



Interim Report
2017



中策集團有限公司
China Strategic Holdings Limited

(Incorporated in Hong Kong with limited liability)

(Stock Code: 235)



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Abbreviations

In this interim report, the following abbreviations have the following meanings unless otherwise specified:

“Board”	Board of Directors of the Company
“Company”	China Strategic Holdings Limited
“Directors”	directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong Companies Ordinance”	Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	People’s Republic of China
“RMB”	Renminbi
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$” and “HK cent(s)”	Hong Kong dollars and cent(s)
“US\$”	United States dollars
“%”	per cent.



Corporate Information

BOARD OF DIRECTORS

Executive Directors

Dr. Or Ching Fai
(Chairman and Chief Executive Officer)
Mr. Sue Ka Lok
Ms. Lee Chun Yeung, Catherine
Mr. Chow Kam Wah

Independent Non-executive Directors

Ms. Ma Yin Fan
Mr. Chow Yu Chun, Alexander
Mr. Leung Hoi Ying

AUDIT COMMITTEE

Ms. Ma Yin Fan *(Chairlady)*
Mr. Chow Yu Chun, Alexander
Mr. Leung Hoi Ying

REMUNERATION COMMITTEE

Mr. Chow Yu Chun, Alexander *(Chairman)*
Ms. Ma Yin Fan
Mr. Leung Hoi Ying

NOMINATION COMMITTEE

Dr. Or Ching Fai *(Chairman)*
Ms. Ma Yin Fan
Mr. Leung Hoi Ying

EXECUTIVE COMMITTEE

Dr. Or Ching Fai *(Chairman)*
Mr. Sue Ka Lok
Ms. Lee Chun Yeung, Catherine
Mr. Chow Kam Wah

INVESTMENT & CREDIT COMMITTEE

Dr. Or Ching Fai *(Chairman)*
Mr. Sue Ka Lok
Mr. Chow Kam Wah

COMPANY SECRETARY

Ms. Chan Yuk Yee

REGISTERED OFFICE

Rooms 3206-3210, 32nd Floor
China Resources Building
26 Harbour Road
Wanchai, Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Hang Seng Bank Limited
Bank of Communications Co., Ltd.,
Hong Kong Branch
BNP Paribas Hong Kong Branch

LEGAL ADVISERS

Reed Smith Richards Butler
Stevenson, Wong & Co.

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants

SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Standard Limited
Level 22, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

TRADING OF SHARES

The Stock Exchange of Hong Kong Limited
(Stock Code: 235)

WEBSITE

<http://www.cshldgs.com>

Management Discussion and Outlook

BUSINESS REVIEW

For the six months ended 30 June 2017, the Group continued to principally engage in the business of investment in securities, trading, money lending as well as securities brokerage.

For the period under review, the Group's revenue increased significantly by over 3.6 times to HK\$549,617,000 (30 June 2016: HK\$117,199,000) which was mainly due to the increase in interest income generated by the money lending business and the increase in sales of the trading operation.

Investment in Securities

The Group generally acquires securities listed on the Stock Exchange or other recognised stock exchanges and over-the-counter markets with good liquidity that can facilitate swift execution of securities transactions. For making investment or divestment decision on securities of individual target company, references will usually be made to the latest financial information, news and announcements issued by the target company, investment analysis reports that the Company has access to, as well as industry or macro-economic news. When deciding on acquiring securities to be held for long-term purpose, particular emphasis will be placed on the past financial performance of the target company including its sales and profit growth, financial healthiness, dividend policy, business prospect, industry and macro-economic outlook. When deciding on acquiring securities to be held other than for long-term purpose, in addition to the factors mentioned, references will also be made to prevailing market sentiments on different sectors of the investment markets. In terms of return, for long-term securities investments, the Company mainly emphasises on return of investment in form of capital appreciation and dividend/interest income. For securities investments other than for long-term holding, the Company mainly emphasises on return of investment in form of trading gains.

At 30 June 2017, the Group's investment in securities operation held a financial asset at fair value through profit or loss ("FVTPL") portfolio valued at HK\$806,971,000 (31 December 2016: HK\$744,407,000), comprising listed equity securities in Hong Kong and unlisted convertible securities, and an available-for-sale ("AFS") investment portfolio (constituted by non-current and current portions) valued at HK\$1,264,338,000 (31 December 2016: HK\$922,917,000), comprising unlisted and listed debt securities in Hong Kong and overseas and listed equity securities in Hong Kong. As a whole, the operation recorded a revenue of HK\$33,296,000 (30 June 2016: HK\$41,396,000) and a loss of HK\$105,014,000 (30 June 2016: HK\$373,437,000).



Management Discussion and Outlook

BUSINESS REVIEW (continued)

Investment in Securities (continued)

Financial assets at FVTPL

At 30 June 2017, the Group held a financial asset at FVTPL portfolio amounting to HK\$806,971,000 measured at market/fair value. During the review period, the portfolio generated a revenue of HK\$6,538,000 (30 June 2016: HK\$2,793,000) representing dividends from equity securities of HK\$4,062,000 (30 June 2016: HK\$2,793,000) and interest income from unlisted convertible and debt securities of HK\$2,476,000 (30 June 2016: nil). The Group recognised a net loss on financial assets at FVTPL of HK\$151,117,000, which comprised net unrealised loss and net realised loss of HK\$61,953,000 and HK\$89,164,000 respectively (30 June 2016: HK\$415,215,000, which comprised net unrealised loss and net realised loss of HK\$229,414,000 and HK\$185,801,000 respectively). Such loss incurred by the financial asset at FVTPL portfolio was due primarily to the worse-than-expected price performance of various listed equity securities held/disposed of by the Group during the first half of 2017.

At 30 June 2017, the Group invested in different categories of companies and their weightings to the market/fair value of the Group's financial asset at FVTPL portfolio of HK\$806,971,000 are as below:

Category of companies	Approximate weighting to the market/fair value of the Group's financial asset at FVTPL portfolio %
Banking	1.62
Conglomerate	24.91
Entertainment and media	27.56
Infrastructure	18.31
Mining and resources	2.37
Property	14.42
Others	10.81
	100.00

Management Discussion and Outlook

BUSINESS REVIEW (continued)**Investment in Securities (continued)****Financial assets at FVTPL (continued)**

At 30 June 2017, the weightings of the Group's top five investments to the market/fair value of the Group's financial asset at FVTPL portfolio of HK\$806,971,000 (together with other information) are as below:

Company name	Approximate weighting to the market/fair value of the Group's financial asset at FVTPL portfolio %	% of shareholding interest %	Acquisition costs HK\$'000	*Acquisition costs during the period/ carrying amount as at 1 January 2017 HK\$'000	Market/fair value as at 30 June 2017 HK\$'000	Accumulated unrealised gain (loss) recognised up to 30 June 2017 HK\$'000	Unrealised gain (loss) recognised during the period ended 30 June 2017 HK\$'000
			A	B	C	D = C - A	E = C - B
Evergrande Health Industry Group Limited (stock code: 708)	24.44	1.45	99,533	184,632	197,192	97,659	12,560
The Cross-Harbour (Holdings) Limited (stock code: 32)	18.31	3.39	77,377	141,422	147,736	70,359	6,314
OCI International Holdings Limited (stock code: 329)	10.55	4.81	45,780	81,060	85,170	39,390	4,110
Emperor International Holdings Limited (stock code: 163)	10.40	0.89	77,630	77,940	83,900	6,270	5,960
Master Glory Group Limited (stock code: 275)	9.31	4.89	100,800	99,540	75,096	(25,704)	(24,444)
Others	26.99	-	434,764	284,330	217,877	(216,887)	(66,453)
	100.00		835,884	868,924	806,971	(28,913)	(61,953)

* The amount represented the acquisition costs of the securities during the six months ended 30 June 2017 and/or the carrying amount of the securities brought forward from the prior financial year after accounting for additional acquisition and/or disposal of the securities (if any) during the current interim period.



Management Discussion and Outlook

BUSINESS REVIEW (continued)

Investment in Securities (continued)

Financial assets at FVTPL (continued)

The tables below set out (i) unrealised gain (loss) recognised for the six months ended 30 June 2017 for the financial assets at FVTPL held by the Group as at 30 June 2017 together with information on financial performance of the investee companies and their future prospects; and (ii) realised gain (loss) on financial assets at FVTPL disposed of during the six months ended 30 June 2017. The Group is committed to closely monitor the financial performance of its financial asset at FVTPL portfolio through making investment and divestment decisions on individual securities from time to time based on, amongst others, internal assessments on individual securities and publicly available information of investee companies.

