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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 2017

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

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

*This 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 Stock Exchange (“**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this 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 unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2017, together with the comparative figures for the corresponding period in year 2016, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Three months ended		Six months ended	
		30 June		30 June	
		2017	2016	2017	2016
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	3	2,041	1,199	3,951	2,384
Cost of sales		(87)	(72)	(154)	(136)
Gross profit		1,954	1,127	3,797	2,248
Other income and gains	4	2	1	66	250
Administrative expenses		(20,165)	(18,933)	(36,181)	(50,112)
Changes in fair values in investment properties, net		440	3,500	3,170	(2,200)
Changes in fair values of investments					
held for trading		(6,031)	2,667	(16,700)	(69,896)
Loss on disposals of					
investments held for trading		(9,598)	(3,600)	(28,678)	(9,843)
Changes in fair values of convertible instruments					
designated as financial assets at fair value					
through profit or loss		1,416	2,874	4,154	(5,581)
Gain on redemption of convertible instruments		-	-	1,333	-
Gain on disposal of available-for-sale					
financial assets		-	-	1,108	-
Changes in fair values of derivative financial					
liabilities		-	2,311	-	8,122
Gain on disposal of subsidiaries		-	2,340	-	2,340
Loss on disposal of an associate		-	-	(770)	-
Share of loss of an associate		-	-	-	(62)
Share of profit of a joint venture		935	1,036	1,879	2,113
Operating loss		(31,047)	(6,677)	(66,822)	(122,621)
Finance costs	5	(5,741)	(11,942)	(10,877)	(18,396)
Loss before tax		(36,788)	(18,619)	(77,699)	(141,017)
Income tax expense	6	-	-	-	-
Loss for the period	7	(36,788)	(18,619)	(77,699)	(141,017)

	Three months ended		Six months ended	
	30 June		30 June	
	2017	2016	2017	2016
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other comprehensive (expense) income				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences arising on translating foreign operations	2	(3)	-	(3)
Fair value gain (loss) on available-for-sale financial assets	-	203	-	(1,840)
Other comprehensive income (expense) for the period, net of income tax	2	200	-	(1,843)
Total comprehensive expense for the period	(36,786)	(18,419)	(77,699)	(142,860)
(Loss) profit for the period attributable to:				
Owners of the Company	(36,961)	(18,811)	(78,047)	(141,409)
Non-controlling interests	173	192	348	392
	(36,788)	(18,619)	(77,699)	(141,017)
Total comprehensive (expense) income attributable to:				
Owners of the Company	(36,959)	(18,611)	(78,047)	(143,252)
Non-controlling interests	173	192	348	392
	(36,786)	(18,419)	(77,699)	(142,860)
		(Restated)		(Restated)
Loss per share	9			
Basic (HK cents)	(31.31) cents	(19.09) cents	(67.01) cents	(143.70) cents
Diluted (HK cents)	(31.31) cents	(19.09) cents	(67.01) cents	(143.70) cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2017 (Unaudited) (HK\$'000)	31 December 2016 (Audited) (HK\$'000)
	<i>Notes</i>		
Non-current assets			
Plant and equipment	<i>10</i>	9,240	5,365
Convertible instruments designated as financial assets at fair value through profit or loss	<i>18</i>	21,338	17,184
Prepaid lease payment – non-current portion	<i>11</i>	19,308	19,501
Investment properties		114,410	111,240
Interests in associates		176	176
Interest in a joint venture		168,155	166,278
Club debentures		2,690	2,690
Available-for-sale financial assets	<i>18</i>	5,892	45,682
		341,209	368,116
Current assets			
Loan and interest receivables	<i>12</i>	70,217	71,789
Amount due from an associate		9,726	10,026
Convertible instruments designated as financial assets at fair value through profit or loss	<i>18</i>	–	21,667
Prepayments, deposits and other receivables	<i>13</i>	125,360	70,501
Prepaid lease payment – current portion	<i>11</i>	388	389
Investments held for trading	<i>14</i>	163,919	222,868
Bank balances and cash		54,972	34,489
		424,582	431,729
Current liabilities			
Accruals and other payables		17,572	29,132
Borrowings		150,163	149,807
Obligations under finance leases – current portion		581	658
Tax liabilities		12,052	12,052
		180,368	191,649
Net current assets		244,214	240,080
Total assets less current liabilities		585,423	608,196

