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華人策略控股有限公司

Chinese Strategic Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 8089)

UNAUDITED RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

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 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.

CAUTION STATEMENT

The board of directors (the "**Board**") of the Company announces the unaudited consolidated financial results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2019 together with the comparative figures for the year ended 31 December 2018 which has been agreed by the Audit Committee of the Company.

In view of the latest situation of the novel coronavirus disease (COVID-19) pandemic, the auditors of the Company cannot complete the relevant audit field work in the People's Republic of China (the "**PRC**") for the audit of the consolidated financial statements of the Group for the year ended 31 December 2019. The unaudited consolidated financial results hereby published have not been agreed with the Company's auditors. The Company will make appropriate announcements and disclosures as and when it is aware of any material adjustment to the unaudited consolidated financial results.

It is expected that the audit field work of the auditors would be resumed as soon as practicable after the travel restriction measures in containing the COVID-19 outbreak are relaxed. The Company is in constant liaison with the auditors to monitor the situation. This will inevitably cause delay in the publication and despatch of the audited annual results announcement and the annual report of the Group for the year ended 31 December 2019 as well as the postponement of the 2020 annual general meeting of the Company. Further announcement(s) will be made as and when appropriate.

The Board of Chinese Strategic Holdings Limited (the "**Company**") hereby announces the unaudited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2019, together with the comparative audited figures for the year 2018, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	**2019** ***HK$'000*** **(Unaudited)**	2018 *HK$'000* (Audited)
Revenue	*4*		
Sales of goods		**1,991**	20,544
Leases		**1,369**	2,516
Interest under effective interest method		**2,289**	1,814
Dividend income		**6**	12
Total Revenue		**5,655**	24,886
Cost of sales		**(2,030)**	(20,381)
Gross profit		**3,625**	4,505
Other income	*6a*	**961**	606
Other gains and losses	*6b*	**(58,249)**	(105,002)
Administrative expenses		**(56,730)**	(80,552)
Impairment losses under expected credit loss model, net of reversal	*6c*	**(12,463)**	(22,770)
Share of results of associates		**(4)**	(11)
Share of results of joint ventures		**(10,796)**	11,198
Operating loss		**(133,656)**	(192,026)
Finance costs	*7*	**(23,800)**	(27,237)
Loss before tax		**(157,456)**	(219,263)
Income tax expenses	*8*	**(71)**	(167)
Loss for the year	*9*	**(157,527)**	(219,430)

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

For the year ended 31 December 2019

	Notes	2019 HK$'000 (Unaudited)	2018 HK$'000 (Audited)
Other comprehensive expense			
Item that will not be reclassified to profit or loss:			
Fair value loss on investments in equity instruments at fair value through other comprehensive income		**(854)**	(27)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(2)**	(5)
Share of translation reserve of a joint venture		**(3,094)**	(8,692)
		(3,096)	(8,697)
Other comprehensive expense for the year, net of income tax		**(3,950)**	(8,724)
Total comprehensive expense for the year		**(161,477)**	(228,154)
(Loss) profit for the year attributable to:			
Owners of the Company		**(155,299)**	(221,601)
Non-controlling interests		**(2,228)**	2,171
		(157,527)	(219,430)
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(159,249)**	(230,325)
Non-controlling interests		**(2,228)**	2,171
		(161,477)	(228,154)
Loss per share	*11*		
Basic *(HK cents)*		**(63.27) cents**	(107.17) cents
Diluted *(HK cents)*		**N/A**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	Notes	**2019** **HK$'000** **(Unaudited)**	2018 *HK$'000* (Audited)
NON-CURRENT ASSETS			
Plant and equipment		**4,355**	7,221
Prepaid lease payment – non-current portion		**–**	18,726
Right-of-use assets		**10,321**	–
Investment properties		**131,310**	164,840
Interests in associates		**393**	397
Interests in joint ventures		**170,628**	184,518
Club debentures		**2,690**	2,690
Intangible assets		**–**	5,732
Financial assets at fair value through profit or loss		**–**	7,468
Deposit paid for acquisition of a subsidiary	*13*	**–**	3,302
Loan and interest receivable	*12*	**19,330**	–
Other assets		**805**	–
Equity instruments at fair value through other comprehensive income		**1,572**	2,426
		341,404	397,320
CURRENT ASSETS			
Loan and interest receivables	*12*	**9,386**	25,778
Financial assets at fair value through profit or loss		**4,725**	33,294
Other receivables	*13*	**8,798**	41,934
Prepaid lease payment – current portion		**–**	388
Amount due from an associate		**–**	5
Amount due from a joint venture		**4,242**	1,824
Bank balances and cash		**1,250**	7,185
		28,401	110,408
Assets classified as held for sale		**–**	17,270
		28,401	127,678
CURRENT LIABILITIES			
Trade and other payables	*14*	**56,384**	50,448
Amount due to an associate		**697**	723
Amount due to joint venture		**3,000**	3,000
Borrowings		**94,823**	142,349
Bond payables		**40,000**	10,000
Obligations under finance leases – current portion		**–**	729
Lease liabilities		**3,184**	–
Financial guarantee contract		**5,815**	3,540
Tax liabilities		**9,005**	8,944
		212,908	219,733
Liabilities associated with assets classified as held for sale		**–**	5,719
		212,908	225,452
NET CURRENT LIABILITIES		**(184,507)**	(97,774)
TOTAL ASSETS LESS CURRENT LIABILITIES		**156,897**	299,546

