



華人策略控股有限公司

Chinese Strategic Holdings Limited

(incorporated in Bermuda with limited liability)

Stock Code: 8089

2016
Interim Report

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

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

*This report, for which the directors (the “**Directors**”) of Chinese Strategic Holdings Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (“**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and that there are no other matters the omission of which would make any statement herein or this report misleading.*

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

The board of directors (the “**Board**”) of Chinese Strategic Holdings Limited (the “**Company**”) hereby announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2016, together with the comparative figures for the corresponding period in year 2015, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Three months ended 30 June		Six months ended 30 June	
		2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Turnover	3	49,917	126,517	73,964	132,330
Revenue	3	1,199	1,308	2,384	2,858
Cost of sales		(72)	(59)	(136)	(123)
Gross profit		1,127	1,249	2,248	2,735
Other income and gains	4	1	2	250	2
Administrative expenses		(18,933)	(23,763)	(50,112)	(41,665)
Changes in fair values of investment properties, net		3,500	2,700	(2,200)	2,700
Changes in fair values of investments held for trading		2,667	304,857	(69,896)	330,817
(Loss) gain on disposals of investments held for trading		(3,600)	45,174	(9,843)	45,183
Changes in fair values of convertible instruments designated as financial assets at fair value through profit or loss		2,874	-	(5,581)	1,920
Changes in fair values of derivative financial liabilities		2,311	-	8,122	-
Gain arising from derecognition of derivative financial liabilities		-	3,156	-	3,156
Gain on disposal of subsidiaries		2,340	-	2,340	-
Impairment loss recognised in respect of assets held for sale		-	(13,385)	-	(13,385)
Share of loss of an associate		-	-	(62)	-
Share of profit of a joint venture		1,036	1,008	2,113	2,032
Operating (loss) profit		(6,677)	320,998	(122,621)	333,495
Finance costs	5	(11,942)	(4,921)	(18,396)	(12,076)

	Notes	Three months ended 30 June		Six months ended 30 June	
		2016	2015	2016	2015
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
(Loss) profit before tax		(18,619)	316,077	(141,017)	321,419
Income tax expense	7	-	-	-	-
(Loss) profit for the period	6	(18,619)	316,077	(141,017)	321,419
Other comprehensive (expense) income					
Items that may be reclassified					
subsequently to profit or loss:					
Exchange differences arising on translating foreign operations		(3)	416	(3)	344
Fair value gain (loss) on available-for-sale financial assets		203	6,471	(1,840)	7,953
Other comprehensive (expense) income for the period		200	6,887	(1,843)	8,297
Total comprehensive (expense) income for the period		(18,419)	322,964	(142,860)	329,716
(Loss) profit for the period attributable to:					
Owners of the Company		(18,811)	315,890	(141,409)	321,044
Non-controlling interests		192	187	392	375
		(18,619)	316,077	(141,017)	321,419
Total comprehensive (expense) income attributable to:					
Owners of the Company		(18,611)	322,777	(143,252)	329,341
Non-controlling interests		192	187	392	375
		(18,419)	322,964	(142,860)	329,716
(Loss) earnings per share	9				
Basic (HK cents)		(1.91) cents	44.69 cents	(14.37) cents	46.43 cents
Diluted (HK cents)		(1.91) cents	38.96 cents	(14.37) cents	39.60 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Non-current assets			
Plant and equipment	10	7,243	7,467
Convertible instruments designated as financial assets at fair value through profit or loss	18	39,499	45,080
Prepaid lease payment – non-current portion	11	20,136	20,329
Investment properties		92,700	94,900
Interest in an associate		104	162
Interest in a joint venture		167,733	165,620
Club debentures		2,690	2,690
Available-for-sale financial assets		42,288	44,130
		372,393	380,378
Current assets			
Loan and interest receivables	12	68,339	61,693
Convertible instruments designated as financial assets at fair value through profit or loss	18	1,200	4,200
Prepayments, deposits and other receivables	13	308,545	265,525
Prepaid lease payment – current portion	11	389	390
Investments held for trading	14	297,531	413,950
Bank balances and cash		4,705	46,952
		680,709	792,710
Current liabilities			
Accruals and other payables		24,746	22,389
Borrowings		230,514	168,426
Derivative financial liabilities		3	8,125
Convertible loan notes		–	52,895
Obligations under finance leases – current portion		382	382
Tax liabilities		12,052	12,052
		267,697	264,269
Net current assets		413,012	528,441
Total assets less current liabilities		785,405	908,819

