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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)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

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 that 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 audited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2017, together with the comparative audited figures for the year 2016, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	<i>Notes</i>	2017 HK\$'000	2016 <i>HK\$'000</i>
Revenue	3	10,267	8,738
Cost of sales		<u>(4,312)</u>	<u>(271)</u>
Gross profit		5,955	8,467
Other income and gains	5	1,058	16,090
Administrative expenses		(80,221)	(103,302)
Changes in fair values of investment properties, net		6,460	5,215
Changes in fair values of investments held for trading, net		(31,171)	(9,177)
Gain (loss) on disposal of investments held for trading, net		11,230	(69,431)
Changes in fair values of convertible instruments designated as financial assets at fair value through profit or loss, net		2,265	(6,229)
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		25,412	–
Gain arising from derecognition of derivative financial liabilities		–	8,125
(Loss) gain on disposal of subsidiaries		(5,756)	2,340
Gain on deemed disposal of a subsidiary		–	5
Gain on bargain purchase		61	–
Loss on early redemption of convertible loan notes		–	(1,315)
Loss on settlement on other payables		–	(1,063)
Impairment loss recognised in respect of available-for-sale financial assets		(2,258)	–
Impairment loss recognised in respect of loan and interest receivables		–	(5,227)
Impairment loss recognised in respect of other receivables		–	(169,517)
Loss on disposal of an associate		(770)	–
Share of profit of associates		224	14
Share of profit of joint ventures		<u>1,009</u>	<u>11,323</u>
Operating loss		(65,169)	(313,682)
Finance costs	6	<u>(20,673)</u>	<u>(35,019)</u>
Loss before tax		(85,842)	(348,701)
Income tax expenses	7	<u>(213)</u>	<u>(213)</u>
Loss for the year	8	<u>(86,055)</u>	<u>(348,914)</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

For the year ended 31 December 2017

	Notes	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
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	(5)
Fair value gain on available-for-sale financial assets		–	1,552
Release of investment revaluation reserve upon disposal of available-for-sale financial assets		(24,304)	–
Share of translation reserve of a joint venture		<u>11,725</u>	<u>(10,665)</u>
Other comprehensive expense for the year, net of income tax		<u>(12,575)</u>	<u>(9,118)</u>
Total comprehensive expense for the year		<u>(98,630)</u>	<u>(358,032)</u>
(Loss) profit for the year attributable to:			
Owners of the Company		(86,462)	(350,928)
Non-controlling interests		<u>407</u>	<u>2,014</u>
		<u>(86,055)</u>	<u>(348,914)</u>
Total comprehensive (expense) income attributable to:			
Owners of the Company		(99,037)	(360,046)
Non-controlling interests		<u>407</u>	<u>2,014</u>
		<u>(98,630)</u>	<u>(358,032)</u>
			(Restated)
Loss per share	10		
Basic (<i>HK cents</i>)		<u>(57.79) cents</u>	<u>(343.62) cents</u>
Diluted (<i>HK cents</i>)		<u>N/A</u>	<u>N/A</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	<i>Notes</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Plant and equipment		4,017	5,365
Convertible instruments designated as financial assets at fair value through profit or loss		7,500	17,184
Prepaid lease payment – non-current portion		19,114	19,501
Investment properties		117,700	111,240
Interests in associates		400	176
Interests in joint ventures		182,012	166,278
Club debentures		2,690	2,690
Available-for-sale financial assets		3,634	45,682
		<hr/> 337,067	<hr/> 368,116
CURRENT ASSETS			
Loan and interest receivables	<i>11</i>	50,964	71,789
Trade and other receivables	<i>12</i>	112,670	70,501
Investments held for trading		204,232	222,868
Prepaid lease payment – current portion		388	389
Convertible instruments designated as financial assets at fair value through profit or loss		19,949	21,667
Amount due from an associate		–	10,026
Amount due from a joint venture		3,341	–
Bank balances and cash		49,146	34,489
		<hr/> 440,690	<hr/> 431,729
CURRENT LIABILITIES			
Trade and other payables	<i>13</i>	34,119	29,132
Amount due to an associate		731	–
Borrowings		139,226	149,807
Obligations under finance leases – current portion		608	658
Tax liabilities		11,503	12,052
		<hr/> 186,187	<hr/> 191,649
NET CURRENT ASSETS		<hr/> 254,503	<hr/> 240,080
TOTAL ASSETS LESS CURRENT LIABILITIES		<hr/> 591,570	<hr/> 608,196

