華人策略控股有限公司
Chinese Strategic Holdings Limited

(Incorporated in Bermuda with limited liability)
(Stock Code: 8089)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

CHARACTERISTICS OF GEM OF THE EXCHANGE

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

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

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

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

The board of directors (the "**Board**") of Chinese Strategic Holdings Limited (the "**Company**") hereby announces the audited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2018, together with the comparative audited figures for the year 2017, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

		2018	2017
	Notes	***HK$'000***	*HK$'000*
Revenue	*4*		
Rental income		**2,516**	2,453
Interest income		**1,814**	3,614
Sales of goods		**20,544**	4,200
Dividend income		**12**	–
Total Revenue		**24,886**	10,267
Cost of sales		**(20,381)**	(4,312)
Gross profit		**4,505**	5,955
Other income	*6a*	**606**	988
Other gains and losses	*6b*	**(105,002)**	9,064
Administrative expenses		**(80,552)**	(80,221)
Impairment losses, net of reversal	*6c*	**(22,770)**	(2,188)
Share of results of associates		**(11)**	224
Share of results of joint ventures		**11,198**	1,009
Operating loss		**(192,026)**	(65,169)
Finance costs	*7*	**(27,237)**	(20,673)
Loss before tax		**(219,263)**	(85,842)
Income tax expenses	*8*	**(167)**	(213)
Loss for the year	*9*	**(219,430)**	(86,055)

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

For the year ended 31 December 2018

	Notes	**2018**	2017
		HK$'000	*HK$'000*
Other comprehensive (expense) income			
Items that will not be reclassified to profit or loss:			
Fair value loss on investments in equity instruments at fair value through other comprehensive income		**(27)**	–
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(5)**	4
Release of investment revaluation reserve upon disposal of available-for-sale financial assets		**–**	(24,304)
Share of translation reserve of a joint venture		**(8,692)**	11,725
		(8,697)	(12,575)
Other comprehensive expense for the year, net of income tax		**(8,724)**	(12,575)
Total comprehensive expense for the year		**(228,154)**	(98,630)
(Loss) profit for the year attributable to:			
Owners of the Company		**(221,601)**	(86,462)
Non-controlling interests		**2,171**	407
		(219,430)	(86,055)
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(230,325)**	(99,037)
Non-controlling interests		**2,171**	407
		(228,154)	(98,630)
Loss per share	*11*		
Basic *(HK cents)*		**(107.17) cents**	(57.79) cents
Diluted *(HK cents)*		**N/A**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	Notes	**2018** **HK$'000**	2017 HK$'000
NON-CURRENT ASSETS			
Plant and equipment		**7,221**	4,017
Prepaid lease payment – non-current portion		**18,726**	19,114
Investment properties		**164,840**	117,700
Interests in associates		**397**	400
Interests in joint ventures		**184,518**	182,012
Club debentures		**2,690**	2,690
Intangible assets		**5,732**	–
Financial assets at fair value through profit or loss		**7,468**	7,500
Deposit paid for acquisition of a subsidiary	*13*	**3,302**	–
Available-for-sale financial assets		**–**	3,634
Equity instruments at fair value through other comprehensive income		**2,426**	–
		397,320	337,067
CURRENT ASSETS			
Loan and interest receivables	*12*	**25,778**	50,964
Financial assets at fair value through profit or loss		**33,294**	224,181
Trade and other receivables	*13*	**41,934**	112,670
Prepaid lease payment – current portion		**388**	388
Amount due from an associate		**5**	–
Amount due from a joint venture		**1,824**	3,341
Bank balances and cash		**7,185**	49,146
		110,408	440,690
Assets classified as held for sale		**17,270**	–
CURRENT LIABILITIES			
Trade and other payables	*14*	**50,448**	34,119
Amount due to an associate		**723**	731
Amount due to joint venture		**3,000**	–
Borrowings		**142,349**	139,226
Bond payables		**10,000**	–
Obligations under finance leases – current portion		**729**	608
Financial guarantee contract		**3,540**	–
Tax liabilities		**8,944**	11,503
		219,733	186,187
Liabilities associated with assets classified as held for sale		**5,719**	–
NET CURRENT (LIABILITIES) ASSETS		**(97,774)**	254,503
TOTAL ASSETS LESS CURRENT LIABILITIES		**299,546**	591,570

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 31 December 2018

	2018	2017
	HK$'000	*HK$'000*
NON-CURRENT LIABILITIES		
Bond payables	**40,000**	50,000
Obligations under finance leases – non-current portion	**766**	891
Deferred tax liabilities	**1,560**	1,393
	42,326	52,284
NET ASSETS	**257,220**	539,286
CAPITAL AND RESERVES		
Share capital	**2,068**	2,068
Reserves	**222,171**	506,578
Equity attributable to owners of the Company	**224,239**	508,646
Non-controlling interests	**32,981**	30,640
TOTAL EQUITY	**257,220**	539,286

Notes

1. GENERAL

Chinese Strategic Holdings Limited (the "**Company**") is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the GEM of The Stock Exchange of Hong Kong Limited (the "**Exchange**") since 18 May 2000. The address of the registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda, and its principal place of business is located at 2nd Floor, Lee Kum Kee Central, Nos. 54-58 Des Voeux Road Central, Hong Kong.

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

The consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), which is also the functional currency of the Company.

