

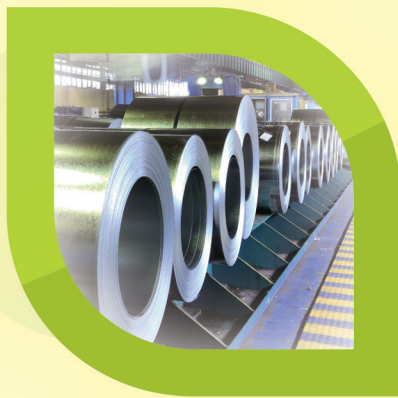


中策集團有限公司

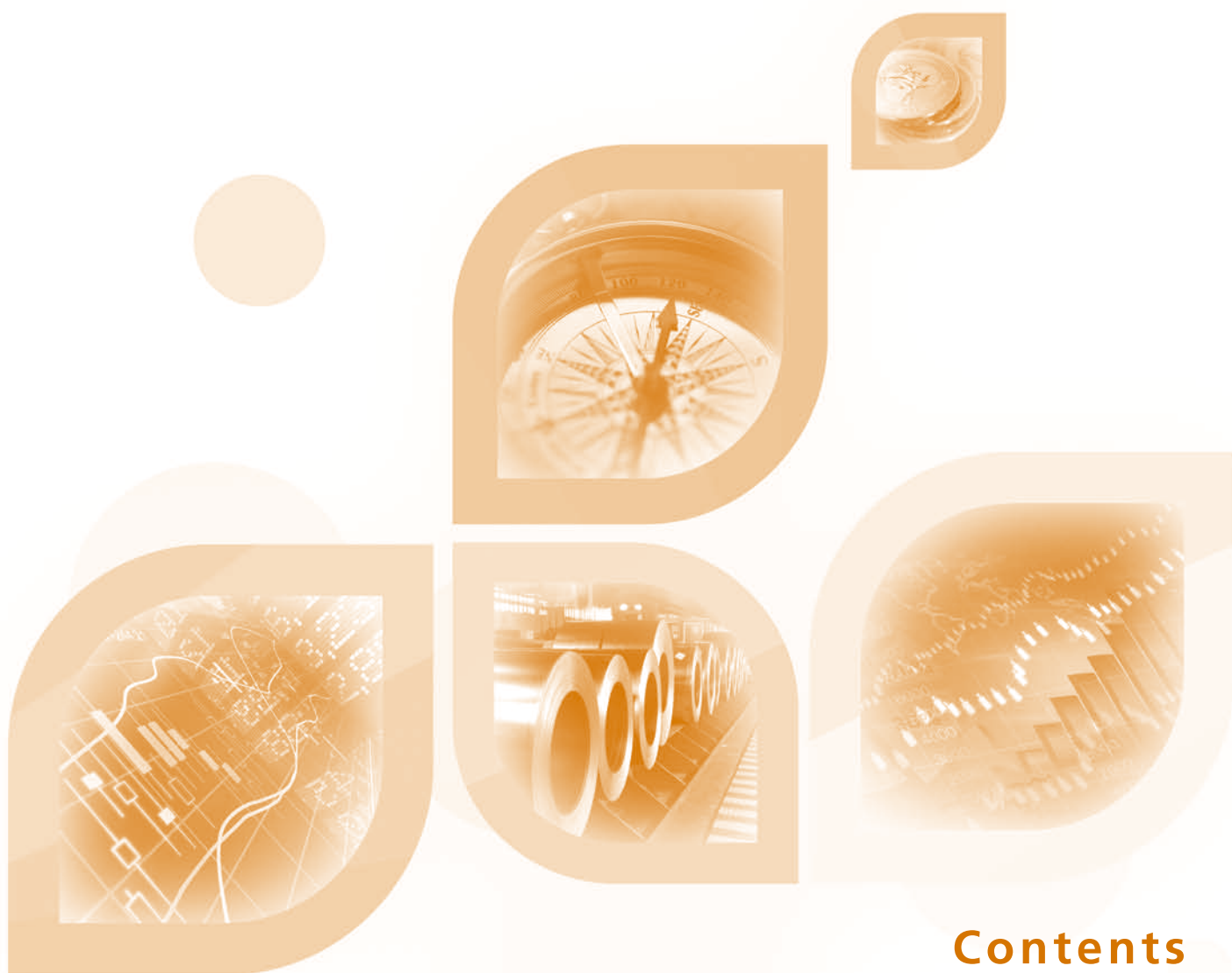
China Strategic Holdings Limited

(Incorporated in Hong Kong with limited liability)

(Stock Code: 235)



Interim
Report **2016**



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Abbreviations

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

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

Mr. Sue Ka Lok

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

During the six months ended 30 June 2016, the Group continued to principally engage in the business of investment in securities, trading as well as money lending. In February 2016, the Group successfully completed the acquisition of a securities brokerage company and has horizontally expanded its financial services business now comprising money lending and securities brokerage service.

For the period under review, the Group's revenue declined by 34% to HK\$117,199,000 (30 June 2015: HK\$176,530,000) whereas the Group's gross profit increased by over 13 times to HK\$83,381,000 (30 June 2015: HK\$5,861,000). The decline in the Group's revenue was mainly due to the decrease in sales of the Group's metal minerals trading business whilst the substantial increase in the Group's gross profit was mainly attributed to the increase in profit generated by the Group's money lending operation and interest income earned from debt securities held.

Investment in Securities

The Group generally acquires securities listed on the Stock Exchange or other recognised stock exchanges 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 2016, the Group's investment in securities operation held a securities investments portfolio valued at HK\$1,340,238,000 and a long-term available-for-sale investments portfolio valued at HK\$973,859,000. As a whole, the operation recorded a revenue of HK\$41,396,000 (30 June 2015: HK\$2,814,000) and a loss of HK\$373,437,000 (30 June 2015: profit of HK\$819,716,000).



Management Discussion and Outlook

BUSINESS REVIEW (continued)

Investment in Securities (continued)

Financial assets at fair value through profit or loss

At 30 June 2016, the Group's securities investments portfolio of HK\$1,340,238,000 was measured at market/fair value. During the review period, the Group's securities investments portfolio generated a revenue of HK\$2,793,000 (30 June 2015: HK\$2,814,000) representing dividends from investments in equity securities and recognised a net loss on financial assets at fair value through profit or loss of HK\$415,215,000, which comprised net unrealised loss and net realised loss of HK\$229,414,000 and HK\$185,801,000 respectively (30 June 2015: net gain on financial assets at fair value through profit or loss of HK\$818,106,000, which comprised net unrealised gain and net realised gain of HK\$778,627,000 and HK\$39,479,000 respectively). Such loss on securities investments was due primarily to the volatile Hong Kong stock market during the first half of 2016 and notable price decrease of certain securities held by/disposed of by the Group.