	<i>Notes</i>	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Non-current liabilities			
Bond payables		50,000	50,000
Obligations under finance leases – non-current portion		1,752	1,006
Deferred tax liabilities		967	967
		52,719	51,973
NET ASSETS			
		732,686	856,846
CAPITAL AND RESERVES			
Share capital	15	999	982
Reserves		703,076	827,645
Equity attributable to owners of the Company		704,075	828,627
Non-controlling interests		28,611	28,219
TOTAL EQUITY			
		732,686	856,846

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

	Attributable to owners of the Company											
	Share capital HK\$'000	Share premium HK\$'000	Share contributed surplus HK\$'000	Share options reserve HK\$'000	Investment revaluation reserve HK\$'000	Warrant reserve HK\$'000	Convertible loan notes reserve HK\$'000	Translation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1 January 2015 (audited)	676	2,901,300	7,914	3,590	20,268	1,350	-	19,536	(2,127,622)	827,012	25,255	852,267
Profit for the period	-	-	-	-	-	-	-	-	321,044	321,044	375	321,419
Other comprehensive income (expense) for the period	-	-	-	-	7,953	-	-	344	-	8,297	-	8,297
Total comprehensive income (expense) for the period	-	-	-	-	7,953	-	-	344	321,044	329,341	375	329,716
Issue of shares upon exercise of non-listed warrants	134	28,135	-	-	-	(1,350)	-	-	-	26,919	-	26,919
At 30 June 2015 (unaudited)	810	2,929,435	7,914	3,590	28,221	-	-	19,880	(1,806,578)	1,183,272	25,630	1,208,902

Attributable to owners of the Company

	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Share options reserve HK\$'000	Investment revaluation reserve HK\$'000	Warrant reserve HK\$'000	Convertible loan notes reserve HK\$'000	Translation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1 January 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)
Issue of shares:												
exercise of share options	3	2,810	-	(977)	-	-	-	-	-	1,836	-	1,836
pursuant to loan agreement	14	7,694	-	-	-	(3,368)	-	-	-	4,340	-	4,340
Recognition of share-based payment	-	-	-	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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

For the six months ended 30 June 2016

	Six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Net cash used in operating activities	(29,580)	(83,646)
Net cash used in investing activities	(16,840)	(1,573)
Net cash generated from financing activities	4,173	113,641
Net (decrease) increase in cash and cash equivalents	(42,247)	28,422
Cash and cash equivalents at the beginning of period	46,952	17,303
Effect of foreign exchange rate changes	–	344
Cash and cash equivalents at the end of period	4,705	46,069
Analysis of balances of cash and cash equivalents Bank balances and cash	4,705	46,069

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. COMPANY INFORMATION

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on GEM of the Stock Exchange 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 2016 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 are consistent with those used in the Group's annual financial statements for the year ended 31 December 2015.

In the current accounting period, the Group has applied the following new and revised HKFRSs, which include HKFRSs, Hong Kong Accounting Standard ("**HKAS(s)**") and Interpretation ("**Int(s)**"), issued by HKICPA.

Amendments to HKAS 19	Defined Benefit Plans: Employee contributions
Annual Improvements Project	Annual Improvements to HKFRSs 2010-2012 Cycle
Annual Improvements Project	Annual Improvements to HKFRSs 2011-2013 Cycle

The Directors believe that the application of the new and revised HKFRSs has no material impact on the unaudited condensed consolidated financial statements for the six months ended 30 June 2016.

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

HKFRS 9	Financial Instruments ¹
HKFRS 15	Revenue from Contracts with Customers ¹

¹ Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

3. TURNOVER, REVENUE AND SEGMENT REPORTING

Turnover represents the aggregate of rental income, net proceeds from the disposal of investments held for trading and interest income from the provision of loan financing during the period. Revenue represents the aggregate of rental income, interest income from the provision of loan financing and dividend income from investments held for trading during the period.

