



華人策略控股有限公司

Chinese Strategic Holdings Limited

*(incorporated in Bermuda with limited liability)*

Stock Code: 8089

Third Quarterly Report

**2019**

## CHARACTERISTICS OF GEM OF THE EXCHANGE

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

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

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

*This report will remain on the “Latest Listed Company Information” page of the GEM website at [www.hkgem.com](http://www.hkgem.com) for at least 7 days and on the Company website at [www.chinesestrategic.com](http://www.chinesestrategic.com) from the date of its publication.*

The board of directors (the “**Board**”) of Chinese Strategic Holdings Limited (the “**Company**”) hereby announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the nine months ended 30 September 2019, together with the comparative figures for the corresponding period in year 2018, as follows:

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Revenue	3	1,248	4,784	2,746	24,102
Cost of sales		(517)	(3,791)	(589)	(20,297)
Gross profit		731	993	2,157	3,805
Other income and gains		3,395	159	3,594	443
Administrative expenses		(13,245)	(16,736)	(43,095)	(56,138)
Changes in fair values in investment properties, net		-	(2,440)	5,260	3,650
Gain on disposal of an investment property		-	-	400	-
Loss from changes in fair value of financial assets at fair value through profit or loss, net		1,357	(18,381)	(3,847)	(43,747)
Loss on disposals of financial assets at fair value through profit or loss, net		(3,271)	(10,658)	(6,812)	(29,172)
Loss on disposal of a land		(15,404)	-	(15,404)	-
Gain (loss) on changes in fair values of convertible instruments designated at financial assets at fair value through profit or loss, net		-	(122)	120	2,997
Gain on redemption of convertible instruments designated as financial assets at fair value through profit or loss		-	594	-	594
Impairment loss recognised in respect of goodwill		-	-	(1,660)	-
Written off of the intangible asset		(5,732)	-	(5,732)	-
Allowance for impairment on loan and other receivables		-	342	-	(336)
Gain on disposal of subsidiaries		-	-	1,511	907
Gain on deemed disposal of a subsidiary		-	-	-	45
Allowance for impairment loss on amount due from an associate		-	-	(25)	-
Share of profit (loss) of joint venture		925	853	2,503	1,315
Operating loss		(31,244)	(45,396)	(61,030)	(115,637)
Finance costs	4	(5,357)	(7,167)	(16,066)	(19,754)
Loss before tax		(36,601)	(52,563)	(77,096)	(135,391)
Income tax expenses	5	-	-	-	-
Loss for the period	6	(36,601)	(52,563)	(77,096)	(135,391)

	Three months ended		Nine months ended	
	30 September		30 September	
	2019	2018	2019	2018
Notes	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Other comprehensive income (expense)</b>				
<b>Items that may be reclassified</b>				
<b>subsequently to profit or loss:</b>				
Exchange differences arising on translation of foreign operations	(3)	(2)	(3)	(2)
Other comprehensive income (expense) for the period, net of income tax	(3)	(2)	(3)	(2)
Total comprehensive expense for the period	<b>(36,604)</b>	(52,565)	<b>(77,099)</b>	(135,393)
(Loss) profit for the period attributable to:				
Owners of the Company	<b>(36,712)</b>	(52,721)	<b>(77,272)</b>	(135,909)
Non-controlling interests	<b>111</b>	158	<b>176</b>	518
	<b>(36,601)</b>	(52,563)	<b>(77,096)</b>	(135,391)
Total comprehensive income (expense) attributable to:				
Owners of the Company	<b>(36,715)</b>	(52,723)	<b>(77,275)</b>	(135,911)
Non-controlling interests	<b>111</b>	158	<b>176</b>	518
	<b>(36,604)</b>	(52,565)	<b>(77,099)</b>	(135,393)
Loss per share				
Basic (HK cents)	<b>(15.73) cents</b>	(25.50) cents	<b>(33.10) cents</b>	(65.73) cents
Diluted (HK cents)	<b>(15.73) cents</b>	(25.50) cents	<b>(33.10) cents</b>	(65.73) cents