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 31 December 2017

	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
NON-CURRENT LIABILITIES		
Bond payables	50,000	50,000
Obligations under finance leases – non-current portion	891	1,154
Deferred tax liabilities	<u>1,393</u>	<u>1,180</u>
	<u>52,284</u>	<u>52,334</u>
NET ASSETS	<u>539,286</u>	<u>555,862</u>
CAPITAL AND RESERVES		
Share capital	2,068	1,149
Reserves	<u>506,578</u>	<u>524,480</u>
Equity attributable to owners of the Company	508,646	525,629
Non-controlling interests	<u>30,640</u>	<u>30,233</u>
TOTAL EQUITY	<u>539,286</u>	<u>555,862</u>

1. GENERAL

Chinese Strategic Holdings Limited (the “**Company**”) is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the GEM of The Stock Exchange of Hong Kong Limited (the “**Exchange**”) since 18 May 2000. The address of the 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 consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”), which is also the functional currency of the Company.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSs**”)

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) for the first time in the current year:

Amendments to Hong Kong Accounting Standard (“ HKAS ”) 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014-2016 Cycles

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 7 “Disclosure Initiative”

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

A reconciliation between the opening and closing balances of these items is provided in the consolidated financial statements. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in the consolidated financial statements, the application of these amendments has had no impact on the Group's consolidated financial statements.

New and revised HKFRSs in issue but not yet effective

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

HKFRS 9	Financial Instruments ¹
HKFRS 15	Revenue from Contracts with Customers and the related Amendments ¹
HKFRS 16	Leases ²
HKFRS 17	Insurance Contracts ⁴
HK(IFRIC)-Interpretation (“Int”) 22	Foreign Currency Transactions and Advance Consideration ¹
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments ²
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions ¹
Amendments to HKFRS 4	Applying HKFRS 9 <i>Financial Instruments</i> with HKFRS 4 <i>Insurance Contracts</i> ¹
Amendments to HKFRS 9	Prepayment Features with Negative Compensation ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 40	Transfer of Investment Property ¹
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycles ¹
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures ²
Amendments to HKFRSs	Annual improvements to HKFRSs 2015-2017 Cycle ²

¹ *Effective for annual periods beginning on or after 1 January 2018.*

² *Effective for annual periods beginning on or after 1 January 2019.*

³ *Effective for annual periods beginning on or after a date to be determined.*

⁴ *Effective for annual periods beginning on or after 1 January 2021.*

Except for the new and amendments to HKFRSs and interpretations mentioned in the consolidated financial statements, the directors of the Company (the “Directors”) anticipate that the application of all other new and amendments to HKFRSs and interpretations will have no material impact on the consolidated financial statements in the foreseeable future.

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 year. The following is an analysis of the Group's revenue:

	2017 HK\$'000	2016 <i>HK\$'000</i>
Rental income	2,453	2,474
Interest income from the provision of loan financing	3,614	6,241
Sales of goods	4,200	–
Dividend income from investments held for trading	–	23
	<hr/> 10,267 <hr/>	<hr/> 8,738 <hr/>

4. 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.

Specifically, 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:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Segment revenue		
– Properties investments	2,453	2,474
– Securities trading	–	23
– Loan financing	3,614	6,241
– Trading business	4,200	–
	<u>10,267</u>	<u>8,738</u>
Segment profit (loss)		
– Properties investments	10,088	15,709
– Securities trading	(38,142)	(94,336)
– Loan financing	(507)	3,458
– Trading business	(468)	–
	<u>(29,029)</u>	<u>(75,169)</u>
Unallocated corporate expenses	(59,530)	(78,463)
Unallocated corporate income	988	16,090
Changes in fair values of convertible instruments designated as financial assets at fair value through profit or loss	2,265	(6,229)
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	25,412	–
Gain arising from derecognition of derivative financial liabilities	–	8,125
(Loss) gain on disposal of subsidiaries	(5,756)	2,340
Gain on deemed disposal of a subsidiary	–	5
Gain on bargain purchase	61	–
Loss on early redemption of convertible loan notes	–	(1,315)
Loss on settlement on other payables	–	(1,063)
Impairment loss recognised in respect of available-for-sale financial assets	(2,258)	–
Impairment loss recognised in respect of other receivables	–	(169,517)
Impairment loss recognised in respect of loan and interest receivables	–	(5,227)
Share-based payment expenses	–	(12,524)
Loss on disposal of an associate	(770)	–
Share of profit of associates	224	14
Unallocated finance costs	(18,782)	(25,768)
Loss before tax	<u>(85,842)</u>	<u>(348,701)</u>

Segment revenue reported above represents revenue generated from external customers. There was no intra-segment sale in the current year.