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 31 December 2019

	Notes	**2019**	2018
		HK$'000	*HK$'000*
		(Unaudited)	(Audited)
NON-CURRENT LIABILITIES			
Bond payables		**10,000**	40,000
Other borrowings		**20,136**	–
Obligations under finance leases – non-current portion		**–**	766
Lease liabilities – non-current portion		**4,042**	–
Financial guarantee contract		**6,841**	–
Deferred tax liabilities		**1,529**	1,560
		42,548	42,326
NET ASSETS		**114,349**	257,220
CAPITAL AND RESERVES			
Share capital		**2,811**	2,068
Reserves		**80,785**	222,171
Equity attributable to owners of the Company		**83,596**	224,239
Non-controlling interests		**30,753**	32,981
TOTAL EQUITY		**114,349**	257,220

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 Unit 1, 21/F, Yue Xiu Building, Nos. 160-174 Lockhart Road, Wanchai, 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 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$155,299,000 for the year ended 31 December 2019 and, as of that date, the Group had net current liabilities of approximately HK$184,507,000.

In the opinion of the Directors, the Group is able to operate as a going concern in the next twelve months from 31 December 2019 after taking into consideration of the following measures:

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

(b) The maturity dates of three bond payables with the principal amount of HK$30,000,000 has been extended for 2 years to 4 December 2021, 6 February 2022 and 15 March 2022 respectively.

(c) The Group is also negotiating with an independent third party for a possible loan restructuring plan.

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 2019. Accordingly, the Directors are of the opinion that it is appropriate to prepare these consolidated financial statements for the year ended 31 December 2019 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 AMENDMENTS TO 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 16	Leases
HK(IFRIC) – Interpretation ("Int") 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to Hong Kong Accounting Standard ("HKAS") 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

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 position and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

3.1 HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 *Leases* ("**HKAS 17**"), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid lease payments by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening accumulated losses and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

ii. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of properties in Hong Kong was determined on a portfolio basis; and

iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 11.6%.

	Note	**At 1 January 2019** ***HK$'000*** (Unaudited)
Operating lease commitments disclosed as at 31 December 2018		**1,770**
Lease liabilities discounted at relevant incremental borrowing rates		**1,701**
Less: Practical expedient – leases with lease term ending within 12 months from the date of initial application		**(1,701)**
Lease liabilities relating to operating leases recognised upon application of HKFRS 16		**–**
Add: Obligations under finance leases recognised at 31 December 2018	*(b)*	**1,495**
Lease liabilities as at 1 January 2019		**1,495**
Analysed as		
Current		**729**
Non-current		**766**
		1,495

The carrying amount of right-of-use assets for own use as at 1 January 2019 comprises the following:

	Notes	**Right-of-use assets** *HK$'000*
Reclassified from prepaid lease payment	*(a)*	19,114
Amounts included in property, plant and equipment under HKAS 17		
– Assets previously under finance leases	*(b)*	1,388
		20,502

(a) Upfront payments for leasehold land in the Commonwealth of the Northern Mariana Islands ("**CNMI**") was classified as prepaid lease payment as at 31 December 2018. Upon application of HKFRS 16, the current and non-current portion of prepaid lease payment amounting to approximately HK$388,000 and HK$18,726,000 respectively were reclassified to right-of-use assets.

(b) In relation to assets previously under finance leases, the Group re-categorised the carrying amount of the relevant assets which were still under lease as at 1 January 2019 amounting to approximately HK$1,388,000 as right-of-use assets. In addition, the Group reclassified the obligations under finance leases of HK$729,000 and HK$766,000 to lease liabilities as current and non-current liabilities respectively at 1 January 2019.

The transition to HKFRS 16 has no impact on the accumulated losses at 1 January 2019.

