



華人策略控股有限公司

Chinese Strategic Holdings Limited

(incorporated in Bermuda with limited liability)

Stock Code: 8089

2019
INTERIM REPORT

CHARACTERISTICS OF GEM OF THE EXCHANGE

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

*This 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 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 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 Listed Company Information” 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 2019, together with the comparative figures for the corresponding period in year 2018, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Three months ended 30 June		Six months ended 30 June	
		2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Revenue	3	828	8,750	1,498	19,318
Cost of sales		(46)	(7,438)	(72)	(16,506)
Gross profit		782	1,312	1,426	2,812
Other income and gains	4	194	283	199	284
Administrative expenses		(14,923)	(18,280)	(29,850)	(39,402)
Changes in fair values in investment properties, net		5,260	4,990	5,260	6,090
Gain on disposal of an investment property		400	-	400	-
Loss from changes in fair value of financial assets at fair value through profit or loss, net		(5,048)	(12,246)	(5,204)	(25,366)
Loss on disposals of financial assets at fair value through profit or loss, net		(2,151)	(4,944)	(3,541)	(18,514)
Gain on changes in fair values of financial assets through profit or loss, net		120	3,040	120	3,119
Impairment loss recognised in respect of goodwill		(1,660)	-	(1,660)	-
Allowance for impairment on loan and other receivables		-	(678)	-	(678)
Gain on disposal of subsidiaries		1,511	2,560	1,511	907
Gain on deemed disposal of a subsidiary		-	45	-	45
Allowance for impairment loss on amount due from an associate		(25)	-	(25)	-
Share of profit (loss) of joint venture		806	697	1,578	462
Operating loss		(14,734)	(23,221)	(29,786)	(70,241)
Finance costs	5	(6,459)	(7,133)	(10,709)	(12,587)
Loss before tax		(21,193)	(30,354)	(40,495)	(82,828)
Income tax expenses	6	-	-	-	-
Loss for the period	7	(21,193)	(30,354)	(40,495)	(82,828)

	Notes	Three months ended 30 June		Six months ended 30 June	
		2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Other comprehensive income (expense)					
Items that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translation of foreign operations		-	(4)	-	-
Other comprehensive income (expense) for the period, net of income tax		-	(4)	-	-
Total comprehensive expense for the period		(21,193)	(30,358)	(40,495)	(82,828)
(Loss) profit for the period attributable to:					
Owners of the Company		(21,145)	(30,521)	(40,560)	(83,188)
Non-controlling interests		(48)	167	65	360
		(21,193)	(30,354)	(40,495)	(82,828)
Total comprehensive income (expense) attributable to:					
Owners of the Company		(21,145)	(30,525)	(40,560)	(83,188)
Non-controlling interests		(48)	167	65	360
		(21,193)	(30,358)	(40,495)	(82,828)
Loss per share	9				
Basic (HK cents)		(9.02) cents	(14.76) cents	(18.23) cents	(40.23) cents
Diluted (HK cents)		(9.02) cents	(14.76) cents	(18.23) cents	(40.23) cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	30 June 2019 (Unaudited) (HK\$'000)	31 December 2018 (Audited) (HK\$'000)
Non-current assets			
Plant and equipment	10	6,069	7,221
Prepaid lease payment – non-current portion	11	18,532	18,726
Investment properties		162,200	164,840
Interests in associates		397	397
Interests in joint ventures		186,095	184,518
Club debentures		2,740	2,690
Intangible assets		5,732	5,732
Financial assets at fair value through profit or loss		7,588	7,468
Deposit paid for acquisition of a subsidiary		–	3,302
Loan and interest receivables	12	20,136	–
Other assets		1,805	–
Equity instruments at fair value through other comprehensive income		2,426	2,426
		413,720	397,320
Current assets			
Inventories		1,687	–
Loan and interest receivables	12	41,418	25,778
Financial assets at fair value through profit or loss	14	17,072	33,294
Trade and other receivables	13	21,007	41,934
Prepaid lease payment – current portion	11	388	388
Amount due from an associate		–	5
Amount due from a joint venture		2,559	1,824
Bank balances and cash		7,914	7,185
		92,045	110,408
Assets classified as held for sale		–	17,270
		92,045	127,678