(i) Unrealised gain (loss) recognised for the six months ended 30 June 2017 for the financial assets at FVTPL held by the Group as at 30 June 2017 together with information on financial performance of the investee companies and their future prospects

Industry	Abbreviation of investee company	*Principal activities of investee company	* Acquisition costs during the period/ carrying amount as at 1 January 2017 HK\$'000	% of shareholding interest %	Market/fair value as at 30 June 2017 HK\$'000	% to total market/ fair value of the Group's financial asset at FVTPL portfolio %	Unrealised gain (loss) recognised during the period ended 30 June 2017 HK\$'000	# Investee company's financial performance	#Future prospects of the investee company
Equity securities listed in Hong Kong									
Banking	A	Banking business	11,199	negligible	13,077	1.62	1,878	For the six months ended 30 June 2017, interest income, as its major source of revenue, decreased by 14% to US\$19,727 million while profit for the period increased by 8% to US\$8,048 million compared to the same period in 2016.	With the strict risk-weighted assets and cost discipline, and responsibly, with a robust balance sheet and a formidable capital base, the investee company remains focused on growing the business, improving its competitive position and rewarding its shareholders.
			11,199		13,077	1.62	1,878		

Management Discussion and Outlook

BUSINESS REVIEW (continued)**Investment in Securities (continued)****Financial assets at FVTPL (continued)****(i) Unrealised gain (loss) recognised for the six months ended 30 June 2017 for the financial assets at FVTPL held by the Group as at 30 June 2017 together with information on financial performance of the investee companies and their future prospects (continued)**

Industry	Abbreviation of investee company	*Principal activities of investee company	* Acquisition costs during the period/ carrying amount as at 1 January 2017 HK\$'000	% of shareholding interest %	Market/fair value as at 30 June 2017 HK\$'000	% to total market/ fair value of the Group's financial asset at FVTPL portfolio %	Unrealised gain (loss) recognised during the period ended 30 June 2017 HK\$'000	# Investee company's financial performance	# Future prospects of the investee company
Conglomerate	B	Manufacturing and trading of toys, medical and health and securities investments	20,882	2.89	13,992	1.73	(6,890)	For the six months ended 30 June 2017, revenue increased by 162% to HK\$176,414,000 and loss for the period decreased by 76% to HK\$36,638,000 compared to the same period in 2016.	The investee company reviews its existing investments in the medical and health division and continues to look at different investment opportunities in the industry, especially on the bio medical areas.
	C ⁺	Trading of securities, water supply business, and property development, investment and trading	99,540	4.89	75,096	9.31	(24,444)	For the year ended 31 March 2017, revenue increased by 232% to HK\$85,792,000 and its results experienced a turnaround and recorded a profit for the year of HK\$1,222,155,000 compared to 2016.	The investee company commences to receive rental income from its flagship project and expects the sales of serviced-apartments will generate satisfactory return to it.
	D	Treasury management, property investment and property leasing	13,074	0.95	17,050	2.11	3,976	For the six months ended 30 June 2017, revenue decreased by 20% to HK\$19,698,000 while its results experienced a turnaround and recorded a profit for the period of HK\$35,957,000 compared to the same period in 2016.	The investee company continues to focus on property investments and property leasing businesses and further expands its money lending business which forms part of the treasury management business.



Management Discussion and Outlook

BUSINESS REVIEW (continued)

Investment in Securities (continued)

Financial assets at FVTPL (continued)

(i) Unrealised gain (loss) recognised for the six months ended 30 June 2017 for the financial assets at FVTPL held by the Group as at 30 June 2017 together with information on financial performance of the investee companies and their future prospects (continued)

Industry	Abbreviation of investee company	*Principal activities of investee company	* Acquisition costs during the period/ carrying amount as at 1 January 2017 HK\$'000	% of shareholding interest %	Market/fair value as at 30 June 2017 HK\$'000	% to total market/ fair value of the Group's financial asset at FVTPL portfolio %	Unrealised gain (loss) recognised during the period ended 30 June 2017 HK\$'000	# Investee company's financial performance	*Future prospects of the investee company
	E	Provision of digital television services in Hong Kong and the PRC, provision of car beauty services, money lending business and securities investments in Hong Kong	48,500	4.37	9,800	1.21	(38,700)	For the three months ended 30 June 2017, revenue from continuing operations decreased by 13% to HK\$9,200,000 while profit for the period increased by over 25 times to HK\$1,545,000 compared to the same period in 2016.	The investee company is confident about the outlook and prospects of the advertisement and culture market in Hong Kong and the PRC and will open its door to opportunities to further develop its business.
	F+	Securities trading and investments and trading of wine	81,060	4.81	85,170	10.55	4,110	For the six months ended 30 June 2017, sales of goods, as its major source of revenue from continuing operations, increased by 201% to HK\$8,645,000 and loss for the period decreased by 94% to HK\$10,035,000 compared to the same period in 2016.	The investee company has been evaluating its operation and will focus on building up its securities trading and investment business, expand its wine trading operations and review its strategy regarding the healthcare and pharmaceutical business.
			263,056		201,108	24.91	(61,948)		

Management Discussion and Outlook

BUSINESS REVIEW (continued)**Investment in Securities (continued)****Financial assets at FVTPL (continued)****(i) Unrealised gain (loss) recognised for the six months ended 30 June 2017 for the financial assets at FVTPL held by the Group as at 30 June 2017 together with information on financial performance of the investee companies and their future prospects (continued)**

Industry	Abbreviation of investee company	[#] Principal activities of investee company	* Acquisition costs during the period/ carrying amount as at 1 January 2017 HK\$'000	% of shareholding interest %	Market/fair value as at 30 June 2017 HK\$'000	% to total market/ fair value of the Group's financial asset at FVTPL portfolio %	Unrealised gain (loss) recognised during the period ended 30 June 2017 HK\$'000	[#] Investee company's financial performance	[#] Future prospects of the investee company
Entertainment and media	G ⁺	Provision of services on publication and sales of magazines, digital business services and provision of medical cosmetology, anti-aging and other health services	184,632	1.45	197,192	24.44	12,560	For the six months ended 30 June 2017, revenue increased by 216% to HK\$575,575,000 and profit for the period increased by 412% to HK\$79,610,000 compared to the same period in 2016.	The investee company foresees vigorous and challenging competition in its media business and expects to gradually expand its health management business and seek cross-sector integration with different industries in order to cultivate new operation, business trend and model in mega health industry.
	H	Film and TV programme production and investment, event investment, cinema operation and investment in securities	25,626	2.85	25,168	3.12	(458)	For the six months ended 31 December 2016, revenue from continuing operations increased by 149% to HK\$33,742,000 and loss for the period from continuing operations decreased by 53% to HK\$17,618,000 compared to the same period in 2015.	The investee company expects film investment and TV programme production continues to be the major source of revenue. It further dedicated effort in exploring cinema operation business and expects the new operation will not only bring in new income stream and stable return, but also a platform for films exhibition in the PRC.
			210,258		222,360	27.56	12,102		



Management Discussion and Outlook

BUSINESS REVIEW (continued)

Investment in Securities (continued)

Financial assets at FVTPL (continued)

(i) Unrealised gain (loss) recognised for the six months ended 30 June 2017 for the financial assets at FVTPL held by the Group as at 30 June 2017 together with information on financial performance of the investee companies and their future prospects (continued)

Industry	Abbreviation of investee company	*Principal activities of investee company	* Acquisition costs during the period/ carrying amount as at 1 January 2017 HK\$'000	% of shareholding interest %	Market/fair value as at 30 June 2017 HK\$'000	% to total market/ fair value of the Group's financial asset at FVTPL portfolio %	Unrealised gain (loss) recognised during the period ended 30 June 2017 HK\$'000	# Investee company's financial performance	*Future prospects of the investee company
Infrastructure	I ⁺	Operation of motoring schools, tunnels and an electronic toll collection system, and investment	141,422	3.39	147,736	18.31	6,314	For the six months ended 30 June 2017, revenue largely remained flat at HK\$207,108,000 and profit for the period increased by 293% to HK\$579,188,000 compared to the same period in 2016.	Reported increase in profit for the period for the six months ended 30 June 2017 and offered stable dividend payout. The investee company will continue with its existing principal businesses.
			141,422		147,736	18.31	6,314		
Mining and resources	J	Acquisition, exploration, development and mining of copper and other mineral resources; property investment and investments in financial instruments	34,824	1.50	19,153	2.37	(15,671)	For the year ended 31 March 2017, revenue decreased by 54% to US\$26,937,000 and loss for the year increased by 346% to US\$305,268,000 compared to 2016.	The investee company continues its mining business and seeks to expand its money lending business. It further diversified its business in property investment, with the aim to secure rental income and/or capital appreciation as well as future economic benefits.
			34,824		19,153	2.37	(15,671)		