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2019

Attributable to owners of the Company

	Share capital	Share premium	Contributed surplus	Share options reserve	FVTOCI		Accumulated losses	Total	Non-controlling interests	Total
					Investment revaluation reserve	Translation reserve				
	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>
At 1 January 2018 (audited)	2,068	3,168,665	7,914	11,547	-	2,806	(2,684,354)	508,646	30,640	539,286
Impact of initial application of Hong Kong Financial Reporting Standard ("HKFRS") 9	-	-	-	-	-	-	(18,721)	(18,721)	-	(18,721)
At 1 January 2018 (adjusted)	2,068	3,168,665	7,914	11,547	-	2,806	(2,703,075)	489,925	30,640	520,565
(Loss) profit for the period	-	-	-	-	-	-	(135,909)	(135,909)	518	(135,391)
Other comprehensive (expense) income for the period	-	-	-	-	-	(2)	-	(2)	-	(2)
Total comprehensive (expense) income for the period	-	-	-	-	-	(2)	(135,909)	(135,911)	518	(135,393)
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	10	10
At 30 September 2018 (unaudited)	2,068	3,168,665	7,914	11,547	-	2,804	(2,838,984)	354,014	31,168	385,182
<b>At 1 January 2019 (audited)</b>	<b>2,068</b>	<b>3,168,665</b>	<b>7,914</b>	<b>8,484</b>	<b>(3,966)</b>	<b>(5,891)</b>	<b>(2,953,035)</b>	<b>224,239</b>	<b>32,981</b>	<b>257,220</b>
(Loss) profit for the period	-	-	-	-	-	-	(77,272)	(77,272)	176	(77,096)
Other comprehensive (expense) income for the period	-	-	-	-	-	(3)	-	(3)	-	(3)
Total comprehensive (expense) income for the period	-	-	-	-	-	(3)	(77,272)	(77,275)	176	(77,099)
Issuance of shares upon placing	743	18,249	-	-	-	-	-	18,992	-	18,992
Transaction cost attributable to issuance of shares upon placing	-	(386)	-	-	-	-	-	(386)	-	(386)
At 30 September 2019 (unaudited)	2,811	3,186,528	7,914	8,484	(3,966)	(5,894)	(3,030,307)	165,570	33,157	198,727

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL RESULTS

### 1. COMPANY INFORMATION

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

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

The unaudited condensed consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”), which is the functional currency of the Company.

### 2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements for the nine months ended 30 September 2019 have been prepared in accordance with the Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the applicable disclosure requirements of the GEM Listing Rules.

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

The accounting policies and methods of computation used in preparing the condensed consolidated financial statements for the nine months ended 30 September 2019 are consistent with those used in the Group’s annual financial statements for the year ended 31 December 2018, except for the new and amendments to HKFRSs and interpretations issued by HKICPA that are first effective for the current accounting period of the Company. There has been no material impact to the accounting policy applied in these unaudited condensed consolidated financial statements for the period presented as a result of adoption of these amendments.

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

### 3. REVENUE

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

	Three months ended 30 September		Nine months ended 30 September	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Rental income	357	663	1,071	1,989
Interest income from the provision of loan financing	399	407	1,177	1,249
Sales of goods	492	3,714	492	20,864
Dividend income from financial assets at fair value through profit or loss	-	-	6	-
	<b>1,248</b>	4,784	<b>2,746</b>	24,102

### 4. FINANCE COSTS

	Three months ended 30 September		Nine months ended 30 September	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Interest on:				
Bank borrowings	2,041	109	4,086	345
Other loans	2,264	4,574	8,641	12,860
Bond payables	947	956	2,834	2,843
Obligations under finance leases	19	20	50	48
Margin accounts	86	1,508	455	3,658
	<b>5,357</b>	7,167	<b>16,066</b>	19,754

### 5. INCOME TAX EXPENSES

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

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

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

## 6. LOSS FOR THE PERIOD

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

	Three months ended 30 September		Nine months ended 30 September	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Staff costs including directors' emoluments:				
Salaries and allowances	5,822	7,534	17,570	22,620
Contributions to retirement benefits scheme	(115)	171	455	519
	5,707	7,705	18,025	23,139
Depreciation of plant and equipment	507	1,004	1,686	2,736
Amortisation of prepaid lease payment	65	97	259	291
Minimum lease payments under operating leases	2,757	1,080	4,743	3,210
Gross rental income	(357)	(663)	(1,071)	(1,989)
Less: outgoings (included in cost of sales)	51	71	123	227
Net rental income	(306)	(592)	(948)	(1,762)

