s existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9 to determine the credit risk of the respective items at the date they were initially recognised, and compared that to the credit risk as reported in the Group’s financial statements for the year ended 31 December 2017.

The result of the assessment is that as at 1 January 2018, the additional credit loss allowance of approximately HK\$18,721,000 has been recognised against accumulated losses. The additional/reduction of loss allowance is charged/reversed against the respective financial assets.

The following table shows the original measurement categories for each class of the group's financial assets under HKAS 39 and reconciles the carrying amounts of those financial assets determined in accordance with HKAS 39 to those determined in accordance with HKFRS 9.

	HKAS 39			HKFRS 9
	carrying			carrying
	amount at			amount at
	31 December			1 January
	2017	Reclassification	Remeasurement	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Financial assets carried at amortised cost				
Available-for-sale financial assets	3,634	(3,634)	–	–
Loan and interest receivables	50,964	–	(801)	50,163
Trade and other receivables	112,670	–	(17,920)	94,750
Amount due from a joint venture	3,341	–	–	3,341
Cash and cash equivalents	49,146	–	–	49,146
	<u>219,755</u>	<u>(3,634)</u>	<u>(18,721)</u>	<u>197,400</u>
Financial assets carried at FVTPL				
Investment held for trading	204,232	–	–	204,232
Convertible instruments designated as financial assets at FVTPL	27,449	–	–	27,449
	<u>231,681</u>	<u>–</u>	<u>–</u>	<u>231,681</u>
Equity instruments designated as at FVTOCI				
	<u>–</u>	<u>3,634</u>	<u>–</u>	<u>3,634</u>
	<u>451,436</u>	<u>–</u>	<u>(18,721)</u>	<u>432,715</u>

3. REVENUE

Revenue represents the aggregate of rental income, interest income from loan financing, sales of goods and dividend income from investments held for trading during the period. The following is an analysis of the Group's revenue:

	Three months ended 30 June		Six months ended 30 June	
	2018 (Unaudited) <i>HK\$'000</i>	2017 (Unaudited) <i>HK\$'000</i>	2018 (Unaudited) <i>HK\$'000</i>	2017 (Unaudited) <i>HK\$'000</i>
Rental income	663	653	1,326	1,304
Interest income from the provision of loan financing	387	1,388	842	2,647
Sales of goods	7,700	–	17,150	–
Dividend income from investments held for trading	–	–	–	–
	<u>8,750</u>	<u>2,041</u>	<u>19,318</u>	<u>3,951</u>

Segment information

Information reported to the executive Directors, being the chief operating decision makers, 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 makers have been aggregated in arriving at the reportable segments of the Group. The Group's reportable and operating segments under HKFRS 8 are as follows:

1. Properties investments – investment in properties for rental income purpose
2. Securities trading – trading of securities and dividend income from investments held for trading
3. Loan financing – provision of financing services
4. Trading business – Sales of goods

During the year ended 31 December 2017, the Group has been engaged in the trading business and which is regarded as a new business segment of the Group.

Segment revenue and results

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

	Three months ended 30 June		Six months ended 30 June	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Segment revenue				
Properties investments	663	653	1,326	1,304
Securities trading	–	–	–	–
Loan financing	387	1,388	842	2,647
Trading business	7,700	–	17,150	–
	<u>8,750</u>	<u>2,041</u>	<u>19,318</u>	<u>3,951</u>
Segment (loss) profit				
Properties investments	7,342	1,935	8,913	6,169
Securities trading	(19,896)	(17,765)	(50,066)	(47,864)
Loan financing	85	1,188	71	2,213
Trading business	(57)	–	242	–
	<u>(12,526)</u>	<u>(14,642)</u>	<u>(40,840)</u>	<u>(39,482)</u>
Unallocated corporate expenses	(17,185)	(18,327)	(33,660)	(34,110)
Unallocated corporate income	283	2	284	66
Changes in fair values of convertible instruments designated as financial assets at FVTPL	3,040	1,416	3,119	4,154
Gain on redemption of convertible instruments	–	–	–	1,333
Gain on disposal of available-for-sale financial assets	–	–	–	1,108
Allowance for impairment on other receivables	(755)	–	(755)	–
Gain on disposal of subsidiaries	2,560	–	907	(770)
Gain on deemed disposal of a subsidiary	45	–	45	–
Share of loss of a joint venture	(212)	–	(1,491)	–
Finance costs	(5,604)	(5,237)	(10,437)	(9,998)
Loss before tax	<u>(30,354)</u>	<u>(36,788)</u>	<u>(82,828)</u>	<u>(77,699)</u>

Segment revenue reported above represents revenue generated from external customers. There was no intra-segment sale during the period (2017: Nil).

