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華人策略控股有限公司

Chinese Strategic Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 8089)

THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018

CHARACTERISTICS OF GEM OF THE EXCHANGE

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

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

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

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

The board of directors (the “**Board**”) of Chinese Strategic Holdings Limited (the “**Company**”) hereby announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the nine months ended 30 September 2018, together with the comparative figures for the corresponding period in year 2017, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<i>Notes</i>	Three months ended		Nine months ended	
		30 September		30 September	
		2018	2017	2018	2017
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	3	4,784	1,277	24,102	5,228
Cost of sales		(3,791)	(74)	(20,297)	(228)
Gross profit		993	1,203	3,805	5,000
Other income and gains		159	3	443	69
Administrative expenses		(16,736)	(22,436)	(56,138)	(58,617)
Changes in fair values of investment properties, net		(2,440)	600	3,650	3,770
Changes in fair values of investments held for trading, net		(18,381)	(366)	(43,747)	(17,066)
Gain (loss) on disposals of investments held for trading, net		(10,658)	36,267	(29,172)	7,589
Changes in fair values of convertible instruments designated as financial assets at fair value through profit or loss, net		(122)	(646)	2,997	3,508
Gain on redemption of convertible instruments designated as financial assets at fair value through profit or loss		594	–	594	1,333
Gain on disposal of available-for-sale financial assets		–	–	–	1,108
Allowance for impairment on loan and other receivables		342	–	(336)	–
Gain (loss) on disposal of subsidiaries		–	(5,756)	907	(5,756)
Gain on deemed disposal of a subsidiary		–	–	45	–
Loss on disposal of an associate		–	–	–	(770)
Share of profit (loss) of joint venture		853	961	1,315	2,840

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Operating (loss) profit		(45,396)	9,830	(115,637)	(56,992)
Finance costs	4	(7,167)	(4,612)	(19,754)	(15,489)
(Loss) profit before tax		(52,563)	5,218	(135,391)	(72,481)
Income tax expenses	5	—	—	—	—
(Loss) profit for the period	6	<u>(52,563)</u>	<u>5,218</u>	<u>(135,391)</u>	<u>(72,481)</u>
Other comprehensive income (expense)					
Items that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translation of foreign operations		(2)	2	(2)	2
Other comprehensive income (expense) for the period, net of income tax		(2)	2	(2)	2
Total comprehensive income (expense) for the period		<u>(52,565)</u>	<u>5,220</u>	<u>(135,393)</u>	<u>(72,479)</u>
(Loss) profit for the period attributable to:					
Owners of the Company		(52,721)	5,040	(135,909)	(73,007)
Non-controlling interests		158	178	518	526
		<u>(52,563)</u>	<u>5,218</u>	<u>(135,391)</u>	<u>(72,481)</u>
Total comprehensive income (expense) attributable to:					
Owners of the Company		(52,723)	5,042	(135,911)	(73,005)
Non-controlling interests		158	178	518	526
		<u>(52,565)</u>	<u>5,220</u>	<u>(135,393)</u>	<u>(72,479)</u>
(Loss) earnings per share	8				
Basic (HK cents)		<u>(25.50) cents</u>	<u>2.92 cents</u>	<u>(65.73) cents</u>	<u>(53.96) cents</u>
Diluted (HK cents)		<u>(25.50) cents</u>	<u>2.92 cents</u>	<u>(65.73) cents</u>	<u>(53.96) cents</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2018

	Attributable to owners of the Company							Non-controlling interests	Total	
	Share capital	Share premium	Contributed surplus	Share options reserve	Investment revaluation reserve	Translation reserve	Accumulated losses			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2017 (audited)	1,149	3,087,530	7,914	15,137	24,304	(8,923)	(2,601,482)	525,629	30,233	555,862
(Loss) profit for the period	-	-	-	-	-	-	(73,007)	(73,007)	526	(72,481)
Other comprehensive income (expense) for the period	-	-	-	-	-	2	-	2	-	2
Total comprehensive income (expense) for the period	-	-	-	-	-	2	(73,007)	(73,005)	526	(72,479)
Issue of shares upon open offer	574	56,865	-	-	-	-	-	57,439	-	57,439
Transaction cost attributable to issue of shares upon open offer	-	(2,264)	-	-	(24,304)	-	24,304	(2,264)	-	(2,264)
Disposal of available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-
At 30 September 2017 (unaudited)	1,723	3,142,131	7,914	15,137	-	(8,921)	(2,650,185)	507,799	30,759	538,558
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 (Note)	-	-	-	-	-	-	(18,721)	(18,721)	-	(18,721)
At 1 January 2018 (adjusted)	-	-	-	-	-	-	(135,909)	(135,909)	518	(135,391)
(Loss) profit for the period	-	-	-	-	-	(2)	-	(2)	-	(2)
Other comprehensive income (expense) for the period	-	-	-	-	-	(2)	(135,909)	(135,911)	518	(135,393)
Total comprehensive income (expense) 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