Management Discussion and Outlook

BUSINESS REVIEW (continued)**Investment in Securities (continued)****Financial assets at FVTPL (continued)****(i) Unrealised gain (loss) recognised for the six months ended 30 June 2017 for the financial assets at FVTPL held by the Group as at 30 June 2017 together with information on financial performance of the investee companies and their future prospects (continued)**

Industry	Abbreviation of investee company	[#] Principal activities of investee company	* Acquisition costs during the period/ carrying amount as at 1 January 2017 HK\$'000	% of shareholding interest %	Market/fair value as at 30 June 2017 HK\$'000	% to total market/ fair value of the Group's financial asset at FVTPL portfolio %	Unrealised gain (loss) recognised during the period ended 30 June 2017 HK\$'000	[#] Investee company's financial performance	[#] Future prospects of the investee company
Property	K	Provision of leasing space at warehouses, icehouses and other facilities and operation of agriculture business	23,574	0.27	20,731	2.57	(2,843)	For the six months ended 30 June 2017, revenue from continuing operation decreased by 4% to RMB504,838,000 and its results experienced a turnaround and recorded a loss for the period of RMB66,311,000 compared to the same period in 2016.	After substantial disposal of the underground shopping malls, the investee company focuses on provision of leasing space at warehouses, icehouses and other facilities and operation of agriculture business.
	L ⁺	Lease of properties, properties development, hotel and hotel related operations	77,940	0.89	83,900	10.40	5,960	For the year ended 31 March 2017, revenue decreased by 27% to HK\$4,068,467,000 while its results experienced a turnaround and recorded a profit for the year of HK\$3,690,800,000 compared to 2016.	The investee company continues to establish a steady development projects pipeline to provide sales income in the medium-term. In addition, the investee company also continues to source quality and upscale investment properties with good potential to generate a significant source of recurrent rental income in the long-run.
	Others	-	13,563	N/A	11,757	1.45	(1,806)	-	-
			115,077		116,388	14.42	1,311		
Others	-	-	23,754	N/A	33,786	4.20	10,032	-	-
			23,754		33,786	4.20	10,032		



Management Discussion and Outlook

BUSINESS REVIEW (continued)

Investment in Securities (continued)

Financial assets at FVTPL (continued)

(i) Unrealised gain (loss) recognised for the six months ended 30 June 2017 for the financial assets at FVTPL held by the Group as at 30 June 2017 together with information on financial performance of the investee companies and their future prospects (continued)

Industry	Abbreviation of investee company	*Principal activities of investee company	* Acquisition costs during the period/ carrying amount as at 1 January 2017 HK\$'000	% of shareholding interest %	Market/fair value as at 30 June 2017 HK\$'000	% to total market/ fair value of the Group's financial asset at FVTPL portfolio %	Unrealised gain (loss) recognised during the period ended 30 June 2017 HK\$'000	# Investee company's financial performance	*Future prospects of the investee company
Unlisted convertible securities									
Others	M	Wind power generation and wind turbine blades manufacturing	69,334	-	53,363	6.61	(15,971)	For the six months ended 30 June 2017, revenue decreased by 12% to RMB196,204,000 and profit for the period decreased by 38% to RMB30,426,000 compared to the same period in 2016.	The investee company continues to focus its resources on the development and operation of energy projects through further capital investment in its existing wind farms, enhance its interactions with other businesses and explore new investment opportunities to develop other renewable energy business.
			69,334		53,363	6.61	(15,971)		
			868,924		806,971	100.00	(61,953)		

+ In the table above, investee company C, F, G, I, and L stands for Master Glory Group Limited (stock code: 275), OCI International Holdings Limited (stock code: 329), Evergrande Health Industry Group Limited (stock code: 708), The Cross-Harbour (Holdings) Limited (stock code: 32) and Emperor International Holdings Limited (stock code: 163) respectively.

Extracted from published financial information of the investee companies.

* The amount represented the acquisition costs for the securities during the six months ended 30 June 2017 and/or the carrying amount of the securities brought forward from the prior financial year after accounting for additional acquisition and/or disposal of the securities (if any) during the current interim period.

Management Discussion and Outlook

BUSINESS REVIEW (continued)**Investment in Securities (continued)****Financial assets at FVTPL (continued)****(ii) Realised gain (loss) on financial assets at FVTPL disposed of during the six months ended 30 June 2017**

Industry	Abbreviation of investee company	# Principal activities of investee company	* Acquisition costs during the period/ carrying amount as at 1 January 2017 HK\$'000	Sale proceeds of financial assets at FVTPL sold during the period ended 30 June 2017 HK\$'000	Realised gain (loss) recognised during the period ended 30 June 2017 HK\$'000
Equity securities listed in Hong Kong					
Banking	A	Banking business	9,999	10,107	108
			9,999	10,107	108
Conglomerate	N	Financing guarantee services and consultancy services in the logistic industry in the PRC, trading of furniture and fixtures and interior decoration works in Hong Kong and Macau	18,135	14,823	(3,312)
	O	Investment and trading of securities, provision of finance, property investment and manufacturing and sales of accessories for photographic products	155,716	82,007	(73,709)
	P	Trading of apparel products and provision of apparel supply chain management services, provision of financial services, money lending business and securities investment	34,657	20,546	(14,111)
			208,508	117,376	(91,132)
Insurance	Q	Provision of financial products and services and engaged in life insurance, property and casualty insurance, trust, securities, banking and other businesses	10,000	10,492	492
			10,000	10,492	492



Management Discussion and Outlook

BUSINESS REVIEW (continued)

Investment in Securities (continued)

Financial assets at FVTPL (continued)

(ii) Realised gain (loss) on financial assets at FVTPL disposed of during the six months ended 30 June 2017 (continued)

Industry	Abbreviation of investee company	* Principal activities of investee company	* Acquisition costs during the period/ carrying amount as at 1 January 2017 HK\$'000	Sale proceeds of financial assets at FVTPL sold during the period ended 30 June 2017 HK\$'000	Realised gain (loss) recognised during the period ended 30 June 2017 HK\$'000
Property	R	Development of residential property in China, primarily focused on the development, sales and management of residential properties	3,540	4,641	1,101
			3,540	4,641	1,101
Unlisted debt securities Insurance	Q	Provision of financial products and services and engaged in life insurance, property and casualty insurance, trust, securities, banking and other businesses	9,733	10,000	267
			9,733	10,000	267
			241,780	152,616	(89,164)

Extracted from published financial information of the investee companies.

* The amount represented the acquisition costs for the securities during the six months ended 30 June 2017 and/or the carrying amount of the securities brought forward from the prior financial year after accounting for additional acquisition and/or disposal of the securities (if any) during the current interim period.

Management Discussion and Outlook

BUSINESS REVIEW (continued)

Investment in Securities (continued)

AFS investments

At 30 June 2017, the Group's AFS investment portfolio (constituted by non-current and current portions) of HK\$1,264,338,000 was measured at market/fair value. During the period under review, the Group's AFS investment portfolio generated total revenue amounting to HK\$26,758,000 (30 June 2016: HK\$38,603,000) representing dividends from equity securities of HK\$1,817,000 (30 June 2016: HK\$2,131,000) and interest income from listed and unlisted debt securities of HK\$24,941,000 (30 June 2016: HK\$36,472,000). According to the maturity of the AFS investments, part of the AFS investment portfolio of HK\$18,601,000 is classified as current assets.

During the period under review, the Group invested approximately HK\$1,150,631,000 to acquire bonds issued by various aircraft leasing company, banking company and property company listed on the Stock Exchange.

At the period end, an overall net fair value gain on the AFS investment portfolio amounting to HK\$10,947,000 was recognised as other comprehensive income (30 June 2016: loss of HK\$28,961,000).

During the period under review, the Group disposed of bonds amounting to HK\$40,157,000 and bonds of HK\$780,000,000 were redeemed by an issuer. A gain on disposal and on redemption totalling HK\$8,957,000 was released from the Group's investment revaluation reserve and reclassified as profit in the current period (30 June 2016: nil).