The following adjustments were made to the amounts recognised in the unaudited consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Notes	**Carrying amounts previously reported at 31 December 2018**	**Adjustments**	**Carrying amounts under HKFRS 16 at 1 January 2019**
		HK\$'000	*HK\$'000*	*HK\$'000*
Non-current assets				
Right-of-use assets		–	20,502	20,502
Prepaid lease payment – non-current portion	(a)	18,726	(18,726)	–
Plant and equipment	(b)	7,221	(1,388)	5,833
Current assets				
Prepaid lease payment – current portion	(a)	388	(388)	–
Current Liabilities				
Lease liabilities – current portion		–	729	729
Obligations under finance leases	(b)	729	(729)	–
Non-current liabilities				
Lease liabilities – non-current portion		–	766	766
Obligations under finance leases	(b)	766	(766)	–

Note: For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 December 2019, movements in working capital have been computed based on opening unaudited consolidated statement of financial position as at 1 January 2019 as disclosed above.

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

Before application of HKFRS 16, refundable rental deposits received were considered as rights and obligations under leases to which HKAS 17 applied under trade and other payables. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right-of-use assets should be adjusted to reflect the discounting effect at transition. Based on the assessment by the management of the Company, the amount of the adjustment is insignificant and therefore no adjustment to refundable rental deposits received has been made.

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 17	Insurance Contracts[1]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[4]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[4]

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

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 a date to be determined.

4 Effective for annual periods beginning on or after 1 January 2020.

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the *Amendments to References to the Conceptual Framework in HKFRS Standards*, will be effective for annual periods beginning on or after 1 January 2020.

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

4. REVENUE

(i) Disaggregation of revenue from contracts with customers

For the year ended 31 December 2019

Segments	**2019**
	HK$'000
	(Unaudited)
Sales of goods	
– Tea products	**1,991**

Geographical market	**2019**
	HK$'000
	(Unaudited)
Hong Kong	**1,991**

Timing of revenue	**2019**
	HK$'000
	(Unaudited)
At a point in time	**1,991**

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

	2019
	HK$'000
	(Unaudited)
Revenue from contracts with customers	
– Sales of goods	**1,991**
Leases	**1,369**
Interest income from the provision of loan financing	**2,289**
Dividend income from financial assets at FVTPL	**6**
Total revenue	**5,655**

For the year ended 31 December 2018

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

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

Timing of revenue	2018 *HK$'000* (Audited)
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* (Audited)
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

5. OPERATING SEGMENT

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.

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.	Dealing with, advising on securities and asset management	–	dealing in, advising on securities and asset management

Segment revenue and results

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

	2019	2018
	HK$'000	*HK$'000*
Segment revenue		
– Properties investments	**1,369**	2,516
– Securities trading	**6**	12
– Loan financing	**2,289**	1,814
– Trading business	**1,991**	20,544
– Dealing in, advising on securities and asset management	**–**	–
	5,655	24,886

6a. OTHER INCOME

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

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Interest income on bank deposits	**3**	5
Interest income on other receivables *(Note)*	**–**	281
Interest income on financial assets at FVTPL	**320**	320
Others	**638**	–
	961	606

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

6b. OTHER GAINS AND LOSSES

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Impairment loss on goodwill	**(1,660)**	(389)
Written-off of other intangible assets	**(5,732)**	–
Loss on disposal of financial assets at FVTPL	**–**	(57,074)
Gain on disposal of an investment property	**400**	80
Gain on disposal of plant and equipment	**2,626**	–
(Loss) gain on disposal of the subsidiaries	**(3,003)**	907
Gain on deemed disposal of a subsidiary	**–**	45
(Loss) gain from changes in fair value of investment property, net	**(5,130)**	8,291
Loss from changes in fair value of financial assets at FVTPL, net	**(21,337)**	(53,082)
Impairment loss on right-of-use asset	**(15,297)**	–
Written-off of other receivables	**–**	(240)
Financial guarantee	**(9,116)**	(3,540)
	(58,249)	(105,002)

6c. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Impairment losses (recognised) reversed on		
– Loan and interest receivables	**1,944**	(1,949)
– Other receivables	**(14,351)**	(20,899)
– Amount due from an associate	**40**	(41)
– Amount due from a joint venture	**(96)**	119
	(12,463)	(22,770)

7. FINANCE COSTS

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Interests on:		
Bank borrowings	**1,369**	457
Other loans	**17,399**	18,210
Bond payables	**3,800**	3,800
Interest on lease liabilities/obligations under finance leases	**760**	66
Margin accounts	**472**	4,704
	23,800	27,237

8. INCOME TAX EXPENSES

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Current tax for the year	**71**	–
Deferred taxation	**–**	167
	71	167

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 2019 and 2018.

No provision for taxation in Hong Kong has been made for the year ended 2018 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 2019 and 2018.