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

	Three months ended 30 June		Six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Turnover				
Rental income	612	902	1,224	2,253
Net proceeds from the disposal of investments held for trading	48,718	125,209	71,580	129,472
Interest income from the provision of loan financing	587	406	1,160	605
	49,917	126,517	73,964	132,330
Revenue				
Rental income	612	902	1,224	2,253
Interest income from the provision of loan financing	587	406	1,160	605
Dividend income from investments held for trading	-	-	-	-
	1,199	1,308	2,384	2,858

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

3. TURNOVER, REVENUE AND SEGMENT REPORTING (Continued)

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	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Segment revenue				
Properties investments	612	902	1,224	2,253
Securities trading	-	-	-	-
Loan financing	587	406	1,160	605
	1,199	1,308	2,384	2,858
Segment (loss) profit				
Properties investments	5,060	3,543	963	5,176
Securities trading	(890)	349,154	(79,474)	375,028
Loan financing	85	313	136	512
	4,255	353,010	(78,375)	380,716
Unallocated corporate expenses	(18,458)	(21,785)	(49,315)	(38,914)
Unallocated corporate income	1	2	250	2
Changes in fair values of convertible instruments designated as financial assets at FVTPL	2,874	-	(5,581)	1,920
Changes in fair values of derivative financial liabilities	2,311	-	8,122	-
Gain arising from derecognition of derivative financial liabilities	-	3,156	-	3,156
Impairment loss recognised in respect of assets held for sale	-	(13,385)	-	(13,385)
Gain on disposal of subsidiaries	2,340	-	2,340	-
Share of loss of an associate	-	-	(62)	-
Finance costs	(11,942)	(4,921)	(18,396)	(12,076)
(Loss) profit before tax	(18,619)	316,077	(141,017)	321,419

3. TURNOVER, REVENUE AND SEGMENT REPORTING *(Continued)*

Segment assets and liabilities

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

	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Segment assets		
Properties investments	261,333	261,190
Securities trading	315,083	417,622
Loan financing	51,837	44,615
Total segment assets	628,253	723,427
Unallocated corporate assets	424,849	449,661
Consolidated assets	1,053,102	1,173,088
Segment liabilities		
Properties investments	63,167	723
Securities trading	103,241	94,695
Loan financing	2,915	16
Total segment liabilities	169,323	95,434
Unallocated corporate liabilities	151,093	220,808
Consolidated liabilities	320,416	316,242

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	
	2016	2015	2016	2015
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bank interest income	1	2	1	2
Interest on convertible instruments designated as financial assets at FVTPL	-	-	249	-
	1	2	250	2

5. FINANCE COSTS

	Three months ended 30 June		Six months ended 30 June	
	2016	2015	2016	2015
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest on:				
Bank borrowings	152	163	311	325
Other loans	2,750	1,968	4,624	6,411
Bond payables	946	2,000	1,891	4,550
Convertible loan notes	5,773	-	6,884	-
Obligations under finance leases	34	-	44	-
Margin loans	2,287	790	4,642	790
	11,942	4,921	18,396	12,076

6. (LOSS) PROFIT FOR THE PERIOD

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

	Three months ended 30 June		Six months ended 30 June	
	2016	2015	2016	2015
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Staff costs including directors' emoluments:				
Salaries and allowances	7,430	8,027	14,703	15,944
Share-based payment expenses	–	–	12,524	–
Contributions to retirement benefits scheme	142	215	299	419
	7,572	8,242	27,526	16,363
Depreciation of plant and equipment	694	732	1,310	1,369
Amortisation of prepaid lease payment	97	97	194	194
Minimum lease payments under operating leases	2,195	2,311	4,329	4,697
Gross rental income	(612)	(902)	(1,224)	(2,253)
Less: outgoings (included in cost of sales)	72	59	136	123
Net rental income	(540)	(843)	(1,088)	(2,130)

7. INCOME TAX EXPENSE

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the six months ended 30 June 2016 and 30 June 2015.

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%.

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

8. DIVIDEND

No dividend was paid or proposed for ordinary shares of the Company during the six months ended 30 June 2016 and 30 June 2015, nor has any dividend been proposed since 30 June 2016 and up to the date of this report.