		30 June	31 December
		2017	2016
		(Unaudited)	(Audited)
	<i>Notes</i>	(HK\$'000)	(HK\$'000)
Non-current liabilities			
Bond payables		50,000	50,000
Obligations under finance leases – non-current portion		905	1,154
Deferred tax liabilities		1,180	1,180
		<u>52,085</u>	<u>52,334</u>
NET ASSETS		<u>533,338</u>	<u>555,862</u>
CAPITAL AND RESERVES			
Share capital	<i>15</i>	1,723	1,149
Reserves		501,034	524,480
		<u>502,757</u>	<u>525,629</u>
Equity attributable to owners of the Company		502,757	525,629
Non-controlling interests		30,581	30,233
		<u>533,338</u>	<u>555,862</u>
TOTAL EQUITY		<u>533,338</u>	<u>555,862</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

	Attributable to owners of the Company								Non-controlling interests	Total	
	Share capital	Share premium	Contributed surplus	Share options reserve	Investment revaluation reserve	Convertible loan notes reserve	Translation reserve	Accumulated losses			Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2016 (audited)	982	3,042,196	7,914	3,590	22,752	3,368	1,747	(2,253,922)	828,627	28,219	856,846
Loss for the period	-	-	-	-	-	-	-	(141,409)	(141,409)	392	(141,017)
Other comprehensive (expense) income for the period	-	-	-	-	(1,840)	-	(3)	-	(1,843)	-	(1,843)
Total comprehensive (expense) income for the period	-	-	-	-	(1,840)	-	(3)	(141,409)	(143,252)	392	(142,860)
Exercise of share options	3	2,810	-	(977)	-	-	-	-	1,836	-	1,836
Settle other payables upon issue of shares	14	7,694	-	-	-	(3,368)	-	-	4,340	-	4,340
Recognition of share-based payment expenses	-	-	-	12,524	-	-	-	-	12,524	-	12,524
At 30 June 2016 (unaudited)	999	3,052,700	7,914	15,137	20,912	-	1,744	(2,395,331)	704,075	28,611	732,686
At 1 January 2017 (audited)	1,149	3,087,530	7,914	15,137	24,304	-	(8,923)	(2,601,482)	525,629	30,233	555,862
Loss for the period	-	-	-	-	-	-	-	(78,047)	(78,047)	348	(77,699)
Other comprehensive (expense) income for the period	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive (expense) income for the period	-	-	-	-	-	-	-	(78,047)	(78,047)	348	(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	30,581	533,338

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

For the six months ended 30 June 2017

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash used in operating activities	(12,970)	(29,580)
Net cash used in investing activities	(2,375)	(16,840)
Net cash generated from financing activities	<u>35,828</u>	<u>4,173</u>
Net increase (decrease) in cash and cash equivalents	20,483	(42,247)
Cash and cash equivalents at the beginning of period	<u>34,489</u>	<u>46,952</u>
Cash and cash equivalents at the end of period	<u><u>54,972</u></u>	<u><u>4,705</u></u>
Analysis of balances of cash and cash equivalents		
Bank balances and cash	<u><u>54,972</u></u>	<u><u>4,705</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 the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 18 May 2000. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda, and its principal place of business is located at 2nd Floor, SBI Centre, Nos. 54-58 Des Voeux Road Central, Hong Kong.

The principal activity of the Company is investment holding.

The unaudited condensed consolidated financial statements are presented in Hong Kong dollars (“HK\$”), which is the functional currency of the Company.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements for the six months ended 30 June 2017 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 2017 are consistent with those used in the Group’s annual financial statements for the year ended 31 December 2016.