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

9. LOSS FOR THE YEAR

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Loss for the year has been arrived at after charging (crediting):		
Staff costs including directors' emoluments:		
Salaries and allowances	**24,042**	32,451
Contributions to retirement benefits scheme	**434**	689
	24,476	33,140
Gross rental income	**(1,369)**	(2,516)
Less: direct operating expenses incurred for investment properties that generated rental income during the year (included in cost of sales)	**153**	311
Net rental income	**(1,216)**	(2,205)
Auditor's remuneration	**1,357**	985
Cost of inventories recognised as expenses	**1,877**	20,070
Depreciation of plant and equipment	**2,088**	3,898
Depreciation of right-of-use assets	**2,383**	–
Amortisation of prepaid lease payment	**–**	388
Loss on written-off of plant and equipment	**–**	2
Minimum lease payments under operating leases	**3,343**	3,844
Legal and professional fees	**6,869**	7,012
Consultancy fees	**3,049**	7,352

10. DIVIDEND

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 December 2019, nor has any dividend been proposed since the end of the reporting period (2018: 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:

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Loss		
Loss for the year attributable to owners of the Company for the purpose of basic and diluted loss per share	**(155,299)**	(221,601)

	2019	2018
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**245,468**	206,778
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	**245,468**	206,778

The computation of diluted loss per share for the years ended 31 December 2019 and 31 December 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 years which is regarded as anti-dilutive.

12. LOAN AND INTEREST RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Fixed rate loan and interest receivables arising from loan financing business *(Note)*:		
Secured loan and interest receivables	**151,048**	157,260
Unsecured loan and interest receivables	**12,833**	6,434
Less: accumulated impairment losses recognised	**(154,495)**	(149,578)
	9,386	14,116
Other loan and interest receivables:		
Other secured loan and interest receivable	**–**	20,879
Other unsecured loan and interest receivable	**21,685**	–
	21,685	20,879
Less: accumulated impairment losses recognised	**(2,355)**	(9,217)
	19,330	11,662
	28,716	25,778
Analyzed as		
Current	**9,386**	25,778
Non-current	**19,330**	–
	28,716	25,778

Note:

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

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 3 months	**5,304**	7,922
In more than 3 months but not more than 6 months	**4,082**	5,130
In more than 6 months but not more than 12 months	**–**	1,064
	9,386	14,116

13. OTHER RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
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	**1,390**	2,530
Rental and utility deposits	**97**	1,063
Other receivables	**252,168**	271,460
	253,655	275,053
Less: accumulated impairment losses	**(244,869)**	(230,541)
	8,786	44,512
Cash balance in securities account	**12**	724
	8,798	45,236
Less: Other receivable – non-current		
– Deposit paid for acquisition of a subsidiary	**–**	(3,302)
Other receivables – current	**8,798**	41,934

14. TRADE AND OTHER PAYABLES

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade payable *(Note)*	**431**	520
Accruals	**51,063**	30,961
Other payables	**3,218**	16,625
Rental deposit received	**172**	231
Amounts due to directors	**1,500**	2,111
	56,384	50,448

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:

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Over 180 days	**431**	520

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group is principally engaged in businesses of properties investments, securities trading, loan financing, trading business and dealing in, advising on securities and asset management. The revenue of the Group for the year ended 31 December 2019 amounted to approximately HK$5,655,000, representing a decrease of approximately 77.3% as compared with approximately HK$24,886,000 in the preceding financial year. The revenue drop was mainly due to the diminishing in revenue of trading business during the year ended 31 December 2019.

Properties Investments

The Group recorded a rental income of approximately HK$1,369,000 for the year ended 31 December 2019 (2018: approximately HK$2,516,000) through properties leasing. Due to the falling prices experienced by the property market in Hong Kong in the fourth quarter during the year ended 31 December 2019, the Group recorded a loss arising from fair value changes of investment properties of approximately HK$5,130,000 (2018: gain approximately HK$8,291,000).

As at 31 December 2019, the fair value of investment properties of the Group amounted to approximately HK$131,310,000 (31 December 2018: approximately HK$164,840,000).

Securities Trading

During the year ended 31 December 2019, through disposal of financial assets at FVTPL, the Group recorded a loss of approximately HK$7,448,000 (2018: loss approximately HK$57,074,000). With the volatile securities market affected by political and economic factors, the Group recorded a loss arising from the fair value changes of financial assets at FVTPL of approximately HK$5,692,000 (2018: loss from changes in fair value of financial assets at FVTPL of approximately HK$53,082,000).

As at 31 December 2019, the Group had financial assets at fair value through profit or loss which represent listed securities in Hong Kong amounted to approximately HK$4,725,000 (31 December 2018: approximately HK$33,294,000).

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 2019. There is no single investment of Hong Kong listed securities recording a gain/loss exceeding HK$10,000,000 during the year ended 31 December 2019. The gain/loss of securities exceeding HK$10,000,000 during the year ended 31 December 2018 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 will remain both prudent and cautious in the securities investment business with the aim of achieving commensurate investment returns. The Group will carefully scrutinize the strategy and approach which will adopt for its securities investment business to navigate through an increasingly volatile investment economic climate.