9. (LOSS) EARNINGS PER SHARE

The calculation of the basic and diluted (loss) earnings 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	
	2016	2015	2016	2015
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(Loss) Profit				
(Loss) profit for the period attributable to owners of the Company for the purpose of basic and diluted (loss) earnings per share	(18,811)	315,890	(141,409)	321,044
	'000	'000	'000	'000
Number of shares				
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	985,541	706,876	984,026	691,431
Effect of dilutive potential ordinary shares in respect of non-listed warrants	N/A	103,938	N/A	119,383
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	985,541	810,814	984,026	810,814

The computation of diluted loss per share for the six months ended 30 June 2016 does not assume the exercise of the Company's share options, the options to subscribe convertible bonds since it would result in a decrease in loss per share for the period which is regarded as anti-dilutive.

The computation of diluted earnings per share for the six months ended 30 June 2015 does not assume the exercise of the Company's share options because the exercise price of the Company's share options was higher than the average market price of the Company's shares during the six months ended 30 June 2015.

10. PLANT AND EQUIPMENT

During the six months ended 30 June 2016, the Group had additions to plant and equipment in amount of approximately HK\$1,086,000 (2015: approximately HK\$891,000).

11. PREPAID LEASE PAYMENT

As at 30 June 2016, prepaid of lease payment of approximately HK\$20,525,000 are the leasehold land situated in Tinian in the Commonwealth of Northern Mariana Islands ("CNMI") (2015: approximately HK\$20,719,000).

12. LOAN AND INTEREST RECEIVABLES

	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
<i>Fixed rate loan and interest receivables arising from loan financing business:</i>		
Secured loan and interest receivables	186,303	183,541
Unsecured loan and interest receivables	52,205	48,508
Less: accumulated impairment loss recognised	(187,649)	(187,649)
	50,859	44,400
<i>Other loan and interest receivables:</i>		
Amount due from a former subsidiary	151,980	151,980
Other unsecured loan receivable	1,987	1,800
Other secured loan and interest receivable	20,879	20,879
	174,846	174,659
Less: accumulated impairment loss recognised	(157,366)	(157,366)
	17,480	17,293
	68,339	61,693

As at 30 June 2016, the secured loan and interest receivables arising from loan financing business are secured by listed equity shares, unlisted shares and properties located in Hong Kong and bear interest at fixed interest rate ranging from 10% to 16% (2015: 10% to 30%) per annum.

As at 30 June 2016, the unsecured loan and interest receivables arising from loan financing business bear interest at a fixed rate ranging from 10% to 14% (2015: 10% to 14%) per annum.

Amount due from a former subsidiary and other unsecured loan receivable is unsecured, non-interest bearing and repayable on demand.

12. LOAN AND INTEREST RECEIVABLES (Continued)

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

	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Less than 3 months	1,932	–
More than 3 months but less than 12 months	38,399	36,449
More than 12 months	10,528	7,951
	50,859	44,400

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (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 investment	(20,000)	(20,000)
	–	–
Prepayments	6,334	4,067
Rental and utility deposits	3,050	2,978
Other receivables	282,470	254,910
Cash balance in securities account	16,691	3,570
	308,545	265,525

14. INVESTMENTS HELD FOR TRADING

Investments with market value exceeding HK\$20,000,000 as at 30 June 2016 are as follows:

Hong Kong market	Company	Industry	As at 30 June 2016		For the period between 1 January 2016 and 30 June 2016	
			No. of shares held	Approx. percentage of share holdings	Stock price performance (%) <i>Approx.</i>	Price range <i>Approx.</i>
Main Board	Company A	Financing	411,716,000	21.42%	-17.95%	0.255-0.430
Main Board	Company B	Securities & Brokerage	263,868,000	7.72%	+17.54%	0.085-0.211
Main Board	Company C	Shipping & Port Operation	255,370,000	2.14%	-35.87%	0.105-0.155
GEM Board	Company E	Cosmetics & Personal Care	442,913,215	8.95%	-7.75%	0.098-0.150