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

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses

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

HKFRS 9	Financial Instruments ¹
HKFRS 15	Revenue from Contracts with Customers and related Amendments ¹
HKFRS 16	Leases ²
Amendments to HKFRS 2	Clarification 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 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³

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

3. REVENUE

Revenue represents the aggregate of rental income, interest income from loan financing 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	
	2017 (Unaudited) <i>HK\$'000</i>	2016 (Unaudited) <i>HK\$'000</i>	2017 (Unaudited) <i>HK\$'000</i>	2016 (Unaudited) <i>HK\$'000</i>
Rental income	653	612	1,304	1,224
Interest income from provision of loan financing	1,388	587	2,647	1,160
Dividend income from investments held for trading	—	—	—	—
	<u>2,041</u>	<u>1,199</u>	<u>3,951</u>	<u>2,384</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 and operating 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

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	
	2017	2016	2017	2016
	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>
Segment revenue				
Properties investments	653	612	1,304	1,224
Securities trading	–	–	–	–
Loan financing	1,388	587	2,647	1,160
	<u>2,041</u>	<u>1,199</u>	<u>3,951</u>	<u>2,384</u>
Segment profit (loss)				
Properties investments	1,935	5,060	6,169	963
Securities trading	(17,765)	(890)	(47,864)	(79,474)
Loan financing	1,188	85	2,213	136
	<u>(14,642)</u>	<u>4,255</u>	<u>(39,482)</u>	<u>(78,375)</u>
Unallocated corporate expenses	(18,327)	(18,458)	(34,110)	(49,315)
Unallocated corporate income	2	1	66	250
Changes in fair values of convertible instruments designated as financial assets at FVTPL	1,416	2,874	4,154	(5,581)
Gain on redemption of convertible instruments	–	–	1,333	–
Gain on disposal of available-for-sale financial assets	–	–	1,108	–
Changes in fair values of derivative financial liabilities	–	2,311	–	8,122
Gain on disposal of subsidiaries	–	2,340	–	2,340
Loss on disposal of an associate	–	–	(770)	–
Share of loss of an associate	–	–	–	(62)
Finance costs	(5,237)	(11,942)	(9,998)	(18,396)
Loss before tax	<u>(36,788)</u>	<u>(18,619)</u>	<u>(77,699)</u>	<u>(141,017)</u>

Segment assets and liabilities

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

	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
Segment assets		
Properties investments	285,062	279,025
Securities trading	169,475	225,167
Loan financing	<u>98,515</u>	<u>109,375</u>
Total segment assets	553,052	613,567
Unallocated corporate assets	<u>212,739</u>	<u>186,278</u>
Consolidated assets	<u>765,791</u>	<u>799,845</u>
Segment liabilities		
Properties investments	70,416	69,981
Securities trading	29,587	15,269
Loan financing	<u>3,592</u>	<u>135</u>
Total segment liabilities	103,595	85,385
Unallocated corporate liabilities	<u>128,858</u>	<u>158,598</u>
Consolidated liabilities	<u>232,453</u>	<u>243,983</u>

4. OTHER INCOME AND GAINS

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

	Three months ended 30 June		Six months ended 30 June	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Bank interest income	2	1	5	1
Sundry income	–	–	61	–
Interest on convertible instruments designated as financial assets at FVTPL	–	–	–	249
	<u>2</u>	<u>1</u>	<u>66</u>	<u>250</u>

5. FINANCE COSTS

	Three months ended 30 June		Six months ended 30 June	
	2017 (Unaudited) <i>HK\$'000</i>	2016 (Unaudited) <i>HK\$'000</i>	2017 (Unaudited) <i>HK\$'000</i>	2016 (Unaudited) <i>HK\$'000</i>
Interest on:				
Bank borrowings	149	152	301	311
Other loans	4,127	2,750	7,782	4,624
Bond payables	948	946	1,887	1,891
Convertible loan notes at effective interest rates	–	5,773	–	6,884
Obligations under finance leases	13	34	28	44
Margin accounts	504	2,287	879	4,642
	<u>5,741</u>	<u>11,942</u>	<u>10,877</u>	<u>18,396</u>

6. INCOME TAX EXPENSE

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the six months ended 30 June 2017 and 30 June 2016.

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 the six months ended 30 June 2017 and 30 June 2016.