Loan Financing

During the year ended 31 December 2019, the performance of the loan financing business was not satisfactory due to keen market competition. It recorded a slightly increase of approximately 26.2% in the interest income to approximately HK$2,289,000 from HK$1,814,000 in the preceding financial year.

Trading Business

The Group launched its trading business in the last quarter of 2017 as a means of diversify its revenue streams. During the year ended 31 December 2019, the group recorded the revenue and operating gain of tea leaves trading of approximately HK$1,991,000 and HK$306,000 respectively (31 December 2018: approximately HK$20,544,000 and loss of HK$1,088,000 respectively).

Dealing in, advising on securities and asset management

During the year ended 31 December 2019, the Group has two operating subsidiaries, FT Securities Limited ("**FT Securities**"), a company holding Type 1 (Dealing in Securities) and Type 4 (Advising on Securities) licences under Securities and Futures Commission (the "**SFC**"), and Chinese Strategic Asset Management Limited ("**CSAM**"), a company holding Type 4 (Advising on Securities) and Type 9 (Asset Management) licences under the SFC. This segment reported a revenue for the year ended 31 December of 2019 of HK$Nil (31 December 2018: HK$Nil). Due to the unfavorable business conditions and lack of business opportunities in the current competitive market, FT Securities and CSAM had made an application to SFC separately to revoke its license in August 2019, and subsequently, FT Securitas and CSAM had ceased business of regulated activities.

Financial Assets

The Group held an investment portfolio, classified as equity instruments at fair value through other comprehensive income with carrying value of approximately HK$1,572,000 as at 31 December 2019 (31 December 2018: approximately HK$2,426,000).

The Group held certain unlisted convertible bond by a private company, classified as financial assets at fair value though profit or loss, amounted to HK$Nil as at 31 December 2019 (31 December 2018: approximately HK$7,468,000). 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$8,197,000 was recorded during the year ended 31 December 2019 (2018: loss of approximately HK$32,000)

The carrying value of the aforesaid investments, representing 0.43% of the total assets of the Group, is marked against market value and its performance is affected by Hong Kong stock market and global economic environment.

Financial Review

For the year ended 31 December 2019, the Group recorded a revenue of approximately HK$5,655,000 (2018: approximately HK$24,886,000), representing a decrease of approximately 77.3% as compared with the preceding financial year. The revenue drop was mainly due to the diminishing in revenue of trading business during the year ended 31 December 2019.

Administrative expenses for the year ended 31 December 2019 was approximately HK$56,730,000 (2018: approximately HK$80,552,000), representing a decrease of approximately 29.6% as compared with the preceding financial year. The decrease in expenses was mainly due to lowering consultancy fee, staff costs and charges in dealing of securities.

The Group incurred finance costs of approximately HK$23,800,000 for the year ended 31 December 2019 (2018: approximately HK$27,237,000), 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 2019 aggregated at approximately HK$155,299,000 (2018: approximately HK$221,601,000). Loss for the year was mainly attributable to loss from changes in fair value of financial assets at FVTPL of approximately HK$21,337,000, staff cost and Directors' emoluments of approximately HK$24,476,000, share of loss of joint venture of approximately HK$10,796,000, impairment loss on right-of-use asset of approximately HK$15,297,000 and professional fee of approximately HK$6,869,000. The basic loss per share for the year ended 31 December 2019 was HK63.27 cents (2018: HK107.17 cents).

Outlook

Looking forward to the year of 2020, the macroeconomic environment remains pessimistic, the market conditions for Hong Kong remain uncertain and continue to face challenges. Hong Kong will be exposed to increasing risks and difficulties, mainly from trade war between China and the US, the continuing local political and social events, the outbreak of COVID-19 in Hong Kong and around the world, and China's economic growth is forecast to decelerate this year.

Although the residential property market in Hong Kong has primarily remained buoyant in the first quarter of 2019, however, the longest bull market in the Hong Kong property sector's history likely came to an end in the fourth quarter of 2019 due to local social movement and economic uncertainties. The Company is of the view that the property market might take a turn for the worse and residential property market are expected to fall in 2020. The management will continue to adopt a very cautious and conservative approach when seeking new property investment opportunities for the Company in year 2020.

For securities trading, on the back of slowing economy in China, China government is likely to introduce some policy easing measures to maintain the stable growth of the economy, the US economy may also face downward pressure and the Federal Reserve is expected to further cut interest rate. Given that the investment market is expected to be increasingly volatile, it is necessary to exercise caution and care in the securities investment business in order to monitor relevant risks. Therefore, the Group will continue to closely monitor market changes, manage and reorganize existing investment portfolio and, hopefully, achieve balance between risks and profits.