Securities investments

At 30 June 2016, the Group invested in different category of companies and their weightings to the market/fair value of the Group's securities investments portfolio of HK\$1,340,238,000 (31 December 2015: HK\$1,713,832,000) were as below:

Category of companies	Approximate weighting to the market/fair value of the Group's securities investments portfolio
	%
Banking company	0.61
Conglomerate company	8.78
Entertainment and media company	11.32
Financial services and investment company	45.76
Food catering company	4.15
Healthcare services company	1.43
Industrial materials company	1.19
Infrastructure company	9.95
Mining and resources company	7.82
Property company	4.55
Others	4.44
	<hr/>
Total	100.00

Management Discussion and Outlook

BUSINESS REVIEW (continued)

Investment in Securities (continued)

Securities investments (continued)

At 30 June 2016, the weightings of the Group's top five investments to the market/fair value of the Group's securities investments portfolio of HK\$1,340,238,000 (together with other information) were as below:

Company name	Approximate	% of	Acquisition	*Acquisition	Market/fair	Accumulated	Unrealised
	weighting to			costs during			
	the market/ fair value of the Group's securities investments portfolio	shareholding interest	costs	the period/ carrying amount as at	30 June 2016	gain (loss) recognised up to	recognised during the six months ended
	%	%	HK\$'000	1 January 2016	30 June 2016	30 June 2016	30 June 2016
			A	B	C	D = C - A	E = C - B
			HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
China Innovative Finance Group Limited (stock code: 412)	45.76	3.97	49,538	636,295	613,296	563,758	(22,999)
The Cross-Harbour (Holdings) Limited (stock code: 32)	9.95	3.39	77,377	130,816	133,341	55,964	2,525
Evergrande Health Industry Group Limited (stock code: 708)	9.65	1.45	99,533	291,392	129,368	29,835	(162,024)
Hanny Holdings Limited (stock code: 275)	6.30	4.98	100,800	83,720	84,420	(16,380)	700
Newton Resources Ltd (stock code: 1231)	4.18	1.75	66,500	52,500	56,000	(10,500)	3,500
Others	24.16	-	406,747	374,929	323,813	(82,934)	(51,116)
	100.00		800,495	1,569,652	1,340,238	539,743	(229,414)

* The amount represented the acquisition cost for the securities during the six months ended 30 June 2016 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)

Securities investments (continued)

The tables below set out (i) unrealised gain (loss) recognised for the six months ended 30 June 2016 for the securities investments portfolio held by the Group as at 30 June 2016 together with information on financial performance of the investee companies and their future prospects; (ii) unrealised gain (loss) recognised for the six months ended 30 June 2015 for the securities investments portfolio held by the Group as at 30 June 2015; (iii) realised gain (loss) on securities disposed of during the six months ended 30 June 2016; and (iv) realised gain (loss) on securities disposed of during the six months ended 30 June 2015. The Group is committed to closely monitor the financial performance of its securities investments 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 2016 for the securities investments portfolio held by the Group as at 30 June 2016 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 cost/carrying amount as at 31 December 2015 HK\$'000	% of shareholding interest %	Market/fair value as at 30 June 2016 HK\$'000	% to total market/fair value of the securities portfolio %	Unrealised gain (loss) recognised during the period ended 30 June 2016 HK\$'000	Dividend received/receivable during the period ended 30 June 2016 HK\$'000	* Investee company's financial performance	* Future prospects of the investee company
Equity securities listed in Hong Kong										
Banking company	A	Banking business	10,000	negligible	8,217	0.61	(1,783)	–	For the six months ended 30 June 2016, interest income, as its major source of revenue, decreased by 4% to US\$23,011,000,000 and profit for the period decreased by 31% to US\$7,423,000,000 as compared to the same period in 2015.	The investee company considers the current economic environment is uncertain, but its diversified business model and geographic profile again demonstrated resilience in difficult market conditions.
			10,000		8,217	0.61	(1,783)			
Conglomerate company	B	Manufacturing and trading of hard and stuffed toys and securities investments	61,480	4.27	21,942	1.64	(39,538)	–	For the six months ended 30 June 2016, revenue decreased by 6% to HK\$67,428,000 and loss for the period increased by 66% to HK\$153,656,000 as compared to the same period in 2015.	The investee company continues to explore new investment opportunities in the medical and health industry in the PRC as it considers there are growth potential and opportunities in this industry.
	C	Trading of securities, industrial water supply business, property development and trading and other strategic investments	83,720	4.98	84,420	6.30	700	–	For the year ended 31 March 2016, revenue decreased by 78% to HK\$25,852,000 and loss for the year increased by 67% to HK\$146,680,000 as compared to 2015.	The investee company has obtained the pre-sale permit of its flagship project and acquired property interests in two shopping plaza, the related sales revenue and rental income will generate satisfactory return to it in the coming years.
	D	Treasury management and property and infrastructure investment	11,395	0.95	11,308	0.84	(87)	353	For the six months ended 30 June 2016, revenue decreased by 11% to HK\$24,593,000 and its results experienced a turnaround and recorded a loss for the period of HK\$748,000 as compared to the same period in 2015.	The investee company will maintain its long sustained strategy to focus on property and infrastructure investment and treasury management businesses and actively engaged in money lending business as one of its core businesses.
			156,595		117,670	8.78	(38,925)			

Management Discussion and Outlook

BUSINESS REVIEW (continued)

Investment in Securities (continued)

Securities investments (continued)

(i) **Unrealised gain (loss) recognised for the six months ended 30 June 2016 for the securities investments portfolio held by the Group as at 30 June 2016 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 cost/carrying amount as at 31 December 2015 HK\$'000	% of shareholding interest %	Market/fair value as at 30 June 2016 HK\$'000	% to total market/fair value of the securities portfolio %	Unrealised gain (loss) recognised during the period ended 30 June 2016 HK\$'000	Dividend received/receivable during the period ended 30 June 2016 HK\$'000	[†] Investee company's financial performance	[‡] Future prospects of the investee company
Entertainment and media company	E*	Provision of services on publication of advertisements, sales of magazines and books, digital business services and provision of magazine content; and providing plastic surgery, anti-aging and other health services	291,392	1.45	129,368	9.65	(162,024)	-	For the six months ended 30 June 2016, revenue decreased by 6% to HK\$182,609,000 and profit for the period decreased by 86% to HK\$15,564,000 as compared to the same period in 2015.	The investee company will continue its existing media business as a mega content provider and marketer in the media industry, and develop its new business in healthcare communities, modern high-end international hospitals, community medical treatment and elderly care, as well as medical cosmetology and anti-aging services.
	F	Film and TV programme production and investment, event production and investment, music production and others, cinema operation, post production services and investment in securities	36,608	4.13	22,332	1.67	(14,276)	-	For the six months ended 31 December 2015, revenue increased by 365% to HK\$56,288,000 while loss for the period increased by 120% to HK\$59,084,000 as compared to the same period in 2014.	In view of the rapid expansion in Mainland China film market, the investee company has diversified its business into cinema operation, and expected the operation will not only bring in new income stream and stable return but also develop a platform for exhibition of its film production and investment in Mainland China.
			328,000		151,700	11.32	(176,300)			
Financial services and investment company	G*	Financial leasing, investments in securities, money lending, investment holding	636,295	3.97	613,296	45.76	(22,999)	-	For the year ended 31 March 2016, revenue from continuing operations increased by 2,454% to HK\$96,992,000 and its results experienced a turnaround and recorded a profit for the year of HK\$70,480,000 as compared to 2015.	The investee company has been officially adopted as a constituent stock by MSCI Hong Kong Small Cap Index and continues to expand to a variety of financial services serving the China and Hong Kong markets.
			636,295		613,296	45.76	(22,999)			
Food catering company	H	Delivering Cantonese cuisine and Chinese banquet and dining services	8,662	3.05	55,632	4.15	46,970	-	For the six months ended 30 June 2016, revenue increased by 2% to HK\$132,229,000 while the results experienced a turnaround and recorded a loss for the period of HK\$6,129,000 as compared to the same period in 2015.	Apart from operating five restaurants delivering Cantonese cuisine in Hong Kong and Mainland China, the investee company will expand by opening new restaurants in Mainland China, adopting a multi-brand strategy in Hong Kong and promoting brand image and recognition in order to become a reputable multi-brand restaurant group.
			8,662		55,632	4.15	46,970			



Management Discussion and Outlook

BUSINESS REVIEW (continued)

Investment in Securities (continued)

Securities investments (continued)