Taxation arising in other jurisdictions is calculated at the rates 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	
	2017	2016	2017	2016
	(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	7,009	7,430	13,751	14,703
Contributions to retirement benefits scheme	144	142	283	299
Share-based payment expenses	–	–	–	6,399
	7,153	7,572	14,034	21,401
Depreciation of plant and equipment	806	694	1,447	1,310
Amortisation of prepaid lease payment	97	97	194	194
Minimum lease payments under operating leases	1,390	2,195	3,105	4,329
Share-based payment expenses – consultants	–	–	–	6,125
Gross rental income	(653)	(612)	(1,304)	(1,224)
Less: outgoings (included in cost of sales)	87	72	154	136
Net rental income	<u>(566)</u>	<u>(540)</u>	<u>(1,150)</u>	<u>(1,088)</u>

8. DIVIDEND

No dividend was paid or proposed for ordinary shares of the Company during the six months ended 30 June 2017 and 30 June 2016, nor has any dividend been proposed since 30 June 2017 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	
	2017 (Unaudited) <i>HK\$'000</i>	2016 (Unaudited) <i>HK\$'000</i>	2017 (Unaudited) <i>HK\$'000</i>	2016 (Unaudited) <i>HK\$'000</i>
Loss				
Loss for the period attributable to owners of the Company for the purpose of basic and diluted loss per share	<u>(36,961)</u>	<u>(18,811)</u>	<u>(78,047)</u>	<u>(141,409)</u>
	<i>'000</i>	<i>'000</i> (Restated)	<i>'000</i>	<i>'000</i> (Restated)
Number of shares				
Weighted average number of ordinary shares for the purpose of basic loss per share	118,034	98,554	116,465	98,403
Effect of dilutive potential ordinary shares	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Weighted average number of ordinary shares for the purpose of diluted loss per share	<u>118,034</u>	<u>98,554</u>	<u>116,465</u>	<u>98,403</u>

The weighted average number of ordinary shares for the purpose of basic and diluted loss per share for 2016 has been adjusted for the effect of open offer and share consolidation effective from 26 June 2017 and 27 June 2017 respectively.

The denominator for the purpose of calculating basic and diluted loss per share for the three months and six months ended 30 June 2016 has been restated to reflect the effect of the open offer and share consolidation during the six months ended 30 June 2017.

The computation of diluted loss per share for the six months ended 30 June 2017 and 30 June 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 period which is regarded as anti-dilutive.

10. PLANT AND EQUIPMENT

During the six months ended 30 June 2017, the Group had additions to plant and equipment in amount of approximately HK\$5,500,000 (2016: approximately HK\$1,141,000).

11. PREPAID LEASE PAYMENT

As at 30 June 2017, prepaid lease payment of approximately HK\$19,696,000 are the leasehold land situated in Tinian in the Commonwealth of Northern Mariana Islands (“CNMI”) (2016: approximately HK\$19,890,000).

12. LOAN AND INTEREST RECEIVABLES

	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
Fixed rate loan and interest receivables arising from loan financing business:		
Secured loan and interest receivables	195,133	196,685
Unsecured loan and interest receivables	3,357	3,427
Less: accumulated impairment loss recognised	(143,766)	(143,816)
	54,724	56,296
Other loan and interest receivables:		
Amount due from a former subsidiary	151,980	151,980
Other unsecured loan receivable	1,800	1,800
Other secured loan and interest receivable	20,879	20,879
	174,659	174,659
Less: accumulated impairment loss recognised	(159,166)	(159,166)
	15,493	15,493
	70,217	71,789

As at 30 June 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 24% (2016: 10% to 20%) per annum.

As at 30 June 2017, the unsecured loan and interest receivables arising from loan financing business bear interest at a fixed rate of 12% (2016: 12%) per annum.