	<i>Notes</i>	30 June 2019 (Unaudited) (HK\$'000)	31 December 2018 (Audited) (HK\$'000)
Current liabilities			
Trade and other payables		61,667	50,448
Amount due to an associate		745	723
Amount due to a joint venture		3,000	3,000
Loan from a director		2,300	–
Borrowings		113,411	142,349
Bond payables		50,000	10,000
Obligations under finance leases – current portion		729	729
Financial guarantee contract		3,540	3,540
Consideration payable		2,000	–
Contract liabilities		11,063	–
Tax liabilities		8,944	8,944
		257,399	219,733
Liabilities associated with assets classified as held for sale		–	5,719
		257,399	225,452
Net current liabilities		(165,354)	(97,774)
Total assets less current liabilities		248,366	299,546
Non-current liabilities			
Bond payables		–	40,000
Other borrowings		20,136	–
Obligations under finance leases – non-current portion		416	766
Deferred tax liabilities		1,562	1,560
		22,114	42,326
Net assets		226,252	257,220
Capital and reserves			
Share capital	15	2,343	2,068
Reserves		190,863	222,171
Equity attributable to owners of the Company		193,206	224,239
Non-controlling interests		33,046	32,981
Total equity		226,252	257,220

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	Attributable to owners of the Company									
	Share capital	Share premium	Contributed surplus	Share options reserve	FVTOCI Investment revaluation reserve	Translation reserve	Accumulated losses	Total	Non-controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2018 (audited)	2,068	3,168,665	7,914	11,547	-	2,806	(2,684,354)	508,646	30,640	539,286
Impact of initial application of Hong Kong Financial Reporting Standard ("HKFRS") 9	-	-	-	-	-	-	(18,721)	(18,721)	-	(18,721)
At 1 January 2018 (adjusted)	2,068	3,168,665	7,914	11,547	-	2,806	(2,703,075)	489,925	30,640	520,565
(Loss) profit for the period	-	-	-	-	-	-	(83,188)	(83,188)	360	(82,828)
Other comprehensive (expense) income for the period	-	-	-	-	-	-	-	-	-	-
Total comprehensive (expense) income for the period	-	-	-	-	-	-	(83,188)	(83,188)	360	(82,828)
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	10	10
At 30 June 2018 (unaudited)	2,068	3,168,665	7,914	11,547	-	2,806	(2,786,263)	406,737	31,010	437,747
At 1 January 2019 (audited)	2,068	3,168,665	7,914	8,484	(3,966)	(5,891)	(2,953,035)	224,239	32,981	257,220
(Loss) profit for the period	-	-	-	-	-	-	(40,560)	(40,560)	65	(40,495)
Other comprehensive (expense) income for the period	-	-	-	-	-	-	-	-	-	-
Total comprehensive (expense) income for the period	-	-	-	-	-	-	(40,560)	(40,560)	65	(40,495)
Issuance of shares upon placing	275	9,357	-	-	-	-	-	9,632	-	9,632
Transaction cost attributable to issuance of shares upon placing	-	(105)	-	-	-	-	-	(105)	-	(105)
At 30 June 2019 (unaudited)	2,343	3,177,917	7,914	8,484	(3,966)	(5,891)	(2,993,595)	193,206	33,046	226,252

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Net cash generated from (used in) operating activities	(11,696)	(23,485)
Net cash generated from (used in) investing activities	8,387	(54,724)
Net cash (used in) generated from financing activities	4,038	43,401
Net increase (decrease) in cash and cash equivalents	729	(34,808)
Cash and cash equivalents at the beginning of period	7,185	49,146
Cash and cash equivalents at the end of period	7,914	14,338
Analysis of balances of cash and cash equivalents		
Bank balances and cash	7,914	14,338

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL RESULTS

1. COMPANY INFORMATION

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on GEM of The Stock Exchange of Hong Kong Limited (the “**Exchange**”) since 18 May 2000. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda, and its principal place of business is located at Unit 2101, 21/F, YF Life Tower, 33 Lockhart Road, Wan Chai, Hong Kong.

The principal activity of the Company is investment holding, and the principal activities of its subsidiaries are properties investments, securities trading, loan financing, trading business and dealing in, advising on securities and asset management.

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 2019 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 2019 are consistent with those used in the Group’s annual financial statements for the year ended 31 December 2018, except for the new and amendments to HKFRSs and interpretations issued by HKICPA that are first effective for the current accounting period of the Company. There has been no material impact to the accounting policy applied in these unaudited condensed consolidated financial statements for the period presented as a result of adoption of these amendments.

The financial statements have been prepared on a going concern basis, assuming that the Group will continue to operate as a going concern. The validity of the Group’s ability to continue as a going concern depends on the success of the Group’s future operations.