Segment assets and liabilities

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

	30 June 2018 (Unaudited) HK\$'000	31 December 2017 (Audited) HK\$'000
Segment assets		
Properties investments	357,897	301,152
Securities trading	172,905	221,378
Loan financing	38,594	51,546
Trading business	<u>5,026</u>	<u>4,209</u>
Total segment assets	574,422	578,285
Unallocated corporate assets	<u>154,010</u>	<u>199,472</u>
Consolidated assets	<u><u>728,432</u></u>	<u><u>777,757</u></u>
Segment liabilities		
Properties investments	119,744	69,731
Securities trading	64,816	32,711
Loan financing	2,459	208
Trading business	<u>82</u>	<u>4,073</u>
Total segment liabilities	187,101	106,723
Unallocated corporate liabilities	<u>103,584</u>	<u>131,748</u>
Consolidated liabilities	<u><u>290,685</u></u>	<u><u>238,471</u></u>

4. OTHER INCOME AND GAINS

The analysis of the Group's other income and gains for the period are follows:

	Three months ended 30 June		Six months ended 30 June	
	2018	2017	2018	2017
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank interest income	2	2	3	5
Sundry income	–	–	–	61
Interest on convertible instruments designated as financial assets at FVTPL	281	–	281	–
	<u>283</u>	<u>2</u>	<u>284</u>	<u>66</u>

5. FINANCE COSTS

	Three months ended 30 June		Six months ended 30 June	
	2018	2017	2018	2017
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on:				
Bank borrowings	112	149	236	301
Other loans	4,528	4,127	8,286	7,782
Bond payables	948	948	1,887	1,887
Obligations under finance leases	16	13	28	28
Margin accounts	1,529	504	2,150	879
	<u>7,133</u>	<u>5,741</u>	<u>12,587</u>	<u>10,877</u>

6. INCOME TAX EXPENSES

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the six months ended 30 June 2018 and 30 June 2017.

Under the Law of the People's Republic of China (the "PRC") on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for the six months ended 30 June 2018 and 30 June 2017.

Taxation arising in other jurisdictions is calculated at the rate prevailing in the relevant jurisdictions.

7. LOSS FOR THE PERIOD

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

	Three months ended 30 June		Six months ended 30 June	
	2018	2017	2018	2017
	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>
Staff costs including directors' emoluments:				
Salaries and allowances	7,423	7,009	15,086	13,751
Contributions to retirement benefits scheme	170	144	348	283
	7,593	7,153	15,434	14,034
Depreciation of plant and equipment	1,034	806	1,732	1,447
Amortisation of prepaid lease payment	97	97	194	194
Minimum lease payments under operating leases	1,067	1,390	2,130	3,105
Gross rental income	(663)	(653)	(1,326)	(1,304)
Less: outgoings (included in cost of sales)	88	87	156	154
Net rental income	(575)	(566)	(1,170)	(1,150)

8. DIVIDEND

No dividend was paid or proposed for ordinary shares of the Company during the six months ended 30 June 2018 and 30 June 2017, nor has any dividend been proposed since 30 June 2018 and up to the date of this announcement.

9. LOSS PER SHARE

The calculation of the basic and diluted 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	
	2018	2017	2018	2017
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loss				
Loss for the period attributable to owners of the Company for the purpose of basic and diluted loss per share	(30,521)	(36,961)	(83,188)	(78,047)
	'000	'000	'000	'000
Number of shares				
Weighted average number of ordinary shares for the purpose of basic loss per share	206,778	118,034	206,778	116,465
Effect of dilutive potential ordinary shares – Share options	N/A	N/A	N/A	N/A
Weighted average number of ordinary shares for the purpose of diluted loss per share	<u>206,778</u>	<u>118,034</u>	<u>206,778</u>	<u>116,465</u>

The weighted average number of ordinary shares for the purpose of basic and diluted loss per share has been adjusted for the effect of open offer on 26 June 2017 and the share consolidation on 27 June 2017.