Management Discussion and Outlook

BUSINESS REVIEW (continued)

Investment in Securities (continued)

AFS investments (continued)

At 30 June 2017, the Group invested in corporate bonds and equity securities of various aircraft leasing company, banking company, insurance company and property company and their respective weightings to the market/fair value of the Group's AFS investment portfolio of HK\$1,264,338,000 (together with other information) are as below:

Category of companies	Approximate weighting to the market/fair value of the Group's AFS investment portfolio %	% of shareholding interest %	Yield to maturity on acquisition %	Acquisition costs HK\$'000	*Acquisition costs during the period/ carrying amount as at	Market/fair value as at 30 June 2017 HK\$'000	Accumulated fair value gain (loss) recognised up to 30 June 2017 HK\$'000	Fair value gain (loss) recognised during the period ended 30 June 2017 HK\$'000
					1 January 2017 HK\$'000			
				A	B	C	D = C - A	E = C - B
Aircraft leasing								
– debt securities	11.45	-	5.09	148,348	148,348	144,710	(3,638)	(3,638)
Banking								
– debt securities	12.73	-	3.73 - 3.91	156,999	156,999	160,964	3,965	3,965
– equity securities	3.77	0.46	-	54,599	56,485	47,619	(6,980)	(8,866)
Insurance								
– debt securities	3.88	-	3.00	50,000	47,250	49,085	(915)	1,835
Property								
– debt securities	68.17	-	4.68 - 9.50	845,284	845,284	861,960	16,676	16,676
	<u>100.00</u>			<u>1,255,230</u>	<u>1,254,366</u>	<u>1,264,338</u>	<u>9,108</u>	<u>9,972</u>

* The amount represented the acquisition costs of the securities during the six months ended 30 June 2017 and/or the carrying amount of the securities brought forward from the prior financial year after accounting for additional acquisition and/or disposal of the securities (if any) during the current interim period.

The yield to maturity on acquisition of corporate bonds which were held by the Group at the period end ranged from 3.00% to 9.50%.

Management Discussion and Outlook

BUSINESS REVIEW (continued)

Trading

During the first half year, the Group's trading operation continued to focusing on trading of metal minerals, metal products and electronic components, and has further expanded its business scope to coke products. The operation recorded a significant growth in revenue by over 11.5 times to HK\$435,522,000 (30 June 2016: HK\$34,730,000), and an increase in profit of over 9.3 times to HK\$4,384,000 (30 June 2016: HK\$422,000) compared to the previous period. The significant increases in revenue and profit of the operation were principally attributed to the increase in volume of metal minerals and coke products transacted during the period, which was in turn resulting from the improvement of sentiments and outlook of commodity markets in general, as well as the management's successful efforts in expanding the business scope of the operation.

Money Lending

The Group's money lending operation continued to deliver encouraging results by posting a significant growth in revenue of 91% to HK\$75,079,000 (30 June 2016: HK\$39,307,000), and an increase in profit of 90% to HK\$74,171,000 (30 June 2016: HK\$39,008,000) over the prior period. Such increases were mainly due to the higher average amount of loans advanced to borrowers during the current period and the efforts of management in enlarging the operation's clientele base. During the review period, there was no default in repayments from borrowers and no impairment loss was recognised against loan receivables. The loan portfolio held by the Group amounting to HK\$1,996,983,000 at the period end (31 December 2016: HK\$754,212,000) with details as follows:

Category of borrowers	Approximate weighting to the carrying amount of the Group's loan portfolio %	Interest rate per annum %	Maturity
Individual	42.71	9.50 – 24.00	Within one year
Corporate	57.29	8.25 – 18.00	Within one year
	<u>100.00</u>		

Before granting loans to potential customers, the Group uses credit assessment process to assess the potential borrower's credit quality and defines its credit limits granted to the borrowers. The credit limits attributed to the borrowers are reviewed by the management regularly.



Management Discussion and Outlook

BUSINESS REVIEW (continued)

Securities Brokerage

The Group's securities brokerage business is conducted through its wholly owned subsidiary licensed by the Hong Kong Securities and Futures Commission to carry out dealing in securities activities. During the review period, the securities brokerage business achieved significant increases in revenue and profit by over 2.2 times to HK\$5,720,000 (30 June 2016: HK\$1,766,000) and by over 2.7 times to HK\$4,254,000 (30 June 2016: HK\$1,140,000) respectively. The encouraging results registered by the operation are primarily due to the effort of management in promoting its business and has expanded its business scope to participation of corporate share placing and underwriting exercises.

Overall Results

For the six months ended 30 June 2017, the Group recorded loss attributable to owners of the Company of HK\$113,520,000 (30 June 2016: HK\$356,825,000) and basic loss per share of HK0.67 cent (30 June 2016: HK2.10 cents), both reduced by 68% from the prior period. The Group also recorded total comprehensive expense attributable to owners of the Company of HK\$111,530,000 (30 June 2016: HK\$385,786,000). The loss results recorded by the Group were mainly due to the loss recognised by the Group's securities investment operation of HK\$105,014,000 (30 June 2016: HK\$373,437,000), despite there were significant increases in profit generated by the Group's money lending, trading as well as securities brokerage business amounting to HK\$74,171,000 (30 June 2016: HK\$39,008,000), HK\$4,384,000 (30 June 2016: HK\$422,000) and HK\$4,254,000 (30 June 2016: HK\$1,140,000) respectively.

Management Discussion and Outlook

FINANCIAL REVIEW

Liquidity, Financial Resources and Capital Structure

For the six months ended 30 June 2017, the Group financed its operation mainly by cash generated from its operations, credit facilities provided by banks, issuance of interest bearing notes in December 2016 and shareholders' funds. At the period end, the Group had current assets of HK\$3,664,096,000 (31 December 2016: HK\$3,467,359,000) and liquid assets comprising bank balances and cash as well as financial assets at FVTPL (excluding clients' money held relating to the Group's securities brokerage business and pledged bank deposits) totalling HK\$1,416,016,000 (31 December 2016: HK\$2,698,983,000). The Group's current ratio, calculated based on current assets over current liabilities of HK\$654,899,000 (31 December 2016: HK\$171,051,000), was at a strong ratio of about 5.6 (31 December 2016: 20.3). At 30 June 2017, the Group's trade and other receivables amounted to HK\$128,600,000 (31 December 2016: HK\$94,690,000), which mainly comprised bill receivables arising from the Group's trading activities, trade receivables from cash clients of the securities brokerage business and interest receivables from the Group's securities investments. The Group had net unrealised loss on financial assets valued at market/fair value at the period end and thus no deferred tax liabilities were recognised (31 December 2016: HK\$5,262,000, related to the net unrealised gain on financial assets valued at market/fair value).

At 30 June 2017, the equity attributable to owners of the Company amounted to HK\$2,809,697,000 (31 December 2016: HK\$2,921,227,000) and was equivalent to an attributable amount of approximately HK16.54 cents (31 December 2016: HK17.20 cents) per share of the Company. The decrease in equity attributable to owners of the Company was mainly a result of the loss incurred by the Group during the interim period.

At 30 June 2017, the Group's bank borrowings represented advances from banks drawn on bill receivables discounted with full recourse and bank borrowings raised for acquiring debt securities. The borrowings bore interests at floating rates, secured by the relevant bill receivables and debt securities and were repayable within one year or on demand. In December 2016, the Company issued 2-year notes with aggregate principal amount of HK\$1,500,000,000 bearing interest at 7% per annum and 8% per annum for the first and second year respectively. The Group's gearing ratio, calculated on the basis of total liabilities of HK\$2,136,448,000 (31 December 2016: HK\$1,641,970,000) divided by the equity attributable to owners of the Company of HK\$2,809,697,000 (31 December 2016: HK\$2,921,227,000), was of about 76% (31 December 2016: 56%). The increase in the Group's gearing ratio was mainly due to the new bank borrowings raised for acquiring debt securities. The Group's finance costs increased significantly to HK\$65,499,000 (30 June 2016: HK\$558,000) were primarily due to the interests on the 2-year notes issued in December 2016 and the new bank borrowings raised during the review period.

With the amount of liquid assets on hand as well as credit facilities granted by banks, the management is of the view that the Group has sufficient financial resources to meet its ongoing operational requirements.