2. BASIS OF PREPARATION

In preparing the consolidated financial statements, the directors of the Company (the "**Directors**") have given careful consideration to the future liquidity of the Group notwithstanding that the Group incurred a loss for the year attributable to owners of the Company of approximately HK$221,601,000 for the year ended 31 December 2018 and, as of that date, the Group had net current liabilities of approximately HK$97,774,000.

In the opinion of the Directors, the Group is able to operate as a going concern in the next twelve months from 31 December 2018 after taking into consideration of the following measures:

(a) The Group has a plan to realise its investment properties to strengthen the Group's cash position. Amongst others, the Group has entered into a memorandum of understanding on 7 March 2019 to dispose of the equity interest in two subsidiaries of the Group in which Hong Kong real estates properties are held. In addition, as disclosed in the announcement of the Company dated 13 September 2018, the Company has been approached in the negotiation of the potential disposal of equity interests in the holding companies of the investment property located in Changsha at the consideration of approximately HK$190 million.

(b) The Group has a concrete plan to enforce cost-saving measures to reduce the administrative and operating expenses.

(c) A loan of the Group with the principal amount of HK$36,000,000 has been extended for twelve months till 23 March 2020.

(d) On 20 March 2019, the Company has completed the placing of new shares under general mandate. The net proceeds of approximately HK$9,000,000 has been raised. The Group is exploring other fund raising opportunities including, but not limited to, equity and debt financing.

The Directors are of the opinion that the Group will be able to have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due for a period of not less than the next twelve months from 31 December 2018. Accordingly, the Directors are of the opinion that it is appropriate to prepare these consolidated financial statements for the year ended 31 December 2018 on a going concern basis. The consolidated financial statements do not include any adjustments that would result from the failure of the Group to obtain sufficient future funding. Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to reduce the carrying amounts of the assets of the Group to their recoverable amounts, to provide further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and Amendments to HKFRSs that are mandatorily effective for the current year

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

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

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

3.1 HKFRS 15 Revenue from Contracts with Customers

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening accumulated losses (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 January 2018.

The Group recognises revenue from the sales of goods which arise from contracts with customers. Revenue is recognised when the goods are delivered to the customers.

Information about the Group's performance obligations and the accounting policies resulting from application of HKFRS 15 are disclosed in the consolidated financial statements.

The adoption of HKFRS 15 did not have any impact on the timing and amounts of revenue recognition as at 1 January 2018.

3.2 HKFRS 9 Financial Instruments

In the current year, the Group has applied HKFRS 9 *Financial Instruments* and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening accumulated losses and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 *Financial Instruments: Recognition and Measurement*.

Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement of financial assets and financial liabilities and other items subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

	Notes	**Available-for-sale ("AFS") financial assets** *HK$'000*	**Financial assets designated at fair value through profit or loss ("FVTPL")** *HK$'000*	**Financial assets at FVTPL required by HKAS 39/ HKFRS 9** *HK$'000*	**Equity instruments at fair value through other comprehensive income ("FVTOCI")** *HK$'000*	**Financial assets at amortised cost (previously classified as loan and receivables)** *HK$'000*	**FVTOCI reserve** *HK$'000*	**Accumulated losses** *HK$'000*
Closing balance at 31 December 2017 under HKAS 39		3,634	27,449	204,232	–	214,020	–	(2,684,354)
Effect arising from initial application of HKFRS 9:								
Reclassification								
– From available-for-sale	*(a)*	(3,634)	–	–	3,634	–	(2,758)	2,758
– From designated at FVTPL	*(b)*	–	(27,449)	27,449	–	–	–	–
Remeasurement								
Impairment under ECL model	*(c)*	–	–	–	–	(52,901)	–	(52,901)
From cost less impairment to fair value		–	–	–	(1,181)	–	(1,181)	–
Opening balance at 1 January 2018		–	–	231,681	2,453	161,119	(3,939)	(2,734,497)

(a) Available-for-sale ("AFS") investments

From AFS equity investments to fair value through other comprehensive income ("FVTOCI")

The Group elected to present in OCI for the fair value changes of all its equity investments previously classified as available-for-sale. These investments are not held for trading and not expected to be sold in the foreseeable future. At the date of initial application of HKFRS 9, approximately HK$3,634,000 were reclassified from available-for-sale financial assets to equity instruments at FVTOCI, of which approximately HK$3,634,000 related to unquoted equity investments previously measured at cost less impairment under HKAS 39. The fair value losses of approximately HK$1,181,000 relating to those unquoted equity investments previously carried at cost less impairment were adjusted to equity instruments at FVTOCI and FVTOCI reserve as at 1 January 2018. In addition, impairment losses previously recognised of approximately HK$2,758,000 were transferred from accumulated losses to FVTOCI reserve as at 1 January 2018.

(b) Financial assets at FVTPL and/or designated at FVTPL

At the date of initial application, the Group no longer applied designation as measured at FVTPL for the convertible instruments, as these financial assets are required to be measured at FVTPL under HKFRS 9. As a result, these investments of approximately HK$27,449,000 were reclassified from financial assets designated at FVTPL to financial assets at FVTPL.

The Group has reassessed its investments in equity securities classified as held for trading under HKAS 39 as if the Group had purchased these investments at the date of initial application. Based on the facts and circumstances as at the date of initial application, approximately HK$204,232,000 of the Group's investments were held for trading and continued to be measured at FVTPL. There was no impact on the amounts recognised in relation to these assets from the application of HKFRS 9.