(i) Unrealised gain (loss) recognised for the six months ended 30 June 2016 for the securities investments portfolio held by the Group as at 30 June 2016 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 cost/carrying amount as at 31 December 2015 HK\$'000	% of shareholding interest %	Market/fair value as at 30 June 2016 HK\$'000	% to total market/fair value of the securities portfolio %	Unrealised gain (loss) recognised during the period ended 30 June 2016 HK\$'000	Dividend received/receivable during the period ended 30 June 2016 HK\$'000	* Investee company's financial performance	* Future prospects of the investee company
Healthcare services company	I	Production and sales of a series of health care products, pharmaceutical products, securities trading and investments, money lending and wine trading	24,000	2.26	19,200	1.43	(4,800)	–	For the six months ended 30 June 2016, revenue decreased by 5% to HK\$12,464,000 and its results experienced a turnaround and recorded a loss of HK\$171,717,000 as compared to the same period in 2015.	Apart from exercising efficient cost and quality control to maintain the present market share of its pharmaceutical products, the investee company will closely monitor the composition of its securities investment portfolios and pursue investment opportunities, particularly in property investments.
			24,000		19,200	1.43	(4,800)			
Industrial materials company	J	Investment and trading of securities, provision for finance, property investment and manufacturing and sales of accessories for photographic products	29,618	0.09	15,944	1.19	(13,674)	–	For the six months ended 30 June 2016, revenue decreased by 18% to HK\$60,246,000 while loss for the period reduced by 99% to HK\$574,000 as compared to the period for the six months ended 30 September 2015.	The investee company is developing internet community service business in communities across China. To become the industry leader, the investee company allies with a global real estate leader and a global internet giant to strive for building a "one-stop" community service platform with the largest traffic, the best service, the best experience and the most popular brand.
			29,618		15,944	1.19	(13,674)			
Infrastructure company	K*	Operation of motoring schools, tunnels and an electronic toll collection system, and investment	130,816	3.39	133,341	9.95	2,525	2,147	For the six months ended 30 June 2016, revenue increased by 2% to HK\$205,871,000 while profits for the period decreased by 56% to HK\$147,337,000 as compared to the same period in 2015.	Reported increase in revenue for the six months ended 30 June 2016 and offered stable dividend payout. The investee company will continue with its existing principal businesses.
			130,816		133,341	9.95	2,525			
Mining and resources company	L	Acquisition, exploration, development and mining of copper and other mineral resources; property investment and investments in financial instruments	52,817	1.50	48,754	3.64	(4,063)	–	For the year ended 31 March 2016, revenue decreased by 51% to US\$58,032,000 and its results experienced a turnaround and recorded a loss for the year of US\$68,462,000 as compared to 2015.	In addition to its existing principal mining business, the investee company has diversified its business into logistics services in Mainland China and will continue to pursue potential value added investment opportunities.
	M*	Mining, processing and sale of iron concentrates and gabbro-diorite and stone products in the PRC	52,500	1.75	56,000	4.18	3,500	–	For the six months ended 30 June 2016, revenue recorded amounting to RMB4,188,000 while loss for the period increased by 129% to RMB23,215,000 as compared to the same period in 2015.	The investee company strives to develop and expand its sales network and clientele and expand its investment in environmental protection facilities to satisfy new economic and environmental protection policies and put the business to a commercial scale.
			105,317		104,754	7.82	(563)			

Management Discussion and Outlook

BUSINESS REVIEW (continued)

Investment in Securities (continued)

Securities investments (continued)

(i) Unrealised gain (loss) recognised for the six months ended 30 June 2016 for the securities investments portfolio held by the Group as at 30 June 2016 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 cost/carrying amount as at 31 December 2015 HK\$'000	% of shareholding interest %	Market/fair value as at 30 June 2016 HK\$'000	% to total market/fair value of the securities portfolio %	Unrealised gain (loss) recognised during the period ended 30 June 2016 HK\$'000	Dividend received/receivable during the period ended 30 June 2016 HK\$'000	* Investee company's financial performance	* Future prospects of the investee company
Property company	N	Development, lease and management of shopping mall and agriculture business	42,647	0.27	23,693	1.77	(18,954)	-	For the six months ended 30 June 2016, revenue from continuing operation amounted to RMB523,182,000 and its results experienced a turnaround and recorded a profit for the period of RMB2,251,000 as compared to the same period in 2015.	After substantial disposal of completed shopping malls, shopping malls under construction and at planning stage, the investee company will then focus its resources on Chinese agriculture business as the management is very positive and confident in the sector.
	O	Resort and property development; property and investment holding	27,650	3.35	25,200	1.88	(2,450)	-	For the year ended 30 June 2016, revenue increased by 187% to HK\$7,622,000 and profit for the year increased by 4.719% to HK\$370,036,000 as compared to 2015.	The investee company recorded an increase in revenue and profit and will continue to pursue attractive investment opportunities with good returns.
	Others	-	13,252	N/A	12,107	0.90	(1,145)	286	-	-
			83,549		61,000	4.55	(22,549)			
Others	-	-	7,400	N/A	8,085	0.60	685	-	-	-
			7,400		8,085	0.60	685			
Unlisted convertible securities										
Others	P	Wind power generation, power grid construction and wind turbine blades manufacturing.	49,400	-	51,399	3.84	1,999	-	For the six months ended 30 June 2016, revenue from continuing operation increased by 16% to RMB221,911,000 and profit for the period increased by 108% to RMB48,843,000 as compared to the same period in 2015.	Along with the support from the PRC "13th Five-year Plan" on the development of renewable energies, the investee company will continue to seize the opportunities of the government's policy reforms and improve its development quality and efficiency in order to become a world-class renewable energy enterprise.
			49,400		51,399	3.84	1,999			
			1,569,652		1,340,238	100.00	(229,414)			



Management Discussion and Outlook

BUSINESS REVIEW (continued)

Investment in Securities (continued)

Securities investments (continued)

(i) Unrealised gain (loss) recognised for the six months ended 30 June 2016 for the securities investments portfolio held by the Group as at 30 June 2016 together with information on financial performance of the investee companies and their future prospects (continued)

+ In the table above, investee company C, E, G, K and M stands for Hanny Holdings Limited (stock code: 275), Evergrande Health Industry Group Limited (stock code: 708), China Innovative Finance Group Limited (stock code: 412), The Cross-Harbour (Holdings) Limited (stock code: 32) and Newton Resources Ltd (stock code: 1231) respectively.

Extracted from published financial information of the investee companies.

* The amount represented the acquisition cost for the securities during the six months ended 30 June 2016 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)

Securities investments (continued)

(ii) Unrealised gain (loss) recognised for the six months ended 30 June 2015 for the securities investments portfolio held by the Group as at 30 June 2015

Industry	Abbreviation of investee company	* Principal activities of investee company	*Acquisition cost/carrying amount as at 31 December 2014 HK\$'000	% of shareholding interest %	Market value as at 30 June 2015 HK\$'000	% to total market value of the securities portfolio %	Unrealised gain (loss) recognised during the period ended 30 June 2015 HK\$'000
Equity securities listed in Hong Kong							
Conglomerate company	D	Treasury management and property and infrastructure investment	9,541	0.95	11,573	0.71	2,032
	Q	Mobile game distribution, development and promotion of education software products and provision of technical support services in the PRC, apparel retail business in the PRC and securities trading and investments business	26,827	0.79	38,590	2.38	11,763
	R	Share investment, trading of fur garment and skins and clean energy operation	46,800	0.57	52,400	3.23	5,600
			83,168		102,563	6.32	19,395
Entertainment and media company	E	Provision of services on publication of advertisements, sales of magazines and books, digital business services and provision of magazine content; and providing plastic surgery, anti-aging and other health services	99,532	1.45	65,940	4.06	(33,592)
	F	Film and TV programme production and investment, event production and investment, music production and others, cinema operation, post production services and investment in securities	59,864	4.13	96,096	5.92	36,232
			159,396		162,036	9.98	2,640
Financial services and investment company	G	Financial leasing, investments in securities, money lending, investment holding	293,232	4.52	889,279	54.76	596,047
			293,232		889,279	54.76	596,047
Healthcare services company	I	Production and sales of a series of health care products, pharmaceutical products, securities trading and investments, money lending and wine trading	32,640	2.26	37,440	2.31	4,800
			32,640		37,440	2.31	4,800
Industrial materials company	J	Investment and trading of securities, provision for finance, property investment and manufacturing and sales of accessories for photographic products	11,811	0.25	25,893	1.59	14,082
	Others	-	1,002	N/A	1,476	0.09	474
			12,813		27,369	1.68	14,556