The following table illustrates the ageing analysis, based on the loan drawn down date, of the loan and interest receivables (net of accumulated impairment loss) arising from loan financing business outstanding at the end of the reporting period:

	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
Less than 3 months	2,227	34,039
More than 3 months but less than 6 months	11,338	–
More than 12 months	41,159	22,257
	<u>54,724</u>	<u>56,296</u>

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
Deposits paid for acquisition of potential investments	20,000	20,000
Accumulated impairment loss on the deposits paid for acquisition of potential investments	(20,000)	(20,000)
	<u>–</u>	<u>–</u>
Prepayments	1,886	2,073
Rental and utility deposits	1,566	1,592
Other receivables	290,964	236,036
	<u>294,416</u>	<u>239,701</u>
Accumulated impairment loss	(169,517)	(169,517)
	<u>124,899</u>	<u>70,184</u>
Cash balance in securities account	461	317
	<u>125,360</u>	<u>70,501</u>

14. INVESTMENTS HELD FOR TRADING

Investments with market value exceeding HK\$20,000,000 as at 30 June 2017 are as follows:

Hong Kong Market	Company	Industry	As at 30 June 2017				Six months ended 30 June 2017			
			No. of shares held	Approx. percentage of share holdings	Investment cost (average) HK\$ '000	Fair value HK\$ '000	Stock price performance Approx. (%)	Price range Approx. (HK\$)	Gain (loss) on disposal HK\$	Dividend received HK\$
Main Board	China Fortune Financial Group Limited	Securities & Brokerage	286,140,000	4.04%	68,073	64,382	-29.69%	0.177 – 0.330	(10,960)	Nil
Main Board	Wai Chun Mining Industry Group Company Limited	Materials-Fertilisers & Agricultural Chemicals	322,480,000	1.98%	30,764	25,476	-3.66%	0.068 – 0.099	(127)	Nil
Main Board	Wai Chun Group Holdings Limited	Information Technology	525,006,000	2.45%	22,785	24,150	27.78%	0.035 – 0.071	368	Nil
Main Board	Runway Global Holdings Company Limited	Consumer Goods	24,330,000	1.44%	13,588	28,223	45%	0.760 – 1.330	1,794	Nil

15. SHARE CAPITAL

	Par value per share HK\$	Number of shares '000	Amount HK\$ '000
Authorised:			
Ordinary shares at 1 January 2016, 30 June 2016 and 1 January 2017	0.001	100,000,000	100,000
Share consolidation	N/A	(90,000,000)	—
Ordinary shares at 30 June 2017	0.01	<u>10,000,000</u>	<u>100,000</u>
Issued and fully paid:			
Ordinary shares at 1 January 2016, 30 June 2016 and 1 January 2017	0.001	1,148,783	1,149
Open offer	0.001	574,391	574
Share consolidation	N/A	(1,550,857)	—
Ordinary shares at 30 June 2017	0.01	<u>172,317</u>	<u>1,723</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 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
Within one year	1,633	2,185
In the second to fifth year inclusive	<u>357</u>	<u>119</u>
	<u>1,990</u>	<u>2,304</u>

Operating lease receipts represent rentals receivable by the Group for certain of its investment properties. All of the properties held have committed tenants for the next one to two years (2016: 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 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
Within one year	3,000	2,698
In the second to fifth year inclusive	<u>3,300</u>	<u>3,000</u>
	<u>6,300</u>	<u>5,698</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 (2016: two years).

(b) Capital commitments

As at 30 June 2017, the Group have capital commitment of HK\$3,000,000 (2016: Nil) in respect of entering into a joint venture agreement to carry out financial related business which is now at the initial stage.

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	
	2017	2016
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Fees	428	497
Salaries and other benefits	2,316	2,316
Retirement benefits scheme contribution	27	27
Share-based payment expenses	–	3,336
	<u>2,771</u>	<u>6,176</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	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
	30 June	31 December			
	2017	2016			
	<i>HK\$'000</i>	<i>HK\$'000</i>			
1) Investments held for trading	Assets – approximately HK\$163,919	Assets – approximately HK\$222,868	Level 1	Quoted bid prices in an active market.	N/A
2) Convertible instruments designated as financial assets at FVTPL	Assets – approximately HK\$21,338	Assets – approximately HK\$38,851	Level 3	Discount rate and volatility levels determined using a Binominal Option Pricing Model.	Liquidity risk premium and credit rating assessment
3) Unlisted investment funds classified as available-for-sale financial assets	Assets – Nil	Assets – approximately HK\$39,790	Level 2	Determined based on public information of quoted net asset value of the relevant fund investments	N/A

During the six months ended 30 June 2017 and 2016, there was no transfers between levels of the fair value hierarchy.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Performance

For the six months ended 30 June 2017, the Group recorded a revenue of approximately HK\$3,951,000 (six months ended 30 June 2016: approximately HK\$2,384,000), representing an increase of approximately 65.7% as compared with the last corresponding period. The increase in revenue was mainly due to the increase in loan interest income.