15. SHARE CAPITAL

	Number of shares '000	Nominal value HK\$'000
Authorised:		
Ordinary shares of HK\$0.001 each		
At 31 December 2015 and 30 June 2016	100,000,000	100,000
Issued and fully paid:		
Ordinary shares of HK\$0.001 each		
At 31 December 2015 and 1 January 2016	982,494	982
Exercise of share option	3,000	3
Issuance of shares pursuant to loan agreement	13,289	14
At 30 June 2016	998,783	999

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 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Within one year	832	2,020
In the second to fifth year inclusive	–	71
	832	2,091

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 (2015: 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 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Within one year	3,956	3,614
In the second to fifth year inclusive	–	500
	3,956	4,114

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 (2015: two years).

16. COMMITMENTS *(Continued)*

(b) Capital commitments

As at 30 June 2016, the Group did not have any material capital commitment (2015: Nil).

17. RELATED PARTY TRANSACTIONS

Compensation of directors and key management personnel

The remuneration of directors and other members of key management during the period was as follows:

	Six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Fees	497	497
Salaries and other benefits	1,378	2,316
Retirement benefits scheme contribution	27	27
Share-based payment expenses	2,931	–
	4,833	2,840

18. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

The following table provides an analysis of financial instruments that are measured at fair value at the end of each reporting period for recurring measurement, grouped into Level 1 to 3 based on the degree to which the fair value is observable in accordance to the Group's accounting policy.

Financial assets/financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key inputs and significant unobservable input(s)
	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000		
1) Investments held for trading	Assets – HK\$297,531	Assets – HK\$413,950	Level 1	Quoted bid prices in an active market
2) Convertible instruments designated as financial assets at FVTPL	Assets – HK\$39,499	Assets – HK\$45,080	Level 2	Discount rate and volatility levels determined using a Binominal Option Pricing Model
3) Convertible instruments designated as financial assets at FVTPL	Assets – HK\$1,200	Assets – HK\$4,200	Level 3	Discount rate determined using Capital Asset Pricing Model Weighted average cost of capital, determined using Capital Asset Pricing Model ranging from 22.27% to 22.46%
4) Unlisted investment in funds classified as available-for-sale financial assets	Assets – HK\$36,397	Assets – HK\$38,238	Level 1	Quoted bid prices from bank
5) Derivative financial liabilities	Liabilities – HK\$3	Liabilities – HK\$8,125	Level 2	Discount rate and volatility levels determined using a Binominal option pricing model.

During the six months ended 30 June 2016 and 2015, there was no transfer between the different levels of the fair value hierarchy for the period.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Performance

For the six months ended 30 June 2016, the Group recorded a turnover of approximately HK\$73,964,000 (six months ended 30 June 2015: approximately HK\$132,330,000), representing a decrease of approximately 44.1% as compared with the last corresponding period. The decrease in turnover was mainly due to the decrease in volume of securities trading.

Administrative expenses for the six months ended 30 June 2016 was approximately HK\$50,112,000 (six months ended 30 June 2015: approximately HK\$41,665,000), representing an increase of 20.3% as compared with the last corresponding period. The increase 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 2016 aggregated at approximately HK\$141,409,000 (six months ended 30 June 2015: profit approximately HK\$321,044,000). Loss for the period was mainly attributable to loss arising from fair value changes of investments held for trading of approximately HK\$69,896,000. The basic loss per share for the six months ended 30 June 2016 was HK14.37 cents (six months ended 30 June 2015: earnings per share HK46.43 cents).

Business Review and Outlook

The Group recorded a rental income of approximately HK\$1,224,000 for the six months ended 30 June 2016 (six months ended 30 June 2015: approximately HK\$2,253,000) through properties leasing. The decrease in rental income was mainly due to the disposal of two properties in Mainland China in August 2015. As at 30 June 2016, the fair value of investment properties of the Group amounted to approximately HK\$92,700,000 (31 December 2015: approximately HK\$94,900,000). The management remains cautiously optimistic about the property market and will look for desirable property investment opportunities for the benefit of the Company and its shareholders.