The accounting policies of the operating segment are the same as the Group's accounting policies. Segment profit (loss) represents the profit earned by (loss from) each segment without allocation of central administration costs, directors' emoluments, changes in fair values of convertible instruments designated as financial assets at fair value through profit or loss ("FVTPL"), gain on redemption of convertible instruments designated as financial assets at FVTPL, gain on disposal of available-for-sale financial assets, impairment loss recognised in respect of available-for-sale financial assets/loan and interest receivable and other receivables, share-based payment expenses, loss on early redemption of convertible loan notes, loss on settlement on other payables, gain arising from derecognition of derivative financial liabilities, gain (loss) on disposal of subsidiaries, gain on deemed disposal of a subsidiary, gain on bargain purchase, loss on disposal of an associate, share of profit of associates and certain finance costs. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

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

	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment assets		
– Properties investments	301,152	279,025
– Securities trading	221,378	225,167
– Loan financing	51,546	109,375
– Trading business	4,209	–
	<hr/>	<hr/>
Total segment assets	578,285	613,567
Unallocated corporate assets	199,472	186,278
	<hr/>	<hr/>
Consolidated assets	<u>777,757</u>	<u>799,845</u>
Segment liabilities		
– Properties investments	69,731	69,981
– Securities trading	32,711	15,269
– Loan financing	208	135
– Trading business	4,073	–
	<hr/>	<hr/>
Total segment liabilities	106,723	85,385
Unallocated corporate liabilities	131,748	158,598
	<hr/>	<hr/>
Consolidated liabilities	<u>238,471</u>	<u>243,983</u>

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segments other than available-for-sale financial assets, certain plant and equipment, prepaid lease payment, interests in/amount due from associates, club debentures, convertible instruments designated as financial assets at FVTPL, bank balances and cash and certain prepayments, deposits and other receivables; and
- all liabilities are allocated to operating segments other than certain accruals and other payables, certain borrowings, obligations under finance leases, amount due to an associate, tax liabilities, bond payables and deferred tax liabilities.

Other segment information

For the year ended 31 December 2017

	Properties investments <i>HK\$'000</i>	Securities trading <i>HK\$'000</i>	Loan financing <i>HK\$'000</i>	Trading business <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Amounts included the measure of segment profit or loss or segment assets:						
Depreciation on plant and equipment	1	-	-	-	2,579	2,580
Share of profit of joint ventures	(1,009)	-	-	-	-	(1,009)
Fair value (gain) loss on:						
– investments properties	(6,460)	-	-	-	-	(6,460)
– investments held for trading	-	31,171	-	-	-	31,171
Gain on disposal of investments held for trading	-	(11,230)	-	-	-	(11,230)
Finance costs	-	1,891	-	-	18,782	20,673
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

For the year ended 31 December 2016

	Properties investments <i>HK\$'000</i>	Securities trading <i>HK\$'000</i>	Loan financing <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Amounts included the measure of segment profit or loss or segment assets:					
Depreciation on plant and equipment	1	6	–	2,642	2,649
Additions to plant and equipment	4	–	–	1,137	1,141
Share of profit of a joint venture	(11,323)	–	–	–	(11,323)
Fair value (gain) loss on:					
– investments properties	(5,215)	–	–	–	(5,215)
– investments held for trading	–	9,177	–	–	9,177
Loss on disposal of investments held for trading	–	69,431	–	–	69,431
Finance costs	–	9,251	–	25,768	35,019
	<u>–</u>	<u>9,251</u>	<u>–</u>	<u>25,768</u>	<u>35,019</u>

Geographical information

The Group's operations are located in the PRC, Hong Kong and the Commonwealth of the Northern Mariana Islands ("CNMI").

Information about the Group's revenue from external customers is presented based on the location of the operations. Information about the Group's non-current assets, excluding financial instruments, is presented based on the geographical location of the assets:

	Revenue from external customers		Non-current assets	
	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Hong Kong	6,067	8,738	126,298	119,471
PRC	4,200	–	180,521	166,278
CNMI	–	–	19,114	19,501
	<u>10,267</u>	<u>8,738</u>	<u>325,933</u>	<u>305,250</u>

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total revenue of the Group are as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Customer A ¹	N/A *	1,020
Customer B ²	N/A *	3,248
Customer C ³	<u>4,200</u>	<u>–</u>

¹ Revenue from properties investments

² Revenue from loan financing

³ Revenue from trading business

* The corresponding revenue did not contribute over 10% of the total revenue of the Group.