Management Discussion and Outlook

BUSINESS REVIEW (continued)

Investment in Securities (continued)

Securities investments (continued)

(ii) Unrealised gain (loss) recognised for the six months ended 30 June 2015 for the securities investments portfolio held by the Group as at 30 June 2015 (continued)

Industry	Abbreviation of investee company	* Principal activities of investee company	*Acquisition cost/carrying amount as at 31 December 2014 HK\$'000	% of shareholding interest %	Market value as at 30 June 2015 HK\$'000	% to total market value of the securities portfolio %	Unrealised gain (loss) recognised during the period ended 30 June 2015 HK\$'000
Infrastructure company	K	Operation of motoring schools, tunnels and an electronic toll collection system, and investment	93,566	3.39	126,775	7.81	33,209
			93,566		126,775	7.81	33,209
Mining and resources company	L	Acquisition, exploration, development and mining of copper and other mineral resources; property investment and investments in financial instruments	25,538	1.79	59,201	3.64	33,663
	M	Mining, processing and sale of iron concentrates and gabbro-diabase and stone products in the PRC	61,600	1.75	79,800	4.91	18,200
			87,138		139,001	8.55	51,863
Property company	N	Development, lease and management of shopping mall and agriculture business	39,488	0.37	75,817	4.66	36,329
	O	Resort and property development; property and investment holding	23,800	4.02	42,700	2.63	18,900
	Others	-	8,713	N/A	10,959	0.68	2,246
			72,001		129,476	7.97	57,475
Others	-	-	11,424	N/A	10,066	0.62	(1,358)
			11,424		10,066	0.62	(1,358)
			845,378		1,624,005	100.00	778,627

Extracted from published financial information of the investee companies.

* The amount represented the acquisition cost for the securities during the six months ended 30 June 2015 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 prior interim period.

Management Discussion and Outlook

BUSINESS REVIEW (continued)

Investment in Securities (continued)

Securities investments (continued)

(iii) Realised gain (loss) on securities disposed of during the six months ended 30 June 2016

Industry	Abbreviation of investee company	# Principal activities of investee company	* Total acquisition cost/carrying amount as at 31 December 2015 HK\$'000	Sale proceeds of securities sold during the period ended 30 June 2016 HK\$'000	Realised gain (loss) recognised during the period ended 30 June 2016 HK\$'000
Equity securities listed in Hong Kong					
Conglomerate company	Q	Mobile game distribution, development and promotion of education software products and provision of technical support services in the PRC, apparel retail business in the PRC and securities trading and investments business	210,000	45,675	(164,325)
	R	Share investment, trading of fur garment and skins and clean energy operation	38,400	16,000	(22,400)
			248,400	61,675	(186,725)
Food catering company	H	Delivering Cantonese cuisine and Chinese banquet and dining services	213	1,353	1,140
			213	1,353	1,140
Others	-	-	1,467	1,251	(216)
			1,467	1,251	(216)
			250,080	64,279	(185,801)

Extracted from published financial information of the investee companies.

* The amount represented the acquisition cost for the securities during the six months ended 30 June 2016 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)

Securities investments (continued)

(iv) Realised gain (loss) on securities disposed of during the six months ended 30 June 2015

Industry	Abbreviation of investee company	* Principal activities of investee company	* Total acquisition cost/carrying amount as at 31 December 2014 HK\$'000	Sale proceeds of securities sold during the period ended 30 June 2015 HK\$'000	Realised gain (loss) recognised during the period ended 30 June 2015 HK\$'000
Equity securities listed in Hong Kong					
Industrial materials company	S	Manufacture and sale of packaging materials	3,375	5,024	1,649
			3,375	5,024	1,649
Property company	O	Resort and property development; property and investment holding	27,200	57,224	30,024
	T	Property investment and trading; provision of property management and related services; and investment holding	64,924	61,016	(3,908)
	Others	-	45	91	46
			92,169	118,331	26,162
Others	U	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	18,451	13,825	(4,626)
	V	Manufacture of silver and other non-ferrous metals for sale in the PRC	19,800	36,044	16,244
	Others	-	2,214	2,264	50
			40,465	52,133	11,668
			136,009	175,488	39,479

Extracted from published financial information of the investee companies.

* The amount represented the acquisition cost for the securities during the six months ended 30 June 2015 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 prior interim period.



Management Discussion and Outlook

BUSINESS REVIEW (continued)

Investment in Securities (continued)

Available-for-sale investments

At 30 June 2016, the Group's long-term available-for-sale investments portfolio of HK\$973,859,000 was measured at market/fair value. During the review period, the Group's long-term securities investments portfolio generated total revenue amounting to HK\$38,603,000 representing mainly interest income on debt securities held and dividend income from equity securities.

During the review period, the Group invested approximately HK\$156,000,000 to subscribe at par the bonds in the aggregate principal amount of US\$20,000,000 issued by a blue-chip international bank listed on the Stock Exchange. At the period end, a fair value gain on the investment amounting to HK\$4,646,000 (30 June 2015: nil) was recognised as other comprehensive income whereas for the period under review, the investment generated an interest income of approximately HK\$592,000.

In December 2015, the Group invested approximately HK\$772,200,000 to subscribe at par the 9% perpetual securities in the aggregate principal amount of US\$100,000,000 issued by Evergrande Real Estate Group Limited, a company listed on the Stock Exchange which is principally engaged in the development of large-scale residential properties and integrated commercial properties. At the period end, a fair value loss on the investment amounting to HK\$19,235,000 (30 June 2015: nil) was recognised as other comprehensive expense mainly due to the change in risk factors when conducting valuation on the perpetual securities. During the period under review, the investment generated an interest income of approximately HK\$35,880,000.

In December 2014, the Group invested in H shares of Shengjing Bank Co., Ltd., a commercial bank established in the PRC whose shares are listed on the Stock Exchange. At the period end, a fair value loss on the investment amounting to HK\$14,372,000 (30 June 2015: gain of HK\$17,670,000) was recognised as other comprehensive expenses to reflect the drop in market value of the shares. During the current interim period, a dividend of approximately HK\$2,131,000 was earned from the investment.



Management Discussion and Outlook

BUSINESS REVIEW (continued)

Investment in Securities (continued)

Available-for-sale investments (continued)

Accordingly, at 30 June 2016, the Group invested in bonds of a banking company, perpetual securities of a property company and equity shares of a banking company as long-term investments and their respective weighting to the market/fair value of the Group's available-for-sale investments portfolio of HK\$973,859,000 (31 December 2015: HK\$846,820,000) (together with other information) were as below:

Category of companies	Approximate weighting to the market/fair value of the Group's available-for-sale investments portfolio	% of shareholding interest	Acquisition costs	*Acquisition costs during the period/carrying amount as at 1 January 2016	Market/fair value as at 30 June 2016	Accumulated fair value gain (loss) recognised up to 30 June 2016	Fair value gain (loss) recognised during the six months ended 30 June 2016
	%	%	HK\$'000 A	HK\$'000 B	HK\$'000 C	HK\$'000 D = C - A	HK\$'000 E = C - B
Banking company							
– debt securities	16.50	–	156,000	156,000	160,646	4,646	4,646
– equity securities	5.87	0.46	54,599	71,500	57,128	2,529	(14,372)
Property company							
– debt securities	77.63	–	772,200	775,320	756,085	(16,115)	(19,235)
	100.00		982,799	1,002,820	973,859	(8,940)	(28,961)

* The amount represented the acquisition cost for the securities during the six months ended 30 June 2016 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.