3. REVENUE

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

	Three months ended 30 June		Six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Rental income	357	663	714	1,326
Interest income from the provision of loan financing	471	387	778	842
Sales of goods	-	7,700	-	17,150
Dividend income from financial assets at fair value through profit or loss	-	-	6	-
	828	8,750	1,498	19,318

Segment information

Information reported to the executive directors, being the chief operating decision makers ("CODM"), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. During the period, the Group commenced the business in dealing in securities along with the acquisition of FT Securities Limited and it is considered as combination into advising on securities and asset management segment by the CODM. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group. The Group's reportable 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 financial assets at FVTPL
3. Loan financing – provision of financing services
4. Trading business – sales of goods
5. Dealing in, advising on securities and asset management – dealing in, advising on securities, provision of fund and asset management

3. REVENUE (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	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Segment revenue				
Properties investments	357	663	714	1,326
Securities trading	-	-	6	-
Loan financing	471	387	778	842
Trading business	-	7,700	-	17,150
Dealing in, advising on securities and asset management	-	-	-	-
	828	8,750	1,498	19,318
Segment (loss) profit				
Properties investments	6,754	7,342	7,809	8,913
Securities trading	(9,227)	(19,896)	(11,153)	(50,066)
Loan financing	214	85	310	71
Trading business	-	(57)	(29)	242
Dealing in, advising on securities and asset management	(4,187)	-	(4,670)	-
	(6,446)	(12,526)	(7,733)	(40,840)
Unallocated corporate expenses	(10,894)	(17,185)	(25,436)	(33,660)
Unallocated corporate income	194	283	199	284
Gain on changes in fair values of financial assets at FVTPL, net	120	3,040	120	3,119
Allowance for impairment on other receivables	-	(755)	-	(755)
Gain on disposal of subsidiaries	1,511	2,560	1,511	907
Gain on deemed disposal of a subsidiary	-	45	-	45
Share of profit (loss) of a joint venture	806	(212)	1,578	(1,491)
Allowance for impairment loss on amount due from an associate	(25)	-	(25)	-
Finance costs	(6,459)	(5,604)	(10,709)	(10,437)
Loss before tax	(21,193)	(30,354)	(40,495)	(82,828)

Segment revenue reported above represents revenue generated from external customers. There was no intra-segment sale during the period (2018: Nil).

3. REVENUE (Continued)

Segment assets and liabilities

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

	30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
Segment assets		
Properties investments	348,290	350,482
Securities trading	19,889	44,225
Loan financing	61,623	31,174
Trading business	1,708	1,438
Dealing in, advising on securities and asset management	10,087	625
Total segment assets	441,597	427,944
Unallocated corporate assets	64,168	97,054
Consolidated assets	505,765	524,998
Segment liabilities		
Properties investments	111,400	17,938
Securities trading	5,552	22,491
Loan financing	34,178	808
Trading business	920	840
Dealing in, advising on securities and asset management	4,079	110
Total segment liabilities	156,129	42,187
Unallocated corporate liabilities	123,384	225,591
Consolidated liabilities	279,513	267,778

4. OTHER INCOME AND GAINS

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

	Three months ended 30 June		Six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Bank interest income	1	2	2	3
Sundry income	193	-	197	-
Interest on convertible instruments designated as financial assets at FVTPL	-	281	-	281
	194	283	199	284

5. FINANCE COSTS

	Three months ended 30 June		Six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Interest on:				
Bank borrowings	1,380	112	2,045	236
Other loans	3,965	4,528	6,377	8,286
Bond payables	948	948	1,887	1,887
Obligations under finance leases	15	16	31	28
Margin accounts	151	1,529	369	2,150
	6,459	7,133	10,709	12,587

6. INCOME TAX EXPENSES

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the six months ended 30 June 2019 and 30 June 2018.

Under the Law of the People's Republic of China (the "PRC") on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for the six months ended 30 June 2019 and 30 June 2018.

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

7. LOSS FOR THE PERIOD

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

	Three months ended 30 June		Six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Staff costs including directors' emoluments:				
Salaries and allowances	5,998	7,423	11,748	15,086
Contributions to retirement benefits scheme	405	170	570	348
	6,403	7,593	12,318	15,434
Depreciation of plant and equipment	574	1,034	1,179	1,732
Amortisation of prepaid lease payment	97	97	194	194
Minimum lease payments under operating leases	993	1,067	1,986	2,130
Gross rental income	(357)	(663)	(714)	(1,326)
Less: outgoings (included in cost of sales)	46	88	72	156
Net rental income	(311)	(575)	(642)	(1,170)

8. DIVIDEND

No dividend was paid or proposed for ordinary shares of the Company during the six months ended 30 June 2019 and 30 June 2018, nor has any dividend been proposed since 30 June 2019 and up to the date of this report.