Administrative expenses for the six months ended 30 June 2017 was approximately HK\$36,181,000 (six months ended 30 June 2016: approximately HK\$50,112,000), representing a decrease of 27.8% as compared with the last corresponding period. 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 loss attributable to the owners of the Company for the six months ended 30 June 2017 aggregated at approximately HK\$78,047,000 (six months ended 30 June 2016: approximately HK\$141,409,000). Loss for the period was mainly attributable to loss arising from fair value changes of investments held for trading of approximately HK\$16,700,000 and loss on disposals of investments held for trading of approximately HK\$28,678,000. The basic loss per share for the six months ended 30 June 2017 was HK67.01 cents (six months ended 30 June 2016: HK143.70 cents).

Business Review and Outlook

The Group recorded a rental income of approximately HK\$1,304,000 for the six months ended 30 June 2017 (six months ended 30 June 2016: approximately HK\$1,224,000) through properties leasing. As at 30 June 2017, the fair value of investment properties of the Group amounted to approximately HK\$114,410,000 (31 December 2016: approximately HK\$111,240,000). Given that the economic fundamentals are relatively strong, and that the property prices and leasing are likely to maintain stable, the management remains cautiously optimistic about the property market and will look for desirable property investment opportunities.

The performance of securities trading has improved during the period under review. The Group recorded a loss arising from the fair values changes of investments held for trading of approximately HK\$16,700,000 (six months ended 30 June 2016: approximately HK\$69,896,000) and a loss on disposals of investments held for trading of approximately HK\$28,678,000 (six months ended 30 June 2016: approximately HK\$9,843,000). The loss as recorded was subsequent to tight cashflow position of the Group during the first half of 2017. As at 30 June 2017, the Group had investments held for trading amounted to approximately HK\$163,919,000, representing 21.4% of the total assets of the Group (31 December 2016: approximately HK\$222,868,000). Performance of investments held for trading are set out in Note 14.

The Group held an investment portfolio, classified as available-for-sale financial assets with carrying value of approximately HK\$5,892,000 as at 30 June 2017 (31 December 2016: approximately HK\$45,682,000). An unlisted investment in 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 (31 December 2016: approximately HK\$39,790,000). 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, classified as convertible instruments designated as financial assets at fair value through profit or loss, amounted to approximately HK\$21,338,000 as at 30 June 2017 (31 December 2016: approximately HK\$38,851,000). Certain convertible instruments matured on 31 March 2017 with principal amount of HK\$23,000,000 were redeemed and subsequently classified as other receivables. 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\$4,154,000 was recorded during the six months ended 30 June 2017 (six months ended 30 June 2016: a loss of approximately HK\$5,581,000).

In view of the carrying value of the investments held for trading, available-for-sale investments and convertible instruments designated as financial assets at fair value through profit or loss, representing 25% of the total assets of the Group, their performance was affected by the Hong Kong stock market and global economic environment. The stock market has recently reached its heights due to capital inflow, but not limited to mainland southbound. The Hong Kong market may edge higher in the future, albeit with various ups and downs. The Group will from time to time closely monitor the performance progress of the investment portfolio.

The performance of loan financing business continued to be encouraging. The Group generated an interest income of approximately HK\$2,647,000 during the period under review (six months ended 30 June 2016: approximately HK\$1,160,000), representing an increase of approximately 128.2%. In the past few months, the management explored the loan portfolio with shorter term and higher interest rate to increase its interest income.

The Group will continue to adopt a positive but prudent approach towards its investment strategy and keep pace with the market situation to grasp the other business opportunities, which may arise from time to time.