The computation of diluted loss per share for the six months ended 30 June 2018 and 30 June 2017 does not assume the exercise of the Company's share options, since it would result in a decrease in loss per share for the period which is regarded as anti-dilutive.

10. PLANT AND EQUIPMENT

During the six months ended 30 June 2018, the Group had additions to plant and equipment in amount of approximately HK\$7,083,000 (31 December 2017: approximately HK\$1,410,000).

11. PREPAID LEASE PAYMENT

As at 30 June 2018, prepaid of lease payment of approximately HK\$19,308,000 are the leasehold land situated in Tinian in the Commonwealth of Northern Mariana Islands (“CNMI”) (31 December 2017: approximately HK\$19,502,000).

12. LOAN AND INTEREST RECEIVABLES

	30 June 2018 (Unaudited) HK\$'000	31 December 2017 (Audited) HK\$'000
Fixed rate loan and interest receivables arising from loan financing business:		
Secured loan and interest receivables	163,723	175,860
Unsecured loan and interest receivables	3,357	3,357
<i>Less: Allowance for impairment</i>	<u>(144,470)</u>	<u>(143,746)</u>
	<u>22,610</u>	<u>35,471</u>
Other loan and interest receivables:		
Amount due from a former subsidiary	151,980	151,980
Other secured loan and interest receivable	<u>20,879</u>	<u>20,879</u>
	172,859	172,859
<i>Less: Allowance for impairment</i>	<u>(157,366)</u>	<u>(157,366)</u>
	<u>15,493</u>	<u>15,493</u>
	<u>38,103</u>	<u>50,964</u>

As at 30 June 2018, the secured loan and interest receivables arising from loan financing business are secured by listed equity shares, unlisted shares, private car and properties located in Hong Kong and corporate guarantee granted by a listed company in Hong Kong and bear interest at fixed interest rate ranging from 10% to 16% (2017: 10% to 16%) per annum.

The unsecured loan and interest receivables arising from loan financing business has been fully impaired since 2016.

The following table illustrates the contractual maturity dates of the fixed rate loan and interest receivables at the reporting date:

	30 June 2018 (Unaudited) HK\$'000	31 December 2017 (Audited) HK\$'000
Within 3 months	6,753	24,038
In more than 3 months but not more than 6 months	1,592	9,771
In more than 6 months but not more than 12 months	<u>14,265</u>	<u>1,662</u>
	<u>22,610</u>	<u>35,471</u>

13. TRADE AND OTHER RECEIVABLES

	30 June 2018 (Unaudited) HK\$'000	31 December 2017 (Audited) HK\$'000
Trade receivable	<u>2,100</u>	<u>4,200</u>
Deposits paid for acquisition of potential investments	20,000	20,000
Allowance for impairment on the deposits paid for acquisition of potential investments	<u>(20,000)</u>	<u>(20,000)</u>
	-	-
Prepayments	1,632	2,101
Rental and utility deposits	1,153	1,268
Other receivables	<u>252,696</u>	<u>258,960</u>
	255,481	262,329
Allowance for impairment	<u>(183,299)</u>	<u>(164,624)</u>
	<u>72,182</u>	<u>97,705</u>
Cash balance in securities account	<u>1,305</u>	<u>10,765</u>
	<u>75,587</u>	<u>112,670</u>

Ageing analysis

Trade receivables at the end of the reporting period comprise amounts receivable from sales of goods. No interest is charged on the trade receivable. The Group generally allows an average credit period of 60 days to its customers. The ageing analysis of the Group's trade receivables presented based on invoice date as at the end of the reporting period is as follows:

	30 June 2018 (Unaudited) HK\$'000	31 December 2017 (Audited) HK\$'000
0 – 30 days	<u>2,100</u>	<u>4,200</u>

14. INVESTMENTS HELD FOR TRADING

Investments in equity securities listed in Hong Kong with market value exceeding HK\$20,000,000 as at 30 June 2018 are as follows:

Stock code	Company	Principal Business	As at 30 June 2018				Six months ended 30 June 2018		
			No. of shares held	Approx. percentage of shareholdings	Investment cost (average) HK\$'000	Fair value HK\$'000	% to the Group's total assets	Gain (loss) on disposal HK\$'000	Dividend received HK\$
8166	China Eco-Farming Limited	Provision of one-stop value chain services and trading of consumables and agricultural products	326,040,000	4.46%	27,061	28,365	3.81%	401	Nil