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	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Loss				
Loss for the period attributable to owners of the Company for the purpose of basic and diluted loss per share	(21,145)	(30,521)	(40,560)	(83,188)
	'000	'000	'000	'000
Number of shares				
Weighted average number of ordinary shares for the purpose of basic loss per share	234,296	206,778	222,437	206,778
Effect of dilutive potential ordinary shares – Share options	N/A	N/A	N/A	N/A
Weighted average number of ordinary shares for the purpose of diluted loss per share	234,296	206,778	222,437	206,778

The computation of diluted loss per share for the six months ended 30 June 2019 and 30 June 2018 does not assume the exercise of the Company's share options, since it would result in a decrease in loss per share for the period which is regarded as anti-dilutive.

10. PLANT AND EQUIPMENT

As at 30 June 2019, the Group had plant and equipment in amount of approximately HK\$6,069,000 (31 December 2018: approximately HK\$7,221,000).

11. PREPAID LEASE PAYMENT

As at 30 June 2019, prepaid of lease payment of approximately HK\$18,920,000 are the leasehold land situated in Tinian in the Commonwealth of Northern Mariana Islands ("CNMI") (31 December 2018: approximately HK\$19,114,000).

12. LOAN AND INTEREST RECEIVABLES

	30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
Fixed rate loan and interest receivables arising from loan financing business:		
Secured loan and interest receivables	158,029	157,260
Unsecured loan and interest receivables	8,312	6,434
Less: Allowance for impairment	(149,202)	(149,578)
	17,139	14,116
Other loan and interest receivables:		
Other secured loan and interest receivable	20,879	20,879
Other unsecured loan and interest receivable	33,199	–
	54,078	20,879
Less: accumulated impairment loss recognized	(9,663)	(9,217)
	44,415	11,662
	61,554	25,778
Loan and interest receivables – non-current	20,136	–
Loan and interest receivables – current	41,418	25,778
	61,554	25,778

As at 30 June 2019, the secured loan and interest receivables arising from loan financing business are secured by listed equity shares, unlisted shares, private car and properties located in Hong Kong and corporate guarantee granted by a listed company in Hong Kong and bear interest at fixed interest rate ranging from 10% to 16% (2018: 10% to 16%) per annum.

12. LOAN AND INTEREST RECEIVABLES (Continued)

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

	30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
Within 3 months	14,882	7,922
In more than 3 months but not more than 6 months	–	5,130
In more than 6 months but not more than 12 months	2,257	1,064
	17,139	14,116

13. TRADE AND OTHER RECEIVABLES

	30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
Trade receivable	59	–
Deposits paid for acquisition of potential investments	20,000	20,000
Less: accumulated impairment on the deposits paid for acquisition of potential investments	(20,000)	(20,000)
	–	–
Prepayments	1,615	2,530
Rental and utility deposits	772	1,063
Other receivables	259,664	271,460
	262,051	275,053
Less: accumulated impairment losses	(241,783)	(230,541)
	20,268	44,512
Cash balance in securities account	680	724
	21,007	45,236
Less: Other receivable – non-current – Deposit paid for acquisition of a subsidiary	–	(3,302)
Trade and other receivables – current	21,007	41,934

13. TRADE AND OTHER RECEIVABLES (Continued)

Ageing analysis

The Group generally allows an average credit period of 60 days to its customers for sales of goods. As at 30 June 2019, there were nil amount of trade receivables generated from sales of goods. Trade receivables at the end of the reporting period represented the amount receivables from the customers of dealing in, advising on securities and asset management segment. The aging analysis of the Group's trade receivables presented based on invoice date as at the end of the reporting period is as follows:

	30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
Over 1 year	59	—

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

There is no single investments in equity securities listed in Hong Kong with market value exceeding HK\$20,000,000 as at 30 June 2019.

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

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

15. SHARE CAPITAL

	Par value per share <i>HK\$</i>	Number of shares <i>'000</i>	Amount <i>HK\$'000</i>
Authorised:			
Ordinary shares			
At 1 January 2018, 30 June 2018, 1 January 2019 and 30 June 2019	0.01	10,000,000	100,000
Issued and fully paid:			
Ordinary shares			
At 1 January 2018, 30 June 2018 and 1 January 2019	0.01	206,778	2,068
Issuance of shares upon placing	0.01	27,518	275
At 30 June 2019	0.01	234,296	2,343

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 2019 (Unaudited) <i>HK\$'000</i>	31 December 2018 (Audited) <i>HK\$'000</i>
Within one year	1,197	1,309
In the second to fifth year inclusive	918	–
	2,115	1,309

Operating lease receipts represent rentals receivable by the Group for certain of its investment properties. They are expected to generate rental yield of 2.6% (2018: 2.1%) on an ongoing basis. All of the properties held have committed tenants for the next one to two years (2018: one to two years).