5. OTHER INCOME AND GAINS

The analysis of the Group's other income and gains are as follow:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Bank interest income	11	3
Interest on convertible instruments designated as financial assets at FVTPL	94	156
Interest on other receivables (<i>Note a</i>)	863	–
Reversal of impairment loss recognised in respect of loan and interest receivables	70	–
Others (<i>Note b</i>)	<u>20</u>	<u>15,931</u>
	<u>1,058</u>	<u>16,090</u>

Notes:

- (a) The amount represents the interest income regarding the other receivables bearing interest rate of 5% per annum.
- (b) Included in other income for the year ended 31 December 2016 is an amount of approximately HK\$15,678,000 regarding gain on settlement of other receivables of HK\$32,000,000 with listed shares.

6. FINANCE COSTS

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Interests on:		
Bank borrowings	595	491
Other loans	14,324	18,608
Bond payables	3,800	3,800
Convertible loan notes at effective interest rates	–	2,790
Obligations under finance leases	63	79
Margin accounts	1,891	9,251
	<u>20,673</u>	<u>35,019</u>

7. INCOME TAX EXPENSES

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Deferred taxation	<u>213</u>	<u>213</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both years ended 31 December 2017 and 2016. No provision for taxation in Hong Kong has been made for both years ended 31 December 2017 and 2016 as the Group did not generate any assessable profits arising in Hong Kong.

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% for both years ended 31 December 2017 and 2016.

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

8. LOSS FOR THE YEAR

	2017	2016
	HK\$'000	HK\$'000
Loss for the year has been arrived at after charging (crediting):		
Staff costs including directors' emoluments:		
Salaries and allowances	29,188	30,539
Contributions to retirement benefits scheme	626	624
Share-based payment expenses	–	6,399
	29,814	37,562
Auditor's remuneration		
– Audit service	820	833
– Non-audit service	170	–
Cost of inventories recognised as expenses	4,000	–
Depreciation of plant and equipment	2,580	2,649
Amortisation of prepaid lease payment	388	388
Impairment loss in respect of prepaid lease payment	–	441
Loss on written-off of plant and equipment	178	594
Minimum lease payments under operating leases	4,782	7,345
Legal and professional fees	6,817	13,196
Share-based payment expenses – consultants	–	6,125
Consultancy fees	7,443	7,841
Gross rental income	(2,453)	(2,474)
Less: outgoings (included in cost of sales)	312	271
Net rental income	(2,141)	(2,203)

9. DIVIDEND

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 December 2017, nor has any dividend been proposed since the end of the reporting period (2016: Nil).

10. LOSS PER SHARE

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

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Loss		
Loss for the year attributable to owners of the Company for the purpose of basic loss per share	(86,462)	(350,928)
Effect of dilutive potential ordinary shares		
– Interest on convertible loan notes	<u>N/A</u>	<u>N/A</u>
Loss for the purpose of diluted loss per share	<u>(86,462)</u>	<u>(350,928)</u>
	2017 <i>'000</i>	2016 <i>'000</i> (Restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	149,625	102,128
Effect of dilutive potential ordinary shares		
– Share options	N/A	N/A
– Convertible loan notes	N/A	N/A
– Options to subscribe convertible bonds	<u>N/A</u>	<u>N/A</u>
Weighted average number of ordinary shares for the purpose of diluted loss per share	<u>149,625</u>	<u>102,128</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 denominator for the purpose of calculating basic and diluted loss per share in 2016 has been restated to reflect the effect of the open offer and the share consolidation during the year ended 31 December 2017.

The computation of diluted loss per share for the years ended 31 December 2017 and 31 December 2016 does not assume the exercise of the Company's share options, the options to subscribe convertible bonds and the conversion of the Company's outstanding convertible loan notes, since it would result in a decrease in loss per share for the years which is regarded as anti-dilutive.