(c) Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables. Except for those which had been determined as credit impaired under HKAS 39, trade receivables have been assessed individually with significant credit risk, the remaining balances are grouped based on past due analysis.

Except for those which had been determined as credit impaired under HKAS 39, ECL for other financial assets at amortised cost, including other receivables, bank balances, loan and interest receivables, are assessed on 12-month ECL ("12m ECL") basis as there had been no significant increase in credit risk since initial recognition, except for certain loan and interest receivables and certain other receivables which are assessed and measured on lifetime ECL basis as those credit risk had increased significantly since initial recognition.

As at 1 January 2018, additional credit loss allowance of approximately HK$52,901,000 has been recognised against accumulated losses. The additional loss allowance is charged against the respective assets.

All loss allowances, including loan and interest receivables and trade and other receivables, as at 31 December 2017, reconciled to the opening loss allowances as at 1 January 2018 are as follows:

	Amount due from a joint venture	**Loan and interest receivable**	**Other receivables**
	HK$'000	*HK$'000*	*HK$'000*
At 31 December 2017 under HKAS 39	–	301,112	184,624
Amounts remeasured through opening accumulated losses	169	7,714	45,018
At 1 January 2018	169	308,826	229,642

New and Amendments to HKFRSs in issue but not yet effective

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

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[4]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of Business[2]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to HKAS 1 and HKAS 8	Definition of Material[3]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interest In Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle[1]

[1] Effective for annual periods beginning on or after 1 January 2019.

[2] Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

[3] Effective for annual periods beginning on or after 1 January 2020.

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

[5] Effective for annual periods beginning on or after a date to be determined.

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

4. REVENUE

For the year ended 31 December 2018

(i) Disaggregation of revenue from contracts with customers

Segments	**2018**
	HK$'000
Sales of goods	
– Tea products	**20,544**

Geographical market	2018
	HK$'000
Hong Kong	**20,544**

Timing of revenue	2018
	HK$'000
At a point in time	**20,544**

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information.

	2018
	HK$'000
Revenue from contracts with customers	
– Sales of goods	**20,544**
Rental income	**2,516**
Interest income from the provision of loan financing	**1,814**
Dividend income from financial assets at FVTPL	**12**
Total revenue	**24,886**

(ii) Performance obligations for contracts with customers

Revenue from sale of tea products is recognised when control of the goods has transferred to the customers, being at the point the goods are delivered to the customers. Delivery occurs when the goods have been shipped to the customer's specific location.

For the year ended 31 December 2017

Revenue represents the aggregate of (i) rental income, (ii) interest income from loan financing and (iii) sales of goods during the year. An analysis of the Group's revenue is as follows:

	2017
	HK$'000
Rental income	2,453
Interest income from the provision of loan financing	3,614
Sales of goods	4,200
	10,267

5. OPERATING SEGMENTS

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 year, the Group commenced the business in advising on securities and assets management along with the acquisition of Chinese Strategic Asset Management Limited (formerly known as AID Partners Asset Management Limited), and it is considered as a new operating and reportable segment by the CODM. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

Specifically, 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. Advising on securities and asset management – advising on securities, provision of fund and asset management

Segment revenue and results

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

	2018	2017
	HK$'000	*HK$'000*
Segment revenue		
– Properties investments	**2,516**	2,453
– Securities trading	**12**	–
– Loan financing	**1,814**	3,614
– Trading business	**20,544**	4,200
– Advising on securities and asset management	**–**	–
	24,886	10,267
Segment profit (loss)		
– Properties investments	**17,706**	10,088
– Securities trading	**(123,768)**	(38,142)
– Loan financing	**(2,850)**	(507)
– Trading business	**(1,088)**	(468)
– Advising on securities and asset management	**(644)**	–
	(110,644)	(29,029)

	2018	2017
	HK$'000	*HK$'000*
Unallocated corporate expenses	**(9,561)**	(59,530)
Unallocated corporate income	**606**	988
Gain from changes in fair values of convertible instruments designated as financial assets at FVTPL, net	**–**	2,265
Loss from changes in fair value of financial assets at FVTPL, net	**(53,082)**	–
Gain on redemption of convertible instruments designated as financial assets at FVTPL	**–**	1,333
Gain on disposal of available-for-sale financial assets	**–**	25,412
Gain (loss) on disposal of		
– a subsidiary	**907**	(5,756)
– an associate	**–**	(770)
Gain on deemed disposal of a subsidiary	**45**	–
Gain on bargain purchase	**–**	61
Impairment loss (recognised) reversal on		
– Available-for-sales financial assets	**–**	(2,258)
– Amount due from an associate	**(41)**	–
– Amounts due from joint ventures	**119**	–
– Other receivables	**(20,899)**	–
Impairment loss on goodwill	**(389)**	–
Written off of other receivables	**(240)**	–
Financial guarantee	**(3,540)**	–
Share of results of associates	**(11)**	224
Unallocated finance costs	**(22,533)**	(18,782)
Loss before tax	**(219,263)**	(85,842)