16. COMMITMENTS (Continued)

(a) Operating lease commitment (Continued)

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 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
Within one year	300	1,770

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 (2018: two years).

(b) Capital commitment

As at 30 June 2019, the Group did not have any material capital commitment (2018: 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 2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Fees	497	497
Salaries and other benefits	1,596	2,316
Retirement benefits scheme contribution	18	27
	2,111	2,840

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Performance

For the six months ended 30 June 2019, the Group recorded a revenue of approximately HK\$1,498,000 (six months ended 30 June 2018: approximately HK\$19,318,000), representing a decrease of approximately 92.2% as compared with the last corresponding period. The decrease in revenue was mainly due to the decrease in revenue of trading business during the six months ended 30 June 2019.

Administrative expenses for the six months ended 30 June 2019 was approximately HK\$29,850,000 (six months ended 30 June 2018: approximately HK\$39,402,000), representing a decrease of 24.2% as compared with the last corresponding period. The decrease in expenses was mainly due to decrease in consultancy fee, staff costs and charges in dealing of securities.

The Group incurred finance costs of approximately HK\$10,709,000 for the period ended 30 June 2019 (six months ended 30 June 2018: approximately HK\$12,587,000), which mainly comprised interest on interest-bearing bank borrowing and other borrowings, margin accounts and bonds.

The loss attributable to the owners of the Company for the six months ended 30 June 2019 aggregated at approximately HK\$40,560,000 (six months ended 30 June 2018: approximately HK\$83,188,000). Loss for the period was mainly attributable to loss on disposals of financial assets at fair value through profit or loss ("**FVTPL**") of approximately HK\$3,541,000, loss arising from changes in fair value of financial assets at FVTPL of approximately HK\$5,204,000, staff cost and Directors' emoluments of approximately HK\$11,748,000 and professional fee of approximately HK\$4,283,000. The basic loss per share for the six months ended 30 June 2019 was HK18.23 cents (six months ended 30 June 2018: HK40.23 cents).

Business Review and Outlook

The Group recorded a rental income of approximately HK\$714,000 for the six months ended 30 June 2019 (six months ended 30 June 2018: approximately HK\$1,326,000) through properties leasing. All the properties are for residential use and have committed tenants normally for two years. Rental income provided steady cash flow over the period, and this trend is expected to continue. The management remains cautiously optimistic about the property market.

As at 30 June 2019, the Group held six properties for investment purposes with the total fair value of approximately HK\$162,200,000.

As at 30 June 2019, the Group had financial assets at FVTPL amounted to approximately HK\$17,072,000, representing 3.4% of the total assets of the Group (31 December 2018: approximately HK\$33,294,000). During the period under review, the Group recorded a loss arising from changes in fair values of financial assets at FVTPL of approximately HK\$5,204,000 (six months ended 30 June 2018: approximately HK\$25,366,000) and a loss on disposals of financial assets at FVTPL of approximately HK\$3,541,000 (six months ended 30 June 2018: approximately HK\$18,514,000). The Group held certain unlisted instruments classified as financial assets at FVTPL, amounted to approximately HK\$7,588,000 as at 30 June 2019 (31 December 2018: approximately HK\$7,468,000).

The Group, in general, adopts an investment strategy that is both prudent and cautious with the overriding aim of achieving healthy investment returns. In formulating and realizing the said strategy, the Group will take into account a range of factors when considering prospective investments and when monitoring its existing investment portfolio including, but not limited to, the risks and likely return associated with each of its investments, the range and diversity of investments held in the Group's portfolio from time to time, the liquidity of the Group's investments and the anticipated cash flow requirements of each of its investments.

The performance of loan financing business was not satisfactory with tightened credit policy and keen market competition. As compared with the same period last year, the interest income dropped by 7.6% from approximately HK\$842,000 to approximately HK\$778,000. The Group will adopt a cautious and prudent approach for seeking new customers. The development of the loan financing business will depend on the market and the assessment of the repayment ability of the potential clients.