Management Discussion and Outlook

FINANCIAL REVIEW (continued)

Foreign Currency Management

The monetary assets and liabilities as well as business transactions of the Group are mainly denominated in Hong Kong dollars and United States dollars. During the period under review, the Group had not experienced any significant exposure to exchange rate fluctuations, as such, the Group had not entered into any foreign currency forward contracts, currency swaps or other financial derivatives for hedging purposes.

Contingent Liability

At 30 June 2017, the Group had no significant contingent liability (31 December 2016: nil).

Pledge of Assets

At 30 June 2017, debt securities of HK\$765,106,000 (31 December 2016: HK\$86,432,000), bill receivables of HK\$62,613,000 (31 December 2016: HK\$21,893,000) and bank deposits of HK\$30,645,000 (31 December 2016: HK\$30,531,000) were pledged to banks to secure bank facilities granted.

Capital Commitment

At 30 June 2017, the Group had no significant capital commitment (31 December 2016: nil).

HUMAN RESOURCES AND REMUNERATION POLICY

At 30 June 2017, the Group had 46 (30 June 2016: 41) employees including directors of the Company and staff costs (including directors' emoluments) for the current period amounted to HK\$13,755,000 (30 June 2016: HK\$12,498,000). The remuneration packages for directors and staff are normally reviewed annually and are structured by reference to prevailing market terms and individual competence, performance and experience. The Group operates a Mandatory Provident Fund Scheme for employees in Hong Kong. In addition, the Group provides other employee benefits including medical insurance, training subsidy, discretionary bonus and participation in the Company's share option scheme.

Management Discussion and Outlook

PROSPECTS

Having gone through a challenging year in 2016, the business environment of the Group has shown some signs of stabilisation in the first half of 2017. There have been indications showing modest recovery in business confidence and investor sentiments in major economies, including China and the United States, and increase in international trade flows including commodities. Nevertheless, certain market uncertainties still persist including the geopolitical risks in Korean peninsula, the pace of interest rate increase in the United States, and the instabilities in the European economy arising from the Brexit negotiations. The investment and stock markets in Hong Kong have been rather volatile recently in light of these market uncertainties, in order to alleviate their adverse impact to the Group, the management has continued to adopt a cautious approach in managing the Group's securities investment portfolio and has increased the Group's investments in corporate bonds during the review period which offer more stable returns. In appropriate circumstances, the Group may also gear up its corporate bond investments with bank borrowings in order to enhance their yields. The Group's money lending business has delivered very encouraging results for the current period. It is the intention of the management to continue developing this business under prudent credit management with the aim that it will continue to contribute a stable and favorable income stream to the Group in future years. The Group's trading business has also shown significant progress during the interim period, the management will continue its effort in exploring new business opportunities to further improve the financial performance of the operation. The Group's securities brokerage business has been creating synergy benefits with the Group's securities investment and money lending businesses and it is the Group's plan to devote additional financial resources for developing this business aiming it will become a principal business of the Group in future.



Report on Review of Interim Financial Information

Deloitte.

德勤

TO THE BOARD OF DIRECTORS OF CHINA STRATEGIC HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)

Introduction

We have reviewed the interim financial information of China Strategic Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 24 to 46, which comprise the condensed consolidated statement of financial position as of 30 June 2017 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “*Interim Financial Reporting*” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*” issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

31 August 2017

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2017

	Notes	Six months ended 30 June	
		2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Revenue	3	549,617	117,199
Purchases and related expenses		(431,486)	(34,127)
Other income	5	7,562	1,923
Other gain	6	590	128
Administrative expenses		(28,706)	(27,685)
Net loss on financial assets at fair value through profit or loss	7	(151,117)	(415,215)
Gain on disposal of available-for-sale investments		1,157	–
Gain on redemption of available-for-sale investments		7,800	–
Finance costs	8	(65,499)	(558)
Loss before tax		(110,082)	(358,335)
Income tax (expense) credit	9	(3,438)	1,510
Loss for the period	10	(113,520)	(356,825)
Other comprehensive income (expense)			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Net fair value gain (loss) on available-for-sale investments		10,947	(28,961)
Released on disposal of available-for-sale investments		(1,157)	–
Released on redemption of available-for-sale investments		(7,800)	–
Other comprehensive income (expense) for the period		1,990	(28,961)
Total comprehensive expense for the period		(111,530)	(385,786)
Loss for the period attributable to owners of the Company		(113,520)	(356,825)
Total comprehensive expense for the period attributable to owners of the Company		(111,530)	(385,786)
Loss per share attributable to owners of the Company			
– Basic	12	HK0.67 cent	HK2.10 cents



Condensed Consolidated Statement of Financial Position

As at 30 June 2017

	Notes	As at 30 June 2017 HK\$'000 (Unaudited)	As at 31 December 2016 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	13	27,765	29,324
Prepaid lease payments		2,619	2,669
Goodwill	14	4,000	4,000
Club debentures		1,928	1,928
Available-for-sale investments	15	1,245,737	922,917
Loan receivables	16	–	135,000
Total non-current assets		1,282,049	1,095,838
Current assets			
Inventories		7,395	19,559
Prepaid lease payments		99	99
Available-for-sale investments	15	18,601	–
Loan receivables	16	1,996,983	619,212
Trade and other receivables	17	128,600	94,690
Income tax recoverable		2,970	–
Financial assets at fair value through profit or loss	18	806,971	744,407
Pledged bank deposits	19	30,645	30,531
Bank balances and cash	19	671,832	1,958,861
Total current assets		3,664,096	3,467,359
Current liabilities			
Trade and other payables	20	136,493	54,137
Income tax payable		25,037	23,575
Deferred tax liabilities		–	5,262
Bank borrowings	21	493,369	88,077
Total current liabilities		654,899	171,051
Net current assets		3,009,197	3,296,308
Total assets less current liabilities		4,291,246	4,392,146
Non-current liability			
Notes payable	22	1,481,549	1,470,919
Net assets		2,809,697	2,921,227
Capital and reserves			
Share capital	23	3,012,877	3,012,877
Reserves		(203,180)	(91,650)
Total equity		2,809,697	2,921,227

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2017

	Attributable to owners of the Company			
	Share capital HK\$'000	Investment revaluation reserve HK\$'000	Retained profits (accumulated losses) HK\$'000	Total HK\$'000
At 1 January 2016 (audited)	3,012,877	20,021	338,102	3,371,000
Loss for the period	–	–	(356,825)	(356,825)
Net fair value loss on available-for-sale investments	–	(28,961)	–	(28,961)
Total comprehensive expense for the period	–	(28,961)	(356,825)	(385,786)
At 30 June 2016 (unaudited)	<u>3,012,877</u>	<u>(8,940)</u>	<u>(18,723)</u>	<u>2,985,214</u>
At 1 January 2017 (audited)	3,012,877	7,118	(98,768)	2,921,227
Loss for the period	–	–	(113,520)	(113,520)
Net fair value gain on available-for-sale investments	–	10,947	–	10,947
Released on disposal of available-for-sale investments	–	(1,157)	–	(1,157)
Released on redemption of available-for-sale Investments	–	(7,800)	–	(7,800)
Total comprehensive income (expense) for the period	–	1,990	(113,520)	(111,530)
At 30 June 2017 (unaudited)	<u>3,012,877</u>	<u>9,108</u>	<u>(212,288)</u>	<u>2,809,697</u>



Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2017

	Notes	Six months ended 30 June	
		2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Net cash outflow from operating activities		(1,310,138)	(16,322)
Net cash outflow from investing activities			
Purchase of available-for-sale investments		(1,150,630)	(156,000)
Proceeds from disposal of available-for-sale investments		40,157	–
Proceeds from redemption of available-for-sale investments		780,000	–
Purchase of property, plant and equipment	13	(78)	(229)
Deposit paid for acquisition of property, plant and equipment		–	(20,322)
Net cash outflow for acquisition of a subsidiary	24	–	(6,867)
Placement of pledged bank deposits		(114)	(1,269)
Interest received		3,177	820
		(327,488)	(183,867)
Net cash inflow from financing activities			
Advances drawn on bill receivables discounted with full recourse		62,613	23,642
New bank loan raised		629,223	124,784
Repayment of bank borrowings		(286,544)	(101,121)
Interest paid		(54,695)	(558)
		350,597	46,747
Net decrease in cash and cash equivalents		(1,287,029)	(153,442)
Cash and cash equivalents at the beginning of the period		1,958,861	371,950
Cash and cash equivalents at the end of the period, represented by bank balances and cash		671,832	218,508

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2017

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 *“Interim Financial Reporting”* issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as the applicable disclosure requirements of Appendix 16 to the Listing Rules.