Segmental turnover of the securities trading business for the six months ended 30 June 2016 was approximately HK\$71,580,000 (six months ended 30 June 2015: approximately HK\$129,472,000). During the period under review, the Group recorded a loss arising from the fair value changes of investments held for trading of approximately HK\$69,896,000 (six months ended 30 June 2015: a gain of approximately HK\$330,817,000) and a loss on disposals of investments held for trading of approximately HK\$9,843,000 (six months ended 30 June 2015: gain of approximately HK\$45,183,000). The loss as recorded was due to volatile stock prices of the investments held for trading in light of the fluctuating market conditions. As at 30 June 2016, the Group had investments held for trading amounted to approximately HK\$297,531,000 (31 December 2015: approximately HK\$413,950,000).

The Group held an investment portfolio, classified as available-for-sale financial assets with carrying value of approximately HK\$42,288,000 as at 30 June 2016 (31 December 2015: approximately HK\$44,130,000) of which mainly an unlisted investment in funds of approximately HK\$36,397,000 that are denominated in USD and managed by an international investment bank (31 December 2015: approximately HK\$38,238,000). In view of the carrying value of the unlisted investment fund compared with its principal amount, it is a good opportunity for the Group to capitalize its capital gain from the investment in available-for-sale financial assets to support the general working capital of the Group. In July 2016, a redemption instruction was served.

The Group held certain unlisted instruments issued by Hong Kong listed companies and private companies, classified as convertible instruments designated as financial assets at fair value through profit or loss, amounted to approximately HK\$40,699,000 as at 30 June 2016 (31 December 2015: approximately HK\$49,280,000). The convertible instruments are measured at fair value at the reporting end date. Fair value is determined in the manner described in Note 18 to the condensed consolidated financial statements. In this regard, a loss arising from fair value changes of convertible instruments designated as financial assets at fair value through profit or loss of approximately HK\$5,581,000 was recorded during the six months ended 30 June 2016 (six months ended 30 June 2015: gain of approximately HK\$1,920,000).

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 36% of the total assets of the Group, its performance is affected by Hong Kong stock market and global economic environment. The Group has anticipated that the securities market will be inevitably volatile in the remaining of year 2016. The Group will from time to time closely monitor the performance progress of the investment portfolio.

The Group generated an interest income of approximately HK\$1,160,000 during the period under review (six months ended 30 June 2015: approximately HK\$605,000), representing an increase of approximately 91.7%. Facing with tight funding, the loan financing business has limitation to expand and will affect its performance in the year of 2016.

The Group intends to strengthen its cash position for further development in the existing business and keep pace with the market situation to grasp the other business opportunities that may arise from time to time.

Fund Raising Activities

On 29 February 2016, the Company and the placing agent entered into a placing agreement (as revised and supplemental by the supplemental placing agreement on 31 March 2016). Subsequently, a second supplemental placing agreement was entered into to supersede the placing agreement in entirety on 2 June 2016 which was revised and supplemental by the third supplemental placing agreement on 27 July 2016, to place the convertible bond (the **"Revised New CB"**) in principal amount of up to HK\$495,600,000. The Revised New CB, upon full conversion, are convertible into 1,180,000,000 new shares at the Revised New CB conversion price of HK\$0.42 per share which shall be allotted and issued by the Company under specific mandate (**"Revised New CB Placing"**). The maximum gross proceeds from the Revised New CB Placing will be HK\$495,600,000.

Completion of the above transactions are subject to, among others, shareholders' approval and the fulfilment of the conditions precedent set out in the third supplemental placing agreement.

Details of the Revised New CB Placing are set out in the announcements of the Company dated 2 March 2016, 31 March 2016, 3 June 2016, 27 July 2016 and 29 July 2016 and the circular of the Company dated 16 June 2016.

Liquidity and Financial Resources

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

As at 30 June 2016, the Group had cash and cash equivalent of approximately HK\$4,705,000 (31 December 2015: approximately HK\$46,952,000) and had interest-bearing borrowings of approximately HK\$230,514,000 (31 December 2015: approximately HK\$168,426,000).

As at 30 June 2016, the gearing ratio (measured as total liabilities to total assets) was approximately 30.4% (31 December 2015: approximately 27%).