The Group launched its trading business in the last quarter of 2017 as a means to diversify its revenue streams. In this regard, the Group has thus far focused on the trading of Chinese tea leaves. The revenue and operating loss of tea leaves trading business were HK\$ Nil and HK\$29,000 respectively, for the six months ended 30 June 2019 (six months ended 30 June 2018: approximately HK\$17,150,000 and an operating gain approximately HK\$242,000). The Group will increase efforts to revamp, rejuvenate and strengthen its tea leaves trading business both with its existing customers and potential new customers with the aim of boosting revenue with reasonable returns. The Group will also continue to explore the possibility of venturing into the trading of other products and commodities to generate further revenue streams for the Group.

Generally speaking, any efforts by the Group to improve and strengthen its overall business operations and its financial position will also depend on macro-economic factors affecting both Hong Kong and globally. The shadow cast by the current US-Sino trade dispute together with the ongoing civil and political unrests in Hong Kong continues to loom large and, as many believe, will adversely impact the overall economic performance of Hong Kong and mainland China for the remainder of 2019. In light of such uncertainties and concerns, the Group will no doubt have to act cautiously and vigilantly to tackle the challenges that may lie ahead.

Fund Raising Activities

On 4 March 2019, the Company, Excel Precise Securities Limited and Paragon Securities Limited (the **"Placing Agents"**) entered into a placing Agreement (the **"Placing Agreement"**) pursuant to which the Company proposed to offer the subscription of up to 41,000,000 placing shares (the **"Placing Shares"**) at the placing price of HK\$0.35 per Placing Share under general mandate and appoint the Placing Agents to place and to procure subscriptions for the Placing Shares on a best-effort basis, not less than six places (the **"Placing"**).

The conditions set out in the precedent to the Placing Agreement were fulfilled on 20 March 2019 and completion of the Placing took place. An aggregate of 27,518,400 Placing Shares had been successfully placed by the Placing Agents to not less than six places at the placing price of HK\$0.35 per Placing Share pursuant to the terms of the Placing Agreement.

Details are set out in the announcements of the Company dated 4 March 2019 and 20 March 2019.

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 2019, the Group had cash and cash equivalent of approximately HK\$7,914,000 (31 December 2018: approximately HK\$7,185,000), interest-bearing borrowings of approximately HK\$133,547,000 (31 December 2018: approximately HK\$142,349,000) and bond payables of HK\$50,000,000 (31 December 2018: HK\$50,000,000).

As at 30 June 2019, the gearing ratio (measured as total liabilities to total assets) was approximately 55.3% (31 December 2018: approximately 51.0%).

Capital Structure

As at 30 June 2019, the Company's issued share capital was HK\$2,342,959, divided into 234,295,913 shares of HK\$0.01 each.

Capital Commitments

As at 30 June 2019 and 31 December 2018, the Group did not have any capital commitments.

Contingent Liabilities

As at 30 June 2019 and 31 December 2018, the Group did not have any material contingent liability.

Charges on Assets

As at 30 June 2019, investment properties and certain financial assets at FVTPL with an aggregate carrying value of approximately HK\$167,520,000 (31 December 2018: approximately HK\$179,562,000) have been pledged to banks and other financial institutions to secure the credit facilities granted to the Group.

Exposure to Fluctuation in Exchange Rates and Related Hedges

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

Significant Investment

Save as disclosed in this report, the Group did not have any other significant investment during the six months ended 30 June 2019.

Material Acquisition and Disposal

Save as disclosed in this report, the Group did not process any material acquisition or disposal of subsidiaries or joint ventures during the six months ended 30 June 2019.

Events after the Reporting Period

On 2 August 2019, the Company entered into a placing agreement with Easy One Securities Limited as the placing agent, pursuant to which the Company has conditionally agreed to place, through that placing agent on a best effort basis, a maximum of 46,800,000 placing shares, not less than 6 places, at a placing price of HK\$0.2 per placing share under general mandate.

The 46,800,000 placing shares will be allotted and issued pursuant to the general mandate granted by the shareholders of the Company on 26 June 2019 and upon the Exchange having granted the listing of, and permission to deal in, the 46,800,000 placing shares. Details are set out in the announcement of the Company dated 2 August 2019.

On 6 August 2019, the Board confirmed, accepted and approved FT Securities Limited (“**FT Securities**”), an indirect wholly-owned subsidiary of the Company, to cease conducting regulated activities in Dealing in Securities (Type 1) and Advising on Securities (Type 4) under the supervision of the Securities and Futures Commission, due to the lack of business opportunities in the current competitive market.