11. LOAN AND INTEREST RECEIVABLES

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Fixed rate loan and interest receivables arising from loan financing business (<i>Note</i>):		
Secured loan and interest receivables	175,860	196,685
Unsecured loan and interest receivables	3,357	3,427
<i>Less</i> : accumulated impairment losses recognised	<u>(143,746)</u>	<u>(143,816)</u>
	<u>35,471</u>	<u>56,296</u>
Other loan and interest receivables:		
Amount due from a former subsidiary	151,980	151,980
Other unsecured loan receivable	–	1,800
Other secured loan and interest receivable	<u>20,879</u>	<u>20,879</u>
	172,859	174,659
<i>Less</i> : accumulated impairment losses recognised	<u>(157,366)</u>	<u>(159,166)</u>
	<u>15,493</u>	<u>15,493</u>
	<u>50,964</u>	<u>71,789</u>

Note:

As at 31 December 2017, 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% (2016: 10% to 20%) 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:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Within 3 months	24,038	46,552
In more than 3 months but not more than 6 months	9,771	7,344
In more than 6 months but not more than 12 months	1,662	2,400
	<u>35,471</u>	<u>56,296</u>

The Group's loan financing customers included in the loan and interest receivables are due for settlement at the dates specified in the respective loan agreements.

12. TRADE AND OTHER RECEIVABLES

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Trade receivable (<i>Note</i>)	4,200	—
Deposits paid for acquisition of potential investments	20,000	20,000
Accumulated impairment losses on the deposits paid for acquisition of potential investments	(20,000)	(20,000)
	<u>—</u>	<u>—</u>
Prepayments	2,101	2,073
Rental and utility deposits	1,268	1,592
Other receivables	258,960	236,036
	262,329	239,701
Accumulated impairment losses	(164,624)	(169,517)
	<u>97,705</u>	<u>70,184</u>
Cash balance in securities account	10,765	317
	<u>112,670</u>	<u>70,501</u>

Note:

Trade receivable at the end of the reporting period comprise amounts receivable from the 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 aging analysis of the Group's trade receivable presented based on invoice date as at the end of the reporting period is as follows:

	2017 HK\$'000	2016 <i>HK\$'000</i>
0 – 30 days	<u>4,200</u>	<u>–</u>

13. TRADE AND OTHER PAYABLES

	2017 HK\$'000	2016 <i>HK\$'000</i>
Trade payable (<i>Note</i>)	4,000	–
Accruals	17,265	26,987
Other payables	11,769	2,145
Rental deposit received	<u>1,085</u>	<u>–</u>
	<u>34,119</u>	<u>29,132</u>

Note:

The following is an aging analysis of the Group's trade payable presented based on invoice date as at the end of the reporting period is as follows:

	2017 HK\$'000	2016 <i>HK\$'000</i>
0 – 30 days	<u>4,000</u>	<u>–</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group is principally engaged in businesses of properties investments, securities trading, loan financing and trading business. The revenue of the Group for the year ended 31 December 2017 amounted to approximately HK\$10,267,000, representing an increase of 17.5% as compared with approximately HK\$8,738,000 in the preceding financial year. The increase in revenue was mainly due to a new launched segment of trading business.

Properties Investments

The Group recorded a rental income of approximately HK\$2,453,000 for the year ended 31 December 2017 (2016: approximately HK\$2,474,000) through properties leasing. The property market in Hong Kong has experienced rebound in the price and reached its highest record since the fourth quarter of 2016, the Group recorded a gain arising from fair value changes of investment properties of approximately HK\$6,460,000 (2016: approximately HK\$5,215,000).

As at 31 December 2017, the fair value of investment properties of the Group amounted to approximately HK\$117,700,000 (31 December 2016: approximately HK\$111,240,000).

Securities Trading

During the year ended 31 December 2017, through disposal of investments held for trading, the Group recorded a gain of approximately HK\$11,230,000 (2016: loss approximately HK\$69,431,000). With the volatile securities market affected by both political and economical factors frequently, the Group recorded a loss arising from the fair value changes of investments held for trading of approximately HK\$31,171,000 (2016: approximately HK\$9,177,000).

As at 31 December 2017, the Group had investments held for trading amounted to approximately HK\$204,232,000 (31 December 2016: approximately HK\$222,868,000).