15. SHARE CAPITAL

	Par value per share HK\$	Number of shares '000	Amount HK\$'000
Authorised:			
Ordinary shares			
At 1 January 2017	0.001	100,000,000	100,000
Share consolidation	N/A	<u>(90,000,000)</u>	<u>–</u>
At 30 June 2017, 1 January 2018 and 30 June 2018	0.01	<u>10,000,000</u>	<u>100,000</u>
Issued and fully paid:			
Ordinary shares			
At 1 January 2017	0.001	1,148,783	1,149
Issuance of shares upon open offer	0.001	574,392	574
Share consolidation	N/A	<u>(1,550,857)</u>	<u>–</u>
At 30 June 2017		<u>172,318</u>	<u>1,723</u>
Issuance of shares upon placing	0.01	<u>34,460</u>	<u>345</u>
At 1 January 2018 and 30 June 2018	0.01	<u>206,778</u>	<u>2,068</u>

16. COMMITMENTS

(a) Operating lease commitment

The Group as lessor

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

	30 June 2018 (Unaudited) HK\$'000	31 December 2017 (Audited) HK\$'000
Within one year	1,870	2,482
In the second to fifth year inclusive	595	1,309
	<u>2,465</u>	<u>3,791</u>

Operating lease receipts represent rentals receivable by the Group for certain of its investment properties. They are expected to generate rental yield of 2.1% (2017: 2.1%) on an ongoing basis. All of the properties held have committed tenants for the next one to two years (2017: one to two 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 2018 (Unaudited) HK\$'000	31 December 2017 (Audited) HK\$'000
Within one year	2,970	3,000
In the second to fifth year inclusive	300	1,770
	<u>3,270</u>	<u>4,770</u>

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated and rentals are fixed for an average of two years (2017: two years).

(b) Capital commitment

As at 30 June 2018, the Group did not have any material capital commitment (2017: Nil).

17. 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	
	2018	2017
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Fees	497	428
Salaries and other benefits	2,316	2,316
Retirement benefits scheme contribution	27	27
	<u>2,840</u>	<u>2,771</u>

18. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

Financial assets/financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
	30 June	31 December			
	2018	2017			
	HK\$'000	HK\$'000			
1) Investments held for trading	Assets – approximately HK\$168,273	Assets – approximately HK\$204,232	Level 1	Quoted bid prices in an active market	N/A
2) Convertible instruments designated as financial assets at FVTPL	Assets – approximately HK\$22,906	Assets – approximately HK\$19,949	Level 3	Discount rate and volatility levels determined using a Binominal Option Pricing Model.	Discount rate
3) Convertible instruments designated as financial assets at FVTPL	Assets – approximately HK\$7,662	Assets – approximately HK\$7,500	Level 3	Discount rate and volatility levels determined using a Black-Scholes model	Volatility
4) Equity instruments at fair value through other comprehensive income	Assets – approximately HK\$3,634	–	Level 3	Net asset value (<i>Note</i>)	N/A

Note: The Group has determined that the reported net asset value represents fair value at the end of the reporting period.

During the six months ended 30 June 2018 and year ended 31 December 2017, there was no transfers between levels of fair value hierarchy.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Performance

For the six months ended 30 June 2018, the Group recorded a revenue of approximately HK\$19,318,000 (six months ended 30 June 2017: approximately HK\$3,951,000), representing an increase of approximately 388.9% as compared with the last corresponding period. The increase in revenue was mainly due to a new segment of trading business launched in the last quarter of 2017.

Administrative expenses for the six months ended 30 June 2018 was approximately HK\$39,402,000 (six months ended 30 June 2017: approximately HK\$36,181,000), representing an increase of 8.9% as compared with the last corresponding period. The increase in expenses was mainly due to increase in consultancy fee and staff costs.

The Group incurred finance costs of approximately HK\$12,587,000 for the period ended 30 June 2018 (six months ended 30 June 2017: approximately HK\$10,877,000), which mainly comprised interest on interest bearing bank borrowing and other borrowings, margin accounts and bonds.