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

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit (loss) represents the profit earned by (loss from) each segment without allocation of central administration costs, directors' emoluments, gain from changes in fair values of convertible instruments designated as financial assets at FVTPL, gain on redemption of convertible instruments designated as financial assets at FVTPL, gain on redemption of financial assets at FVTPL, gain on disposal of available-for-sale financial assets, impairment loss recognised on available-for-sale financial assets/other receivables/amount due from an associate/amount due from a joint venture/goodwill, gain (loss) on disposal of a subsidiary, gain on deemed disposal of a subsidiary, gain on bargain purchase, loss on disposal of an associate, written-off of other receivables, financial guarantee, share of results of associates and certain finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

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

	2018	2017
	HK$'000	HK$'000
Segment assets		
– Properties investments	**350,482**	301,152
– Securities trading	**44,225**	221,378
– Loan financing	**31,174**	51,546
– Trading business	**1,438**	4,209
– Advising on securities and asset management	**625**	–
Total segment assets	**427,944**	578,285
Unallocated corporate assets	**97,054**	199,472
Consolidated assets	**524,998**	777,757
Segment liabilities		
– Properties investments	**17,938**	69,731
– Securities trading	**22,491**	32,711
– Loan financing	**808**	208
– Trading business	**840**	4,073
– Advising on securities and asset management	**110**	–
Total segment liabilities	**42,187**	106,723
Unallocated corporate liabilities	**225,591**	131,748
Consolidated liabilities	**267,778**	238,471

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

- all assets are allocated to operating segments other than AFS financial assets, plant and equipment, prepaid lease payment, interests in/amount due from associates, club debentures, certain financial assets at FVTPL, assets classified as held for sale, bank balances and cash and certain prepayments, deposits and other receivables; and

- all liabilities are allocated to operating segments other than certain accruals and other payables, certain borrowings, obligations under finance leases, amount due to an associate, tax liabilities, liabilities associated with assets classified as held for sale, financial guarantee contract, bond payables and deferred tax liabilities.

Information about major customers

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

	2018	2017
	HK$'000	*HK$'000*
Customer A[1]	**15,050**	4,200
Customer B[1]	**5,280**	–

[1] *Revenue from trading business*

6a. OTHER INCOME

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

	2018	2017
	HK$'000	*HK$'000*
Interest income on bank deposits	**5**	11
Interest income on other receivables *(Note)*	**281**	863
Interest income on convertible instruments designated as financial assets at FVTPL	**–**	94
Interest income on financial assets at FVTPL	**320**	–
Others	**–**	20
	606	988

Note: The amount represents the interest income regarding the other receivables bearing interest rate of 5% per annum.

6b. OTHER GAINS AND LOSSES

	2018	2017
	HK$'000	*HK$'000*
Gain on bargain purchase	**–**	61
Impairment loss on goodwill	**(389)**	–
(Loss) gain on disposal of financial assets at FVTPL	**(57,074)**	11,230
Gain on redemption of convertible instruments designated as financial assets at FVTPL	**–**	1,333
Gain on disposal of available-for-sale financial assets	**–**	25,412
Gain on disposal of an investment property	**80**	–
Gain (loss) on disposal of		
– a subsidiary	**907**	(5,756)
– an associate	**–**	(770)
Gain on deemed disposal of a subsidiary	**45**	–
Gain from changes in fair value of investment property, net	**8,291**	6,460
Gain from changes in fair value of convertible instruments designated as financial assets at fair value through profit or loss, net	**–**	2,265
Loss from changes in fair value of financial assets at FVTPL, net	**(53,082)**	–
Loss from changes in fair value of investment held for trading, net	**–**	(31,171)
Written off of other receivables	**(240)**	–
Financial guarantee	**(3,540)**	–
	(105,002)	9,064

6c. IMPAIRMENT LOSSES, NET OF REVERSAL

	2018	2017
	HK$'000	*HK$'000*
Impairment losses (recognised) reversed on		
– Available-for-sale financial assets	**–**	(2,258)
– Loan and interest receivables	**(1,949)**	70
– Other receivables	**(20,899)**	–
– Amount due from an associate	**(41)**	–
– Amount due from a joint venture	**119**	–
	(22,770)	(2,188)

7. FINANCE COSTS

	2018	2017
	HK$'000	*HK$'000*
Interests on:		
Bank borrowings	**457**	595
Other loans	**18,210**	14,324
Bond payables	**3,800**	3,800
Obligations under finance leases	**66**	63
Margin accounts	**4,704**	1,891
	27,237	20,673

8. INCOME TAX EXPENSES

	2018	2017
	HK$'000	*HK$'000*
Deferred taxation	**167**	213

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The Directors considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years ended 31 December 2018 and 2017.

No provision for taxation in Hong Kong has been made for both years ended 31 December 2018 and 2017 as the Group did not generate any assessable profits arising in Hong Kong.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years ended 31 December 2018 and 2017.

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

9. LOSS FOR THE YEAR

	2018	2017
	HK$'000	*HK$'000*
Loss for the year has been arrived at after charging (crediting):		
Staff costs including directors' emoluments:		
Salaries and allowances	**32,451**	29,188
Contributions to retirement benefits scheme	**689**	626
	33,140	29,814
Gross rental income	**(2,516)**	(2,453)
Less: direct operating expenses incurred for investment properties that generated rental income during the year (included in cost of sales)	**311**	312
Net rental income	**(2,205)**	(2,141)
Auditor's remuneration		
– Audit service	**985**	820
– Non-audit service	**–**	170
Cost of inventories recognised as expenses	**20,070**	4,000
Depreciation of plant and equipment	**3,898**	2,580
Amortisation of prepaid lease payment	**388**	388
Loss on written-off of plant and equipment	**2**	178
Minimum lease payments under operating leases	**3,844**	4,782
Legal and professional fees	**7,012**	6,817
Consultancy fees	**7,352**	7,443

10. DIVIDEND

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 December 2018, nor has any dividend been proposed since the end of the reporting period (2017: Nil).