An indirect wholly-owned subsidiary of the Company is currently in the process of addressing a legal issue with Nanyang Commercial Bank, Limited. The legal issue in question concerns the terms of a loan facility that has been secured by the mortgage of a property held by such indirect wholly-owned subsidiary to Nanyang Commercial Bank Limited. The Company is currently seeking legal advice on this legal issue and shall disclose further details and developments on this issue once all relevant details and facts have been clarified with Nanyang Commercial Bank Limited.

Litigations

Reference is made to page 12 of 2018 Annual Report of the Company which discloses particulars on and progress of litigation matters in which the Company and/or its subsidiaries are involved.

Regarding the action under HCA701 of 2013, the parties have filed their respective list of documents and are now preparing for their respective witness statements. The parties have attended mediation in compliance with the direction of the Court. However, no settlement can be achieved in the mediation.

As previously reported, on 28 March 2016, Gain Millennia Limited ("**GML**"), an indirect wholly-owned subsidiary of the Company, obtained a default judgement (the "**Judgement**") by the Superior Court for the Commonwealth of the Northern Mariana Islands against Hong Kong Entertainment (Overseas) Investment Limited ("**HKE**") in the sum of US\$22,471,643.98 (the "**Judgement Debt**"). Having obtained legal advice on the viability of enforcing the Judgement Debt against HKE, the Company has been advised that any efforts by the Company to enforce the Judgement Debt will likely be very costly, time-consuming and the sums recovered (if any) will by no means be certain. As such, on 12 April 2019, the Company, together with Perfect Plus Investment Limited ("**Perfect Plus**"), an indirect wholly-owned subsidiary of the Company, entered into an arm's length agreement (the "**S&P Agreement**") with an independent third party purchaser (the "**Purchaser**"), pursuant to which, among other terms: (i) the Company and Perfect Plus agreed to sell to the Purchaser the entire issued share capital of GML for the consideration of HK\$2,200,000; and (ii) the Purchaser shall procure GML to, and continue to, use its best endeavours and at its own costs and expenses execute the Judgment and recover the Judgement Debt within five (5) years after execution of the S&P Agreement. The S&P Agreement further provides that in case of any failure and/or refusal on the part of the Purchaser to settle and discharge the Judgment Debt (or any part thereof) within the aforementioned five (5) year period, the Company may institute proceedings against the Purchaser for the recovery thereof as if it were a debt due and owing by the Purchaser to the Company.

With regard to High Court Action 1114 of 2019, as previously announced by the Company in its voluntary announcement of 24 June 2019, the Company is still engaged in discussions with the plaintiff, Evercare Finance Company Limited, and is in the process of reviewing and negotiating the relevant documentation to be entered into with the plaintiff for the amicable out of court settlement of this action without delay.

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

Following to the term sheet of 7 April 2016 and the restructuring agreement of 29 April 2016 regarding the restructuring of the Hotel-Casino Complex, the total outstanding amount due from HKE to GML and TEC and other moneys payable by HKE to GML and/or its affiliated companies is HK\$164,624,000 (the "**GML Outstanding Amount**"). Pursuant to the restructuring agreement, a new company incorporated by Mr. Chen Chien Yeh 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. The management has taken a prudent approach and made full impairment of the GML Outstanding Amount during the year ended 31 December 2016, and on 12 April 2019, the GML Outstanding Amount has been written off as resolved and approved by the Board.

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.

As mentioned in the Litigations section on page 23 of this report, on 12 April 2019, Perfect Plus entered into the S&P Agreement with the Purchaser, pursuant to which Perfect Plus agreed to sell and the Purchaser agreed to acquire the entire issued share capital of GML, the completion of which also took place on the said date of the execution of the Agreement which has resulted in GML no longer being a subsidiary of the Company.

Employee Information and Remuneration Policy

The Group had 45 employees (31 December 2018: 49 employees) in Hong Kong as at 30 June 2019. During the six months ended 30 June 2019, the Group incurred staff costs (including Directors' emoluments) of approximately HK\$12,318,000 (six months ended 30 June 2018: approximately HK\$15,434,000).

The emoluments of the Directors are recommended by the remuneration committee, and approved by the Board, as authorized by the shareholders of the Company in the annual general meeting of the Company, having regard to the respective Directors' skills, knowledge and involvement in the Company's affairs. None of the Directors are involved in deciding their own remuneration.

The employees are remunerated with basic salary, discretionary bonus and share options with reference to corporate and individual's performance during the period. The Group offers competitive remuneration package, including medical and retirement benefits, to eligible employees. Apart from basic salary, executive Directors and employees are eligible to receive a discretionary bonus taking into account factors, such as market conditions as well as corporate and individual's performance during the period.