## 7. DIVIDEND

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

## 8. LOSS PER SHARE

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

	Three months ended 30 September		Nine months ended 30 September	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
<b>Loss</b>				
Loss for the period attributable to owners of the Company for the purpose of basic and diluted loss per share	(36,712)	(52,721)	(77,272)	(135,909)
	'000	'000	'000	'000
<b>Number of shares</b>				
Weighted average number of ordinary shares for the purpose of basic loss per share	233,462	206,778	233,462	206,778
Effect of dilutive potential ordinary shares – Share options	N/A	N/A	N/A	N/A
Weighted average number of ordinary shares for the purpose of diluted loss per share	233,462	206,778	233,462	206,778

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



## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Performance

For the nine months ended 30 September 2019, the Group recorded a revenue of approximately HK\$2,746,000 (nine months ended 30 September 2018: approximately HK\$24,102,000), representing a decrease of approximately 88.6% as compared with the last corresponding period. The decrease in revenue was mainly due to the decrease in revenue of trading business during the nine months ended 30 September 2019.

Administrative expenses for the nine months ended 30 September 2019 was approximately HK\$43,095,000 (nine months ended 30 September 2018: approximately HK\$56,138,000), representing a decrease of 23.2% as compared with the last corresponding period. The decrease in expenses was mainly due to decrease in consultancy fee, staff costs and charges in dealing of securities.

The Group incurred finance costs of approximately HK\$16,066,000 for the period ended 30 September 2019 (nine months ended 30 September 2018: approximately HK\$19,754,000), which mainly comprised interest on interest-bearing bank borrowing and other borrowings, margin accounts and bonds.

The loss attributable to the owners of the Company for the nine months ended 30 September 2019 aggregated at approximately HK\$77,272,000 (nine months ended 30 September 2018: approximately HK\$135,909,000). Loss for the period was mainly attributable to loss on disposals of financial assets at fair value through profit or loss ("FVTPL") of approximately HK\$6,812,000, loss arising from changes in fair value of financial assets at FVTPL of approximately HK\$3,847,000, loss on disposal of a land of approximately HK\$15,404,000, staff cost and Directors' emoluments of approximately HK\$17,570,000 and professional fee of approximately HK\$5,834,000. The basic loss per share for the nine months ended 30 September 2019 was HK33.10 cents (nine months ended 30 September 2018: HK65.73 cents).

### Business Review and Outlook

The Group recorded a rental income of approximately HK\$1,071,000 for the nine months ended 30 September 2019 (nine months ended 30 September 2018: approximately HK\$1,989,000) through properties leasing. All the properties are for residential use and have committed tenants normally for two years. Rental income provided steady cash flow over the period. The management will adopt a cautious approach to the property market.

As at 30 September 2019, the Group had financial assets at FVTPL amounted to approximately HK\$11,523,000, representing 2.4% of the total assets of the Group (31 December 2018: approximately HK\$33,294,000). During the period under review, the Group recorded a loss arising from changes in fair values of financial assets at FVTPL of approximately HK\$3,847,000 (nine months ended 30 September 2018: approximately HK\$43,747,000) and a loss on disposals of financial assets at FVTPL of approximately HK\$6,812,000 (nine months ended 30 September 2018: approximately HK\$29,172,000). The Group held certain unlisted instruments classified as financial assets at FVTPL, amounted to approximately HK\$7,588,000 as at 30 September 2019 (31 December 2018: approximately HK\$7,468,000). The Group will carefully scrutinize the strategy and approach it will adopt for its securities investment business to navigate an increasingly volatile international economic climate.

The Group's loan financing business remains sluggish and difficult as factors such as global tightening credit policies and keen market competition continue to prevail. As compared with the same period last year, the interest income dropped by 5.8% from approximately HK\$1,249,000 to approximately HK\$1,177,000. Although the Group expects its loan financing business to be fraught with challenges, it will continue to adopt a prudent and cautious approach in its operation of this business especially with regard to the selection of prospective customers.