Note:

On 1 January 2018, the Group has been impacted by the requirements of HKFRS 9 relating to the measurement of credit losses on financial assets. As a result, the additional of credit loss allowance was recognized against accumulated losses. As permitted by the HKFRS 9, comparatives have not been restated.

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 2nd Floor, Lee Kum Kee Central, 54-58 Des Voeux Road Central, Hong Kong.

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

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 2018 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 2018 are consistent with those used in the Group’s annual financial statements for the year ended 31 December 2017, except for the new and revised HKFRSs and interpretations issued by HKICPA that are first effective for the current accounting period of the Company. There has been no significant change to the accounting policy applied in these unaudited condensed consolidated financial statements for the period presented as a result of adoption of these amendments, except for adoption of HKFRS 9 *Financial Instruments* in relation to the classification and measurement of financial assets as mentioned in note 2 of 2018 interim report.

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		Nine months ended	
	30 September		30 September	
	2018	2017	2018	2017
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Rental income	663	612	1,989	1,916
Interest income from provision of loan financing	407	665	1,249	3,312
Sales of goods	3,714	–	20,864	–
Dividend income from investments held for trading	–	–	–	–
	<u>4,784</u>	<u>1,277</u>	<u>24,102</u>	<u>5,228</u>

4. FINANCE COSTS

	Three months ended		Nine months ended	
	30 September		30 September	
	2018	2017	2018	2017
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on:				
Bank borrowings	109	148	345	449
Other loans	4,574	3,153	12,860	10,935
Bond payables	956	956	2,843	2,843
Obligations under finance leases	20	12	48	40
Margin accounts	1,508	343	3,658	1,222
	<u>7,167</u>	<u>4,612</u>	<u>19,754</u>	<u>15,489</u>

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 2018 and 30 September 2017.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for the nine months ended 30 September 2018 and 30 September 2017.

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

6. (LOSS) PROFIT FOR THE PERIOD

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

	Three months ended		Nine months ended	
	30 September		30 September	
	2018	2017	2018	2017
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Staff costs including directors' emoluments:				
Salaries and allowances	7,534	7,066	22,620	20,817
Contributions to retirement benefits scheme	171	175	519	458
	7,705	7,241	23,139	21,275
Depreciation of plant and equipment	1,004	886	2,736	2,333
Amortisation of prepaid lease payment	97	97	291	291
Minimum lease payments under operating leases	1,080	1,035	3,210	4,140
Gross rental income	(663)	(612)	(1,989)	(1,916)
Less: outgoing (included in cost of sales)	71	74	227	228
Net rental income	<u>(592)</u>	<u>(538)</u>	<u>(1,762)</u>	<u>(1,688)</u>

7. DIVIDEND

No dividend was paid or proposed for ordinary shares of the Company during the nine months ended 30 September 2018 and 30 September 2017, nor has any dividend been proposed since 30 September 2018 and up to the date of this announcement.

8. (LOSS) EARNINGS PER SHARE

The calculation of the basic and diluted (loss) earnings 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	
	2018	2017	2018	2017
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(Loss) profit				
(Loss) profit for the period attributable to owners of the Company for the purpose of basic and diluted (loss)/earnings per share	<u>(52,721)</u>	<u>5,040</u>	<u>(135,909)</u>	<u>(73,007)</u>
	'000	'000	'000	'000
Number of shares				
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	206,778	172,317	206,778	135,287
Effect of dilutive potential ordinary shares – Share options	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	<u>206,778</u>	<u>172,317</u>	<u>206,778</u>	<u>135,287</u>

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

The computation of diluted earnings per share for the three months ended 30 September 2017 does not assume the exercise of the Company's share options because the exercise price of the Company's share options was higher than the average market price of the Company's shares for the three months ended 30 September 2017.