Investments with market value exceeding HK\$20,000,000 as at 31 December 2017 are as follows:

Company	As at 31 December 2017				For the year ended 31 December 2017			
	No. of shares held	Approx. percentage of shareholdings	Investment cost (average)	Fair value	Stock price performance	Price range	(Loss) gain on disposal	Dividend received
			HK\$'000	HK\$'000	(%) Approx.	(HK\$) Approx.	HK\$'000	HK\$
China Fortune Financial Group Limited	181,350,000	2.56%	43,524	30,648	(47)%	0.157 – 0.32	(19,907)	Nil
In Technical Productions Holdings Limited	5,280,000	0.66%	31,046	32,208	1,933%	0.53 – 7.15	(34)	Nil

Loan Financing

During the year ended 31 December 2017, the performance of the loan financing business was not satisfactory with tightened credit policy and keen market competition. It was recorded a drop of 42% in the interest income to approximately HK\$3,614,000 from HK\$6,241,000 in the preceding financial year.

Trading Business

In order to broaden the revenue stream of the Group, the Group has started the trading business. With sustained economic growth as well as being one of the largest consumer of tea in the world that is steeped in tea culture, China has fueled the surge in demand for high quality tea leaves in recent years. As the demand for high quality tea leaves in this region continues to grow, the Group is of the view that this is a business area that has strong potential growth and room for healthy financial returns. With this mind, the Group ventured into tea trading transactions in the last quarter of 2017. The Group recorded the revenue and operating loss of tea leaves trading were approximately HK\$4,200,000 and HK\$468,000 respectively.

Financial Assets

The Group held an investment portfolio, classified as available-for-sale financial assets with carrying value of approximately HK\$3,634,000 as at 31 December 2017 (31 December 2016: approximately HK\$45,682,000). An unlisted investment funds of approximately HK\$39,790,000 denominated in USD and managed by an international investment bank was redeemed in February 2017 to capitalize its capital gain from the investment in available-for-sale financial assets to support the general working capital of the Group. The net proceeds from the redemption were approximately HK\$40,898,000. The management will again look for desirable fund investment opportunities for the benefit of the Company and its shareholders.

The Group held certain unlisted convertible bonds issued by a Hong Kong listed company and a private company, classified as convertible instruments designated as financial assets at fair value through profit or loss, amounted to approximately HK\$27,449,000 as at 31 December 2017 (31 December 2016: approximately HK\$38,851,000). The convertible instruments were measured at fair value at the reporting end date. In this regard, a gain arising from fair value changes of convertible instruments designated as financial assets at fair value through profit or loss of approximately HK\$2,265,000 was recorded during the year ended 31 December 2017 (2016: loss of approximately HK\$6,229,000).

The carrying value of the aforesaid investments, representing 4% of the total assets of the Group, is mark to market value and its performance is affected by Hong Kong stock market and global economic environment.

Financial Review

For the year ended 31 December 2017, the Group recorded a revenue of approximately HK\$10,267,000 (2016: approximately HK\$8,738,000), representing an increase of approximately 17.5% as compared with the preceding financial year. 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 year ended 31 December 2017 was approximately HK\$80,221,000 (2016: approximately HK\$103,302,000), representing a decrease of 22.3% as compared with the preceding financial year. The decrease in administrative expenses was mainly due to share-based payment expenses of approximately HK\$12,524,000 in respect of the share options granted on 23 March 2016.

The Group incurred finance costs of approximately HK\$20,673,000 for the year ended 31 December 2017 (2016: approximately HK\$35,019,000), 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 year ended 31 December 2017 aggregated at approximately HK\$86,462,000 (2016: approximately HK\$350,928,000). Loss for the year was mainly attributable to loss on fair value changes of investments held for trading, administrative expenses and finance costs. The basic loss per share for the year ended 31 December 2017 was approximately HK57.79 cents (2016 (Restated): HK343.62 cents).

Outlook

Hong Kong residential property prices have continued its upward trajectory throughout 2017 despite the continued risks of rising interest rates and mounting political tension in the region among the United States, North Korea, China and other neighbouring nations. Given that residential property prices in Hong Kong have now reached an unprecedented high, the management will adopt a very cautious and conservative approach when seeking out new property investment opportunities for the Company during the coming financial year.

Over the past few months, there have been significant fluctuations in all of the key stock markets in the world (including Hong Kong) which is perhaps indicative of the unpredictability of market sentiments in the coming financial year. The management will, therefore, continue to adopt a prudent approach in all its securities investment dealings.

All in all, the management is of the view that the business environment in 2018 will primarily be driven by world-wide economic and political factors that will have far-reaching implications for this region. Such factors will pose as challenges and business opportunities in equal measure which the management will attempt to navigate with cautious and practical business acumen.