Fund Raising Activity

With reference to the Company's Annual Report 2016 and the announcements of the Company dated 17 October 2016 and 27 October 2016 in relation to the placing of 150,000,000 new shares of the Company (the "**Shares**") of HK\$0.24 each, the net proceeds from the Placing was approximately HK\$34,980,000 which was used for (i) approximately HK\$11.4 million for the general operating capital for the Group for October 2016 to December 2016; (ii) approximately HK\$11.8 million for the repayment of liabilities arising from the securities margin accounts of the Group; (iii) approximately HK\$8.3 million for the settlement of the outstanding operation payables; and (iv) approximately HK\$3.4 million for the settlement of interest payable on the liabilities of the Group.

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 approximately HK\$2,900,000 for settlement of the outstanding operation payable and approximately HK\$2,300,000 for the general operating capital for the Group. As at 30 June 2017, approximately HK\$49,000,000 are not yet utilized.

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.

Liquidity and Financial Resources

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

The Group had cash and cash equivalent of approximately HK\$54,972,000 (31 December 2016: approximately HK\$34,489,000), interest-bearing borrowings of approximately HK\$150,163,000 (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 30 June 2017, the gearing ratio (measured as total liabilities to total assets) was approximately 30.4% (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 Stock 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 Stock 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 30 June 2016 after the Open Offer and Share Consolidation, the Company’s issued Share capital was HK\$1,723,175 (31 December 2016: HK\$1,148,783), divided into 172,317,513 Shares of HK\$0.01 each (31 December 2016: 1,148,783,425 Shares of HK\$0.001 each).

Capital Commitments

As at 30 June 2017, the Group had capital commitment of HK\$3,000,000 (2016: Nil) in respect of entering into a joint venture agreement to carry out financial related business which is now at the initial stage.

Contingent Liabilities

As at 30 June 2017 and 31 December 2016, the Group did not have any material contingent liabilities.

Charges on Assets

As at 30 June 2017, loan receivables, investment properties and certain investments held for trading with an aggregate carrying value of approximately HK\$197,107,000 (31 December 2016: approximately HK\$193,455,000) had 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 steadily depreciated during the period under review, the Directors do not consider that the Group is exposed to any material foreign currency exchange risk. No hedging or other similar device has been implemented. However, the Directors will constantly monitor the Group’s foreign exchange exposure and will implement foreign currency hedging measures should the need arises.

Significant Investment

Save as disclosed in this announcement, the Group did not have any other significant investment during the six months ended 30 June 2017.

Material Acquisition and Disposal

During the six months ended 30 June 2017, the Group did not process any material acquisition or disposal of subsidiaries.

Litigations

Reference is made to pages 12 and 13 of 2016 Annual Report of the Company which discloses particulars on and progress of litigation matters in which the Company and/or its subsidiaries are involved.

The Company will announce or disclose the conduct of litigation matters and/or outcome of enforcement 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 Dynasty Hotel 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**”) a wholly-owned subsidiary of the Company and TEC and other moneys payable by HKE to GML and/or its affiliated companies is HK\$164,737,720 (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 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.

An intense tropical cyclone attacked Tinian, the Commonwealth of the Northern Mariana Islands (“**CNMI**”), in mid-2015 and severely damaged the international airport and other infrastructure of Tinian, CNMI, since then, visitors to the island dropped substantially. The Casino was suspended and the hotel closed down eventually in March 2016. Therefore, the management decided to take a prudent approach and make 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 46 employees (31 December 2016: 48 employees) in Hong Kong and Mainland China as at 30 June 2017. During the six months ended 30 June 2017, the Group incurred staff costs (including Directors’ emoluments) of approximately HK\$14,034,000 (six months ended 30 June 2016: approximately HK\$21,401,000).

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 of the Company held on 2 April 2014, the Company adopted a new share option scheme (the “**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 67,581,400 Shares, representing 10% of the aggregate number of the issued Shares by the time of passing the relevant resolution (before Share Consolidation).

Following the Open Offer and the Share Consolidation which became effective from 26 June 2017 and 27 June 2017 respectively, the general scheme limit was refreshed at the annual general meeting of the Company held on 28 June 2017 (the “**AGM**”). The refreshed general scheme limit is 17,231,751 Shares, representing 10% of the aggregated number of issued Shares as at the date of the AGM.