The loss attributable to the owners of the Company for the six months ended 30 June 2018 aggregated at approximately HK\$83,188,000 (six months ended 30 June 2017: approximately HK\$78,047,000). Loss for the period was mainly attributable to loss on disposals of investments held for trading of approximately HK\$18,514,000 and loss arising from fair value changes of investments held for trading of approximately HK\$25,366,000. The basic loss per share for the six months ended 30 June 2018 was HK40.23 cents (six months ended 30 June 2017: HK67.01 cents).

Business Review and Outlook

The Group recorded a rental income of approximately HK\$1,326,000 for the six months ended 30 June 2018 (six months ended 30 June 2017: approximately HK\$1,304,000) through properties leasing. All the properties are for residential use and have committed tenants normally for two years. Rental income provided steady cash flow over the period, and this trend is expected to continue. During the period under review, the Group subscribed 990,000 new shares at a subscription price of HK\$16,830,000 of a company incorporated in Hong Kong, representing 99% of its enlarged issued share capital. Its principal asset is a residential property in Hong Kong valued at approximately HK\$48,210,000. The management remains cautiously optimistic about the property market.

As at 30 June 2018, the Group held eight properties for investment purposes with the total fair value of approximately HK\$172,000,000.

As at 30 June 2018, the Group had investments held for trading amounted to approximately HK\$168,273,000, representing 23.1% of the total assets of the Group (31 December 2017: approximately HK\$204,232,000). During the period under review, the Group recorded a loss arising from the fair values changes of investments held for trading of approximately HK\$25,366,000 (six months ended 30 June 2017: approximately HK\$16,700,000) and a loss on disposals of investments held for trading of approximately HK\$18,514,000 (six months ended 30 June 2017: approximately HK\$28,678,000). The Group held certain unlisted instruments classified as convertible instruments designated as financial assets at fair value through profit or loss, amounted to approximately HK\$30,568,000 as at 30 June 2018 (31 December 2017: HK\$27,449,000). Additional information are disclosed in Notes 14 and 18, respectively.

The Group is always mindful of the fact that its securities trading operation is open to the risk of market volatility that is affected by macro and micro economic factors from time to time as well as the performance and business prospects of the companies in whose stock it chooses to invest. As such, looking ahead, the Group will dedicate greater resources in the research and analysis of stock market data as well as information on industry trends and projections in the selection and trading of its securities portfolio with the aim of significantly improving investment returns from its securities trading business.

The performance of loan financing business was not satisfactory facing the difficulties in expanding the customer base during the period under review. As compared with the same period last year, the interest income dropped by 68.2% from approximately HK\$2,647,000 to HK\$842,000. The Group will adopt a cautious and prudent approach for seeking new customers. The development of the loan financing business will depend on the market and the assessment of the repayment ability of the potential clients.

The Group has diversified its revenue stream to tea leaves business since 2017. The revenue of it mainly comes from the sales of fine Chinese tea leaves of approximately HK\$17,150,000 for the six months ended 30 June 2018. In view of the significant growth of the tea leaves business of the Group, the management decided to devote more resources on its business development. The online B2B and B2C platform has been successfully launched which is dedicated to showcase its wide selection of fine Chinese tea leaves, traditional and modern-style teawares online. It is expected that the online sales channel would enhance the exposure of the Group's products and will bring along with the increase of revenue of the Group.

The Group, from time to time, explores business opportunities in different sectors in order to broaden its revenue stream. On 18 April 2018, Chinese Entertainment (Holdings) Company Limited (華人娛樂(控股)有限公司) (“**Chinese Entertainment**”), a wholly-owned subsidiary of the Company, entered into a strategic cooperation framework agreement (the “**Strategic Cooperation Agreement**”) with Shenzhen Jinbo Investment Holdings Group Co. Ltd.* (深圳金博投資控股集團有限公司) (“**Shenzhen Jinbo Investment**”), pursuant to which Chinese Entertainment, where conditions permit, will acquire not more than 95% equity interest in Shenzhen Jinbo Investment. The Group intends to pursue comprehensive cooperation with Shenzhen Jinbo Investment in smart phone products, cultural industry, healthcare industry and new energy business. By leveraging on the rich resources of Shenzhen Jinbo Investment in the abovementioned businesses and its ability to integrate such resources, the Group and Shenzhen Jinbo Investment would like to jointly explore business opportunities in certain aspects taking advantage of the superior resources in the crossborder capital market.