Interest in a Joint Venture

The Group's investment in the joint venture 長沙賽格發展有限公司 (Changsha Seg Development Co Limited) ("**Changsha Seg**") performed satisfactorily during the year ended 31 December 2017. The Group's share of result of Changsha Seg amounted to approximately HK\$2,518,000 for the year ended 31 December 2017 (2016: approximately HK\$11,323,000). The net assets of Changsha Seg was approximately HK\$301,133,000 (2016: approximately HK\$274,758,000).

Changsha Seg is principally engaged in rental of office premises and a shopping mall in Changsha, the People's Republic of China that is situated at a prime location near the Changsha Railway Station. The Group has been working closely with its partner, Shenzhen Seg Co. Ltd., a company listed on the Shenzhen Stock Exchange, as well as the other shareholders of Changsha Seg, in respect of its operation and development.

Fund Raising Activities

On 10 April 2017, the Company proposed to raise not less than approximately HK\$57,439,171 and not more than approximately HK\$71,212,171, before expenses, by way of the open offer, by issuing not less than 574,391,712 offer Shares and not more than 712,121,712 offer Shares at the subscription price of HK\$0.1 per offer share on the basis of one (1) offer Share for every two (2) existing Shares held by the qualifying shareholders of the Company on the record date (the “**Open Offer**”).

Completion of the Open Offer took place on 26 June 2017. An aggregate of 574,391,712 offer Shares were issued and net proceeds of approximately HK\$54,200,000 were raised by way of the Open Offer. The Company used the net proceeds from the Open Offer as to (i) approximately HK\$39,100,000 for the repayment of the short-term borrowings due from the Group to certain financial institutions; (ii) approximately HK\$4,100,000 for settlement of the outstanding operation payable of the Group; and (iii) approximately HK\$11,000,000 for staff costs and other administrative expenses of the Group.

Details of the Open Offer are set out in the announcements of the Company dated 10 April 2017, 12 April 2017, 21 April 2017, 2 May 2017, 19 May 2017, 26 May 2017 and 23 June 2017 and the prospectus of the Company dated 2 June 2017.

On 17 October 2017, the Company entered into the placing agreement with the placing agent, pursuant to which the placing agent has conditionally agreed to procure on a best effort basis to not less than six places under general mandate to subscribe for up to 34,460,000 placing shares at the placing price of HK\$0.8 per placing share (the “**Placing**”). The Placing was completed on 9 November 2017. The net proceeds from the Placing amounted to approximately HK\$26,700,000 and was used for (i) approximately HK\$7,200,000 for the settlement of short-term borrowings and interest payments; and (ii) approximately HK\$19,500,000 for the staff cost and other administrative expenses of the Group.

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 December 2017, the Group had cash and cash equivalent of approximately HK\$49,146,000 (31 December 2016: approximately HK\$34,489,000), interest-bearing borrowings of approximately HK\$139,226,000 (31 December 2016: approximately HK\$149,807,000) and bonds payable of HK\$50,000,000 (31 December 2016: HK\$50,000,000).

As at 31 December 2017, the gearing ratio (measured as total liabilities to total assets) was approximately 30.7% (31 December 2016: approximately 30.5%).

Capital Structure

The Company announced on 10 April 2017 to put forward a proposal, to implement a share consolidation on the basis that every ten (10) Shares of HK\$0.001 each in the issued and unissued capital of the Company be consolidated into one (1) consolidated Share of HK\$0.01 each (the “**Share Consolidation**”) and to change the board lot size for trading in the Shares on the Exchange from 2,000 Shares (or 200 consolidated Shares upon the Share Consolidation becoming effective) to 1,800 consolidated Shares after and conditional upon the Share Consolidation becoming effective.

The Share Consolidation was approved by the shareholders of the Company at the special general meeting held on 26 June 2017. Subsequently, as on 27 June 2017, the Company’s number of issued Shares was changed from 1,723,175,137 of HK\$0.001 each to 172,317,513 of HK\$0.01 each and the board lot size for trading in the Shares on the Exchange was changed from 2,000 Shares to 1,800 consolidation Shares.

For details, please refer to the announcements of the Company dated 10 April 2017, 12 April 2017, 21 April 2017, 2 May 2017, 19 May 2017, 26 May 2017 and 26 June 2017 and the circular of the Company dated 7 June 2017.

As at 31 December 2017 after the Open Offer, Share Consolidation and Placing, the Company’s issued Share capital was HK\$2,067,775 (31 December 2016: HK\$1,148,783), divided into 206,777,513 Shares of HK\$0.01 each (31 December 2016: 1,148,783,425 Shares of HK\$0.001 each).