Trading

During the period under review, the Group's trading operation continued to focus on the trading of metal minerals and electronic components and has expanded its business scope to metal products. When compared to the previous period, the segment recorded an 80% drop in revenue to HK\$34,730,000 (30 June 2015: HK\$172,380,000) and a 49% decrease in segment profit to HK\$422,000 (30 June 2015: HK\$834,000). The significant drop in the operation's revenue and profit were principally due to the decrease in volume of metal minerals and electronic components transacted during the period, which was in turn due to the increased competition among suppliers and the sluggish demand from customers based in Mainland China resulting from the slowdown of the economy.

Management Discussion and Outlook

BUSINESS REVIEW (continued)

Money Lending

The money lending operation showed a significant growth in revenue by over 28 times to HK\$39,307,000 (30 June 2015: HK\$1,336,000). Such increase was mainly due to the higher average amount of loans advanced to customers during the first half of 2016 comparing to the corresponding period in 2015. The loans portfolio held by the Group amounted to HK\$585,836,000 at the period end (31 December 2015: HK\$480,099,000) and all loans were secured by collaterals and/or guaranteed. During the review period, there was no default in repayments of loan principal and interest from borrowers and no impairment loss was recognised against loan receivables.

At 30 June 2016, the Group had made loans to individual and corporate clients with details as follows:

Category of borrowers	Approximate weighting to the value of the Group's loan portfolio %	Interest rate per annum %	Maturity
Individual	33.64	15-36	Within one year
Corporate	66.36	10-18	Within one year
	100.00		

Securities Brokerage

In February 2016, the Group successfully acquired the entire issued share capital of Harmony Securities Limited ("Harmony Securities") (now known as CS Wealth Securities Limited) for a cash consideration of approximately HK\$18,312,000. Harmony Securities is a securities brokerage company and is licensed by the Hong Kong Securities and Futures Commission to carry out dealing in securities activity. The acquisition of Harmony Securities represents a further step of the Group to diversify its financial services business and tap into the vast business opportunities of Hong Kong financial markets. During the period under review, the securities brokerage business contributed segment revenue and profit of HK\$1,766,000 and HK\$1,140,000 respectively.

Overall Results

For the six months ended 30 June 2016, the Group recorded loss attributable to owners of the Company of HK\$356,825,000 (30 June 2015: profit attributable to owners of the Company of HK\$796,780,000) and basic loss per share of HK2.10 cents (30 June 2015: basic earnings per share of HK9.35 cents). The Group also booked total comprehensive expense attributable to owners of the Company of HK\$385,786,000 (30 June 2015: total comprehensive income attributable to owners of the Company of HK\$814,450,000). The loss results recorded by the Group were mainly attributed to the substantial loss recognised by the Group's securities investment operation of HK\$373,437,000 (30 June 2015: profit of HK\$819,716,000) despite there was a significant increase in profit generated by the Group's money lending business amounting to HK\$39,008,000 (30 June 2015: HK\$1,119,000).



Management Discussion and Outlook

BUSINESS REVIEW (continued)

FINANCIAL REVIEW

Liquidity, Financial Resources and Capital Structure

For the six months ended 30 June 2016, the Group financed its operation mainly by cash generated from its operations, credit facilities provided by banks and shareholders' funds. At the period end, the Group had current assets of HK\$2,238,595,000 (31 December 2015: HK\$2,733,255,000) and liquid assets comprising cash and financial assets (comprising mainly listed equity securities and convertible securities) totalling HK\$1,558,746,000 (31 December 2015: HK\$2,085,782,000) (excluding pledged bank deposits). The Group's current ratio, calculated based on current assets over current liabilities of HK\$265,103,000 (31 December 2015: HK\$222,751,000), was at a very strong ratio of about 8.4 (31 December 2015: 12.3). At 30 June 2016, the Group's trade and other receivables amounted to HK\$37,225,000 (31 December 2015: HK\$114,933,000), which mainly comprised trade and bill receivables arising from the Group's trading activities and unrestricted deposits placed with securities brokers for securities trading activities. The Group also had deferred tax liabilities amounted to HK\$89,824,000 (31 December 2015: HK\$99,000,000) which was related to the net unrealised gain on financial assets valued at market/fair value at the period end.

At period end, the equity attributable to owners of the Company amounted to HK\$2,985,214,000 (31 December 2015: HK\$3,371,000,000) and was equivalent to an attributable amount of approximately HK17.57 cents (31 December 2015: HK19.84 cents) per share of the Company. The decrease in the 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 2016, 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. The Group's gearing ratio, calculated on the basis of total liabilities of HK\$265,103,000 (31 December 2015: HK\$222,751,000) divided by the equity attributable to owners of the Company of HK\$2,985,214,000 (31 December 2015: HK\$3,371,000,000), was at a low ratio of about 8.9% (31 December 2015: 6.6%). The finance costs for the review period amounted to HK\$558,000 (30 June 2015: HK\$15,000), representing mainly interests on bill receivables discounted to banks and bank borrowings. 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.

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 2016, the Group had no significant contingent liability (31 December 2015: nil).

Pledge of Assets

At 30 June 2016, bill receivables of HK\$23,642,000 (31 December 2015: HK\$101,121,000), debt securities of HK\$160,646,000 (31 December 2015: nil) and bank deposits of HK\$56,689,000 (31 December 2015: HK\$52,342,000) were pledged to banks to secure credit facilities granted to the Group.



Management Discussion and Outlook

FINANCIAL REVIEW (continued)

Capital Commitment

At 30 June 2016, the Group had no significant capital commitment.

At 31 December 2015, the Group had capital commitments totaling HK\$36,772,000 for acquisition of the shareholdings interest in Harmony Securities and a vessel as to HK\$16,000,000 and HK\$20,772,000 respectively.

HUMAN RESOURCES AND REMUNERATION POLICY

At 30 June 2016, the Group had 41 (30 June 2015: 28) employees including directors of the Company. For the year under review, staff costs (including directors' emoluments) amounted to HK\$14,386,000 (30 June 2015: HK\$10,985,000). 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 which include medical insurance, share option scheme and discretionary bonus.

PROSPECTS

The business environment of the Group was challenging in the first half of 2016 and is expected to be filled with uncertainties in the remaining time of the year. The concerns of the slowdown of the China economy, the instabilities in the European economy followed by the United Kingdom's referendum on Brexit in June 2016, and the uncertainties about the pace of increase in interest rate in the United States have all posed negative impact to the sentiments of global financial and investment markets including Hong Kong, and the Group's business environment. Despite there has been a sign of recovery of the Hong Kong stock market in July 2016, the market has been volatile in the past months and has led the management to take a more cautious approach in managing the Group's securities investments portfolio. The management may further restructure and divest part of the Group's securities investments portfolio in view of the recent increased volatility of the Hong Kong stock market. As for the money lending business, the Group will continue to develop this business under prudent management by allocating adequate financial resources to it so as to accomplish the target that this business will contribute a stable income stream and favourable returns to the Group in future years. As for the Group's trading business, the management will step up its effort in exploring new business opportunities in order to improve the financial performance of this business. Following completion of the acquisition of Harmony Securities in February 2016, the Group has taken further step to diversify its financial services business and tap into the vast business opportunities of Hong Kong financial markets. The newly acquired securities brokerage business is expected to create synergy benefits with the Group's existing business in securities investment and money lending, it is also the Group's plan that additional financial resources will be devoted to develop this business and other related business activities with the view that it will become a principal business of the Group in future.

Looking forward, the management is committed to continue developing the Group's existing businesses and step up its effort to improve the Group's financial performance as well as to seize potential investment opportunities with good prospects aiming to enhance shareholders' value.