Capital Structure

As at 30 June 2016, the Company's issued share capital was HK\$998,783 (31 December 2015: HK\$982,494), divided into 998,783,425 shares (31 December 2015: 982,494,000 shares) of HK\$0.001 each. During the six months ended 30 June 2016, the Company allotted and issued 16,289,425 new shares upon the exercise of share option and pursuant to loan agreement.

Contingent Liabilities

As at 30 June 2016 and 31 December 2015, the Group did not have any material contingent liability.

Charges on Assets

As at 30 June 2016, investment properties and certain investments held for trading with an aggregate carrying value of approximately HK\$284,721,000 (31 December 2015: approximately HK\$309,117,000) have been pledged to banks and other financial institutions to secure the credit facilities granted to the Group.

Exposure to Fluctuation in Exchange Rates and Related Hedges

The reporting currency adopted by the Group is Hong Kong dollars (“**HK\$**”). The majority of the Group’s sales, receivables and expenditures are denominated in HK\$, United States dollars (“**USD**”) or Renminbi (“**RMB**”). HK\$ is closely linked with USD. Although the exchange rate of HK\$ against RMB had 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 implement foreign currency hedging measures should the need arises.

Material Acquisitions and Disposals

On 25 February 2016, 北京華鼎滙金投資有限責任公司 (Beijing Huading Huijin Investment Company Limited*) as vendor, Selected Team Limited, a wholly-owned subsidiary of the Company as purchaser and the Company (collectively the “**Parties**”) entered into a sale and purchase agreement, pursuant to which the vendor conditionally agreed to sell and the purchaser conditionally agreed to acquire, through a wholly foreign owned enterprise, the 51% equity interest in 金地毯(北京)文化傳媒有限公司 (Gold Carpet (Beijing) Culture Media Limited*) (“**Gold Carpet**”) at the consideration of HK\$120,000,000.

On 2 March 2016, an addendum to the sale and purchase agreement was entered into pursuant to which the purchaser agreed to advance a sum of HK\$10,000,000 within five days as deposit for the shareholder’s loan to Gold Carpet upon execution of the addendum.

* For identification purposes only

On 29 April 2016, the Parties entered into a supplemental sale and purchase agreement (the **"Supplemental Agreement"**), pursuant to which the Parties agreed that completion shall not be subject to any conditions precedent and completion shall take place upon the execution of the Supplemental Agreement. The Parties further agreed that the purchaser shall issue an exchangeable note to the vendor to settle the consideration in its entirety. The vendor may exercise its right under the exchangeable note to exchange the exchangeable note for the convertible bonds. The convertible bonds in the principal amount of HK\$120,000,000, upon full conversion, are convertible into 240,000,000 new shares of the Company at the conversion price of HK\$0.5 per conversion share. On the same date, completion took place and the exchangeable note was issued.

In the event that the vendor exercises its exchange right under the exchangeable note to exchange the exchangeable note for the convertible bonds, the Company will seek approval for, among other things, the specific mandate from the shareholders of the Company at the special general meeting of the Company.

Details of the acquisition are set out in the announcements of the Company dated 25 February 2016, 2 March 2016, 27 April 2016, 28 April 2016, 29 April 2016 and 20 July 2016.

Litigations

Reference is made to page 13 of 2015 Annual Report of the Company which discloses particulars on and progress of litigation matters in which the Company and/or its subsidiaries are involved.

In relation to the litigation matter in which the Company was sued as the 2nd Defendant under HCA 701 of 2013, the Plaintiff's application to amend its Amended Statement of Claim has been outstanding because the Plaintiff has not taken any step to restore the hearing of the application.

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. As at 30 June 2016, the entire amount due and owing by HKE in the aggregate sum of HK\$174,928,000 is still outstanding.

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, indirectly wholly-owned by the Company ("**GML**"), 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 bond in a principal sum of US\$21,150,002 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.

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

Employee Information and Remuneration Policy

The Group had 55 employees (31 December 2015: 58 employees) in Hong Kong and Mainland China as at 30 June 2016. During the six months ended 30 June 2016, the Group incurred staff costs (including Directors' emoluments) of approximately HK\$27,526,000 (six months ended 30 June 2015: approximately HK\$16,363,000).