The Group will continue to actively consider and source for new products for its trading business that have potential market appeal and reasonable returns.

The development of loan financing business will depend on the market and the assessment of the repayment ability of the potential borrowers. The Group will continue to adopt a cautious and prudent approach to balance the finance income against credit risk from respective borrowers and to seek new borrowers.

Overall, the Group is actively attempting to improve the performance of its various business operations, and from time to time, to explore business opportunities in different sectors in order to broaden its revenue stream. Given that the overall business environment in 2020 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 financial year 2020. The Group will no doubt act cautiously and prudently moving forward.

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 unsatisfactorily during the year ended 31 December 2019. The Group's share loss of Changsha Seg amounted to approximately HK$10,796,000 for the year ended 31 December 2019 (2018: gain approximately HK$11,198,000). The unaudited net assets of Changsha Seg was approximately HK$282,812,000 (2018: the audited of approximately HK$308,535,000).

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

Completion of the March Placing took place on 20 March 2019 upon the fulfilment of the relevant conditions set out in the March Placing Agreement. An aggregate of 27,518,400 March Placing Shares had been successfully placed by the March Placing Agents to not less than six placees at the placing price of HK$0.35 per March Placing Share pursuant to the terms of the March Placing Agreement.

The net proceeds from the March Placing amounted to approximately HK$9,000,000 and was used for (i) approximately HK$4,200,000 for the Group's general working capital including overhead expenses of the Group and approximately HK$1,200,000 for the expansion of business; and (ii) approximately HK$3,600,000 towards the liabilities of the Group.

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

On 2 August 2019, the Company carried out a second round of fund raising by entering into a placing Agreement (the "**August Placing Agreement**") with Easy One Securities Limited (the "**August Placing Agent**") pursuant to which the Company proposed to offer the placing of up to 46,800,000 placing shares (the "**August Placing Shares**") at the placing price of HK$0.20 per August Placing Share under general mandate and appoint the August Placing Agent to place and to procure subscriptions for the August Placing Shares, on a best-effort basis, to not less than six placees (the "**August Placing**").

Completion of the August Placing took place on 21 August 2019 upon the fulfilment of the relevant conditions set out in the August Placing Agreement. An aggregate of 46,800,000 August Placing Shares had been successfully placed by the August Placing Agent to not less than six placees at the placing price of HK$0.20 per August Placing Share pursuant to the terms of the August Placing Agreement.

The net proceeds from the August Placing amounted to approximately HK$8,800,000 and was used for (i) approximately HK$3,061,000 for settlement of the liabilities of the Group; (ii) approximately HK$4,243,000 for the Group's general working capital; (iii) approximately HK$1,100,000 for partial repayment of a loan from a Director; and (iv) approximately HK$396,000 for settlement of the outstanding loan interest and the legal costs.

Details of the August Placing are set out in the announcements of the Company dated 2 August 2019 and 21 August 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 31 December 2019, the Group had cash and cash equivalent of approximately HK$1,250,000 (31 December 2018: approximately HK$7,185,000), interest-bearing borrowings of approximately HK$114,959,000 (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 31 December 2019, the gearing ratio (measured as total liabilities to total assets) was approximately 69.1% (31 December 2018: approximately 51.0%).

Capital Structure

As at 31 December 2019, the Company's issued share capital was HK$2,810,959, divided into 281,095,913 shares of HK$0.01 each.

Capital Commitments

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

Contingent Liabilities

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

Charges on Assets

As at 31 December 2019, investment properties and certain financial assets at FVTPL with an aggregate carrying value of approximately HK$131,389,000 (31 December 2018: HK$179,562,000) have been pledged to banks and other financial institutions to secure the credit facilities granted to the Group.

Significant Investment

Save as disclosed in this announcement, the Group did not have any other significant investment during the year ended 31 December 2019.

Material Acquisition and Disposal

Host Luck Limited (the "**Vendor**"), a subsidiary of the Company, entered into a preliminary sales and purchase agreement on 25 February 2019 and the sales and purchase Agreement on 11 March 2019 with two individuals (the "**Purchasers**") pursuant to which the Vendor agreed to sell and the Purchasers agreed to purchase the property at the consideration of HK$8,300,000.

The consideration for the sale and purchase of the property was determined after arm's length negotiation between the Vendor and the Purchasers on normal commercial terms with reference to a preliminary valuation on the property as at 31 December 2018 of HK$7,900,000 conducted by an independent professional property valuer appointed by the Group.

Details are set out in the announcement of the Company dated 26 April 2019.