11. LOSS PER SHARE

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

	2018	2017
	HK$'000	*HK$'000*
Loss		
Loss for the year attributable to owners of the Company for the purpose of basic and diluted loss per share	**(221,601)**	(86,462)

	2018	2017
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**206,778**	149,625
Effect of dilutive potential ordinary shares:		
– Share options	**N/A**	N/A
Weighted average number of ordinary shares for the purpose of diluted loss per share	**206,778**	149,625

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

The computation of diluted loss per share for the years ended 31 December 2018 and 31 December 2017 does not assume the exercise of the Company's share options since it would result in a decrease in loss per share for the years which is regarded as anti-dilutive.

12. LOAN AND INTEREST RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Fixed rate loan and interest receivables arising from loan financing business *(Note)*:		
Secured loan and interest receivables	**157,260**	175,860
Unsecured loan and interest receivables	**6,434**	3,357
Less: accumulated impairment losses recognised	**(149,578)**	(143,746)
	14,116	35,471
Other loan and interest receivables:		
Amount due from a former subsidiary	**–**	151,980
Other secured loan and interest receivable	**20,879**	20,879
	–	172,859
Less: accumulated impairment losses recognised	**(9,217)**	(157,366)
	11,662	15,493
	25,778	50,964

Note:

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

	2018	2017
	HK$'000	*HK$'000*
Within 3 months	**7,922**	24,038
In more than 3 months but not more than 6 months	**5,130**	9,771
In more than 6 months but not more than 12 months	**1,064**	1,662
	14,116	35,471

13. TRADE AND OTHER RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Trade receivable *(Note)*	**–**	4,200
Deposits paid for acquisition of potential investments	**20,000**	20,000
Less: accumulated impairment losses on the deposits paid for acquisition of potential investments	**(20,000)**	(20,000)
	–	–
Prepayments	**2,530**	2,101
Rental and utility deposits	**1,063**	1,268
Other receivables	**271,460**	258,960
	275,053	262,329
Less: accumulated impairment losses	**(230,541)**	(164,624)
	44,512	97,705
Cash balance in securities account	**724**	10,765
	45,236	112,670

Note:

Trade receivable at the end of the reporting period comprise amounts receivable from the sales of goods. No interest is charged on the trade receivable.

The Group generally allows an average credit period of 60 days to its customers. The aging analysis of the Group's trade receivable presented based on invoice date as at the end of the reporting period is as follows:

	2017
	HK$'000
0 – 30 days	4,200

14. TRADE AND OTHER PAYABLES

	2018	2017
	HK$'000	*HK$'000*
Trade payable *(Note)*	**520**	4,000
Accruals	**30,961**	17,265
Other payables	**16,625**	11,769
Rental deposit received	**231**	1,085
Amounts due to directors	**2,111**	–
	50,448	34,119

Note:

The purchases of goods should be settled on delivery.

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

	2018	2017
	HK$'000	*HK$'000*
0 – 30 days	**–**	4,000
Over 180 days	**520**	–
	520	4,000

EXTRACT OF THE INDEPENDENT AUDITOR'S REPORT

The following is an extract of the independent auditor's report on the Group's annual audited consolidated financial statements for the year ended 31 December 2018 which has included a disclaimer of opinion:

DISCLAIMER OF OPINION

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

Scope of limitation on interest in joint ventures

As stated in Note 22 to the consolidated financial statements, the Group has equity accounted for its interest in Chinese Capital Union Financial Limited ("CCUF"), a joint venture of the Group. As at 31 December 2018, both the cost of investment in CCUF and share of post-acquisition loss were HK$3,000,000, and the Group's share of loss of CCUF for the year ended 31 December 2018 was approximately HK$1,491,000. In additions, there was a receivable of approximately HK$1,824,000 due from CCUF and amount due to CCUF of HK$3,000,000 as at 31 December 2018. However, during the course of our audit, we have not been able to obtain sufficient information and explanations from the management of CCUF that we considered necessary in order to enable us to satisfy ourselves as to whether the Group's share of CCUF's result for the year and thus the carrying amount of the interest in CCUF and the receivable due from and payable to CCUF included in the Group's consolidated statement of financial position as at 31 December 2018 are fairly stated and whether the summarised financial information of CCUF as shown in Note 22 to the consolidated financial statements are properly disclosed. There were no other satisfactory audit procedures that we could adopt to obtain sufficient appropriate audit evidence in this regard.

Any adjustment to the amount of the above interest in CCUF found to be necessary would affect the Company's net assets as at 31 December 2018 and the Group's loss for the year then ended and related disclosures to the consolidated financial statements.

Multiple fundamental uncertainties relating to going concern

As described in Note 2 to the consolidated financial statements, the Group reported loss attributable to the owners of the Company of approximately HK$221,601,000 and had significant net cash used in operating activities for the year ended 31 December 2018. As at 31 December 2018, the Group's current liabilities exceeded its current assets by approximately HK$97,774,000, in which total borrowings amounted to approximately HK$142,349,000, while its cash and cash equivalents amounted to approximately HK$7,185,000 only.