The Group has diversified its revenue stream to tea leaves trading business since 2017. The revenue and operating gain of tea leaves trading business were approximately HK\$492,000 and HK\$305,000 respectively for the nine months ended 30 September 2019 (nine months ended 30 September 2018: approximately HK\$20,864,000 and an operating loss approximately HK\$89,000). The Group will continue to actively consider and source for new products for its trading business that have potential market appeal and reasonable returns.

On 24 September 2019, Sure Progress Investment Limited (必進投資有限公司) ("**Party C**"), a wholly-owned subsidiary of the Company, and Cheng Jiao Advisory Services (Shenzhen) Company Limited\* (承教投資諮詢(深圳)有限公司), a wholly-owned foreign enterprise formed under the laws of the PRC that is entirely owned by Party C, entered into a strategic cooperation framework agreement (the "**Framework Agreement**") with Beijing Huading Huijin Investment Company Limited\* (北京華鼎滙金投資有限責任公司) ("**Party A**"), a company established under the laws of the People's Republic of China (the "**PRC**") with limited liability.

Under the Framework Agreement, the parties agreed to strategically develop and market, on a global scale, the artificial intelligence services business that is currently operated by Beijing Lanhai Huijin Technology Company Limited\* 北京藍海滙金智能科技有限公司 ("**Lanhai Technology**"), a company established under the laws of the PRC with limited liability (the "**AI Services Business**") and of which Party A is a major shareholder.

\* For identification purpose only

Under the Framework Agreement, subject to the execution of a formal cooperation agreement among the relevant parties, Party A shall, in exchange for a 25% shareholding in Party C and on the premise that Party C is able to secure 7,800 subscribers in the fourth quarter of 2019 and 73,000 subscribers in 2020, procure Lanhai Technology to enter into an exclusive agency agreement with Party C (the **"Exclusive Agency Agreement"**) which would grant Party C the exclusive global right to market and promote the AI Services Business (including the right to set-up branch offices in Taiwan, Macau, Singapore and Malaysia) so as to attract paid subscribers to the AI Services Business.

The parties to the Framework Agreement agreed to each use their best efforts to enter into a formal cooperation agreement and to procure the execution of the Exclusive Agency Agreement by no later than 31 October 2019 which has subsequently been extended to 31 January 2020 under a supplemental framework agreement signed on 31 October 2019, for the purpose of realizing the aforementioned goals.

Details of the Framework Agreement are set out in the announcement of the Company dated 26 September 2019.

On 6 August 2019, the Board accepted and approved the intention of FT Securities Limited (**"FT Securities"**), an indirect wholly-owned subsidiary of the Company, to cease conducting regulated activities in Dealing in Securities (Type 1) and Advising on Securities (Type 4) under the supervision of the Securities and Futures Commission (the **"Commission"**), due to the lack of business opportunities in the current competitive market. FT Securities has notified the Commission accordingly, and its application is now being processed by the Commission.

On 20 August 2019, the Board accepted and approved the intention of Chinese Strategic Asset Management Limited (**"CSAM"**), an indirect wholly-owned subsidiary of the Company, to cease conducting regulated activities in Advising in Securities (Type 4) and Asset Management (Type 9) under the supervision of the Commission, due to the unfavorable business conditions in the present competitive market. CSAM has notified the Commission accordingly, and its application is now being processed by the Commission.

Overall, the Group is actively attempting to improve the performance of its various business operations, nonetheless, the Group equally recognizes that its efforts and attempts to achieve these goals will also be dictated by global and macro-economic factors. The Group will no doubt act cautiously and prudently moving forward.

## Fund Raising Activities

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

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

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

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

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

Details of the August Placing are set out in the announcements of the Company dated 2 August 2019 and 21 August 2019.

## Liquidity and Financial Resources

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

As at 30 September 2019, the Group had cash and cash equivalent of approximately HK\$3,851,000 (31 December 2018: approximately HK\$7,185,000), interest-bearing borrowings of approximately HK\$107,028,000 (31 December 2018: approximately HK\$142,349,000) and bond payables of HK\$50,000,000 (31 December 2018: HK\$50,000,000).