The audited financial information relating to the year ended 31 December 2016 that is included in these unaudited condensed consolidated interim financial statements as comparative information does not constitute the Company’s statutory annual audited consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements is as follows:

The Company has delivered the audited financial statements for the year ended 31 December 2016 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

The Company’s auditor had reported on those financial statements. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

The unaudited condensed consolidated interim financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair values, and are presented in HK\$ which is the functional currency of the Company.

2. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements for the year ended 31 December 2016. The accounting policies and methods of computation used in the unaudited condensed consolidated interim financial statements for the six months ended 30 June 2017 are the same as those followed in the preparation of the Group’s audited consolidated financial statements for the year ended 31 December 2016.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant for the preparation of the Group’s unaudited condensed consolidated interim financial statements:

Amendments to HKAS 7	Disclosure initiative
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses
Amendments to HKFRSs	As part of annual improvements to HKFRSs 2014 – 2016 cycle

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts and/or disclosures reported in these condensed consolidated financial statements.



Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2017

3. REVENUE

As analysis of the Group's revenue for the period is as follows:

	Six months ended 30 June	
	2017 <i>HK\$'000</i> (Unaudited)	2016 <i>HK\$'000</i> (Unaudited)
Sales of metal minerals, metal and coke products	414,261	33,670
Sales of electronic components	21,261	1,060
Dividend income from securities and available-for-sale ("AFS") investments	5,879	4,924
Interest income from securities and AFS investments	27,417	36,472
Interest income from money lending business	70,730	37,295
Arrangement fee income from money lending business	4,349	2,012
Commission and handling income from securities brokerage business	4,000	447
Underwriting fee income from securities brokerage business	1,720	1,319
	549,617	117,199

4. SEGMENT INFORMATION

The following is an analysis of the Group's revenue and results by operating segments, based on information provided to the chief operating decision maker representing the Board, for the purposes of allocating resources to segments and assessing their performance. This is also the basis upon which the Group is arranged and organised.

The Group's reportable and operating segments under HKFRS 8 are as follows:

- (i) Investment in securities
- (ii) Trading of metal minerals, metal and coke products and electronic components ("Trading")
- (iii) Money lending
- (iv) Securities brokerage

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2017

4. SEGMENT INFORMATION (continued)**Segment revenue and results**

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

Six months ended 30 June 2017

	Investment in securities <i>HK\$'000</i> (Unaudited)	Trading <i>HK\$'000</i> (Unaudited)	Money lending <i>HK\$'000</i> (Unaudited)	Securities brokerage <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Segment Revenue					
External sales/sources	33,296	435,522	75,079	5,720	549,617
Results					
Segment results	(105,014)	4,384	74,171	4,254	(22,205)
Other income					1,421
Other loss					(79)
Central administrative expenses					(23,720)
Finance costs					(65,499)
Loss before tax					(110,082)
Income tax expense					(3,438)
Loss for the period					(113,520)



Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2017

4. SEGMENT INFORMATION (continued)

Segment revenue and results (continued)

Six months ended 30 June 2016

	Investment in securities <i>HK\$'000</i> (Unaudited)	Trading <i>HK\$'000</i> (Unaudited)	Money lending <i>HK\$'000</i> (Unaudited)	Securities brokerage <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Segment Revenue					
External sales/sources	41,396	34,730	39,307	1,766	117,199
Results					
Segment results	(373,437)	422	39,008	1,140	(332,867)
Other income					64
Central administrative expenses					(24,974)
Finance costs					(558)
Loss before tax					(358,335)
Income tax credit					1,510
Loss for the period					(356,825)

The accounting policies of operating segments are the same as those adopted in the audited consolidated financial statements of the Company for the year ended 31 December 2016. Segment (loss) profit represents loss incurred/profit earned by each segment without allocation of certain other income, certain other loss and certain central administrative expenses, finance costs and income tax (expense) credit.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2017

4. SEGMENT INFORMATION (continued)**Segment assets and liabilities**

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

	As at 30 June 2017 HK\$'000 (Unaudited)	As at 31 December 2016 HK\$'000 (Audited)
Segment assets		
Investment in securities	2,155,324	2,491,717
Trading	237,348	808,753
Money lending	2,046,381	757,938
Securities brokerage	164,289	78,597
	<hr/>	<hr/>
Total segment assets	4,603,342	4,137,005
Property, plant and equipment	27,765	29,324
Prepaid lease payments	2,718	2,768
Bank balances and cash	304,812	384,095
Other unallocated assets	7,508	10,005
	<hr/>	<hr/>
Consolidated assets	4,946,145	4,563,197
Segment liabilities		
Investment in securities	438,217	78,945
Trading	89,916	39,166
Money lending	18,096	9,608
Securities brokerage	103,599	24,119
	<hr/>	<hr/>
Total segment liabilities	649,828	151,838
Other payables	5,071	11,975
Income tax payable	–	7,238
Notes payable	1,481,549	1,470,919
	<hr/>	<hr/>
Consolidated liabilities	2,136,448	1,641,970

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

- all assets are allocated to operating segments other than property, plant and equipment, prepaid lease payments, certain bank balances and cash and certain other assets; and
- all liabilities are allocated to operating segments other than certain other payables, certain income tax payable and notes payable.



Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2017

5. OTHER INCOME

	Six months ended 30 June	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Bank interest income	3,177	820
Others	4,385	1,103
	7,562	1,923

6. OTHER GAIN

	Six months ended 30 June	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Exchange gain, net	590	128

7. NET LOSS ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Six months ended 30 June	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Net unrealised loss on financial assets at fair value through profit or loss ("FVTPL")	61,953	229,414
Net realised loss on sales of financial assets at FVTPL	89,164	185,801
	151,117	415,215

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2017

8. FINANCE COSTS

	Six months ended 30 June	
	2017 <i>HK\$'000</i> (Unaudited)	2016 <i>HK\$'000</i> (Unaudited)
Interest on advances drawn on bill receivables discounted with full recourse	492	417
Interest on bank borrowings	2,309	141
Interest on notes payable (<i>Note 22</i>)	62,698	–
	65,499	558

9. INCOME TAX EXPENSE (CREDIT)

	Six months ended 30 June	
	2017 <i>HK\$'000</i> (Unaudited)	2016 <i>HK\$'000</i> (Unaudited)
Tax charge (credit) comprises:		
Current tax		
– Hong Kong Profits Tax	8,700	7,672
Overprovision in prior year		
– Hong Kong Profits Tax	–	(6)
	8,700	7,666
Deferred tax	(5,262)	(9,176)
Income tax expense (credit) recognised in profit or loss	3,438	(1,510)

Hong Kong Profits Tax was calculated at 16.5% of the estimated assessable profits for the periods under review.



Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2017

10. LOSS FOR THE PERIOD

Loss for the period has been arrived at after charging the following items:

	Six months ended 30 June	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Amortisation of prepaid lease payments	50	50
Depreciation of property, plant and equipment	1,637	333

11. DIVIDEND

No dividends were paid, declared or proposed during the interim period (six months ended 30 June 2016: nil). The Directors have determined that no dividend will be paid in respect of the interim period.

12. LOSS PER SHARE

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

	Six months ended 30 June	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Loss:		
Loss for the period attributable to owners of the Company for the purpose of calculating basic loss per share	113,520	356,825

	Six months ended 30 June	
	2017 '000	2016 '000
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	16,987,714	16,987,714

Diluted loss per share for the six months ended 30 June 2017 and 2016 are not presented as there were no dilutive potential ordinary shares in issue during both periods.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2017

13. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment of approximately HK\$78,000 (six months ended 30 June 2016: HK\$229,000).

14. GOODWILL

For the purpose of impairment testing, goodwill, set out in Note 24, is allocated to the securities brokerage business, being the Group's cash generating unit identified according to segment information.

The recoverable amount of the securities brokerage business was based on its value in use and was determined by the management of the Group. Management believes that any reasonably possible change in the assumption would not cause the aggregate carrying amount of the goodwill exceeds the aggregate recoverable amount of it. Therefore no impairment was made for both the periods ended 30 June 2016 and 2017.