These conditions indicate the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business.

As explained in Note 2 to the consolidated financial statements, the consolidated financial statements have been prepared by the directors of the Company (the "Directors") on a going concern basis, the validity of which is dependent on the Group's ability to obtain sufficient future funding. Due to the uncertainty of the Group's ability to maintain adequate future cash flows, we were unable to ascertain whether the assumptions made by the Directors in preparing the consolidated financial statements on a going concern basis are proper and appropriate.

Should the going concern assumption be inappropriate, adjustments would be necessary to reclassify all non-current assets and liabilities as current assets and liabilities respectively, write-down the value of assets to their recoverable amounts and to provide for further liabilities which may arise. The consolidated financial statements have not incorporated any of these adjustments. However, the uncertainty surrounding the Group's future cash flows raises significant doubt about the Group's ability to continue as a going concern. We consider that appropriate disclosures have been made in the consolidated financial statements concerning this situation, but we are unable to obtain adequate evidence concerning the Group's ability to meet any financial obligations as and when they fall due and we consider that this material uncertainty relating to going concern basis and their cumulative effect on the consolidated financial statements is so extreme that we have disclaimed our opinion.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group is principally engaged in businesses of properties investments, securities trading, loan financing, trading business and advising on securities and asset management. The revenue of the Group for the year ended 31 December 2018 amounted to approximately HK$24,886,000, representing an increase of approximately 142.4% as compared with approximately HK$10,267,000 in the preceding financial year. The increase in revenue was mainly due to the expansion of the trading business during the year ended 31 December 2018.

Properties Investments

The Group recorded a rental income of approximately HK$2,516,000 for the year ended 31 December 2018 (2017: approximately HK$2,453,000) through properties leasing. The property market in Hong Kong has experienced rebound in the price and reached its highest record, the Group recorded a gain arising from fair value changes of investment properties of approximately HK$8,291,000 (2017: approximately HK$6,460,000).

As at 31 December 2018, the fair value of investment properties of the Group amounted to approximately HK$164,840,000 (31 December 2017: approximately HK$117,700,000).

Securities Trading

During the year ended 31 December 2018, through disposal of financial assets at FVTPL, the Group recorded a loss of approximately HK$57,074,000 (2017: gain approximately HK$11,230,000). With the volatile securities market affected by both political and economical factors frequently, the Group recorded a loss arising from the fair value changes of financial assets at FVTPL of approximately HK$53,082,000 (2017: loss from changes in fair value of investment held for trading of approximately HK$31,171,000).

As at 31 December 2018, the Group had financial assets at fair value through profit or loss which represent listed securities in Hong Kong amounted to approximately HK$33,294,000 (31 December 2017: approximately HK$204,232,000).

There is no single investments of Hong Kong listed securities and/or relevant derivatives with market value exceeding HK$20,000,000 as at 31 December 2018. The gain/loss of securities exceeded HK$10,000,000 are as follows:

	As at 31 December 2018			For the year ended 31 December 2018			
Company	**No. of shares held**	**Approx. percentage of shareholdings**	**Fair value**	**Stock price performance**	**Price range**	**(Loss) gain on disposal**	**Dividend received**
				(%)	*(HK$)*		
			HK$'000	*Approx.*	*Approx.*	*HK$'000*	*HK$*
CEFC Hong Kong Financial Investment Company Limited	25,644,000	0.26%	5,129	(75)%	0.15-0.98	(2)	Nil
China Eco-Farming Limited	21,820,000	0.12%	5,215	(73.15)%	0.239-1.05	(2,857)	Nil

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.

Loan Financing

During the year ended 31 December 2018, the performance of the loan financing business was not satisfactory with tightened credit policy and keen market competition. It was recorded a drop of approximately 49.8% in the interest income to approximately HK$1,814,000 from HK$3,614,000 in the preceding financial year.

Trading Business

The Group is of the view that high quality of tea leaves has strong potential growth and room for healthy financial returns. In order to broaden the revenue stream of the Group, the Group has started the trading business in the last quarter of 2017. During the year ended 31 December 2018, the group record the revenue and operating loss of tea leaves trading were approximately HK$20,544,000 and HK$1,088,000 respectively (31 December 2017: approximately HK$4,200,000 and loss of HK$468,000 respectively).

Strategic Cooperation with Shenzhen Jinbo Investment

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

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

* *for identification purpose only*

Financial Assets

In the current year, the Group has applied HKFRS 9 *Financial Instruments* and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and 3) general hedge accounting.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 *Financial Instruments: Recognition and Measurement*.

The Group held an investment portfolio, classified as equity instruments at fair value through other comprehensive income with carrying value of approximately HK$2,426,000 as at 31 December 2018 (31 December 2017: available-for-sale financial assets of approximately HK$3,634,000).

The Group held certain unlisted convertible bond by a private company, classified as financial assets at fair value though profit or loss, amounted to approximately HK$7,468,000 as at 31 December 2018 (31 December 2017: approximately HK$7,500,000). The convertible instruments were measured at fair value at the reporting end date. In this regard, a loss arising from fair value changes of convertible instruments of approximately HK$32,000 was recorded during the year ended 31 December 2018 (2017: gain of approximately HK$2,265,000).