Report on Review of Interim Financial Statements

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 unaudited condensed consolidated interim financial statements of China Strategic Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 22 to 45, which comprise the condensed consolidated statement of financial position as of 30 June 2016 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 these unaudited condensed consolidated interim financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these unaudited condensed consolidated interim financial statements 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 Statements 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 unaudited condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

18 August 2016

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2016

	Notes	Six months ended 30 June	
		2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Revenue	3	117,199	176,530
Cost of sales		(33,818)	(170,669)
Gross profit		83,381	5,861
Other income	5	1,923	534
Other gain (loss)	6	128	(259)
Selling and distribution costs		(309)	(524)
Administrative expenses		(27,685)	(21,664)
Net (loss) gain on financial assets at fair value through profit or loss	7	(415,215)	818,106
Finance costs	8	(558)	(15)
Gain on disposal of subsidiaries	9	–	102
(Loss) profit before tax		(358,335)	802,141
Income tax credit (expense)	10	1,510	(5,153)
(Loss) profit for the period	11	(356,825)	796,988
Other comprehensive (expense) income			
Item that may be reclassified subsequently to profit or loss:			
Net fair value (loss) gain on available-for-sale investments		(28,961)	17,670
Other comprehensive (expense) income for the period		(28,961)	17,670
Total comprehensive (expense) income for the period		(385,786)	814,658



Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2016

	Note	Six months ended 30 June	
		2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
(Loss) profit for the period attributable to:			
Owners of the Company		(356,825)	796,780
Non-controlling interests		–	208
		(356,825)	796,988
Total comprehensive (expense) income for the period attributable to:			
Owners of the Company		(385,786)	814,450
Non-controlling interests		–	208
		(385,786)	814,658
			<i>(Restated)</i>
(Loss) earnings per share attributable to owners of the Company			
– Basic	13	HK(2.10) cents	HK9.35 cents

Condensed Consolidated Statement of Financial Position

As at 30 June 2016

	<i>Notes</i>	As at 30 June 2016 HK\$'000 (Unaudited)	As at 31 December 2015 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	14	5,002	5,087
Prepaid lease payments		2,718	2,768
Goodwill	15	4,000	–
Club debentures		628	628
Available-for-sale investments	16	973,859	846,820
Deposit for acquisition of property, plant and equipment		25,515	5,193
Total non-current assets		1,011,722	860,496
Current assets			
Trade and other receivables	17	37,225	114,933
Prepaid lease payments		99	99
Loan receivables	18	585,836	480,099
Financial assets at fair value through profit or loss	19	1,340,238	1,713,832
Pledged bank deposits	20	56,689	52,342
Bank balances and cash	20	218,508	371,950
Total current assets		2,238,595	2,733,255
Current liabilities			
Trade and other payables	21	6,364	9,383
Income tax payable		20,489	13,247
Deferred tax liabilities		89,824	99,000
Bank borrowings	22	148,426	101,121
Total current liabilities		265,103	222,751
Net current assets		1,973,492	2,510,504
Net assets		2,985,214	3,371,000
Capital and reserves			
Share capital	23	3,012,877	3,012,877
Reserves		(27,663)	358,123
Total equity		2,985,214	3,371,000



Condensed Consolidated Statement of Changes In Equity

For the six months ended 30 June 2016

	Attributable to owners of the Company					Total HK\$'000
	Share capital HK\$'000	Investment revaluation reserve HK\$'000	(Accumulated losses) retained profits HK\$'000	Sub-total HK\$'000	Non- controlling interests HK\$'000	
At 1 January 2015 (audited)	1,505,032	687	(246,046)	1,259,673	871	1,260,544
Profit for the period	-	-	796,780	796,780	208	796,988
Fair value change on available-for-sale investment	-	17,670	-	17,670	-	17,670
Total comprehensive income for the period	-	17,670	796,780	814,450	208	814,658
Disposal of subsidiaries (Note 9)	-	-	-	-	(1,079)	(1,079)
At 30 June 2015 (unaudited)	<u>1,505,032</u>	<u>18,357</u>	<u>550,734</u>	<u>2,074,123</u>	<u>-</u>	<u>2,074,123</u>
At 1 January 2016 (audited)	3,012,877	20,021	338,102	3,371,000	-	3,371,000
Loss for the period	-	-	(356,825)	(356,825)	-	(356,825)
Fair value changes on available-for-sale investments	-	(28,961)	-	(28,961)	-	(28,961)
Total comprehensive expense for the period	-	(28,961)	(356,825)	(385,786)	-	(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>	<u>-</u>	<u>2,985,214</u>

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2016

	Notes	Six months ended 30 June	
		2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Net cash outflow from operating activities		(93,801)	(113,189)
Net cash outflow from investing activities			
Purchase of available-for-sale investments		(156,000)	–
Purchase of property, plant and equipment		(229)	(1,464)
Deposit paid for acquisition of property, plant and equipment		(20,322)	–
Net cash outflow from disposal of subsidiaries	9	–	(1,579)
Net cash outflow for acquisition of a subsidiary	15	(6,867)	–
Placement of pledged bank deposits		(1,269)	(78,375)
Interest received		820	433
		(183,867)	(80,985)
Net cash inflow (outflow) from financing activities			
New bank loan raised		124,784	–
Interest paid		(558)	(15)
		124,226	(15)
Net decrease in cash and cash equivalents		(153,442)	(194,189)
Cash and cash equivalents at the beginning of the period		371,950	302,480
Cash and cash equivalents at the end of the period, represented by bank balances and cash		218,508	108,291



Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2016

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 with the applicable disclosure requirements of Appendix 16 to the Listing Rules.

The audited financial information relating to the year ended 31 December 2015 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 2015 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 financial statements for the year ended 31 December 2015. The accounting policies and methods of computation used in the unaudited condensed consolidated interim financial statements for the six months ended 30 June 2016 are the same as those followed in the preparation of the Group’s annual audited financial statements for the year ended 31 December 2015.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2016

2. PRINCIPAL ACCOUNTING POLICIES (continued)

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 1	Disclosure initiative
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants
Amendments to HKFRSs	Annual improvements to HKFRSs 2012 – 2014 cycle
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations

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

3. REVENUE

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

	Six months ended 30 June	
	2016 <i>HK\$’000</i> (Unaudited)	2015 <i>HK\$’000</i> (Unaudited)
Trading of metal minerals and products	33,670	166,408
Sales of electronic components	1,060	5,972
Dividend income from securities and available-for-sale (“AFS”) investments	4,924	2,814
Interest income from AFS investments	36,472	–
Arrangement fee income from money lending business	2,012	250
Interest income from money lending business	37,295	1,086
Securities brokerage income	1,766	–
	117,199	176,530



Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2016

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 purpose of allocating resources to segments and assessing their performance. This is also the basis upon which the Group is arranged and organised. During the six months ended 30 June 2016, the Group acquired a subsidiary which is principally engaged in securities brokerage business with its result presented as a new reportable and operating segment.

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

1. Investment in securities
2. Trading of metal minerals and products and electronic components ("Trading")
3. Money lending
4. Securities brokerage

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 2016

	Investment in securities HK\$'000 (Unaudited)	Trading HK\$'000 (Unaudited)	Money lending HK\$'000 (Unaudited)	Securities brokerage HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Segment revenue					
External sales	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)

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2016

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

Six months ended 30 June 2015

	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	2,814	172,380	1,336	–	176,530
Results					
Segment results	819,716	834	1,119	–	821,669
Gain on disposal of subsidiaries (Note 9)					102
Other income					61
Other loss					(10)
Central administrative expenses					(19,666)
Finance costs					(15)
Profit before tax					802,141
Income tax expense					(5,153)
Profit for the period					796,988

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 2015. Segment (loss) profit represents (loss) profit incurred/earned by each segment without allocation of gain on disposal of subsidiaries, certain other income, other loss and central administrative expenses, finance costs and income tax credit (expense).



Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2016

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 2016 HK\$'000 (Unaudited)	As at 31 December 2015 HK\$'000 (Audited)
Segment assets		
Investment in securities	2,376,395	2,802,255
Trading	147,835	223,120
Money lending	590,067	483,073
Securities brokerage	22,754	–
Total segment assets	3,137,051	3,508,448
Goodwill	4,000	–
Property, plant and equipment	5,002	5,087
Prepaid lease payments	2,817	2,867
Bank balances and cash	73,115	66,351
Other unallocated assets	28,332	10,998
Consolidated assets	3,250,317	3,593,751
Segment liabilities		
Investment in securities	221,839	106,514
Trading	25,033	102,387
Money lending	4,718	1,128
Securities brokerage	1,898	–
Total segment liabilities	253,488	210,029
Other payables	3,100	8,017
Income tax payable	8,515	4,705
Consolidated liabilities	265,103	222,751

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

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



Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2016

5. OTHER INCOME

	Six months ended 30 June	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Bank interest income	820	433
Others	1,103	101
	1,923	534

6. OTHER GAIN (LOSS)

	Six months ended 30 June	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Exchange gain (loss), net	128	(259)

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

	Six months ended 30 June	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Net unrealised (loss) gain on financial assets at fair value through profit or loss ("FVTPL")	(229,414)	778,627
Net realised (loss) gain on sales of financial assets at FVTPL	(185,801)	39,479
	(415,215)	818,106



Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2016

8. FINANCE COSTS

	Six months ended 30 June	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Interest on advances drawn on bill receivables discounted with full recourse	417	–
Interest on bank borrowings	141	15
	558	15

9. GAIN ON DISPOSAL OF SUBSIDIARIES

On 19 June 2015, the Group entered into a sale and purchase agreement with an independent third party to dispose of the entire equity interest of a group of subsidiaries which was mainly engaged in money lending business previously. The disposal was completed on the same date.

The net assets of the subsidiaries being disposed of at the date of disposal was determined as follows:

	HK\$'000
Net assets disposed of:	
Bank balances and cash	2,854
Other payables	(83)
Income tax payable	(519)
	<u>2,252</u>
Non-controlling interests	(1,079)
Gain on disposal of subsidiaries	102
	<u>1,275</u>
Net proceeds received from disposal of subsidiaries	<u>1,275</u>
Satisfied by:	
Cash consideration	<u>1,275</u>
Net cash outflow from disposal of subsidiaries:	
Cash consideration received	1,275
Bank balances and cash disposed of	(2,854)
	<u>(1,579)</u>



Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2016

10. INCOME TAX (CREDIT) EXPENSE

	Six months ended 30 June	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Tax (credit) charge comprises:		
Current tax		
– Hong Kong Profits Tax	7,672	5,773
Overprovision in prior year		
– Hong Kong Profits Tax	(6)	(620)
	7,666	5,153
Deferred tax – current period	(9,176)	–
Income tax (credit) expenses recognised in profit or loss	(1,510)	5,153

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

11. (LOSS) PROFIT FOR THE PERIOD

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

	Six months ended 30 June	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Amortisation of prepaid lease payments	50	50
Depreciation of property, plant and equipment	333	275

12. DIVIDEND

No dividends were paid, declared or proposed during the interim period (six months ended 30 June 2015: nil). The directors of the Company have determined that no dividend will be paid in respect of the interim period.



Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2016

13. (LOSS) EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

	Six months ended 30 June	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
(Loss) earnings:		
(Loss) profit attributable to owners of the Company for the purpose of calculating basic (loss) earnings per share	(356,825)	796,780
	Six months ended 30 June	
	2016 '000	2015 '000 (Restated)
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic (loss) earnings per share (Note)	16,987,714	8,518,932

Note: The weighted average number of ordinary shares for the purpose of calculating basic earnings per share for the prior period has been retrospectively adjusted for the effect of rights issue completed in August 2015 (Note 23).

Diluted (loss) earnings per share for the six months ended 30 June 2016 and 2015 are not presented as there were no dilutive potential ordinary shares in issue during both periods.

14. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment of approximately HK\$229,000 (six months ended 30 June 2015: HK\$1,537,000).



Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2016

15. ACQUISITION OF A SUBSIDIARY

On 22 February 2016, the Group acquired 100% equity interests in Harmony Securities from independent third parties at a consideration of approximately HK\$18,312,000 and the acquisition was settled by cash on the completion date. The 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:

	<i>HK\$'000</i>
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.

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	(11,445)
	6,867

Acquisition-related costs amounting to approximately HK\$697,000 have been excluded from the consideration transferred and have been recognised as an expense in the current period's profit or loss.



Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2016

15. ACQUISITION OF A SUBSIDIARY (continued)

Impact of acquisition on the results of the Group

Included in the loss for the period is profit of HK\$1,140,000 attributable to Harmony Securities. Revenue for the interim period includes HK\$1,766,000 is attributable to Harmony Securities.

Had the acquisition of Harmony Securities been effected at the beginning of the current period, the total amount of revenue of the Group for the six months ended 30 June 2016 would have been HK\$117,352,000, and the amount of the loss for the interim period would have been HK\$357,309,000. The pro forma information is for illustrative purpose only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed at the beginning of the current period, nor is it intended to be a projection of future results.

In determining the “pro-forma” revenue and loss of the Group had Harmony Securities been acquired at the beginning of the interim period, the directors of the Company calculated depreciation of plant and equipment based on the recognised amounts of plant and equipment at the date of the acquisition.

16. AVAILABLE-FOR-SALE INVESTMENTS

AFS investments comprise:

	As at 30 June 2016 HK\$'000 (Unaudited)	As at 31 December 2015 HK\$'000 (Audited)
Unlisted investments, at fair value:		
– Debt securities (Note (i))	916,731	775,320
Listed investments, at fair value:		
– Equity securities listed in Hong Kong (Note (ii))	57,128	71,500
	973,859	846,820

Notes:

- (i) The fair values of unlisted debt securities were determined based on 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.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2016

17. TRADE AND OTHER RECEIVABLES

	As at 30 June 2016 HK\$'000 (Unaudited)	As at 31 December 2015 HK\$'000 (Audited)
Trade receivables	3,424	3,028
Bill receivables	174	387
Bill receivables discounted with full recourse (Note 22)	23,642	101,121
Dividend income receivable	2,131	–
Other receivables	7,854	10,397
	37,225	114,933

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 date, which approximated the respective revenue recognition dates, at the end of the reporting period:

	As at 30 June 2016 HK\$'000 (Unaudited)	As at 31 December 2015 HK\$'000 (Audited)
0 – 90 days	27,240	48,020
91 – 180 days	–	54,575
Over 180 days	–	1,941
	27,240	104,536

Bill receivables discounted with full recourse

The amounts represent bill receivables discounted to bank with full recourse with a maturity period of less than 180 days (31 December 2015: 180 days). The Group recognises the full amount of the discount proceeds as liabilities as set out in Note 22.

The following were the Group's financial assets as at 30 June 2016 and 31 December 2015 that were transferred to bank by discounting those receivables on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to these receivables, it continues to recognise the full carrying amount of the receivables and has recognised the cash received on the transfer as a secured borrowing (Note 22). These financial assets are carried at amortised cost in the Group's consolidated statement of financial position.



Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2016

17. TRADE AND OTHER RECEIVABLES (continued)

Bill receivables discounted with full recourse (continued)

	As at 30 June 2016 HK\$'000 (Unaudited)	As at 31 December 2015 HK\$'000 (Audited)
Carrying amount of transferred assets	23,642	101,121
Carrying amount of associated liabilities (Note 22)	(23,642)	(101,121)
	—	—

Included in other receivables are mainly unrestricted deposits of approximately HK\$3,830,000 (31 December 2015: HK\$4,647,000) placed with securities brokers for trading securities in Hong Kong. The remaining balance of other receivables represents mainly prepayment and deposit for office use.