As at 30 September 2019, the gearing ratio (measured as total liabilities to total assets) was approximately 57.9% (31 December 2018: approximately 51.0%).

## Capital Structure

As at 30 September 2019, the Company's issued share capital was HK\$2,810,959, divided into 281,095,913 shares of HK\$0.01 each.

## Capital Commitments

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

## Contingent Liabilities

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

## Charges on Assets

As at 30 September 2019, investment properties and certain financial assets at FVTPL with an aggregate carrying value of approximately HK\$163,769,000 (31 December 2018: approximately HK\$179,562,000) have been pledged to banks and other financial institutions to secure the credit facilities granted to the Group.

## Significant Investment

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

## Material Acquisition and Disposal

On 30 August 2019, the Company (the “**Debtor**”) and EverCare Finance Company Limited (“**EverCare**”, the “**Creditor**”) (collectively, the “**Parties**”) entered into the deed of settlement (the “**Deed of Settlement**”), pursuant to which EverCare agreed to discontinue High Court Action 1114 of 2019 against the Company if the Company assigns all its right, title, benefit, interest and ownership over the Property (as defined further below) to EverCare at a consideration of HK\$3,557,486.40 plus the payment in cash of the sum of HK\$267,541.00 for interest accrued on the principal of HK\$3,557,486.40 from 1 March 2019 to 30 August 2019 and the sum of HK\$128,513.00 for the reimbursement of legal costs incurred by EverCare.

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

The transfer of the Property was agreed by the Parties at the consideration of HK\$3,557,486.40. The consideration was determined after arm’s length negotiation between the Creditor and the Debtor on normal commercial terms with reference to, among other things, (i) the outstanding amount due from the Company to the Creditor; (ii) the financial position of the Company; and (iii) a preliminary valuation on the Property as at 31 July 2019 of US\$1,850,000 conducted by an independent professional property valuer appointed by the Group.

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

## Events after the Reporting Period

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

The First Sale Shares represent the entire issued share capital of Alpaco Company Limited (“**Alpaco**”) and is legally and beneficially owned by Rich Best. The First Sale Loan represents a shareholder’s loan in the amount of HK\$5,767,607.03 which is due and owed by Alpaco to the Company.

The Second Sale Shares represent approximately 88.89% of the total issued shares of Watson China Limited ("**Watson China**") and are legally and beneficially owned by Key Model. The Second Sale Loan represents a shareholder's loan in the amount of HK\$3,929,631.20 which is due and owed by Watson China to the Company.

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

## **Litigations**

Reference are made to page 12 of 2018 Annual Report and page 23 of 2019 Interim Report of the Company which disclose particulars on and progress of litigation matters in which the Company and/or its subsidiaries are involved.

With regard to High Court Action 1114 of 2019, Evercare Finance Company Limited ("**EverCare**") and the Company (collectively, the "**Parties**") entered into the deed of settlement (the "**Deed of Settlement**") on 30 August 2019, pursuant to which EverCare agreed to discontinue High Court Action 1114 of 2019 if the Company assigns all its right, title, benefit, interest and ownership over the Property (as defined in the Material Acquisition and Disposal section) to EverCare at a consideration of HK\$3,557,486.40 plus the payment in cash of the sum of HK\$267,541.00 for interest accrued on the principal of HK\$3,557,486.40 from 1 March 2019 to 30 August 2019 and the sum of HK\$128,513.00 for the reimbursement of legal costs incurred by EverCare.

Nanyang Commercial Bank Limited has brought a legal action against the Company and one of its indirect wholly-owned subsidiaries relating to the terms of repayment of certain loan facilities that have been obtained by such indirect wholly-owned subsidiary from Nanyang Commercial Bank Limited. The Company and its indirect wholly-owned subsidiary have instructed legal advisers to act on their behalf on this matter whilst simultaneously pursuing direct discussions and negotiations with Nanyang Commercial Bank Limited with a view to resolving this matter swiftly and amicably.