As at 30 June 2017, the total number of Shares available for issue under the New Share Option Scheme was 17,231,751 Shares, representing 10% of the aggregate number of the issued Shares as at 30 June 2017.

Details of the share options granted and outstanding during the six months ended 30 June 2017 were:

Name of category	Date of grant of share options	Number of share options					Outstanding as at 30.06.2017	Validity period of shares options	Exercise price HK\$
		Outstanding as at 01.01.2017	Granted	Exercised	Lapsed	Cancelled			
Expired Share Option Scheme									
Employees	3/4/2007	1,000,000	-	-	(1,000,000)	-	-	3/4/2007-2/4/2017	7.35
Consultants	3/4/2007	1,200,000	-	-	(1,200,000)	-	-	3/4/2007-2/4/2017	7.35
Total		<u>2,200,000</u>	<u>-</u>	<u>-</u>	<u>(2,200,000)</u>	<u>-</u>	<u>-</u>		
New Share Option Scheme									
Employees	23/3/2016	677,157*	-	-	-	-	677,157*	23/3/2016-22/3/2026	6.164*
Consultants	23/3/2016	1,950,056*	-	-	-	-	1,950,056*	23/3/2016-22/3/2026	6.164*
Directors									
Lam Kwok Hing Wilfred	23/3/2016	297,870*	-	-	-	-	297,870*	23/3/2016-22/3/2026	6.164*
Chan Shui Sheung Ivy	23/3/2016	297,870*	-	-	-	-	297,870*	23/3/2016-22/3/2026	6.164*
Mok Tsan San	23/3/2016	297,870*	-	-	-	-	297,870*	23/3/2016-22/3/2026	6.164*
Total		<u>3,520,823*</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,520,823*</u>		

The share options outstanding at 1 January 2017 under the Expired Share Option Scheme were lapsed prior to the Open Offer and the Share Consolidation effective from 26 June 2017 and 27 June 2017 respectively.

* *The number of share options and the exercise price per Share have been adjusted to reflect the impact of the Open Offer and the Share Consolidation.*

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

As at 30 June 2017, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and the chief executives of the Company were deemed or taken to have under such provision of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuer as referred to in rule 5.46 of the GEM Listing Rules were as follows:

Long position in shares and underlying shares of the Company

Name of Director	Type of interests	Number of issued ordinary Shares	Number of underlying Shares	Approximate percentage of the issued share capital
Lam Kwok Hing Wilfred	Beneficial owner	–	297,870 <i>(Note)</i>	0.17%
Chan Shui Sheung Ivy	Beneficial owner	9,000	297,870 <i>(Note)</i>	0.17%
Mok Tsan San	Beneficial owner	–	297,870 <i>(Note)</i>	0.17%

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. This exercise price and the underlying Shares stated above have been adjusted to reflect the impact of the Open Offer and the Share Consolidation.

Save as disclosed above, as at 30 June 2017, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to rule 5.46 of the GEM Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the above section headed "Directors' and Chief Executives' Interests in Shares of the Company", at no time during the six months ended 30 June 2017 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 2017.

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 2017 or at any time during the six months ended 30 June 2017.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2017, persons (other than a director or chief executive of the Company) who had interests or short positions directly or indirectly in the Company's shares and/or underlying shares recorded in the register kept by the Company pursuant to Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange were as follows:

Long position in shares and underlying shares of the Company

Name of Shareholder	Capacity	Number of Shares	Approximate percentage of interests
Law Fei Shing	Beneficial owner	17,200,000	9.98%

As at 30 June 2017, the number of shares issued by the Company was 172,317,513.

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 2017 as recorded in the register required to be kept by the Company under Section 336 of the SFO or as otherwise notified to the Company or the Stock Exchange.

COMPETING INTERESTS

None of the Directors or any of their respective associates (as defined in the GEM Listing Rules) had any business or interest that competes or may compete with the business of the Group or had any other conflict of interest with the Group during the six months ended 30 June 2017.

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 2017 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 2017, 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.

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 six months ended 30 June 2017.

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 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. 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 for the six months ended 30 June 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, 9 August 2017

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. Matthew Pau.