15. AVAILABLE-FOR-SALE INVESTMENTS

	As at 30 June 2017 HK\$'000 (Unaudited)	As at 31 December 2016 HK\$'000 (Audited)
Unlisted investments, at fair value:		
– Debt securities (<i>Note (i)</i>)	49,085	827,250
Listed investments, at fair value:		
– Equity securities listed in Hong Kong (<i>Note (ii)</i>)	47,619	56,485
– Debt securities listed in Hong Kong (<i>Note (iii)</i>)	289,919	–
– Debt securities listed in overseas (<i>Note (iii)</i>)	877,715	39,182
	1,264,338	922,917
Analysed as:		
Current portion	18,601	–
Non-current portion	1,245,737	922,917
	1,264,338	922,917



Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2017

15. AVAILABLE-FOR-SALE INVESTMENTS (continued)

Notes:

- (i) The fair values of unlisted debt securities were determined based on the cash flows discounted using a rate based on the market interest rate and risk premium specific to the unlisted securities/quoted market price in the over-the-counter market.
- (ii) The fair value of the listed equity securities was determined based on the quoted market closing price available on the Stock Exchange.
- (iii) The fair values of listed debt securities were determined based on the quoted market closing prices available on the Stock Exchange or other recognised stock exchanges.

16. LOAN RECEIVABLES

	As at 30 June 2017 HK\$'000 (Unaudited)	As at 31 December 2016 HK\$'000 (Audited)
Fixed-rate loan receivables	1,996,983	754,212
Analysed as:		
Current portion	1,996,983	619,212
Non-current portion	–	135,000
	1,996,983	754,212
Analysed as:		
Secured	1,969,845	702,125
Unsecured	27,138	52,087
	1,996,983	754,212

During the period ended 30 June 2017, the range of interest rate on the Group's loan receivables is 8% to 24% per annum (31 December 2016: 8% to 36% per annum). No loan receivable is past due but not impaired.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2017

17. TRADE AND OTHER RECEIVABLES

	As at 30 June 2017 HK\$'000 (Unaudited)	As at 31 December 2016 HK\$'000 (Audited)
Trade receivables from securities brokerage business:		
– Cash clients	23,324	168
– Hong Kong Securities Clearing Company Limited ("HKSCC")	–	21,810
– a broker	370	–
Trade receivables from trading business	344	608
Bill receivables discounted with full recourse (<i>Note 21</i>)	62,613	21,893
Interest receivables	19,392	35,308
Other receivables	22,557	14,903
	128,600	94,690

For securities brokerage business, the normal settlement terms of trade receivables from cash clients and HKSCC are two days after trade date. The trade receivables from cash clients with a carrying amount of HK\$23,324,000 (31 December 2016: HK\$168,000) are neither past due nor impaired at the end of the reporting period.

For trading business, the Group normally allows credit period for trade customers ranging from 30 days to 180 days. The following is an aged analysis of trade and bill receivables, net of allowance for doubtful debts, presented based on the invoice dates, which approximated the respective revenue recognition dates, at the end of the reporting period:

	As at 30 June 2017 HK\$'000 (Unaudited)	As at 31 December 2016 HK\$'000 (Audited)
0 – 90 days	344	21,893
91 – 180 days	62,613	–
Over 180 days	–	608
	62,957	22,501



Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2017

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2017 HK\$'000 (Unaudited)	As at 31 December 2016 HK\$'000 (Audited)
Unlisted investments, at fair value:		
– Debt securities (<i>Note (i)</i>)	–	9,733
– Convertible securities (<i>Note (ii)</i>)	53,363	69,334
Listed securities, at fair value:		
– Equity securities listed in Hong Kong (<i>Note (iii)</i>)	753,608	665,340
	806,971	744,407

Notes:

- (i) The fair value of unlisted debt securities was determined based on the quoted market price in the over-the-counter market.
- (ii) The fair value of unlisted convertible securities was determined based on some key parameters of risk free rate, expected volatility, dividend yield and discount rate by reference to listed bonds with similar rating.
- (iii) The fair values of listed equity securities were determined based on the quoted market closing prices available on the Stock Exchange.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2017

19. BANK BALANCES AND CASH/PLEDGED BANK DEPOSITS

	As at 30 June 2017 HK\$'000 (Unaudited)	As at 31 December 2016 HK\$'000 (Audited)
Bank balances and cash:		
– General accounts and cash (<i>Note (i)</i>)	609,045	1,954,576
– Client accounts (<i>Note (ii)</i>)	62,787	4,285
	671,832	1,958,861

Notes:

- (i) The accounts comprise cash and short-term bank deposits with an original maturity of three months or less held by the Group. The amounts carry interest ranging from 0.01% to 1.08% (31 December 2016: 0.01% to 1.19%) per annum.
- (ii) The Group's securities brokerage business receives and holds money deposited by clients during the course of conducting its regulated activities in its ordinary course of business. Such clients' monies are maintained in a segregated bank account. The Group has recognised the corresponding accounts payables to respective clients.

Pledged bank deposits represent deposits pledged to banks to secure the banking facilities granted to the Group. Deposit amounting to HK\$27,565,000 (31 December 2016: HK\$27,451,000) has been pledged to a bank to comply with the minimum deposit requirement for the credit facilities on issuance of letters of credit. Deposit amounting to HK\$3,080,000 (31 December 2016: HK\$3,080,000) has been pledged to another bank to secure the credit facility for securities brokerage settlement. The pledged bank deposits will be released upon settlement of relevant letters of credit and termination of credit facility and are therefore classified as current assets.



Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2017

20. TRADE AND OTHER PAYABLES

	As at 30 June 2017 HK\$'000 (Unaudited)	As at 31 December 2016 HK\$'000 (Audited)
Trade payables from securities brokerage business:		
– Cash clients	83,105	24,033
– HKSCC	20,398	–
Trade payables from trading business	8,326	3,898
Accrued charges and other payables	19,887	21,603
Interest payables	4,777	4,603
	136,493	54,137

For securities brokerage business, the normal settlement terms of trade payables to cash clients and HKSCC are two days after trade date.

For trading business, the following is an aged analysis of trade payables, presented based on the invoice dates, at the end of the reporting period:

	As at 30 June 2017 HK\$'000 (Unaudited)	As at 31 December 2016 HK\$'000 (Audited)
0 – 90 days	3,416	3,898
91 – 180 days	3,223	–
Over 180 days	1,687	–
	8,326	3,898

The average credit period is 30 days for both periods.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2017

21. BANK BORROWINGS

	As at 30 June 2017 HK\$'000 (Unaudited)	As at 31 December 2016 HK\$'000 (Audited)
Advances drawn on bill receivables discounted with full recourse (<i>Note (i)</i>)	62,613	21,893
Short-term secured bank borrowings (<i>Note (ii)</i>)	430,756	66,184
	493,369	88,077

Notes:

- (i) The amount represents the Group's borrowings secured by the bill receivables discounted to bank with full recourse (*Note 17*). The amount is repayable within one year.
- (ii) The amount carries interest at variable rate and is repayable within one year. The secured bank borrowings contain repayment on demand clause in the loan agreement.

22. NOTES PAYABLE

The movement of the unsecured notes payable for the period is set out below:

	As at 30 June 2017 HK\$'000 (Unaudited)	As at 31 December 2016 HK\$'000 (Audited)
Beginning of the period/year	1,470,919	–
Issue of notes payable	–	1,470,000
Effective interest charged (<i>Note 8</i>)	62,698	5,522
Interest paid/payable	(52,068)	(4,603)
End of the period/year	1,481,549	1,470,919
Repayable as follows:		
In the second year	1,481,549	1,470,919

The Company issued 2-year unsecured notes with nominal value of HK\$1,500,000,000 in December 2016 which are denominated in Hong Kong dollars. The interest for the notes is 7.00% per annum and 8.00% per annum for the first and second year respectively. The effective interest rate of the notes is 8.57% per annum.



Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2017

23. SHARE CAPITAL OF THE COMPANY

	Number of shares '000	Share capital HK\$'000
Issued and fully paid ordinary share:		
At 1 January 2016, 30 June 2016, 1 January 2017 and 30 June 2017	16,987,714	3,012,877

24. ACQUISITION OF A SUBSIDIARY

On 22 February 2016, the Group acquired 100% equity interests in Harmony Securities Limited (now known as CS Wealth Securities Limited) ("Harmony Securities") from independent third parties at a consideration of approximately HK\$18,312,000 and the consideration was settled by cash on the completion date. This acquisition has been accounted for using the purchase method. Harmony Securities is engaged in securities brokerage business and the purpose of the acquisition is to expand the Group's business portfolio.