The Strategic Cooperation Agreement shall be valid for 12 months. The Company will make further announcement(s) as and when appropriate in accordance with the GEM Listing Rules if formal agreement relating to the Strategic Cooperation Agreement is entered into between Chinese Entertainment and Shenzhen Jinbo Investment. Details are set out in the announcement of the Company dated 18 April 2018.

Fund Raising Activities

On 29 January 2018, the Company and FT Securities Limited entered into a placing agreement pursuant to which the Company proposed to offer the subscription of up to 40,000,000 placing shares at the placing price of HK\$4 per placing share under specific mandate and appoint FT Securities Limited on sole and exclusive basis to place and to procure subscriptions for the placing shares on a best-effort basis, not less than six places.

As the conditions precedent to the placing agreement were not fulfilled on 29 March 2018, the placing agreement lapsed thereon. Details are set out in the announcements of the Company dated 29 January 2018 and 29 March 2018.

On 20 June 2018, the Company and I Win Securities Ltd (the “**Placing Agent**”) entered into a placing agreement (the “**Placing Agreement**”) pursuant to which the Placing Agent has conditionally agreed to procure not less than six places on a best efforts basis to subscribe for up to 40,000,000 placing shares at the placing price of HK\$1.68 per placing share under the general mandate.

* *for identification purpose only*

On 10 July 2018, the Company and the Placing Agent entered into a supplemental agreement to the Placing Agreement (“**Supplemental Agreement**”), whereby the Company and the Placing Agent agreed to amend the term of the Placing Agreement by replacing the definition of “long stop date” in its entirety by “31 July 2018 or such later date as the Company and the Placing Agent may agree in writing”.

As the conditions precedent to the Placing Agreement and Supplemental Agreement were not fulfilled on 31 July 2018, the Placing Agreement and Supplemental Agreement lapsed thereon. Details are set out in the announcements of the Company dated 20 June 2018 and 10 July 2018.

Liquidity and Financial Resources

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

As at 30 June 2018, the Group had cash and cash equivalent of approximately HK\$14,338,000 (31 December 2017: approximately HK\$49,146,000), interest-bearing borrowings of approximately HK\$198,460,000 (31 December 2017: approximately HK\$139,226,000) and bond payables of HK\$50,000,000 (31 December 2017: HK\$50,000,000).

As at 30 June 2018, the gearing ratio (measured as total liabilities to total assets) was approximately 39.9% (31 December 2017: approximately 30.7%).

Capital Structure

As at 30 June 2018, the Company’s issued share capital was HK\$2,067,775, divided into 206,777,513 shares of HK\$0.01 each.

Capital Commitments

As at 30 June 2018 and 31 December 2017, the Group did not have any capital commitments.

Contingent Liabilities

As at 30 June 2018 and 31 December 2017, the Group did not have any material contingent liability.

Charges on Assets

As at 30 June 2018, investment properties and certain investments held for trading with an aggregate carrying value of approximately HK\$287,569,000 (31 December 2017: HK\$258,126,000) have been pledged to banks and other financial institutions to secure the credit facilities granted to the Group.

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 denominated in HK\$, United States dollars (“**USD**”) or Renminbi (“**RMB**”). HK\$ is closely linked with USD. Although the exchange rate of HK\$ against RMB had slightly appreciated 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.

Significant Investment

On 23 May 2018 (after trading hours), a sale and purchase agreement was entered into between 北京華鼎滙金投資有限責任公司 (Beijing Huading Huijin Investment Company Limited*), a company incorporated in the PRC with limited liability as Vendor I ; 汪名一 (Mr. Wang Mingyi), an individual shareholder of 北京金准韋特智能科技有限公司 (Beijing Jinzhun Weite Intelligence Technological Company Limited*), a company incorporated in the PRC with limited liability (the “**Target Company**”) as Vendor II ; 常偉 (Mr. Chang Wei), an individual shareholder of the Target Company as Vendor III ; 劉靖衡 (Mr. Liu Jingheng), an individual shareholder of the Target Company as Vendor IV ; 周鵬宇 (Mr. Zhou Pengyu), an individual shareholder of the Target Company as Vendor V; Goal Set Investments Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company as the Purchaser; and the Company (collectively, the “**Parties**”) in relation to the acquisition of 55% equity interest in the target company at the consideration of HK\$96,000,000, which shall be satisfied (i) as to HK\$3,000,000 in cash; and (ii) as to HK\$93,000,000 by the issue of the exchangeable note which can be exchanged into the convertible bonds.