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 and discretionary bonus 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 13 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 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 issued share capital by the time of passing the relevant resolution and approximately 7% of the issued share capital as at the date of this report. Details of the share options granted and outstanding during the six months ended 30 June 2016 were:

Name of category	Date of grant of share options	Number of share options					Outstanding as at 30.06.2016	Validity period of shares options	Exercise price HK\$
		Outstanding as at 01.01.2016	During the six months ended 30 June 2016						
			Granted	Exercised	Lapsed	Cancelled			
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
Employees	23/3/2016	-	9,820,000	3,000,000	-	-	6,820,000	23/3/2016-22/3/2026	0.612
Consultants	23/3/2016	-	19,640,000	-	-	-	19,640,000	23/3/2016-22/3/2026	0.612
Directors									
Lam Kwok Hing Wilfred		-	3,000,000	-	-	-	3,000,000	23/3/2016-22/3/2026	0.612
Chan Shui Sheung Ivy		-	3,000,000	-	-	-	3,000,000	23/3/2016-22/3/2026	0.612
Mok Tsan San		-	3,000,000	-	-	-	3,000,000	23/3/2016-22/3/2026	0.612
		2,200,000	38,460,000	3,000,000	-	-	37,660,000		

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

As at 30 June 2016, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and the chief executives of the Company were deemed or taken to have under such provision of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuer as referred to in rule 5.46 of the GEM Listing Rules were as follows:

Long position in shares and underlying shares of the Company

Name of Director	Type of interests	Number of issued ordinary shares held	Number of underlying shares	Approximate percentage of the issued share capital
Lam Kwok Hing Wilfred	Beneficial owner	–	3,000,000 (Note)	0.30%
Chan Shui Sheung Ivy	Beneficial owner	60,000	3,000,000 (Note)	0.31%
Mok Tsan San	Beneficial owner	–	3,000,000 (Note)	0.30%

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\$0.612 per share.

Save as disclosed above, as at 30 June 2016, 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 above, at no time during the six months ended 30 June 2016 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 2016.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's business 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 2016 or at any time during the six months ended 30 June 2016.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2016, persons (other than a director or chief executive of the Company) who had interests or short positions directly or indirectly in the Company's shares and/or underlying shares recorded in the register kept by the Company pursuant to Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange were as follows:

Long position in shares and underlying shares of the Company

Name of Shareholders	Capacity	Number of shares	Number of underlying shares	Approximate percentage of interests
Chinese Capital Management Limited	Beneficial owner	46,103,189	62,000,000 <i>(note 1)</i>	10.82%
Well Support Limited	Beneficial owner	67,081,466 <i>(note 2)</i>	–	6.71%
Liu Yi Dong	Trustee of Liu Yi Dong Family Trust	67,081,466 <i>(note 2)</i>	–	6.71%

notes:

1. This is an interest in underlying shares held directly by Chinese Capital Management Limited in respect of 62 options which entitle the optionholder to subscribe for the further convertible bonds in the principal amount of HK\$117,800,000. The further convertible bonds can be converted into 62,000,000 further conversion shares at the conversion price of HK\$1.90 per further conversion share.
2. Pursuant to the corporate substantial shareholder notice filed by Well Support Limited and the individual substantial shareholder notice filed by Liu Yi Dong, these shares are held by Well Support Limited, which is beneficially owned by Liu Yi Dong Family Trust and the beneficiaries of which are Liu Yi Dong and his family members.

As at 30 June 2016, the number of shares issued by the Company was 998,783,425.

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 2016 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 2016.

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 2016 except for the following deviation:

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 2016, 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.

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 2016.

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 six months ended 30 June 2016.

DISCLOSURE OF INFORMATION ON DIRECTORS

Pursuant to Rule 17.50A(1) of the GEM Listing Rules, the change of information during the six months ended 30 June 2016 on Directors is as follows:

Mr. Lam Kwok Hing Wilfred tendered his resignation as a joint company secretary of the Company with effect from 7 June 2016.

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 and quarterly reports and to provide comments thereon to the Board.

The Audit Committee has reviewed the Group's unaudited condensed consolidated financial statements and this interim report for the six months ended 30 June 2016 and has provided comments thereon.

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

Hong Kong, 10 August 2016

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