18. LOAN RECEIVABLES

	As at 30 June 2016 HK\$'000 (Unaudited)	As at 31 December 2015 HK\$'000 (Audited)
Fixed-rate loan receivables	585,836	480,099
Analysed as:		
Current portion	585,836	480,099
Non-current portion	—	—
	585,836	480,099

During the period ended 30 June 2016, the range of interest rate on the Group's loan receivables is 10% to 36% per annum (31 December 2015: 10% to 24% 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 2016

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2016 HK\$'000 (Unaudited)	As at 31 December 2015 HK\$'000 (Audited)
Held for trading, at fair value:		
Unlisted debt securities (<i>Note (i)</i>)	–	20,000
Unlisted convertible securities (<i>Note (ii)</i>)	51,399	–
Equity securities listed in Hong Kong (<i>Note (iii)</i>)	1,288,839	1,693,832
	1,340,238	1,713,832

Notes:

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

20. BANK BALANCES AND CASH/PLEDGED BANK DEPOSITS

Bank balances and cash 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 0.3% (31 December 2015: 0.01% to 0.6%) per annum.

Pledged bank deposits represents deposits pledged to banks to secure the banking facilities granted to the Group. Deposit amounting to HK\$26,229,000 (31 December 2015: HK\$27,332,000) has been pledged to a bank to comply with the minimum deposit requirement for the undrawn credit facilities on issuance of letters of credit. Deposit amounting to HK\$27,380,000 (31 December 2015: HK\$25,010,000) has been pledged to another bank to secure the letters of credit issued. Deposit amounting to HK\$3,080,000 (31 December 2015: nil) has been pledged to a bank to secure 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 2016

21. TRADE AND OTHER PAYABLES

	As at 30 June 2016 HK\$'000 (Unaudited)	As at 31 December 2015 HK\$'000 (Audited)
Trade payables	1,969	–
Accrued charges and other payables	4,395	9,383
	6,364	9,383

The following is an aged analysis of trade payables, presented based on the invoice date, at the end of the reporting period:

	As at 30 June 2016 HK\$'000 (Unaudited)	As at 31 December 2015 HK\$'000 (Audited)
0 – 90 days	1,969	–

The average credit period is 30 days for both periods.

22. BANK BORROWINGS

	As at 30 June 2016 HK\$'000 (Unaudited)	As at 31 December 2015 HK\$'000 (Audited)
Advances drawn on bill receivables discounted with full recourse (<i>Note (i)</i>)	23,642	101,121
Short-term secured bank borrowing (<i>Note (ii)</i>)	124,784	–
	148,426	101,121

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2016

22. BANK BORROWINGS (continued)

Notes:

- (i) The amount represents the Group's borrowings secured by the bill receivables discounted to bank with full recourse (Note 17), and the amount is repayable within one year.
- (ii) During the current interim period, the Group obtained secured bank borrowing amounting to approximately HK\$124,784,000 which carries interest at variable rate and is repayable within one year. The secured bank borrowing contains repayment on demand clause in the loan agreement.

23. SHARE CAPITAL

	Number of shares '000	Share capital HK\$'000
Issued and fully paid:		
At 1 January 2015 and 30 June 2015		
– Ordinary shares with no par value	6,658,476	1,505,032
Issue of shares (Note)	10,329,238	1,549,386
Transaction costs attributable to issue of shares (Note)	–	(41,541)
	<u>16,987,714</u>	<u>3,012,877</u>
At 1 January 2016 and 30 June 2016	16,987,714	3,012,877

Note: On 20 August 2015, the Company completed an issue and allotment of 3,329,237,945 rights shares at a subscription price of HK\$0.15 per rights share. The net proceeds from the rights issue, after deducting directly attributable costs of HK\$13,389,000, were approximately HK\$485,997,000. Details of which were set out in the announcement of the Company dated 20 May 2015, circular of the Company dated 29 June 2015 and prospectus of the Company dated 29 July 2015.

On the same date, the Company completed a placing of 7,000,000,000 new shares under the specific mandate at a placing price of HK\$0.15 per placing share. The net proceeds from the placing, after deducting directly attributable costs of HK\$28,152,000, were approximately HK\$1,021,848,000. Details of which were set out in the announcement of the Company dated 20 May 2015 and circular of the Company dated 29 June 2015.



Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2016

24. PLEDGE OF ASSETS

As at 30 June 2016, bill receivables amounting to HK\$23,642,000 (31 December 2015: HK\$101,121,000) and securities of HK\$160,646,000 (31 December 2015: nil) had been pledged to bank by way of a floating charge.

In addition, as disclosed in Note 20, the Group's credit facilities were secured by the Group's bank deposits of HK\$56,689,000 (31 December 2015: HK\$52,342,000).

25. 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).

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For the six months ended 30 June 2016

25. 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 2016 HK\$'000	31 December 2015 HK\$'000			
AFS investments					
Listed equity securities	57,128	71,500	Level 1	Quoted bid prices in an active market.	N/A
Unlisted debt securities	916,731	775,320	Level 2	Discount rate determined by reference to the listed bonds with similar rating/quoted price in the over-the-counter market.	N/A
Financial assets at FVTPL					
Listed equity securities	1,288,839	1,693,832	Level 1	Quoted bid prices in an active market.	N/A
Unlisted debt securities	-	20,000	Level 2	Quoted prices in over-the-counter markets.	N/A
Unlisted convertible securities (Note)	51,399	-	Level 3	Discount rate determined by reference to the listed bonds with similar rating.	N/A

Note: For the unlisted convertible securities, the most significant unobservable input is the discount rate. If the discount rate to the valuation model was 0.5% higher/lower while the other variables were held constant, the total carrying amount of the financial assets at FVTPL would decrease/increase by HK\$200,000 and HK\$201,000 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 2016

26. 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	
	2016 <i>HK\$'000</i> (Unaudited)	2015 <i>HK\$'000</i> (Unaudited)
Short-term benefits	6,863	6,694
Post-employment benefits	138	74
	7,001	6,768

The remuneration of directors is determined by the Remuneration Committee 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 2016 (30 June 2015: nil).

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

As at 30 June 2016, 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.

In the annual general meeting of the Company held on 28 June 2016 (the "2016 AGM"), the shareholders of the Company approved the refreshment of the scheme mandate limit (the "Scheme Mandate Limit Refreshment Approval"). The total number of shares of the Company available for issue under the Share Option Scheme is 1,698,771,383 shares, representing 10% of the issued shares of the Company as at the date of the Scheme Mandate Limit Refreshment Approval and the issued shares of the Company as at the date of this interim report.

No share options were granted or exercised during the six months ended 30 June 2016 and 2015 and no share options were outstanding as at 30 June 2016 and 2015.

Further details of the Share Option Scheme were set out in the Company's 2015 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 2016 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 2016, 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 2016 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 2016, except for the following deviations with reasons 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 2016. 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

CORPORATE GOVERNANCE (continued)

Responsibilities of directors

Code Provision A.6.7

Code provision A.6.7 of the CG Code stipulates that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders.

Deviation

One independent non-executive director of the Company was unable to attend the 2016 AGM as he had other important business engagement. However, there were three executive directors and two independent non-executive directors of the Company present at the 2016 AGM to enable the Board to develop a balanced understanding of the views of shareholders of the Company.

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 2016.

AUDIT COMMITTEE

The unaudited condensed consolidated interim financial statements of the Company for the six months ended 30 June 2016 have not been audited, but have been reviewed by the Audit Committee of the Company and have been duly approved by the Board under the recommendation of the Audit Committee.

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

During the six months ended 30 June 2016, 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, 18 August 2016