The computation of diluted loss per share for the nine months ended 30 September 2018 and 30 September 2017 does not assume the exercise of the Company's share options, since it would result in a decrease in loss per share for the period which is regarded as anti-dilutive.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Performance

For the nine months ended 30 September 2018, the Group recorded a revenue of approximately HK\$24,102,000 (nine months ended 30 September 2017: approximately HK\$5,228,000), representing an increase of approximately 361% as compared with the last corresponding period. The increase in revenue was mainly due to a new segment of trading business launched in the last quarter of 2017.

Administrative expenses for the nine months ended 30 September 2018 was approximately HK\$56,138,000 (nine months ended 30 September 2017: approximately HK\$58,617,000), representing a decrease of 4.2% as compared with the last corresponding period.

The Group incurred finance costs of approximately HK\$19,754,000 for the nine months ended 30 September 2018 (nine months ended 30 September 2017: approximately HK\$15,489,000), 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 2018 aggregated at approximately HK\$135,909,000 (nine months ended 30 September 2017: approximately HK\$73,007,000). Loss for the period was mainly attributable to loss on disposals of investments held for trading of approximately HK\$29,172,000 and loss arising from fair value changes of investments held for trading of approximately HK\$43,747,000. The basic loss per share for the nine months ended 30 September 2018 was HK65.73 cents (nine months ended 30 September 2017: HK53.96 cents).

Business Review and Outlook

The Group recorded a rental income of approximately HK\$1,989,000 for the nine months ended 30 September 2018 (nine months ended 30 September 2017: approximately HK\$1,916,000) 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, and this trend is expected to continue. During the period under review, the Group subscribed 990,000 new shares at a subscription price of HK\$16,830,000 of a company incorporated in Hong Kong, representing 99% of its enlarged issued share capital. Its principal asset is a residential property in Hong Kong valued at approximately HK\$48,210,000. Recently, signs of a housing market downturn in Hong Kong are spreading. In October 2018, the Group and an independent third party entered into a sale and purchase agreement in relation to the disposal of a residential property in Hong Kong. The management will from time to time review its investment strategy.

As at 30 September 2018, the Group had investments held for trading amounted to approximately HK\$131,937,000, representing 19.1% of the total assets of the Group (31 December 2017: approximately HK\$204,232,000). As a result of volatility in securities market, the Group recorded a loss arising from the fair values changes of investments held for trading of approximately HK\$43,747,000 (nine months ended 30 September 2017: approximately HK\$17,066,000) and a loss on disposals of investments held for trading of approximately HK\$29,172,000 (nine months ended 30 September 2017: gain approximately HK\$7,589,000). As at 30 September 2018, the Group held certain unlisted instruments classified as convertible instruments designated as financial assets at fair value through profit or loss, amounted to approximately HK\$7,540,000 (31 December 2017: HK\$27,449,000). Certain convertible instruments matured on 30 September 2018 with principal amount of HK\$23,500,000 were redeemed and subsequently classified as other receivables. In view of an escalation in trade tensions between China and the U.S.A., fluctuation in global stock market is inevitable. The management will exercise a conservative investment approach.

Facing increase in interest rate and credit risk, the performance of loan financing business was not satisfactory during the period under review. As compared with the same period last year, the interest income dropped by 62.3% from approximately HK\$3,312,000 to HK\$1,249,000. The Group will explore the opportunity to further develop loan financing business.

The Group has diversified its revenue stream to tea leaves business since 2017. The revenue of it mainly comes from the sales of fine Chinese tea leaves of approximately HK\$20,864,000 for the nine months ended 30 September 2018.

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

* for identification purpose only

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

The Group will continue to adopt a positive but prudent approach towards its investment strategy and keep pace with market situation to grasp the other business opportunities, which may arise from time to time.

Fund Raising Activities

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

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

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

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

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

Liquidity and Financial Resources

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

As at 30 September 2018, the Group had cash and cash equivalent of approximately HK\$13,022,000 (31 December 2017: approximately HK\$49,146,000), interest-bearing borrowings of approximately HK\$185,915,000 (31 December 2017: approximately HK\$139,226,000) and bond payables of HK\$50,000,000 (31 December 2017: HK\$50,000,000).