The carrying value of the aforesaid investments, representing 1.42% of the total assets of the Group, is mark to market value and its performance is affected by Hong Kong stock market and global economic environment.

Financial Review

For the year ended 31 December 2018, the Group recorded a revenue of approximately HK$24,886,000 (2017: approximately HK$10,267,000), representing an increase of approximately 142.4% as compared with the preceding financial year. The increase in revenue was mainly due to the expansion of trading business segment.

Administrative expenses for the year ended 31 December 2018 was approximately HK$80,552,000 (2017: approximately HK$80,221,000), representing an slightly increase of approximately 0.4% as compared with the preceding financial year. The increase in expenses was mainly due to increase in consultancy fee and staff costs.

The Group incurred finance costs of approximately HK$27,237,000 for the year ended 31 December 2018 (2017: approximately HK$20,673,000), which mainly comprised interest on interest bearing bank borrowing and other borrowings, margin accounts and bonds.

The loss attributable to the owners of the Company for the year ended 31 December 2018 aggregated at approximately HK$221,601,000 (2017: approximately HK$86,462,000). Loss for the year was mainly attributable to loss on disposals of financial assets at FVTPL of approximately HK$57,074,000 and loss from changes in fair value of financial assets at FVTPL of approximately HK$53,082,000. The basic loss per share for the year ended 31 December 2018 was HK107.17 cents (2017: HK57.79 cents).

Outlook

The residential property market in Hong Kong has primarily remained buoyant during 2018 with property prices continuing to reach new heights despite measures implemented by the Hong Kong SAR Government and increases in interest rates. The property market did, however, begin to dampen during the fourth quarter of 2018 due uncertainties caused by mounting trade tensions between the United States and China that has, in turn, stinted China's economic growth. In light of such developments, the management will continue to adopt a very cautious and conservative approach when seeking out new property investment opportunities for the company during the coming financial year.

On the securities investment front, the weakened growth of the Chinese economy due to the uncertainties created by the trade dispute between the United States and China coupled with various factors on the international front such as Brexit have strongly influenced key stock market movements around the world with Hong Kong being no exception. The likelihood of such factors continuing to impact on stock market sentiments and volatility in the coming financial year seems high if not absolutely certain. The management will, therefore, continue to adopt a prudent approach in all its securities investment dealings.

Given that the overall business environment in 2019 will likely be challenging, volatile and unpredictable, the management will maintain a very cautious and practical approach in managing the Company's business operations in the coming financial year.

Interest in a Joint Venture

The Group's investment in the joint venture 長沙賽格發展有限公司 (Changsha Seg Development Co Limited) ("**Changsha Seg**") performed satisfactorily during the year ended 31 December 2018. The Group's share of result of Changsha Seg amounted to approximately HK$12,689,000 for the year ended 31 December 2018 (2017: HK$2,518,000). The net assets of Changsha Seg was approximately HK$308,535,000 (2017: approximately HK$301,133,000).

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

Fund Raising Activities

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

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

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

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

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

Liquidity and Financial Resources

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

As at 31 December 2018, the Group had cash and cash equivalent of approximately HK$7,185,000 (31 December 2017: approximately HK$49,146,000), interest-bearing borrowings of approximately HK$142,349,000 (31 December 2017: approximately HK$139,226,000) and bond payables of HK$50,000,000 (31 December 2017: HK$50,000,000).

As at 31 December 2018, the gearing ratio (measured as total liabilities to total assets) was approximately 51.0% (31 December 2017: approximately 30.7%).

Capital Structure

As at 31 December 2018, the Company's issued share capital was HK$2,067,775, divided into 206,777,513 shares of HK$0.01 each.

Capital Commitments

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

Contingent Liabilities

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

Charges on Assets

As at 31 December 2018, investment properties and certain financial assets at FVTPL with an aggregate carrying value of approximately HK$179,562,000 (31 December 2017: HK$258,126,000) have been pledged to banks and other financial institutions to secure the credit facilities granted to the Group.

Significant Investment

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

While on 5 September 2018, the Parties entered into a supplemental agreement to the sale and purchase agreement to extend the long stop date to 31 October 2018 and revised certain terms on the sales and purchase agreement. As certain conditions have not been clarified with the authorities as at the long stop date, the sale and purchase agreement as supplemented by the supplemental agreement lapsed accordingly and neither party shall have any claim against the other thereunder. The Board considers that the lapse of the sale and purchase agreement (as supplemented by the supplemental agreement) will not have any material adverse impact on the existing business operations and financial position of the Group.

Details are set out in the announcements of the Company dated 23 May 2018, 11 September 2018 and 12 November 2018.

Save as disclosed in this announcement, the Group did not have any other significant investment during the year ended 31 December 2018.

Material Acquisition and Disposal

Save as disclosed in this announcement, the Group did not process any material acquisition or disposal during the year ended 31 December 2018.

Events after the Reporting Period

Save as disclosed elsewhere in the consolidated financial statements, the Group had the following events after the reporting period.

(a) Included in other receivables as at 31 December 2018 is an amount of HK$21,500,000 due from China Eco-Farming Farming Limited ("CEF"). On 25 January 2019, the Group entered into a Deed of Novation with CEF, pursuant to the Deed of Novation, the rights of outstanding amount of HK$21,500,000 will be transferred to EverCare Finance Company Limited.