SHARE OPTION SCHEME

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

Details of the share options granted and outstanding during the six months ended 30 June 2019 were:

Name of category	Date of grant of share options	Number of share options					Outstanding as at 30.06.2019	Validity period of shares options	Exercise price HK\$
		Outstanding as at 01.01.2019	Granted	During the six months ended 30.06.2019 Exercised	Cancelled	Lapsed			
Employees	23/3/2016	677,157	-	-	-	-	677,157	23/3/2016-22/3/2026	6.1640*
Consultants	23/3/2016	975,028	-	-	-	-	975,028	23/3/2016-22/3/2026	6.1640*
Directors									
Lam Kwok Hing Wilfred	23/3/2016	297,870	-	-	-	-	297,870	23/3/2016-22/3/2026	6.1640*
Chan Shui Sheung Ivy	23/3/2016	297,870	-	-	-	-	297,870	23/3/2016-22/3/2026	6.1640*
Mok Tsan San	23/3/2016	297,870	-	-	-	-	297,870	23/3/2016-22/3/2026	6.1640*
		2,545,795	-	-	-	-	2,545,795		

* Following the Open Offer and Share Consolidation on 26 June 2017 and 27 June 2017 respectively, the exercise price of the outstanding share options was adjusted from HK\$0.6120 to HK\$6.1640.

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

As at 30 June 2019, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO or otherwise notified to the Company and the Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and the chief executives of the Company were deemed or taken to have under such provision of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Exchange pursuant to the required standard of dealings by directors of listed issuer as referred to in rule 5.46 of the GEM Listing Rules were as follows:

Long position in shares and underlying shares of the Company

Name of Director	Type of interests	Number of issued ordinary shares held	Number of underlying shares	Approximate percentage of the issued share capital
Lam Kwok Hing Wilfred	Beneficial owner	–	297,870 (Note)	0.12%
Chan Shui Sheung Ivy	Beneficial owner	9,000	297,870 (Note)	0.13%
Mok Tsan San	Beneficial owner	–	297,870 (Note)	0.12%

Note:

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

Save as disclosed above, as at 30 June 2019, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Exchange pursuant to rule 5.46 of the GEM Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the above section headed "Directors' and Chief Executives' Interests in Shares of the Company", at no time during the six months ended 30 June 2019 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 2019.

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 2019 or at any time during the six months ended 30 June 2019.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2019, persons (other than a director or chief executive of the Company) who had interests or short positions directly or indirectly in the Company's shares and/or underlying shares recorded in the register kept by the Company pursuant to Section 336 of the SFO, or as otherwise notified to the Company and the Exchange were as follows:

Long position in shares and underlying shares of the Company

Name of Shareholders	Capacity	Number of Shares	Approximate percentage of interests
Ng Kam Ching	Beneficial owner	34,986,600	14.93% (Note)

Note: This is calculated based on the total number of issued shares of the Company as at 30 June 2019, which was 234,295,913 shares.

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 2019 as recorded in the register required to be kept by the Company under Section 336 of the SFO or as otherwise notified to the Company or the Exchange.

COMPETING INTERESTS

None of the Directors or any of their respective associates (as defined in the GEM Listing Rules) had any business or interest that competes or may compete with the business of the Group or had any other conflict of interest with the Group during the six months ended 30 June 2019.

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 2019 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 2019, the Company did not appoint a chief executive. The Board will keep reviewing the current structure from time to time and appoint candidates with suitable knowledge, skill, and experience as chief executive of the Company, if identified.

CHANGE IN INFORMATION ON DIRECTORS

The change of information on the Directors during the six months ended 30 June 2019 and up to the date of this report that required to be disclosed pursuant to rule 17.50A (1) of the GEM Listing Rules is as follows:-

Mr. Lam Kwok Hing Wilfred resigned as an executive director of Hong Kong Resources Holdings Company Limited (stock code: 2882), a company listed on the Main Board of the Exchange, with effect from 12 June 2019.

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 2019.

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 2019.

AUDIT COMMITTEE

The Company has established an audit committee (the "**Audit Committee**") with written terms of reference in compliance with the GEM Listing Rules. The primary duties of the Audit Committee are to review the Company's annual reports and financial statements, interim reports, quarterly reports and risk management and internal control systems and to provide comments thereon to the Board.

The Audit Committee has reviewed the Group's unaudited condensed consolidated financial statements and this interim report for the six months ended 30 June 2019 and has provided comments thereon.

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

Hong Kong, 14 August 2019

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