* *for identification purpose only*

Details are set out in the announcement of the Company dated 23 May 2018. Since further negotiations among the parties are required, further disclosure will be made by the Company wherever appropriate or necessary.

Save as disclosed in this announcement, the Group did not have any other significant investment during the six months ended 30 June 2018.

Material Acquisition and Disposal

Save as disclosed in this announcement, the Group did not process any material acquisition or disposal of subsidiaries or joint ventures during the six months ended 30 June 2018.

Litigations

Reference is made to pages 13 and 14 of 2017 Annual Report of the Company which discloses particulars on and progress of litigation matters in which the Company and/or its subsidiaries are involved.

Regarding the action under HCA701 of 2013, the Plaintiff applied to re-amend its Statement of Claim. In response to such application, the Company applied to strike out the Writ and claims of the Plaintiff. The above 2 applications have been heard before the Honourable Madam Justice Mimmie Chan on 14 June 2018 with judgment reserved.

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

Advance to an Entity

On 15 February 2015 and 24 March 2015, Hong Kong Entertainment (Overseas) Investments Limited (“**HKE**”) and Tinian Entertainment Co., Ltd (“**TEC**”), a former indirect wholly-owned subsidiary of the Company, entered into a provisional operating agreement and operating agreement respectively (“**Operating Agreement**”) under which HKE intended to lease to TEC and TEC intended to lease from HKE, the leased property comprising of the Hotel-Casino Complex and the relevant assets at the occupation fees of approximately HK\$133,000,000. Upon the entering into the Operating Agreement, TEC has paid HKE a refundable deposit of HK\$50,000,000, which has been set off with part of the rental prepayment repayable by HKE.

Following to the term sheet of 7 April 2016 and the restructuring agreement of 29 April 2016 regarding the restructuring of the Hotel-Casino Complex, the total outstanding amount due from HKE to Gain Millennia Limited (the “**GML**”) (an indirect wholly-owned subsidiary of the Company) and TEC and other moneys payable by HKE to GML and/or its affiliated companies is HK\$164,624,000 (the “**GML Outstanding Amount**”). Pursuant to the restructuring agreement, a new company incorporated by Mr. Chen Chien Yeh (“**NewCo**”) shall issue a convertible bonds in a principal sum of USD21,150,002 to GML or its nominee as a full and final settlement of the GML Outstanding Amount. On 29 June 2016, a supplemental agreement was entered into to extend the long stop date of the restructuring agreement from 30 June 2016 to 30 September 2016. On 30 September 2016 the restructuring agreement lapsed. As at 30 June 2018, the net amount due and owing by HKE in the aggregate sum of HK\$164,624,000.

The Company is seeking legal and other professional advice on formulating a prudent and workable action plan and negotiating with HKE for the recovery of the GML Outstanding Amount. The management has taken a prudent approach and made full impairment of the GML Outstanding Amount during the year ended 31 December 2016.

Details are set out in the announcements of the Company dated 23 February 2015, 3 March 2015, 20 April 2015, 7 April 2016, 29 April 2016, 11 May 2016 and 29 June 2016.

Employee Information and Remuneration Policy

The Group had 52 employees (31 December 2017: 45 employees) in Hong Kong and Mainland China as at 30 June 2018. During the six months ended 30 June 2018, the Group incurred staff costs (including Directors’ emoluments) of approximately HK\$15,434,000 (six months ended 30 June 2017: approximately HK\$14,034,000).

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, discretionary bonus and share options 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.

SHARE OPTION SCHEME

The Company adopted a share option scheme on 22 November 2002 which was expired on 21 November 2012 (the “**Expired Share Option Scheme**”), to allow the Company to grant share options to the participants for the purpose of providing incentives or rewards to the participants for their contribution to the Group. Pursuant to an ordinary resolution passed and approved at the special general meeting of the shareholders held on 2 April 2014, the Company adopted a new share option scheme to continue to provide incentives and/or rewards to the participants by way of granting options. The general scheme limit of the Company is 17,231,751 shares which was refreshed on 28 June 2017 by shareholders of the Company at the annual general meeting representing 10% of the issued share capital by the time of passing the relevant resolution and approximately 8% of the issued share capital as at the date of this announcement.