(b) On 4 March 2019, the Company entered into a placing agreement with two placing agents ("Placing Agents"), pursuant to which the Company has conditionally agreed to place, through the Placing Agents, on a best effort basis to place a maximum of 41,000,000 placing shares, not less than 6 placees, at a placing price of HK$0.35 per placing share under general mandate.

    On 20 March 2019, an aggregate of 27,518,400 placing shares have been successfully placed by the Placing Agents to not less than six placees at the placing price of HK$0.35 per placing share. The gross proceeds from such placing are approximately HK$9,600,000. The net proceeds from such placing are to be for financing general working capital and settlement of liabilities.

(c) On 7 March 2019, Best Marvel Investment Limited ("Best Marvel"), an indirect wholly-owned subsidiary of the Company, entered into a memorandum of understanding ("First MOU") with a substantial shareholder of the Company ("Purchaser") in relation to the possible disposal of the entire equity interest in Sun Famous Investment Limited ("Sun Famous"), a company incorporated in Hong Kong with limited liability and is wholly owned by Best Marvel, including but not limited to the real estate property in Hong Kong beneficially owned by Sun Famous, to the Purchaser.

    On the same day, Unique Jade International Limited and two other independent parties of the Company (collectively "Vendors") entered into another memorandum of understanding ("Second MOU") with the Purchaser, in relation to the possible disposal of the entire equity interest in Hong Kong Newrich Investment Limited ("Hong Kong Newrich"), including but not limited to the real estate property in Hong Kong beneficially owned by Hong Kong Newrich, to the Purchaser.

Litigations

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

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

Regarding the action under HCA701 of 2013, the parties have filed their respective pleadings in the Action and therefore pleadings stage has been closed. The action is now under discovery stage and the parties are directed by the Court to exchange lists of documents and to prepare witness statements. As directed by the Court, the parties will also arrange and attend mediation.

Concerning the litigation matter instituted by GML, at the Superior Court for the Commonwealth of the Northern Mariana Islands, GML has, as previously reported, obtained judgment in default against Hong Kong Entertainment (Overseas) Investments Limited. GML is relying on legal advice for any possible enforcement.

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

Advance to an Entity

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

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

On 15 August 2017, GML entered into a non-legally binding framework agreement with HKE (as the landlord), TEC (the "**Lessee**"), Mega Stars Overseas Limited (as the first guarantor) and Well Target Limited (as the second guarantor). HKE shall lease the land to the Lessee. The term of the Lease shall be 15 years commencing from 1 December 2017 to 30 November 2032 (the "**Potential Lease**"). No formal agreement reached upon expiry of the non-legally binding framework agreement and the Potential Lease was lapsed. As at 31 December 2018, the net amount due and owing by HKE in the aggregate sum of HK$164,624,000.

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

Details are set out in the announcements of the Company dated 23 February 2015, 3 March 2015, 20 April 2015, 7 April 2016, 29 April 2016, 11 May 2016, 29 June 2016 and 16 August 2017.

Exposure to Fluctuation in Exchange Rates and Related Hedges

The reporting currency adopted by the Group is Hong Kong dollars ("**HK$**"). The majority of the Group's sales, receivables and expenditures are denominated in HK$, United States dollars ("**USD**") or Renminbi ("**RMB**"). HK$ is closely linked with USD. Although the exchange rate of HK$ against RMB had slightly appreciated during the year under review, the Directors do not consider that the Group is exposed to any material foreign currency exchange risk. No hedging or other similar device has been implemented. However, the Directors will constantly monitor the Group's foreign exchange exposure and implement foreign currency hedging measures should the need arises.

Employee Information and Remuneration Policy

The Group had 49 employees (31 December 2017: 45 employees) in Hong Kong and Mainland China as at 31 December 2018. During the year ended 31 December 2018, the Group incurred staff costs (including Directors' emoluments) of approximately HK$33,140,000 (2017: approximately HK$29,814,000).

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

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

CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions as set out in the Corporate Governance Code and Corporate Governance Report (Appendix 15) to the GEM Listing Rules (the "CG Code") for the year ended 31 December 2018 except for the following deviation:

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

DIRECTORS' SECURITIES TRANSACTION

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the "**Code of Conduct**"). Following a specific enquiry, all Directors confirmed that they have complied with the Code of Conduct throughout the year ended 31 December 2018.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2018.

AUDIT COMMITTEE

The Company has established an audit committee (the "**Audit Committee**") with written terms of reference in compliance with the GEM Listing Rules. As at the date of this announcement, the Audit Committee comprises all independent non-executive Directors, namely, Ms. Yuen Wai Man, Mr. Chow Fu Kit Edward and Mr. Lam Raymond Shiu Cheung. Ms. Yuen Wai Man is the chairman of the Audit Committee. The primary duties of the Audit Committee are to review the Company's annual reports and financial statements, interim reports, quarterly reports and risk management and internal control systems and to provide comments thereon to the Board.

The Audit Committee has reviewed the Group's audited condensed consolidated financial statements and this annual result announcement for the year ended 31 December 2018 and has provided comments thereon.

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

Hong Kong, 27 March 2019

As at the date hereof, the Company's executive directors are Ms. Chan Shui Sheung Ivy and Mr. Mok Tsan San; and the 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.