As at 30 September 2018, the gearing ratio (measured as total liabilities to total assets) was approximately 44.2% (31 December 2017: approximately 30.7%).

Capital Structure

As at 30 September 2018, the Company's issued share capital was HK\$2,067,775, divided into 206,777,513 shares of HK\$0.01 each.

Capital Commitments

As at 30 September 2018 and 31 December 2017, the Group did not have any capital commitments.

Contingent Liabilities

As at 30 September 2018 and 31 December 2017, the Group did not have any material contingent liability.

Charges on Assets

As at 30 September 2018, investment properties and certain investments held for trading with an aggregate carrying value of approximately HK\$257,917,000 (31 December 2017: HK\$258,126,000) have been pledged to banks and other financial institutions to secure the credit facilities granted to the Group.

Significant Investment

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

While on 5 September 2018, the Parties entered into a supplemental agreement to the sale and purchase agreement to extend the long stop date to 31 October 2018 and revise certain terms on the sales and purchase agreement. As certain conditions have not been clarified with the authorities as at the long stop date, the sale and purchase agreement as supplemented by the supplemental agreement lapsed accordingly.

In addition, the Company and the purchaser are in negotiation with the vendors in relation to the further agreement for the acquisition and subject to the authorities, it may constitute a notifiable transaction of the Company under the GEM Listing Rules if further agreement were reached.

Details are set out in the announcements of the Company dated 23 May 2018, 11 September 2018 and 12 November 2018. The Company will make further announcement(s) as and when appropriate in accordance with the GEM Listing Rules.

Save as disclosed in this announcement, the Group did not have any other significant investment during the nine months ended 30 September 2018.

Material Acquisition and Disposal

Save as disclosed in this announcement, the Group did not process any material acquisition or disposal of subsidiaries or joint ventures during the nine months ended 30 September 2018.

Litigations

Reference is made to pages 13 and 14 of 2017 Annual Report of the Company which discloses particulars on and progress of litigation matters in which the Company and/or its subsidiaries are involved.

* *for identification purpose only*

Regarding the action under HCA701 of 2013, the Plaintiff were allowed to re-amend their Amended Statement of Claim and they filed and served it on 23 August 2018 accordingly. The Company have instructed senior counsel to prepare the Defence for filing before the deadline on 2 November 2018.

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

Advance to an Entity

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

Following to the term sheet of 7 April 2016 and the restructuring agreement of 29 April 2016 regarding the restructuring of the Hotel-Casino Complex, the total outstanding amount due from HKE to Gain Millennia Limited (the “**GML**”) an indirect wholly-owned subsidiary of the Company and TEC and other moneys payable by HKE to GML and/or its affiliated companies is HK\$164,624,000 (the “**GML Outstanding Amount**”). Pursuant to the restructuring agreement, a new company incorporated by Mr. Chen Chien Yeh (“**NewCo**”) shall issue a convertible bonds in a principal sum of USD21,150,002 to GML or its nominee as a full and final settlement of the GML Outstanding Amount. On 29 June 2016, a supplemental agreement was entered into to extend the long stop date of the restructuring agreement from 30 June 2016 to 30 September 2016. On 30 September 2016 the restructuring agreement lapsed. As at 30 September 2018, the net amount due and owing by HKE in the aggregate sum of HK\$164,624,000.

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

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

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

As at 30 September 2018, 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 <i>(Note)</i>	0.14%
Chan Shui Sheung Ivy	Beneficial owner	9,000	297,870 <i>(Note)</i>	0.14%
Mok Tsan San	Beneficial owner	–	297,870 <i>(Note)</i>	0.14%

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 2018, 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 2018 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 2018.

SUBSTANTIAL SHAREHOLDER

As at 30 September 2018, 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 Shareholder	Capacity	Number of Shares	Approximate percentage of interests
Ng Kam Ching	Beneficial owner	35,784,000	17.30%

As at 30 September 2018, the number of shares issued by the Company was 206,777,513.

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 2018 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 2018.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the nine months ended 30 September 2018.

AUDIT COMMITTEE

The Company has established an audit committee (the "**Audit Committee**") with written terms of reference in compliance with the GEM Listing Rules. 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 result announcement for the nine months ended 30 September 2018 and has provided comments thereon.

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

Hong Kong, 12 November 2018

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