Details of the share options granted and outstanding during the six months ended 30 June 2018 were:

Name of category	Date of grant of share options	Number of share options			Outstanding as at 30.06.2018	Validity period of shares options	Exercise price HK\$
		Outstanding as at 01.01.2018	During the six months ended 30 June 2018				
			Granted	Exercised	Cancelled		
Employees	3/4/2007	-	-	-	-	3/4/2007-2/4/2017	7.35
Consultants	3/4/2007	-	-	-	-	3/4/2007-2/4/2017	7.35
Employees	23/3/2016	677,157	-	-	-	23/3/2016-22/3/2026	6.1640
Consultants	23/3/2016	1,950,056	-	-	(975,028)	23/3/2016-22/3/2026	6.1640
Directors							
Lam Kwok Hing Wilfred	23/3/2016	297,870	-	-	-	23/3/2016-22/3/2026	6.1640
Chan Shui Sheung Ivy	23/3/2016	297,870	-	-	-	23/3/2016-22/3/2026	6.1640
Mok Tsan San	23/3/2016	297,870	-	-	-	23/3/2016-22/3/2026	6.1640
		<u>3,520,823</u>	<u>-</u>	<u>-</u>	<u>(975,028)</u>		<u>2,545,795</u>

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

As at 30 June 2018, 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 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 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	Number of underlying shares	Approximate percentage of the issued share capital
Lam Kwok Hing Wilfred	Beneficial owner	–	297,870 <i>(Note)</i>	0.14%
Chan Shui Sheung Ivy	Beneficial owner	9,000	297,870 <i>(Note)</i>	0.14%
Mok Tsan San	Beneficial owner	–	297,870 <i>(Note)</i>	0.14%

Note:

All underlying shares are share options granted by the Company on 23 March 2016 under the Company's share option scheme at the exercise price of HK\$6.1640 per share which was adjusted after taking into account the effect of the open offer and share consolidation of the shares became effective on 26 June 2017 and 27 June 2017 respectively.

Save as disclosed above, as at 30 June 2018, 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 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 2018 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 of 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 2018.

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance in relation to the Group's business pursuant 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 2018 or at any time during the six months ended 30 June 2018.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2018, 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 Exchange were as follows:

Long position in shares and underlying shares of the Company

Name of Shareholders	Capacity	Number of Shares	Approximate percentage of interests
Wai Chun Holdings Group Limited	Beneficial owner	11,176,000 (Note)	5.40%
Chan Oi Mo	Interest of corporation controlled	11,176,000 (Note)	5.40%
Lam Ching Kui	Interest of corporation controlled	11,176,000 (Note)	5.40%

Note:

Pursuant to the corporate substantial shareholder notice filed by Wai Chun Holdings Group Limited and the individual substantial shareholder notices filed by Chan Oi Mo and Lam Ching Lui respectively, these shares are held by Wai Chun Holdings Group Limited, which is owned as to 50% by Chan Oi Mo and 50% by Lam Ching Kui. Accordingly, each of Chan Oi Mo and Lam Ching Kui is deemed to be interested in the shares held by Wai Chun Holdings Group Limited.

As at 30 June 2018, the number of shares issued by the Company was 206,777,513.

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 2018 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 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 2018.

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 2018 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.

Throughout the six months ended 30 June 2018, the Company did not appoint a chief executive. The Board will keep reviewing the current structure from time to time and appoint candidates with suitable knowledge, skill, and experience as chief executive of the Company, if identified.

CHANGE IN INFORMATION ON DIRECTORS

The change of information on the Directors during the six months ended 30 June 2018 and up to the date of this announcement that required to be disclosed pursuant to rule 17.50A (1) of the GEM Listing Rules is as follows:-

Mr. Mok Tsan San resigned as a non-executive director of Casablanca Group Limited (stock code: 2223), a company listed on the Main Board of the Exchange, with effect from 9 April 2018.

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 2018.

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 six months ended 30 June 2018.

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 reports and financial statements, interim reports, quarterly reports and risk management and internal control systems and to provide comments thereon to the Board.

The Audit Committee has reviewed the Group's unaudited condensed consolidated financial statements and this result announcement for the six months ended 30 June 2018 and has provided comments thereon.

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

Hong Kong, 14 August 2018

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. Chow Fu Kit Edward and Mr. Lam Raymond Shiu Cheung.