Assets and liabilities of Harmony Securities as at the date of acquisition were as follows:

	HK\$'000
Property, plant and equipment	19
Trade and other receivables	5,802
Pledged bank deposits	3,078
Bank balances and cash	11,445
Trade and other payables	(6,032)
Net assets acquired	14,312
Goodwill	4,000
Consideration transferred	18,312

Goodwill arose in the acquisition of Harmony Securities because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Harmony Securities.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2017

24. ACQUISITION OF A SUBSIDIARY (continued)

None of the goodwill arising on this acquisition is expected to be deductible for tax purpose.

	<i>HK\$'000</i>
Net cash outflow for acquisition of a subsidiary:	
Cash consideration paid	18,312
Bank balances and cash acquired	<u>(11,445)</u>
	<u>6,867</u>

Acquisition-related costs amounting to approximately HK\$697,000 were excluded from the consideration transferred and were recognised as an expense in the profit or loss for the period ended 30 June 2016.

25. PLEDGE OF ASSETS

At 30 June 2017, debt securities of HK\$765,106,000 (31 December 2016: HK\$86,432,000) and bill receivables of HK\$62,613,000 (31 December 2016: HK\$21,893,000) have been pledged to banks by way of floating charges.

In addition, as disclosed in Note 19, the Group's credit facilities on issuance of letters of credit and securities brokerage settlement were secured by the Group's bank deposits of HK\$30,645,000 (31 December 2016: HK\$30,531,000).

26. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS**Fair value of the Group's financial assets that are measured at fair value on a recurring basis**

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Level 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset that are not based on observable market data (unobservable inputs).



Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2017

26. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (continued)

Fair value of the Group's financial assets that are measured at fair value on a recurring basis (continued)

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs
	30 June 2017 HK\$'000	31 December 2016 HK\$'000			
AFS investment					
Listed equity securities	47,619	56,485	Level 1	Quoted price in an active market	N/A
Listed debt securities	1,167,634	39,182	Level 1	Quoted prices in active markets	N/A
Unlisted debt securities	49,085	827,250	Level 2	Discount rate determined by reference to the listed bonds in similar rating/quoted price in the over-the-counter market	N/A
Financial assets at FVTPL					
Listed equity securities	753,608	665,340	Level 1	Quoted prices in an active market	N/A
Unlisted debt securities	-	9,733	Level 2	Quoted price in the over-the-counter market	N/A
Unlisted convertible securities	53,363	69,334	Level 3	Binomial option pricing model with the key inputs of risk free rate, expected volatility, dividend yield and discount rate by reference to the listed bonds with similar rating	Note

Note: For the unlisted convertible securities, the most significant unobservable input is the discount rate. If the discount rate was 0.5% higher/lower while the other variables were held constant, the total carrying amount of this investment would decrease/increase by HK\$1,000 and HK\$1,000, respectively.

Fair value measurements and valuation process

The Board has closely monitored and determined the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset or a liability, the Group uses market observable data to the extent it is available.

Information about the valuation techniques and inputs used in determining the fair value of various assets are disclosed above.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2017

27. RELATED PARTY DISCLOSURES**Compensation of key management personnel**

The remuneration of directors who are also identified as members of key management during the periods was as follows:

	Six months ended 30 June	
	2017 <i>HK\$'000</i> (Unaudited)	2016 <i>HK\$'000</i> (Unaudited)
Short-term benefits	7,093	6,863
Post-employment benefits	107	138
	7,200	7,001

The remuneration of directors is determined by the Remuneration Committee and the Board having regard to the performance of individuals and market trends.



Other Information

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2017 (30 June 2016: nil).

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2017, none of the directors or chief executive of the Company had registered an interest or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules.

SHARE OPTION SCHEME

The existing share option scheme of the Company (the "Share Option Scheme") was adopted by the Company at the annual general meeting of the Company held on 10 June 2011. Unless otherwise cancelled or amended, the Share Option Scheme will be valid and effective for a period of ten years commencing on the date of adoption. The purpose of the Share Option Scheme is to enable the Company to grant options to participants as incentives or rewards for their contribution to the Company and/or subsidiaries of the Company.

No share options were granted or exercised during the six months ended 30 June 2017 and 2016 and no share options were outstanding as at 30 June 2017 and 2016.

Further details of the Share Option Scheme were set out in the Company's 2016 Annual Report.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the sections headed "DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES" and the "SHARE OPTION SCHEME" above, at no time during the six months ended 30 June 2017 was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the directors of the Company or their spouse or minor children had any rights to subscribe for the securities of the Company, or had exercised any such rights during the period.

Other Information

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 30 June 2017, the following interests of more than 5% of the issued shares of the Company were recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO.

Long positions in the shares of the Company:

Name of shareholder	Capacity and nature of interest	Number of shares held	Approximate percentage of the Company's issued shares
Mr. Suen Cho Hung, Paul ("Mr. Suen")	Interest of controlled corporation	1,680,000,000 (Note)	9.89%
Pioneer Success Development Limited ("Pioneer Success")	Beneficial owner	1,680,000,000 (Note)	9.89%

Note: These shares were held by Pioneer Success, which in turn was wholly owned by Mr. Suen. Mr. Suen is the sole director of Pioneer Success. Accordingly, Mr. Suen and Pioneer Success were deemed to be interested in 1,680,000,000 shares of the Company under the SFO.

The interests of Mr. Suen and Pioneer Success in 1,680,000,000 shares of the Company referred to in the note above related to the same parcel of shares.

Save as disclosed above, the Company had not been notified of any other relevant interests or short positions in the shares and underlying shares of the Company as at 30 June 2017 as required pursuant to section 336 of the SFO.

CORPORATE GOVERNANCE

The Company has complied with all the applicable provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2017, except for the following deviation with reason as explained:

Chairman and chief executive

Code Provision A.2.1

Code Provision A.2.1 of the CG Code requires the roles of the chairman and chief executive should be separate and should not be performed by the same individual.

Deviation

The Company has deviated from the requirement during the six months ended 30 June 2017. The Board believes that vesting the roles of chairman and chief executive officer in the same person provides the Company with strong and consistent leadership in the development and execution of long-term business strategy.



Other Information

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the directors of the Company. Having made specific enquiry with the Directors, all of them confirmed that they have complied with the required standards set out in the Model Code during the six months ended 30 June 2017.

UPDATES ON DIRECTORS' INFORMATION

The following is updated information of the Directors (since the date of the Company's last published annual report up to 22 September 2017, being the latest practicable date before printing of this interim report) required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules:

1. Dr. Or Ching Fai retired as the vice-chairman and an independent non-executive director of G-Resources Group Limited (stock code: 1051), a company listed on the Stock Exchange, on 30 June 2017.
2. Mr. Sue Ka Lok has been appointed as an executive director of PYI Corporation Limited (stock code: 498) with effect from 25 April 2017 and was redesignated from an executive director to a non-executive director of Birmingham Sports Holdings Limited (formerly known as Birmingham International Holdings Limited) (stock code: 2309) with effect from 1 May 2017. All of the aforementioned companies are listed on the Stock Exchange.
3. Ms. Ma Yin Fan has been appointed as an independent non-executive director of Grand Investment International Limited (stock code: 1160), a company listed on the Stock Exchange, with effect from 16 June 2017.
4. The director's fee of Ms. Ma Yin Fan has been increased to HK\$200,000 per annum under her letter of appointment with the Company with effect from 1 January 2017. The revised director's fee was recommended by the Remuneration Committee of the Company and approved by the Board.
5. The director's fee of Mr. Chow Yu Chun, Alexander has been increased to HK\$200,000 per annum under his letter of appointment with the Company with effect from 1 January 2017. The revised director's fee was recommended by the Remuneration Committee of the Company and approved by the Board.
6. The director's fee of Mr. Leung Hoi Ying has been increased to HK\$150,000 per annum under his letter of appointment with the Company with effect from 1 January 2017. The revised director's fee was recommended by the Remuneration Committee of the Company and approved by the Board.

Other Information

REVIEW OF INTERIM RESULTS

The Group's interim results for the six months ended 30 June 2017 have not been audited, but have been reviewed by the Audit Committee and the Company's auditor, Deloitte Touche Tohmatsu, in accordance with Hong Kong Standard on Review Engagements 2410, "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*" issued by the Hong Kong Institute of Certified Public Accountants. The report on review of interim financial information by the auditor is included in this interim report.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30 June 2017, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

By Order of the Board

Dr. Or Ching Fai

Chairman

Hong Kong, 31 August 2017