Easy Champ Corporation Limited ("**Easy Champ**"), an indirect wholly-owned subsidiary of the Company, has been named as the defendant under HCA1504 of 2019 by the plaintiff of the action concerning a rental dispute over the office premises currently occupied by Easy Champ. The action is currently in its very initial stages and the Company has already engaged legal advisers to act on its behalf,

FT Securities Limited ("**FT Securities**"), an indirect wholly-owned subsidiary of the Company, was served a Notice issued by the Securities and Futures Commission dated 18 September 2019 together with a sealed copy of an Order made by the Securities and Futures Appeals Tribunal dated 12 September 2019 by Securities and Futures Commission as respondent (the "**Respondent**") and FT Securities as applicant (the "**Order**"). The Respondent claims against FT Securities for a total amount of HK\$3,806,414, being a pecuniary penalty of HK\$3,500,000, together with the costs of HK\$306,414.

On 10 October 2019, Securities and Futures Commission, as judgement creditor, obtained a Garnishee Order to Show Cause from the High Court of Hong Kong Special Administrative Region against FT Securities as judgment debtor and The Hongkong and Shanghai Banking Corporation Limited as garnishee (the "**Garnishee**"), attaching any debts due or accruing from the Garnishee to FT Securities.

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

### **Advance to an Entity**

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

Following to the term sheet of 7 April 2016 and the restructuring agreement of 29 April 2016 regarding the restructuring of the Hotel-Casino Complex, the total outstanding amount due from HKE to Gain Millennia Limited ("**GML**") and TEC and other moneys payable by HKE to GML and/or its affiliated companies is HK\$164,624,000 (the "**GML Outstanding Amount**"). Pursuant to the restructuring agreement, a new company incorporated by Mr. Chen Chien Yeh shall issue a convertible bonds in a principal sum of USD21,150,002 to GML or its nominee as a full and final settlement of the GML Outstanding Amount. On 29 June 2016, a supplemental agreement was entered into to extend the long stop date of the restructuring agreement from 30 June 2016 to 30 September 2016. On 30 September 2016, the restructuring agreement lapsed. The management has taken a prudent approach and made full impairment of the GML Outstanding Amount during the year ended 31 December 2016, and on 12 April 2019, the GML Outstanding Amount has been written off as resolved and approved by the Board.

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

On 12 April 2019, Perfect Plus Investment Limited ("**Perfect Plus**"), an indirect wholly-owned subsidiary of the Company, entered into the sales and purchase agreement with an independent third party ("**the Purchaser**"), pursuant to which Perfect Plus agreed to sell and the Purchaser agreed to acquire the entire issued share capital of GML, the completion of which also took place on the said date of the execution of the sales and purchase agreement which has resulted in GML no longer being a subsidiary of the Company.



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

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

### Long position in shares and underlying shares of the Company

Name of Director	Type of interests	Number of issued ordinary shares held	Number of underlying shares	Approximate percentage of the issued share capital
Lam Kwok Hing Wilfred	Beneficial owner	–	297,870 (Note)	0.106%
Chan Shui Sheung Ivy	Beneficial owner	9,000	297,870 (Note)	0.109%
Mok Tsan San	Beneficial owner	–	297,870 (Note)	0.106%

Note:

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

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

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the above section headed "Directors' and Chief Executives' Interests in Shares of the Company", at no time during the nine months ended 30 September 2019 was the Company or any of its subsidiaries a party to any arrangement to enable any of the Directors or the chief executives of the Company to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of the Company or any other body corporate, and none of the Directors, their spouse or their children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the nine months ended 30 September 2019.

## SUBSTANTIAL SHAREHOLDERS

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

### Long position in shares and underlying shares of the Company

Name of Shareholders	Capacity	Number of Shares	Total approximate percentage of interests
Ng Kam Ching	Beneficial owner	10,074,600	6.85%
	Interest of controlled corporation	9,185,400 (Note)	

Note: 9,185,400 shares of the Company were held by Yin City Investment Limited, a company wholly and beneficially owned by Mr. Ng Kam Ching.

Save as disclosed above, the Directors were not aware of any other persons, other than a director or chief executive of the Company, who had an interest or a short position in the shares or underlying shares of the Company as at 30 September 2019 as recorded in the register required to be kept by the Company under Section 336 of the SFO or as otherwise notified to the Company or the Exchange.

## COMPETING INTERESTS

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

## PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the nine months ended 30 September 2019.

## AUDIT COMMITTEE

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

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

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

Hong Kong, 13 November 2019

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