On 30 August 2019, the Company (the "**Debtor**") and EverCare Finance Company Limited ("**EverCare**", the "**Creditor**") (collectively, the "**Parties**") entered into the deed of settlement (the "**Deed of Settlement**"), pursuant to which EverCare agreed to discontinue High Court Action 1114 of 2019 against the Company if the Company assigns all its right, title, benefit, interest and ownership over the Property (as defined further below) to EverCare at a consideration of approximately HK$3,557,000 plus the payment in cash of the sum of HK$268,000 for interest accrued on the principal of approximately HK$3,557,000 from 1 March 2019 to 30 August 2019 and the sum of approximately HK$129,000 for the reimbursement of legal costs incurred by EverCare.

The property is a land parcel situated on Lot 044 T 02 of Tinian, the Commonwealth of the Northern Mariana Islands (the "**Property**"). The Property comprises a parcel of private land and the total site area of the Property is approximately 53,722 square meters. The land use rights of the Property were leasehold and granted with a term of 55 years commencing on 19 May 2014.

The transfer of the Property was agreed by the Parties at the consideration of approximately HK$3,557,000.The consideration was determined after arm's length negotiation between the Creditor and the Debtor on normal commercial terms with reference to, among other things, (i) the outstanding amount due from the Company to the Creditor; (ii) the financial position of the Company; and (iii) a preliminary valuation on the Property as at 31 July 2019 of US$1,850,000 conducted by an independent professional property valuer appointed by the Group.

As at date of this announcement, the transfer and the change of ownership of the Property is now being processed by the relevant government agent/department in the place in which the Property is situated, which is not completed yet. As at 31 December 2019, approximately HK$3,557,000 recorded as part of the right-of-use asset under current assets, approximately HK$3,557,000 amount due to EverCare recorded as part of the other payables under current liabilities, and approximately HK$15,297,000 recorded as impairment loss on right-of-use asset.

Details of the disposal are set out in the announcements of the Company dated 30 August 2019 and 11 October 2019.

On 6 November 2019, Rich Best Asia Limited ("**Rich Best**"), a subsidiary of the Company and First Champion Worldwide Limited ("**First Champion**") have entered into the sale & purchase agreement, pursuant to which (i) First Champion has agreed to purchase and Rich Best has agreed to sell the sale shares ("**First Sale Shares**") and (ii) the Company has agreed to assign and First Champion has agreed to accept the assignment of the sale loan ("**First Sale Loan**") at the consideration of HK$9,280,001; and Key Model Limited ("**Key Model**"), a subsidiary of the Company and Luck Bloom International Limited ("**Luck Bloom**") have entered into the sale and purchase agreement, pursuant to which (i) Luck Bloom has agreed to purchase and Key Model has agreed to sell the sale shares ("**Second Sale Shares**") and (ii) the Company has agreed to assign and Luck Bloom has agreed to accept the assignment of the sale loan ("**Second Sale Loan**") at the consideration of HK$8,980,001.

The First Sale Shares represent the entire issued share capital of Alpaco Company Limited ("**Alpaco**") and is legally and beneficially owned by Rich Best. The First Sale Loan represents a shareholder's loan in the amount of approximately HK$5,768,000 which is due and owed by Alpaco to the Company.

The Second Sale Shares represent approximately 88.89% of the total issued shares of Watson China Limited ("**Watson China**") and are legally and beneficially owned by Key Model. The Second Sale Loan represents a shareholder's loan in the amount of approximately HK$3,930,000 which is due and owed by Watson China to the Company.

Details are set out in the announcement of the Company dated 6 November 2019.

Events after the Reporting Period

The outbreak of COVID-19 ("**COVID-19**") in early 2020 has affected the Group's business segment adversely. The Group has closely monitored on the development of the COVID-19 and taken a number of cost control measures to mitigate the impact of this challenging situation. The Group will pay close attention to the change of situation and evaluate its impact on the financial position and operating results of the Group.

Litigations

Regarding the action under High Court Action No. 701 of 2013, the parties have exchanged their respective witness statements and are now preparing for the expert evidence. Upon filing and exchange of the expert evidence, the case would be set down for trial.

In another litigation matter which has 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.

Under High Court Action No. 1114 of 2019, EverCare Finance Company Limited ("**EverCare**") claimed against the Company for HK$11,296,663.40 together with interest and costs. Subsequently, EverCare and the Company (collectively, the "**Parties**") entered into the deed of settlement (the "**Deed of Settlement**") on 30 August 2019, pursuant to which the Company settled EverCare's claim partly in cash and partly by assigning to EverCare all its right, title, benefit, interest and ownership over the Property (as defined in the Material Acquisition and Disposal section). The transfer and the registration of change of ownership of the Property is now being processed by the relevant government agent/department in the place in which the Property is situated, which is not completed yet.