Capital Commitments

As at 31 December 2017 and 31 December 2016, the Group did not have any capital commitments.

Contingent Liabilities

As at 31 December 2017 and 31 December 2016, the Group did not have any material contingent liability.

Charges on Assets

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

Significant Investment

Save as disclosed in this announcement, the Group did not have any other significant investment during the year ended 31 December 2017.

Material Acquisition and Disposal

Save as disclosed in this announcement, the Group did not process any material acquisition or disposal during the year ended 31 December 2017.

Events after the Reporting Period

On 29 January 2018, the Company and the placing agent 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 the placing agent on sole and exclusive basis to place and to procure subscriptions for the placing shares on a best-effort basis. The aggregate nominal value of the placing shares under the placing will be HK\$400,000 and the maximum gross proceeds from the placing will be HK\$160,000,000.

Completion of the placing is subject to, among others, shareholders' approval and the fulfilment of the conditions precedent set out in the placing agreement. Details of the placing are set out in the announcement of the Company dated 29 January 2018.

Litigations

Concerning the six (6) sets of proceedings instituted by Fameway Finance Limited (“**Fameway**”), a wholly-owned subsidiary of the Company carrying on business as a licensed money lender in Hong Kong, five (5) of which have already been disposed of while Fameway is embarking on enforcement procedures in the remaining claim in reliance on legal advice.

In another litigation matter which has also been reported previously, the Company and King Perfection Limited have obtained judgment but one of the judgment debtors has been wound up. Both the Company and King Perfection Limited are relying on legal advice for further conduct and for protection of their interest.

In relation to the litigation matter in which the Company was sued as the 2nd Defendant under HCA701 of 2013, the Company has restored the hearing of the Plaintiff’s application to amend its Amended Statement of Claim and further issued another summons to strike out the Writ of the Plaintiff and its Re-Amended Statement of Claim (if leave for re-amendment be granted). These 2 applications will be heard on 14th June 2018.

Concerning the litigation matter instituted by Gain Millennia Limited (“**GML**”), an indirect wholly-owned subsidiary of the Company, at the Superior Court for the Commonwealth of the Northern Mariana Islands, GML has, as previously reported, obtained judgment in default against Hong Kong Entertainment (Overseas) Investments Limited. GML is relying on legal advice for any possible enforcement.

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 GML 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 31 December 2017, 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.

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 year 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.

Employee Information and Remuneration Policy

The Group had 45 employees (31 December 2016: 48 employees) in Hong Kong and Mainland China as at 31 December 2017. During the year ended 31 December 2017, the Group incurred staff costs (including Directors’ emoluments) of approximately HK\$29,814,000 (2016: approximately HK\$37,562,000).

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 year. 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 year.

CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions as set out in the Corporate Governance Code and Corporate Governance Report (Appendix 15) to the GEM Listing Rules (the "**CG Code**") for the year ended 31 December 2017 except for the following deviations:

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Throughout the year, the Company did not appoint a chief executive. The Board will keep reviewing the current structure from time to time and appoint candidate with suitable knowledge, skill, and experience as chief executive of the Company, if identified.

Under Rule 5.05(1) of the GEM Listing Rules, every board of directors of a listed issuer must include at least three independent non-executive directors. Under Rule 5.28 of the GEM Listing Rules, the audit committee must comprise a minimum of three members. Subsequent to the resignation of Mr. Wang Chin Mong with effect from 23 March 2017, the number of independent non-executive Directors and audit committee members had fallen below the minimum number required under Rules 5.05(1) and 5.28 of the GEM Listing Rules. On 8 June 2017, the Company appointed Mr. Matthew Pau as an independent non-executive Director and a member of the audit committee of the Company. Hence, the requirements under Rules 5.05(1) and 5.28 of the GEM Listing Rules were fulfilled since then.

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 year ended 31 December 2017.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2017.

AUDIT COMMITTEE

The Company has established an audit committee (the “**Audit Committee**”) with written terms of reference in compliance with the GEM Listing Rules. As at the date of this announcement, the Audit Committee comprises all independent non-executive Directors, namely, Ms. Yuen Wai Man, Mr. Chow Fu Kit Edward and Mr. Lam Raymond Shiu Cheung. Ms. Yuen Wai Man is the chairman of the Audit Committee. 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 audited consolidated financial statements and annual results for the year ended 31 December 2017 and has provided comments thereon.

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

Hong Kong, 16 March 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.