With regard to High Court Miscellaneous Proceedings No. 1152 of 2019, Nanyang Commercial Bank Limited (the "**Bank**") instituted mortgagee action against the Company and Sun Famous Investment Limited ("**Sun Famous**") as a result of the non-repayment of certain loan facilities that have been obtained by Sun Famous from the Bank. The Bank claimed for vacant possession of the charged property namely, which was charged to and in favour of the Bank under the mortgage, as well as all money due by the Company and Sun Famous to the Bank thereunder, and both the Company and Sun Famous have instructed legal advisers to act on their behalf on this matter whilst simultaneously pursuing direct discussions and negotiations with the Bank with a view to resolving this matter swiftly and amicably.

Easy Champ Corporation Limited ("**Easy Champ**"), an indirect wholly-owned subsidiary of the Company, has been sued under High Court Action No. 1504 of 2019 by the landlord of the office premises (the "**Premises**") currently occupied by Easy Champ. Judgment has already been entered against Easy Champ, and it is adjudged that Easy Champ do pay the landlord (a) the sum of HK$1,350,000.00 being arrears of rent; (b) mesne profits at the rate of HK$150,000 per month from 10 August 2019 to the date when vacant possession of the Premises is delivered up to the landlord; (c) the sum of HK$25,905.82 being interest accumulated on arrears of rent as at 19 August 2019; (d) interest on the sum of HK$1,350,000.00 at the rate of 5.125 per cent per annum from 1 September 2019 to the date of the judgement and thereafter at the judgment rate to the date of full payment; and (e) costs, to be taxed if not agreed.

FT Securities Limited ("**FT Securities**"), an indirect wholly-owned subsidiary of the Company, was disciplined by the Securities and Futures Commission (the "**SFC**") on 16 November 2018 and as a result of which FT Securities was fixed HK$3,500,000. FT Securities appealed to the Securities and Futures Appeals Tribunal. The appeal was dismissed, and SFC enforced against FT Securities for a total amount of HK$3,806,414, being the said fine of HK$3,500,000 together with SFC's costs of HK$306,414.

On 10 October 2019, the SFC obtained a Garnishee Order to Show Cause from the cost of First Instance of the High Court of Hong Kong Special Administrative Region against FT Securities, with The Hongkong and Shanghai Banking Corporation Limited being the garnishee (the "**Garnishee**"), and with the said Garnishee order to Show Cause being made absolute on 13 December 2019, an amount of HK$2,261,243.33 was deducted from FT Securities' bank account with the Garnishee for purported part payment of the fine. Further announcement will be made whenever appropriate and/or necessary.

On 18 November 2019, the Company received a statutory demand (the "**Statutory Demand**") dated 18 November 2019 issued by the legal representative of a purported creditor demanding the Company to settle a sum of HK$1,443,289.23 plus interest (the "**Relevant Sum**"). The Statutory Demand was issued pursuant to section 178(1)(a) or 327(4)(a) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, Chapter 32 of the Laws of Hong Kong. If the Company fails to repay the Relevant Sum within 3 weeks after the service of the Statutory Demand, a winding-up order may be made in respect of the Company.

The Company will announce or disclose the conduct of litigation matters and/or the outcome of any enforcement whenever appropriate and/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 ("**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.

On 12 April 2019, Perfect Plus Investment Limited ("**Perfect Plus**"), an indirect wholly-owned subsidiary of the Company, entered into the sales and purchase agreement with an independent third party ("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 sales and purchase agreement which has resulted in GML no longer being a subsidiary of the Company.

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 33 employees (31 December 2018: 49 employees) in Hong Kong and Mainland China as at 31 December 2019. During the year ended 31 December 2019, the Group incurred staff costs (including Directors' emoluments) of approximately HK$24,476,000 (2018: approximately HK$33,140,000).

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 2019 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 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 year ended 31 December 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. 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 unaudited condensed consolidated financial statements and this unaudited annual results for the year ended 31 December 2019 have been reviewed by the Audit Committee.

REVIEW OF UNAUDITED ANNUAL RESULTS

The auditing process for the annual results for the year ended 31 December 2019 has not been completed due to restrictions in force in parts of China to combat the COVID-19 outbreak. The financial information in this announcement has not been audited or reviewed by the Company's auditors, but the Audit Committee has reviewed the unaudited consolidated results of the Group for the year ended 31 December 2019 and is of the opinion that such results complied with the applicable accounting standards, the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures had been made. An announcement relating to the audited results will be made when the auditing process has been completed in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

SCOPE OF WORK PERFORMED BY AUDITOR

The financial figures in respect of this preliminary announcement of the Group's unaudited results for the year ended 31 December 2019 have not been agreed by the Company's auditors, Asian Alliance (HK) CPA Limited. The work performed by the Company's auditors in this respect was limited and did not constitute an audit, review or other assurance engagement and consequently no assurance has been expressed by the Company's auditor on this announcement.

The financial information contained in this announcement in respect of the annual results of the Group has not been audited and have not been agreed with the auditors. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

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

Hong Kong, 31 March 2020

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.